

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on the
Commission's Own Motion to Adopt New Safety
and Reliability Regulations for Natural Gas
Transmission and Distribution Pipelines and
Related Ratemaking Mechanisms

R. 11-02-019
(Filed February 24, 2011)

**REPLY COMMENTS OF THE PLUMBERS, PIPE FITTERS AND STEAMFITTERS
LOCAL UNIONS NOS. 246 AND 342, AND THEIR INDIVIDUAL MEMBERS, ON THE
MAY 10, 2011 PROPOSED DECISION BY ADMINISTRATIVE LAW JUDGE BUSHEY**

Dated: June 6, 2011

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I. INTRODUCTION

Under of the California Public Utilities Commission (“Commission”) Rule 14.3(d), the Plumbers, Pipe Fitters and Steamfitters Local Unions Nos. 246 and 342, and their individual members (collectively, “Pipe Fitters Unions”) hereby submit their reply comments on the May 10, 2011, Proposed Decision by ALJ Bushey (“PD”).

The Unions represent their own and their individual members’ interests as ratepaying consumers, and the members’ interests as workers who test, repair, and build natural gas pipelines. They are experts on state-of-the-art construction techniques, safety practices and operations methods. They are not employees of the utilities and were not involved in San Bruno pipeline construction. However, they are likely to be involved in future testing, rebuilding, repairing, and maintenance of transmission and distribution pipelines. They have a direct interest in their own safety, and in providing quality workmanship in the building and repair of pipelines for the benefit of all California ratepayers.

The PD is appropriately targeted at raising pipeline safety standards. But contrary to assertions made by Pacific Gas & Electric Company (PG&E) in its May 31, 2011 Comments, the PD does not go far enough in moving away from grandfathering rules, proceeding with necessary work, and ensuring the safety of workers and customers.

II. DISCUSSION

A. Proposed schedules need to include additional topics on worker training and methods.

Proposed Order No. 6 requires utilities to submit Implementation Plans (“IPs”) that “set forth criteria on which pipeline segments were identified for replacement instead of pressure testing.” (PD, p. 30.) In their May 31, 2011 Comments, Southern California Gas Company (“SoCalGas”) and San Diego Gas & Electric Company (“SDG&E”) propose a series of workshops to address technical issues. (SoCalGas/SDG&E Comments, pp. 9-10.)

Missing from the first two days of technical workshops is any discussion of worker qualifications, pressure-testing standards, and pressure-testing methodologies to ensure safety.

Ensuring that workers, testers, and inspectors are qualified, and that all materials and testing, repair and replacement methods meet state-of-the-art strength and safety standards, is essential to ensuring pipeline integrity. Strength-testing rules should come in Track 1, not Track 2, as currently proposed by SoCalGas/SDG&E. Grandfathering rules should also be discussed and decided in Track 1. These changes are critical because testing and replacement work is currently underway. (PG&E Comments, p. 2.)¹

Given the variety of standards and methodologies in the pipeline industry, it is essential for the Commission to develop evidence on which methods are best for ensuring safety. The Pipefitters Unions propose additional Track 1 technical workshops on (1) worker, tester, and inspector qualifications and standards, and (2) standards for materials and welding methods used in testing and replacement, so that all work will be performed employing up-to-date methods to ensure safety.

B. The schedule should include evidentiary hearings on technical issues prior to submission of IPs.

The schedule proposed by SoCalGas/SDG&E does not include evidentiary hearings following the workshops, and prior to the submission of the utilities' IPs. (SoCalGas/SDG&E Comments, pp. 9-10.) The Pipe Fitters Unions strongly urge the Commission to require one week of evidentiary hearings prior to the IP submission date. This is necessary to develop formal evidence on what state-of-the-art methodologies, worker qualifications, standards in hydrotesting, materials, replacement, and valves are needed to ensure safety. The Pipe Fitters Unions propose that hearings be scheduled in July 2011 after the conclusion of the workshops.

