

Draft Letter to Clanon

Paul Clanon
Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94105

Re: PG&E's MAOP Validation

Dear Mr. Clanon:

I am writing to ask for the Commission's guidance and direction regarding acceptable methods of validating a natural gas pipeline Maximum Allowable Operating Pressure (MAOP), and whether any method short of a hydrostatic pressure test will be considered acceptable to the Commission.

As you know, PG&E's has proposed a comprehensive and unprecedented process for validating by year end all 1,805 miles of our Class 3 and 4, and Class 1 and 2 High Consequence Area (HCA) natural gas transmission pipelines, as described in our draft MAOP validation report for Lines 101 and 132-A. We first gave the staff a copy of this report on January 5, 2011, and then attached another copy to our March 21, 2011 supplement to our March 15th report on our records review and MAOP validation. The Compliance Plan we executed on March 24, 2011 called for the staff to "advise us within ten (10) days if they believe we should make any changes in our approach to the MAOP validation."

As PG&E said publicly on March 28th and April 11th and in several conversations with CPUC staff, PG&E is proceeding with the MAOP validation called for by the Compliance Plan according to the methodology described in the Lines 101 and 132-A report. In recent discussions with staff, however, PG&E has become aware that staff may have a different perspective as to the appropriate method by which to validate a pipeline segment MAOP.

By this letter PG&E urgently requests Commission provide guidance regarding method(s) it finds acceptable to validate the MAOP of our 1,805 miles of natural gas pipelines. In particular, PG&E requests that the Commission clarify whether there is any method(s) the Commission deems acceptable to validate pipeline MAOP outside of a hydrostatic pressure test. As you are aware, on January 3, 2011 the National Transportation & Safety Board (NTSB) recommended that PG&E:

"...2. Use the traceable, verifiable, and complete records located by implementation of Safety Recommendation P-10-2 (Urgent) to determine the valid maximum allowable operating pressure, based on the weakest section of the pipeline or component to ensure safe operation..."

The NTSB did not further define "traceable, verifiable, and complete" in its January 3, 2011 recommendation, and neither the NTSB nor the Commission have further defined it since.

PG&E asks the Commission for clarification as to whether it defines “traceable, verifiable, and complete” to mean 100% perfect chain of document custody for each and every pipe segment, valve, fitting, weld seam and other component of a pipeline system – most of which are several decades old. If that is the case, PG&E believes the only way we –or any pipeline operator- can validate the MAOP is not through a records approach, but rather through pressure testing those segments that have not previously been pressure tested. Indeed, as noted by Sempra in its April 15, 2011 report to the Commission, 100% documentation is a “very difficult, if not infeasible, threshold to achieve”.

As articulated in the draft Line 101 and Line 132A MAOP Validation summary report, PG&E’s proposed records-based MAOP validation approach relies upon building a Pipeline Features List and comprehensive modeling for each and every pipeline segment to be validated, based on extensive documentation of the characteristics of those pipeline segment components. While we expect that documentation to be complete in many cases, it will not be 100% perfect. In cases where PG&E does not have 100% documentation, PG&E will ensure accuracy and completeness of the Pipeline Features List based on informed engineering assumptions, as well as field excavations to validate our understanding of the pipeline components. This effort is truly unprecedented; PG&E is unaware of any other natural gas pipeline operator in the country that has undergone this level of rigor, detail and analysis of their pipeline components.

This proposed method is the only means of performing a records-based MAOP Validation, and is the method PG&E is currently implementing to comply with the NTSB’s recommendation, the Commission’s Resolution L-410, and PG&E’s own proposed Compliance Plan that is currently pending before the Commission. If, at the end of the day, this methodology will not result in a valid MAOP from the Commission’s perspective, PG&E’s proposed Compliance Plan contained in the Stipulation is moot. An MAOP validation approach that accepts only 100% perfect chain of document custody will require PG&E to take a different approach than we are currently taking – a path that will result instead in a plan to pressure test those segments that do not have complete pressure test records. PG&E thus urgently requests your clarification of which path we should take.

I look forward to your timely response.