

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company with Respect to Facilities Records for its Natural Gas Transmission System Pipelines.

**FILED
PUBLIC UTILITIES COMMISSION
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ORDER INSTITUTING INVESTIGATION

I. INTRODUCTION AND STATEMENT OF PURPOSE

By this order, the Commission institutes a formal investigation to determine whether the named Respondent, Pacific Gas and Electric Company (PG&E), violated any provision or provisions of the California Public Utilities Code, Commission general orders or decisions, or other applicable rules or requirements pertaining to safety recordkeeping for its gas service and facilities. This proceeding will pertain to PG&E's safety recordkeeping for the San Bruno, California gas transmission pipeline that ruptured on September 9, 2010, killing eight persons. This investigation will also review and determine whether PG&E's recordkeeping practices for its entire gas transmission system have been unsafe and in violation of the law.

The Respondent is PG&E, a privately owned public utility, subject to the safety and rate jurisdiction and regulation of this Commission, and to California law and the Commission's general orders, rules, and decisions. The Commission enforces a variety of federal and state laws that impose safety requirements pertaining to the design, construction, inspection, testing, operation, and maintenance of utility gas gathering, transmission, and distribution piping systems, and for the safe operation of such lines and equipment. This investigation will assess PG&E's compliance with the law pertaining to safety-related recordkeeping for natural gas transmission pipelines.

The National Transportation Safety Board (NTSB) is the federal safety agency charged with responsibility for investigating the San Bruno rupture and its causes. To date, the NTSB has publicly released three reports pertaining to the San Bruno pipeline rupture. The Commission will accept facts stated in these reports as accurate, solely for the purpose of commencing this investigation. Certain key factual assertions are stated below. We will provide PG&E with ample opportunity to contest any factual assertions the NTSB makes in any of its reports about the San Bruno incident, and to contest any factual assertion made at any time by any other party to this investigation.

II. DESCRIPTION OF THE SEPTEMBER 9, 2010, SAN BRUNO GAS TRANSMISSION PIPE RUPTURE

The PG&E owned and operated transmission pipeline that ruptured under the San Bruno, California neighborhood on September 9, 2010, was installed in about 1956. The pipeline was constructed of longitudinally seam-welded pipe. When the pipe was installed, various segments of such pipe were joined together with circumferential welds, referred to as “girth” welds. The pipeline was buried underground. The San Bruno segment of this pipeline was located in a neighborhood the U.S. Department of Transportation classifies as “high consequence,” meaning “any area where a potential impact radius of 660 feet would contain more than 20 buildings intended for human occupancy.” (49 C.F.R. Section 192.903, and NTSB January 3, 2010 Safety Recommendation, p. 2, Appendix B).

The pipeline buried in the neighborhood in San Bruno was a 30 inch diameter transmission pipeline. It was used to transport large quantities of gas at high pressure from Milpitas north through the Bay Area Peninsula and to the City of San Francisco. PG&E identifies the pipeline as Line 132 (NTSB Preliminary Report, p.1, Appendix A). Line 132 is part of a series of three transmission pipelines that provide 100% of the natural gas consumed by residential, commercial and industrial customers, as well as power plants, in San Francisco and along the Peninsula. Line 132 originates at the terminus of a larger pipeline at Milpitas, California, at a PG&E owned and operated facility known as the Milpitas Terminal.

During the afternoon of September 9, 2010, just before the rupture, PG&E personnel were working on an uninterruptable power supply system at the Milpitas Terminal, about 39.33 miles southeast of the San Bruno rupture site. While the repair work was underway, the power supply malfunctioned. This caused the wrong voltage to be supplied to PG&E's supervisory control and data acquisition system ("SCADA"). In turn, this caused the loss of the electronic signal to the gas pressure regulating valve at the inlet of Line 132. The signal loss caused a regulating valve to move to full open, as it was designed to do under those conditions. Pressure in Line 132 increased to 386 psig. This pressure was limited to about 386 psig by an over-protection valve that required no electronic input. At about 5:45 p.m., PG&E's SCADA indicated that the gas pressure at Martin Station, downstream (north) of the San Bruno rupture location, exceeded 375 psig. At about 6:00 p.m., the pressure at Martin Station increased to about 390 psig. Pressure at Martin's station then decreased at 6:08 p.m. to 386 psig, at 6:11 p.m. to 361.4 psig, and within another minute to 289.9 psig (NTSB Preliminary Report, pp. 1 and 2, Appendix A.).

