

Decision **PROPOSED DECISION OF ALJ BUSHEY** (Mailed 8/9/2011)

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 ADOPTING PROCEDURE FOR LIFTING
OPERATING PRESSURE RESTRICTIONS**

1 Summary

This decision denies the July 11, 2011, motion of Pacific Gas and Electric Company to delegate authority to the Executive Director to approve requests to lift operating pressure limitations. The decision instead adopts an expedited hearing process for Commission consideration of such requests.

2 Background

2.1 Commission Ordered Operating Pressure Reductions

On September 9, 2010, Pacific Gas and Electric Company's (PG&E) natural gas transmission Line 132 ruptured and exploded in the City of San Bruno resulting in the death of eight persons and the widespread destruction of property.

On September 13, 2010, the Commission's Executive Director ordered PG&E to reduce operating pressure in Line 132 to a level 20% below the pressure

at the time of the failure. PG&E also reduced pressure on Lines 101, 109, and associated cross-ties to the Peninsula natural gas transmission system, including Lines 132A and 147. The Commission ratified the Executive Director's order in Resolution L-403 on September 24, 2010.

In response to preliminary determinations by the National Transportation Safety Board as to the cause of the gas line rupture and explosion, the Commission's Executive Director on December 16, 2010 ordered that:

PG&E shall reduce, to 20% below the Maximum Allowable Operating Pressure (MAOP) for each line, the maximum pressure on pipelines that have segments that meet all of the following characteristics:

- a. all Class 3 & 4 pipelines and all Class 1 & 2 pipelines located in High Consequence Areas (gas transmission lines as defined by 49 Code of Federal Regulation (CFR) 192.3); and
- b. 30-inch diameter pipelines having Double Submerged Arc Welds or its manufacturing equivalent; and
- c. installed prior to January 1, 1962, and having not undergone hydrostatic pressure testing or the equivalent.

The Executive Director ordered PG&E to assess the integrity of the pipelines to which such pressure reductions applied using either: hydrostatic or other appropriate pressure test as specified in 49 CFR Part 192, Subpart J; X-ray or camera examination of the interior; or an inline inspection using a "smart pig" or other technology appropriate to assessing pipeline seam integrity.

The Executive Director further ordered that PG&E must obtain Commission authorization before restoring pressures in any such gas transmission pipelines to operating levels prior to the order. To obtain such authorization, the Executive Director ordered PG&E to submit to the Commission the information identifying pipeline segments included within the

directive, the assessment data, and a description of all actions taken by PG&E to make the pipeline segments safe for a return to normal pressures. The Commission ratified the Executive Director's order on January 13, 2011, in Resolution L-410.

On February 2, 2011, the Executive Director ordered further pressure reductions on all PG&E natural gas pipelines that had experienced pressure excursions of greater than 10% of MAOP. PG&E has reduced pressure on Lines 148, Distribution Feed Mains 0805-01, 0807-01 and 1816-01, and on line 300B upstream of the Topcock compressor station and within the suction side of the compressor station.

2.2 PG&E's Motion on July 11, 2011

On July 11, 2011, PG&E filed and served its Motion for Delegation of Authority to the Executive Director and Adoption of a Procedure to obtain Authorization to Restore Operating Pressure. In its motion, PG&E explained that following the accident in San Bruno, this Commission issued three different directives requiring PG&E to reduce pressure on certain pipelines. Pursuant to these directives, PG&E has reduced operating pressure on portions of more than a dozen lines, distribution feeder mains, and cross-ties: Lines 101, 109, 131, 132, 132A, 147, 148, 153, 300B, and Distribution Feeder Mains 0805-01, 0807-01, and 1816-01, plus a number of short cross-ties outside Milpitas Station. PG&E stated that it has been and will be pressure testing many of the pipelines covered by the Commission's orders to reduce pressure, and that it will need a timely process to obtain Commission authorization to restore operating pressure.

Specifically, PG&E proposed that the Commission delegate authority to the Executive Director to approve restoration of operating pressure, upon submittal by PG&E of proof of prior or current pressure tests for each segment in

a Class 3 or 4 location or a Class 1 or 2 High Consequence Area on the portion of a transmission line where pressure has been reduced pursuant to Commission directive.

