Decision **PROPOSED DECISION OF ALJ BUSHEY** (Mailed 12/1/2011)

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 ESTABLISHING MAXIMUM OPERATING PRESSURE FOR LINES 101, 132A, and 147

1. Summary

This decision authorizes Pacific Gas and Electric Company to operate Lines 101, 132A, and 147 at a pressure no higher than 365 pounds per square inch gauge.

2. Description of Lines 101, 132A, and 147, and Pressure Reductions

Located along the San Francisco Peninsula, Line 101 runs 34 miles from Milpitas Terminal in Santa Clara County to the San Francisco Gas Load Center in San Francisco. Gas coming into Milpitas Terminal supplies the vast majority of customers along the San Francisco Peninsula. Line 101 approximately follows the alignment of Highways 237 and 101. At the Lomita Park Meter Station, located across the freeway from the San Francisco Airport, the pressure on Line 101 is reduced as the gas supply moves toward San Francisco.

Line 132A is a 1.5 mile cross-tie that connects Line 101 at mile point 9.78 to Lines 109 and 132 in the Mountain View area. Line 147 is a 3.8 mile cross-tie that connects Line 101 at mile point 21.54 to Lines 109 and 132.

Along the routes of Lines 101, 132A, and 147, other pipelines tap off of these lines and supply gas to individual customers, distribution feeder mains, distribution regulating stations, or are otherwise required for pipeline operations. These lines are referred to as "shorts," and each of the three lines has numerous appurtenant shorts. Pacific Gas and Electric Company (PG&E) explained that Line 101 has 132 shorts, Line 132A has 9 shorts, and Line 147 has 15 shorts. PG&E is also seeking Commission authorization to increase the maximum operating pressure in the shorts associated with each of the three lines to 365 pounds per square inch gauge (psig).

On September 13, 2010, the Commission's Executive Director ordered PG&E to reduce the operating pressure on Line 132 to 20% below the operating pressure at the time of the San Bruno rupture. Because PG&E had already reduced the operating pressure of Line 132 by 10%, in response to Executive Director's order, PG&E reduced the operating pressure of Line 132 an additional 10% to 300 psig. At the same time, PG&E voluntarily reduced the operating pressure on Peninsula transmission Lines 101 and 109, and associated cross-ties, including Lines 132A and 147, to 300 psig. On September 24, 2010, the Commission issued Resolution L-403 ratifying the Executive Director's order and requiring that PG&E retain that lower pressure level on Line 132 until such time as the Commission allows PG&E to increase the pressure on Line 132.

In its supporting information, PG&E stated that it needs to return Lines 101, 132A, and 147 to normal operating pressure to avoid potential

curtailments this winter to core customers in San Francisco and all noncore customers on the Peninsula.

3. Procedural Background

On July 11, 2011, PG&E moved for a Commission order delegating authority to the Executive Director to review and approve requests to restore operating pressure on lines where pressure tests had been completed. In Decision (D.) 11-09-006, the Commission denied PG&E's request for a delegation of authority and established an expedited process by which the Commission would review such requests.

On October 10, 2011, PG&E filed its motion proposing an expedited schedule for Commission review of PG&E's proposed pressure increase in Line 101, and two cross-ties, Lines 132A and 147. PG&E agreed that it would provide the Supporting Information required in Ordering Paragraph 4 of D.11-09-006, and the summary table adopted at the September 19, 2011, hearing, to justify the safety of its requested pressure restorations. PG&E, however, stated that the information would be provided in two portions, with the bulk of the information available on October 31, 2011. PG&E proposed to provide the remainder of the information required by D.11-09-006, as well as one pressure test and the results of three non-destructive examinations, no later than November 15, 2011. PG&E also agreed to make confidential information available for inspection by the parties soon after the filings. PG&E explained that an expedited schedule was necessary for restoring pressure on Line 101 to meet winter gas heating needs and avoid possible gas service curtailments to customers.

On October 28, 2011, the assigned Administrative Law Judge (ALJ), in consultation with the assigned Commissioner, issued a ruling granting PG&E's requested procedural schedule.

As specified in the adopted schedule, PG&E filed and served its supporting information on October 31, 2011, and November 15, 2011.