At approximately 6:11 p.m., Pacific Daylight Time, the 30 inch segment of Line 132 located in a residential neighborhood of San Bruno ruptured. The rupture created a crater about 72 feet long and 26 feet wide. Investigators later found an approximately 28 feet long pipe segment about 100 feet from the crater. The rupture released about 47.6 million standard cubic feet of natural gas. The escaping gas ignited moments after the rupture. The resulting fire destroyed 37 homes and damaged 18 other homes. The San Bruno rupture and fire killed eight people, injured numerous others, and necessitated the evacuation of many others from the area.

The local fire department set up an Incident Command. The NTSB noted that "[t]he immediate response by local emergency responders, as well as three strategic drops of fire retardant and water by air, assisted in stopping the spread of the fire." (NTSB Preliminary Report, p.1, Appendix A.)

PG&E dispatched a crew at 6:45 p.m. in order to isolate the ruptured pipe and halt the gas flow. They closed the nearest upstream valve at about 7:20 p.m., and the

nearest downstream valve at about 7:40 p.m. This stopped gas flow to the rupture location, and the fire from the ruptured line self-extinguished. Later that evening, PG&E isolated the area residences' gas distribution system, and by about 11:30 p.m. gas fires at damaged homes were extinguished. (NTSB Preliminary Report, p.2, Appendix A.)

III. NTSB INVESTIGATION TO DATE

The NTSB is a federal safety agency charged with the responsibility to investigate and determine the causes of various kinds of accidents in the United States, including accidents involving natural gas pipelines. Since September 10, 2010, the day after the San Bruno pipeline rupture, the NTSB has been conducting an on-going investigation of the cause of this tragedy. The Commission is a participant in the NTSB investigation, through the Commission's Consumer Protection and Safety Division ("CPSD"). The CPSD investigators arrived at the accident scene on the evening of September 9, 2010, and have participated actively and continue to participate in the NTSB investigation.

On September 10, 2010, NTSB representatives arrived at the site of the San Bruno gas pipeline rupture and commenced their investigation. The NTSB describes its immediate actions in this way:

When the NTSB arrived on scene on September 10, the investigation began with a visual examination of the pipe and the surrounding area. The investigators measured, photographed, and secured the approximately 28-foot-long ruptured pipe segment. On Monday, September 13, the ruptured pipe segment and two shorter segments of pipe, cut from the north or south sides of the rupture, were crated for transport to an NTSB facility in Ashburn, Va., for examination. (NTSB Preliminary Report, p. 2, Appendix A).

Later NTSB examination showed that the 27 foot 8 inch segment of pipe that had been hurled from the ground by the rupture consisted of four joined "pup" pipes, and one "long joint" pipe, all welded together by circumferential or "girth" welds. NTSB examination also appears to demonstrate that all components of the 28 foot ruptured pipe

were longitudinally welded (NTSB January 21, 2011 Materials Laboratory Factual Report, p.2, Appendix C).

On January 3, 2011, the NTSB publicly issued what the agency characterized as an “urgent” public Safety Recommendation as a consequence of information gleaned from its ongoing investigation into the San Bruno explosion. The NTSB Safety Recommendation is described in greater detail below, and is the principal basis for this Order Instituting Investigation.

On January 21, 2011, the NTSB published Report No. 10-119, entitled “Materials Laboratory Factual Report” (Appendix C). The January 21 report described the technical examination and testing of the ruptured pipe and of appurtenant pipes. The report concluded that the ruptured pipe and the pipe segments were characterized by longitudinal welded seams, of which at least some segments “showed various defects including lack of penetration, incomplete fusion, slag inclusion, porosity, and undercutting,” and girth welds that “exhibited various defects including lack of penetration, incomplete fusion, burn through, slag inclusion, crack, porosity, undercutting, and excess reinforcement.” (NTSB Factual Report, p. 6, Appendix C.)

The NTSB’s January 21, 2011, report also concluded that the fracture in a longitudinal pipe seam “initiated in a manner consistent with ductile overstress from the root of the weld.” (NTSB Factual Report, p.10, Appendix C.) The report also identified factual findings pertaining to the circumferential welds. The January 21 report did not identify the force or forces that “overstressed” welds, and did not explicitly identify the order of weld failures or whether a particular failure caused or contributed to another failure. The Commission anticipates that a later NTSB report or reports on the root cause of the September 9, 2010 rupture may provide such information and conclusions. The Commission notes that the NTSB has scheduled a three-day public hearing on the San Bruno rupture on March 1-3, 2011, as part of the NTSB’s investigation into the root cause of the San Bruno explosion. The NTSB has not indicated when its final report on the root cause of the explosion will be issued.

