

**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)

In the Matter of the Application of San Diego Gas & Electric Company (U902G) and Southern California Gas Company (U904G) for Authority to Revise Their Rates Effective January 1, 2013 in Their Triennial Cost Allocation Proceeding.

A. 11-11-002
(Filed November 1, 2011)

(Not Consolidated)

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO PURSUANT TO
JANUARY 5, 2012 ADMINISTRATIVE LAW JUDGE'S RULING AND
DECEMBER 21, 2011 ASSIGNED COMMISSIONER RULING**

I. INTRODUCTION

Pursuant to the Assigned Commissioner's Ruling Modifying the Schedule issued on December 21, 2011, the City and County of San Francisco ("CCSF") submits these comments on the Consumer Protection and Safety Division's ("CPSD") Technical Report Regarding PG&E's Pipeline Safety Enhancement Plan ("Technical Report"). CCSF appreciates that the Technical Report and the attached Assessment from Jacobs Consultancy provide a summary of PG&E's Pipeline Safety Enhancement Plan ("Implementation Plan"), and offer several recommendations for the Commission and PG&E.

CCSF intends to provide a more detailed response to the technical aspects of PG&E's Implementation Plan on January 31, 2012, and may incorporate some discussion of CPSD's Technical Report at that time. In the interim, however, there is one issue presented by PG&E's Implementation Plan that should have been addressed by CPSD. PG&E's Implementation Plan

deviates from the prioritization of work ordered by the Commission in Decision (“D.”) 11-06-017 by re-scoping the proposed work to be performed in Phase I and re-prioritizing the order in which the work will be performed. The Technical Report did not address this threshold issue.¹ CPSD’s independent analysis of this issue is critical so that parties and the Commission can understand whether PG&E’s deviation from the Commission’s order is appropriate and how that decision affects the safety of PG&E’s pipelines.

II. DISCUSSION

In D.11-06-017, the Commission ordered PG&E to “file and serve a proposed [Implementation Plan] to comply with the requirement that all in-service natural gas transmission pipeline in California has been pressure tested in accord with 49 CFR 192.619, excluding subsection 619(c).”² The Decision specifically directed that “[t]he Plan should start with pipeline segments located in Class 3 and Class 4 locations and Class 1 and Class 2 [HCAs], with pipeline segments in other locations given lower priority for pressure testing.”³

On August 26, 2011, PG&E filed its Implementation Plan along with supporting testimony and workpapers. PG&E wrote:

“Despite Decision 11-06-017 stating that each Implementation Plan “should start with pipeline segments located in Class 3 and Class 4 locations and Class 1 and Class 2 high consequence areas,” this represents far too large of a work scope for PG&E to accomplish in a 4-year period (2011-2014) in Phase 1.”⁴

Thus, PG&E proposed to instead;

“prioritize a subset of that broader scope into Phase 1, consisting of the pipe segments in urban areas (Class 2, 3 and 4 and Class 1 HCA) operating at or greater than 30 percent SMYS without strength tests and those segments characterized with a manufacturing threat at or greater than 20 percent SMYS.... The remaining urban pipe (Class 2, 3 and 4 and Class 1 HCA) operating between 20 percent SMYS and 30 percent SMYS characterized with a Fabrication and Construction (F&C) threat

¹ In addition, CCSF notes that the CPSD Technical Report only addresses the proposed Pipeline Modernization and Valve Automation aspects of the Implementation Plan, while the Jacobs report addresses all four aspects of the Implementation Plan.

² D.11-06-017, Ordering Paragraph 4.

³ *Id.*

⁴ PG&E Testimony at p. 3-37.

construction threat and/or a corrosion and latent mechanical damage threat, will be addressed at the beginning of Phase 2 commencing in 2015.”⁵

The effect of this deviation is that PG&E has excluded 176 miles of pipeline segments in Class 2, 3, and 4 locations and Class 1 HCAs operating between 20% and 30% SMYS with fabrication & construction defects from Phase I of the Implementation Plan.⁶ To the extent this impacts pipeline segments in Class 3 and 4 locations or segments in Class 1 and 2 HCAs, this is directly contrary to the Commission’s directive. Instead of providing proposals to replace, pressure test or retrofit these segments, PG&E proposes to perform these same actions for 499.8 additional miles of pipeline segments in Class 1 and 2 non-HCA locations in Phase I of the Implementation Plan. Below is a table breaking down the proposed work by HCA and class location during Phase I.⁷

	Class 4	Class 3	Class 1 and 2 HCA	Class 1 & 2 non-HCA
Replace	0	137.9	4.5	43.3
Pressure Test	0	473.4	35.2	274.4
Retrofit	1	45.5	6.3	182.1
Total:	1	656.8	46	499.8

If the proposed justification for changing the priority of work to be performed in Phase I is that the scope as ordered in D.11-06-017 is “far too large of a work scope for PG&E to accomplish in a 4-year period (2011-2014),” then CPSD should have asked PG&E to explain why it made sense to supplement Phase I with nearly 500 miles of additional work while delaying work on 176 miles of pipeline segments in locations with higher population densities.⁸

⁵ *Id.*

⁶ PG&E Response to CCSF OIR Data Request 1, Q 6.

⁷ Mileage derived from PG&E Response to CCSF OIR Data Request 1, Q 6.

⁸ The actual amount of mileage delayed into Phase II is likely less than 176 miles as this figure includes pipeline segments in Class 2 locations operating between 20% and 30% SMYS with fabrication & construction defects.

While CCSF notes that this outcome appears to deprioritize pipelines in more densely populated locations and is concerned over the potential safety risks inherent in such a decision, CCSF is most concerned with the Technical Report's lack of discussion and independent analysis on such a fundamental issue. The Technical Report should have highlighted this deviation and provided analysis on why the change is reasonable, if CPSD believes it is. To the extent the Technical Report considers this re-prioritization of the work proposed by PG&E, it simply recommends that the Commission periodically audit PG&E's work "to verify the process results." Because PG&E's proposal fails to comply with the Commission's order, the Technical Report should have provided an analysis regarding the reasonableness and safety implications raised by the proposal's modification in scope for Phase I.

CCSF understands that the Implementation Plan is voluminous and highly technical, but if the Technical Report is to provide any qualitative analysis to assist intervenors or the Commission in assessing the reasonableness of PG&E's request, such analysis must be proactive, independent and vigilant.

III. CONCLUSION

The Commission should require an analysis of whether it is reasonable for PG&E to deviate from the Commission ordered scoping and prioritization of pipeline safety work.

Dated: January 13, 2012

Respectfully submitted,

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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 January 24, 2012, I served:

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO PURSUANT TO
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DECEMBER 21, 2011 ASSIGNED COMMISSIONER RULING**

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 January 24, 2012, at San Francisco, California.

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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on January 24, 2012, at San Francisco, California.

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