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October 9, 2012

Mr. Mike Robertson
Gas Safety and Reliability Branch
Consumers Protection and Safety Division
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA. 90013

Re: State of California – Public Utilities Commission
General Order 112-E Inspection – PG&E’s Central Coast Division

Dear Mr. Robertson:

The Gas Safety and Reliability Branch (GSRB) of the CPUC conducted a General Order 112-E inspection of PG&E’s Central Coast Division, from December 13-17, 2010. The attached documents respond in detail to each of the inspection findings listed in your September 7, 2012 letter.

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

Sincerely,

/S/

Frances Yee

Attachments

cc: Dennis Lee, CPUC
Sunil Shori, CPUC

Redacted

Jane Yura, PG&E

**General Order 112-E Findings
CPUC Inspection Report dated September 7, 2012
Central Coast Division**

INSPECTION INFORMATION

| Inspection Dates | Finding | CPUC Contact | CPUC Phone # |
|----------------------|---------|--------------|----------------|
| December 13-17, 2010 | AIR – 1 | Terence Eng | (415) 703-5326 |

INSPECTION FINDING

| CPUC Finding | <p>PG&E Internal Audit Findings</p> <p>Prior to start of the audit, PG&E provided CPSD with the results of PG&E’s internal audit of the Division’s records dated December 13, 2010. Some of PG&E’s internal audit findings are violations of PG&E’s operation and maintenance standards, and are therefore violations of Title 49 Code of Federal Regulations (CFR), §192.13(c). All of the violations PG&E identified are noted in the Central Coast Internal Review Summary Table. CPSD also identified violations of Title 49 CFR, Part 192 in relations to PG&E’s internal audit findings.</p> <p>CPSD is aware that some of PG&E’s Internal Review findings have already been corrected or were in the process of being corrected at the time of the audit. Please provide CPSD with an update on the items that had pending corrective actions as of December 17, 2010.</p> <p style="text-align: center;">PG&E Central Coast Internal Review Summary Table</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Item</th> <th>Title 49 CFR Part 192</th> <th>Topic/Finding</th> <th>Number of Violations</th> <th>PG&E Have Remediated The Violation</th> <th>PG&E Have Not Remediated The Violation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>192.13(c)</td> <td>Leak Survey Distribution (2,4,5,7,9,12,13,16,19)</td> <td>2717</td> <td>n/a</td> <td>Tailboard completed 9/16/2010</td> </tr> <tr> <td>2</td> <td>192.603(b)</td> <td>Leak Survey Distribution (1,6,8,10,11,14,15,17,18)</td> <td>2188</td> <td>n/a</td> <td></td> </tr> <tr> <td>3</td> <td>192.723</td> <td>Leak Survey Distribution (3)</td> <td>196</td> <td>n/a</td> <td>Special Survey Estimated Completion Date (ECD) 4/30/2011</td> </tr> <tr> <td>4</td> <td>192.13(c)</td> <td>Leak Survey Transmission (1,4,6)</td> <td>3</td> <td>n/a</td> <td>Tailboard completed 9/16/2010</td> </tr> <tr> <td>5</td> <td>192.603(b)</td> <td>Leak Survey Transmission (2,3,5,7,8,9)</td> <td>6</td> <td>n/a</td> <td>Tailboard completed 9/16/2010</td> </tr> <tr> <td>6</td> <td>192.706</td> <td>Leak Survey Transmission (10)</td> <td>1</td> <td>n/a</td> <td>Special Survey ECD 4/30/2011</td> </tr> <tr> <td>7</td> <td>192.13(c)</td> <td>Leak Repairs (2,3,4,5,6,7,9)</td> <td>409</td> <td>n/a</td> <td>2 Complete Pipe Replacement</td> </tr> </tbody> </table> | | | | | Item | Title 49 CFR Part 192 | Topic/Finding | Number of Violations | PG&E Have Remediated The Violation | PG&E Have Not Remediated The Violation | 1 | 192.13(c) | Leak Survey Distribution (2,4,5,7,9,12,13,16,19) | 2717 | n/a | Tailboard completed 9/16/2010 | 2 | 192.603(b) | Leak Survey Distribution (1,6,8,10,11,14,15,17,18) | 2188 | n/a | | 3 | 192.723 | Leak Survey Distribution (3) | 196 | n/a | Special Survey Estimated Completion Date (ECD) 4/30/2011 | 4 | 192.13(c) | Leak Survey Transmission (1,4,6) | 3 | n/a | Tailboard completed 9/16/2010 | 5 | 192.603(b) | Leak Survey Transmission (2,3,5,7,8,9) | 6 | n/a | Tailboard completed 9/16/2010 | 6 | 192.706 | Leak Survey Transmission (10) | 1 | n/a | Special Survey ECD 4/30/2011 | 7 | 192.13(c) | Leak Repairs (2,3,4,5,6,7,9) | 409 | n/a | 2 Complete Pipe Replacement |
|--------------|--|--|----------------------|------------------------------------|--|------|-----------------------|---------------|----------------------|------------------------------------|--|---|-----------|--|------|-----|-------------------------------|---|------------|--|------|-----|--|---|---------|------------------------------|-----|-----|--|---|-----------|----------------------------------|---|-----|-------------------------------|---|------------|--|---|-----|-------------------------------|---|---------|-------------------------------|---|-----|------------------------------|---|-----------|------------------------------|-----|-----|-----------------------------|
| Item | Title 49 CFR Part 192 | Topic/Finding | Number of Violations | PG&E Have Remediated The Violation | PG&E Have Not Remediated The Violation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1 | 192.13(c) | Leak Survey Distribution (2,4,5,7,9,12,13,16,19) | 2717 | n/a | Tailboard completed 9/16/2010 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | 192.603(b) | Leak Survey Distribution (1,6,8,10,11,14,15,17,18) | 2188 | n/a | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | 192.723 | Leak Survey Distribution (3) | 196 | n/a | Special Survey Estimated Completion Date (ECD) 4/30/2011 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4 | 192.13(c) | Leak Survey Transmission (1,4,6) | 3 | n/a | Tailboard completed 9/16/2010 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | 192.603(b) | Leak Survey Transmission (2,3,5,7,8,9) | 6 | n/a | Tailboard completed 9/16/2010 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6 | 192.706 | Leak Survey Transmission (10) | 1 | n/a | Special Survey ECD 4/30/2011 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7 | 192.13(c) | Leak Repairs (2,3,4,5,6,7,9) | 409 | n/a | 2 Complete Pipe Replacement | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Definitions: NOV – Notice of Violation
 AOC – Area of Concern
 AIR – Additional Information Requested

