

**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,

DENNIS J. HERRERA
City Attorney
THERESA L. MUELLER
AUSTIN M. YANG
Deputy City Attorneys
By: /S/
AUSTIN M. YANG

Attorneys for:
CITY AND COUNTY OF SAN FRANCISCO
City Hall, Room 234
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102-4682
Telephone: (415) 554-6761
Facsimile: (415) 554-4763
E-Mail: austin.yang@sfgov.org

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.

JIM MCQUISTON
MCQUISTON ASSOCIATES
6212 YUCCA STREET
LOS ANGELES, CA 90028-5223

TRANSMISSION EVALUATION UNIT
CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET, MS-46
SACRAMENTO, CA 95814-5512

ROCHELLE ALEXANDER
445 VALVERDE DRIVE
SOUTH SAN FRANCISCO, CA 94080

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.

/S/

KIANA V. DAVIS

EMAIL SERVICE LIST R.11-02-019

StephanieC@greenlining.org
SLG0@pge.com
carlwood@uwua.net
jboehme@nicor.com
Ethan.Jones@Valero.com
justin.brown@swgas.com
STomkins@semprautilities.com
npedersen@hanmor.com
bob.gorham@fire.ca.gov
douglas.porter@sce.com
rkohut@sandiego.gov
Faith.Mabuhayalliance@gmail.com
cjackson@sanbruno.ca.gov
rkoss@adamsbroadwell.com
gxh@cpuc.ca.gov
map@cpuc.ca.gov
austin.yang@sfgov.org
marcel@turn.org
cpj2@pge.com
sgs@dcbsf.com
sls@a-klaw.com
bcragg@goodinmacbride.com
nformosa@winston.com
bkc7@pge.com
smeyers@meyersnave.com
lencanty@BlackEconomicCouncil.org
service@cforat.org
jmauldin@dralegal.org
michaelboyd@sbcglobal.net
bmcc@mccarthylaw.com
anginc@goldrush.com
dcarroll@downeybrand.com
westgas@aol.com
wwester@smud.org
ajahns@jahnsatlaw.com
Dave.Weber@nwnatural.com
jason.dubchak@niskags.com
a2mx@pge.com
AGL9@pge.com
artfrias@uwua.net
cassandra.sweet@dowjones.com
christine.tam@cityofpaloalto.org
CMM6@pge.com
cleo.zagrean@macquarie.com
enriqueg@greenlining.org
grant.kolling@cityofpaloalto.org
gclark@lodistorage.com
jheckler@levincap.com
j2ti@pge.com
jleslie@luce.com
karla.Dailey@CityofPaloAlto.org
lauren.duke@db.com
unionnancy@gmail.com
ray.welch@navigantconsulting.com

EMAIL SERVICE LIST R.11-02-019

rrussell@lodistorage.com
tcollier@buckeye.com
timothyrea@hotmail.com
ttutt@smud.org
dwtcpucdockets@dwt.com
regrelcuccases@pge.com
mrw@mrwassoc.com
scott.senchak@decade-llc.com
andrewgay@arcassetltd.com
ted@PointState.com
wschmidt@buckeye.com
malp@pge.com
daniel.j.brink@exxonmobil.com
kirby.bosley@jpmorgan.com
paul.gendron@JPMorgan.com
Paul.Tramonte@jpmorgan.com
kmmj@pge.com
christy.berger@swgas.com
jim.mathews@swgas.com
priscila.castillo@ladwp.com
robert.pettinato@ladwp.com
GHealy@semprautilities.com
JLSalazar@SempraUtilities.com
Naftab@semprautilities.com
RCavalleri@SempraUtilities.com
DNg@semprautilities.com
RPrince@SempraUtilities.com
jcorralejo@lbcgla.org
ellen.isaacs@asm.ca.gov
rothenergy@sbcglobal.net
dtorres@sogate.org
pat.jackson@teaminc.com
klatt@energyattorney.com
michael.alexander@sce.com
sendo@cityofpasadena.net
eklinkner@cityofpasadena.net
slins@ci.glendale.ca.us
douglass@energyattorney.com
bjeider@ci.burbank.ca.us
rmorillo@ci.burbank.ca.us
ssc.chrissy@gmail.com
carneycomic@sbcglobal.net
case.admin@sce.com
gloria.ing@sce.com
janet.combs@sce.com
Robert.F.Lemoine@sce.com
patricia.borchmann@yahoo.com
cadowney@cadowneylaw.com
marcie.milner@shell.com
CentralFiles@SempraUtilities.com
sjkeene@iid.com
jhunter@riversideca.gov
waltowaiji@tustinca.org
cguss@anaheim.net

