

1 SAN FRANCISCO, CALIFORNIA, NOVEMBER 1, 2011 -

2 1:35 P.M.

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4 ADMINISTRATIVE LAW JUDGE YIP-KIKUGAWA:

5 The Commission will come to order and we'll
6 be on the record.

7 This is the time and place for the
8 prehearing conference in Order Instituting
9 Investigation 11-02-016 into the Operations
10 and Practices of Pacific Gas and Electric
11 Company with Respect to Facilities Records
12 for its Natural Gas Transmission System
13 Pipelines.

14 And good morning. I am -- good
15 afternoon I should say. I am Administrative
16 Law Judge Yip-Kikugawa, and seated to my
17 right is the assigned Commissioner,
18 Commissioner Florio.

19 The agenda for today is to first
20 consider Legal Division's October 19th notice
21 and motion and also to set the schedule for
22 the filing of testimony and schedule
23 hearings.

24 Are there any appearances that I
25 need to take at this point before we go any
26 further?

27 (No response)

28 ALJ YIP-KIKUGAWA: Okay. Let's first

1 turn to Legal Division's motion. Before we
2 do that, I guess, Mr. Cagen, you had handed
3 out also an agenda of some items that need to
4 be covered. I think at least with respect to
5 the motion we can go forward with that first.

6 So just briefly what I would like to
7 clarify is that for the purposes of your
8 motion, was it specifically directed to the
9 ECTS database that you're commenting on the
10 583 designation, or were there other
11 databases that you were concerned about?

12 MR. CAGEN: At the time we made the
13 motion, your Honor, we were concerned and
14 remain concerned about all of PG&E's
15 databases and how to release information that
16 we believe is important for future-looking
17 safety.

18 ETS -- ETCS is one of a number of
19 databases that PG&E has. There are over 2
20 million documents in that ECTS database. And
21 we had hoped to develop some procedure by
22 which we don't need to check with PG&E each
23 and every time we feel it's important to
24 release safety information publicly.

25 However, in light of PG&E's response
26 to our motion with respect to not the merits
27 of the safety that we were discussing but the
28 response concerning confidentiality, we are

1 satisfied that PG&E has provided a means in
2 this instance by which we could release the
3 data, which PG&E has done yesterday
4 apparently in response to the motion. And we
5 have checked today with them about some
6 additional information we'd like to make
7 public, and they have agreed to do that. And
8 that was -- that is contained in the white
9 folders that I handed out before the hearing
10 today.

11 ALJ YIP-KIKUGAWA: Okay. So this is
12 the additional -- in the white folders,
13 additional information beyond what had been
14 submitted yesterday?

15 MR. CAGEN: Yes.

16 ALJ YIP-KIKUGAWA: Okay.

17 MR. CAGEN: Your Honor.

18 ALJ YIP-KIKUGAWA: Yes.

19 MR. CAGEN: At some time today I'd ask
20 your leave to show you and Commissioner
21 Florio and the parties that are here at this
22 prehearing conference material that supports
23 the reasons why we wanted to make this
24 material public. We think -- we thought when
25 we made our motion and we certainly continue
26 to think that today that it's very important
27 safety information. And we've received a lot
28 of criticism and pushback from PG&E as to

1 whether this is an imminent safety problem or
2 not. Again, we strongly believe that it is.
3 And we believe we can show that to you today
4 if we have ten minutes to discuss this
5 matter.

6 ALJ YIP-KIKUGAWA: Okay. Why don't we
7 do that now.

8 MR. CAGEN: All right. Thank you, your
9 Honor.

10 The release of the safety
11 information pertaining to reused pipes and
12 weld defects on Line 132 really has its
13 derivation or at least its confirmation in
14 the NTSB order of about a month and a half
15 ago or so. There the NTSB pointed out that
16 there were probably bad welds or insufficient
17 welds on Line 132. And they certainly also
18 pointed out that a minority of the pipe that
19 went into Line 132 during that period of the
20 late '40s was tested. I think about 10
21 percent. And they very clearly said that it
22 is probable that other leaks -- I'm sorry --
23 other weld problems remain today in the
24 ground in Line 132 unless that pipe has been
25 removed.

26 Now, we know that PG&E has removed
27 pipes from Line 132 and other projects within
28 PG&E and has moved them to either the same

1 line or to different transmission lines. We
2 know that they've done that. And the NTSB
3 has also quite clearly stated that they
4 cannot trace the derivation of the pipe that
5 exploded in September of 2010 at San Bruno.

6 Now, basically, the documents and
7 data responses that we'll bring to your
8 attention mean that PG&E has not tracked and
9 cannot track the location of reused pipe or
10 unsafe reused pipe in its system.

11 Margaret Felts, our consultant,
12 located these documents on PG&E's database,
13 not PG&E, but our consultant, who went
14 through the 2 million some documents and got
15 some of these documents out. They are by no
16 means all the documents that there are that
17 show the reuse of pipe. They are some or a
18 few. What percentage we don't know.

19 The documents at the end of PG&E's
20 package that they handed out today are
21 handwritten documents from the year 1948. We
22 have no idea whether they're documents that
23 the NTSB looked at or not, but these
24 documents identify poor welds in Line 132
25 that PG&E accepted into service in 1948.

26 ALJ YIP-KIKUGAWA: Okay. What page are
27 you looking at? On page 83 or what page are
28 you?

1 MR. CAGEN: It's the last eight pages.
2 It would be -- they're marked pages 76
3 through 83, your Honor.

4 ALJ YIP-KIKUGAWA: Thank you.

5 MR. CAGEN: And this, pages 76 through
6 83, Ms. Felts has pointed out are not the
7 entire report. They're selected pages from
8 the report that she pulled off of the ECTS
9 database. But you can look and see that
10 there are welds here that were found as
11 borderlined or some other problem with them
12 that were accepted. And that is what the
13 NTSB said in its report.