PG&E stated that it most urgently anticipates needing to raise pressure on Line 300B and the suction side of the Topock compressor station in September 2011 to avoid adverse customer effects not only on the PG&E system but also on the Southern California Gas Company system. PG&E also stated that pressure on certain other lines will need to be raised by November 2011 to provide for the winter heating season.¹

To obtain authority to restore MAOP, PG&E proposed to provide the Executive Director and Consumer Protection and Safety Division (CPSD) a letter request to restore MAOP setting forth the following:

1. the segments where pressure was reduced;
2. a reference to the Commission order(s) mandating the pressure reduction;
3. the pressure test record(s) covering each Class 3 and 4 and Class 1 and 2 High Consequence Area segments;
4. the current operating pressure;
5. the proposed Maximum Operating Pressure (MOP); and
6. any other information the Commission deems necessary and appropriate.

PG&E envisioned that the Executive Director would respond to such a letter request as soon as possible or necessary under the circumstances, but

¹ No party disputed PG&E's assertions of the adverse consequences should operating pressure of Line 300B not be restored in a timely manner.

within no more than 10 business days. PG&E concluded that delegation of this authority to the Executive Director will provide appropriate Commission oversight and will minimize unnecessary delays or adverse customer impacts.

Parties to this proceeding responded to PG&E's Motion on July 26, 2011. The City of San Bruno opposed PG&E's motion and recommended that any process to restore operating pressure should be analyzed by independent experts and reviewed in a public process by the Commission.

The City and County of San Francisco took no position on whether the Commission should approve PG&E's motion, but proposed that the Commission additionally require a request to increase pressure (1) be public and served on all parties and local officials, and (2) include a description of the steps PG&E has taken to make the pipeline safe at the increased pressure level. The City and County of San Francisco also criticized vagueness in PG&E's motion, which stated that pressure test records would be the "primary" measure for whether to increase pressure, but did not specify alternative measures that may be used. The City and County of San Francisco recommended that the Commission delegate authority to the Executive Director only for those cases where a full set of pressure test records is available.

The Utility Reform Network, like the City and County of San Francisco, asked that the letter request be served on all parties and criticized the vagueness of pressure test results being only the "primary" measure.

PG&E replied to the responses on August 1, 2011, urging the Commission to approve its proposed delegation of authority and stating that:

In virtually all cases, PG&E plans to submit proof of prior, complete pressure tests for which PG&E has validated the records, or the results of new pressure tests for each segment in a Class 3 or Class 4 location, or a Class 1 or Class 2 HCA [High

Consequence Area] on the portion of a transmission line where pressure has been reduced pursuant to Commission directive. These will be “complete” pressure tests, but not for non-HCA segments. Consistent with the Commission’s priorities, PG&E has been pressure testing HCA segments first, before pressure testing non-HCA segments. In some circumstances, however, the prudent engineering approach may warrant something other than a pressure test. For each segment where this is the case, PG&E will work with CPSD and the Executive Director to determine the most appropriate method for evaluating pipeline safety consistent with industry standards. In its motion, PG&E provided the example of seamless pipe where an engineering analysis may be preferable to a pressure test. These technical issues are, in PG&E’s view, best suited for CPSD, its consultants, and the Executive Director, so as not to burden the entire Commission with delays and hearings on each “one off” situation.

PG&E’s Reply at 2 – 3. PGE&E also agreed to serve the letter request on parties and local officials.

3 Discussion

Pursuant to Public Utilities Code Section 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.

The duty to furnish and maintain safe equipment and facilities falls squarely on California public utilities, including PG&E. The burden of proving that particular facilities are safe also rests with PG&E.

The Executive Director and this Commission have taken extraordinary steps to restrict the operating pressure on certain of PG&E’s natural gas

transmission pipelines in response to the worst tragedy in California history from public utility operations. As set forth above, the reason for many of the ordered pressure reductions was that the lines had similar attributes to Line 132 in San Bruno.

Now, PG&E proposes to send a letter to the Executive Director which will contain such unspecified “analysis” as may be consistent with “industry standards” to have the Executive Director lift these restrictions. PG&E further proposes to allow the Executive Director 10 business days to review the letter and determine whether to lift the operating pressure limitation.

We find that the process proposed by PG&E is inadequate to discharge our Constitutional and statutory duties. The public interest in PG&E’s natural gas operations is intense. Restoring MAOP in PG&E’s transmission pipelines has significant implications for public safety. The public deserves to be informed about PG&E’s proposed MAOP restoration and to have an opportunity to assess PG&E’s evidence in support of the request. Moreover, PG&E’s proposed delegation, particularly in light of the unspecified supporting analysis, goes well beyond the scope of ministerial matters for which the Commission may properly delegate its authority. The Commission ordered the operating pressure reductions at issue here, and the Commission should consider whether these ordered reductions should be lifted.² We, therefore, deny the motion.

