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October 19, 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: CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification  
Review of 2004 Baseline Assessment Program

Dear General Hagan:

PG&E is providing notification that it has recently learned that certain gas transmission pipeline segments on Lines 105N, 191-1, StanPac-3, and 300A identified as "high risk" because of internal corrosion threats may not have undergone integrity assessments prior to December 17, 2007, as required by 49 CFR §192.921(d). The pipeline segments are located in Alameda, Contra Costa, and Santa Clara Counties. In total, approximately 4.53 miles of pipeline are affected. PG&E will also notify PHMSA that the information reported for our baseline assessment program in 2008 will need to be corrected.

Title 49 CFR §192.921(d) states: "An operator must prioritize all the covered segments for assessment in accordance with §192.917 (c) and paragraph (b) of this section. An operator must assess at least 50% of the covered segments beginning with the highest risk segments, by December 17, 2007. An operator must complete the baseline assessment of all covered segments by December 17, 2012." A "high risk segment" is a segment identified as having a threat caused by corrosion, excavation-induced damage or material defects, for example.

In 2008, PG&E reported to PHMSA and to the CPUC that it had completed 56% (or 509 miles) of the baseline assessment work in high consequence areas (HCAs). While it remains true that PG&E completed more than 50% of the baseline assessment in HCAs by December 17, 2007 per 49 CFR §192.921(d), PG&E recently discovered that it does not have documentation to show that the 4.53 miles of "high risk segments" mentioned above were assessed for internal corrosion threat. Accordingly, PG&E is treating these segments as requiring baseline assessments.

In conducting a recent review of integrity history for Line 191-1 per our Risk Management Program, PG&E discovered that certain high risk segments on this line did

not have documentation confirming that a baseline assessment was performed, even though PG&E reported to PHMSA and the CPUC that these assessments had been conducted. In addition, PG&E discovered that other segments of Line 191-1 should have been identified as "high risk" in the 2004 Baseline Assessment Program (BAP) review but were not, and as a result, were not assessed by December 17, 2007. In light of these findings for Line 191-1, PG&E expanded the scope of its integrity history review and identified certain segments on Lines 105-N, StanPac-3 and 300A that also require assessments for the reasons stated above.

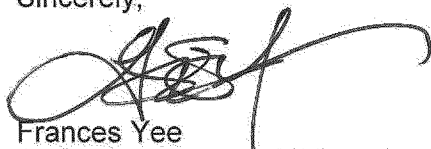
By way of background, a BAP includes various elements outlined in 49 CFR §192.919. Among those elements are the methods by which integrity assessments are to be conducted on line pipe. Integrity assessments are performed by in-line inspection (also referred to as "smart pigging"), hydrostatic pressure testing, direct assessment or other technology that the operator demonstrates can provide an equivalent understanding of the condition of the line pipe. The assessment results are then used with other relevant information to improve the understanding of the pipe's condition. A risk analysis is conducted to identify the most significant pipeline threats, such as internal corrosion, in segments that can affect HCAs, and designate those segments as "high risk."

Please see Attachment 1 for the list of pipeline segments identified as requiring assessments. As an immediate action, PG&E reviewed its records to determine when the last leak survey was conducted for each of these segments. All leak surveys were conducted in the past year, and no leaks were found. The baseline assessment for the segment on Line 300A was completed on August 30, 2011 by conducting a hydrostatic test. The assessments for the remaining missed segments will be completed by the December 17, 2012 deadline for completion of baseline assessments for all gas transmission lines, per 49 CFR §192.921(d). By broadening the integrity history review for potential missed assessments, PG&E believes it has identified and captured all segments to ensure we meet the December 17, 2012 requirement.

PG&E will notify the local authorities for the affected Cities and Counties of this issue and will provide confirmation of notification as a supplement to this letter.

Please feel free to contact me at (925) 974-4316 or [FSC2@pge.com](mailto:FSC2@pge.com) for any additional questions you may have regarding this notification.

Sincerely,



Frances Yee  
Acting Director, Regulatory Compliance and Support

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

Redacted &E  
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Shilpa Ramaiya, PG&E

Attachment

**CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification  
Missed Assessments in 2004 Baseline Assessment Program Review  
October 19, 2012**

**Attachment 1**

Line #	Route	Mile Points	Footage	Assessment Plan	Date of last leak survey	City	County
105N	105N	6.91-10.00	18,741	Combination ICDA and ILI prior to 12/17/12	10/20/2011	Fremont/ Newark	Alameda
191-1	191-1	34.83-35.00 35.19-35.83	887 3,413	Hydrostatic Test prior to 12/17/12	10/2/2012 4/19/2012	Martinez	Contra Costa
SP3	3019-01	0.00 - 0.17	847	ICDA prior to 12/17/12	10/1/2012	Unincorporated	Contra Costa
SP3	DF9012	0.00	14	ICDA prior to 12/17/12	10/1/2012	Unincorporated	Contra Costa
SP3	3008-01	0.00	4	Direct Examination prior to 12/17/12 *	5/9/2012	Concord	Contra Costa
SP3	DF3524	0.00	21	Direct Examination prior to 12/17/12 *	10/09/2012	Unincorporated	Contra Costa
SP3	DREG5642	0.00	7	Direct Examination prior to 12/17/12 *	4/5/2012	Unincorporated	Contra Costa
300A	BD616	0.00	3	Hydrostatic Test completed on 8/30/2011	9/12/2012	San Jose	Santa Clara
<b>Total Footage</b>			<b>23,937</b>				
<b>Total Miles</b>			<b>4.53</b>				

\* PG&E implemented Risk Management Procedure RMP-18, "Direct Examination Procedure," on August 18, 2012, which requires PG&E to notify the CPUC at least 180 days before using direct examination as an assessment method. After careful consideration and consistent with 49 CFR §192.921(a)(3) and 192.923(b), PG&E has determined that direct examination is the best assessment method for these three segments, totaling 32 feet of the 23,937 feet to be assessed, to minimize the operational and customer impact on the gas facilities tied to these segments. Indeed, the individual characteristics and conditions of these segments make direct assessment of the internal corrosion threat the only feasible approach. Thus, in order for PG&E to meet the mentioned December 17, 2012 deadline, PG&E will not be able to satisfy the 180 day notification requirement.