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Fax: 415-973-6520

December 1, 2010

### Advice 3171-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

<u>Subject</u>: Establish Gas Preliminary Statement CH, *Natural Gas Transmission Pipeline Safety Memorandum Account* 

Pacific Gas and Electric Company (PG&E) hereby submits this Advice Letter to establish Gas Preliminary Statement CH, the *Natural Gas Transmission Pipeline Safety Memorandum Account (NGTPSMA).* 

### **Purpose**

PG&E files this Advice Letter seeking a memorandum account to track costs associated with 1) programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety and 2) new or enhanced PG&E transmission pipeline safety programs. The purpose of this memorandum account is to allow PG&E to record and track expenses incurred in implementing these programs. PG&E is not seeking cost recovery for these programs at this time. Any cost recovery will be addressed either in a future California Public Utilities Commission (Commission or CPUC) proceeding or pursuant to a future PG&E application.

### **Background**

On September 9, 2010, a rupture occurred on PG&E's natural gas transmission line 132, which runs through San Bruno, California. PG&E continues to work with the National Transportation Safety Board (NTSB), the Commission and other officials, to investigate the cause of this tragic event and evaluate new measures that may be implemented to enhance and improve the safety of PG&E's natural gas transmission system. PG&E anticipates that, in connection with these reviews, it may be ordered to implement new gas transmission pipeline safety procedures or programs.

PG&E has also launched Pipeline 2020, a program designed to enhance the safety of the utility's natural gas transmission system.

Pipeline 2020 will focus PG&E's efforts in five major areas:

- Modernize Critical Pipeline Infrastructure
   PG&E will consult with regulators and engage industry experts on a multiyear
   modernization initiative to upgrade key gas transmission pipeline segments
   located in heavily populated and other critical areas. The company will work with
   an independent third-party expert to review and assess PG&E's long-term
   roadmap, including criteria for prioritizing critical pipeline segments. Among the
   goals of the initiative will be to ensure that all upgraded lines can accommodate
   state-of-the-art inspections, including those using pigging technologies.
- Expand the Use of Automatic or Remotely Operated Shut-Off Valves PG&E also proposes to consult with regulators and industry experts about expanding the use of automatic or remotely operated shut-off valves on segments of its gas transmission pipelines. The valves will give PG&E operators the capability to shut off gas flows without having to dispatch crews. The company will also work with state and federal legislators to ensure industry-wide use of best available technologies and practices in this area. To further this analysis PG&E intends to proceed with a pilot project to evaluate and install new automated valves in the first half of 2011.
- Spur Development of Next-Generation Inspection Technologies
   To help catalyze technological advances that will improve pipeline safety
   nationally, PG&E has established an independent, nonprofit entity dedicated to
   researching and developing next-generation pipeline inspection and diagnostic
   tools. At no cost to customers, PG&E will provide the first \$10 million to launch
   this organization, which will work with other industry partners, leading institutions
   and researchers with the expertise to make significant advances in this area.
- Develop Industry-Leading Best Practices
   PG&E will closely review its practices related to pipeline integrity, safety and
   training as well as practices used elsewhere in the industry in order to
   develop industry-leading standards of excellence in this area. For example, the
   company will ensure that it is using state-of-the-art risk assessment techniques
   for prioritizing and planning work on its transmission pipelines.
- Enhance Public Safety Partnerships
   Building on its already-extensive pipeline safety awareness and training programs, PG&E will work with local communities, public officials and first responders to forge model partnerships in support of pipeline safety. The company will provide detailed, customized information on pipeline locations and emergency response plans, as well as enhanced annual emergency response training. It will also step up outreach and education to reduce the incidence of third-party dig-ins on PG&E's pipelines the leading threat to pipeline safety and integrity.

### **Proposed Preliminary Statement**

PG&E is requesting Commission authority to establish Gas Preliminary Statement CH, the NGTPSMA for gas (NGTPSMA-G), and record the costs of 1) programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety and 2) new or enhanced PG&E transmission pipeline safety programs.

