

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.

R.11-02-019
(Filed February 24, 2011)

**COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN
DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON PROPOSED DECISION
DETERMINING MAXIMUM ALLOWABLE OPERATING PRESSURE
METHODOLOGY AND REQUIRING FILING OF NATURAL GAS TRANSMISSION
PIPELINE REPLACEMENT OR TESTING IMPLEMENTATION PLANS**

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essential part of this rulemaking process is to develop a well-considered transition plan that provides adequate time and resources to implement new regulatory requirements, while at the same time enabling gas utilities to fulfill their obligations to reliably serve their customers. The Proposed Decision offers an appropriate public process for the development of such a plan, and directs all California natural gas pipeline operators to develop and file an Implementation Plan² for Commission consideration to achieve the goal of orderly and cost effectively replacing or testing all natural gas transmission pipelines that do not have documentation of pressure tests. The Proposed Decision further provides that a series of technical workshops will be convened prior to the filing of those Implementation Plans to assist the operators in prioritizing segments in their Implementation Plans.³ Such technical workshops provide the most efficient means for developing well-reasoned rule changes and implementation plans by bringing pipeline operators, regulators and stakeholders together in a collaborative process.

The Proposed Decision also requires each transmission pipeline operator to include a ratemaking proposal in their respective Implementation Plans, and notes that additional hearings may be required when ratemaking issues become clearer. SoCalGas and SDG&E currently have pending before the Commission a motion for authorization to establish a memorandum account for the purposes of tracking incremental costs associated with their compliance with the directives of the Commission in this Rulemaking. As discussed in that motion, authorization of the memorandum accounts would not pre-determine the eligibility of any tracked expenses for cost recovery, but is an essential first step in the ratemaking process to ensure that such costs can be accurately tracked until such time as a ratemaking framework for cost recovery can be established. Accordingly, SoCalGas and SDG&E urge the Commission to issue an interim decision granting their motion as soon as possible.

² The Proposed Decision refers to the Implementation Plan as the “Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan.” Because the scope of the Implementation Plan is broader than that designation suggests, however, SoCalGas and SDG&E will entitle their own Implementation Plan as a “Pipeline Safety Enhancement Plan.”

³ Proposed Decision, p. 21.

In the comments below, SoCalGas and SDG&E seek clarification of the authorized scope of the proposed Implementation Plans, and propose a procedural schedule for accomplishing the goals set forth in this Rulemaking. SoCalGas and SDG&E propose that the Commission consider the numerous issues identified in the OIR and the Proposed Decision in separate tracks to be conducted concurrently. This tracked process would enable the Commission to address the most urgent matters on an expedited basis through a technical workshop process, followed by hearings, where necessary, and interim decisions. This schedule would also provide pipeline operators with 60 days from the conclusion of the technical workshop process to prepare and file their proposed Implementation Plans. This slight schedule change would allow sufficient time to incorporate into the Implementation Plans input received during the technical workshop process. Lastly, SoCalGas and SDG&E encourage the Commission to allot sufficient time for natural gas utilities to provide timely notice to their customers through bill inserts of evidentiary hearings, additional public participation hearings and potential rate impacts.

II. COMMENTS AND REQUESTED CLARIFICATIONS

A. To Enhance Public Safety and Reliability in California, the Scope of the Proposed Implementation Plans Should Be Comprehensive, Not Limited Solely to Addressing Threats to Transmission Pipeline Long Seams.

The Proposed Decision orders “all California natural gas transmission pipeline operators to prepare Implementation Plans to either pressure test or replace all segments of natural gas pipeline which were not pressure tested or lack sufficient details related to performance of any such test.”⁴ By focusing solely on pressure testing or replacement of pipelines to identify and address long seam flaws that might threaten the integrity of transmission pipelines, the Proposed Decision excludes the consideration of other potential threats to the integrity of pre-1970 natural gas pipelines. Consideration of other potential threats related to the construction of the pipeline and outside forces acting on the pipeline should be included as part of a comprehensive effort to assess and enhance the safety and reliability of California’s transmission pipelines. As part of the workshop process described in more detail below, SoCalGas and SDG&E propose that a workshop be held to address

⁴ Proposed Decision, p. 20.

other potential threats to the integrity of pre-1970 pipelines and to establish criteria for the possible replacement of pipelines based on these criteria. The information from this workshop can then be incorporated into the Implementation plans.

