ALJ/MAB/lil **Date of Issuance 12/26/2012**

Decision 12-12-009 December 20, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms.	Rulemaking 11-02-019 (Filed February 24, 2011)

DECISION IN COMPLIANCE WITH PUBLIC UTILITIES CODE SECTIONS 961 AND 963, AND AMENDING GENERAL ORDER 112-E TO ADD WHISTLEBLOWER PROTECTIONS

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ATTACHMENT A - Report of the Consumer Protection and Safety Division on its Review of Gas Safety Plans Filed by Gas Corporations in Response to Decision 12-04-010 Amending Scope of Rulemaking 11-02-019

DECISION IN COMPLIANCE WITH PUBLIC UTILITIES CODE SECTIONS 961 AND 963, AND AMENDING GENERAL ORDER 112-E TO ADD WHISTLEBLOWER PROTECTIONS

1. Summary

This decision complies with the requirements of Public Utilities Code Sections 961 and 963, which were recently enacted by Senate Bill 705 (Ch. 522, Stats. 2011) which require that each California gas natural gas corporation submit a safety plan. Today's decision also adopts new protections for safety whistleblowers.

This proceeding remains open to address ongoing safety improvements.

2. Background

Since the tragic events in San Bruno, this Commission has moved forward on numerous fronts to improve the safety of California's natural gas transmission and distribution systems. We are well underway with review and implementation of many of the natural gas transmission and distribution system safety issues set forth in Sections 961 and 963. We are currently in the midst of addressing long-term and costly utility plans for pressure testing or replacing natural gas pipelines for which previous pressure testing records are not available for Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas), the major gas corporations operating in California.[1]

As required by Sections 961 and 963, this Commission in D.12-04-010 ordered each California natural gas corporation to develop and implement a plan for the safe and reliable operation of its gas pipeline facilities and file the plan no

[1] The review of SDG&E's and SoCalGas' plans is taking place in Application (A.) 11-11-002 as authorized in Decision (D.) 12-04-021.

later than June 27, 2012. The Commission adopted the Legislature's overall policy statement: "It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates."[2]

The Commission also expanded the list of respondents to this proceeding, having named PG&E, SDG&E, SoCalGas, and Southwest Gas Corporation initially as respondents. The new provisions, however, applied to all gas corporations; thus, the Commission added the following gas corporations as respondents to this proceeding: West Coast Gas, Alpine Natural Gas, and Southern California Edison Company (Catalina Island Gas Pipeline Distribution System), as well as natural gas storage companies, Wild Goose Storage LLC, Lodi Gas Storage, Gill Ranch Storage, and Central Valley Gas Storage.

3. Existing State and Federal Natural Gas Safety Regulation

Pursuant to Pub. Util. Code § 451, each public utility in California must "furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment, and facilities, . . . as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public." Ensuring that the management of investor-owned gas utility systems fully performs its duty of safe operations is a core obligation of this Commission.

To meet this obligation with added urgency after the San Bruno events, the Commission expanded its efforts in the following areas: (1) General Rate Cases,

[2] Pub. Util. Code § 963(b)(3).

(2) this Rulemaking, and (3) enforcement proceedings. We have also obtained invaluable outside assistance from the National Transportation and Safety Board (NTSB) and the Independent Review Panel. Natural gas transmission system safety has, as its base, regulatory requirements promulgated at the federal level. After a summary of the federal Integrity Management programs, below, we turn to this Commission's efforts.

3.1. Integrity Management Plans

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is part of the United States Department of Transportation and its Office of Pipeline Safety administers the Department's national regulatory program to assure the safe transportation of natural gas, petroleum, and other hazardous materials by pipeline. The Office of Pipeline Safety develops regulations and other approaches to risk management to assure safety in design, construction, testing, operation, maintenance, and emergency response of pipeline facilities.[3] PHMSA is responsible for the federal rules that are referenced in and adopted by the Commission's General Order (GO) 112-E.

3.1.1. Natural Gas Transmission Integrity Management Plans

PHMSA regulations, and in particular the Integrity Management Rule require each gas transmission system operator to develop and implement an Integrity Management Plan. The purpose of the Integrity Management Rule is to improve pipeline safety through:

- Performing integrity assessment of pipeline segments in High Consequence Areas (HCA);

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[3] *See* generally, http://www.phmsa.dot.gov/portal/site/PHMSA.

- Improving integrity management systems within companies;
- Improving the government's role in reviewing the adequacy of an operator's integrity programs and plans; and
- Ensuring that the public is kept apprised of safety efforts.

The requirements for the Integrity Management Plan began with a framework:

> By no later than December 17, 2004, each operator of a covered pipeline segment was required to develop and follow a written integrity management program that contains all the elements described in § 192.911 and that addresses the risks on each covered transmission pipeline segment. The initial integrity management program must consist, at a minimum, of a framework that describes the process for implementing each program element, how relevant decisions will be made and by whom, a time line for completing the work to implement the program element, and how information gained from experience will be continuously incorporated into the program. The framework will evolve into a more detailed and comprehensive program. An operator must make continual improvements to the program.[4]

Gas transmission pipeline operators are required to submit performance measures on their Integrity Management programs, along with the annual reports on their pipeline infrastructure. PHMSA uses these reports—due March 15 each year—to monitor industry progress in complying with requirements of the Integrity Management Rule, to prioritize regulatory inspections, and to respond to inquiries about PHMSA's oversight program.

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[4] 49 CFR 192.907.

These performance measure reports provide information pertaining to operators' Integrity Management Programs, including the amounts of miles inspected and assessed, the operator's repair activities addressing time-sensitive conditions, and the numbers and types of incidents, leaks, and failures occurring in HCA segments of their pipelines. After performing quality checks, PHMSA posts these reports for the public to view.

3.1.2. Distribution Integrity Management Program

PHMSA also requires that operators of gas distribution pipelines develop and implement integrity management programs similar to those required for transmission pipelines. The purpose of these programs is to enhance safety by identifying and reducing pipeline integrity risks; however, unlike transmission, the distribution rule requirements apply to all distribution facilities and are not limited to the HCA.

Specifically, by August 2, 2011, each gas distribution pipeline operator must have developed and implemented an Integrity Management program that included a written Integrity Management Plan.[5] The written Plan must contain procedures for developing and implementing the following elements:

(a) Knowledge. An operator must demonstrate an understanding of its gas distribution system developed from reasonably available information.

(b) Identify threats. The operator must consider the following categories of threats to each gas distribution pipeline: Corrosion, natural forces, excavation damage, other outside force damage, material, weld or joint failure (including compression coupling), equipment

[5] 49 CFR §§ 192.1005, 1007.

failure, incorrect operation, and other concerns that could threaten the integrity of its pipeline. An operator must consider reasonably available information to identify existing and potential threats. Sources of data may include, but are not limited to, incident and leak history, corrosion control records, continuing surveillance records, patrolling records, maintenance history, and excavation damage experience.

(c) Evaluate and rank risk. An operator must evaluate the risks associated with its distribution pipeline. In this evaluation, the operator must determine the relative importance of each threat and estimate and rank the risks posed to its pipeline. This evaluation must consider each applicable current and potential threat, the likelihood of failure associated with each threat, and the potential consequences of such a failure. An operator may subdivide its pipeline into regions with similar characteristics (e.g., contiguous areas within a distribution pipeline consisting of mains, services and other appurtenances; areas with common materials or environmental factors), and for which similar actions likely would be effective in reducing risk.

(d) Identify and implement measures to address risks. Determine and implement measures designed to reduce the risks from failure of its gas distribution pipeline. These measures must include an effective leak management program (unless all leaks are repaired when found).

(e) Measure performance, monitor results, and evaluate effectiveness. An operator must develop and monitor performance measures from an established baseline to evaluate the effectiveness of its program, and consider

the results of its performance monitoring in periodically re-evaluating the threats and risks.

(f) Periodic Evaluation and Improvement. An operator must re-evaluate threats and risks on its entire pipeline and consider the relevance of threats in one location to other areas. Each operator must determine the appropriate period for conducting complete program evaluations based on the complexity of its system and changes in factors affecting the risk of failure. An operator must conduct a complete program re-evaluation at least every five years. The operator must consider the results of the performance monitoring in these evaluations.

(g) Report results. An operator must report, on an annual basis, the number of leaks and excavation damages to PHMSA and the state pipeline safety authority if a state exercises jurisdiction over the operator's pipeline.

