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.	Rulemaking 11-02-019 (Filed February 24, 2011)

OPENING BRIEF OF THE CITY OF SAN BRUNO

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I. INTRODUCTION

Pursuant to Rule 13.1 of the California Public Utilities Commission's ("CPUC") Rules of Practice and Procedure ("Rules"), the City of San Bruno (the "City") hereby files its Opening Brief in the 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) regarding Pacific Gas and Electric Company's ("PG&E") Pipeline Safety Enhancement Plan ("PSEP"), opportunities to improve CPUC oversight of PG&E's operations, and other efforts currently underway to improve safety, emergency response and public awareness in connection with the State's natural gas transmission and distribution system.

II. PROCEDURAL HISTORY

On February 24, 2011, the CPUC opened an Order Instituting Rulemaking to develop new rules on the safe and reliable operation on natural gas pipelines in California. (R.11-02-019). The Commission issued D11-06-017 on June 9, 2011, which directed PG&E and other natural gas utilities to file and serve a proposed Natural Gas Transmission Pipeline Comprehensive Pressure Testing 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 49 CFR 192.619 (c). D.11-06-017 at 31, ordering par. 4. In compliance with D.11-06-017, PG&E issued its PSEP on August 26, 2011.

III. SUMMARY OF RECOMMENDATIONS

All federal and state regulatory investigations to date have been critical of PG&E's ineffective and confused emergency response to the explosion of Line 132 on September 9th 2010. The "confusion within PG&E as both its Gas Control Operations and its Gas Dispatch organization sought to identify the source and location of the incident[1]" is unacceptable. Neither the utility, nor its management was immediately aware of its own massive infrastructure failure that led to the loss of life and the wholesale destruction of an entire neighborhood. Local first responders were left in a position of attempting to guess as to the location, nature, and intensity of a conflagration they were charged with attacking. The goal of this proceeding is to ensure that this never happens again.

A robust pipeline safety plan that is subject to renewed and meaningful regulatory oversight is essential to restoring badly damaged public confidence in the utility system and its regulators. The City has actively participated in this, and other related proceedings, in order to emphasize the serious consequences associated with poor management and supervision of the operation of California's natural gas pipeline system. For the City, the value of public safety, the need for emergency planning, training, and response, and the importance of community outreach and communication in the event of a disaster cannot be overstated.

The City recommends that PG&E develop a more comprehensive PSEP and implement the plan without delay, as follows:

1. The PSEP must include all of the recommendations set forth in the National Transportation Safety Board's ("NTSB") Pipeline Accident Report issued on September 26, 2011 (the "NTSB Report");[2]
2. PG&E must incorporate critical supplemental measures into its PSEP; and

[1] Report of the Independent Review Panel, San Bruno Explosion, prepared for the California Public Utilities Commission, June 24, 2011.

[2] NTSB Final Pipeline Accident Report; http://www.ntsb.gov/doclib/reports/2011/PAR1101.pdf

3. Implementation of the PSEP must not be delayed by concerns regarding ratemaking.

In addition, the City recommends that the CPUC exercise stronger oversight over utility operations as follows:

1. Consider Effective Management of the PSEP to be Part of PG&E's Ongoing Compliance Obligation;
2. Build Staff Capacity;
3. Emphasize and Enhance Program Reporting; and
4. Clarify the proper CPUC forums to address critical emergency response and community outreach issues.

Finally, the City recommends that PG&E and the CPUC take specific steps beyond the PSEP in order to improve emergency preparedness, community outreach and transparency in the communities PG&E serves, including:

1. Implementation of Recommendations from the Jacobs Consultancy Report;
2. Ensuring Safety of PG&E's Natural Gas Distribution System;
3. Involve the Public in Revisions to Enterprise Risk Management Policies;
4. Perform Additional Work Needed to Improve City and County Emergency Response Capability.

