



**Frances Yee**  
Acting Director  
Regulatory Compliance & Support  
Gas Operations

375 N. Wiget Lane, Suite 200  
Walnut Creek, CA 94598

925-974-4316  
Fax: 925-974-4232  
Internet: FSC2@pge.com

September 25, 2012

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: Courtesy Information on Gas Distribution System at the Former Naval Air Station  
in the City of Alameda

Dear General Hagan:

This letter provides courtesy information regarding the status of the gas distribution facilities at the former Alameda Naval Air Station (NAS) in the City of Alameda (City). At the current time, PG&E does not have an Operations and Maintenance (O&M) agreement for these NAS facilities. However, PG&E has been performing certain work to increase the margin of safety while the City and PG&E resolve plans going forward.

PG&E has met with the City previously to discuss re-establishing a formal O&M Agreement or other options and recently reinitiated discussions with the City. PG&E met with the City on May 21, 2012 to discuss the status of the gas distribution system, as well as options for future operation and maintenance of the system. The meeting was a productive one and the parties intend to work closely together to ensure the continued safety of the NAS gas distribution system.

The following is a brief history of the NAS gas distribution system and a summary of PG&E's ongoing discussions with the City to evaluate the facilities for replacement, in conjunction with the City's ongoing redevelopment planning:

- When the NAS was in operation, the U.S. Navy (or its contractors) installed, operated and maintained the gas distribution system at the base. PG&E delivered gas to the Navy as a master-metered customer.
- The NAS gas distribution system is primarily a semi-high pressure system and consists of approximately 10 miles of main and associated service lines.
- In conjunction with closure of the NAS in April 1997, the Navy entered into an agreement with the City for operation and maintenance of the base utility systems.
- In August 1997, PG&E entered into a subcontract with the City to operate and maintain the gas distribution facilities located at the NAS (O&M Agreement). The original time period covered by the O&M Agreement was approximately two

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years, through September 30, 1999. Per the O&M Agreement, the City intended to transfer the gas distribution facilities to PG&E when it was legally permissible to do so. The Navy transferred ownership of the gas distribution facilities to the City in 2001.

- The O&M Agreement was extended several times for additional one-year terms before lapsing without being renewed in 2004.
- In the interest of safety PG&E has continued to leak survey the system, repair leaks and respond to requests to locate and mark gas facilities in the area despite the expiration of the O&M agreement.
- PG&E currently serves approximately 240 individually-metered customers, residential and non-residential, on the former base via portions of the NAS gas distribution system. It also serves the City's load at the former base via master-metered delivery.
- PG&E brought the NAS gas distribution system under cathodic protection (CP) as part of its earlier O&M Agreement activities. At some point prior to 2005, however, it is PG&E's understanding that two of the three rectifiers used for the CP system were deactivated, leaving the system largely unprotected. Much of the CP system has remained down since that time.
- PG&E currently conducts leak surveys of the NAS gas distribution system on an annual basis, and conducted leak surveys in June 2011 and April 2012 in accordance with this schedule. The 2011 survey discovered one Grade 1 leak, which was immediately repaired. The recent 2012 survey discovered 15 Grade 2+ leaks. The Grade 2+ leaks were all repaired within 90 days of discovery, with the last repair completed on June 27, 2012.

The following is a brief summary of the actions PG&E plans to take at this time:

- PG&E has evaluated the CP system and will be initiating a project to install a new anode bed following a coordination meeting that is being arranged with the City and the Navy. Installation of an anode bed may involve excavation in sub-tidal/marsh crust areas as well as raising hazardous substance concerns unrelated to PG&E facilities that will need to be resolved before proceeding. In general, there are ongoing concerns regarding contaminated soil on the base, which is unrelated to PG&E's distribution system.
- PG&E is developing a proposed course of action for operation, maintenance, evaluation and possible replacement over time of the NAS gas distribution system.
- PG&E will provide progress updates to the Commission.

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

Sincerely,

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Frances Yee  
Acting Director, Regulatory Compliance and Support

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cc: Julie Halligan, CPUC  
Dennis Lee, CPUC  
Mike Robertson, CPUC  
Sunil Shori, CPUC  
Lisa Goldman, City of Alameda

Redacted

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