14 And that's, we think, a particular
15 problem when used pipe is taken from Line 132
16 and other lines in the system and is reused
17 in the system again. There is no means to
18 track that that's available to PG&E on
19 anything other than looking through millions
20 of documents for that and doing the same sort
21 of search that Margaret Felts did.

22 The documents that we have seen
23 identify multiple times that PG&E has reused
24 pipe dug up from Line 132 after 1948 and from
25 other lines and have gone to other jobs to be
26 installed, not to recycle. The documents
27 identify pipe from 1930s vintage that's
28 reused in 1950 or later.

1 As an example of it in the PG&E
2 documents and the ones that Margaret Felts
3 found is page 38 of PG&E's showing here. And
4 that shows 4,463 foot of pipe, 22-inch
5 diameter, salvaged and reused and originally
6 installed in the year 1930. And you can see
7 on the date that it was put through the
8 Milpitas yard apparently in October of 1954
9 and was used in another pipeline project
10 after that.

11 Now, the data responses we've
12 received, and I think they're in the manila
13 folder package, also show that in the GIS
14 system, one of PG&E's computer systems, PG&E
15 identifies reused pipe as new pipe per the
16 year of its installation.

17 Now, on PG&E's GIS at least before
18 2010 and probably today that 3,000 or 4,000
19 some feet of pipe is 1956 pipe. It's 19 --
20 it's not 1930s pipe. It's 1956 pipe. We
21 think that raises significant safety
22 concerns. And we felt we had to draw that to
23 parties' attention.

24 The data responses also show that
25 PG&E cannot track reused pipe and where it's
26 located in the system.]

27 They simply can't do that. And they
28 don't have the recordkeeping capability to

1 access that information.

2 They keep their records on the
3 relocation of used pipe in what's called job
4 files which are the 2 million documents on
5 the ECTS database that Margaret Felts looked
6 through and looked for this information. But
7 it's not in any sort of format where you can
8 go to a particular pipeline and start
9 searching for reused pipeline and see what's
10 in the ground. They don't know that at this
11 instance.

12 Now, the data responses -- PG&E has
13 said, look, this is not reused pipe; this is
14 refurbished pipe. Now, if you take a look at
15 their data response, which is in there, about
16 refurbished pipe, you'll see it really adds
17 nothing to the safety of the pipe by saying
18 it's refurbished rather than simply reused.

19 There seems to be, first of all, no
20 standards that we see, and this is in PG&E's
21 response, for the reuse of the pipe. And
22 they simply point to what industry practice
23 may have been in 1955 or so, but they don't
24 have any standards that they've located. And
25 that's in the data response.

26 PG&E apparently cuts off an inch or
27 two of the pipe and regrafts it. Then as far
28 as we can tell from their answer, the pipe is

1 ready to go. We don't see any inspections of
2 welds. We don't see X-rays as part of their
3 procedures. We just don't see that. And
4 it's not anyplace where PG&E has been able to
5 identify that for us.

6 So we think that provides concern
7 for safety.

8 In the data response, when we
9 identify these documents to PG&E, PG&E told
10 us we want to know what documents you have
11 that you got off of our database so that we
12 can see if there really is a safety problem.
13 We told them that we will be glad to do that
14 after they gave us an honest and a
15 comprehensive and well researched answer on
16 whether they had reused pipe. And that was
17 due two days I think from the time in which
18 we filed our motion.

19 And the reason we wanted to do that,
20 your Honor, is we wanted to make sure that we
21 gave them an incentive to look for all the
22 documents on their system that showed the
23 reuse of pipe.

24 Now, they came back with a response,
25 and I think it's in the package, that they're
26 not aware of any instances in which they
27 reused pipe except for these reconditioned
28 pipes, which to us doesn't mean much from

1 PG&E's own words.

2 So in conclusion, we were trying to
3 do something for safety here to alert parties
4 to what we saw and still see as a significant
5 safety concern. And I'm afraid the
6 confidentiality of part of the thing got
7 overemphasized by us when we filed the
8 motion, but the main reason that we filed
9 that motion was to get that material out
10 there for safety consideration. And our team
11 talked about it and felt that it would be
12 irresponsible of us to wait until the month
13 of February when we hope and expect to have
14 our testimony out to release that information
15 which we think is something that parties and
16 the Commission at least may wish to consider
17 at this moment.

18 So thank you very much. Be glad to
19 answer any questions.

20 There is one other thing that I
21 forgot to point out, and that is that the
22 package should contain a shipping notice
23 from, right at the front, from Milpitas from
24 the year 1955. This is a pretty poor copy,
25 but it's as good as PG&E or anyone could get,
26 on the top right. But what it shows is
27 29-and-a-half foot of 30-inch pipe in the
28 Milpitas yard described as short pups and

1 scrap in the year 1955. And it is identified
2 as "junked" also in kind of the upper middle
3 of the page. We don't know whether this pipe
4 was reused at San Bruno or at any other
5 place. But I can tell you for sure that PG&E
6 doesn't know that either. And -- actually,
7 CPSD asked that data request and received the
8 answer, well, they believe it was junked but
9 they really didn't have any other documents
10 showing that it was not reused other than
11 this particular document. And they refer to
12 the weight of 3,245 pounds as being
13 information that would be interesting to
14 perhaps the salvage yard or shipping company.
15 But, of course, that's true if you have to
16 haul 3,245 pounds to a job site and install
17 the thing in the ground.

