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**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)

**OPENING COMMENTS  
OF  
SOUTHWEST GAS CORPORATION (U 905 G)  
REGARDING THE REPORT OF THE INDEPENDENT REVIEW PANEL  
ON THE SAN BRUNO INCIDENT**

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13 On June 8, 2011, the Report of the Independent Review Panel (IRP) - San Bruno  
14 Explosion (Report) that was prepared for the California Public Utilities Commission (CPUC  
15 or Commission) was released. Through the Scoping Memo and Ruling of the Assigned  
16 Commissioner issued on June 16, 2011, parties were advised of the opportunity to file  
17 comments on or before July 15, 2011, regarding the IRP Report. Southwest Gas  
18 Corporation (Southwest Gas or Company) has reviewed the IRP Report, and submits the  
19 opening comments attached hereto as Exhibit A.

20 Southwest Gas appreciates the opportunity to provide comments on the IRP Report  
21 and will continue to participate in this proceeding.

22 Dated this 15<sup>th</sup> day of July, 2011, at Las Vegas, Nevada.

23 **SOUTHWEST GAS CORPORATION**

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1 Current federal transmission integrity management regulations require operators to  
2 continually review their programs for improvement, but provide flexibility in how the review is  
3 conducted. Southwest Gas believes that a utility-initiated independent audit is but one  
4 approach to address a continual review, but the audit should not be utilized as a tool for the  
5 Commission. The Commission has existing tools for evaluating operator programs, namely  
6 the training, protocols, forms, FAQs, and incident and leak data, provided by the Pipeline  
7 and Hazardous Materials Administration (PHMSA). The Commission can utilize these  
8 resources in conjunction with information obtained from its own inspections of operators'  
9 integrity programs, to develop performance-based audits.

10 *6.3.3.3 The CPUC should consider requiring the major regulated utilities operating in*  
11 *the State of California to submit the results of the independent integrity*  
12 *management audits as part of their respective rate case processes.*

13 As mentioned in the comment to 6.3.3.1, the independent audit is but one approach to  
14 address a continual review of an operator's integrity management program. Operators  
15 should be allowed to allocate resources and conduct independent audits at intervals most  
16 beneficial to ensuring the quality of their respective programs.

17 *6.3.3.6 To raise the profile of the audits among all the stakeholders, add the*  
18 *following requirements to the safety and pipeline integrity audits of the*  
19 *utilities that includes the following features: (1) posting of audit findings and*  
20 *company responses on the CPUC's website; (2) use of a "plain English"*  
21 *standard to be applied for both staff and operators in the development of*  
22 *their findings and responses, respectively; and (3) a certification by senior*  
23 *management of the operator that parallels that certification now required of*  
24 *corporate financial statements pursuant to Sarbanes-Oxley.*

25 Regarding the certification in item (3), it is unclear as to what is being certified by senior  
26 management. If it is certification that an audit has been conducted or that certain processes  
27 were followed, then this can likely be supported. However, Southwest Gas notes that  
28 existing federal integrity management regulations require that programs specify roles and  
responsibilities for the implementation and oversight of the processes and procedures  
involved. This recommendation appears to be redundant in light of the existing code  
requirements.

1 6.7.3.1 *The CPUC should seek to align its pipeline enforcement authority with that*  
2 *of the State Fire Marshal's by providing the CPSD staff with additional*  
3 *enforcement tools modeled on those of the OSFM and the best from other*  
4 *states.*

4 Based on the information provided, the potential impact of this change is unclear; therefore,  
5 Southwest Gas cannot comment at this time. Southwest Gas suggests that if the  
6 Commission seeks to adopt this recommendation, it should provide specific information as  
7 to the "additional enforcement tools" to be implemented, and allow the parties an  
8 opportunity for further comment.