**General Order 112-E Findings
CPUC Inspection Report dated September 7, 2012
Central Coast Division**

| | | | | | | |
|--|----|----------------------|-------------------------------------|-----|----------|---|
| | | | | | | ECD 4/1/11 3,4 Correct Repair ECD 4/1/11 5,6,7,9 Tailboard Completed 10/1/2010 |
| | 8 | 192.503 | Leak Repairs (1) | 106 | n/a | Re-test ECD 4/1/2011 |
| | 9 | 192.13(c) | Corrosion Control (1,2,4,8,9,10) | 49 | 2 | 1,4,8,9,10 Tailboard Completed 9/29/2010 |
| | 10 | 192.465 | Corrosion Control (3,5,6,7) | 15 | 3,5, & 6 | 7 Tailboard Completed 9/30/2010 |
| | 11 | 192.481 | Atmospheric Corrosion (1) | 3 | 1 | n/a |
| | 12 | 192.13(c) | MAOP Records (1) | 5 | n/a | Add Change Log ECD 12/31/2010 |
| | 13 | 192.13(c) | Regulator Stations (1,2,3,4) | 2 | 3 | 1,2,4 Tailboard Completed 11/30/2010 |
| | 14 | 192.201 | Regulator Stations () | 0 | n/a | n/a |
| | 15 | 192.619 & 192.621 | Regulator Stations () | 0 | n/a | n/a |
| | 16 | 192.201 | Relief Valve Calculations (0) | 0 | n/a | n/a |
| | 17 | 192.13(c) | Relief Valve Calculations () | 0 | n/a | n/a |
| | 18 | 192.743 | Relief Valve Calculations (3) | 0 | n/a | n/a |
| | 19 | 192.13(c) | Emergency Valves (2,5,6,7,8) | 161 | n/a | 2 Tailboard Completed 11/30/2010 5,6,7,8 Complete Update of Valve Maintenance Cards ECD 12/31/2010 |
| | 20 | 192.747 | Emergency Valves (1,3,4,) | 168 | n/a | 1,3 Tailboard Completed 11/30/2010 4 Implement Action Plans ECD 12/31/2010 |
| | 21 | 192.13(c) | Instrument Calibrations (1) | 60 | n/a | Tailboard Completed 9/16/2010 |