PG&E proposes to establish the following sub-accounts to track and record costs of separate programs in the NGTPSMA:

- 1) <u>Pipeline Modernization:</u> This sub-account will track the costs associated with developing and implementing new criteria for pipeline replacements and modernization and will include the tracking of costs associated with enhanced record systems for verification of pipeline and valve data.
- 2) <u>Automated Shut-Off Valves</u>: This sub-account will track the costs associated with the use of automatic or remotely operated shut-off valves on segments of its gas transmission pipelines and enhancements in the automation of PG&E's SCADA system, including the 2011 automated valve project described in Brian Cherry's October 25, 2010 letter to Executive Director Paul Clanon.
- 3) <u>Pipeline Inspection and Retrofits</u>: This sub-account will track the costs associated with developing and implementing new standards and procedures for pipeline inspections, including pipeline retrofits necessary to facilitate "pigging" of transmission pipelines.
- 4) <u>Emergency Response and Public Safety</u>: This sub-account will track the costs associated with enhancing public safety programs and emergency response plans, including providing detailed information on pipeline locations to local communities, enhancing emergency response training and increasing education programs to reduce the risk of third-party dig-ins.
- 5) <u>New Governmental and Regulatory Requirements Not Covered Above</u>: This sub-account will track the costs associated with programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety not captured in sub-accounts 1- 4.

### **Limited Nature Of Memorandum Account**

PG&E seeks authority only to track costs associated with new or expanded natural gas pipeline safety programs and requirements. The memorandum account does not authorize or address future recovery of these costs in customer rates. Issues surrounding cost recovery will be addressed in a future Commission proceeding or in conjunction with a future PG&E application. PG&E will seek recovery of costs tracked in the NGTPSMA in its natural gas transmission rates only to the extent that it is

authorized to do so by the Commission consistent with its obligations under Section 12 ("Rate Certainty and Adjustments During Term of Settlement") of the Gas Accord V Settlement Agreement (CPUC Application 09-09-013). Settling parties retain all rights to contest any future request to recover costs tracked in the NGTPSMA.

### **Regulatory Authority**

PG&E seeks authority to establish the NGTPSMA to track and record costs pursuant to Public Utilities Code Sections 451, 701 and 728. The Commission has previously authorized the tracking of costs in a memorandum account through the procedural device of an advice letter filing.<sup>1</sup>

In Resolution G-3432 (April 16, 2009), the Commission authorized PG&E to establish a memorandum account (filed by advice letter) to track the revenue requirement associated with the Market Decision Support System database platform replacement project as proposed in PG&E's 2009-2011 Energy Efficiency Portfolio and Demand Response Applications.

In approving the memorandum account, the Commission stated:

Memorandum accounts record and track particular costs for capital projects, but do not provide a guaranteed authorization to meet expenditures using ratepayer funds. Ratepayer funds may be used at a later time, but only after Commission review and authorization of the project. Under a memorandum account, PG&E shareholders are at risk for any and all expenditures, should the Commission deny some or all parts of the project. (Resolution G-3432, pp. 3-4)

It is reasonable to establish the NGTPSMA because the account will allow PG&E to comply with new natural gas transmission pipeline safety mandates or requirements in a way that preserves its ability to seek appropriate cost recovery. PG&E has been confronted by extraordinary circumstances as it responds to the San Bruno tragedy. In coordination with the NTSB, CPUC and other governmental authorities, it intends to move forward with safety enhancements relating to its natural gas pipeline system. The NGTPSMA will facilitate a transparent review and accounting of the costs of implementing new pipeline safety mandates and the expenditures associated with PG&E's Pipeline 2020 program for future Commission review. At this time, PG&E is requesting authority only to record and track pipeline safety expenditures for Commission review in a future proceeding. PG&E's shareholders will be at risk for any expenditures not approved by the Commission in a subsequent proceeding or order.

The Commission approved PG&E Advice 2632-G-B and 2664-E-B, which authorized PG&E to establish two new memorandum accounts to track the pre-deployment expenditures associated with the Advanced Metering Infrastructure Project prior to Commission authorization of the program in a separate application. (Approved September 20, 2005)

SB GT&S 0011103

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **December 21, 2010**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200

E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520 E-mail: PGETariffs@pge.com

### **Effective Date**

PG&E requests that this Tier 3 advice filing become effective as of December 1, 2010, so that the costs can be tracked in the NGTPSMA.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service lists for A.09-09-013 and A.09-12-020. Address changes to the General Order 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process\_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs.