² See *Application of Union Pacific Railroad Company and BNSF Railway Company for Rehearing of Resolution ROSB-002*, Decision 09-05-020 (May 7, 2009) and cases cited therein discussing the types of determinations the Commission may properly delegate to its staff and the matters which require Commission action.

However, we will accommodate PG&E's request for an expedited procedure to obtain authorization to lift natural gas transmission pipeline operating pressure limitations for Line 300B and the suction side of the Topock compressor station as set forth below. We first address a process to establish the procedural and substantive requirement for future requests.

To enable the Commission to determine the procedural and substantive requirements as well as allow the parties to plan for future such requests, we require that PG&E submit a comprehensive timeline for all natural gas transmission lines subject to pressure restrictions for which PG&E expects to seek permission to restore MAOP. The Commission will separately specify the procedure to be used for these future requests. Depending on the rigor and specificity of the information PG&E contemplates providing in support of a particular request, we do not foreclose the possibility of a delegation of authority to the Executive Director to act on the request. However, all requests will continue to be filed and served on the parties and on local officials. We adopt the following filing requirement for PG&E to present a comprehensive description of the lines where it will be seeking authorization to lift operating pressure restrictions as well as the information PG&E intends to provide to demonstrate that each segment and the entire line can operate safely at the higher pressure:

Event	Date
PG&E File and Serve Plan Specifying Timetable for Each Segment of Each Line where a pressure reduction has been ordered and for which PG&E will seek authorization to lift a Commission ordered operating pressure restriction in the next 12 months, including plans for Supporting Information	30 days after the effective date of today's decision
Parties responses to PG&E's filing	15 days after PG&E's filing
Commission decision adopting procedures for future requests	As soon as practicable

PG&E should use its best efforts to complete its Supporting Information for other lines well in advance of needed operational dates to allow for timely Commission review. We will use our experience with the Line 300B set forth below to inform the schedule we will adopt for future such requests.

PG&E contends, and no party disputes, that the operating pressure restrictions on Line 300B and within the suction side of the Topock compressor station need to be promptly lifted to avoid adverse impacts for its customers as well as Southern California Gas Company. We conclude that the process to review such a request must be public and thorough, but expedited to the extent possible. The process we adopt provides for public review on a highly compacted schedule followed by Commission action. The procedure is 24 days in duration and begins with PG&E filing and serving specific supporting information. The procedure, as well as the substantive information requirements set forth below, includes provisions for PG&E to demonstrate its ability to ensure safe natural gas transmission system operations and for the Commission to

publicly evaluate PG&E's evidentiary presentation. We, therefore, adopt the following process to review pressure test results and other required information for lifting the pressure restriction currently imposed on Line 300B and within the suction side of the Topock compressor stations:

**Procedure to Consider Lifting Operating Pressure
Restrictions on Line 300B**

Event	Date
PG&E File and Serve Supporting Information for Lifting Operating Pressure Restrictions on Line 300B and Suction Side of Topock Compressor	September 12, 2011
Hearing - PG&E officer responsible for gas system engineering appear and summarize Supporting Information verifying ability of line 300B and suction side of Topock compressor to operate safely at the restored MAOP as well as Specific Timetables for strength testing activity, planned for Line 300B, after MAOP is restored	September 19, 2011, Monday, at 10:00 a.m. Commission Hearing Room A State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Proposed Decision Mailed	September 23, 2011
Comments on Proposed Decision filed and served. ³ No reply comments.	12:00 Noon, September 30, 2011
Decision on Commission Meeting Agenda	October 6, 2011 (meeting in LA)

This procedure will apply for Line 300B. The Assigned Commissioner and Administrative Law Judge (ALJ) have the authority to modify this timeline.

³ The public necessity, as defined in Rule 14(c)(9) of the Commission's Rules of Practice and Procedure, requires this reduction of the 30-day period for review and comment.