Each gas distribution pipeline operator must report to the federal and state governments, on an annual basis, information related to the failure of compression couplings.

Operators of natural gas master-metered systems and small propane systems must also develop and implement an Integrity Management program that includes a written plan. However, the requirements for these operators are simpler in recognition of the lower complexity of these pipeline systems.

3.2. Commission Review - General Rate Cases

In a General Rate Case, this Commission considers a utility's overall operations and revenue requirement. Priorities are set for operating requirements and capital investment projects. Safety considerations are necessarily a primary component of the overall General Rate Case review. In

addition, in PG&E gas transmission and storage rate case, A.09-09-013, we expanded the scope to include explicitly a "safety phase" to focus directly on PG&E's disaster and emergency plans, automated shut-off valve installation and monitoring, changes to capital project priorities, safety related protocols, and relationships with first responders.

The scope of General Rate Cases includes all utility operations and provides revenue requirement to support staffing levels, equipment, facilities, and needed capital investments. General Rate Cases are one of the logical places for the Commission to review comprehensively and order any improvements necessary to improve the safety of utility operations.

3.3. This Rulemaking

We initiated this Rulemaking to consolidate and coordinate our efforts, obtain public input, and propose rule and policy changes as necessary. We set forth the following primary objectives of this proceeding, as well as specific plans for achieving each objective:

- Provide the public with a means to make their views known to this Commission;
- Provide the public with the Independent Review Panel's expert recommendations regarding the technical explanation for the explosion, assessment of likelihood that similar events may occur, and recommendations for preventive measures and other improvements;
- Develop and adopt safety-related changes to the Commission's regulation of natural gas transmission and distribution pipelines, including requirements for construction, especially automated shut-off valves, maintenance, inspections, operation, record retention, ratemaking, and the application of penalties;
- Consider ways that this Commission can undertake a comprehensive risk assessment for all natural gas

pipelines regulated by this Commission, and possibly for other industries that the Commission regulates;

- Consider available options for the Commission to better align ratemaking policies, practices, and incentives to elevate safety considerations, and maintain utility management focus on the "nuts and bolts" details of prudent utility operations;
- Consider the appropriate balance between the Commission's obligation to conduct its proceedings in a manner open to the public with the legitimate public safety concerns that arise from unlimited availability of certain utility information;
- Consider if we need further rules or other protection for whistleblowers to inform the Commission of safety hazards; and
- Expand our emergency and disaster planning coordination with local officials.

Since initiation, our primary efforts have been focused on ensuring that California's natural gas transmission system operators are properly determining the Maximum Allowable Operating Pressure (MAOP) for each segment of the natural gas transmission system. Our review caused us, on June 9, 2011, in D.11-06-017, to order all California natural gas transmission pipeline operators to prepare Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plans to either pressure test or replace all segments of natural gas pipelines that were not pressure tested or lacked sufficient details related to performance of any such test.[6] We required that the Plans provide for testing or

[6] The Commission's GO 112, which became effective on July 1, 1961, mandated pressure test requirements for new transmission pipelines (operating at 20% or more of Specified Minimum Yield Strength (SMYS)) installed in California after the effective date. Similar federal regulations followed in 1970, but exempted pipeline installed prior

Footnote continued on next page

replacing all such pipeline as soon as practicable, and that at the completion of the implementation period, all California natural gas transmission pipeline segments would be (1) pressure tested, (2) have traceable, verifiable, and complete records readily available, and (3) where warranted, be capable of accommodating in-line inspection devices. The gas system operators have filed their Implementation Plans which propose multi-year programs with proposed costs of hundreds of millions of dollars.[7] The evidentiary record on PG&E's Implementation Plan has been completed and a Proposed Decision prepared for Commission consideration. In addition, the Commission required all natural gas transmission system operators to implement interim safety enhancement measures, including increased patrols and leak surveys, pressure reductions, prioritization of pressure testing for critical pipelines that must run at or near MAOP values which result in hoop stress levels at or above 30% SMYS, and other such measures that will enhance public safety during the implementation period.

Apart from the comprehensive Implementation Plan, PG&E also brought forward specific requests necessary to prepare for the winter heating season. PG&E requested Commission authorization to lift operating pressure restrictions that had been imposed on certain lines following the San Bruno rupture. To consider such requests, the Commission adopted a public process for PG&E to make its demonstration that line operation could be safely restored to pre-restriction levels. The Commission required that PG&E provide documentation showing that it had gone beyond a rote pressure test of the line in

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to that time from the pressure test requirement. Such pipeline is often referred to as "grandfathered" pipeline, because pursuant to 49 CFR 192.619(c), pressure testing was not mandated.

question, and include a responsible engineer's review of the pipeline construction and assessment of the results in a Safety Certification. Specifically, the PG&E officer responsible for gas system engineering was required to provide a verified statement showing the following information:

a) that PG&E has validated the pipeline engineering and construction;

b) that PG&E has reviewed pressure tests results and can confirm that a pressure test was performed on the pipeline in accordance with federal regulations; and

c) that in the professional judgment of the engineering officer, the system would be safe to operate at the proposed restored pressure levels.[8]

3.4. Enforcement Proceedings

Where the Commission finds good cause to believe that a public utility has violated a Commission order or California law for which the Commission has enforcement authority, the Commission may open an investigation to consider imposing fines or other penalties for any such violations. The Commission has opened investigations into PG&E's operations regarding the San Bruno rupture, Investigation (I.) 12-01-007; PG&E's recordkeeping, I.11-02-016; and the HCA Investigation, I.11-11-009.

3.5. Reports from the NTSB and the Independent Review Panel

The NTSB and the Independent Review Panel convened by this Commission have made many recommendations related to the investigation of the San Bruno explosion.[9]

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[7] SDG&E and SoCalGas' Implementation Plans were transferred to A.11-11-002.

[8] D.11-09-006 at 18.

The NTSB report concluded that the Commission should do the following:

- With assistance from the Pipeline and Hazardous Materials Safety Administration, conduct a comprehensive audit of all aspects of Pacific Gas and Electric Company operations, including control room operations, emergency planning, record-keeping, performance-based risk and integrity management programs, and public awareness programs. (P-11-22)
- Require the Pacific Gas and Electric Company to correct all deficiencies identified as a result of the San Bruno, California, accident investigation, as well as any additional deficiencies identified through the comprehensive audit recommended in Safety Recommendation (P-11-22), and verify that all corrective actions are completed. (P-11-23)

Among the many recommendations for PG&E, the NTSB issued this comprehensive directive regarding PG&E's integrity management program and risk analysis:

- Assess every aspect of your integrity management program, paying particular attention to the areas identified in this investigation, and implement a revised program that includes, at a minimum, (1) a revised risk model to reflect the Pacific Gas and Electric Company's actual recent experience data on leaks, failures, and incidents; (2) consideration of all defect and leak data for the life of each pipeline, including its construction, in risk analysis for similar or related segments to ensure that all

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[9] The entire Independent Review Panel report is found at http://www.cpuc.ca.gov/PUC/events/110609_sbpanel.htm. The NTSB report is at http://www.ntsb.gov/investigations/summary/PAR1101.html.

applicable threats are adequately addressed; (3) a revised risk analysis methodology to ensure that assessment methods are selected for each pipeline segment that address all applicable integrity threats, with particular emphasis on design/material and construction threats; and (4) an improved self-assessment that adequately measures whether the program is effectively assessing and evaluating the integrity of each covered pipeline segment. (P-11-29)

- Conduct threat assessments using the revised risk analysis methodology incorporated in your integrity management program, as recommended in Safety Recommendation P-11-29, and report the results of those assessments to the California Public Utilities Commission and the Pipeline and Hazardous Materials Safety Administration. (P-11-30)

The Independent Review Panel's full set of recommendations include instituting state-of-the-art risk analysis to evaluate the likelihood of various possible failures and to establish a culture of pipeline integrity. The Independent Review Panel's recommendation 5.4.4.5 captures the comprehensive and long-term perspective needed:

> PG&E should develop and adopt a maturity framework that reflects the importance and advancement of thinking of pipeline integrity and safety as a journey, which is coherently applied across the enterprise, where progress is transparent and measurable, and is consistent with the best thinking on pipeline integrity and process safety management.

