BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

FILED
07-15-11
04:59 PM

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COMMENTS OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) AND SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M) ON INDEPENDENT REVIEW PANEL REPORT AND RECOMMENDATIONS

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July 15, 2011

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Pursuant to the June 16, 2011 Scoping Memo and Ruling of Assigned Commissioner Florio (June 16 ACR), Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) submit the following comments on the Independent Review Panel Report presented to the California Public Utilities Commission (CPUC or Commission) on June 9, 2011 (Report).[1]

I. Introduction

Following the September 9, 2010 rupture of a pipeline operated by Pacific Gas and Electric Company (PG&E) in San Bruno, California, the Commission approved the formation of an independent review panel of experts "to gather and review facts and make recommendations to the CPUC for the improvement of the safe management of PG&E's natural gas transmission lines."[2] In his June 16 ACR, Commissioner Florio invites the parties to file and serve comments on the Report, and also include in their comments "any recommendations as to procedural or substantive changes that should be made to the directives for the Implementation Plans."[3] In the comments below, SoCalGas and SDG&E propose that the Commission consider implementation of Report recommendations applicable to all California

1 Report, Executive Summary, p. 2.
2 *Id*.
3 June 16 ACR, p. 4.

pipeline operators in this proceeding, and further propose that the Commission consider alternatives to pressure testing or replacement in evaluating the proposed Implementation Plans to be filed on August 26.

II. Report Recommendations Potentially Applicable to All California Pipeline Operators Should Be Considered in This Proceeding.

SoCalGas and SDG&E commend the Independent Review Panel for their service to the State and their evident commitment to the goal of enhancing the integrity of California's natural gas pipeline system. The Report offers a thorough, conscientious and comprehensive assessment of factors that may have contributed to the set of circumstances that led to the September 9 pipeline rupture. The Report carefully considers the cultures of both PG&E and the CPUC and PG&E's Pipeline Integrity Management Program and makes several recommendations to spur cultural change and improve PG&E's pipeline integrity program. Although the Independent Review Panel reviewed the practices of pipeline operators other than PG&E, an assessment of the cultures or integrity management programs of other California pipeline operators was not included within the scope of the Report. The Executive Summary of the Report includes several "overarching recommendations" that are "policy-oriented in nature"[4] and the body of the Report details additional technical recommendations.

Although the purpose of the Report was to gather and review facts specific to PG&E and issue recommendations to the CPUC for the improvement of the safe management of PG&E's natural gas transmission lines, some recommendations could potentially be adopted by the Commission on a statewide basis to enhance the safety of transmission lines operated by all California pipeline operators. As explained by the Independent Review Panel:

> Successful implementation of the actions we recommend here will come only through the collective commitment of all the stakeholders. There will be argument over which investments should made, who will pay for them, and what represents and acceptable level of safety risk. *There must be fact-based discussion and civil colloquy among the stakeholders about the path to a safer gas transmission system.*

[4] Report, Executive Summary, p. 25.

SoCalGas and SDG&E agree with this assessment by the Independent Review Panel and recommend that the Commission facilitate such civil colloquy among stakeholders in this proceeding.

Some Report recommendations pertain directly to issues to be addressed in the upcoming proposed Implementation Plans to be filed by all California pipeline operators on August 26. For example, the Report acknowledges that there are "safety and reliability trade-offs in deploying [automatic shut-off valves (ASVs) and remote control valves (RCVs)],"[5] a concern shared by SoCalGas and SDG&E. ACVs and RCVs are complex, and many technical aspects and trade-offs need to be considered before they are deployed. Inappropriate use of these valve types, or use of these valve types without complementary technology for rupture verification, can exacerbate a situation and create unnecessary service disruptions. Thus, the analysis necessary to expand the use of ASVs/RCVs is complex and may differ from pipeline operator to pipeline operator. SoCalGas and SDG&E will offer for Commission consideration a proposal for enhancing pipeline safety through expanded deployment of these types of valves in their system as part of their proposed Implementation Plans.

Similarly, SoCalGas and SDG&E support the Independent Review Panel's recommendation with respect to studying potential technology enhancements to strengthen existing event analysis and management capabilities.[6] Indeed, SoCalGas and SDG&E are currently reviewing the scope of information, control options and analytical tools available to their supervisory control and data acquisition (SCADA) system operators and field personnel, and assessing where such options might add additional real-time monitoring, exception reporting/alarming, automation/control points, look-ahead modeling. SoCalGas and SDG&E intend to include proposed technological enhancements as part of their proposed Implementation Plan to be filed for Commission consideration on August 26. The objective of these proposed technological enhancements will be to strengthen the ability of SoCalGas and SDG&E to identify potential system problems earlier and provide the tools to respond to and manage around potential incidents with added operational flexibility, reduced response time and greater

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5 Report, p. 13, n. 12.

6 *See* Report, p. 78 ("Conduct a study of SCADA needs to achieve enhanced gas transmission system knowledge that would enable improved shutdown capabilities in the event of a future pipeline rupture.")

ability to forecast and preempt or greatly mitigate the negative consequences of a pipeline rupture or other similar event(s).

Other Report Recommendations that could impact all pipeline operators do not fit within the scope of the proposed Implementation Plans to be filed on August 26.[7] SoCalGas and SDG&E propose that those recommendations be addressed in the second track of this proceeding, after the National Transportation Safety Board issues its report on the root cause of the September 9 pipeline rupture.

