

**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)

**RESPONSE OF THE CITY AND COUNTY OF SAN FRANCISCO
TO THE MOTION OF THE DIVISION OF RATEPAYER ADVOCATES
TO REVISE PROCEDURAL SCHEDULE**

I. INTRODUCTION

Pursuant to Commission Rule of Practice and Procedure 11.1 the City and County of San Francisco ("CCSF") submits this response to the Division of Ratepayer Advocates' ("DRA") Motion for Reconsideration of Scoping Memo and Ruling of the Assigned Commissioner and to Revise Procedural Schedule, filed on September 20, 2011.

CCSF supports DRA's request and the reasoning articulated in DRA's motion. CCSF urges the Commission to clarify, however, that any extension of the schedule for this proceeding does not affect PG&E's independent obligation to ensure the safe operation of its natural gas transmission pipelines or to perform actions as directed by the federal Integrity Management regulations, 49 C.F.R., Subpart O. Those existing requirements are mandated by federal law and covered by the rates PG&E has been collecting.

II. DISCUSSION

1. An Extension of time to file Intervenor testimony is warranted.

For the reasons articulated in DRA's motion, CCSF supports granting an extension of time to allow intervenors to properly review and analyze the testimony and workpapers provided on August 26, 2011. In addition, parties will need time to propound and receive responses to discovery. Given the public safety and cost impacts of the issues in this proceeding, as well as the technical nature of the implementation plans, the delay requested by DRA is modest.

2. An extension of time does not delay PG&E's independent obligation to operate its pipelines safely, or fulfill its obligations under the PSA.

Regardless of whether or when the Commission approves all, part, or none of the Implementation Plan, PG&E retains an independent obligation to operate its pipelines safely and perform necessary action as required by the federal Integrity Management regulations. PG&E acknowledges this fact in the testimony supporting the Implementation Plan.¹ Given findings from both the Independent Review Panel and the National Transportation Safety Board ("NTSB") on PG&E's ineffective Integrity Management Program, the Commission should ensure that PG&E is expeditiously taking all steps required to fulfill its obligations under federal and state gas safety rules.

Pursuant to the Integrity Management regulations, PG&E must complete its baseline assessment of all transmission pipeline segments in high consequence areas ("HCAs") by December 17, 2012.² PG&E states that as of the end of 2010, it has completed baseline integrity assessments for 834 miles of 1059 miles of pipelines segments in HCAs, or 79% of its pipeline segments in HCAs.³ This means that PG&E is required to perform baseline assessments for the remaining 225 miles of pipelines segments in HCAs in 2011 and 2012. This requirement is

¹ PG&E Testimony in Support of Implementation Plan, at p. 3-32 ("The Pipeline Program complements, but does not replace, the existing PG&E [Transmission Integrity Management Program].")

² 49 C.F.R. § 192.923.

³ PG&E Testimony in Support of Implementation Plan, at p. 3-32.

independent of D. 11-06-017. Thus, PG&E must continue to gather and integrate existing data and information relevant to the covered segment, use that data to identify threats to the covered segment, select the proper tools to assess the identified threats, and remedy any anomalies found.⁴

In addition to completing its baseline assessment for the remaining 225 miles, PG&E has a continuing obligation to prioritize segments based on the threats identified, re-prioritize segments where specific threats are identified, and take interim steps to ensure safety when it cannot address all anomalous conditions through prompt action.⁵ For example, all pipeline segments containing potential manufacturing and construction defects where the operating pressure increased above the five year maximum operating pressure must be prioritized as high risk for re-assessment. In addition, the federal regulations recognize that certain pre-1970 manufacturing or construction methods,⁶ such as low frequency electric resistance welds (“ERWs”), may be particularly susceptible to failure and therefore pose potential threats to pipeline integrity. Because these pre-1970 fabrication techniques are more susceptible to failure, if the operating pressure on a pipeline segment made with these construction techniques exceeds the five year MOP, in addition to considering the segment as a high risk for the baseline assessment or subsequent assessment, the operator “must select an assessment technology or technologies with a proven application capable of assessing seam integrity and seam corrosion anomalies.”⁷ Thus, as part and parcel of its Integrity Management Program, PG&E must prioritize the assessment of certain pipeline segments, and perform pressure tests, or in-line inspections independent of any plans to do so pursuant to the Implementation Plan.⁸

⁴ 49 C.F.R. §§ 192.917, and 192.933

⁵ 49 C.F.R. §§ 192.921, 192.917(e), and 192.933

⁶ These include ERW pipe, steel pipeline more than 50 years old, mechanically coupled pipelines, and pipelines joined by acetylene girth welds in areas where the pipeline is exposed to land movement. 49 C.F.R. § 192.917(e)(4) and ASME Appendix 4.3.

⁷ 49 C.F.R. § 192.917(e)(4).

Finally, PG&E must respond to the shortcomings identified in its Integrity Management Program by the Independent Panel Report and the NTSB Report. The Commission also bears an obligation to ensure that PG&E's Integrity Management Program is revised so as to satisfactorily address all potential threats to its pipelines. To date, PG&E has systematically underestimated the potential for manufacturing and construction defects while relying primarily on External Corrosion Direct Assessment ("ECDA") for its baseline assessment of these pipeline segments.⁹ Despite the fact that some pipeline segments contain potential manufacturing and construction defects, PG&E assessed those segments using ECDA instead of using pressure tests or in-line inspection, methods that could test for manufacturing and construction defects. While ECDA measures for the presence of corrosion, it does not test for manufacturing or construction defects. Thus, in order to ensure the safe operation of its pipelines, PG&E will have to perform additional tests for those pipeline segments where it used ECDA but not an assessment technology capable of testing for seam defects.

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⁹ To date, PG&E has assessed 171 miles of HCA pipelines using in-line inspection and 14 miles of HCA pipelines using pressure tests. Testimony in Support of Implementation Plan, at p. 2-17 (Table 2-5). PG&E does not anticipate performing any pressure tests as part of its ongoing "Integrity Assessment Plan." Testimony in Support of Implementation Plan, at p. 2-18 (Table 2-6).

III. CONCLUSION

The Commission should grant the motion of DRA, but clarify for PG&E that it must fulfill its obligation to operate and maintain its pipelines safely regardless of the schedule in this proceeding.

Respectfully submitted,

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September 30, 2011

By: _____/S/
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CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4698.

On September 30, 2011, I served:

**RESPONSE OF THE CITY AND COUNTY OF SAN FRANCISCO
TO THE MOTION OF THE DIVISION OF RATEPAYER ADVOCATES
TO REVISE PROCEDURAL SCHEDULE**

by electronic mail on all parties on the attached Service list in CPUC Proceeding

No. R.11-02-019 The following addressee(s) without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on September 30, 2011, at San Francisco, California.

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