4. Complying with Public Utilities Code Sections 961 and 963

4.1. The Commission's Organizational Approach

Recent California legislation has also emphasized the need for increased and more effective safety procedures.[10] As noted above, SB 705, codified as Pub. Util. Code §§ 961 and 963, requires each gas corporation to develop a plan for the "safe and reliable operation of its commission-regulated gas pipeline facility that implements the policy of paragraph (3) of subdivision (b) of Section 963, subject to approval, modification, and adequate funding by the commission." As provided in Pub. Util. Code § 961(e), the Commission and each gas corporation must "provide opportunities for meaningful, substantial, and ongoing participation by the gas corporation workforce in the development and implementation of the plan, with the objective of developing an industry-wide culture of safety that will minimize accidents, explosions, fires, and dangerous conditions for the protection of the public and the gas corporation workforce."

By December 31, 2012, the Commission is required to review and accept, modify, or reject the plan for each gas corporation as part of a proceeding that includes a hearing, and Pub. Util. Code § 961(c) and (d) provide specific details on what is required.

In D.12-04-010, we organized the detailed Legislative directives and grouped the list found in the two code sections into five overall topics: (1) safety systems, (2) emergency response, (3) state and federal regulations, (4) continuing operations, and (5) emerging issues. The items are grouped and listed below,

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[10] *See* Senate Bill (SB) 44 (Ch. 520, Stats. 2011), Assembly Bill 56 (Ch. 519, Stats. 2011), SB 216 (Ch. 521, Stats. 2011), SB 705 (Ch. 522, Stats 2011), and SB 879 (Ch. 523, Stats. 2011). We discussed this legislation in Resolution ALJ-274.

along with references, where appropriate, to the ongoing Commission processes discussed above.

List of Issues from Pub. Util. Code §§ 961(c) and (d)(1 -10), Grouped By Topic	**Overall Topic**	**Commission Oversight Process**
Identify and minimize hazards and systemic risks. 961(d)(1)	Safety Systems	Utility Operations and Maintenance Plans in place, along with Integrity Management for both transmission and distribution systems to address threats and systemic risks.
Identify the safety-related systems that will be deployed to minimize hazards. 961(d)(2)		
Equipment and personnel procedures to limit the damage from accidents. 961(d)(5)	Emergency Response	Emergency response procedures required by 49 CFR 192.615, utility customer service response set in General Rate Cases, with revenue requirement provided to meet the standards. Improving first-responder and utility coordination, and access to pipeline facility data already underway in Rulemaking.
Timely response to reports of leaks, hazardous conditions, and emergency events. 961(d)(6)		
Prepare for and respond to earthquakes and other major events. 961(d)(8)		
Protocols for determining maximum allowable operating pressures. 961(d)(7)	State and Federal Regulations	Federal regulations currently specify maximum allowable operating criteria. Since September 13, 2010, where warranted, Commission has been ordering reductions of MAOP on a line-by-line basis, and has set standards for any authorized resumptions; Commission leads the U.S. by ordering all gas transmission lines to have MAOP established by pressure tests. GO 112-E requirements exceed federal regulations; however, staff has proposed revisions to GO 112 in this Rulemaking.
Meet or exceed the minimum standards for safe design, construction, installation, operation, and maintenance of gas transmission and distribution facilities prescribed by regulations. 961(d)(9)		
Best practices in the gas industry and with federal pipeline safety statutes. 961(c)		
Safety of the public and gas corporation employees as the	Continuing Operations	Federal regulations currently specify patrol and leak survey

top priority, take all reasonable and appropriate actions consistent with the principle of just and reasonable cost-based rates. 963(b)(3)		activities to inspect for leaks. Commission staff continually stay informed on new leak detection technologies to make activities more effective. General Rate Cases require overall review of operations which includes gas transportation capacity, newly created safety phase to focus on programs for safety.
Provide adequate storage and transportation capacity to reliably and safely deliver gas to all customers. 961(d)(3)		
Provide for effective patrol and inspection to detect leaks. 961(d)(4)		
Ensure an adequately sized, qualified, and properly trained gas corporation workforce. 961(d)(10)		
Any additional matter that the commission determines should be included in the plan. 961(d)(11)	Emerging Issues	Commission has opened Rulemakings for longer-term issues, with Commission Executive Director empowered to take urgent actions as needed, and enforcement proceedings are the ultimate procedural mechanism.

The legislation acknowledges both state and federal requirements, but this Commission must determine whether the utilities have properly assessed risks and are properly implementing the required mitigation measures. Similarly, the Independent Review Panel and the NTSB have provided recommendations and directives that focus on safety systems, to see safety as a long-term effort that must be consistently applied throughout gas system operations.

In addition to the directives codified in Pub. Util. Code §§ 961 and 963, other recent California legislation addresses many of these same topics. Emergency plans, pressure testing, safety reports to the Commission's Consumer Protection and Safety Division (CPSD), and ratemaking requirements are found

in new Pub. Util. Code §§ 956.5, 958, 958.5, 959 and 969. As with the directives in new §§ 961 and 963, discussed above, the Commission will be addressing these issues in ongoing Commission processes.

The Legislature also added new Section 957 to the Public Utilities Code. This new section requires the Commission to order intrastate natural gas transmission line operators to install automatic or remote-controlled shut-off valves in certain locations as "consistent with protection of the public." As set forth above, the Commission included such valves within the initial scope of this proceeding, and each gas system operator has included proposals for increasing the number of shut-off values in their respective implementation plans. Thus, we conclude that these issues, like many of the issues found in §§ 961 and 963, are currently subject to active Commission oversight in this and other proceedings.

4.2. Safety Plans

As set forth above, the overall safety plans of California's natural gas system operators flow from numerous Commission processes in addition to the PHMSA regulations. To provide a comprehensive articulation of these components, e.g., policies, procedures, standards, guidelines, which together form their respective safety plans, in D.12-04-010, we ordered all California natural gas system operators to file and serve no later than June 29, 2012, a natural gas system operator safety plan that shows how the operator addresses each element of Pub. Util. Code §§ 961 and 963 for its gas transmission and distribution facilities. We allowed the operators to reference existing components or include Exhibits or Attachments that cross-reference to other existing utility documentation, but required that the filed safety plans include a substantive summary of the referenced policy, procedure, or standard that is a component of the safety plan.

As we observed in D.12-04-010, in a hierarchy of gas utility documents that communicate its safety program, the gas safety plan we ordered to be filed is at the top. This plan must convey the executive officer's safety performance expectations, policy principles, and goals/objectives for the gas utility's safety performance. The rationale for developing a gas safety plan is to motivate a gas utility to reflect upon its existing methods and for it to change, to optimize, or to enhance the existing methods, using the elements promulgated by SB 705 and the lessons learned from the San Bruno incident, as appropriate, to ensure that the gas utility has a prudent plan in place to protect public safety and worker safety.

As set forth above, § 961(e) states that this Commission require each gas corporation to "provide opportunities for meaningful, substantial, and ongoing participation by the gas corporation workforce in the development and implementation of the plan, with the objective of developing an industry-wide culture of safety that will minimize accidents, explosions, fires, and dangerous conditions for the protection of the public and the gas corporation workforce." To comply with § 961(e), we required that each gas corporation make its safety report available to its workforce, and provide for comments and suggestions from the workforce and to retain a log of the comments and suggestions, including the disposition of the comment or suggestion, with a summary of the rationale for the disposition.

4.3. Issue Raised by California Assembly Member Jerry Hill - Supervision of In-Line Inspection Contractors

By letter dated July 10, 2012, addressed to PG&E's President and copied to the Commission, California Assembly Member Jerry Hill expressed concern regarding coordination and supervision of in-line inspection contractors to California natural gas utilities. The Assembly Member referenced findings by the

NTSB while investigating a crude oil pipeline rupture in Marshall, Michigan, and noted that PG&E had hired the same in-line inspection contractor that had misclassified crack that led to the rupture in Michigan.

In his ruling of July 20, 2012, the assigned Commissioner stated that he shared Assembly Member Hill's concerns and directed the utilities that employ in-line inspection tools towards assessing for metal loss to amend their Safety Plans to address these concerns no later than August 24, 2012.

In that ruling, the Commissioner also authorized parties to file and serve comments on the Safety Plans no later than September 7, 2012.