IV. NTSB FINDING OF INACCURATE PG&E RECORDKEEPING

In conjunction with its investigation of the San Bruno explosion, the NTSB requested extensive records and other information from PG&E about its pipeline system. To date, the NTSB has not publicly released either its information requests addressed to PG&E or PG&E's responses to such information requests. The NTSB has indicated, however, that it will release such materials on March 1, 2011, at the commencement of the three-day public hearing. For the moment, however, we do not know the precise content of the information PG&E provided to the NTSB. But, on January 3, 2011, the NTSB issued its "urgent" Safety Recommendation, expressing the agency's concern about the adequacy of PG&E's records.

"According to PG&E as-built drawings and alignment sheets, Line 132 was constructed using 30-inch-diameter seamless steel pipe (API 5L Grade X42) with a 0.375-inch-thick wall. The pipeline was coated with hot applied asphalt and was cathodically protected. The ruptured pipeline segment was installed circa 1956. According to PG&E, the maximum allowable operating pressure (MAOP) for the line was 400 pounds per square inch, gauge.

"The NTSB's examination of the ruptured pipe segment and review of PG&E's records revealed that although the as-built drawings and alignment sheets mark the pipe as seamless API 5L Grade X42 pipe, the pipeline in the area of the rupture was constructed with longitudinal seam-welded pipe. Laboratory examinations have revealed that the ruptured pipe segment was constructed of five sections of pipe, some of which were short pieces measuring about 4 feet long. These short pieces of pipe contain different longitudinal seam welds of various types, including single- and double-sided welds. Consequently, the short pieces of pipe of unknown specifications in the ruptured pipe segment may not be as strong as the seamless API 5L Grade X42 steel pipe listed in PG&E's records. It is possible that there are other discrepancies between installed pipe and as-built drawings in PG&E's gas transmission system. It is critical to know all the characteristics of a pipeline in order to establish a valid MAOP below which the pipeline can be safely operated. The NTSB is concerned that these inaccurate records may lead to incorrect MAOPs." (NTSB January 3, 2011 Safety Recommendation, p.2, Appendix B).

A footnote in the January 3 report stated:

“PG&E’s records identify Consolidated Western Steel Corporation as the manufacturer of the accident segment of Line 132. However, after physical inspection of the ruptured section, investigators were unable to confirm the manufacturing source of some of the pieces of ruptured pipe. Determining the identity of the manufacturer of these pieces of pipe is an ongoing part of the investigation.” (*Id.*, footnote 2).

Based on the above-quoted language from the NTSB’s January 3 Safety Recommendation, it appears the NTSB has found that the state of PG&E’s technical recordkeeping was not sufficiently accurate, complete and/or retrievable for PG&E to (1) correctly identify major characteristics of the type of pipe that was buried in the ground and ruptured on September 9, 2010, and (2) clearly identify the pipe’s manufacturer.

The Commission takes note that the NTSB’s January 3 Safety Recommendation directed PG&E to search for specified records about its transmission pipelines operating in “high consequence” (highly populated) areas. If PG&E cannot locate the transmission line records, the NTSB recommends that PG&E conduct hydrostatic pressure testing of all pipelines in populated areas. The NTSB directed PG&E to:

“[a]ggressively and diligently search for all as-built drawings, alignment sheets, and specifications, and all design, construction, inspection, testing, maintenance, and other related records, including all design, construction, inspection, testing, maintenance, and other related records....relating to pipeline system components, such as pipe segments...and weld seams.....these records should be traceable, verifiable, and complete” (NTSB January 3, 2011 Safety Recommendation, p. 3, Appendix B).

Shortly after issuance of the January 3 Safety Recommendation, the Chair of the NTSB made a public speech, expressing her concern about the safety implications of the PG&E record-keeping deficiencies the NTSB uncovered in the San Bruno investigation. She said:

“Our investigators were told [by PG&E] that the pipe involved in the explosion was a seamless factory manufactured pipe.

But even a layperson could see the patchwork of welds marking the pipe.

This misinformation was not a minor record-keeping oversight.

