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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).*

<u>Purpose</u>

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 subaccount 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.¹

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.

¹ 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)

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: <u>PGETariffs@pge.com</u>

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.

<u>Notice</u>

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:

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

Jone Yura OB

Vice President - Regulation and Rates

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

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

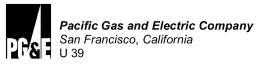
ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed) Company name/CPUC Utility No. Pacific Gas and Electric Company (ID U39 M) Contact Person: Olivia Brown Utility type: å ELC å GAS Phone #: 415.973.9312 (5) PLC E-mail: oxb4@pge.com S HEAT S WATER EXPLANATION OF UTILITY TYPE (Date Filed / Received Stamp by CPUC) GAS = Gas ELC = ElectricPLC = Pipeline HEAT = Heat WATER = Water Advice Letter (AL) #: 3171-G **Tier:** 3 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: S Monthly S Quarterly S Annual & One-Time S Other If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: N/A Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No Summarize differences between the AL and the prior withdrawn or rejected AL: N/A Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No 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? (5) Yes 🕆 No Requested effective date: December 1, 2010 No. of tariff sheets: 5 Estimated system annual revenue effect (%): N/A Estimated system average rate effect (%): N/A 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: N/A 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 **Pacific Gas and Electric Company** Attn: Jane K. Yura, Vice President, Regulation and Tariff Files, Room 4005 Rates **DMS Branch** 77 Beale Street, Mail Code B10B 505 Van Ness Ave., San Francisco, CA 94102 P.O. Box 770000 jnj@cpuc.ca.gov and mas@cpuc.ca.gov San Francisco, CA 94177 E-mail: PGETariffs@pge.com

		ATTACHMENT 1 Advice 3171-G
Cal P.U.C.		Cancelling Cal
Sheet No.	Title of Sheet	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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Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No. 28644-G

		L GAS TRANSMISSION PIPELI RELIABILITY MEMORANDUM A		Sheet 1	(N)
	GAS TRANSMIS (NGTPSRMA)	SION PIPELINE SAFETY AND RELIABI	LITY MEMORANDUM		(N) (N)
1.	(NGTPSMA-G) is and regulatory m and 2) new or en shall only track cor requirements. It Issues surroundin conjunction with a NGTPSMA in its the Commission	purpose of the Natural Gas Transmissio to record costs associated with 1) prograndates and requirements applicable to r hanced PG&E transmission pipeline safe osts associated with new or expanded na does not authorize or address future recor- ng cost recovery will be addressed in a fu a future PG&E application. PG&E shall s natural gas transmission rates only to the consistent with its obligations under Sect ettlement") of the Gas Accord V Settleme	ams to implement new governatural gas transmission piety programs. This memora atural gas pipeline safety provery of these costs in cust ature Commission proceeding eek recovery of costs track extent that it is authorized ion 12 ("Rate Certainty and	vernmental peline safety indum account rograms and tomer rates. ing or in ked in the d to do so by d Adjustments	(N)
2.	APPLICABILITY: excluded by the 0	The NGTPSMA-G shall apply to all gas Commission.	customers except for thos	e specifically	
3.		: Disposition of the balance in the account future proceeding or pursuant to a future		the	
4.	RATES: The NG	TPSMA-G does not have a separate rate	e component.		
5.	ACCOUNTING P	ROCEDURE: The NGTPSMA-G consist	s of the following five suba	ccounts:	
	a. Pipeline Mo	odernization Memorandum Subaccount (PMMS)		
	with developing	odernization Memorandum Subaccount" and implementing new criteria for pipelin racking of costs associated with enhance ve data	e replacements and model	rnization and	
	The following er	tries will be made to this subaccount eac	ch month or as applicable:		
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Advice Letter No:	3171-G	Issued by	Date Filed	(Continue)	
Decision No.		Jane K. Yura	Effective		

Jane K. Yura Vice President Regulation and Rates

Effective Resolution No.



Original Cancelling

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

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5.	ACCOUNTING PR	OCEDURE: (Cont'd.)		(N)
	b. Automated S	nut-off Valves Memorandum Subaccount (ASVMS)		
	associated with the	hut-off Valves Memorandum Subaccount" purpose is to tra use of automatic or remotely operated shut-off valves and gas transmission pipelines, including the 2011 automated	associated SCADA	
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	iii. A deb the be one-tv	nes. it entry equal to the cost for the 2011 automated valve pilo it or credit entry equal to the interest on the average balan- ginning of the month and the balance after the above entry velfth of the rate on three-month Commercial Paper for the ed in the Federal Reserve Statistical Release, H.15, or its	ce in the account at y, at a rate equal to previous month, as	
	c. Pipeline Mod	ernization Memorandum Subaccount (PMMS)		i I
	costs associated w	e Inspection and Retrofit Memorandum Subaccount" purpo rith developing and implementing new standards and proce ing pipeline retrofits necessary to facilitate "pigging" of tran	dures for pipeline	
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Vice President Regulation and Rates Resolution No.



Original Cancelling

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	NAT		SMISSION PIPELIN IEMORANDUM AC		Sheet 3
	GAS TRANS MA) (Cont'd.)		AFETY AND RELIABILI	ITY MEMORANDUM ACC	COUNT
5.	ACCOUNTI	NG PROCEDURE: (Co	nťd.)		
	d. Pipeline	In-line Inspection and	Retrofit Memorandum S	Subaccount (PIIRMS)	
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	e. Emerg	ency Response and Pu	blic Safety Memorandur	m Subaccount (ERPSMS))
	track the co mandates a subaccoun	osts associated with pro and requirements applie ts a-d.	ograms to implement ner cable to natural gas tran	emorandum Subaccount' w governmental and regu ismission pipeline safety r	latory
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Vice President Regulation and Rates

Resolution No.



28649-G 28637-G

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Advice Letter No: 3171-G Decision No. Issued by Jane K. Yura Vice President Regulation and Rates Date Filed Effective Resolution No. (Continued)

December 1, 2010

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

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