4.4. Safety Plans Filed

California natural gas system operators filed their respective safety plans as set forth below:

Safety Plan Filed on June 29, 2012	Amended Plan Filed	CPSD Report
San Diego Gas & Electric Company	August 24, 2012	
Southern California Gas Company	August 24, 2012	
Pacific Gas and Electric Company	August 24, 2012	
Southern California Edison Company, Catalina Petroleum Gas Pipeline Distribution System	August 24, 2012	
Southwest Gas Corporation	August 24, 2012	
Gill Ranch Storage, LLC	August 24, 2012	
Lodi Gas Storage, LLC	August 24, 2012, as corrected August 27, 2012	
Central Valley Gas Storage, LLC	August 24, 2012	
Alpine Natural Gas Operating	August 24, 2012	

Company No 1, LLC		
West Coast Gas Company Safety Plan filed July 20, 2012[11]		
Wild Goose Storage, LLC.	August 24, 2012	

4.5. Consumer Protection and Safety Division Report

On November 16, 2012, the Commission's CPSD completed its review of the safety plans submitted by the natural gas utilities. The report is reproduced at Attachment A to today's decision.

CPSD engineers reviewed each plan for compliance with the items specified in Sections 961 and as set forth in our decision. To evaluate the filed safety plans, CPSD first established specific interpretations of each Legislative and Commission direction to guide its review of each plan. The report sets out each such interpretation, which CPSD refers to as a criterion, and explains how it was derived and applied. CPSD then evaluated each safety plan for compliance with each adopted criterion. CPSD's summary matrix showing the result of its evaluations is found on page 14 of the report.

The summary matrix shows that CPSD identified deficiencies in every submitted safety plan. CPSD explains in its report that its review of the proposed gas safety plans submitted by the 11 respondents revealed that all plans relied on existing gas program plans, programs, procedures, policies, or guidelines. These existing plans and procedures include Operation and Maintenance Plans, Emergency Response Plans, Transmission and/or Distribution Integrity

[11] West Coast Gas Company's motion for acceptance of late filing is granted.

Management Programs, Operator Qualification, Public Awareness Plans, proactive safety programs initiated by the operator and other plans and procedures that pipeline operators are required to have in accordance with the Commission's GO 112-E and Title 49, Code of Federal Regulations, Parts 191, 192, and 199, as referenced and adopted by GO 112-E.

CPSD qualified its use of the term "deficiency" as not meaning an imminent threat exists, but rather that the safety plan as presented did not meet CPSD's newly developed criteria implementing Pub. Util. Code §§ 961 and 963. Where the operator presented an insufficient showing, or the cross reference was to a general standard or program, which lacked detail, CPSD found the plan deficient. CPSD expressed confidence that it could work with the operators to address and resolve most, if not all, of the identified deficiencies. CPSD requested that the Commission authorize the operators to file and serve compliance statements no later than June 30, 2013, demonstrating that the operator has successfully addressed CPSD's noted deficiencies.

We agree with CPSD that the noted deficiencies must be cured by the operators. No later than June 30, 2013, each operator must file and serve a compliance statement showing that any identified deficiency in its safety plan has been cured.

Notwithstanding CPSD's thorough review, we emphasize that each operator is ultimately responsible for safe operations of a natural gas system. Maintaining public and workforce safety may require more or different actions than as described in Section 961, Commission decisions or regulations, or CPSD review. Each operator is required to take such actions as may be necessary to maintain natural gas system safety at all times.

4.6. Comments on the Safety Plans

September 7, 2012, the Utility Workers Union of America (UWUA) filed comments on the draft gas safety plan of the Southern California Gas Company filed pursuant to SB 705 and D.12-04-010. UWUA contended that the plan was little more than a compendium of existing documents setting forth the safety status quo.

September 7, 2012, the Engineers and Scientists of California Local 20, filed and served comments on PG&E's gas safety plan. This union contended that PG&E lacked sufficient in-house staff to operate safely. The union requested more input in PG&E's work force size and training. No other party filed comments and no party requested evidentiary hearings.

4.7. Commission's Going-Forward Plan: Continuous Improvement in Safety; Multi-faceted Oversight

As set forth above, this Commission exercises its constitutional and statutory authority over public utility gas operators via numerous oversight mechanisms. The federal regulators have a significant role in such regulation. We intend to fully exercise this authority to ensure that all gas operators in California operate their systems in a manner that protects public safety, and shows continuous improvement in preventing safety lapses.

We direct the natural gas system operators to review, revise, update and otherwise improve their safety planson a continual and going forward basis. We accept the current set of plans for filing but find that these plans must be dynamic; that is, subject to change as required by emerging issues, industry practices, and state and federal regulators.

5. Whistleblower Protections

5.1. Background

On June 14, 2012, the Commission's staff convened a workshop in this proceeding, pursuant to the assigned Commissioner's Ruling (issued March 14, 2012) to identify deficiencies in current company internal employee reporting protocols and California laws or regulations, and to develop proposals for a new Commission regulation. The purpose of the workshop was to help the Commission learn significantly more information from the people most knowledgeable about the safety problems of California natural gas utilities—the employees, who are in the fields conducting inspections, in the natural gas control rooms or in the offices, and who know when, where and why there are unsafe conditions and/or when there are efforts to cover-up these safety problems.

On July 23, 2012, the staff submitted a workshop report. The report recommended that the Commission find that there is a need for a regulation regarding protections for employees of natural gas utilities and their independent contractors, and adopt a new regulation requiring natural gas utilities to post the Commission's Whistleblower phone number and e-mail information in physical locations where the employees are likely to see the notice, and prohibit retaliation by a natural gas utility against a whistleblower, who contacts the Commission for what the employee in good faith believes to be an unsafe condition.

The staff report explains that about one-half of internal employee reports of safety issues were made anonymously. The report concludes that this statistic suggests that fear of employer retaliation is significant. The report also notes that although existing laws protect the employees from retaliation, this Commission

has safety jurisdiction over the utilities, and that the employees are in a unique position to provide critical information to the staff.

In opposition to Commission whistleblower regulations, certain utilities argued that the California Attorney General and other agencies already have the responsibility to protect whistleblowers, and that the Commission's efforts would be duplicative of these other agencies' efforts. The staff report concluded that because this Commission has safety jurisdiction and expertise, the Commission should exercise concurrent jurisdiction with its sister agencies over claims over whistleblower retaliation by natural gas utilities.

5.2. Proposed New Whistleblower Regulations

The staff report proposes the following new "Subpart G - Whistleblower Protections" to be added to GO 112-E:

Subpart G - Whistleblower Protections

301 General

301.1 Each operator shall post in a prominent physical location, as well as an electronic notice on its website where its employees are likely to see it, a notice containing the following information:

Under sections 451 of the California Public Utilities Code, every public utility shall furnish and maintain such service, instrumentalities, equipment, and facilities, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public. Further, under section 963(b)(3) of the California Public Utilities Code, it is the policy of this State that California natural gas utilities and the Commission's regulation of natural gas utilities place safety of the public and the natural gas utilities' employees as the top priority consistent with the principle of just and reasonable cost-based rates. In addition, under section 961(e) of the California Public Utilities Code, the Commission and natural gas utilities must provide meaningful and ongoing opportunities for the utilities' workforce to participate in the

utilities' development of a plan for the safe and reliable operations of their pipeline facilities and to contribute to developing an industrywide culture of safety. In view of the above, any employee of the natural gas utility or of an independent contractor working under contract with a natural gas utility, who in good faith, believes that unsafe conditions, services or facilities of the utility threaten the health or safety of its patrons, the employees or the public, has a right to report the conditions to the California Public Utilities Commission. The employee can report the conditions by calling the Commission's Whistleblower Hotline at 1(800) 649-7570, either anonymously or by giving the employee's name, or by sending an e-mail with the pertinent facts and/or documentation to safetyhotline@cpuc.ca.gov. This requirement shall be in addition to any right the employee has to contact any other State of Federal agency, if the employee has reasonable cause to believe that the information discloses a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

302 The Utility Has No Right to Retaliate Against an Employee For Notifying the California Public Utilities Commission

302.1 In addition to other statutes, which provide remedies for retaliation against Whistleblowers (e.g., the California Whistleblower Act, California Labor Code § 1102.5), or any other remedy an employee may have in a court, the Commission prohibits California natural gas utilities from retaliating against any employee, who reports, in good faith, unsafe conditions to the Commission. For purposes of this regulation, the Commission retains the option to impose penalties and any other remedies provided under the California Public Utilities Code for any natural gas utility, which the Commission finds violates this regulation.