Turning now to the substantive requirements for the information PG&E must file in support of its request to restore MAOP, which we term “Supporting Information,” this Commission took extraordinary steps in ordering the pressure reductions due to an unprecedented tragedy. The Supporting Information for a request to restore operating pressure must show that PG&E has gone beyond a rote pressure test by a contractor. We require PG&E to include a responsible engineer’s review of the pipeline construction and assessment of the pressure test results. In short, PG&E must be fully accountable for the pressure test and the assertion that the line can be safely operated at the restored MAOP. We, therefore, adopt the following requirements for the Supporting Information to be filed by PG&E with this first request to lift an operating pressure limitation and we expect that this information will be the minimum requirements for future such filings:

Supporting Information for Request to Lift Operating Pressure Limitation

- A. Name/Number of Segment, general description, location, length of segment, and percent specified minimum yield strength (SMYS) at MAOP.
- B. MOP and MAOP for each segment and the entire Line prior to the pressure reduction.
- C. Reason for MAOP reduction.
- D. Complete Pressure Test Results for each segment in Class 3 or Class 4 locations or Class 1 or Class 2 High Consequence Areas where MAOP will be restored. Explain findings and any actions taken based on results of pressure testing.
- E. MAOP validation records for non-HCA segments where MAOP will be restored.
- F. Proposed MOP and MAOP for each segment and the entire Line and proposed effective date.

- G. Safety Certification. Verified statement from the PG&E officer responsible for gas system engineering that:
- a. PG&E has validated pipeline engineering and construction;
 - b. PG&E has reviewed pressure test results and can confirm that a strength test was performed on the segment in accord with 49 CFR Part 192, subpart J, or the regulations in effect at the time the pressure test was performed; and
 - c. in the professional judgment of the engineering officer, the system is safe to operate at the proposed MAOP.

H. Concurrence of the Commission's Consumer Protection and Safety Division.

As set forth above, we have developed a procedural and substantive mechanism to address PG&E's anticipated request to return Line 300B and the suction side of the Topock to a higher MAOP. Based on the experience we will gain from implementing this process and with PG&E's timetable and plan for submitting future such requests, we will direct PG&E on the procedural process to follow for the future requests. As also noted above, we do not foreclose the possibility that under certain narrowly prescribed circumstances a delegation of authority to the Executive Director may be appropriate.

4 Assignment of Proceeding

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

5 Comments on Proposed Decision

The proposed decision of the ALJ Maribeth A. Bushey 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 August 29, 2011, and reply comments were filed on September 6, 2011.

DRA commented that the proposed decision set forth a reasonable process to lift operating pressure limitations, but DRA also recommended that PG&E be required to provide additional information to provide a more complete picture of the characteristics of the line at issue. DRA offered specific additions to the supporting information requirements.

The City of San Bruno supported the proposed decision's requirement that any request to restore operating pressure should be considered in the context of a public hearing. The City of San Bruno emphasized the importance of allowing residents the opportunity to review PG&E's proposed pressure increases prior to the PG&E actually implementing the proposed increase.

The City and County of San Francisco also offered general support for the proposed decision, with three additional recommendations. First, all communications between PG&E and the Commission's staff be made public. Second, PG&E should explain the likely consequences of not increasing the operating pressure in its supporting information. Finally, PG&E should identify the reason for the operating pressure limitation and explain what actions had been taken to address that underlying cause.

PG&E did not object to the public format for assessing its requests, but sought a clarification of the information required as well as a specific means to present safety assessments that do not rely on pressure test information. Specifically, PG&E asked that the proposed decision be clarified to be consistent with the Commission's earlier decisions requiring that PG&E's pressure testing focus on High Consequence Areas, which are more densely populated. PG&E also sought clarification on the requirements for each pressure test; that is, whether the pressure test meets current requirements or the pressure test requirements in effect at the time the test was performed. Finally, PG&E

requested flexibility for the supporting information requirements to allow for alternatives to pressure testing data.

In reply comments, the City and County of San Francisco opposed PG&E's request for flexibility in the supporting information, and recommended that any MAOP verification be verifiable, traceable, and complete. PG&E's replied that it will provide additional information as requested by the parties but that certain detailed information not otherwise available to the public will be provided to DRA on a confidential basis.

Findings of Fact

1. The Commission has ordered PG&E to reduce operating pressure on several natural gas transmission pipelines, pending demonstration that the pipelines can be safely operated at the originally established MAOP.
2. After PG&E completes pressure tests, a public process is appropriate to review the adequacy of PG&E's demonstration before the Commission lifts the operating pressure limitation and allows MAOP to be restored.
3. An expedited process, to the extent consistent with thorough review of PG&E's supporting information, is appropriate in order to avoid adverse customer effects on its own system as well as on the Southern California Gas Company system.
4. No party disputed PG&E's assertions that adverse consequences for its customers and Southern California Gas Company would result if the MAOP of Line 300B is not restored in a timely manner.
5. The public interest requires that PG&E's request to lift the Commission's operating pressure limitations for Line 300B and the suction side of the Topock compressor be considered by the Commission in a public hearing.