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Vice President - Regulation and Rates

cc: Service Lists for A.09-09-013 and A.09-12-020

Attachments

## CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLE	CTED BY UTILITY (At	tach additional pages as needed)		
Company name/CPUC Utility No. Pa	acific Gas and Elec	etric Company (ID U39 M)		
Utility type:	Contact Person: Olivia Brown			
å ELC å GAS	Phone #: <u>415.973</u> .	<u>9312</u>		
⑤ PLC ⑤ HEAT ⑤ WATER	E-mail: oxb4@pge	.com		
EXPLANATION OF UTILITY T	YPE	(Date Filed/ Received Stamp by CPUC)		
ELC = Electric GAS = Gas © PLC = Pipeline HEAT = Heat	WATER = Water			
Advice Letter (AL) #: 3171-G Subject of AL: Establish Gas Preliminary Statement CH, Natural Gas Transmission Pipeline Safety and Reliability Memorandum Account Keywords (choose from CPUC listing): Memorandum Account				
AL filing type: ⑤ Monthly ⑤ Quarterly ⑤ Annual ⑥ One-Time ⑤ Other				
•	,	cate relevant Decision/Resolution #: $N/A$		
Does AL replace a withdrawn or reje		· · · · —		
Summarize differences between the	-	• —		
Is AL requesting confidential treatm treatment for: <u>No</u>	ent? If so, what in	formation is the utility seeking confidential		
Confidential information will be made available to those who have executed a nondisclosure agreement: $N/A$				
Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: $N/A$				
Resolution Required? © Yes & No				
Requested effective date: <u>December 1, 2010</u> No. of tariff sheets: <u>5</u>				
Estimated system annual revenue effect (%): <u>N/A</u>				
Estimated system average rate effect (%): <u>N/A</u>				
When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). N/A				
Tariff schedules affected: New Gas Preliminary Statement Part CH				
Service affected and changes proposed: <u>N/A</u>				
Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:				
CPUC, Energy Division		fic Gas and Electric Company		
Tariff Files, Room 4005	Attn Rate	: Jane K. Yura, Vice President, Regulation and		
DMS Branch 505 Van Ness Ave., San Francisco, Ca	77 E	seale Street, Mail Code B10B		
jnj@cpuc.ca.gov and mas@cpuc.ca.go	P.O.	Box 770000 Francisco, CA 94177		

E-mail: PGETariffs@pge.com

		ATTACHMENT 1 Advice 3171-G
Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
28644-G	NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT Sheet 1	
28645-G	NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT Sheet 2	
28646-G	NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT Sheet 3	
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### NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT

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#### Sheet 1 (N)

### CH. NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT(NGTPSRMA)

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- 1. PURPOSE: The purpose of the Natural Gas Transmission Pipeline Safety Memorandum Account (NGTPSMA-G) is to record costs associated with 1) programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety and 2) new or enhanced PG&E transmission pipeline safety programs. This memorandum account shall only track costs associated with new or expanded natural gas pipeline safety programs and requirements. It does not authorize or address future recovery of these costs in customer rates. Issues surrounding cost recovery will be addressed in a future Commission proceeding or in conjunction with a future PG&E application. PG&E shall seek recovery of costs tracked in the NGTPSMA in its natural gas transmission rates only to the extent that it is authorized to do so by the Commission consistent with its obligations under Section 12 ("Rate Certainty and Adjustments During Term of Settlement") of the Gas Accord V Settlement Agreement (CPUC Application 09-09-013).
- APPLICABILITY: The NGTPSMA-G shall apply to all gas customers except for those specifically excluded by the Commission.
- REVISION DATE: Disposition of the balance in the account shall be determined by the Commission in a future proceeding or pursuant to a future PG&E application.
- RATES: The NGTPSMA-G does not have a separate rate component.
- ACCOUNTING PROCEDURE: The NGTPSMA-G consists of the following five subaccounts: 5.
  - Pipeline Modernization Memorandum Subaccount (PMMS)

The "Pipeline Modernization Memorandum Subaccount" purpose is to track the costs associated with developing and implementing new criteria for pipeline replacements and modernization and will include the tracking of costs associated with enhanced record systems for verification of pipeline and valve data

The following entries will be made to this subaccount each month or as applicable:

- A debit entry equal to costs associated with the developing and implementing new criteria for pipeline replacements and modernization.
- A debit entry equal to the costs associated with enhanced record systems for verification of pipeline and valve data.
- A debit or credit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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Issued by Jane K. Yura Vice President Regulation and Rates Date Filed Effective Resolution No. December 1, 2010

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### NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT

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Sheet 2 (N)

CH. NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT (NGTPSRMA) (Cont'd.)