In the years since the pipe (San Bruno pipe) was put into service, decisions regarding inspections, operating pressures, and risk management plans were all based on facts that were just plain wrong” (NTSB Website Statement of Deborah Hersman, NTSB Chairman, January 26, 2011, Appendix D, pp 2 and 3).

From these NTSB statements, it is clear to the Commission that the NTSB has serious safety concerns about the adequacy of PG&E’s recordkeeping, based on the documents and other materials PG&E has provided to NTSB in the San Bruno investigation. From this, we infer that the state of PG&E’s records regarding critical infrastructure (in particular, its high-pressure gas transmission pipelines) may have been inadequate to make critically important, ongoing safety decisions about PG&E natural gas transmission pipelines, particularly welded pipelines

With such federal safety agency concerns and findings in mind, this Commission will now commence a formal investigation into whether PG&E’s recordkeeping represents a deficient engineering practice that has fostered unsafe PG&E decision making about its transmission gas pipelines. The Commission will investigate and decide whether PG&E’s recordkeeping pertaining to gas transmission lines, including San Bruno, has violated good and accepted engineering standards and practices, and thus whether PG&E violated Section 451 of the Public Utilities Code or other laws and regulations.

We also note that the NTSB has not yet commented on PG&E’s maintenance and operating records, and their sufficiency, for the later years of the pipeline’s existence and operation. Beginning in 1970, the Code of Federal Regulations

49 C.F.R. § 192.709 was amended to include an express requirement that gas pipeline operators keep and maintain for the life of the pipeline component various documents about pipeline repairs, and must keep for five years and longer other specified pipeline data. The Commission is empowered and committed to enforcing these federal rules. But the Commission's responsibilities for ensuring public safety further are defined by standards contained in the California Public Utilities Code, including in particular Section 451. PG&E's obligations to public safety are informed by federal standards, but they do not depend on federal safety rules alone.

In this investigation, the Commission intends to ascertain the adequacy of PG&E's recordkeeping for the entire life of the San Bruno pipeline that ruptured on September 9, 2010, under both state law and under federal standards and law that the Commission is specifically empowered to enforce. We also intend to ascertain recordkeeping adequacy for all PG&E gas transmission pipelines.

Ordinarily, the Commission issues an "order instituting investigation" after completion of a report by Commission staff. In such cases, the staff report typically comes after an extensive investigation by staff into the underlying facts, and based on allegations by staff of a violation of law revealed by such facts. In this instance, however, we are commencing this investigation based on information supplied by a federal safety agency, NTSB. The Commission invites interested parties to participate actively in this formal investigation, as it involves safety matters important on a local, state, and national basis. Participation by informed parties can facilitate the Commission reaching a decision that is both informed and fair.

V. COMMISSION INVESTIGATION OF WHETHER PG&E VIOLATED THE LAW

PG&E is a large, combined natural gas and electric utility. PG&E owns and operates major and technically complex facilities that generate electricity and that transport large quantities of electricity and gas for significant distances. These activities are potentially dangerous to the general public and to PG&E employees, especially when the transmission facilities are located in populated areas. Both members of the public and

PG&E employees are entitled to expect that PG&E will transport gas as safely as reasonably possible. California law requires Commission-regulated utilities to operate safely. Section 451 of the Public Utilities Code in part reads: “Every public utility shall 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.”

Because PG&E is entrusted to promote and protect the safety of its significant and complex engineering operations, the Commission expects PG&E to employ good safety engineering practices to its potentially dangerous natural gas pipelines. The Commission’s expectation applies to design, construction, operations, testing, maintenance, inspection, and risk assessment and pipe replacement.

The NTSB’s investigation and findings to date represent a significant moving cause for the Commission’s commencement of this investigation. Based on public statements by the NTSB, this Commission cannot now assure the public-- that entrusts its safety to utilities and to their good engineering practices, and relies on our oversight of utilities-- that PG&E has conducted good and safe engineering practices in compliance with the law, and has accurate and up-to-date knowledge of critical aspects of its transmission pipeline system. Therefore, we commence this investigation, limited for now and until further order, to the aspects of safety and possible law violations pertaining to PG&E’s recordkeeping. We consider this quite a broad based subject, however, because we will review evidence to determine whether deficient recordkeeping may adversely affect and reduce safety in design, construction, operations, testing, maintenance, inspection, risk assessment, and pipe replacement.

