



**Pacific Gas and
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Mr. Sunil Shori
Utilities Safety and Reliability Branch
Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Ave., Room 2005
San Francisco, CA 94102-3298

Re: Follow up to February 13th USRB Letter, February 18th Meeting
and various recent discussions

Dear Sunil:

Your letter of February 13, 2009, our discussions during the Utilities Safety and Reliability Branch (USRB) meeting of February 18, 2009, and more recent discussions with USRB staff have raised a number of questions about the several ongoing and special maintenance program initiatives of PG&E's Gas Transmission and Distribution (GT&D). As we have discussed during the February 18th meeting and in subsequent conversations, PG&E is implementing several corrective action programs simultaneously. We are striving to address all gas maintenance and operation issues as quickly as possible without compromising employee and public safety. At the same time, we strive to maintain quality controls and reporting to assure that the corrections have been completed and the system is in reasonable compliance.

The purpose of this letter is to provide an overall review and update of the measures that PG&E is taking or has taken. Specifically, I want to discuss our efforts with regard to (1) PG&E's Accelerated Gas Leak Survey Project, (2) Distribution System MAOP Review, (3) Isolated Steel Service Project and (4) Meter Protection Program.

1. Accelerated Gas Leak Survey Project:

As we described during the February 18th meeting, the intent of PG&E's Accelerated Gas Leak Survey Project is to re-survey those areas originally leak surveyed between 2004 and 2006 with experienced surveyors trained and qualified according to PG&E's new leak survey protocols.

As we had previously discussed, our experienced contract leak survey crews were initially available only over the winter and were previously committed to perform leak survey work for other utilities beginning in March of 2009. PG&E redoubled our efforts and convinced our contractors to allow us to retain the experienced surveyors through the end of this accelerated leak survey project. This addition, in conjunction with the dedicated assignment of PG&E resources, will allow us to further accelerate completion of the 2004, 2005 and 2006 gas leak resurveys another six months from our previous October 2010 completion date to April 2010. (See, program schedule in Attachment A.)

The change in contractor availability is significant for two reasons. First, the additional trained resources allow PG&E to more quickly implement the contemplated corrective actions without compromising our commitment to public safety or survey quality. Second, by keeping the experienced contractor "teams" intact, PG&E is able to prioritize the work and target those survey teams to areas of potentially higher concern based on the analysis to previous leak survey data.

We have set an ambitious schedule and we are committed to complete this special survey work by April 2010. We also committed to provide quarterly reports to measure our progress using the revised format that we discussed at the last meeting. The most recent report, April 15, 2009, acknowledged that, primarily as a result of unseasonably heavy wind and rain in February, we were behind our schedule. However, as stated in that report, we were already implementing a plan to regain the schedule as quickly as possible consistent with safety and quality. The next report, due July 15, will provide a measure of that progress.

2. Peninsula Division MAOP Issue:

Following our October 30, 2008 meeting, you asked that PG&E conduct a review of work on distribution systems in all divisions to ensure that, where systems have been connected, the records have been revised to reflect the new MAOP. In response to your request, my staff reviewed operation and maintenance records for the 1,378 separate distribution systems throughout our service territory. This review identified three additional occurrences where systems of different MAOPs were connected without proper uprate documentation. PG&E continued to monitor the system, quickly detected the potential pressure problem and responded immediately. These actions are all consistent with the joint goal of PG&E and the USRB – to maximize safety and reliability of the distribution system by encouraging the utility to regularly inspect or monitor its system and, after acquiring actual or constructive knowledge of a problem, to take prompt remedial action within a reasonable time period.

3. Isolated Service Project:

The Natural Gas Pipeline Safety Act of 1968 and regulations adopted thereafter, required that cathodic protection be provided on all buried or submerged steel pipelines installed after July 31, 1971 and that, for steel pipelines installed before that date, utilities were to identify and monitor those lines. In 2002, PG&E instituted a ten-year Isolated Steel Service Program (ISSP) to ensure that all isolated steel services were identified, recorded and regularly monitored for adequate cathodic protection. Recently you have questioned PG&E's Isolated Steel Service Program (ISSP) survey methodology and expressed concern about both the pace of the survey and the amount of time that it takes to correct ISSP locations once identified.

The ISSP survey process involves two steps:

STEP 1 -- Each division reviewed all gas plat maps to locate suspect areas with pre-1980 service installations. The suspect areas were then further divided into pre-1976 and post-1976 services. For areas with plastic services installed prior to 1976, 100% of the services are field checked; for areas with plastic services installed between 1976 and 1979, a sample of the services by pipe size and age is used to yield a 95% level of confidence. In areas where random sampling is used, a 95% confidence sample would be rejected and a 100% check made of all steel services whenever more than 2% of the sample locations were found to be isolated and unprotected. This process is in accord with statistical standard MilStd 105D and recognized quality control procedures.