18 What I'm saying is that there's
19 nothing inconsistent between this document
20 and the San Bruno tragedy.

21 So, thank you very much. And if you
22 have questions, we'll be pleased to answer
23 them.

24 ALJ YIP-KIKUGAWA: Thank you.

25 COMMISSIONER FLORIO: Yes. I just want
26 to clarify.

27 Has the issue of confidentiality
28 been worked out? As I understood it, PG&E

1 wanted to look at the documents and redact
2 names and such, and then they were okay with
3 releasing it.

4 MR. CAGEN: That is what was worked out
5 in this instance on all the documents that I
6 handed out in the folder. And we think that
7 is probably a working arrangement that we can
8 live with. Until it turns out to be an
9 administrative problem, we will continue
10 doing that and notify the Commission and PG&E
11 if we feel some other arrangement should be
12 made.

13 COMMISSIONER FLORIO: Just to clarify,
14 Mr. Malkin or Ms. Jordan, if other parties
15 have obtained some of this information and
16 want to use it, is the same process available
17 to them?

18 MR. MALKIN: Yes, it would be,
19 Commissioner Florio. This particular
20 information comes, as Mr. Cagen said, from
21 PG&E's live database that's used today, every
22 day, in the MAOP validation. The documents
23 that we have produced in this proceeding, we
24 have produced public versions of every single
25 document where we have redacted names of
26 nonmanagement employees and specific
27 locations of critical infrastructure. And
28 that is what we will do if CPSD wants to make

1 public additional documents from the ECTS
2 database.

3 Because it is a live database that's
4 used in real work, we can't redact 2 million
5 documents and get the work done. But we will
6 do that promptly with any materials that any
7 party to this proceeding wishes to make
8 public.

9 COMMISSIONER FLORIO: Have there been
10 any disputes over confidentiality, or has
11 this been pretty straightforward?

12 MR. CAGEN: There have not,
13 Commissioner. All PG&E did with the
14 redaction of documents is make sure there
15 were no names still attached to those
16 documents.

17 COMMISSIONER FLORIO: Mr. Cagen, on
18 this issue of reused pipe, I see a lot of
19 different terms here, junk, scrapped, reused.
20 Is it Legal Division's view that reuse of
21 pipe is always inherently unsafe?

22 MR. CAGEN: No.

23 COMMISSIONER FLORIO: Can you
24 elaborate.

25 MR. CAGEN: Yes. We understand that
26 PG&E's particular reuse of pipe is unsafe
27 because primarily they have had no system to
28 track what it is that is being reused and

1 where it has gone and is being reused. And
2 because PG&E's even current database of GIS
3 simply refers to the pipe being in the ground
4 as being the date of reinstallation rather
5 than the date of the pipe's manufacture and
6 vintage, and you get entirely different kinds
7 of pipe and characteristics of pipe from 1930
8 than you do from pipes of 1965 or 1970 or
9 whenever it's being reused, but their
10 database does not reflect that.

11 COMMISSIONER FLORIO: Is there anything
12 that you're asking us to do today based on
13 what was in your pleading that you filed? Is
14 it information only at this point?

15 MR. CAGEN: Well, I will characterize
16 it as being very important information only.
17 By that, I mean we firmly believe that this
18 has important safety, forward-looking safety
19 ramifications, and we're not the parties to
20 the Rulemaking, but we certainly did want the
21 Rulemaking parties and decision makers to be
22 aware of this matter for purposes of this
23 proceeding or for purposes of those
24 proceedings.

25 COMMISSIONER FLORIO: Thank you.

26 ALJ YIP-KIKUGAWA: Mr. Malkin or
27 Mr. Linn, would you like to respond to
28 Mr. Cagen?

1 MR. MALKIN: I would, your Honor.

2 I think it's important for the
3 Commission and for the public to have a
4 proper understanding of the issues that Legal
5 Division has raised so that the alarm that
6 Legal Division has attempted to create will
7 be tempered by the real facts.

8 They raised essentially two clusters
9 of issues, one around Line 132 and the other
10 around the issue of reused pipe.

11 First, let me say about Line 132.
12 That line today is operating at a maximum
13 operating pressure of 300 psig. That is 25
14 percent less than its MAOP, 20 percent less
15 than the operating pressure prior to the San
16 Bruno accident.

17 So today there is a huge additional
18 safety margin built into the operation of
19 Line 132 on top of that inherent in the MAOP
20 itself.

21 The MAOP under pipeline regulations
22 is, for that area, no more than 50 percent of
23 the specified minimum yield strength of the
24 pipe.]

25 So we have an additional margin of
26 safety on top of that.

27 But with respect to the specific
28 issue that the Legal Division has raised from

1 the handful of documents in the back of --
2 it's in the back of the appendix, first let
3 me say, the entire job file for the
4 construction of Line 132 was provided to the
5 NTSB as part of its investigation and to the
6 party participant for this Commission in that
7 investigation. So those records have been in
8 the hands of the safety regulators here and
9 the NTSB for approximately one year. So
10 nothing in these documents is new.

11 What they show is welding technology
12 in 1948 was different from what it is today.
13 But whatever the technology, there is always
14 a realm -- a range of acceptability. We
15 would all like to think that only perfection
16 is accepted everywhere, and certain standards
17 today are much tighter because the technology
18 allows achieving much better welds today.