EMAIL SERVICE LIST R.11-02-019

ssciortino@anaheim.net
laura@messimer.com
sswaroop@naacoalition.org
kfabry@sanbruno.ca.gov
gcaldwell@sanbruno.ca.gov
mdjoseph@adamsbroadwell.com
joc@cpuc.ca.gov
theresa.mueller@sfgov.org
bfinkelstein@turn.org
tlong@turn.org
C4MU@pge.com
d1ct@pge.com
jldavis@dcbsf.com
jlpc@pge.com
jmalkin@orrick.com
filings@a-klaw.com
kck5@pge.com
M1D1@pge.com
NXKI@pge.com
oxb4@pge.com
tnhc@pge.com
wvm3@pge.com
jarmstrong@goodinmacbride.com
mmattes@nossaman.com
jkarp@winston.com
aaron.joseph.lewis@gmail.com
cem@newsdata.com
RobertGnaizda@gmail.com
Susan.Durbin@doj.ca.gov
grant.kolling@cityofpaloalto.org
Jeff.cardenas@asm.ca.gov
Service@spurr.org
sean.beatty@genon.com
kowalewskia@calpine.com
bstrottman@meyersnave.com
ceyap@earthlink.net
dmarcus2@sbcglobal.net
tomb@crossborderenergy.com
sberlin@mccarthyllaw.com
billjulian@sbcglobal.net
bburns@caiso.com
gvanpelt@caiso.com
blake@consumercal.org
kelder@aspenerg.com
john@clfp.com
atowbridge@daycartermurphy.com
wmc@a-klaw.com
kuprewicz@comcast.net
MD7@cpuc.ca.gov
SanBrunoGasSafety@cpuc.ca.gov
aad@cpuc.ca.gov
ang@cpuc.ca.gov
djg@cpuc.ca.gov
dbp@cpuc.ca.gov

EMAIL SERVICE LIST R.11-02-019

emm@cpuc.ca.gov
cpe@cpuc.ca.gov
hym@cpuc.ca.gov
jzr@cpuc.ca.gov
alf@cpuc.ca.gov
jmh@cpuc.ca.gov
kpp@cpuc.ca.gov
kcl@cpuc.ca.gov
mpo@cpuc.ca.gov
mab@cpuc.ca.gov
mwt@cpuc.ca.gov
pap@cpuc.ca.gov
psp@cpuc.ca.gov
pzs@cpuc.ca.gov
ram@cpuc.ca.gov
rmp@cpuc.ca.gov
srt@cpuc.ca.gov
skh@cpuc.ca.gov
sni@cpuc.ca.gov
ter@cpuc.ca.gov
janill.richards@doj.ca.gov
glesh@energy.state.ca.us
rkennedy@energy.state.ca.us
sbender@energy.state.ca.us

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by electronic mail on all parties on the attached Service list in CPUC Proceeding No. A.11-11-002 .

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.

/s/

KIANA V. DAVIS

EMAIL SERVICE LIST A.11-11-002

pamela.ruckel@swgas.com
DGilmore@SempraUtilities.com
liddell@energyattorney.com
salleyoo@dwt.com
mrw@mrwassoc.com
dwtpucdockets@dwt.com
kirby.bosley@jpmorgan.com
paul.gendron@JPMorgan.com
Paul.Tramonte@jpmorgan.com
kyle.stephens@swgas.com
catherine.mazzeo@swgas.com
robert.pettinato@ladwp.com
bmusich@semprautilities.com
dng@SempraUtilities.com
JLSalazar@SempraUtilities.com
RPrince@SempraUtilities.com
GHealy@SempraUtilities.com
MThorp@SempraUtilities.com
rothenergy@sbcglobal.net
npedersen@hanmor.com
sendo@cityofpasadena.net
eklinkner@cityofpasadena.net
slins@ci.glendale.ca.us
bjeider@ci.burbank.ca.us
rmorillo@ci.burbank.ca.us
case.admin@sce.com
gloria.ing@sce.com
matthew.dwyer@sce.com
michael.alexander@sce.com
Russell.Archer@SCE.com
cadowney@cadowneylaw.com
sjkeene@iid.com
cguss@anaheim.net
ssciortino@anaheim.net
pk@utilitycostmanagement.com
ek@a-klaw.com
filings@a-klaw.com
sls@a-klaw.com
cem@newsdata.com
ceyap@earthlink.net
cmkehrein@ems-ca.com
wmc@a-klaw.com
dws@r-c-s-inc.com
dug@cpuc.ca.gov
alf@cpuc.ca.gov