

**Testimony of Kirk Johnson
Vice President, Gas Engineering and Operations
Pacific Gas and Electric Company
Before the Assembly Utilities and Commerce Committee, Assembly Committee on
Public Safety
Joint Informational Hearing on:
Natural Gas Infrastructure Integrity and Vulnerability
December 7, 2010
6:00 p.m. - 9:00 p.m.**

Chairman Bradford, Chairman Ammiano, and members of the Assembly Utilities and Commerce Committee and Assembly Committee on Public Safety. My name is Kirk Johnson and I am Vice President of Gas Operations at Pacific Gas and Electric Company or PG&E.

Thank you for inviting me to participate in this Joint Informational Hearing devoted to the subject of natural gas infrastructure and vulnerability. Following the tragic events of September 9th, this hearing and others like it provide an important forum to discuss ways to improve gas pipeline safety in California. PG&E is determined to learn from the San Bruno accident and to prevent anything like it from occurring again.

You have asked me to address several topics, including what happened the day of the San Bruno accident. In the early evening of September 9th a rupture occurred on PG&E's natural gas

transmission line 132, which runs through the Crestmoor Canyon neighborhood of San Bruno, California. Eight people lost their lives; many others were seriously injured. Thirty-seven homes were destroyed. Hundreds of households were forced to evacuate. PG&E continues to work with the National Transportation Safety Board (the NTSB) and the California Public Utilities Commission (or the CPUC), to investigate. The NTSB issued a Preliminary Report on October 13, 2010 that contains additional information about the San Bruno accident. See <http://www.nts.gov/Surface/pipeline/Preliminary-Reports/San-Bruno-CA.html>. However, pending the conclusion of the NTSB investigation, PG&E does not wish to speculate about or comment on the root cause or causes of this tragic event.

Helping the Community

You have also asked me to describe PG&E's homeowner buy-out program for those resident living in the impacted area of the San Bruno accident. As part of Pacific Gas and Electric Company's (PG&E) voluntary Rebuild San Bruno Project now underway, PG&E is offering a Neighborhood Restoration Plan (NRP) and Value Assurance Program (VAP) to eligible homeowners. The goal of these plans is twofold: 1) to restore and enhance the Crestmoor Canyon neighborhood; and 2) to provide residents of the Glenview Subdivision who were directly affected by the September 9, 2010 accident with protection against loss of value in their homes. The VAP was established specifically to compensate homeowners who sell their property for less than Fair Market Value. Similar programs have proven successful across the country in protecting their

participants from devaluation of their property as a result of such incidents.

The NRP and VAP programs include the following components:

- As part of the NRP, PG&E will offer reimbursement of expenses related to exterior home improvements and landscaping/hardscaping not covered by insurance and not related to the September 9, 2010 accident.
- PG&E has established the VAP to pay money, under certain circumstances, to the owners of improved residential property located in the Glenview Subdivision.
- For eligible property owners who sell their property and, after Reasonable Efforts, do not receive Fair Market Value, the VAP will pay benefits to compensate the property owner for the difference between Fair Market Value and the actual sales price.
- The NRP and VAP are completely voluntary and do not require a release of liability.
- PG&E has prepared a VAP booklet that explains this program in detail including how to make a claim.

The Homeowner Buyout Program is part of PG&E's larger Rebuild San Bruno Project. As part of the larger program, PG&E has been lending its support to San Bruno and the recovery process for residents in the impacted area. Some of the things we are doing include:

- Providing residents in the impacted area with immediate support in the form of housing, clothing and financial

- assistance, such as \$1,000 pre-paid debit cards;
- Establishing the Rebuild San Bruno Fund of up to \$100 million which is being used to provide both immediate and long-term support to San Bruno residents and the city for three primary purposes:
 - To provide direct emergency assistance, in the form of cash disbursements for immediate expenses not covered by insurance.
 - To ensure that residents are reimbursed for costs or losses that may not be covered by insurance.
 - To provide financial assistance to the City of San Bruno for certain costs it incurs as it responds to this accident and to rebuild or repair public infrastructure and facilities.

With regard to the Rebuild San Bruno Fund, PG&E provided San Bruno officials with an initial check for \$3 million to help compensate the City for certain of its estimated expenses incurred to date.

We have also now distributed checks to hundreds of households, in the amounts of \$15,000, \$25,000, or \$50,000 each, depending on the extent of damage the households experienced. Residents have not been asked to waive any potential claims in order to receive this assistance. We know there is a long road ahead. We continue to be committed to the people and community of San Bruno. We will do what's right to help rebuild the community - and to help people rebuild their lives.

How PG&E Interacts with the CPUC:

Let me turn now to address your question about how PG&E interacts with the CPUC on pipeline safety matters, particularly how it works with the CPUC in the pipeline inspection process. Through its General Order 112-E, the CPUC provides regulatory oversight over PG&E's pipeline safety, including audits and inspection activities.