IV. DISCUSSION

A. PG&E Must Develop a More Comprehensive PSEP and Implement the Plan Without Delay

1. The PSEP Must Incorporate All NTSB Recommendations

It is beyond cavil that the Commission should ensure satisfactory implementation and timely completion of the NTSB recommendations focused on PG&E, especially those that relate to public awareness and emergency response which are not addressed in the PSEP. These significant emergency response and public awareness issues should be addressed in a formal CPUC proceeding that, as appropriate, results in new regulations. Specifically, it would be appropriate for the Commission to require PG&E to conduct a comprehensive audit of "all aspects" of its operations, including emergency planning and PG&E's public awareness programs,

as directed to the Commission by the NTSB. As well, as recommended by the NTSB, 1) the Commission should require PG&E to establish a comprehensive emergency response procedure for responding to large-scale emergencies; and 2) PG&E should develop and incorporate in its public awareness program "written performance measurements and guidelines for evaluating the plan and for continuous program improvement." The CPUC should promulgate and implement rules addressing these critical safety issues, thereby improving public safety for the residents of California.

It is the position of the City of San Bruno that all the NTSB recommendations be adopted by *all* the parties to whom they were addressed. With respect to the CPUC in particular, the City believes that historically there has been too close a relationship between the regulator and the regulated utility. This, we believe has led to the acceptance of practices, policies and safety protocols that are more "convenient" for the parties than are scientifically or technically based. The blind adherence to "direct assessment" as a means of integrity management and the acceptance of risk calculations based on such safety practices that would have never detected the gross welding flaws in Line 132 are the clearest examples of this "too close" relationship. As much as we appreciate the efforts and attention of the CPUC today in resolving these matters, we also believe that an examination of the relationship between the regulator and the utility is fully warranted.

It is still unclear to San Bruno whether the implementation of the NTSB recommendations will be addressed in PG&E's PSEP in this Order Instituting Rulemaking or in the Order Instituting Investigations. The CPUC has yet to determine in what formal forum it will address these important issues. PG&E has made representations that it has, and is attempting to, remedy the deficiencies in its public awareness program and emergency response programs. Even so, the City urges the CPUC to promulgate and implement rules addressing these critical safety issues that will enhance and improve public safety for the residents of California and provide another enforcement tool for the CPUC. This examination should include a formal CPUC proceeding carried out on a timely basis and which addresses and as appropriate, results in new regulations.

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2. PG&E Must Incorporate Critical Supplemental Measures Into the PSEP

a. PG&E Should Install Automatic Shut-Off Valves in the City

The ability of PG&E to quickly and reliably terminate the flow of gas through a ruptured pipeline is critical to allowing emergency response in the affected community to go on the offensive. The use of remote control valves (RCV) and automatic shut-off valves (ASV) is the best way to address this need. In spite of the concerns regarding the reliability of ASVs, which are discussed below, these valves are capable of providing the most rapid response to a pipeline rupture and of eliminating potential errors associated with operator response. Therefore, safety will benefit by addressing potential reliability issues and judiciously deploying ASVs.

NTSB's final accident report found that the "use of either automatic shutoff valves or remote control valves would have reduced the amount of time taken to stop the flow of gas."[3] The NTSB final accident report recommended that PG&E "[e]xpedite the installation of automatic shutoff valves and remote control valves on transmission lines in high consequence areas."[4]

There appear to be two issues in PG&E valve automation program: 1) the basis for deciding where to install needed valves; and 2) whether to employ RCVs or ASVs. ASVs provide more rapid response to pipeline rupture than do RCVs, the industry concern seems to be their potential for unplanned closure, leading to gas supply interruptions potentially at the time when gas is most needed by affected users. There does not seem to be valid scientific data that on the risk of false closure of ASVs, and information on the pressure history at points where valve placement is being considered (to support better understanding of the potential for false closure). However, in relation to false closures, it is our understanding that the risk of false or "inadvertent" closures is addressed through a manual override within the SCADA system to cancel or slow down the closure. Means used by other industries to minimize the risk of false valve closure (such

[3] NTSB Final Pipeline Accident report; http://www.ntsb.gov/doclib/reports/2011/PAR1101.pdf; page x

[4] NTSB Final Pipeline Accident report; http://www.ntsb.gov/doclib/reports/2011/PAR1101.pdf; page 131

as by use of redundant sensors with diverse designs to signal the need for valve closure) should also be considered.