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| | | | | | |
|----|-----------|---|---|-----|--|
| 22 | 192.705 | Pipeline Patrols (1) | 1 | 1 | n/a |
| 23 | 192.13(c) | Emergency Plan (1) | 1 | n/a | Plan Update ECD 12/13/2010 |
| 24 | 192.13(c) | Distribution Emergency Shutdown Zones (1, 2, & 3) | 3 | n/a | Tailboard Completed 9/16/2010 |
| 25 | 192.13(c) | Joiner Qualifications () | 0 | n/a | n/a |
| 26 | 192.13(c) | Deactivation Records (1) | 1 | n/a | Establish Filing & Monitoring Procedure ECD 12/31/2010 |
| 27 | 192.467 | Pipe Casings () | 0 | n/a | n/a |

PG&E RESPONSE

PG&E has addressed all the outstanding internal review findings by performing re-work where required and/or by the supervisors holding tailboards with their respective groups to prevent similar findings from recurring. Please see Attachment 1 for the updated Internal Review Summary which was provided to the CPUC at the time of audit. Note: For Item 3 in the table above, the correct PG&E finding for Leak Survey-Distribution is Finding #4.

In 2010, PG&E conducted quality control reviews in each division by having local gas engineering staff review two years' worth of maintenance records and generate a summary of their findings along with a listing of completed or planned corrective with input from the M&C organization. In order to address and correct issues more expeditiously, PG&E initiated in 2011 an aggressive review process to review maintenance records on a bi-monthly basis. As a result of this compliance assurance process (known as Gas CAP), PG&E has seen a reduction in inaccurate or incomplete maintenance documentation.

ATTACHMENTS

| Attachment # | Title or Subject |
|--------------|---------------------------------|
| 1 | Updated Internal Review Summary |

ACTION REQUIRED

| Action To Be Taken | Due Date | Completion Date | Responsible Dept. |
|--|----------|-----------------|-------------------|
| Continue utilizing Gas CAP by correcting maintenance documentation | | Ongoing | M&C Department |

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|----------------------|---------|--------------|----------------|
| December 13-17, 2010 | NOV – 1 | Terence Eng | (415) 703-5326 |

INSPECTION FINDING

| | |
|--------------|--|
| CPUC Finding | <p>Title 49 CFR, §192.723 Distribution systems: Leakage Surveys states in part:</p> <p><i>"A leakage survey with leak detection equipment must be conducted in business districts...at intervals not exceeding 15 months, but at least once each calendar year."</i></p> <p>The Division did not leak survey the pipeline illustrated on map #3964-J05 [Redacted] as required. Therefore, the Division was in violation of 49 CFR §192.723(b)(1). Please ensure that annual leak surveys are conducted as required by 49 CFR §192.723(b)(1).</p> |
|--------------|--|

PG&E RESPONSE

| |
|---|
| <p>PG&E agrees with this inspection finding.</p> <p>Public assembly sites are reviewed annually to confirm the required leak surveys are performed according to General Order 112-E and Standard S4110. [Redacted] [Redacted] was placed back on the annual leak survey program in 2009 (2008 survey was missed as noted above), as well as the proceeding years as shown in Attachments 2, 3, and 4.</p> |
|---|

ATTACHMENTS

| Attachment # | Title or Subject |
|--------------|-------------------------|
| 2 | 2009 Annual Leak Survey |
| 3 | 2010 Annual Leak Survey |
| 4 | 2011 Annual Leak Survey |

ACTION REQUIRED

| Action To Be Taken | Due Date | Completion Date | Responsible Dept. |
|--------------------|----------|-----------------|-------------------|
| None | | | |

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| December 13-17, 2010 | AOC – 1 | Terence Eng | (415) 703-5326 |