The Commission has adopted the federal pipeline safety standards, 49 Code of Federal Regulations (CFR), Parts 190, 191, 192, 193, and 199, including all revisions to the federal pipeline standards.

Thus, PG&E interacts extensively with the CPUC in matters concerning pipeline safety and inspections. The CPUC regularly audits and inspects PG&E's gas and electric operations. In 2009, the CPUC conducted xxx number of audits of PG&E's gas facilities alone. In some instances, those audits result in audit findings to which PG&E responds - often by agreeing with the CPUC's findings and making improvements to its work and safety procedures.

Beginning in 2002, federal law required gas transmission pipeline operators to initiate a multi-year process of conducting base line integrity assessments of transmission lines in High Consequence Areas. The CPUC is the primary regulator overseeing PG&E's efforts to comply with this federal law and its state analog (CPUC General Order 112-E).

PG&E's base line integrity assessment, which is on track to be completed before the required December 17, 2012 completion date, is well under way. Through the end of August of this year, and pursuant to federal law, PG&E has performed baseline integrity

management assessments on approximately 737 of its approximately 1021 HCA miles.

In performing these baseline integrity management assessments, PG&E utilizes each of the three federally-authorized assessment methods: In-line Inspections (also known as “Pigging”), Direct Assessment, and Pressure Testing.

- Through August, approximately 156 miles have been assessed using the in-line inspection method.
- Approximately 567 miles have been assessed using Direct Assessment.
- And approximately 14 miles have been assessed using pressure testing.

2007 Falsification of Records issue

Many times the CPUC brings concerns to PG&E's attention. Other times the opposite happens: PG&E identifies a concern of its own, brings it to the CPUC's attention, and works with the CPUC to address the problem.

You have asked me to comment on such instance when PG&E brought a problem to the CPUC's attention and worked with the CPUC to rectify it. In 2007, PG&E determined that a leak surveyor - a field-level worker -- in one of PG&E's 18 divisions had falsified records. PG&E took swift disciplinary action that included termination

of that employee as well as management-level employees who shared accountability. This was an uncommon event; it was in no way reflective of the integrity of the vast majority of our people.

Nonetheless, upon discovery, PG&E immediately developed a plan for corrective action, including a complete resurvey of the involved division. Further, to ensure that falsification of records was not a systemic issue, PG&E evaluated its gas leak survey activities across the system. PG&E did not find any evidence that other leak surveyors had falsified records.

At the same time, and while performing this evaluation, PG&E found opportunities to improve consistency, tools, processes and training in survey techniques. As part of the quality improvement process, PG&E introduced an enhanced, uniform, leak-grading criteria. These enhancements led us to significantly improve the consistency of our leak detection methods.

Pipeline 2020

A final report from the NTSB and a conclusive set of findings are likely months down the road. In the meantime, we will continue to do everything we can to cooperate and support the NTSB investigation. That said, we are not going to wait for a final report to take what we

believe are appropriate steps. This past October, PG&E announced an initiative to advance gas pipeline and facility safety throughout its service area and the nation. Pipeline 2020 is a new PG&E program to guide the utility's efforts to strengthen its natural gas transmission system through a combination of targeted investments, research and development, improved processes and procedures, and tighter coordination with public agencies. The program will focus the company's efforts on five major areas:

- **FIRST Modernize Critical Pipeline Infrastructure**
- **SECOND Expand the Use of Automatic or Remotely Operated Shut-Off Valves**
- **THIRD Spur Development of Next-Generation Inspection Technologies -**
- **FORTH Develop Industry-Leading Practices**
- **FIFTH Enhance Public Safety Partnerships**

Pipeline 2020 is forward-looking and includes initiatives that will be years in the planning and execution. Right now, and following the events of September 9th, PG&E has taken immediate actions to ensure the safety of transmission lines across PG&E's system, including:

- We resurveyed all accessible areas of the major pipeline that serve the San Francisco Peninsula. We also reduced the operating pressure of our transmission lines serving the Peninsula by 20%.
- In addition to these efforts, we conducted aerial and ground

leak inspections of our entire natural gas transmission system. This is in addition to the normal, annual leak inspection for transmission lines. That means that this year each transmission line has had a minimum of three leak surveys: one by air and two by ground.

- We publicly released detailed information about PG&E's gas pipeline safety and maintenance practices, including some of the tools that we use in our engineering analyses and planning for future preventative maintenance work on transmission pipelines.

- We are also reviewing safety procedures concerning our natural gas system with first responders in various communities and providing those first responders with detailed maps to ensure they know where our facilities are located.

Thank you for allowing me this time to open with my remarks. I welcome your questions.