The PSEP discussion of RCV installation criteria includes a threshold potential impact radius (PIR) of greater than 100 feet in Class 4 locations. Analysis shows that pipelines of ten inches in diameter operating at 200 psi have a PIR of less than 100 feet, as do pipelines of twenty inches diameter operating at 50 psi. Given the definition of a Class 4 location - any class location unit where buildings with four or more stories above ground are prevalent – this approach does not seem appropriate. It seems reasonable that all Category 4 piping should be included in considering where to place RCVs.

As addressed by the CPSD report in the Order Instituting Investigation 12-01-007, CPSD recommended that PG&E "perform a study to provide Gas Control with a means of determining and isolating the location of a rupture remotely by installing [remote control valves] (RCVs), [automatic shut-off valves] (ASVs), and appropriately space pressure and flow transmitters on critical transmission line infrastructure and implement the results."[5] The CPSD report highlighted the fact that it took PG&E over 90 minutes to turn off the gas and that RCVs, ASVs, or appropriately spaced pressure and flow transmitters could have reduced the emergency response time.

It is unclear whether the analysis and subsequent rules relating to ASVs and RSVs will be addressed in this OIR or in the Order Instituting Investigation 12-01-007. As stated above, the PG&E's PSEP and the City's direct testimony on the Plan in the OIR address ASVs and RSVs. However, the CPSD report and recommendations in this report also address ASVs and RSVs. It is unclear to the City which forum and decision-maker will be the final arbiter on this important issue.

It is the City's position that automatic valves be placed in San Bruno. Once it was apparent that this major gas transmission line had failed, the delay of 93 minutes to stop the flow of gas and isolate the rupture site put the emergency responders in defensive mode instead of

[5] CPSD Incident Investigation Report; http://www.cpuc.ca.gov/NR/rdonlyres/28720A78-1DC7-4474-B51F-00C5E8BB5069/0/AgendaStaffReportreOIIPGESanBrunoExplosion.PDF; page 116

offensive mode to control the fire and its damage. As a result, the situation worsened, contributing to the extent and severity of property damage and increasing the life-threatening risks to the residents and emergency responders. It is our experience that the ability of PG&E to quickly and reliably terminate the flow of gas through a ruptured pipeline would likely have greatly reduced the damage. The parties can have technically-based disagreements at length about the use of ASVs vs. RCVs. However, we do not need a technical expert to confirm that an ASV would have allowed Fire responders to quickly initiate an offensive tactical operation and would likely have significantly minimized the devastation.

b. PG&E Should Address Changes in Pipeline Information in the PSEP

The process described in the PSEP involves pipeline characterization (including MAOP validation), pipeline segmentation, and the use of decision trees to identify appropriate safety assurance actions. These three basic steps are being undertaken in parallel. The Integrated San Bruno Response Plan status report issued by PG&E on December 15, 2011 indicates that the first step (pipeline characterization) is still in progress. This implies that pipeline segmentation decisions and identification of actions needed to ensure the safety of pipeline segments using the decision models may change as the characterization is completed. This changing knowledge base adds a layer of complexity to an already quite complex project. The City asks the CPUC to determine how PG&E is dealing with these continuing changes in its understanding of pipeline characteristics in revising its PSEP, and in communicating to interested parties the implications to planned work.

c. PG&E Should Modify Certain Assumptions Embedded in Its Decision Tree Risk Assessment Methodology

The decision trees developed to determine which actions should be taken on each pipe segment and in which phase of the PSEP these actions should be taken seem generally well thought out. The trees include many decisions for which no criteria are stipulated (*e.g.*, Figure 2-1 in the PSEP, decision box M3 - reduce pressure and/or remaining fatigue life analysis; also Figure 2-2 decision box F1 - replace Phase 1 & 2). In practice, the bases for these decisions need to be

communicated to interested parties.

