Supplement To Accelerated Natural Gas Transmission System
Aerial and Ground Leak Survey Trends Report
August 15, 2011

Pacific Gas & Electric Company (PG&E) submitted its Accelerated Natural Gas Transmission System Aerial and Ground Leak Survey Trends Report (Report) to the California Public Utilities Commission (Commission) on February 1, 2011. Near the end of the Report, in the section entitled "Industry Comparison/Trends," PG&E described its consultant's analysis showing, among other things, that "PG&E's five-year average for leak rate (leaks per 1000 pipeline miles) is well below the national average for all transmission operators and compares favorably with similar large transmission pipeline operators." Report at 12. PG&E attached its consultant's analysis to the Report as Appendix A.

PG&E submits this Supplemental Report to clarify the methodology used by its consultant. The clarification does not affect PG&E's presentation in the Report of the results of the accelerated transmission system leak survey conducted at the Commission's direction following the San Bruno incident, and does not affect the conclusion that PG&E's five-year average for leak rate (leaks per 1000 pipeline miles) is well below the national average for all transmission operators.

As explained in Appendix A to the Report at page 6, PG&E's consultant used data from the Department of Transportation Annual Reports 7100.2-1 to compare PG&E's leak rate to that of other transmission pipeline operators. This data is available on the PHMSA website. PG&E's consultant compared PG&E's leak rate to the leak rate for all transmission pipelines in the United States, regardless of operator. As shown in Appendix A Table 1, the PHMSA data showed that the total number of transmission miles (including transmission and gathering miles, but excluding offshore miles) for all operators was approximately 300,000 in each of the five years considered in the analysis (2005-2009). The total number of reported leaks for all operators varied by year from approximately 2,300 to 3,100 leaks. The average leak rate per 1,000 miles for all transmission pipelines during the five year period was 8.62 compared to PG&E's average reported leak rate of 6.49.[1]

The second conclusion -- that PG&E's leak rate compared favorably to that of similar large transmission operators -- is based on the same underlying data. As stated in Appendix A page 6, PG&E's consultant ranked the ten largest transmission operators by miles and then compared PG&E's leak rate to that of the other ten largest operators. This comparative analysis for 2005-2009 is presented in Tables 2-6 of Appendix A. Under PHMSA regulations, operators submit a separate Annual Report 7100.2-1 including offshore miles for each state in which they operate transmission pipelines. Consistent with how operators report to PHMSA on Annual Report 7100.2-1, the consultant ranked operators with transmission pipelines in more than one state on a state-by-state basis rather than based on their total system. In other words, an operator with transmission pipelines in more than one state would have been included in the ranking only to the extent that its pipeline miles within a single state ranked in the top ten. The consultant also

[1] This corrects for a minor error in the reported leak rate for PG&E in 2006 in Table 1 (4.23 instead of 4.25). The correct number is shown in Appendix A Table 5.

included offshore miles in selecting the ten largest operators by miles, but excluded offshore pipeline for purposes of comparing leak rates because PG&E does not have offshore pipelines.

The methodology was not clearly explained in Appendix A.[2] To avoid any confusion, PG&E has now prepared a similar leak rate ranking analysis using multistate operators' total systems. The total system analysis was not prepared or considered at the time of the consultant's original report. Under this methodology,[3] PG&E's reported leak rate (i.e., without removing nonreportable leaks) ranks among the ten highest of the 20 largest operators in all five years (although PG&E is near the middle in some of those years). However, the distinction between the intrastate and total system methodologies does not affect the statement in the Report that PG&E's leak rate is better than the national average for all operators. As explained above, that conclusion is based on calculating the leak rate per thousand miles for all transmission pipelines in the United States without regard to the number of individual operators involved.

[2] The number of reported miles and leaks for El Paso Natural Gas in 2006 would have changed slightly if PG&E's consultants had included a second, very small report submitted for El Paso. A similar issue arose in 2005 for a different operator, which would have elevated that operator into the top ten. Neither of these issues affected PG&E's leak rate ranking among the ten largest transmission operators.

[3] For the total system analysis, PG&E compared its leak rate to that of the 20 largest transmission operators. PG&E does not rank in the top ten when multistate operators are included on a total system basis.