4. Supporting Information Presented

To validate the strength and integrity of Lines 101, 132A, and 147, as well as the shorts associated with each, to operate at 365 psig PG&E stated that it:

1. Performed hydrostatic testing of gas transmission pipeline and associated components in accordance with 49 CFR 192 Subpart J in all Class 3 and 4 areas and the high consequence areas of Class 1 and 2, where a pressure test record could not be located. Each of the hydrostatic tests included a spike test;
2. Verified that all historical pressure test records for the pipelines and associated components located in Class 3 and 4 areas and the high consequence areas of Class 1 and 2, including shorts operating greater than or equal to 20% of Specified Minimum Yield Strength (SMYS), met the pressure test requirements for regulations existing when the facilities were installed;
3. Developed a pipeline features list showing each component and its characteristics, and completed maximum operating pressure validation for all pipelines and associated components, including shorts, whether they are located in high consequence areas or not;
4. Conducted 10 excavations in 2010 and 2011 to support the operating pressure validation. The excavations focused on obtaining or validating the specifications of pipeline components by performing direct inspection; and
5. Reviewed Leak Survey information and verified that all identified leaks have been repaired.

PG&E filed and served documentation of its testing, excavation, and records in six exhibits, labeled A through F. Confidential information was made available to the parties for inspection.

As required by D.11-09-006, the Commission's Consumer Protection and Safety Division (CPSD) reviewed the Supporting Information provided by PG&E. In a memorandum dated November 15, 2011, CPSD explained its detailed review of PG&E's Supporting Information and recommended that the Commission authorize PG&E to increase pressure in Lines 101, 132A, 147, and all related shorts, which at the increased pressure would be operating at or above 20% of SMYS, to 365 psig, with one additional requirement. CPSD recommended that PG&E pressure test short GCUST7013 which, because it serves a single large volume customer not down stream of a distribution center, is considered a transmission line even though it will be operating at only 18.5% of SMYS at the increased pressure level of 365 psig.

5. Evidentiary Hearing

On November 22, 2011, assigned Commissioner Florio, Commissioner Sandoval, and ALJ Bushey convened a hearing on PG&E's request to increase maximum operating pressure to 365 psig on Lines 101, 132A, 147, and associated shorts. PG&E presented its Vice President of Gas Transmission Maintenance and Construction to testify that PG&E's engineers had validated the engineering and construction through records review of piping and all associated components, including off-takes, and performed hydrostatic pressure testing on all segments and components for which a prior pressure test result was not available and which will be operating at or above 20% of specified minimum yield strength at the increased pressure. PG&E's Vice President concluded that in his professional

judgment it is safe to operate Lines 101, 132A and 147 at 365 psig. The witness was cross examined by the parties, Commissioners, and the ALJ.

6. 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. PG&E's voluntary restrictions on Lines 101, 132A, and 147 are consistent with Commission's safety objectives. In D.11-09-006, the Commission set forth the specific requirements for PG&E to demonstrate that the operating pressure restrictions can safely be removed and we will use these requirements to evaluate PG&E's proposed pressure increases. These requirements begin with a pressure test complying with regulations applicable when conducted, and also require a responsible engineer's review of the pipeline construction and assessment of the pressure test results to ensure safe operations. The end result is that PG&E must be fully accountable for the pressure test and the assertion that the line can be safety operated at the increased maximum operating pressure.

6.1. Maximum Operating Pressure Validation

PG&E began its validation process for Lines 101, 132A, and 147, with associated shorts, by creating a pipeline features list showing each component of the pipeline facilities. PG&E based its pipeline features list on design plans, as-built drawings, purchase orders, pressure test records, coating information, as well as other available documents. PG&E then reviewed the pipeline features list to establish the maximum pressure for each feature.

PG&E conducted pressure tests and submitted data for these tests as well as those performed for facilities when they were originally installed for review by CPSD. PG&E also provided supporting documentation for 10 excavations of pipeline which it conducted to obtain or validate specifications of pipeline facilities such as seam type, yield strength, diameters and wall thicknesses.

CPSD has examined PG&E's supporting information and found that PG&E's activities were consistent with proper maximum allowable operating pressure validation. CPSD also reviewed PG&E's procedures related to pressure testing of pipeline facilities. Although unable to review and confirm each detail of PG&E's voluminous data set, CPSD was able to confirm that all transmission level facilities have been subject to pressure testing in accord with federal regulations found at 49 CFR Part 192, subpart J, or the regulations in effect at the time the test was performed.[1]

PG&E has presented adequate supporting documents including pipeline features lists and pressure test results supporting its assertion that Lines 101,

[1] CPSD also recommended that PG&E either pressure test or replace Line 101 short, GCUST7013, and PG&E testified that this short will be replaced and pressure tested prior to December 15, 2011. (November 22, 2011 Hearing Transcript at 658.)