However, in Figure 2-1 of the PSEP, the initial decision point is whether or not the segment is "Pre-1970 vintage?" If "no," the entire Manufacturing Threats decision tree is bypassed. While use of term "pre-1970" is commonplace, some low frequency ERW pipe was manufactured as late as 1978. Therefore, an operator's claim that its ERW pipe is not susceptible to seam failures solely because it was manufactured after 1970 is not, by itself, compelling.

In Figure 2-2 of the PSEP, the initial decision point is "Is the pipe Pre-1960 vintage?" If "no," the entire Fabrication & Construction Threats decision tree is bypassed. It is not necessarily a good assumption that all of the practices evaluated in the decision tree, such as wrinkle bends, entirely disappeared by the end of 1959. Nineteen Sixty is not a definitive cutoff for poor construction (as evidenced by the spate of recent construction problems U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) is seeing on current pipeline construction projects, including wrinkle bends).

Figure 2-3 box C5 of the PSEP seems to indicate that in-line inspection (ILI), strength testing (*e.g.*, hydrostatic testing), and close interval surveys (CIS) combined with direct current voltage gradient (DCVG) provide equivalent assurance of safety for pipelines operating at stress levels below 30% specified minimum yield strength (SMYS). The City asks the CPUC to inquire the basis for this judgment from PG&E.

d. Annual Plan Revision

Footnote 4 on page 16 and the text on page 17 of the PSEP notes that "the schedule of work within any given year will be determined by operational needs, other planned work, environmental and other considerations." This approach to planning seems completely reasonable, but leads to a situation in which interested parties (*e.g.*, cities, counties, regulators) will need access to annual plans to be able both to evaluate the appropriateness of the planned work and to monitor PG&E's implementation of its planned work. The City asks the CPUC to determine how this information will be provided in a way that allows interested parties to monitor PG&E's progress in implementing its plan and to evaluate the appropriateness of any changes in scope of the plan dictated by practical (including funding) considerations.

e. Eliminate Potential Conflicts Associated With the External Program Advisory Board

One "finding" in the Jacobs Consultancy report that is important to effective communication, and for which there is no recommendation, relates to the potential conflict of the principle role of the External Program Advisory Board resulting from PG&E's suggestion that this Board might coordinate the information and document flow between the Project Management Office (PMO) and external parties. The City believes this is a very important role which, if it were assigned to an advisory group, would undermine the independence of that group. It is equally important that any oversight group have direct communication with the City and public agencies to improve the quality of communication.

f. Clarify PSEP's Use of the Term "Assess" and PG&E's Obligations in Connection Therewith

On page 1 of the PSEP, PG&E states "Ultimately, when the Pipeline Safety Enhancement Plan is completed, PG&E will have comprehensively assessed all 5,786 miles of its natural gas transmission pipelines." In this and other statements in the PSEP, PG&E uses the term "assess" differently from PHMSA meaning in the IMP regulations, where "assess" means to conduct an in-line inspection, or a hydro test, or direct assessment. It appears that in PG&E parlance the above statement does not really mean they will conduct a physical integrity examination of their system, but merely that they will use the decision trees to screen all segment to identify specific prudent actions. This source of confusion should be eliminated in future communications.

g. Incorporate Comprehensive and Practical Approach to Customer and Community Outreach in PSEP

While the approach to customer outreach is explicitly described in the PSEP, it is unclear whether the mechanisms identified represent practical ways to assure interested parties are fully informed of progress in dealing with issues of concern. Full implementation of the PSEP will represent a huge step for PG&E first, in capturing and developing adequate information on the characteristics of its transmission pipeline system to understand and manage safety risks, and second, ultimately in restoring public confidence in the company's ability to operate its facilities

safely. Full implementation, however, depends on CPUC acceptance of the Plan together with its provisions for recovery of most of the costs needed to implement.