INSPECTION FINDING

| CPUC Finding | <p>Field Observations The following pipe-to-soil potential readings did not meet the -850 mV criteria:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>CP System No.</u></th> <th style="text-align: center;"><u>Location</u></th> <th style="text-align: right;"><u>Reading</u></th> </tr> </thead> <tbody> <tr> <td>3674-04 (2009)</td> <td style="border: 1px solid black; text-align: center;">Redacted</td> <td style="text-align: right;">-825 mV (12/15/10)</td> </tr> <tr> <td>3676-01 (2009)</td> <td style="border: 1px solid black; text-align: center;">Redacted</td> <td style="text-align: right;">-806 mV (12/15/10)</td> </tr> </tbody> </table> <p>Please provide the corrective action that the Division engaged in for the locations that did not meet the -850 mV criteria.</p> | <u>CP System No.</u> | <u>Location</u> | <u>Reading</u> | 3674-04 (2009) | Redacted | -825 mV (12/15/10) | 3676-01 (2009) | Redacted | -806 mV (12/15/10) |
|----------------------|--|----------------------|-----------------|----------------|----------------|----------|--------------------|----------------|----------|--------------------|
| <u>CP System No.</u> | <u>Location</u> | <u>Reading</u> | | | | | | | | |
| 3674-04 (2009) | Redacted | -825 mV (12/15/10) | | | | | | | | |
| 3676-01 (2009) | Redacted | -806 mV (12/15/10) | | | | | | | | |

PG&E RESPONSE

| |
|--|
| <p>PG&E agrees with this inspection finding.</p> <p>PG&E remediated the two cathodic protection areas (CPAs) where low pipe-to-soil readings were found during the field portion of the CPUC audit. Please see Attachments 5 and 6 showing the remediation work to restore protection on these two CPAs.</p> |
|--|

ATTACHMENTS

| Attachment # | Title or Subject |
|--------------|--|
| 5 | 2010 Standard Cathodic Protection Report for Modesto Avenue, Santa Cruz |
| 6 | 2010 Standard Cathodic Protection Report for Stockton Avenue, Santa Cruz |

ACTION REQUIRED

| Action To Be Taken | Due Date | Completion Date | Responsible Dept. |
|--|----------|-------------------|-----------------------|
| Remediate each CPA that is found to be below the -850mV criteria | | December 28, 2010 | CC Division Corrosion |

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|-------------------------|----------------|---------------------|---------------------|
| December 13-17, 2010 | AOC – 2 | Terence Eng | (415) 703-5326 |

INSPECTION FINDING

| | |
|--------------|---|
| CPUC Finding | The Division’s method of recording the length of leak areas surveyed is inconsistent. For example, Plat Map No. 3839-J1 showed pipeline lengths of 6753 ft. for 2007, 2943 ft. for 2008, and 6881 ft. for 2009. CPSD also observed inconsistent survey lengths on Plat Maps 3839-C5, 3839-E2, and 3839-F2. Please explain why the pipeline lengths on the same plat sheets were inconsistent. |
|--------------|---|

PG&E RESPONSE

| |
|---|
| <p>PG&E agrees with this inspection finding.</p> <p>For the most part, the discrepancies in the pipeline lengths were due to the different distance units being programed in the measuring tool (electronic measuring wheel) that the surveyors use to trace the area surveyed on the plat maps.</p> <p>Tailboard training sessions of the Central Coast Division leak survey personnel are held regularly to remind everyone on leak survey documentation and proper recording of the footages of main surveyed. See Attachment 7 of tailboard briefing covering leak survey documentation, including the use of the map measuring tool.</p> |
|---|

ATTACHMENTS

| Attachment # | Title or Subject |
|---------------------|---|
| 7 | Tailboard Briefing on Leak Survey documentation |

ACTION REQUIRED

| Action To Be Taken | Due Date | Completion Date | Responsible Dept. |
|--|-----------------|------------------------|--------------------------|
| Conduct tail board briefings to remind leak surveyors that the distance units on their measuring tool needs to reflect the scale of the drawing and also are asked to validate a portion of the map by measuring a known distance and making the appropriate adjustments before tracing. | | Ongoing | CC M&C Department |

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