19 What these documents reflect is that
20 the inspection of the welds on Line 132 when
21 it was first constructed in 1948 did the job
22 it was intended to do. Many of the welds are
23 marked here as being okay and accepted.
24 There are other welds that are not marked
25 okay that are not accepted. And that's
26 exactly what we would have wanted to have
27 done.

28 Now, the people conducting the

1 review of the radiographs of these welds were
2 very thorough at that time. They made notes
3 where they saw imperfections in the welds
4 even though those imperfections did not make
5 the welds unacceptable.

6 So we have now, looking back with 63
7 years of hindsight, we can look at these and
8 say, oh, my, look at that. They accepted
9 welds with gas pockets with a slag inclusion.
10 And that's true. That's what the document
11 reflects. But those were imperfections that
12 were entirely within the standards of the
13 time and entirely safe according to the
14 engineering analysis of that time.

15 Now, the Commission has the right
16 and PG&E is also asking the question: Were
17 those standards of the time good enough for
18 today? And the answer that both the
19 Commission and PG&E have come up with is no.
20 And that is why the Commission is doing away
21 with grandfathering, why PG&E supported that
22 safety step, why PG&E today is engaged in a
23 series of additional safety steps on top of
24 what is required by the regulations.

25 PG&E is doing an MAOP validation
26 that will by the end -- beginning of 2013
27 cover every inch of every transmission
28 pipeline in the system. PG&E this year is

1 going to hydro test an additional 152 miles
2 of its transmission system. Under its
3 pipeline safety and enhancement plan PG&E is
4 going to hydro test and replace still
5 additional miles of pipe over the next couple
6 of years and even more in the years following
7 that.

8 And that is on top of the normal
9 integrity management program that's looking
10 at Line 132 obviously through a much
11 different lens today than before the San
12 Bruno accident, looking carefully at Line 132
13 and the other lines.

14 So lest people be alarmed by what
15 they see in these documents, they should
16 understand the line is operating at an
17 extremely low and safe pressure today. It is
18 receiving extra scrutiny from PG&E both
19 through its MAOP validation and its normal
20 integrity management program, and the oldest
21 pipes in the system are those that are
22 targeted for replacement for testing under
23 the pipeline safety enhancement plan.

24 The other issue that Legal Division
25 raised: reused pipe. That is something that
26 was common in the industry. You could get
27 the impression from Legal Division's comments
28 today that PG&E was an outlier. Only PG&E

1 reused pipe. Nobody knew we were doing it.
2 We were doing it in the dead of night, and
3 now we don't even know where it is.

4 Well, those impressions, dramatic as
5 they may be, are not accurate. First of all,
6 Attachment B to the supplemental response
7 that we submitted makes clear that while this
8 may be new to Legal Division, the reuse of
9 pipe, indeed, the reuse of pipe decades old
10 is nothing new to the Commission.

11 Attachment B is a July 22nd, 1965
12 letter from the Commission to PG&E
13 acknowledging receipt of a letter for a
14 proposed extension of 8 miles of 16-inch
15 pipeline in a Class 3 location. And what it
16 says is that the pipe material used is
17 salvaged and reconditioned pipes from Main
18 No. 100 originally installed in 1929. And
19 then it goes on to inform PG&E what under
20 General Order 112 A at that time would be the
21 appropriate Maximum Allowable Operating
22 Pressure.

23 So here we have the Commission
24 itself in 1965 acknowledging and endorsing,
25 accepting the idea that PG&E was going to
26 reuse 36-year-old pipe in a project installed
27 in a Class 3 location.

28 And at the time this was done, 1965,

1 the Commission's GO 112 called for pipe
2 installations to be hydro tested. And that
3 in fact is the case with at least some
4 portion of the reused pipe that may still be
5 in PG&E's system today.

6 Starting with the idea that the
7 Commission was not surprised that there's
8 reused pipe in PG&E's system, and I daresay,
9 if one were to look at every other natural
10 gas transmission pipeline system probably in
11 the country, you would find the same thing,
12 reused pipe. And why is that? It's because
13 pipe is expensive. Pipe, steel pipe has a
14 very long life. It would not be in
15 customers' interest to throw away pipe every
16 time you need to move a pipeline if it can be
17 used safely.

18 And that's what the process of what
19 was referred to as salvaging was all about.
20 Salvaging was simply a generic term that
21 meant removing the pipes from the ground.
22 And when we see documents as Legal Division
23 has identified here that refer to salvaging
24 pipe, it doesn't tell you a thing about what
25 happened to that pipe. Pipe is removed from
26 the ground for a number of reasons. One
27 reason may be to junk it or scrap it. And we
28 see many documents here that refer to pipe

1 being salvaged and junked.

2 Legal Division says, oh, but wait,
3 wait, wait. What proof do we have that that
4 pipe was actually junked? We are looking at
5 documents that are 60, 65 years old. The
6 document tells you the pipe was being
7 salvaged to be junked. The fact that there
8 are not a dozen other documents that trace
9 out that pipe that showed a receipt from the
10 salvage yard buying that 3,000 pounds of pipe
11 for 7 cents a pound or whatever the price was
12 at that time, that doesn't undermine in any
13 way the fact that PG&E's business records
14 clearly indicate that that pipe was to be
15 junked.

16 And it really borders on
17 irresponsible to suggest that the document
18 that Legal Division handed out today, this
19 March 10th, 1955 shipping notice which shows
20 29 feet of pipe were to be junked, that this
21 is not inconsistent with the pipe in Segment
22 180 in San Bruno. There is absolutely
23 nothing from which one can draw that
24 conclusion. There is nothing from which one
25 can draw any conclusion other than the pipe
26 that was destined to be junked was in fact
27 junked.