Because numerous uncertainties affecting the details of implementation currently exist, effective communication both by PG&E and by the CPUC will be needed so governmental officials and the people whose interests they represent can understand project status, any changes to the initial plan and their justification, and resulting improvements in safety performance. Effective communication here implies providing information in a form so the various interest groups, including municipalities and counties, can understand the impact on their specific interests as the Plan is implemented.

In communicating to interested parties progress on implementation of the PSEP, PG&E should describe not only how much work has been accomplished during the reporting period, but also how that work relates to the complete set of actions it committed to complete in the PSEP.

PG&E has commissioned several groups to oversee implementation of PSEP. The reports from these groups seem to be an important part of the public record of PG&E accomplishments and should therefore be made public. PG&E has committed to provide updates on work completed, work in progress, and forecast of future work on March 1 and September 1 of each year during implementation of the PSEP. The format of this report should allow individual municipalities and counties to understand progress and plans affecting the assurance of safety of pipelines within their boundaries.

The PSEP documentation will also be extremely voluminous, and likely to grow considerably during CPUC deliberations preceding approval, as well as throughout implementation of the plan. The magnitude of documentation together with the plan's structure as an integrated project plan significantly undermine the ability of the 273 cities whose citizens' safety will be affected by careful implementation of the plan to understand how the plan will affect them. PG&E should also provide the City with the information it needs to answer questions from local residents such as:

- What pipelines lie near my home, job and the schools my children attend?
- What assurance do I have these pipelines are safe now or being made safe?

- Is it necessary to implement interim safety measures on these lines? What measures?
- Is higher pressure being maintained in any of these lines to prevent supply interruptions elsewhere in the system? Why is this safe?
- When will characterization, testing or replacement of these lines be completed?
- How will I know when these lines have been characterized, tested or replaced - that is "made safe" - for the long term?

Questions such as these, when posed by residents of the 273 communities, can now be answered only through government officials' meeting with knowledgeable PG&E project officials. Even officials from the City of San Bruno have had to meet with PG&E managers to develop a reasonable understanding of the answers to these questions for their community. Such meetings can be difficult to arrange and may be inefficient for both the city officials and the PG&E managers. The PSEP does include a commitment by PG&E to use various means to provide project information to interested parties, but it is not clear that this information will allow local officials and residents to answer the types of questions listed above. This need deserves strong consideration by those responsible for communications both within PG&E and within the CPUC.

h. Provide More Comprehensive Information on Pipeline Pressure Reduction

Pipeline pressure reduction is an effective interim safety enhancement measure. While information in the PG&E working papers specifies in which segments pressure reductions have been taken, the segments are identified by mile post. Associating the mile post indication with proximity to San Bruno (or other cities) requires information the cities typically do not possess. Furthermore, the PSEP notes on page 36 that "PG&E has already implemented certain interim pressure reductions and will complete its implementation of pressure reductions called for in the pipeline modernization program decision trees no later than 30 days after final CPUC approval of the Implementation Plan." At this point, it is unclear why pressure reductions considered by PG&E to be prudent are being delayed. This issue needs to be addressed as part of a strengthened communication effort with cities and counties through which PG&E transmission pipelines pass, including San Bruno. The CPUC should continue to evaluate and make the important decision to restore operating pressure in public hearings.

i. Supplement Decision Tree Risk Assessment Data With GIS Information

PG&E's use of decision trees in the PSEP has a significant advantage over historic risk index models in that the basis for decisions is clear rather than being obscured by judgment-based quantification decisions imbedded within index models. Another potential improvement in risk characterization suggested in the PSEP is a process of querying the data in the GIS using questions designed to inform decisions contained in the decision trees. Investigating the broader application of decision trees drawing on higher quality data on pipeline segment characteristics to satisfy the requirements of risk modeling in the IMP regulations appears to have merit. However, the current version of the decision trees in the PSEP are not sufficiently complete to be applied in supporting the full range of risk characterization decisions required by IMP (*e.g.*, risk ranking segments for assessment, selection of preventive and mitigative measures, evaluating the presence of several risk-influencing factors that, in combination, contribute more to risk than the sum of their individual contributions).