III. The Commission Should Consider Alternatives to Pressure Testing or Replacement in Evaluating the Proposed Implementation Plans.

Decision 11-06-017 orders all California natural gas transmission pipeline operators to "file and serve a proposed Natural Gas Transmission Pipeline Comprehensive Pressure Testing Implementation Plan (Implementation Plan) to comply with the requirement that all in-service natural gas transmission pipeline in California has been pressure tested in accord with 49 CFR 192.619, excluding subsection 49 CFR 192.619(c)." The scope of the undertaking directed by the Commission is unprecedented and the costs to California's natural gas customers of compliance with D.11-06-017 will be significant. In considering the proposed implementation plans, the Commission should carefully weigh the public safety benefits and costs associated with those plans, and ensure that all feasible options are evaluated. SoCalGas and SDG&E believe that the cost effectiveness of the implementation plans may be improved through the use of alternative methods of assessments that "achieve the same standard of safety as hydrostatic testing or replacement."[8] Such alternatives that should be considered, include:

A. In-Line Inspection Tools

The Decision 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

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[7] For example, the Report recommends that the Commission "institute a program for safety and pipeline integrity audits of the utilities" that includes posting of the audit findings and recommendations on the CPUC website, use of "Plain English" standard to be applied to both staff and operators, and certification by senior management similar to those required of corporate financial statements under Sarbanes-Oxley (*id*., p. 28, p. 97) and consider transferring its pipeline safety staff to the Office of the State Fire Marshall "and with them the responsibility for inspection of gas operator safety and integrity management programs." (*id*., p. 104).

[8] D.11-06-017, p. 1.

pipeline segments. Considerable research has been completed and more is underway in the industry to develop technology alternatives to pressure testing. In the Report, the Independent Review Panel recommends that PG&E establish a capital program that includes retrofitting existing pipelines to accommodate in-line inspection tools. SoCalGas and SDG&E support this direction. Indeed, SoCalGas and SDG&E implemented such a program nearly ten years ago and as a result, have gained a vast amount of information about the integrity of their transmission system. 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 Plan, SoCalGas and SDG&E will 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 will further 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 properties. In-line inspection tools should be considered as an alternative to pressure testing or replacement, as the tools and methodology are refined and their validity demonstrated through field testing.

B. Direct Examination

In some circumstances, direct examination of a pipeline segment using non-destructive evaluation methods, such as radiography and ultrasonic inspection, may be more cost effective than pressure testing or replacement. SoCalGas and SDG&E will propose that such alternatives be considered as part of their proposed Implementation Plan.

C. Recognition of Validity of Pressure Tests That Pre-Date Current Regulations

Because Decision 11-06-017 directs the filing of Implementation Plans to "to comply with the requirement that all in-service natural gas transmission pipeline in California has been pressure tested in accord with 49 CFR 192.619, excluding subsection 49 CFR 192.619(c),"[9] and further provides that "for all pressure tests conducted prior to the effective date of General Order 112, one hour is the minimum

[9] *Id.*, Ordering ¶ 4.

acceptable duration for a pressure test,"[10] the Decision will require all California pipeline operators to propose plans to pressure test or abandon pipelines that already have documentation of pressure testing, but that lack sufficient documentation to satisfy the Decision's requirements. For example, pressure test records may not include a hold time, because at the time of the pressure test, documentation of the hold time was not required. Instead of requiring all such pipelines to be pressure tested or abandoned, the Commission should consider recognizing the validity of pressure tests that pre-date current regulations, so long as those pressure test records demonstrate that a pipeline segment has been previously pressure tested to a level sufficient to establish an appropriate safety margin.

D. Recognition of Pressure Reductions as Adequate to Ensure a Margin of Safety

As explained by SoCalGas and SDG&E in their April 15 Report on Actions Taken in Response to National Transportation Safety Board Recommendations, under circumstances where a pipeline is operated at a pressure that is sufficiently below its historical operating pressure, the historical operating pressure can serve as essentially an "in-service" strength test. Recognition by the Commission of pressure reductions as sufficient documentation of strength testing could help minimize costs for customers while achieving the same level of safety as pressure testing. SoCalGas and SDG&E encourage the Commission to consider developing a standard or procedure that would allow pressure reductions as an alternative to pressure testing or replacement, where such pressure reductions can be demonstrated to provide an equivalent level of safety.

E. Mitigation of Construction Threats

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 Decision does not fully address integrity threats that may exist due to the use of construction methods and practices accepted at the time of construction. In their proposed Implementation Plans, SoCalGas and SDG&E will propose to replace or abandon pipeline segments to address threats related to certain construction methods used on some older pipeline segments.

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[10] *Id.*, Ordering ¶ 3.

IV. Conclusion

SoCalGas and SDG&E commend the efforts of the Independent Review Panel to investigate the facts and circumstances surrounding the September 9 pipeline rupture in an effort to provide the Commission with recommendations to enhance the safety of PG&E's transmission pipeline system. As some of the recommendations could potentially be applied to other California pipeline operators to enhance the integrity of transmission pipelines statewide, SoCalGas and SDG&E propose that such recommendations be included within the scope of this proceeding for careful consideration. SoCalGas and SDG&E further propose that in evaluating the proposed implementation plans to be filed August 26, the Commission should consider the use of alternative methods of assessments that "achieve the same standard of safety as hydrostatic testing or replacement."[11]

Respectfully submitted,

By: _____*/s/ Deana Michelle Ng*_____
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[11] *Id.*, p. 1.