Conclusions of Law

1. PG&E's July 11, 2001, motion for a delegation of authority to the Executive Director for all requests to lift Commission-ordered operating pressure reductions should be denied.
2. The public necessity as defined in Rule 14.6(c)(9) of the Commission's Rules of Practice and Procedure requires a reduction of the 30-day period for public comment and review of the Commission's proposed decision on the whether to lift the operating pressure limitations on Line 300B and within the suction side of the Topock compressor.
3. PG&E should follow the review procedure and schedule set forth in today's decision for Line 300B and the Commission should adopt other appropriate procedures for future such requests for MAOP restoration.
4. PG&E should use its best efforts to complete the testing of other lines in a timely manner that allows for an orderly Commission review process.
5. PG&E should file and serve a timetable of all Commission-ordered operating pressure reductions it intends to ask the Commission to lift over the next 12 months. PG&E should specify the information it expects to submit in support of each request and any operating constraints that may result from delay in lifting the operating pressure reductions.
6. The Commission should specify the procedure it will follow in these future requests; generally, to initiate such requests, PG&E should expect to file a motion in this proceeding requesting authorization to lift Commission-ordered operating pressure reductions and the motion should include the Supporting Information specified in today's decision.
7. This decision should be effective immediately.

O R D E R

Therefore, **IT IS ORDERED** that:

1. Pacific Gas and Electric Company (PG&E) must comply with the following schedule to prepare a plan and timetable for upcoming requests to lift operating pressure limitations:

Event	Date
PG&E File and Serve Plan Specifying Timetable for Each Segment of Each Line where a pressure reduction has been ordered and for which PG&E will seek authorization to lift a Commission ordered operating pressure restriction in the next 12 months, including plans for Supporting Information	30 days after the effective date of today's decision
Commission decision adopting procedures for future requests	As soon as practicable
Parties responses to PG&E's filing	15 days after PG&E's filing

2. Pacific Gas and Electric Company (PG&E) must comply with the following schedule for review of its motion to increase operating pressure on Line 300B and within the suction side of the Topock compressor station:

Procedure to Consider Lifting Operating Pressure Restrictions on Line 300B

Event	Date
PG&E File and Serve Supporting Information for Lifting Operating Pressure Restrictions on Line 300B and Suction Side of Topock Compressor	September 12, 2011
Hearing - PG&E officer responsible for gas system engineering appear and	September 19, 2011, Monday, at 10:00 a.m.

summarize Supporting Information verifying ability of line 300B and within the suction side of Topock compressor station to operate safely at the restored MAOP as well as Specific Timetables for strength testing activity, planned for Line 300B, after MAOP is restored	Commission Hearing Room A State Office Building 505 Van Ness Avenue San Francisco, CA 94102
Proposed Decision Mailed	September 23, 2011
Comments on Proposed Decision filed and served. No reply comments.	12:00 Noon, September 30, 2011
Decision on Commission Meeting Agenda	October 6, 2011 (meeting in LA)

3. The assigned Commissioner and Administrative Law Judge have the authority to modify the schedule and dates set forth in today's decision.

4. Pacific Gas and Electric Company (PG&E) must include the following Supporting Information in any motion to increase natural gas pipeline maximum allowable operating pressure (MAOP) in a pipeline where the Commission has ordered the MAOP reduced:

- A. Name/Number of Segment, general description, location, length of segment, and percent specified minimum yield strength at MAOP.
- B. Maximum Operating Pressure (MOP) and MAOP for each segment and the entire Line prior to the pressure reduction.
- C. Reason for MAOP reduction.
- D. Complete Pressure Test Results for each segment in Class 3 or Class 4 locations or Class 1 or Class 2 High Consequence Areas where a pressure increase will occur. Explain findings and any actions taken based on results of pressure testing.
- E. MAOP validation records for non-High Consequence Areas segments where MAOP will be restored.

- F. Proposed MOP and MAOP for each segment and the entire Line and proposed effective date.
 - G. Safety Certification. Verified statement from the PG&E officer responsible for gas system engineering that:
 - a. PG&E has validated pipeline engineering and construction;
 - b. PG&E has reviewed pressure test results and can confirm that a strength test was performed on the segment in accord with 49 Code of Federal Regulation Part 192, subpart J, or the regulations in effect at the time the pressure test was performed; and
 - c. in the professional judgment of the engineering officer, the system is safe to operate at the proposed MAOP.
 - H. Concurrence of the Commission's Consumer Protection and Safety Division.
5. Rulemaking 11-02-019 remains open.

This order is effective today.

Dated _____, 2011, at San Francisco, California.