j. Ensure PSEP Construction Activities Are Carried Out by Qualified Personnel Qualification Involved in Construction Activities

As PG&E notes, work to be carried out in the PSEP will require a significant increase in contract work force. Much of the work carried out by these new people might be characterized as "new construction." At present the operator qualification regulations focus on operation and maintenance tasks, excluding new construction tasks. The PSEP clearly states that work carried out in its implementation will be done in compliance with applicable requirements. The City asks that the CPUC direct PG&E to apply its operator qualification program to qualifying individuals working on new construction activities.

k. Adopt Definition of Quality Assurance and Quality Control that Goes Beyond Mere Compliance

The PSEP describes in general terms how PG&E will carry out quality assurance (QA) and quality control (QC). While the description in the Plan is not comprehensive, it seems to imply that the purpose of QA is narrowly restricted to assuring QC methods are effective in ensuring compliance. This stated purpose, while possibly incomplete in defining how PG&E QA program is structured, misses the point of QA, which is to ensure that the *systems and processes* under which work is carried out are designed to assure the quality of the work. QA is about before-the-

fact development of solid processes to carry out work effectively, while QC is about after-the-fact verification the product of that work is sound.

3. Implementation of the PSEP Must Not be Delayed Due to Ratemaking Issues

Implementing the PSEP will be a massive and costly undertaking whose successful completion is fundamental to the safety and peace of mind of those living and working in the City of San Bruno and other communities near PG&E pipelines. The fact that initiation of this monumental project required an explosion that took the lives of eight residents of San Bruno and caused numerous injuries and significant property damage is so disturbing as to require every stakeholder to reexamine its roles and responsibility. The discomfort and indeed fear experienced by the residents of San Bruno and other communities near PG&E pipelines requires local government in cooperation with the CPUC and the utility to do everything in its power to ameliorate and assuage these concerns.

The structure of the PSEP is logical, including selection of the pipeline segments on which to focus in Phase 1, and actions proposed to ensure safety of our community. Assurance with its objectivity is increased by PG&E's decision to bring in outside experts to supplement its staff in developing the details of the plan, including decision models used to identify needed actions to assure safety.

However, it is the City's understanding that several parties are focusing their efforts on ratemaking issues relating to the PSEP and that these ratemaking issues should slow down the implementation of the PSEP. Specifically, during the PSEP hearings held on March 19-29, 2012, Jerry Oh, an expert witness for the Division of Ratepayer Advocates (DRA) testified that DRA is recommending that PG&E "slow down . . . until they can get better cost estimate of what's going to happen in the future." [6] As well, the Utility Reform Network's (TURN) expert, Richard Kuprewicz, also testified that there are is "pressure to get things going and done . . . slow it down until you get satisfactory answers so that you can make an informed decision."[7] It appears that DRA and TURN's recommendations and modifications in its testimony are directed towards reducing costs passed to ratepayers.

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[6] Testimony of DRA witness Jerry Oh, PSEP hearing March 27, 2012, p. 2037 lines 27-28; p. 2038; lines 1-3

[7] Testimony of TURN witness Richard Kuprewicz, PSEP hearing March 29, 2012; p. 2237 lines 17-28

The City does not purport to evaluate ratemaking issues associated with the PSEP, but the City does have the first-hand knowledge of responding to a large scale explosion that cost eight people their lives. Safety improvements are needed to protect public safety and should not be subordinated to ratemaking issues. The City has serious concerns that the resolution of ratemaking issues will delay the implementation of pipeline safety enhancements that are necessary for public safety. To the extent that a prudent utility would in the normal course of business undertake those actions identified in the PSEP, the ratepayers should bear none of that cost.