The Commission and the public have legitimate cause to be concerned about the safety of PG&E’s management of its gas transmission assets. Federal safety agency experts at the NTSB have stated quite clearly that they believe PG&E’s data, as presented to NTSB, may be inaccurate and too incomplete to make sound transmission pipeline risk assessment and operational decisions. These findings by the NTSB foster our concerns that for Line 132 and other transmission pipelines in populated areas,

inaccurate, incomplete, and poorly organized and retrievable data may have contributed to past unsound and unsafe PG&E risk assessment and operational decisions.

This proceeding will provide PG&E a full opportunity to demonstrate whether our concerns are unfounded. The Commission at this time has reached no conclusion and makes no finding that PG&E has violated any statutory responsibilities, general orders, decisions, or other legal requirements or standards. The NTSB's reports have presented us with sufficient information and good cause to commence a formal investigation to ascertain whether such violations have occurred with respect to PG&E recordkeeping, and if so, the proper remedy for such violations. We remain open to PG&E's evidence and explanations pertaining to both the facts and law.

The Commission conducts this investigation of PG&E's recordkeeping, to determine whether PG&E has violated Section 451 of the California Public Utilities Code, or any other applicable statute, law, general order, or Commission decision. The Commission's focus will be to ascertain by evidence at hearings whether PG&E's gas safety recordkeeping has been conducted in a manner that violates the general provisions of Section 451 or of any other applicable law. We define "gas safety recordkeeping" in this context to mean PG&E's acquisition, maintenance, organization, safekeeping, and efficient retrieval of data that the Commission finds is necessary and appropriate under the circumstances for PG&E to make good and safe gas engineering decisions, and thus to promote safety as required by Section 451 of the Public Utilities Code.

Utility's approach to recordkeeping often stems from corporate-level management policies and practices, although the Commission remains open to evidence that employees failed to follow clear utility management directives. If, after hearings, the Commission were to find that management practices and policies contributed towards recordkeeping violations of law that adversely affected safety, the Commission would have an obligation to consider the imposition of statutory penalties pursuant to Section 2107 of the California Public Utilities Code, and other appropriate relief under the law. The Commission is prepared to impose very significant fines if the evidence adduced at hearing establishes that PG&E's recordkeeping policies and practices contributed to the

loss of life and injuries that occurred at San Bruno. We also note that it appears that any PG&E recordkeeping violations of safety law and standards found by the Commission may have occurred over long periods of time. If supported by the evidence, the Commission will consider ordering daily fines for a significant period of time.

The Commission intends to hold public hearing to address these matters, and also to direct Respondent PG&E to reply to specific questions. The Commission also invites interested parties to actively participate in this proceeding as it involves important safety and other policy matters that will benefit from the expertise, participation, and evidence of other parties.

This proceeding shall:

- (1) Determine whether PG&E violated any provisions of the Public Utilities Code, general orders, Commission decisions, federal gas safety regulations and laws that the federal government has authorized the Commission to enforce in California, or whether PG&E has violated other recordkeeping-related rules, or requirements, regarding its procedures, training, and supervision, linked to gas service at San Bruno and to other transmission pipelines in PG&E's service territory.
- (2) Determine the remedy or remedies for any proven violation, in compliance with the law.
- (3) At an appropriate time after the NTSB has completed its investigation and issued a final report, the Commission will consider other possible violations of law, besides recordkeeping, associated with PG&E's transmission lines and with the San Bruno line in particular.

VI. THE SCOPE OF THE COMMISSION'S PROCEDURE IN THIS INVESTIGATION

The first phase of the investigation will be limited to (1) whether PG&E's gas transmission pipeline recordkeeping and its knowledge of its own transmission gas system, and in particular the San Bruno pipeline, was deficient and unsafe, and (2) whether PG&E thereby violated the law and safety standards to which California regulated public utilities are subject.

If, after hearings, the Commission determines that PG&E violated safety law standards with respect to its gas system recordkeeping, the Commission will schedule a later phase or phases to determine whether penalties pursuant to Public Utilities Code section 2107 and 2108 are warranted, and if so the amount appropriate to the facts and the law. We serve notice to PG&E that this phase will determine, among other matters, whether the San Bruno tragedy would have been preventable by the exercise of safe procedures and/or accurate and effective technical recordkeeping in compliance with the law.