B. The Scope of the Pipelines to be Addressed in the Proposed Implementation Plans Should Be Clarified.

SoCalGas and SDG&E also seek clarification regarding the scope of the transmission pipelines to be included in the Implementation Plans. Much of the Proposed Decision focuses on pipelines located in Class 3 and Class 4 locations and Class 1 and Class 2 High Consequence Areas (HCA) for which complete pressure testing records do not exist. Those pipelines were the subject of the National Transportation Safety Board’s January 3, 2011, urgent safety recommendations to Pacific Gas and Electric Company (PG&E) and the subject of SoCalGas and SDG&E’s April 15, 2011 Report on Actions Taken in Response to National Transportation Safety Board (NTSB) Safety Recommendations (April 15 Report). As explained in their April 15 Report, SoCalGas and SDG&E operate 1,622 miles of natural gas pipelines that meet the criteria of the NTSB’s urgent safety recommendations (NTSB Criteria Miles). The Proposed Decision, however, orders all pipeline operators “to prepare and file a comprehensive Implementation Plan to replace or pressure test **all** natural gas transmission pipeline in California that has not been pressure tested or for which reliable records are not available.”⁵ Ordering Paragraph Four provides that “[t]he Implementation Plan should start with pipeline segments located in Class 3 and Class 4 locations and Class 1 and Class 2 high consequence areas, with pipeline segments in other locations given lower priority for pressure testing.” The Proposed Decision further requires that pipeline operators “must continue work on their respective responses to the NTSB recommendations”⁶ and states that “[a]t the completion of the implementation period, all California natural gas transmission pipeline segments subject to this order must be (1) pressure tested, (2) have traceable, verifiable, and complete records

⁵ Proposed Decision, p. 19 (emphasis added).

⁶ *Id.*

readily available, and (3) where warranted, be capable of accommodating in-line inspection devices.”⁷

If the Proposed Decision is adopted with the current language, SoCalGas will need to undertake a comprehensive record review for approximately 2,600 miles of additional transmission pipeline that are not located in high consequence areas; SDG&E will need to undertake a comprehensive record review for approximately 40 additional miles of pipeline. Because these additional miles were not the subject of the NTSB’s safety recommendations, SoCalGas and SDG&E have not yet undertaken the records review necessary to determine whether these miles of pipeline have sufficient documentation of strength testing. To undertake such a review and include those miles in the Implementation Plans will require significantly more time than the timeline currently contemplated in the Proposed Decision. Accordingly, SoCalGas and SDG&E seek clarification of whether the Proposed Decision intends to direct pipeline operators to develop and file Implementation Plans that address **all** transmission pipelines or whether the Proposed Decision intends to direct pipeline operators to develop and file Implementation Plans that address solely the NTSB Criteria Miles. If the former was intended, then the schedule set forth in the Proposed Decision must be revised to provide at least 10 additional months for California pipeline operators to complete the records review process and develop an Implementation Plan for the non-NTSB Criteria Miles. As an alternative, the Commission could divide the Rulemaking into tracks, as proposed below, and move forward with the development of Implementation Plans that address transmission pipelines subject to the NTSB safety recommendations in Track 1, and address remaining transmission pipelines in a separate track.

C. The Commission Should Clarify Whether the Implementation Plans May Propose Alternatives to Hydrostatic Pressure Testing or Replacement of Pipelines that Provide Equivalent Safety and Reliability Benefits.

The Proposed Decision is unclear with respect to the scope of alternatives that may be proposed in the Implementation Plans. While the Proposed Decision primarily focuses on hydrostatic testing or replacement of transmission pipelines, portions of the Proposed Decision

⁷ *Id.*, p. 20.

imply that other alternatives may be considered if those alternatives provide equivalent safety and reliability benefits. For example, in footnote 23, the Commission notes that as part of the workshop process, the Commission “will also direct these operators to develop standards for identifying transmission pipeline segments where retrofitting for in-line inspection techniques could be reasonable and feasible,” and on page 22 the Commission goes on to state that it “encourage[s] participants in these workshops to be innovative and explore alternatives, but the guiding principle must be maintaining the highest level of public safety.” The Proposed Decision also indicates that the intent is to bring all natural gas pipelines in service in California into compliance with modern standards for safety.⁸

The Proposed Decision, however, appears to preclude pipeline operators from proposing to use in-line inspection tools and other inspection technologies to validate the integrity and pressure-carrying capability of pipeline segments. Considerable research is underway in the industry to develop technology alternatives for hydrostatic testing. SoCalGas and SDG&E recommend that the Commission not rule out the use of advanced technology as an equivalent alternative to pressure testing in defined and appropriate situations.

As part of their proposed Implementation Plans, utilities may seek authorization to utilize in-line inspection tools and other non-destructive assessment tools for purposes of prioritizing pipeline segments for further action. SoCalGas and SDG&E propose that the data obtained through this process serve as a field test for purposes of collecting data to verify additional emerging methods for validating the integrity of a long seam and other pipeline features or properties. Accordingly, SoCalGas and SDG&E recommend a technical workshop be held on this subject and seek clarification of whether in-line inspection tools are intended to serve solely as a means of prioritizing pipelines for pressure testing or replacement, or whether, where appropriate, in-line inspection tools may be considered as an alternative to pressure testing or replacement, as those methods are refined and their validity demonstrated through field testing.