STEP 2 -- After identification of suspect areas, we conduct a field survey to determine whether the service is actually isolated. The primary field survey method is to install an interrupter on the rectifier of the system which will cause a pulsating reading on all connected services but no reading on isolated services. If the service is identified as isolated, the field surveyor performs a reading of pipe-to-soil potential. A reading above -850mA indicates that the service is unprotected. All isolated services are identified for later mapping and recording in the database for future 10%er inspections. As part of this second step, we take appropriate actions to ensure that the service is properly protected. When a corrosion mechanic determines a service is unprotected (or with a depleted anode) he or she will protect that service by one of the following actions: (1) immediately reconnecting the locating wire (where possible), (2) immediately installing a drivable anode (where possible), or (3) scheduling work to install an anode or alternative method where immediate installation was not possible (e.g., where installation required a two-man crew, USA notification and drilling through sidewalks). All work which cannot be completed immediately is to be installed as soon as reasonably practicable but in no case later than six months following completion of the division survey.

I appreciate that you have also questioned the current pace of the work, noting that approximately 70% of the time PG&E allotted to the ISSP has passed but only 35% of the suspect sites have been field surveyed. If I may say, while the statistics you cite are technically correct, I believe the conclusion you reach with respect to those statistics is slightly overstated and offer the following explanation.

First, the ISSP is on pace with the plan PG&E presented in its 2007 General Rate Case. In that case we reported on the isolated services program and forecasted that the ISSP would check 20,000 services per year (2007 through 2009). In fact, including the work budgeted for the current year, we will complete checks on 62,000 services during the three-year period.

Second, while the ISS Program involves a multi-step process, none of the steps are completely discrete. The steps can and do in many times run in parallel, for example, surveyors can start working in the field even while mappers are still reviewing the remainder of the division's maps. Similarly, field surveyors are implementing corrective actions at most of the sites (CP connections and anode installations) even while they are conducting the survey. Therefore, since the ISS Program steps are not discrete and one step merges with another, it is difficult to assign a defined "percent complete" for the entire Program.

That said, I believe the table below provides a more complete picture of the current status of the ISSP work. As you can see, we have fully completed field surveys in two divisions, De Anza and Peninsula (12% of the suspect sites), and have only to install a few (84) crew-required anodes at "can't get in" locations in San Francisco to complete that division as well. We are currently conducting field surveys and installing anodes as needed, in another six divisions (43%); we have completed mapping for the field work in four divisions (24%) and have another two divisions (9%) in mapping. This means that we have completed work, or we are in the field and installing cathodic protection, or ready to start field work in 15 of the 17 divisions (90% of the sites) while we have yet to start field work in only two divisions (10%).

ISOLATED STEEL SERVICE PROGRAM -- CURRENT STATUS

Division	Estimated Services	Not Started	Step 1		Step 2		Completed
			System Mapping	Mapping Complete	Field Survey and Remediation	Crew Work	
Redacted							

According to our current schedule, we plan to have completed 10 of the 17 divisions by the end of 2011 and PG&E remains committed and confident that, all survey work will be completed by the end of 2012 as scheduled. We will provide the USB with quarterly updates of our progress on this important matter. I will send the first report at the close of the third quarter with an update on the chart above to show our commitment and progress.

4. Meter Protection Program:

Your recent letter also expressed concerns with the effectiveness and progress of PG&E's Meter Protection Program (MPP). As discussed below, we are working to address all these issues and, while the plan is still in development, we intend to implement a more effective approach to ongoing customer meter protection which

will include continuous monitoring, a prioritization model, adequate quality controls and appropriate management reporting of results.

First, allow me to clarify a couple of points. In particular, you state that while PG&E has added more than 6,000 locations to the MPP database, we have not properly tracked who identified each new location and what hazard initiated its inclusion on the list. Currently, our standard (J-15) identifies six factors to evaluate in determining whether a meter location is "protected from damage, including vehicular damage." Since the inception of the MPP program, these factors have been identified by a code as shown below.

CODE	DESCRIPTION
1A	within 3 feet of residential driveway
1B	within 3 feet of a dumpster or moveable container
1C	within 3 feet of a road with curb
2A	within 8 feet of a commercial or multi-family driveway
2B	within 8 feet of a loading dock
2C	within 8 feet of a road without curb

The current database (Attachment B) does have the capability to identify who inspected and assigned the location to the MPP database (or the inspector who most recently visited the site and confirmed the meter condition, and the condition identified based on the six criteria from the standard). For example, the first location (in Attachment A) at 187 Kenny Court in Santa Cruz was identified by George Naranjo (GXN8) on October 31, 2001 when he observed that the residential driveway was within three feet of the meter. Mr. Naranjo called for the installation of a protective post which was installed on November 2, 2001 by Terry Simmons (TJS3).