Development of formal evidence is critical for the Commission to understand what should be included in the IPs, and what methodologies, standards and practices are in fact state-of-the-art. Much material will be discussed at the workshops, but the Commission deserves the best, clearest, and most reliable evidence in a proceeding that may lead to significant costs for rate payers.

¹ The Pipe Fitters Unions support PG&E's plans to continue with hydrotesting in 2011. (See PG&E Comments, pp. 2-3.) The Unions agree that testing Class 3 and 4, and Class 1 and 2 high consequence area (HCA) pipelines should be prioritized. While the Unions support focusing on pre-1970 HCA pipes first, the Commission should also establish the same safety replacement review for all pipes.

The Commission needs to know what standards are better than others, not just what are available. While the Pipe Fitters Unions do not oppose workshops, workshops should be the beginning of the process and not the end. Hearings in October will not suffice because those hearings will focus on the IPs, not on which practices, methods, and materials are best and safest for California ratepayers. The Commission needs formal, direct evidence on practices, methods and materials before it can make informed judgments on the IPs.

The burden of proof is on the utilities to show that their pressure testing record meets today's state-of-the-art industry standards. It is essential to determine just what these standards should be for pipeline testing, materials, and workers, through a formal evidentiary hearing. The Commission will need such information to evaluate the sufficiency of the criteria described in the utilities' IPs. (See PD, at p. 30.) This is also essential for evaluating the sufficiency and accuracy of the rate proposals included in the IPs. (Order No. 10, p. 30.)

C. Clarifications to PD are required to ensure that all tests meet today's safety standards.

The PD directs transmission pipeline operators to submit a multi-year "comprehensive Implementation Plan to replace or pressure test all natural gas transmission pipeline in California that has not been tested or for which reliable records are not available." (PD, at p. 19.) ***But all pipelines should be tested under current standards.*** The PD should state this requirement clearly and unequivocally. Any room for interpretation may lead to corner-cutting and future catastrophes. As currently drafted, the PD equivocates in ways that undermine this basic requirement.

1. The Commission should not accept old tests performed under lax, outdated standards.

Order No. 3 requires that a "pressure test record must include all elements required by the regulations in effect when the test was conducted." (PD at p. 27.) As PG&E explains in its comments, pre-1968 pipelines were exempted from new safety standards adopted by the Natural Gas Pipeline Safety Act of 1968, Pub. L. 90-481, 82 Stat. 720, § 3(b) (1968). (PG&E Comments, p. 2.) PG&E explains that in determining whether it had "complete" records, it ignored three requirements of 49 C.F.R. § 192.517(a), including "(5) Pressure recording charts, or other record of pressure readings; (6) Elevation variations, ... ; and (7) Leaks and failures noted and their disposition." (See PG&E Comments at p. 2, n.1 & 49 C.F.R. § 192.517(a).)

PG&E argues that these three requirements are “only applicable to a minority of pressure tests.” (PG&E Comments at p. 2, n.1) PG&E is wrong. Such information is necessary for all pipelines, so the commission can determine whether pipelines and tests meet current safety standards.

More fundamentally, pipelines should be tested and replaced unless the utilities can demonstrate that their pipelines have been tested under current standards and meet *today's* safety standards. This is particularly true for pre-1970 pipelines.

PG&E advocates reliance on incomplete records to determine whether pipeline segments are even going to be tested, much less replaced. The Commission should not allow any utility to rely on records of tests that have not been conducted in the last two years. The industry's technical proficiency – including materials, training, machines available to put pipes in ground, and tests – have changed and improved dramatically over the last forty years. Allowing utilities to rely on tests from up to forty years ago does not ensure the safety of Californians today. Moreover, old tests do not address what may have happened to pipes in the interim, like ground movement, corrosion, and digging.

