

California Public Utilities Commission
505 Van Ness Ave., San Francisco

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Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov
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PRESS RELEASE

Docket #: R.11-02-

**CPUC TO SET NEW RULES FOR SAFE, RELIABLE OPERATION
OF STATE’S NATURAL GAS PIPELINES**

SAN FRANCISCO, Feb. 24, 2011 - The California Public Utilities Commission (CPUC) today said it will set new rules for the safe and reliable operation of natural gas pipelines in California.

Through a proceeding opened today the CPUC will obtain public input, and collect and analyze the data and conclusions from the investigations and reports of the Sept. 9, 2010, Pacific Gas and Electric Company (PG&E) pipeline rupture in San Bruno. Recommendations from the Independent Review Panel investigating the accident will be presented, considered, and implemented via this Rulemaking.

The Rulemaking’s primary objectives are to:

- A. Provide the public with a means to make their views known to the CPUC.
- B. Provide the public with the Independent Review Panel’s expert recommendations.
- C. Develop and adopt safety related changes to the CPUC’s regulation of natural gas transmission pipelines, including requirements for construction, especially shut-off valves, maintenance, inspections, operation, record retention, ratemaking, and the application of penalties.
- D. Consider ways that the CPUC can undertake a comprehensive risk assessment for all natural gas pipelines regulated by the CPUC, and possibly for other industries that the CPUC regulates.
- E. Consider available options for the CPUC to better align ratemaking policies, practices, and incentives to elevate safety considerations, and maintain utility management focus on the “nuts and bolts” details of prudent utility operations.
- F. Consider the appropriate balance between the CPUC’s obligation to conduct its proceedings in a manner open to the public with the legitimate public safety concerns that arise from unlimited availability of certain utility information.
- G. Consider if further rules or other protection is needed for whistleblowers to inform the CPUC of safety hazards.

H. Expand emergency and disaster planning coordination with local officials.

In addition, the proceeding will allow for the consideration of who should pay for needed improvements to PG&E's gas system; consideration of more aggressive use of fines and penalties in progressive enforcement; and consideration of immediate actions needed to respond to information to be received March 15, 2011, especially identification of pipelines with missing records.

The proceeding is not necessarily limited to the issues identified in the Rulemaking approved today, although the CPUC must prioritize the issues based on information obtained in the initial stages of the Rulemaking. The Rulemaking includes specific proposed rules on several issues that require action now by the CPUC. Parties may submit written comments on these proposals within 45 days. The CPUC expects to propose additional rule changes as the proceeding develops and will set a procedural schedule for comments from parties.

CPUC President Michael R. Peevey said, "We will use the proceeding opened today to strengthen our rules regarding pipeline safety. We will hear from many parties and examine ways the utilities can operate more safely, and also how the CPUC can increase its effectiveness and performance."

Commissioner Timothy Alan Simon, who also serves as the Chair of the Committee on Gas for the National Association of Regulatory Utility Commissioners, which sponsored a recent resolution on pipeline safety requesting reauthorization of funding for safety inspections nationwide, said, "I fully support this new Rulemaking, which will impact utilities statewide. As the assigned Commissioner in PG&E's pending application for gas transmission and storage rates, I added a safety phase to that proceeding to review how PG&E allocates funds for pipeline safety within its system. This new Rulemaking appropriately will consider whether any safety related directives issued in the PG&E case also should apply to utilities statewide."

Added Commissioner Mike Florio, "This is a big step toward ensuring that the state's utilities and the CPUC are utilizing best practices when it comes to pipeline safety and reliability. I look forward to hearing from consumers, community groups, pipeline safety experts, and others as we work to better ensure public safety."

Said Commissioner Catherine J.K. Sandoval, “The initiation of today’s Rulemaking demonstrates our urgent resolve in the aftermath of the San Bruno explosion and fire to develop new and more appropriate rules to ensure ongoing safe and reliable operations of natural gas pipelines.”

To accept public comment on its regulation of natural gas transmission and distribution pipelines, the CPUC will hold a Public Participation Hearing in San Bruno on April 5, 2011, from 5 p.m. to 10 p.m. at the Senior Center, 1555 Crystal Springs Rd., San Bruno. The CPUC will also hold Public Participation Hearings in another Northern California location and in Los Angeles. Dates, times, and locations will be released in the coming days.

The CPUC also anticipates holding a Pre-Hearing Conference to address scoping and scheduling issues late in the second quarter of this year. Shortly thereafter, the Commissioner assigned to the Rulemaking will issue a Scoping Memo establishing a procedural schedule and setting the scope of the proceeding.

The CPUC also anticipates issuing a Proposed Decision on whether to adopt the rules in the Rulemaking’s Attachment A as soon as practicable. The Rulemaking’s Attachment B details new rules that will likely be proposed. These include:

- Retrofitting of transmission lines to allow inline inspections.
- Requiring operators to perform evaluations for installing automatic or remote controlled valves on transmission pipelines.
- Requiring operators to strengthen emergency response procedures.
- Requiring gas quality monitoring.
- Testing requirements for pipelines operating below 100 psig and service lines.
- Clearance between gas pipelines and other subsurface structures.
- Incorporating One-Call Law requirements for marking underground facilities.
- Reporting Cathodic Protection deficiencies and providing a timetable for remedial actions.
- Requirements for transmission lines.
- Reporting problems associated with mechanical/compression fittings.
- Assessing existing Meter Set Assemblies and other pipeline components to protect them from excessive snow and ice loading.
- Requiring operators to identify threats along their pipelines and come up with a plan to mitigate the threats, including research and development.

The Rulemaking voted on today is available at:

http://docs.cpuc.ca.gov/PUBLISHED/AGENDA_DECISION/131115.htm.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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