B. The CPUC Must Exercise Stronger Oversight over Utility Operations

1. Consider Effective Management of PSEP to be Part of PG&E's Ongoing Compliance Obligation

Effective project management and strong project oversight are fundamental to effective implementation. Chapter 7 of the PSEP discusses the PG&E approach to managing the plan. Three major components are called out: plan *execution*, implementation *oversight*, and *assurance* of implementation effectiveness. The plan identifies a comprehensive management structure for plan execution. Oversight and assurance are provided by three groups: the Executive Steering Committee (which also has project coordination functions), the internal PG&E audit group (which must be independent of the program management office), and the External Program Advisory Board. Assuming the External Program Advisory Board remains independent of program implementation and communication, this structure seems to provide the needed assurance the program will be implemented effectively. Although it is important that the External Program Advisory Board remain independent, it is equally important that any oversight group have direct communication with the City and public agencies to increase their assurance of the effectiveness of the program.

The PSEP represents a commitment by PG&E management and that operating consistent with this commitment will be viewed by the Consumer Protection and Safety Division (CPSD) as part of PG&E's compliance obligation. One implication of this expectation is that PG&E implementation will be overseen by the CPSD, leading to an increase in public assurance. Additionally, PG&E would need to request a waiver from the CPSD if it desired to deviate from

significant commitments in the plan, such as meet gas demand by increasing the pressure in a line whose pressure had been decreased as a result of commitments in the PSEP. Of course, when the MAOP of a line has been verified by the means described in the PSEP, and that verification has been approved by the CPSD, PG&E will be able to operate at a consistent pressure without a waiver.

2. Build CPUC Staff Capacity

The primary external oversight of implementation of the PSEP will be by the CPSD of the CPUC. In response to recommendations in the Report of the Independent Review Panel on the San Bruno Explosion, the CPUC has begun serious efforts to strengthen its internal capabilities. The CPUC has restructured the CPSD to create separate natural gas safety and electric safety programs. Staff within this program will be dedicated to integrity management, to the analytical processes involved in identifying and responding to risk, and to the application and development of preventative and mitigative measures.

The CPUC has increased its gas safety staff from 9 positions at the time of the San Bruno explosion, to 17.5 positions. The CPUC is also increasing staff opportunities for continuing education, and meetings allow working together to compare performance of operators and to develop best practices statewide. The CPUC created a new Risk Assessment Unit to improve its ability to conduct state of the-art risk management work. The first four members of the Risk Assessment Unit have been hired. Outside expert support is also being sought for this unit.

The focus of the CPSD oversight at PG&E will be application of the decision trees and complete implementation of resultant actions. With these organizational changes and staffing additions, CPSD should be able to provide the needed oversight of PG&E's implementation of the PSEP. However, nearly doubling the CPSD staff size and integrating new staff into the agency will represent a significant challenge.

3. Emphasize Program Reporting

The time required to implement provisions in the PSEP will be affected both by the specifics of CPUC approval of costs included in the PSEP, and by PG&E cost performance in managing the activities. Uncertainties associated with these factors, and therefore in the time required to complete implementation of the PSEP, underline the importance of project reporting that is meaningful to the municipalities and counties whose citizen's safety is affected by timely completion of the work.

The "Integrated San Bruno Response Plan" status report dated December 15, 2011 indicates that "Any interim pressure reduction will also consider the potential safety impacts of uncontrolled customer outages along with pipeline integrity safety margins." Adding the risk of customer outages to decisions on pressure reductions has the potential to undermine the interim safety measures. Therefore, all specific instances in which supply interruption considerations change a decision to reduce pressure should be reported to local public safety officials in the affected area. This reporting should assure that customer outages will not be used arbitrarily to allow potentially unsafe pressure limits to be established.

4. Clarify the Proper CPUC Forums for Addressing Critical Emergency Response and Community Outreach Issues

The City has participated in workshops relating to public safety and emergency response even in light of the recent Decision Amending Scope of Rulemaking, but the CPUC has yet to determine in what formal forum it will address these important issues. It is vitally important that the City of San Bruno and its staff have an opportunity to comment on any action that the CPUC plans relating to emergency response so the City of San Bruno can share the knowledge it acquired while responding to the PG&E pipeline explosion in San Bruno

C. PG&E and the CPUC Must Take Specific Steps Beyond the PSEP to Improve Emergency Preparedness, Community Outreach and Transparency in the Communities PG&E Serves