5.3. Adopting New Regulations

As set forth in the staff report, we find that natural gas system operator employee and contractors are uniquely able to provide the Commission with

information regarding conditions that undermine public safety. While we have no desire to interfere with the employer/employee or contracting relationship, the magnitude of the potential harm to public safety requires that this Commission exercise its own as well as concurrent jurisdiction over whistleblower actions by natural gas system operator's employees and contractors. We, therefore, adopt the regulations as proposed by our staff, with improvements offered by two parties in comments on the proposed decision.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on December 10, 2012, by The Utility Reform Network (TURN), PG&E, and SoCalGas and SDG&E. TURN and PG&E recommended clarifications to the amendments to GO 112-E, which we have largely incorporated. SoCalGas and SDG&E recommended that the Commission revise CPSD's interpretation of the statutory standards as set forth in CPSD's report. CPSD states in its report that it contemplates further work with the gas system operators on the standards for compliance, with subsequent filings by the operators in 2013. We support CPSD's collaborative approach to overseeing the safety plans of gas system operators. SoCalGas and SDG&E also proposed extensive revisions to the Whistleblower rules and processes. We have considered these proposals and have made no substantive revisions to the rules.

7. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Maribeth A. Bushey is the assigned ALJ in this proceeding.

Findings of Fact

1. SB 705 was signed into law on October 7, 2011 and requires the Commission to review, accept, modify, or reject the gas corporations' Gas Safety Plans by year-end 2012.

2. All gas corporations are subject to the requirements of SB 705.

3. Natural gas transmission safety regulation is carried out on the federal level by the PHMSA.

4. PHMSA regulations require all gas transmission and distribution system operators to develop and implement an Integrity Management Plan to identify and reduce risks to each system.

5. The Commission considers overall utility operations and revenue requirement in General Rate Cases.

6. The NTSB and the Commission's Independent Review Panel have provided exceptionally valuable investigation results and recommendations to this Commission.

7. In D.12-04-010, the Commission organized into five topic areas the list of issues set forth in Public Utilities Code Section 961, and designated a Commission oversight process for each.

8. On June 29, 2012, California natural gas system operators filed and served their gas system safety plans.

9. On July 10, 2012, Assembly Member Hill raised safety issues regarding utility supervision of in-line inspection contractors.

10. On November 16, 2012, the Commission's CPSD filed its report assessing the safety plans filed by the utilities.

11. Two parties filed comments on the utility safety plans.

12. The Commission staff conducted a workshop on employee safety reporting and recommended that the Commission adopt new regulations.

Conclusions of Law

1. Rulemaking 11-02-019 should be amended to allow the Commission to implement SB 705.

2. The Commission ordered PG&E to reduce pressure on gas pipelines with characteristics similar the line that ruptured in San Bruno.

3. In D.11-06-017, the Commission required all California natural gas transmission system operators to file plans to pressure test or replace all pipeline for which pressure test records were not available.

4. On August 26, 2011, the natural gas transmission system operators filed their Implementation Plans as required by D.11-06-017.

5. The Commission is currently considering a Proposed Decision on PG&E's Implementation Plan in this docket.

6. The Implementation Plan for SDG&E and SoCalGas has been transferred to A.11-11-002.

7. The Commission has established a process for reviewing and obtaining public input on PG&E's requests to lift maximum allowable operating pressure restrictions on gas pipelines after successful pressure testing in D.11-09-008.

8. The Commission is investigating PG&E's gas system operations I.12-01-007, I.11-02-016, and I.11-11-009.

9. The Commission should require California gas system operators to continuously improve the safety of their operations, and the Commission should use all facets of its oversight authority to protect the public safety.

10. The Safety plans should be accepted for filing, with directions to continuously update and improve.

11. The following should be added to GO 112-E to ensure that employees who report safety violates do not suffer from employer retaliation:

Subpart G - Whistleblower Protections

301 General

301.1 Each operator shall post in a prominent physical location, as well as an electronic notice on its website where its employees are likely to see it, a notice containing the following information:

Report unsafe conditions to the Public Utilities Commission by calling the whistleblower hotline at 1(800) 649-7570 or by e-mail to safetyhotline@cpuc.ca.gov.

Under sections 451 of the California Public Utilities Code, every public utility shall furnish and maintain such service, instrumentalities, equipment, and facilities, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public. Further, under section 963(b)(3) of the California Public Utilities Code, it is the policy of this State that California natural gas utilities and the Commission's regulation of natural gas utilities place safety of the public and the natural gas utilities' employees as the top priority consistent with the principle of just and reasonable cost-based rates. In addition, under section 961(e) of the California Public Utilities Code, the Commission and natural gas utilities must provide meaningful and ongoing opportunities for the utilities' workforce to participate in the utilities' development of a plan for the safe and reliable operations of their pipeline facilities and to contribute to developing an industrywide culture of safety. In view of the above, any employee of the natural gas utility or of an independent contractor working under contract with a natural gas utility, who in good faith, believes that unsafe conditions, services or facilities of the utility threaten the health or safety of its patrons, the employees or the public, has a right to report the conditions to the California Public Utilities Commission. The employee can report the conditions by

calling the Commission's Whistleblower Hotline at 1(800) 649-7570, either anonymously or by giving the employee's name, or by sending an e-mail with the pertinent facts and/or documentation to safetyhotline@cpuc.ca.gov. This requirement shall be in addition to any right the employee has to contact any other State of Federal agency, if the employee has reasonable cause to believe that the information discloses a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

302 The Utility Has No Right to Retaliate Against an Employee For Notifying the California Public Utilities Commission

302.1 In addition to other statutes, which provide remedies for retaliation against Whistleblowers (e.g., the California Whistleblower Act, California Labor Code § 1102.5), or any other remedy an employee may have in a court, the Commission prohibits California natural gas utilities from retaliating against any employee, who reports, in good faith, unsafe conditions to the Commission. For purposes of this regulation, the Commission retains the option to impose penalties and any other remedies provided under the California Public Utilities Code for any natural gas utility, which the Commission finds violates this regulation.

O R D E R

IT IS ORDERED that:

1. The Safety Plans submitted by San Diego Gas & Electric Company; Southern California Gas Company; Pacific Gas and Electric Company, Southern California Edison Company, (Catalina Petroleum Gas Pipeline Distribution System); Southwest Gas Corporation; Gill Ranch Storage, LLC; Lodi Gas Storage, LLC; Central Valley Gas Storage, LLC; Alpine Natural Gas Operating Company, No. 1, LLC; and West Coast Gas Company are accepted for

filing, and each operator shall continuously monitor and improve such plan. The Commission will set a schedule for filing updates to the plans.

2. The November 16, 2012 report by the Consumer Protection and Safety Division, attached hereto as Attachment A, is approved.

3. Each gas system operator shall, under the direction of the Consumer Protection and Safety Division, resolve all deficiencies identified in the report approved in Ordering Paragraph 2, and each operator shall file and serve a compliance statement updating the safety plan showing how the deficiency was resolved no later than June 30, 2013.

4. The following section is added to General Order 112-E:

Subpart G - Whistleblower Protections

301 General

301.1 Each operator shall post in a prominent physical location, as well as an electronic notice on its website where its employees are likely to see it, a notice containing the following information:

Report unsafe conditions to the Public Utilities Commission by calling the whistleblower hotline at 1(800) 649-7570 or by e-mail to safetyhotline@cpuc.ca.gov.

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opportunities for the utilities' workforce to participate in the utilities' development of a plan for the safe and reliable operations of their pipeline facilities and to contribute to developing an industrywide culture of safety. In view of the above, any employee of the natural gas utility or of an independent contractor working under contract with a natural gas utility, who in good faith, believes that unsafe conditions, services or facilities of the utility threaten the health or safety of its patrons, the employees or the public, has a right to report the conditions to the California Public Utilities Commission. The employee can report the conditions by calling the Commission's Whistleblower Hotline at 1(800) 649-7570, either anonymously or by giving the employee's name, or by sending an e-mail with the pertinent facts and/or documentation to safetyhotline@cpuc.ca.gov. This requirement shall be in addition to any right the employee has to contact any other State of Federal agency, if the employee has reasonable cause to believe that the information discloses a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

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This order is effective today.

