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April 4, 2012

Ms. Michelle Cooke, Director
Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue, Room 2005
San Francisco, CA 94102-3298

Re: CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification
Missed Cathodic Protection Area Resurveys in the County of Santa Cruz

Dear Ms. Cooke:

Pursuant to Resolution ALJ-274, PG&E is providing notification of a self-identified non-compliance issue regarding missed distribution cathodic protection area (CPA) resurveys in various locations in the County of Santa Cruz.

49 CFR 192.465(a) requires that pipelines be tested periodically to determine that an adequate level of cathodic protection is being provided. PG&E is in compliance with this regulation. However, as explained below, in addition to the periodic cathodic protection (CP) tests, PG&E's procedures require that distribution CPAs be resurveyed once every six nominal years. It is this additional procedure, which goes beyond the requirements of 49 CFR 192.465(a), that PG&E failed to follow.

When the CPAs are originally established, PG&E selects at least two test points within each CPA based on the minimum levels of adequate cathodic protection (i.e., by monitoring and testing the levels of cathodic protection at the locations with the lowest levels of cathodic protection, PG&E ensures that the entire CPA is adequately protected). The purpose of the six-year resurvey is to ensure that pipeline changes within a CPA (e.g., main extensions, pipeline replacements or upgrades, repair work) do not inadvertently affect cathodic protection levels.

On March 26, 2012, a records review by a maintenance supervisor discovered that 24 CPAs within the County of Santa Cruz had not been resurveyed within the specified six year period. Recently, PG&E's Central Coast Division completed the migration from the old PC-based Gas Facility Maintenance program to the new SAP Preventative Maintenance scheduling system for CPA resurveys. One advantage of the new SAP system is that it will send automatic reminders when scheduled maintenance work is due. In this case, the supervisor was reviewing the SAP records to ensure that the CPA resurvey records were successfully migrated to the SAP scheduling system when he discovered that 24 CPAs had missed their most recent sexennial resurveys.

This is not in compliance with PG&E's Utility Work Procedure WP4133-02, *Cathodic Protection Area Assessment/Resurvey Procedures for Gas Distribution*, which states, "Review CPA's, as defined in the work procedure, at least once every 6 nominal years." (WP4133-02, Section 1, page 1)

PG&E took immediate action to complete the resurveys of these 24 CPAs by assigning additional personnel from the Central Coast Division as well as from adjacent Divisions to perform the resurvey work. The 24 CPAs have been resurveyed as of April 2, 2012. Three CPAs were found to have short sections of steel pipe disconnected from their CP. Corrective work orders have been prepared to excavate these short sections and restore cathodic protection by reconnecting the CP locating wires or installing a protective anode. Assuming excavation permits are issued by local jurisdictions, we expect to complete corrective work for all three CPAs by the end of next week.

In addition, we will conduct a system wide check to ensure that all divisions have completed the CPA resurveys timely. We will report the results to CPSD when complete.

PG&E will notify the local authorities for the Cities of Santa Cruz, Capitola, Scotts Valley, and Watsonville, and the County of Santa Cruz of this issue and will provide confirmation of notification as a supplement to this letter.

Please contact Redacted for any additional questions you may have regarding this notification.

Sincerely,



Bill Gibson
Director, Regulatory Compliance and Support

cc: Julie Halligan, CPUC
Dennis Lee, CPUC
Mike Robertson, CPUC
Sunil Shori, CPUC

Redacted PG&E
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Shilpa Ramaiya, PG&E
Frances Yee, PG&E