28 The documents then also show that

1 among the other uses that were made of
2 reconditioned pipe, some of it was used for
3 casing, that is, a pipe that surrounded a
4 pressure carrying pipe to provide physical
5 protection when it crossed a roadway or
6 otherwise might be susceptible to damage from
7 ground movement around it.

8 Sometimes in the '40s, '50s and
9 '60s, as we've seen, pipe was salvaged,
10 reconditioned, and reused. And
11 reconditioning means more than Legal Division
12 seems to suggest. Reconditioning means
13 cutting off the ends of the pipe. And I want
14 to pause on that for a second, because Legal
15 Division raised a concern about these girth
16 welds that had the gas pockets and other
17 things in the documents that they provided
18 from Line 132, that that might have been
19 reused. But when you cut off the ends of the
20 pipe, you've obviously cut off the girth
21 welds. You have to go reweld it to weld the
22 pieces together.

23 So the girth welds on this salvaged
24 pipe would not have been reused. The pipe
25 would be examined for damage, and if there
26 were dings or dents that could be repaired,
27 they'd be repaired. If they couldn't be
28 repaired, the pipe would be scrapped. If

1 there were bumps and things on the interior
2 of the pipe, they would be ground down. The
3 pipe would be carefully inspected. It would
4 be cleaned. It would be freshly coated with
5 corrosion protection coating. A long life
6 asset, if in good condition, reused rather
7 than being scrapped and replaced with new.

8 Nowadays we don't do that. The
9 standards have changed over the last 50
10 years. Not surprising. And those standards,
11 new standards are part of what this
12 Commission is adopting in the parallel
13 rulemaking proceeding and what PG&E is
14 instituting through its pipeline safety
15 enhancement plan and the other steps that
16 it's taken.

17 Now, there is still in PG&E's system
18 today reused pipe. And Legal Division
19 pointed to Document No. 38, one of the ones
20 that they provided that we've made public
21 yesterday. And that is a document that shows
22 that some pipe was salvaged and reused, that
23 4400 feet of 22-inch pipe reused.

24 As Attachment A to our pleading,
25 which was the document by document
26 description and commentary, indicates that
27 4400 plus feet of pipe was hydro tested in
28 1977. So yes, it was originally installed in

1 1930 pipe. It was hydro tested in 1977. So
2 the Commission and the public can have every
3 confidence that that 1930 pipe is perfectly
4 safe as shown by the hydro test.

5 What is true historically is PG&E
6 has not maintained a centralized database.
7 The GIS system that Legal Division has
8 criticized we have said before is not PG&E's
9 official records for doing pipeline
10 engineering. That means for doing things
11 like integrity management. The GIS system is
12 not where a pipeline engineer or integrity
13 management engineer goes to learn the
14 particular characteristics of a pipeline
15 segment to determine how to conduct integrity
16 management or how to conduct a hydro test or
17 any other engineering function. For that
18 they go to the job files.

19 And as we have acknowledged and is
20 well known publicly, those job files contain
21 a lot of paper. And it is not the easiest
22 system to use in terms of finding the
23 information. And that's part of why PG&E has
24 in the MAOP validation process created this
25 ECTS database where it's scanned in what now
26 is about 2 million documents from the job
27 files for its various pipelines.

28 And so the pipeline engineers can

1 identify where there is reused pipe by
2 looking at those job files. And it doesn't
3 matter what GIS says. The job file contains
4 that information.

5 As part of the MAOP validation
6 process PG&E is doing a couple of things.
7 First, by going through literally inch by
8 inch every one of its pipelines at the end of
9 the day PG&E will have a complete 100 percent
10 accurate database of all of the
11 characteristics of every piece of pipe,
12 fitting, and other appurtenance on its
13 pipelines.

14 And as part of creating a pipeline
15 features list that is at the heart of the
16 future database, PG&E is specifically noting
17 those segments that contained reconditioned
18 pipe, identifying the year of that pipe, and
19 using the actual characteristics of the pipe
20 at the time it was manufactured to populate
21 the pipeline features list and determine the
22 appropriate MAOP for the pipe.

23 PG&E will by the end of January have
24 completed that process for all of its HCA
25 pipes, and by approximately a year after
26 that, by about the first quarter of 2013
27 we'll have completed the process for the
28 entire system. At that time PG&E will have a

1 completely centralized database that
2 identifies all of the pipeline features
3 including all of those locations where there
4 may be reconditioned and reused pipe still in
5 service.

6 Many of the documents that Legal
7 Division provided to us don't show the use of
8 reused pipe. Many of them simply show piping
9 removed from a job which could have been
10 removed just to be salvaged and scrapped,
11 could have been removed to be used as casing
12 pipe. Some of it is shown as going to be
13 reconditioned. These documents do not show
14 whether that pipe was reconditioned and
15 reused. PG&E's MAOP validation will show
16 that.

17 Other places where there is an
18 indication that pipe was reused, that pipe is
19 no longer in service, as our detailed
20 comments show. Other places it's been hydro
21 tested. Other places it's scheduled for
22 hydro testing.

23 So contrary to, again, the alarm
24 bell that Legal Division has sounded on this
25 issue, it's not a unique PG&E issue. It's an
26 issue of aging infrastructure in this state
27 and throughout the nation.

28 I daresay I think PG&E is probably

1 further along than any other company in this
2 country in terms of studying in detail the
3 characteristics of the pipelines in order to
4 be able to identify each and every
5 characteristic and every place where there
6 may be reused pipe and every other type of
7 pipe. We wish we could do it faster.