Dated December 20, 2012, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms.	Rulemaking 11-02-019 (Filed February 24, 2011)

REPORT OF THE CONSUMER PROTECTION AND SAFETY DIVISION ON ITS REVIEW OF GAS SAFETY PLANS FILED BY GAS CORPORATIONS IN RESPONSE TO DECISION 12-04-010 AMENDING SCOPE OF RULEMAKING 11-02-019

Brigadier General (CA) Jack Hagen, Director
Consumer Protection and Safety Division
505 Van Ness Avenue
San Francisco, CA 94102

November 19, 2012

Executive Summary

California Public Utilities Commission (CPUC or Commission) Decision 12-04-010 (D.12-04-010) amended the scope of Rulemaking 11-02-019 and required gas utilities, identified as Respondents within the decision, to file by August 24, 2012, gas safety plans detailing how their respective operations comply with the requirements of Public Utilities Code §§ 961 and 963 (PU Code §§ 961 and 963). Respondent gas utilities Pacific Gas and Electric Company (PG&E), Southern California Gas Company (SoCalGas), San Diego Gas and Electric Company (SDG&E), Southwest Gas Corporation (SWG), Southern California Edison Company-Catalina Island (SCE), and Alpine Natural Gas (ANG), as well as natural gas storage operators Wild Goose Storage LLC (WGS), Lodi Gas Storage (LGS), Gill Ranch Storage (GRS), and Central Valley Gas Storage (CVGS) submitted responses by June 29, 2012, while West Coast Gas (WCG) filed its response on July 20, 2012.

An Assigned Commissioners Ruling, dated July 20, 2012, required Respondents utilizing in-line inspection technology to modify their plans to address concerns raised by California Assembly Member Jerry Hill in his July 10, 2012 letter to Commissioner Florio regarding coordination and supervision of in-line inspection contractors. As required by this ruling, applicable Respondents amended their plans and filed their responses by August 24, 2012.

The Consumer Protection and Safety Division (CPSD) reviewed the gas safety plans filed by the Respondents as well as the amendments to these plans. CPSD found deficiencies within all Respondents' safety plans. These deficiencies are summarized in the Findings section of this report. A specific analysis performed for each Respondent, detailed in individual Excel spreadsheets, is also included as part of this report.

CPSD believes that many of the deficiencies identified can be readily addressed and resolved (i.e., requiring a signature of commitment from a company officer or clearer reference to an existing standard or procedure) while others may be more involved and require a new standard, procedure, or process to be developed. Therefore CPSD recommends that the Commission direct the Respondents to work with CPSD to resolve the deficiencies that have been identified by June 30, 2013.

Background

In response to the September 9, 2010 gas incident involving PG&E's Line 132 in San Bruno, the California Public Utilities Commission (CPUC or Commission) instituted a rulemaking (R.11-02-019) to examine regulatory changes and other actions that CPUC regulated gas transmission operators Pacific Gas & Electric Company, Southern California Gas Company, San Diego Gas & Electric Company, and Southwest Gas Corporation should take to improve the safety of their gas pipeline systems.

In October 2011, the California Legislature passed Senate Bill (SB) 705 which modified the Public Utilities Code by adding Sections 961 and 963 (PU Code §§ 961 and 963). The new code sections require each gas corporation jurisdictional to the Commission to develop and implement a plan for the safe and reliable operation of its gas pipeline system. SB 705 required the Commission to review each of the plans filed by the gas corporations and by end of year 2012, and accept, modify, or reject each plan.

Through its Decision Amending Scope of Rulemaking 11-02-019 and Adding Respondents (D.12-04-010), dated April 20, 2012, the Commission ordered each gas corporation to file by August 24, 2012, gas safety plans detailing how their respective operations comply with the requirements of PU Code §§ 961 and 963. D.12-04-010 also added West Coast Gas (WCG), Alpine Natural Gas (ANG), and Southern California Edison (Catalina Island), as well as natural gas storage operators Wild Goose Storage LLC (WGS), Lodi Gas Storage (LGS), Gill Ranch Storage (GRS), and Central Valley Gas Storage (CVGS) as Respondents to R.11-02-019. D.12-04-010 indicated that Sacramento Natural Gas Storage LLC (SNGS) would become a Respondent if its Application 07-04-013 for a Certificate of Public Convenience and Necessity was approved by the Commission. SNGS's application was denied and it therefore did not submit a safety plan.

An Assigned Commissioners Ruling, dated July 20, 2012, required Respondents utilizing in-line inspection technology to modify their plans to address concerns raised by California Assembly Member Jerry Hill in his July 10, 2012 letter to Commissioner Florio, regarding coordination and supervision of in-line inspection contractors so as to ensure clear communications between operators and in-line inspection vendors and the overall integrity of the in-line inspection process. As required by this ruling, applicable Respondents amended their plans and filed their responses by August 24, 2012.

Findings

As the Commission's division which enforces its gas safety program by routinely performing inspections of gas operators and investigating gas related incidents reported to the Commission, the Consumer Protection and Safety Division (CPSD) through its Gas Safety and Reliability Branch reviewed the gas safety plans filed by the Respondents as ordered by D.12-04-010. CPSD also reviewed the amendments to the plans, filed by Respondents utilizing in-line inspection technology on August 24, 2012, as required by the Assigned Commissioners Ruling, dated July 20, 2012.

All gas systems are not the same. Depending on when the system was installed, and the environment in which it is operated, there are variances in the materials used in the construction of the system and the types and levels of activities needed to maintain its on-going safety and reliability. This, in turn, requires gas system operators to establish differing standards, procedures, processes and methods for documenting their respective operations. Due to this, and the fact that this is the first time gas safety plans have been submitted for review as required by D12-04-010, CPSD expected Respondents' gas safety plans to vary.

Below are summaries for the safety plans submitted by the 11 Respondents identified by D.12-04-010:

Alpine Natural Gas (ANG)

The proposed ANG Gas Safety Plan (ANG Plan) is ten pages. ANG developed the ANG Plan with the intent to communicate how the company's various operations, policies, and procedures support its commitment to gas safety. The ANG Plan identifies the manuals, programs, and plans, with descriptions and references to PU Code §§ 961 and 963, that ANG intends to use to administer its plan.

Central Valley Gas Storage (CVGS)

The Central Valley Gas Storage (CVGS) Safety Plan is divided into four sections, and totals 1,196 pages. The first section contains CVGS's commitment to the safety of the public and its workforce. The second section contains CVGS Operations and Maintenance Plan, Operator Qualifications Plan, Emergency Response Plan and the Integrity Management Plan. The third section includes the Hazardous Substance Control Plan, the Worker Health and Safety Plan and the Fire Prevention and Management Plan. The fourth section contains appendices which describe the measures CVGS has taken to identify and minimize risks, safety-related systems, and

how it determines Maximum Allowable Operations Pressure. Section four also contains an overview of CVGS design standards, staffing, qualifications and training.

Gill Ranch Storage (GRS)

Gill Ranch Gas Storage (GRS) submitted its "Pipeline Safety Management System 2012 (PSMS)" as its Safety Plan, which outlines the functional groups responsible for the development and ongoing execution of the Safety Plan. The core of the Safety Plan is a voluminous set of performance metrics identified as "key performance indicators" that will be used to measure GRGS's safety performance. The Safety Plan consists of the PSMS and six other documents: Operations and Maintenance Plan, Emergency Response Plan; Transmission Integrity Management Plan; Maximum Allowable Operation Pressure Procedure; Earthquake Response Plan; and Pipeline Compliance Data Book.

Lodi Gas Storage (LGS)

The Lodi Gas Storage (LGS) Safety Plan is 44 pages. The LSG Safety Plan references procedures, including its Operation and Maintenance Plan, Emergency Response Plan, Operator Qualification Manual, and Integrity Management Plan. LGS explains how each of its gas safety related plans work together and provides a cross reference table chart to demonstrate compliance with the requirements of PU Code §§ 961 and 963.

Pacific Gas and Electric (PG&E)

The Pacific Gas and Electric Company (PG&E) Safety Plan (PG&E Plan) is 45 pages, plus attachments. In the PG&E Plan, PG&E addresses safety culture, policies and procedures, risk management, employee and contractor training, and other existing PG&E programs and standards. The PG&E Plan also references PG&E's Pipeline Safety Enhancement Plan (PSEP) and improvements in emergency preparedness and response.

Southern California Edison – Catalina Island (SCE)

The Southern California Edison (SCE) Safety Plan (SCE Plan) is 97 pages, plus attachments. SCE noted in the SCE Plan its goal is to ensure that the regulatory and management systems in place effectively prevent or detect and correct safety lapses. The SCE Plan lists the programs, plans, work activities and functions to identify threats to its overall gas system operations. Within the SCE Plan, SCE grouped the directives codified in PU Code §§ 961 and 963 into five categories: safety systems,

emergency response, state and federal regulations, continuing operations, and emerging issues.