The Commission understands that its staff's investigation of the San Bruno pipeline rupture is far from complete, and that the NTSB investigation of the incident is also unfinished. If staff later believes it has cause to assert a PG&E violation other than for recordkeeping, staff may bring the matter to the Commission's attention and request that it be included in this investigation, or if a good reason exists for it, by commencement of a separate proceeding. The Commission's limitation of the first phase of this investigation to recordkeeping and its effects is designed solely to reflect the state of information currently available. The limitation does not create a Commission inference or implication that PG&E has either violated the law or complied with the law with respect to its pipelines at San Bruno or anywhere else in its system.

This Commission often seeks in its formal investigations to address both the past and the future. In this investigation we will limit our review to PG&E's past actions and omissions, to determine whether PG&E has violated laws requiring safe utility gas system practices. Under California Public Utilities Code § 451: "Every public utility shall 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 Commission is also charged with responsibilities under Public Utilities Code Sections 451, 761 and federal pipeline standards that we are certificated and authorized by the federal government to enforce (49 U.S.C. Section 60105, and General Order 112-E). The Commission bears a responsibility both to enforce laws utilities may

have violated in the past, and to prevent future unsafe utility practices. We therefore intend to quickly and thoroughly address, in a separate rulemaking proceeding to commence soon, any systematic utility recordkeeping deficiencies and other possible safety deficiencies. For that reason, the investigation we direct today will be limited to ascertaining and understanding PG&E's past practices, determining whether they were unsafe and violated the law, and determining whether those practices contributed to the San Bruno rupture and tragedy. In the rulemaking the Commission may analyze findings and lessons learned after hearings and a decision in this investigation of PG&E's past practices. However, future recordkeeping or other safety rules is not the focus of this investigation. The Commission recognizes the possibility that the current investigation may find matters singular to PG&E that cause the Commission to consider PG&E safety-related remedies for future safety under section 761 of the Public Utilities Code.

The Commission also intends to establish promptly whether PG&E agrees to reimburse the state for the cost accrued by the Commission staff or by its consultants for its San Bruno investigation of recordkeeping and for any other matters pertaining to San Bruno, and for prosecution of the investigation. The Commission staff has devoted major resources to the investigation of the San Bruno rupture and expects to continue so doing, and has informed us that they will seek outside experts. The facts and circumstances presented to the Commission provide us no justification to conclude that taxpayers or that any entity other than PG&E should bear the costs of the investigation of San Bruno explosion and its causes, regardless of whether the investigation pertains to recordkeeping or to other possible issues. If PG&E disagrees, the company is directed to provide its support for a contrary view. PG&E shall file its position by March 11, 2011 and is directed to state its agreement or objection to pay for costs of the Commission staff investigation. If PG&E does not agree on March 11 to bear these costs, the Commission will set a prompt procedure to hear PG&E and interested parties to this proceeding, and to decide the matter quickly.

If the Commission directs PG&E to pay for investigation and prosecution costs, we also intend at an appropriate time to decide whether PG&E ratepayers or

shareholders, or both, should bear the costs. The Commission places PG&E on notice that we have seen no facts or circumstances to date to convince us that it is appropriate to charge PG&E ratepayers for the cost of the San Bruno investigation or for the cost of prosecution that may follow.

Finally, we place PG&E on notice that the Commission will decide in the rulemaking proceeding whether PG&E ratepayers or shareholders, or both, will pay for PG&E testing, pipe replacement, or other costs. Some costs may stem from the San Bruno pipe rupture or from recordkeeping deficiencies. Both past and future costs will be significant. We also place PG&E on notice that in the rulemaking the Commission may take note of the record evidence in this investigation.

VII SCHEDULE OF PROCEEDING

As we stated earlier, the Commission will set hearings to review the issues raised by this matter. The Commission intends to set a prehearing conference to consider and adopt a hearing schedule and to schedule other matters for this proceeding.

The Commission staff and NTSB have not finished their investigations of San Bruno. At this point, we encourage the Commission staff to participate actively in whatever investigation they deem appropriate by virtue of the San Bruno tragedy. Our staff has represented to us that they are in the process of retaining consultants to analyze the issues in this investigation and to provide testimony reflected those analyses. While staff is investigating matters involving San Bruno, both inside and outside this investigation, we impose a moratorium on any party's discovery of the Commission staff and its outside consultants or experts. The Commission will end this moratorium on discovery of staff and its consultants at an appropriate time soon after staff and staff consultants provide written testimony and analysis in this proceeding. In the meantime staff's investigation may include appropriate discovery of PG&E.