8 PG&E has a huge team of people
9 working almost literally around the clock
10 going through this MAOP validation to
11 determine the characteristics of all of the
12 elements of the system. And when that
13 process is done, when PG&E implements its new
14 electronic database, it will have a state-of-
15 the-art system that not only identifies all
16 of these characteristics but is also quick
17 and user friendly in allowing that
18 information to be quickly located and
19 accurately identified.

20 So I would say in closing that we
21 understand what motivated Legal Division in
22 raising these issues. We appreciate and are
23 open to public discourse about this. These
24 are important topics of public safety. It is
25 important to PG&E to have them discussed
26 openly but completely and honestly so that
27 the public is not unduly alarmed, so that
28 people understand what the company is doing

1 that is different from historical practices,
2 that is consistent with and indeed we think
3 in many respects goes beyond the safety
4 initiatives that this Commission has taken,
5 that we are cognizant of these issues and
6 very, very much focused on them in order to
7 provide assurance to ourselves, to the public
8 and to the Commission that the system is safe
9 today and is going to be safe for years and
10 years in the future.

11 So that's my only comments unless
12 you have some questions.

13 ALJ YIP-KIKUGAWA: I have one question,
14 which is, for your responses in your file,
15 your Attachment A, that you've identified for
16 each of the documents what happened to the
17 pipe and addressed -- you know, for example,
18 your Item 38, you said this section of pipe
19 was hydro tested in 1977?

20 MR. MALKIN: Yes.

21 ALJ YIP-KIKUGAWA: Did you get that
22 information off of ECTS?

23 MR. MALKIN: Yes.

24 ALJ YIP-KIKUGAWA: You did. And did
25 you provide confirmation of that
26 documentation to Legal Division?

27 MR. MALKIN: We have not at this point.
28 They do have full access to ECTS.

1 ALJ YIP-KIKUGAWA: Right.

2 MR. MALKIN: But we'd be happy to point
3 them to that specific documentation.

4 ALJ YIP-KIKUGAWA: I mean for all of
5 these would that be a fair conclusion that
6 all of the comments that you have, you were
7 able to find the document in ECTS and in
8 order to respond to the concerns raised by
9 Legal Division?

10 MR. MALKIN: I will give you a
11 qualified yes, your Honor. And the reason I
12 qualify it is because obviously I'm not an
13 engineer.

14 ALJ YIP-KIKUGAWA: Right.

15 MR. MALKIN: I believe it is the case
16 that the team, and it was a team, because
17 there are 83 documents. It might boil down
18 to 69. But still, we wanted to be thorough.
19 So it required a lot of researching. And I
20 believe that certainly the principal tool if
21 not the only tool that they used was the ECTS
22 database.

23 ALJ YIP-KIKUGAWA: And then if you're
24 saying by 2013 everything would be on ECTS as
25 a live database or that all information for
26 the job files would be searchable and all of
27 that would be available. Is that correct?

28 MR. MALKIN: Yes. What I was actually

1 saying was the MAOP validation, which is
2 using this ECTS database, it is creating as
3 its principal output to validate the MAOP
4 what is referred to as a pipeline features
5 list. And essentially what that is is a
6 gigantic spreadsheet that for every segment
7 of pipe contains a description of what
8 components are in there. It may just be line
9 pipe. It may be taps coming off of it.
10 There may be a valve. And for every piece of
11 pipe, every appurtenance, as we call them,
12 valve, tap, a description of what it is and
13 what its metallurgical characteristics are in
14 terms of strength and other qualities.

15 At the end of about the first
16 quarter of 2013, PG&E will be through
17 building this spreadsheet and pipeline
18 features list for the entirety of its gas
19 transmission system. And that electronic
20 database, that spreadsheet, it's going to be
21 incorporated into an upgraded, I think it's
22 called, GTAM, which --

23 MS. JORDAN: Gas Transmission Asset
24 Management.

25 MR. MALKIN: Gas Transmission Asset
26 Management. New database that will
27 incorporate that information along with the
28 geographical features of the GIS system. And

1 that will be the new platform that will
2 contain in one centralized database all of
3 the information.

4 ALJ YIP-KIKUGAWA: Okay.

5 COMMISSIONER FLORIO: Yes. I haven't
6 had a chance to review all of these recently
7 filed documents, but do I understand you
8 correctly that PG&E has looked through all of
9 the documents identified by Legal Division
10 and has not found anything of concern to the
11 company?

12 MR. MALKIN: That is correct.

13 COMMISSIONER FLORIO: And you just got
14 this the same time I did, Mr. Cagen?

15 MR. CAGEN: I think we received it
16 perhaps last evening. I'm not sure. I just
17 looked at it.

18 COMMISSIONER FLORIO: So you haven't
19 had a chance to review it either?

20 MR. CAGEN: We have read it.

21 COMMISSIONER FLORIO: Does what's
22 reported there alleviate any of the concerns
23 you've expressed?

24 MR. CAGEN: No, it does not.

25 COMMISSIONER FLORIO: I guess we'll
26 have something to talk about going forward
27 then.

28 ALJ YIP-KIKUGAWA: Just for purposes of

1 disclosing further information that Legal
2 Division finds as it goes through its
3 document search, what is Legal Division --
4 are you just planning that information that
5 you believe is just of safety concern that
6 you feel would be necessary to be disclosed
7 and made public, or are you looking at other
8 information as well?

9 MR. CAGEN: The overriding reason here
10 was safety. And I really can't think of any
11 other reason why we would feel at this moment
12 that we had to release information. So.