132A, 147, and associated shorts, can be safely operated with a maximum operating pressure of 365 psig.

6.2. Responsible Engineer's Review

PG&E's Vice President of Gas Transmission, Maintenance, and Construction, testified under oath that PG&E's engineers have validated the engineering and construction through records review, as documented in the exhibits to the supporting information. PG&E's Vice President testified that for all transmission pipeline segments and components on Line 101, 132A, and 147 operating at or above 20% specified minimum yield strength, PG&E has either located prior pressure test records, administered in accordance with the applicable standards at the time, or successfully pressured tested in accord with 49 CFR Part 192 , subpart J at pressure above that necessary to confirm the safe operation of Lines 101, 132A, and 147 at a maximum operating pressure of 365 psig, with an additional margin of safety.

PG&E's Vice President concluded that in his professional judgment, Lines 101, 132A, and 147 are safe to operate at 365 psig.

We, therefore, find that PG&E's responsible engineer has reviewed the engineering and construction of the segments, as well as the results of the pressure tests, and concluded that the maximum operating pressure may be safely increased to 365 psig.

6.3. PG&E is Accountable for Safe Operations at Increased Maximum Operating Pressure

PG&E operates a natural gas transmission and distribution system. As the operator, PG&E must ensure that the system is operated safely. PG&E presented pressure test results, supporting information, and the testimony of its

responsible engineer verifying that the maximum operating pressure of Lines 101, 132A, and 147 can be safely increased to 365 psig.

6.4. Conclusion

Therefore, we conclude that PG&E has demonstrated that the maximum operating pressure of Lines 101, 132A, and 147 can be safely increased to 365 psig.

7. Assignment of Proceeding

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

8. Reduction of Comments Period

The proposed decision of the ALJ Maribeth A. Bushey in this matter was mailed to the parties on December 1, 2011, in accordance with the expedited schedule adopted in October 28, 2011 ruling. The expedited schedule called for parties to file and serve comments no later than noon, Friday, December 9, 2011. No comments were filed.

Findings of Fact

1. The Commission ordered PG&E to reduce operating pressure on several natural gas transmission pipelines, pending demonstration that the pipelines can be safely operated at a higher maximum operating pressure and PG&E voluntarily reduced pressure in Lines 101, 132A, and 147.

2. On October 31 and November 15, 2011, PG&E filed and served pipeline features list, maximum pressure analysis, and pressure test results for Lines 101, 132A, and 147 as part of its Supporting Information required by D.11-09-006.

3. PG&E's Vice President of Gas Transmission, Maintenance, and Construction, verified that PG&E has validated the engineering and construction of, and performed pressure tests in accordance with 49 CFR 192 Subpart J or the

pressure test requirements then in effect, on all segments of Lines 101, 132A, and 147 that will be operating at or above 20% of specified minimum yield strength, and concluded that these pipelines could be safely operated at the increased maximum operating pressure of 365 psig.

4. CPSD reviewed PG&E's supporting information and concluded that the information presented was adequate to support the conclusion that pressure on the lines could be safely increased to 365 psig.

Conclusions of Law

1. PG&E has complied with the Supporting Information requirements of D.11-09-006.

2. PG&E has demonstrated that transmission pipe segments and components on Lines 101, 132A, and 147 operating at or above 20% of specified minimum yield strength have been successfully pressure tested in accordance with 49 CFR 192 Subpart J or the pressure test requirements in effect at the time of the test.

3. The maximum operating pressure on Lines 101, 132A, and 147 can safely be increased to 365 psig.

4. Prior to operating Line 101 short, GCUST7013, at 365 psig, PG&E should file and serve a compliance statement verifying that this short has been replaced and pressure tested.

5. 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 limitation on Lines 101, 132A, and 147.

6. This decision should be effective immediately.

O R D E R

Therefore, **IT IS ORDERED** that:

1. Pacific Gas and Electric Company may operate natural gas transmission Lines 101, 132A, and 147, with associated shorts, with a maximum operating pressure of 365 pounds per square inch gauge.

2. Pacific Gas and Electric Company must operate Lines 101, 132A, and 147 in accord with applicable state and federal law and regulations.

3. Prior to operating Line 101 short, GCUST7013, at 365 pounds per square inch gauge, Pacific Gas and Electric Company must file and serve on all parties to this docket a compliance statement verifying that this short has been replaced and pressure tested.

4. Rulemaking 11-02-019 remains open.

This order is effective today.

Dated_____, 2011, at San Francisco, California.