The Commission staff has informed us that it is in the process of retaining one or more consultants and expert witnesses to testify in this proceeding. We encourage staff to continue with that process. No party may conduct discovery of such persons until they serve reports or testimony in this proceeding.

A. Categorization of Proceeding

This proceeding is categorized as adjudicatory. *Ex parte* communications are prohibited. The determination as to category is appealable under Rule 7.6 of the Commission's Rules of Practice and Procedure.

VII. PG&E REPORTS REQUIRED

The NTSB reports provide us with reason to investigate whether violations of law have occurred, and if so whether the violations may have been factors in causing the San Bruno rupture or contributing to it. We provide Respondent PG&E with its first opportunity to contest any facts in NTSB's three reports appended to this investigation. We will expect that if PG&E disagrees with NTSB facts stated and found in the report, that PG&E will present a summary of the evidence sufficient to deny the existence of each fact stated in the NTSB reports. The reports are attached hereto as Appendices A, B, and C. The Commission also directs PG&E to provide its contentions, with detailed facts supporting them, whether with different information PG&E would have changed anything from the pipe's actual history of maintenance, inspection, operation, and replacement of the San Bruno pipe. PG&E should assume that the different information in this alternate history would assume that PG&E records in NTSB's possession had accurately shown both that the San Bruno pipe was seamed, and that San Bruno as-built drawings, specifications, pipe manufacturer's operating limits and instructions, and all other pipe records from 1955-2010 were complete and quickly retrievable.

PG&E is therefore directed to appear and provide a report by April 18, 2011, to identify all reasons of law and fact currently known to PG&E to establish that the company has committed no violation of law with respect to its recordkeeping of data needed and appropriate for safety engineering. If PG&E also takes the position that the September 9, 2010 San Bruno transmission pipeline rupture would have occurred even if PG&E had after 1955 kept and maintained complete, accurate, and easily accessible records of all aspects of the San Bruno transmission pipe's existence and service, we further direct PG&E to explain that position.

The Commission therefore directs PG&E to file, by April 18, 2011, a written report with the Commission, served on all parties to this proceeding, which fully responds to the following directive for information:

1. List each factual contention stated, and conclusion reached, by the NTSB reports (Appendix A, B, C) that PG&E contends is incorrect, and provide support for PG&E's position.
2. Provide PG&E's explanation as to its policy and practices since 1955 through August 2010, for:
 - A. Maintaining the technical instructions, manuals, and technical maps and drawings, manufacturer and designer specifications and operating and maintenance instructions, as-built documents, and all other original technical documents, pertaining to transmission pipelines operated by PG&E. Identify PG&E's policies and practices for the period of time that such data and documents were to be maintained. If PG&E's policies and practices changed during that period, identify the change, the date of the change, and summarize the reason for the change. Provide all written PG&E manuals or written documents in use during this period which state such policies and practices.
 - B. Maintaining records of operations, including but not limited to gas pressure. Identify PG&E's policies and practices for the period of time that such data and documents were to be maintained. If PG&E's policies and practices changed during that period, identify the change, the date of the change, and summarize the reason for the change. Provide all written PG&E manuals or written documents in use during this period which state such policies and practices.
 - C. Maintaining records of leaks, electronic problems, and other transmission pipeline anomalies noted by PG&E. Identify PG&E's policies and practices for the period of time that such data and documents were to be maintained. If PG&E's policies and practices changed during that period, identify the change, the date of the change, and summarize the reason for the change. Provide all written PG&E manuals or written documents in use during this period which state such policies and practices.

- D. Maintaining records of all inspections, tests, and safety risk analyses done on transmission pipes. Identify PG&E's policies and practices for the period of time that such data and documents were to be maintained. If PG&E's policies and practices changed during that period, identify the change, the date of the change, and summarize the reason for the change. Provide all written PG&E manuals or written documents in use during this period which state such policies and practices.
 - E. Maintaining the records referred to in A-D above in ways that can be identified, accessed, and retrieved efficiently and promptly. If PG&E's policies and practices changed during that period, identify the change, the date of the change, and summarize the reason for the change. Provide all written PG&E manuals or written documents in use during this period which state such policies and practices pertaining to accessibility, usability, and retrievability.
3. Provide a summary of actions PG&E took between 1955 and September 8, 2010 to promote safety with respect to its natural gas transmission pipelines in general and San Bruno's line 132 in particular.
- A. PG&E action taken or procedures developed
 - B. The date of such action or procedure
 - C. Explain how PG&E's actions were designed to promote safety with respect to those transmission lines.
 - D. Provide all written safety risk assessments that PG&E conducted between 1955 and August 2010 on the pipeline that ruptured on September 9, 2010 and on any other portion of transmission line 132. By "safety risk assessment" the Commission means a PG&E analysis of whether to replace the pipe to promote safety, or whether to conduct additional tests or analyses to confirm the safety integrity of the pipe, or to take other action to promote safety.
 - E. Provide all written safety risk assessments that PG&E conducted between 1955 and August 2010 on any and all transmission pipes in its system during that time. By "safety risk assessment" the Commission means a PG&E analysis of whether to replace the pipe to promote safety, or whether to