13 And I hope to be able to say
14 accurately that I wouldn't be surprised if
15 this doesn't ever happen again on this case
16 before we get our testimony out. We felt we
17 ran into an extremely important issue and had
18 to get it out into the hands of people who
19 can litigate it and decide it. But I
20 wouldn't expect it would happen again between
21 now and February. If it does, I'll certainly
22 try to figure out some other procedure
23 besides the one we went through here.

24 ALJ YIP-KIKUGAWA: I would like to come
25 up with some process now.

26 MR. CAGEN: To come up with some
27 process, yes.

28 ALJ YIP-KIKUGAWA: Partly what I'm

1 thinking of is that if there are documents
2 that Legal Division feels should be made
3 public immediately, that you contact PG&E and
4 have PG&E go through the necessary redaction,
5 which is removing the nonmanagement employee
6 name and contact information and also
7 anything that's considered critical
8 infrastructure and then making that available
9 as soon as possible.

10 And then PG&E within, I don't know,
11 a week or ten days, that you provide for the
12 record information that you feel is
13 appropriate to respond that the safety issue
14 from the company's perspective does not
15 exist.

16 I think that -- would that be
17 satisfactory?]

18 MR. CAGEN: It is, your Honor.

19 ALJ YIP-KIKUGAWA: So, for this filing
20 here, the documentation that you've listed in
21 Appendix A to alleviate or to demonstrate
22 that the company feels that there are no
23 safety concerns, I would like to have those
24 documents put into the record as well.

25 MR. MALKIN: That's fine, your Honor.
26 We will get together any other documents
27 referred to or relied on in putting that
28 together and provide them to the Commission

1 and the public.

2 ALJ YIP-KIKUGAWA: Okay. And then
3 would it be helpful, Mr. Cagen, for you or
4 Ms. Felts to have PG&E identify at least for
5 the Legal Division where those documents were
6 found?

7 MR. CAGEN: Yes, it would.

8 ALJ YIP-KIKUGAWA: So if you could
9 provide that to Legal Division also, the
10 source.

11 MR. CAGEN: Is there a date set for
12 that, your Honor?

13 ALJ YIP-KIKUGAWA: What period -- I
14 know you have gone through this already.
15 Could you do this by next week?

16 MR. MALKIN: I will give you again a
17 tentative yes because, again, I'm not doing
18 it. And the team that we're using to do this
19 is the team that's doing the MAOP validation
20 and supporting the hydro test work. So I
21 hope they kept records of what they looked at
22 to provide this information and can readily
23 get it.

24 So I would say let's tentatively say
25 we will produce it within a week from today.
26 And if I find that there's some reason that
27 can't be done, I will advise you and
28 Mr. Cagen and we will set as soon a date

1 thereafter as we can.

2 ALJ YIP-KIKUGAWA: Let me just get the
3 date so I have that. So the 8th. So by
4 November 8th we will have that response.

5 MR. MALKIN: Correct. And should that
6 be a filing or a submittal, which has
7 different implications?

8 ALJ YIP-KIKUGAWA: Why don't we have
9 that filed since Legal Division's information
10 was filed and your initial response, I would
11 like to have this filed as well.

12 MR. MALKIN: Okay.

13 MR. CAGEN: Your Honor, we would ask
14 when PG&E provides the information to us on
15 where they found the documents, we have to
16 know and we would appreciate knowing whether
17 it was found in ECTS or a physical file of
18 job files or any other source of data. So we
19 would ask that it be identified because that
20 is important to us.

21 ALJ YIP-KIKUGAWA: Mr. Malkin, is that
22 possible?

23 MR. MALKIN: That's perfectly fine,
24 your Honor.

25 ALJ YIP-KIKUGAWA: Thank you.

26 Anything else on Legal Division's
27 motion at this point?

28 (No response)

1 ALJ YIP-KIKUGAWA: Okay. I do have
2 what I guess I would call a homework
3 assignment that I had given to Legal
4 Division, and that was my question of whether
5 any of the documents that are contained in
6 here are or should have been submitted as a
7 response to the original directives in the
8 OII.

9 MR. GRUEN: Yes, your Honor. I
10 researched your homework assignment
11 carefully. And Legal Division believes of
12 the documents that were provided here, the
13 answer to that question is no. It doesn't
14 believe any of the documents it has
15 discovered so far in the Investigation in
16 fact are responsive to the directives and
17 should have already been provided to the
18 Commission.

19 However, just to qualify that point
20 with several others, Legal Division continues
21 to discover PG&E documents, and it's ongoing,
22 including those within PG&E's ECTS database.
23 And so that's one qualification.

24 Also, Legal Division understands
25 that PG&E continues to add documents to that
26 ECTS database as well.

27 And finally, Legal Division's belief
28 in no way addresses whether PG&E provided

1 timely and complete responses to the
2 requirements to the Commission's companion
3 Rulemaking or to the requirements of the
4 National Transportation Safety Board
5 investigation.

6 ALJ YIP-KIKUGAWA: Thank you.

7 Mr. Malkin, did you have something?

8 MR. MALKIN: No.

9 ALJ YIP-KIKUGAWA: What I would like to
10 do next is go into the scheduling for the
11 proceeding. Perhaps we should do this off
12 the record, and then we will go back on the
13 record for the schedule.

14 So at this point we will go off the
15 record.

16 (Off the record)

17 ALJ YIP-KIKUGAWA: Back on the record.

18 While we were off the record we were
19 discussing the schedule, but before we do
20 that, Mr. Cagen, you wanted to introduce the
21 two consultants from England.

