



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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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)

**COMMENTS OF THE GREENLINING INSTITUTE  
ON THE PROPOSED DECISION**

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May 31, 2011

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**I. Introduction**

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Greenlining Institute ("Greenlining") submits the following comments on the Administrative Law Judge's Proposed Decision Determining Maximum Allowable Operating Pressure Methodology and Requiring Filing of Natural Gas Transmission Pipeline Replacement or Testing Implementation Plans, issued May 10, 2011 ("PD").

**II. Discussion**

The PD takes a commendable step toward protecting California's residents by ordering comprehensive Implementation Plans for testing or replacement of all untested transmission pipeline. However, the PD renders Pacific Gas & Electric's ("PG&E") current Maximum Allowable Operating Pressure ("MAOP") validation process duplicative and cost-ineffective. The PD should be amended to streamline PG&E's process and reduce its costs, especially if there is a chance ratepayers will foot the bill. Further, if the determination of whether or not to test or replace hinges on the existence of reliable records, the Commission must define "reliable" at the outset. It likewise must define "as soon as practicable" in reference to the utilities' completion timelines. Finally, the PD should be amended to set forth the Commission's

anticipated rough timeline and scope for the process by which parties will be able to vet the utilities' Implementation Plans.

**A. PG&E's MAOP Validation Process Is Rendered Cost-Ineffective by the Proposed Decision.**

The PD's order regarding pressure testing or replacement of all untested pipeline renders PG&E's MAOP validation process cost-ineffective. As such, the latter should take a lower priority than the former, and the appropriateness of ratepayer exposure to the cost of the effort must be closely scrutinized.

**1. After the PD, the Incremental Benefit of PG&E's MAOP Validation Process May Not Justify its Cost.**

In its response to PG&E's Motion for Adoption of a Maximum Allowable Operating Pressure Validation Methodology, TURN noted that the MAOP validation process may not prove cost-effective, beyond what is required to prioritize and define the task of testing, repairing or replacing pipelines without pressure test records.<sup>1</sup> TURN noted that PG&E's testimony estimated the cost of full record gathering and MAOP validation at around a hundred million dollars.<sup>2</sup> The PD would require PG&E to "either pressure test or replace all segments of natural gas pipelines which were not pressure tested or lack sufficient details related to the performance of any such test."<sup>3</sup>

Taken together, the PD and PG&E's cost estimates would mean that PG&E would spend tens of millions of dollars gathering records (some of which will be incomplete and rely on assumptions, the validity of which is hotly contested) *because* these pipelines are not pressure tested, but it would also incur the cost of testing them, as ordered by the PD. This amounts to duplicative work at a very steep price to ratepayers, and as such should be avoided.

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<sup>1</sup> PD, p. 15.

<sup>2</sup> *Id.*

<sup>3</sup> PD, p. 20.

Greenlining submits that pressure testing is the more reliable alternative as compared to PG&E's current course of MAOP validation, and further submits that this conclusion is in keeping with the National Transportation Safety Board's ("NTSB") initial recommendations. NTSB's recommendations required PG&E to determine MAOP for certain pipelines that had not previously had MAOP established through hydrostatic testing. The fact that further validation was not required for lines that have already been pressure tested indicates that testing is the preferred means of confirming safe operating levels.

As such, the Commission should likewise prefer testing over a labor-intensive process of document searches, assumptions, and calculations, which may ultimately prove inaccurate anyway. It should order that PG&E should prioritize the Implementation Plan, testing and replacement ordered in this PD over its current MAOP validation process.

## **2. The Cost-Effectiveness of PG&E's MAOP Validation Process Must Be Thoroughly Vetted.**

The cost-effectiveness of the MAOP validation process must be explicitly a part of the hearings referenced in the PD<sup>4</sup> if ratepayers are to bear *any* of the costs of validation beyond what is required to develop a comprehensive Implementation Plan.<sup>5</sup> In seeking to vigilantly protect the safety of California's residents and ratepayers, the Commission must take care not to over-spend in the name of safety. Given the possibility that PG&E's ratepayers will bear part or all of the cost of any of the testing and replacement costs associated with the Implementation Plan, they should not also have to pay for the creation of records that should have been maintained to begin with.

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<sup>4</sup> PD, p. 24.

<sup>5</sup> Such efforts required to compile the Implementation Plan will, of course, be the subject of hearings on the Implementation Plans themselves.