1. Implement Recommendations from Jacobs Consultancy Report

Many of the recommendations described in the study by Jacobs Consultancy[8] commissioned by the CPSD of the CPUC, especially those related to safety or knowledge improvements rather than cost saving opportunities, have merit. Therefore, in addition to communicating information on implementation of the PSEP, PG&E together with the CPSD should consider how best to communicate resolution of the issues raised in the Jacobs report and progress in implementing changes to the PSEP resulting from resolution of these issues. An initial report addressing PG&E's position on many of the Jacobs recommendations has been submitted[9]. In this report PG&E typically accepts safety-related recommendations while rejecting

[8] Assessment of Pacific Gas and Electric Company's Pipeline Safety Enhancement Program, prepared by Jacobs Consultancy for the Consumer Protection and Safety Division (CPSD) of the California Public Utilities Commission (CPUC), December 23, 2011.

[9] PG&E Company's Response to Technical Report of the CPSD Regarding PG&E's PSEP, Manheim and Kline, January 13, 2012.

recommendations related to project cost or cost sharing.

2. Ensuring Safety of PG&E's Natural Gas Distribution System

The PSEP addresses PG&E's transmission pipeline system. PG&E is implementing an integrity management program (IMP) for its distribution system. The first and most fundamental step in this program is for PG&E to "understand its system." How will the City be assured the PG&E distribution IMP is being implemented more effectively than it was with its transmission IMP?

3. Involve the Public in Revisions to Enterprise Risk Management Policies

The PG&E description of improvements to its risk management program outlined in the Integrated San Bruno Response Plan status report issued by PG&E on December 15, 2011 states that "PG&E is enhancing its policies and processes governing Enterprise Risk Management (ERM)." While this certainly seems to be a constructive set of actions and is definitely needed, a major element of ERM is determining the "risk appetite"[10] of the organization. For pipeline operators the concept of "risk appetite" might best translate to "risk tolerance." This seems to imply PG&E is in the process of developing the criteria against which future risk mitigation decisions will be made. If this is the case, the public should have access to these criteria along with sufficient information on their application to be able to judge the practical implications to pipeline safety of PG&E's ERM.

4. Perform Additional Work Needed to Improve City and County Emergency Response Capability

PG&E is implementing an enhanced prevention, preparedness and response program which is outside the scope of the PSEP. Specific activities include: education activities related to pipeline damage prevention; developing, training to and exercising emergency response plans; and working with public safety first responders to deal with gas pipeline explosions. In addition, SCADA upgrades are expected to provide emergency responders with better, timelier information on rupture location and estimated time required to terminate gas flow through a ruptured line. CPUC actions in establishing new requirements and practices must be undertaken in an open environment, accessible to and involving affected cities and counties.

V. CONCLUSION

It is vitally important that the City of San Bruno and its staff have an opportunity to

[10] Enterprise Risk Management - Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2004.

comment on any action that the CPUC plans relating to emergency response so the City of San Bruno can share the extensive knowledge it acquired while responding to the PG&E pipeline explosion in San Bruno. The City is asking the CPUC and PG&E to look to the City for its first-hand knowledge in responding to and handling the aftermath of a large-scale disaster.

As the City stated in the City's direct testimony in PG&E's PSEP, effective emergency planning, training, and response capabilities and public awareness are essential to public safety. It is critical that the CPUC implement rules, regulations and changes in practice addressing emergency response and its impact on public safety, including first responder coordination and communication between PG&E and public officials.

Throughout this proceeding, it is fundamental that the NTSB recommendations are addressed to assuage the peace of mind of those living and working in the City of San Bruno and other communities near PG&E pipelines. The discomfort and indeed fear experienced by the residents of San Bruno and other communities near PG&E pipelines requires local government to do everything in its power to assure that these important issues are addressed in a clear and satisfactory manner. It remains the City's goal to ensure that the CPUC follow the NTSB recommendations issued to PG&E in its final accident report adopted on August 30, 2011.

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Respectfully submitted,

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