22 MR. CAGEN: Yes, I would, your Honor
23 and Commissioner Florio. Behind me is Alison
24 North and Paul Duller. And they are from
25 England and have for the last week and more
26 been here and have been visiting PG&E
27 facilities with us. And they are
28 recordkeeping experts, and we believe they

1 will make a great contribution to this
2 proceeding and to public knowledge. And
3 we're very happy to have them here.

4 We thought we would, while they were
5 in town on site visits, give them an
6 opportunity to watch the process a little
7 bit.

8 ALJ YIP-KIKUGAWA: Welcome. Hopefully
9 it was enlightening to you.

10 With respect to the schedule, while
11 we were off the record we discussed dates for
12 filings and also for hearings. Legal
13 Division will be submitting its report the
14 end of February, on February 24th. And
15 intervenor testimony would be 30 days
16 thereafter, which I think is on Saturday or
17 maybe a Sunday. So it will be the 26th. So
18 intervenor testimony due on the 26th. We
19 will calculate all this out exactly. PG&E's
20 response then would be 90 days after.
21 Hearings will be scheduled end of August,
22 between the end of August and September 29th.
23 And I will block two weeks for that. And we
24 will have the opening briefs and rebuttal
25 briefs accordingly after that.

26 Is there anything else at this point
27 that we would like to discuss?

28 MR. CAGEN: Yes, your Honor, just

1 briefly.

2 ALJ YIP-KIKUGAWA: Yes.

3 MR. CAGEN: And that is pertaining to
4 the scope of proceeding. We simply wanted to
5 reiterate that the scope of the testimony and
6 the work that we will be doing and
7 recommendations that we give will relate both
8 to San Bruno Line 132 and to the San Bruno
9 situation in particular and to other PG&E
10 transmission pipelines as far as
11 recordkeeping issues are concerned. And I
12 know CPSD has a separate Investigation that's
13 not in a formal state yet, but whatever that
14 Investigation develops into, unless I hear
15 otherwise from your Honor and Commissioner
16 Florio, we intend to develop those issues as
17 we stated.

18 ALJ YIP-KIKUGAWA: Mr. Malkin or
19 Ms. Jordan, anything?

20 MR. MALKIN: That sort of inferentially
21 answered a question that I had. At the
22 outset of this proceeding Mr. Cagen observed
23 this is an unusual OII in that usually it
24 starts with a report from the CPSD alleging
25 specific violations. This one started on the
26 Commission's own initiative. And so CPSD has
27 not formally been a party. But Legal
28 Division, which both advises the Commission

1 and represents the Commission, has been thus
2 far the party.

3 And I had taken from Mr. Cagen's
4 initial comments that when there was a formal
5 report CPSD would be stepping into its usual
6 enforcement role, unless of course they don't
7 find any violations, which somehow seems
8 implausible that they would submit a report
9 that said that.

10 So I was trying to figure out who
11 the party is going to be at the end of the
12 day. Will it continue to be Legal Division?
13 Will it be CPSD?

14 MR. CAGEN: It has been considered as
15 to whether CPSD would become our client, but
16 I cannot say at this point that that will
17 occur.

18 COMMISSIONER FLORIO: Certainly I think
19 we can say that up to this point everyone who
20 has worked on this proceeding has been walled
21 off internally from advisory staff at the
22 Commission. That may be part of why this was
23 awkward in the dealing with this most recent
24 round of filings. But I do want to assure
25 the parties and the public that those due
26 process factors are being adhered to.

27 ALJ YIP-KIKUGAWA: And actually, I had
28 one last question, which was last time we

1 talked about regularly having a PHC just more
2 as a status conference to make sure things
3 are going smoothly. Given the report that's
4 coming out February 24th, does anyone feel
5 that it's necessary to have another
6 PHC/status conference scheduled in early
7 January or mid January?

8 MR. CAGEN: Perhaps, your Honor, about
9 a month or month and a half before the date
10 of the release it might be a good idea so
11 that we can deal with release issues of the
12 report if there are any confidentiality
13 issues left at that point, which are likely.

14 ALJ YIP-KIKUGAWA: All right. So we're
15 looking at early January?

16 MR. CAGEN: Mid January would be good.

17 ALJ YIP-KIKUGAWA: Is there flexibility
18 on dates there? I will set a date for mid
19 January.

20 MR. MALKIN: The only thing I would say
21 in regard to that, your Honor, is in the
22 hopes of making that status conference or
23 prehearing conference as smooth as possible,
24 we would encourage Legal Division to confer
25 with us in advance about any confidentiality
26 issues. Because at least sitting here right
27 now the only two items that we have ever been
28 concerned about from a confidentiality

1 standpoint here are names and identifying
2 information about nonmanagement employees and
3 specific locations of critical
4 infrastructure.

5 In the context of this proceeding,
6 it is hard for me to imagine that there would
7 be any issues that we will need to raise with
8 your Honor and Commissioner Florio. So I
9 would like to encourage Legal Division to
10 confer with us in advance, and hopefully we
11 can come in with a plan that is a joint plan
12 on how any issues of any partial
13 confidentiality would be addressed.

14 MR. CAGEN: We'll be glad to do that.

15 ALJ YIP-KIKUGAWA: You can arrange that
16 among yourselves.

17 MR. MALKIN: Let us hope so.

18 ALJ YIP-KIKUGAWA: Any other matters at
19 this point?

20 (No response)

21 ALJ YIP-KIKUGAWA: Hearing none, this
22 prehearing conference is adjourned. And we
23 are off the record.

24 (Whereupon, at the hour of
25 3:00 p.m., this prehearing conference
was concluded.)

26 * * * * *

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28