

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 13, 2012

Robert Russell
Vice President
Lodi Gas Storage, L.L.C.
1520 West Kettleman Lane, Suite A1
Lodi, California 95242

GA2012-11

SUBJECT: GO 112-E Gas Audit of Lodi Gas Storage

Dear Mr. Russell:

On behalf of the Consumer Protection and Safety Division (CPSD) of the California Public Utilities Commission, Terence Eng and Fred Hanes conducted a General Order 112-E audit of Lodi Gas Storage from August 20-24, 2012. The audit included a review of the Company's operation and maintenance records for the years 2008 through 2011 as well as field inspections of both compressor stations and a representative sample of the pipeline facilities. CPSD's findings are noted in the Summary of Inspection Findings (Summary) which is enclosed with this letter. The Summary reflects only those particular records and pipeline facilities that CPSD inspected during the audit.

Within 30 days of your receipt of this letter, please provide a written response indicating the measures taken by Lodi Gas Storage to address the violations noted in the Summary. Pursuant to Commission Resolution ALJ-274, CPSD staff has the authority to issue citations for each violation found during the audit. CPSD will notify Lodi Gas Storage of the enforcement action it plans to take after it reviews its audit response. If you have any questions, please contact Terence Eng at (415) 703-5326.

Sincerely,

A handwritten signature in cursive script that reads "Michael Robertson".

Michael Robertson
Program Manager
Gas Safety and Reliability Branch
Consumer Protection and Safety Division

Enclosure: Summary of Inspection Findings
A. Audit Findings and Violations
B. Recommendations

cc: Greg Clark, Compliance Manager
Andy Anderson, Operations Manager
Eric Kuykendall, Operations Manager
Dennis Lee, CPSD
Terence Eng, CPSD

SUMMARY OF INSPECTION FINDINGS

A. Audit Findings and Violations

Title 49 CFR, §192.465(d) states:

“Each operator shall take prompt remedial action to correct any deficiencies indicated by the monitoring.”

CPSD reviewed Line Segment KC021KB, Compressor Station IJ, and found that the cathodic protection on the pipeline did not meet the -850 mV criteria as specified in Title CFR Part 192 Appendix D for two consecutive monitoring cycles. Lodi Gas Storage recorded annual pipe-to-soil readings of the segment on 5/27/10 (-664 mV) and 6/13/11 (-707 mV). No readings were noted between the two dates to demonstrate that the deficiency was remediated.

On May 19, 1989, the Federal Department of Transportation (DOT) issued a letter that provided an interpretation of Title 49 CFR §192.465. In the letter the DOT stated that cathodic protection deficiencies are expected to be addressed and corrected by the next monitoring cycle under normal conditions.

Lodi Gas Storage was in violation of Title 49 CFR §192.465(d) for not taking prompt remedial action to correct deficiencies indicated by its monitoring.

B. Recommendations

Title 49 CFR, §192.243(a) states:

“Nondestructive testing of welds must be performed by any process, other than trepanning (emphasis added), that will clearly indicate defects that may affect the integrity of the weld.”

Lodi Gas Storage’s Procedure 15.02, p.2 states the line quoted above minus the underlined portion “other than trepanning”. Although Lodi Gas Storage’s procedure does not explicitly state that trepanning is allowed, the procedure also does not explicitly state that trepanning is forbidden. CPSD recommends Lodi Gas Storage explicitly include in its procedure that trepanning is not allowed during nondestructive testing of welds.