## **B. The Commission Must Set Forth A Standard For Record Reliability.**

The PD requires Implementation Plans to include “all . . . pipeline . . . that has not been tested or for which reliable records are not available.”<sup>6</sup> However, it does not specify what would constitute a reliable record versus an unreliable one. The PD should be amended to include a standard for record reliability, to better guide the utilities in the creation and completion of their Implementation Plans, as well as to set a standard for proper record maintenance going forward. It is worth noting that PG&E had records for its Line 132 that very well may have appeared to be reliable, but which were ultimately inaccurate. The Commission should take this opportunity to set forth a standard for what will be considered a reliable record, so that it may conduct a truly comprehensive and accurate pipeline assessment process.

## **C. The Commission Must Clarify Its Expectations for Completion of Implementation Plans “As Soon As Is Practicable.”**

The PD does not propose a timeline for completion of the utilities’ Implementation Plans. It states that Plans should be completed “as soon as practicable,”<sup>7</sup> but it also anticipates a “multi-year implementation schedule.”<sup>8</sup> Given the public safety concerns at issue but also considering the limited resources of the utilities, the Commission should set forth a timeline, at least as a starting point for debate, by which it expects Implementation Plans to be completed. The efforts put forth in this proceeding will diminish substantially in their value if the process is allowed to drag on, particularly as the ratepayers’ tab grows. To ensure that the process is completed in a timely manner but also to provide some guidance as to how long the utilities will be incurring the costs associated with these efforts, the Commission must clarify its expectations regarding timely completion.

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<sup>6</sup> PD, p. 19.

<sup>7</sup> PD, p. 21.

<sup>8</sup> PD, p. 19.

#### **D. The Commission Must Specify Its Process and Rough Timeline For Vetting And Commenting Upon Implementation Plans.**

The PD notes that the Commission “anticipates” hearings to vet Implementation Plans and evaluate rate impacts.<sup>9</sup> It also notes that public participation hearings (“PPHs”) “may be required” as part of evaluating rate impacts.<sup>10</sup> Given the seriousness of the public interest at stake and the potentially significant cost impacts at issue, the Commission should state at this time its full process (as currently anticipated) and rough timeline for allowing parties – and the Commission itself – to vet the utilities’ Implementation Plans. Specifically, the Commission should set forth a rough timeline and scope for comments alleging any facial deficiencies in the Implementation Plans, discovery on the Plans, any testimony to be filed by parties, any hearings planned or anticipated, briefing, and any other opportunities for vetting the proposed Plans. It will benefit the public, parties, and ultimately the Commission’s own process, to set forth its expectations for this stage of the proceeding at the outset, to allow for informed and thorough participation by all parties.

Further, the Commission should hold PPHs if there is any possibility of rate increases as a result of the work proposed in the PD. The critical safety implications of the work in question augment the significance of the rate impacts for ratepayers, and they will want an opportunity to provide input. The potentially significant impacts of the proposed work to both operations and ratepayer pockets require the Commission to provide a full and robust vetting process.

For Southern California Gas Company and San Diego Gas & Electric, the vetting process should specifically include an assessment of whether any burden should be born by their shareholders. PG&E is required to propose a cost-sharing plan between ratepayers and

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<sup>9</sup> PD, p. 24.

<sup>10</sup> *Id.*

shareholders,<sup>11</sup> on which consumer parties will presumably have an opportunity to comment, but the PD is silent as to a similar possibility for Sempra's shareholders, for example if negligence or fault is found during the assessment and testing process. Greenlining does not anticipate that such a finding will arise, but if this proceeding and the events giving rise to it have taught us anything, it is to anticipate the unexpected. Southern California ratepayers will be reassured to know that the Commission is planning ahead to protect their rates as well as their safety.

### **III. Conclusion**

The PD takes an important step toward protecting California's residents by ordering thorough testing and replacement of untested gas transmission pipelines. However, the Commission must be careful, as the complex question of pipeline safety continues to unfold, not to issue orders that will create inefficiencies, duplicative efforts, or ambiguity. The Commission must be as specific as possible, to avoid the kinds of differences in interpretation that have already caused problems in this proceeding. It also must be as vigilant as possible in protecting ratepayers from excessive financial impacts. This process is highly necessary, in the interest of public safety, but its necessity does not come with a blank check. Particularly since the issue of some ratepayer burden has not been taken off the table, the Commission must ensure that it is protecting Californians in as thorough and as cost-effective a manner as possible.

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Respectfully submitted,

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<sup>11</sup> PD, p. 23.