San Diego Gas and Electric (SDG&E) and Southern California Gas (SCG)

San Diego Gas and Electric (SDG&E) and Southern California Gas (SoCalGas) Companies submitted similar Safety Plans. Both Safety Plans are 46 pages, plus attachments. According to the utilities, the Safety Plans promote the safe operation of the utilities' infrastructure as well as safety performance expectations and goals and objectives established by the Senior Leadership Team. The Safety Plans describe and are essentially composed of existing official programs, policies, standards, and procedures which collectively form the Safety Plans. The Safety Plans also reference the utilities' PSEPs.

Southwest Gas Company (SWG)

The Southwest Gas Company (SWG) Safety Plan (SWG Plan) is 21 pages. The SWG Plan documents and defines the company's policies and procedures related to Safety Systems, Emergency Response, State and Federal Pipeline Regulations, Continuing Operations, and Emerging Industry Issues. The SWG Plan contains a list of manuals, programs, and plans with descriptions and references to PU Code §§ 961 and 963. The SWG Plan is intended to embody the policies and procedures specified in these manuals, programs, and plans.

West Coast Gas (WCG)

The West Coast Gas (WCG) Safety Plan (WCG Plan) is eight pages, plus attachments. The WCG Plan references existing company policies, procedures, programs and plans, with descriptions and references to PU Code §§ 961 and 963. WCG indicates it developed its WCG Plan with the intent to help communicate how its various operations policies and procedures support its commitment to safety.

Wild Goose Gas (WGS)

The Wild Goose Gas Storage (WGS) Safety Plan (WGS Plan) is nine pages, plus attachments. WGS lists in its WGS Plan the supporting documents and programs it implements to comply with the requirements of PU Code §§ 961 and 963. The WGS Safety Plan also provides practices and protocols for determining maximum allowable operating pressure for performing in-line inspections.

CPSD Applied Criterion §§ 961 and 963

To address the variability between Respondents' plans, CPSD applied its established criterion to each of the subparts to §§ 961 and 963. The subparts and the established criterion are detailed below.

Section 961, Subdivision (b)(3): "Each gas corporation shall implement its approved plan"

CPSD's applied criterion: *The Safety Plan must include a high level policy statement, reviewed, approved, and signed by an Officer of the gas corporation (Operator), that the Operator will implement its approved Safety Plan.*

Section 961, Subdivision (b)(4): "The commission shall require each gas corporation to periodically review and update the plan"

CPSD's applied criterion: *The Gas Corporation (Operator) must specify in its Safety Plan a frequency on which the Operator proposes to review its plan. For any frequency period longer than once each calendar year and longer than 15 months, the Operator must provide a reasoning/justification for the proposed frequency.*

Section 961, Subdivision (c): "The plan developed, approved, and implemented pursuant to subdivision (b) shall be consistent with best practices in the gas industry and with federal pipeline safety statutes as set forth in Chapter 601 (commencing with Section 60101) of Subtitle VIII of Title 49 of the United States Code and the regulations adopted by the United States Department of Transportation pursuant to those statutes."

CPSD's applied criterion: *The Operator's Safety Plan must include information on the Operator's process(es) for staying informed on industry best practices (i.e., through trade groups and publications, active participation on technical committees working on gas pipeline safety issues, etc.), advisory bulletins issued by various parties, and regulatory changes applicable to its operations. The Safety Plan must detail the Operator's process(es) for evaluating how its operations, maintenance, and emergency response processes, procedures, and standards conform with, or differ from, national and statewide industry trends for similar*

operations. The Safety Plan must also detail how the Operator uses the results of its evaluation in determining, and supporting, its own practices.

Section 961, Subdivision (d)(1): "Identify and minimize hazards and systemic risks in order to minimize accidents, explosions, fires, and dangerous conditions, and protect the public and the gas corporation workforce."

CPSD's applied criterion: *The Operators Safety Plan must include information on what processes and/or procedures it has in place to prevent accidental ignition of gas and to review its operations, maintenance, and emergency response activities to identify deficiencies in procedures, materials, or qualifications of employees performing covered tasks on its gas pipeline facilities.*

Section 961, Subdivision (d)(2): "Identify the safety-related systems that will be deployed to minimize hazards, including adequate documentation of the commission-regulated gas pipeline facility history and capability."

CPSD's applied criterion: *The Operator's Safety Plan must include information on the Operator's process(s)/procedure(s) for identifying threats to its gas pipeline facilities, assessing the risk due to these threats, and prioritizing mitigation activities to address parts of its systems where its assessment determines such activities are warranted.*

Section 961, Subdivision (d)(3): "Provide adequate storage and transportation capacity to reliably and safely deliver gas to all customers consistent with rules authorized by the commission governing core and noncore replacement, preventive maintenance, and reactive maintenance and repair of its commission-regulated gas pipeline facility."

CPSD's applied criterion: *The Operator's Safety Plan must describe, as applicable, the capacity of its gas storage facilities, if any, and its process(es) for routinely monitoring and confirming that its gas storage, transmission and/or distribution facilities provide adequate pressure and capacity, consistent with all Commission regulations, throughout its operating year and under peak load conditions. The Operator's Safety Plan must also detail the*

Operator's process for planning and implementing programs to address any deficiencies indicated by its monitoring.

Section 961, Subdivision (d)(4): "Provide for effective patrol and inspection of the commission-regulated gas pipeline facility to detect leaks and other compromised facility conditions and to effect timely repairs."

CPSD's applied criterion: *The Operator's Safety Plan must detail its process(es) for patrolling and leak surveying its pipeline facilities at locations, and on frequencies, mandated by GO 112-E. The Operator's Safety Plan must also provide details on the Operator's process for classifying, responding to, and repairing the deficiencies found by its patrolling and leak surveys process(es).*

Section 961, Subdivision (d)(5): "Provide for appropriate and effective system controls, with respect to both equipment and personnel procedures, to limit the damage from accidents, explosions, fires, and dangerous conditions."

CPSD's applied criterion: *The Operator's Safety Plan must detail its process(es) for designing, monitoring, and maintaining the MAOP of its gas pipeline facilities with compliance of GO 112-E. As applicable, the Operator's Safety Plan must address its process(es) including the use of remote monitoring and/or gas flow control equipment (i.e., SCADA and automated valves), the installation of excess flow valves (EFVs), and/or training and procedures provided to its personnel to limit the flow of gas into an unsafe condition.*

Section 961, Subdivision (d)(6): "Provide timely response to customer and employee reports of leaks and other hazardous conditions and emergency events, including disconnection, reconnection, and pilot-lighting procedures."

CPSD's applied criterion: *The Operator's Safety Plan must detail the Operator's process(es) for receiving, classifying, and responding to reports of gas leaks, making the situation safe, and restoring gas service after service disruptions. The Safety Plan must also provide details on any programs the Operator has in place to periodically review the adequacy of its response process(es) including the timeliness of the response, actions taken by the*

responding personnel, adherence to procedures, and the identification for areas in need of improvement.

Section 961, Subdivision (d)(7): "Include appropriate protocols for determining maximum allowable operating pressures on relevant pipeline segments, including all necessary documentation affecting the calculation of maximum allowable operating pressures."

CPSD's applied criterion: *The Operator's Safety Plan must provide details on the Operator's process(es) for confirming and establishing the MAOP on its gas pipeline facilities and the maintenance of documentation related to the process(es).*

Section 961, Subdivision (d)(8): "Prepare for, or minimize damage from, and respond to, earthquakes and other major events."

CPSD's applied criterion: *The Operator's Safety Plan must detail the Operator's process(es) for preparing for and responding to reports of gas leaks or other damages, that may occur quickly and affect a large portion of its overall gas pipeline system, as a result of an earthquake or other major event.*

Section 961, Subdivision (d)(9): Meet or exceed the minimum standards for safe design, construction, installation, operation, and maintenance of gas transmission and distribution facilities prescribed by regulations issued by the United States Department of Transportation in Part 192 (commencing with Section 192.1) of Title 49 of the Code of Federal Regulations.

CPSD's applied criterion: *The Safety Plan must include a high level policy statement, reviewed, approved, and signed by an Officer of the gas corporation (Operator), that the Operator endeavors to design, construct, install, operate, and maintain its gas pipeline facilities at standards that meet or exceed GO 112-E, which references and adopts 49 CFR, Part 192.*

Section 961, Subdivision (d)(10): "Ensure an adequately sized, qualified, and properly trained gas corporation workforce to carry out the plan."