conduct additional tests or analyses to confirm the safety integrity of the pipe, or to take other action to promote safety.

4. Between 1990 and 2010, in conducting safety risk assessments on its transmission lines, for purposes of deciding whether to replace portions of the line, list and identify, and describe, the types of historical documents and other information that PG&E used to make its assessments.(e.g. as built documents, operational pressures).
5. Does PG&E contend that the September 9, 2010 San Bruno pipeline rupture was unpreventable by the exercise of prudent utility safety care? If the answer is anything other than an unqualified “no”, provide support for PG&E’s contention.
6. Identify the documents or data that PG&E provided to the NTSB to identify the pipe at San Bruno as “seamless”. State:
 - A. The date of the transmission of the documents or data to NTSB.
 - B. The date on which PG&E first informed the NTSB of its mistake regarding the seamless pipe at San Bruno, or the date on which NTSB informed PG&E of its mistake.
 - C. Explain why the data (seamless pipe) was incorrect, and when and how this occurred.
7. After 1955 and before September 2010, did PG&E keep and maintain records of gas pipe weld failures or defects found before or after use? If yes, identify the date and circumstances of the failures or defects, and provide all documents and data that pertain to such failures or defects.
8. Provide the names (and titles if employee or agent) of all witnesses to the responses and information in the report. Provide the name of each such witness with respect to specified portions of the report.
9. The Commission also directs PG&E to provide the following additional information in a separate filing with the docket office no later than March 11, 2011. Does PG&E agree to reimburse the Commission for costs incurred in investigating the causes of the San Bruno rupture and for costs of any other Commission investigation that stems from it? If PG&E answers anything

other than an unqualified “yes”, PG&E is directed to state facts and law in support of its position.

Therefore, **IT IS ORDERED** that:

1. An investigation is instituted on the Commission’s own motion to determine whether Pacific Gas and Electric Company (PG&E) violated any provision of the California Public Utilities Code, general orders, federal law adopted by California, other rules, or requirements, by its recordkeeping policies and practices with respect to its transmission gas service.
2. PG&E is named as Respondent to this investigation.
3. Respondent PG&E is directed to show at hearings why the Commission should not find it in violation of provisions of the Public Utilities Code (Pub. Util. Code), general orders, decisions, other rules, or requirements identified in this Order, and/or engaging in unreasonable and/or imprudent practices related to these matters, and why the Commission should not impose penalties. If any violation by PG&E is found, PG&E is directed to show why penalties and/or any other form of relief should not be applied. PG&E is also directed to file reports as required in this order no later than March 11, 2011 and April 18, 2011, and providing the information required and specified in this order.
4. PG&E is hereby given notice that fines may be imposed in this matter pursuant to Public Utilities Code §§ 2107 and 2108.
5. PG&E is hereby given notice that the Commission may order PG&E to implement measures designed to prevent future gas hazards to safety pursuant to Public Utilities Code § 761.
6. Pursuant to Rule 7.1(c) of the Commission’s Rules of Practice and Procedure, this proceeding is categorized as adjudicatory, deemed to require hearings, and this Order includes a preliminary scoping memo. This Order, only as to category, is appealable under Rule 7.6.

7. A prehearing conference shall be convened before an Administrative Law Judge (ALJ) for the purpose of establishing a schedule in this matter, including the date, time, and location of an evidentiary hearing, and for good cause shown the ALJ and/or Assigned Commissioner may extend the report deadlines specified herein, for any particular responses required.

8. The Executive Director shall cause a copy of this Order to be served electronically and by certified mail on the Respondent, PG&E, at:

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This order is effective today.

Dated February 24, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
Commissioners

Commissioner Catherine J.K. Sandoval, being necessarily absent, did not participate.