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May 18, 2012

Brigadier General Jack Hagan, Director
Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue, Room 2205
San Francisco, CA 94102-3298

Re: CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification
Underrated Valves Discovered in Santa Clara County

Dear Brigadier General Hagan:

Pursuant to Resolution ALJ-274, PG&E is providing notification of a self-identified non-compliance issue regarding inlet valves at high pressure regulators (HPRs) found not rated for the existing operating pressure. The non-compliance occurred at 12 locations on a pipeline in the County of Santa Clara.

PG&E's [Redacted] has a Maximum Allowable Operating Pressure (MAOP) of 335 psig. On May 10, 2012, PG&E determined that ten ¾-inch inlet valves to HPRs tapped directly off of the [Redacted] have a manufacturer's shell test pressure of 400 pounds per square inch gauge (psig) and a maximum working pressure rating of 200 psig which is below the MAOP of the [Redacted]. The rating of another two ¾-inch inlet valves to HPRs tapped directly off of the [Redacted] cannot be determined. This is not in compliance with 49 CFR §192.145(a), which states, "Except for cast iron and plastic valves, each valve must meet the minimum requirements of API 6D (incorporated by reference, see § 192.7), or to a national or international standard that provides an equivalent performance level. A valve may not be used under operating conditions that exceed the applicable pressure-temperature ratings contained in those requirements."

Over the years, the [Redacted] has had several upratings. In 1988, the operating pressure was uprated from 146 to 250 psig. Then again in 1998, the operating pressure was uprated from 250 to 335 psig. In both uprates, the inlet valves were not reviewed to ensure their maximum working pressure was adequate for the system uprate.

PG&E lowered the operating pressure of the [Redacted] to 200 psig on May 17, 2012 and has inspected each valve for operability and has found no leakage. The

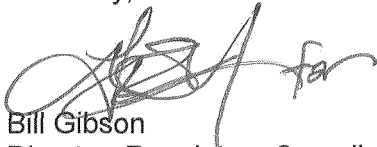
operating pressure of the [Redacted] will remain at 200 psig until all 12 valves are replaced or eliminated. This work is expected to be completed by October 31, 2012.

PG&E is in the process of issuing a work procedure to inspect all farm tap regulator sets and to conduct a pressure regulator diagnostic on a three-year periodic basis. PG&E will include in this work procedure the requirement to review and document the specifications for all regulator set equipment.

PG&E will notify the local authorities for the County of Santa Clara 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]
Shilpa Ramaiya, PG&E
Frances Yee, PG&E