And

Section 963(b)(3): "It is the policy of the state that the commission and each gas corporation place safety of the public and gas corporation employees as the top priority. The commission shall take all reasonable and appropriate actions necessary to carry out the safety priority policy of this paragraph consistent with the principle of just and reasonable cost-based rates."

CPSD's applied criterion: *The Safety Plan must include a high level policy statement, reviewed, approved, and signed by an Officer of the gas corporation (Operator), that the Operator ensures that determinations made by the Operator as to the adequacy of its workforce (including the number of qualified personnel necessary to carry out the Safety Plan, the training provided to these personnel, and allocation of time allotted to operations and maintenance activities related to maintaining the safety of its gas system) are based, primarily, on a demonstrable analysis that places safety as the highest priority and assigns it a weighting commensurate with this priority.*

Section 961, Subdivision (d)(11): "Any additional matter that the commission determines should be included in the plan."

CPSD's applied criterion: *An effective and meaningful Safety Plan should include elements beyond those listed in paragraphs (d)1-10 (above). The type and scope of any additional measures should be consistent with the size and the types of service provided by each company. Examples of additional safety measures include fire protection, compliance with worker safety rules, system security matters, developing an established process for conducting root cause analysis investigations, and conducting a design verification of gas system components to ensure that safety related functions can be performed. These types of issues will be further developed on an on-going basis, and as determined by Commission findings.*

Section 961, Subdivision (e): "The commission and gas corporation shall provide opportunities for meaningful, substantial, and ongoing participation by the gas corporation workforce in the development and implementation of the plan, with the objective of developing an industry wide culture of safety that will minimize

accidents, explosions, fires, and dangerous conditions for the protection of the public and the gas corporation workforce."

CPSD's applied criterion: *The Operators Safety Plan must include information on what processes and/or procedures the Operator has in place that: 1) provide opportunities for its workforce, including individual employees and employee organizations, to become aware of, and be able to participate in, the development and review of applicable portions of its Safety Plan; how the comments/suggestions submitted by such parties are received, tracked, reviewed, and considered by the Operator. The Safety Plan must also detail how the Operator documents the result of its analysis of such comments/suggestions, including the basis for accepting or rejecting submitted comments/suggestions.*

CPSD identified deficiencies within all Respondents' safety plans. These deficiencies are summarized in Table 1 below (identified by Subdivisions of PU Code §§ 961 and 963 with the respective Respondents' proposed gas safety plans). Specific basis for each deficiency identified is included in the analysis performed for each Respondent and detailed in an Excel spreadsheet to be made available through posting to the CPUC website.[12]

In general, and as provided for by D.12-04-010, the Respondents' developed their gas safety plans to reference or compile existing plans, programs, procedures, policies, or guidelines from their gas programs. These existing plans and procedures include Operation and Maintenance Plans, Emergency Response Plans, Transmission and/or Distribution Integrity Management Programs (IMP or DIMP), Operator Qualification (OQ), Public Awareness Plans (PAP), proactive safety programs initiated by the operator and other plans and procedures that pipeline operators are required to have in accordance with the Commission's General Order 112-E (GO 112-E) and Title 49, Code of Federal Regulations, Parts 191, 192, and 199, as referenced and adopted by GO 112-E.

[12] www.cpuc.ca.gov/PUC/safety/Pipeline/Utility+Safety+Plans.htm.

Table 1: Deficiencies with §§ 961 and 963 in Respondents' Safety Plans noted by CPSD

	SoCalGas	SCE	SDG&E	WCG	ANG	SWG	WGS	LGS	PG&E	GRS	CVGS
Sec. 961 Subdivision (b)(3)	N	N	N	N	N	Y	N	N	N	Y	Y
Sec. 961 Subdivision (b)(4)	N	Y	N	N	N	N	N	N	N	Y	N
Sec. 961 Subdivision (c)	N	N	N	N	N	N	N	N	N	N	N
Sec. 961 Subdivision (d)(1)	Y	Y	Y	N	N	N	Y	Y	N	Y	N
Sec. 961 Subdivision (d)(2)	Y	Y	Y	N	N	N	Y	Y	N	Y	Y
Sec. 961 Subdivision (d)(3)	N	N	Y	N	N	N	Y	N	Y	N	N
Sec. 961 Subdivision (d)(4)	Y	Y	Y	N	N	N	N	Y	N	Y	Y
Sec. 961 Subdivision (d)(5)	Y	N	Y	N	N	N	N	Y	N	Y	N
Sec. 961 Subdivision (d)(6)	Y	N	Y	N	N	N	N	N	N	Y	Y
Sec. 961 Subdivision (d)(7)	Y	Y	Y	N	N	N	Y	Y	N	Y	Y
Sec. 961 Subdivision (d)(8)	Y	N	Y	N	N	N	Y	Y	N	Y	Y
Sec. 961 Subdivision (d)(9)	Y	N	Y	N	N	N	N	N	N	N	N
Sec. 961 Subdivision (d)(10) & Sec.963 Subdivision (b)(3)	N	N	N	N	N	N	N	Y	N	N	N
Sec. 961 Subdivision (d)(11)	N	N	N	N	N	N	N	N	N	N	N
Sec. 961 Subdivision (e)	N	N	N	N	N	N	N	N	N	Y	Y

Key: An "N" indicates where a deficiency was noted which needs to be resolved.

Discussion

Although various natural gas safety regulations have existed for many decades, PU Code §§ 961 and 963 codify certain new requirements that seek to improve the existing regulations. For example, operators are now required to better define and show their commitment to adequately staffing their gas programs. Operators are also required to compare their operations against industry best practices and evaluate how their operating practices fare and where improvements may be necessary. All determinations are expected to be made on sound reasoning and judgment considering each individual operator's respective system and operations.

In addition to new requirements, D.12-04-010 also seeks to make operators' safety plans the primary "high level" company safety plan. As stated in the decision: "In a hierarchy of gas utility documents that communicate its safety program, this gas safety plan is at the top." CPSD's analysis placed importance on this requirement in determining that the safety plans thoroughly included details on, or reference to, existing standards, procedures, policies, processes, or guidelines.

Not each plan provided the amount of detail, or reference to existing processes, to meet the criterion applied by CPSD to evaluate compliance of the respective gas safety plan with the various requirements of PU Code §§ 961 and 963. Where the level of detail provided was insufficient, or the reference to an overall standard, program, or otherwise was not specifically referenced to the relevant sections of an existing document, CPSD's review noted it as a deficiency.

CPSD believes the term "deficiency" should not be taken to mean that an immediate, or inherent, threat to the gas system necessarily exists, as a majority of operations and maintenance issues addressed by new PU Code §§ 961 and 963 have been mandatory operation and maintenance requirements for many decades. Also, numerous inspections of all gas pipeline operators have determined that operators do have written maintenance programs which they follow in performing activities related to: leak surveys, patrols, cathodic protection, damage prevention, emergency response, system repairs, and operator qualification, as examples. However, what "deficiency" does mean is that elements of a given operator's safety plan do not clearly convey what CPSD, based on its applied criterion, believes an operator's plan should provide in order to demonstrate compliance with the requirements of PU Code §§ 961 and 963 and the operator's commitment to conducting all aspects of operations to not only meet, but exceed minimum regulatory requirements.

Conclusions and Recommendations

In general, the 11 Respondents developed their gas safety plans to reference or compile existing plans, programs, procedures, policies, or guidelines from their respective gas programs. These existing plans and procedures include Operation and Maintenance Plans, Emergency Response Plans, Transmission and/or Distribution Integrity Management Programs (IMP or DIMP), Operator Qualification (OQ), Public Awareness Plans (PAP), proactive safety programs initiated by the operator and other plans and procedures that pipeline operators are required to have in accordance with Commission General Order 112-E (GO 112-E) and Title 49, Code of Federal Regulations, Parts 191, 192, and 199, as referenced and adopted by GO 112-E.

CPSD found that each plan did not provide the amount of detail, or reference to existing processes, to meet the criterion applied by CPSD to evaluate compliance of the respective gas safety plan with the various requirements of PU Code §§ 961 and 963. Where the level of detail provided was insufficient, or the reference was to an overall standard, program, or otherwise not specific enough to an existing document, CPSD's review noted it as a deficiency.

CPSD believes that most of the deficiencies it identified can be readily addressed and resolved (i.e., requiring of a signature of commitment from a company officer or clearer reference to an existing standard or procedure) while others may be more involved and require a new standard, procedure, or process to be developed.

(END OF ATTACHMENT A)