⁸ Proposed Decision, p. 18.

D. The Commission Should Address the Issues Identified in the OIR and Proposed Decision Through a Three-Track Process that Includes Technical Workshops, Followed by Hearings, Where Necessary, and Interim Decisions.

The Proposed Decision grants SoCalGas' and SDG&E's request for technical workshops to develop implementation details, explaining that "these workshops are vital to developing a sound engineering approach, with supporting analysis, to address the issue of aging natural gas transmission pipeline that has not been pressure tested."⁹

The purpose of these workshops [is] to discuss and provide recommendations for California's natural gas transmission system operators on prioritizing pipeline segments for replacement or testing in their Implementation Plans. The workshop participants may survey best practices in other states for addressing pre-1970 natural gas pipeline that has not been pressure tested, seek advice from industry experts or federal authorities, and take such actions as are necessary to inform themselves as to the optimum means of addressing the technical issues in this proceeding.¹⁰

The Proposed Decision contemplates that "written reports may be prepared and circulated."¹¹

In order to prioritize the matters in most urgent need of attention, the Commission should establish separate tracks in this proceeding, and begin each track with technical workshops. In Track 1, the Commission should consider Implementation Plans to address NTSB Criteria Mile pipeline segments. Track 1 should begin with technical workshops on those topics that must be addressed prior to the filing of the Implementation Plans to address NTSB Criteria Miles. Specifically, the Commission should begin Track 1 by scheduling technical workshops on the following topics: (1) Overview of the PG&E, SoCalGas and SDG&E transmission pipeline systems; (2) Potential threats to natural gas pipeline safety and options for mitigating those threats; (3) Criteria for selection and prioritization of pipeline segments; (4) Criteria for selection of threat-mitigation methods on a segment-by-segment basis (*e.g.*, cost, reliability and other customer

⁹ *Id.*, pp. 21-22. Although the Proposed Decision refers to pipeline segments that "ha[ve] not been pressure tested," it is generally understood that due to the age of much of the infrastructure at issue, and due to changes in recordkeeping practices and requirements, pipeline segments may have been pressure tested, but records documenting such testing do not exist today.

¹⁰ *Id.* at p. 22.

¹¹ *Id.*

impacts); and (5) Overview of automatic shut-off and remote controlled valves and criteria for selection and placement of such valves.

Given the complexity of the issues to be tackled in these technical workshops and the scheduling constraints of the Commission, parties, and potential industry experts and federal authorities, the Proposed Decision does not appear to allow sufficient time for natural gas pipeline operators to incorporate information and ideas obtained through the workshop process in their proposed Implementation Plans, which are currently to be submitted “[n]o later than 60 days after the effective date of this order.”¹² Accordingly, SoCalGas and SDG&E propose that the Commission adopt a deadline of 60 days from the conclusion of the workshop process as the deadline for the filing of proposed Track 1 Implementation Plans.¹³

In Track 2, the Commission should conduct technical workshops to address the following topics: (1) Other potential threats to pipeline integrity that may not be fully addressed through pressure testing; (2) Public awareness of natural gas pipeline safety issues and coordination with first responders; (3) Proposed modifications to General Order 112-E (grandfathering/MAOP rules, strength testing rules, reporting requirements, recordkeeping requirements); and (4) Barriers to implementation of pipeline integrity plans. Following the technical workshop process, natural gas pipeline operators should file proposed Track 2 Implementation Plans to address potential threats to pipeline integrity that may not be fully addressed through pressure testing.

In Track 3, the Commission should conduct technical workshops to discuss the following topics: (1) Overview of non-NTSB Criteria Mile pipeline segments; (2) Emerging technologies and non-destructive testing methods; and (3) Lessons-learned from Track 1 Implementation Plans. Following the technical workshop process, natural gas pipeline operators should be directed to file proposed Track 3 Implementation Plans to address non-NTSB Criteria Mile pipeline segments.

¹² *Id.*, Ordering ¶ 4.

¹³ To avoid ambiguity, the Assigned Administrative Law Judge or Workshop Facilitator could issue official notice to all parties of the conclusion of the workshop process.