The PD explains that PG&E had estimated that completing the entire records gathering and MAOP validation process would cost about one hundred million dollars. (PD at p. 15.) The Pipe Fitters Unions agree with TURN that vast expenditures on record retrieval would be better spent on actual testing and repair work. (*Id.*) Old test data may provide some indication of whether a pipeline is in bad shape, but it will not provide reliable evidence that a pipeline is acceptable by today's standards. The industry has improved so much in the last forty years that relying on test materials and standards from forty years ago is simply inadequate for today. Arguing about whether a pipe met an old standard is irrelevant to the Commission's duty and the law today.

Moreover, last week PG&E announced that it will not be able to meet its most-recently extended June 20th deadline for producing records on its pipeline's welding flaws. Now PG&E says it will not be able to locate those records until late 2012, if at all.

PG&E's announcement only underscores the need to focus on pipeline pressure testing, not wasteful, quixotic records searches. Pressure testing, repair and replacement should proceed now, and it should not be hindered by or conditioned on the possibility that the utilities might find records that may or may not be probative.

2. Allowing engineering-based assumptions without evidentiary hearings to determine acceptable assumptions fails to ensure pipeline safety.

The PD allows PG&E to use “engineering based assumptions for pipeline components where complete records are not available.” (PD, Order No. 1, p. 28.) But PG&E has already admitted that historical MAOPs have been manipulated. (PD, p. 6.) PG&E stated that for pre-1970 pipeline, it would make “assumptions about certain components ... based on material specifications at the time those materials were procured.” (*Id.* (emphasis added).)

Before the Commission allows reliance on such assumptions, it is imperative that it take formal evidence on what assumptions are reliable and permissible for public safety. The Pipe Fitters Unions agree with TURN and the City & County of San Francisco that these critical determinations should not be left to the discretion of the utilities. Material specifications from the time when pre-1970 pipeline materials were procured cannot ensure safety compared to today’s standards. This engineering-assumption exception threatens to swallow the rule that all pipe must be tested and, if it fails, replaced.

III. CONCLUSION

The Proposed Decision takes a significant step in improving the safety of California’s transmission pipelines. The Pipefitters Unions’ proposed changes will further assist in ensuring the safety of workers and all Californians.

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Respectfully submitted,

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Appendix A

Proposed Additions and Changes to PD

Findings of Fact

7. Natural gas transmission pipeline operators should be required to replace or pressure test all transmission pipeline that has not been so tested in the last two years.

8. Technical workshops and evidentiary hearings are needed to establish standards for determining whether pipeline segments should be replaced or tested, ~~and~~ the priority to be assigned to pipeline segments with different characteristics, and to establish standards for worker qualifications, materials, pressure testing, construction, and replacement methodologies to ensure safety.

Conclusions of Law

3. A pressure test record must include all elements required by the regulations in effect ~~when the test was conducted~~ as of June 9, 2009. ~~For pressure tests conducted prior to the effective date of General Order 112 [July 1, 1961], one hour is the minimum acceptable duration for a pressure test.~~ Pressure test records will not be accepted in lieu of testing unless completed within the last two years.

Order

1. Pacific Gas and Electric Company must complete its Maximum Allowable Operating Pressure determination based on pipeline features and may use engineering-based assumptions based on standards defined in evidentiary hearings for pipeline components where complete records are not available.

3. A pressure test record must include all elements required by the regulations in effect as of June 9, 2009 ~~when the test was conducted~~. ~~For pressure tests conducted prior to the effective date of General Order 112, one hour is the minimum acceptable duration for a pressure test.~~ Pressure test records will not be accepted in lieu of testing unless completed within the last two years.

4. Prior to the filing and service of Implementation Plans, the Commission will hold evidentiary hearings to establish standards for determining whether pipeline segments should be replaced or tested, the priority to be assigned to pipeline segments with different characteristics,

and to establish standards for worker qualifications, materials, pressure testing, construction, and replacement methodologies to ensure safety.