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ACCOUNTING PROCEDURE: (Cont'd.)

(N)

Automated Shut-off Valves Memorandum Subaccount (ASVMS)

The "Automated Shut-off Valves Memorandum Subaccount" purpose is to track the costs associated with the use of automatic or remotely operated shut-off valves and associated SCADA

The following entries will be made to this subaccount each month or as applicable:

- A debit entry equal to costs associated with the use of automatic or remotely operated shut-off valves and associated SCADA on segments of its gas transmission
- A debit entry equal to the cost for the 2011 automated valve pilot project.

on segments of its gas transmission pipelines, including the 2011 automated valve pilot project.

- A debit or credit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.
- Pipeline Modernization Memorandum Subaccount (PMMS) C.

The "Pipeline In-line Inspection and Retrofit Memorandum Subaccount" purpose is to track the costs associated with developing and implementing new standards and procedures for pipeline inspections, including pipeline retrofits necessary to facilitate "pigging" of transmission pipelines.

The following entries will be made to this subaccount each month or as applicable:

- iv. A debit entry equal to costs associated with the developing and implementing new standards and procedures for pipeline inspections, including, but not limited to, pipeline retrofits.
- A debit or credit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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Issued by Jane K. Yura Vice President Regulation and Rates Date Filed December 1, 2010 Effective Resolution No.

Cancelling

Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

# NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT

Sheet 3 (N)

CH. NATURAL GAS TRANSMISSION PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNT (NGTPSRMA) (Cont'd.)

(N) (N)

5. ACCOUNTING PROCEDURE: (Cont'd.)

(N)

d. Pipeline In-line Inspection and Retrofit Memorandum Subaccount (PIIRMS)

The "Emergency Response and Public Safety Memorandum Subaccount" purpose is to track the costs associated with enhancing public safety programs and emergency response plans, including providing detailed information on pipeline locations to local communities, enhancing emergency response training and increasing education programs to reduce third-party dig-ins.

The following entries will be made to this subaccount each month or as applicable:

- A debit entry equal to costs associated with enhancing public safety programs and emergency response plans.
- ii. A debit or credit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.
- e. Emergency Response and Public Safety Memorandum Subaccount (ERPSMS)

The "New Governmental and Regulatory Requirements Memorandum Subaccount" purpose is to track the costs associated with programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety not captured in subaccounts a-d.

The following entries will be made to this subaccount each month or as applicable:

- iii. A debit entry equal to any costs associated with programs to implement new governmental and regulatory mandates and requirements applicable to natural gas transmission pipeline safety not captured in subaccounts a-d.
- iv. A debit or credit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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Cancelling

Revised Revised Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

28649-G 28637-G

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### PG&E Gas and Electric Advice Filing List General Order 96-B, Section IV

Alcantar & Kahl LLP

Ameresco

Anderson & Poole

Arizona Public Service Company

**BART** 

Barkovich & Yap, Inc. Bartle Wells Associates

Bloombera

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Chris, King
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Modesto Irrigation District

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Recurrent Energy SCD Energy Solutions

SCE SMUD SPURR

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Santa Fe Jets Seattle City Light Sempra Utilities

Sierra Pacific Power Company

Silicon Valley Power Silo Energy LLC

Southern California Edison Company

Spark Energy, L.P. Sunshine Design

Sutherland, Asbill & Brennan Tabors Caramanis & Associates

Tecogen, Inc.

Tiger Natural Gas, Inc.

TransCanada

Turlock Irrigation District

United Cogen

**Utility Cost Management** 

**Utility Specialists** 

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Wellhead Electric Company Western Manufactured Housing Communities Association (WMA)

eMeter Corporation