In light of the urgent need for the Commission to take action, SoCalGas and SDG&E propose that these three tracks run concurrently while still ensuring sufficient time and attention may be devoted to each topic:

Track 1 Implementation Plans To Address NTSB Criteria Mile Pipeline Segments That Do Not Have Pressure Test Documentation	
Event	Date
Workshop: Overview of PG&E, SoCalGas and SDG&E Transmission Pipeline Systems; Potential Threats to Pipeline Integrity; Criteria for Selection and Prioritization of Pipeline Segments; Criteria for Selection of Threat-Mitigation Methods	June 22-23, 2011
In-Line Inspection Tools Symposium	June 24, 2011
Workshop: Overview of Automatic and Remote-Controlled Shut-Off Valves; Criteria for Valve Selection and Placement	June 30, 2011
Proposed Track 1 Implementation Plans Filed	August 26, 2011
Responses to Proposed Track 1 Implementation Plans Filed	September 26, 2011
Replies in Support of Proposed Track 1 Implementation Plans Filed	October 24, 2011
Hearings	October 31-November 4, 2011
Opening Briefs Due	December 5, 2011
Rebuttal Briefs Due	January 4, 2012
Reply Briefs Due	February 3, 2012
Track 1 Proposed Decision	March 2012

Track 2 Proposed Modifications to General Order 112-E/ Proposals to Address Other Potential Threats to Pipeline Integrity/ Proposed Rules Governing Public Awareness and Coordination with First Responders/ Proposals to Address Barriers to Implementation of Pipeline Integrity Plans	
Event	Date
Workshop: Public Awareness of Natural Gas Pipeline Safety Issues and Coordination with First Responders	October 3, 2011
Workshop: Barriers to Implementation of Pipeline Integrity Plans	October 4, 2011
Workshop: Other Potential Threats to Pipeline Integrity	November 10, 2011
Workshop: Proposed Modifications to General Order 112-E (grandfathering/MAOP rules, strength testing rules, reporting requirements, recordkeeping requirements)	November 17-18, 2011
Proposed Track 2 Implementation Plans/ Rule Changes Filed	January 31, 2012
Responses to Proposed Track 2 Implementation Plans/ Rule Changes Filed	March 1, 2012
Replies in Support of Proposed Implementation Plans/ Rule Changes Filed	March 30, 2012
Hearings on Proposed Implementation Plans	April 16-20, 2012
Opening Briefs Due	May 18, 2012
Rebuttal Briefs Due	June 18, 2012
Reply Briefs Due	July 18, 2012
Track 2 Proposed Decision	August 2012

Track 3 Implementation Plans to Address Class 1 and Class 2 Non-HCA Transmission Pipeline Segments That Do Not Have Documentation to Show That They Have Been Pressure Tested	
Event	Date
Workshop: Emerging Technologies and Non-Destructive Testing Methods	May 2012
Workshop: Lessons Learned From Track 1 Implementation Plans	May 2012
Proposed Track 3 Implementation Plans	June 2012
Responses to Track 3 Implementation Plans	July 2012
Replies in Support of Track 3 Implementation Plans	August 2012
Hearings on Track 3 Implementation Plans	September 2012
Opening Briefs Due	October 2012
Rebuttal Briefs Due	November 2012
Reply Briefs Due	December 2012
Proposed Track 3 Decision	January 2013

E. Sufficient Time Should Be Allotted for Natural Gas Utilities to Provide Timely Notice to Their Customers, Through Bill Inserts, of Evidentiary Hearings, Public Participation Hearings and Potential Rate Impacts.

The Proposed Decision anticipates that extensive hearings will be necessary to fully vet proposed Implementation Plans and to evaluate the rate impacts, and directs the natural gas utilities to work with the Commission’s Public Advisor to develop notices of such hearings for their customers.¹⁴ The Proposed Decision further provides that additional public participations may be required.¹⁵ Accordingly, to ensure that the natural gas utilities have sufficient time to provide timely and cost-effective notice of hearings to their customers, as required per the Commission’s Rules of Practice and Procedure, including by mail, SoCalGas and SDG&E request that the Commission notify the parties of the scheduling of such hearings at least 60 days prior to the hearing date. Less time may require the natural gas utilities to send notice via postcard, which is less cost effective, and/or may lead to some customers receiving insufficient advance notice of a hearing.

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¹⁴ *Id.*, p. 24.

¹⁵ *Id.*

III. CONCLUSION

For the reasons set forth above, SoCalGas and SDG&E propose that the Commission adopt a three-track procedural schedule for this proceeding, to begin with workshops on the topics to be addressed in each of the three tracks. In this proposed schedule, SoCalGas and SDG&E slightly revise the schedule set forth in the Proposed Decision to provide for the filing of proposed Track 1 Implementation Plans 60 days following the conclusion of the technical workshop process. SoCalGas and SDG&E further request that the scope of the Implemented Plans be clarified as requested herein. Finally, SoCalGas and SDG&E urge the Commission to provide the natural gas utilities with sufficient time to provide timely notice to their customers, through bill inserts, of evidentiary hearings, additional public participation hearings and potential rate impacts.

Respectfully submitted,

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