Second, your letter notes that "PG&E has not been routinely identifying locations in need of meter protection *during meter reading activities* which are a normal course of business" (emphasis added). You state that this is a violation of the 49 CFR 192.613(a) "continuing surveillance" requirements.

I do not agree that such information must come from meter readers. It can come from any trained and operator qualified employee including gas service representatives, T&R mechanics or Fieldman positions. As a result of our reevaluation of the program, PG&E is developing a plan to use gas leak surveyors, who have received and passed special meter risk identification training to perform this task. These qualified operators will provide continuous surveillance and evaluate changing conditions in order to carefully identify and document new locations where meter protections may be necessary. The new training for all gas leak surveyors will include detailed instructions regarding the inspection of the meter sets. Once this meter protection training is ready, all existing leak surveyors will be required to demonstrate knowledge in the standards for meter protection in order to

maintain their OQ status. Similarly, all new leak surveyors will be required to pass meter protection as well as leak identification and grading in order to become a qualified leak surveyor. This does not mean that we will ignore or discount meter protection reports submitted by meter readers, GSRs or others, but it does mean that the core of our program will be based on this new enhanced effort.

As part of this new meter protection training and operator qualification, we are also developing a pilot prioritization program. In the past, MPP work in each division has relied on division M&C superintendants to set priorities for the order of the work. In turn, these superintendants relied on their own experience and expertise in setting the priorities.

Now, as part of our program to develop a risk-based Distribution Integrity Management Program (DIMP), we intend to pilot a priority system so that we can establish realistic work loads in each division based on both the overall number and risk priorities of the MPP locations identified. Once the new prioritization system is rolled-out and the supervisors are trained, we will have a risk-based system to assign work to the highest priority locations. As with the new MPP training and qualification program, I will provide copies of the meter protection priority program as soon as it is ready.

As you know from your recent visit to the Leak Survey Operations Center in Walnut Creek, we are already using a new cellular telephone data tracking system, known as E-Z Tech, to record leak locations and grades and leak surveyor progress. Coincident with the new meter protection training and qualification we will implement a new function of the E-Z Tech phone system that will allow leak surveyors to evaluate and instantly record the meter condition using the same six-criterion meter protection code. As part of this meter protection evaluation, the qualified inspector will also assess and record the repair priority. This new technology will provide a valuable, real-time tool to help manage the overall system in a manner consistent with the DIMP risk-based principles. When this E-Z Tech system is fully functional, the OQ surveyors will not only record leak survey and meter protection information, but will assess atmospheric corrosion (AC) and other observed Abnormal Operating Conditions (AOCs).

In addition to these enhancements to the program, our new quality assurance group will implement an audit program as soon as the new system is in place.

As I have discussed previously, I am committed to standardizing the training for both meter inspection and supervisors, bring meter protection under the operator qualification program and DIMP, establishing a consistent work priority system, and adequate quality controls to ensure adherence to these standards. PG&E will attempt to have the new system ready for training and testing by July of this year and rolled out to all divisions before the end of the year. Once it is ready for implementation, I will provide copies of all training and qualification testing materials.

Summary:

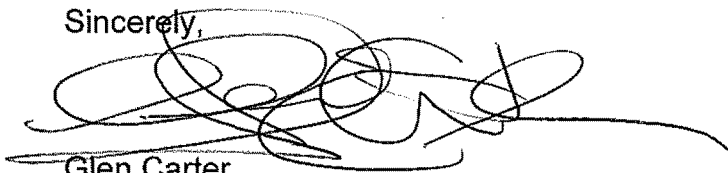
I appreciate your goal of maximizing the safety and reliability of PG&E's gas distribution system by identifying areas for further improvement. From our response, you can see that PG&E is focused on providing meaningful program enhancements in a variety of areas that will lead to more effective implementation and more rapid program completion.

I look forward to the opportunity to continue to work with the USRB staff to make meaningful progress toward our mutual goals of a safe, compliant and reliable gas system.

Please review this letter and the enclosed materials. Should you have any questions, please contact Redacted

This letter includes specific customer and employee information intended for the confidential use of USRB staff and I respectfully request that such information should not open to public inspection pursuant to CPUC General Order 66-C and Public Utilities Code, Sections 315 and 583.

Sincerely,



Glen Carter

Attachments

cc: Raffy Stepanian, CPUC
Julian Ajello, CPUC
Redacted PG&E
Redacted PG&E

bcc: Robert T. Howard, VP GT&D
Robert Fassett, GT&D
Redacted Law
Jon Pendelton, Law