

PREPARED DIRECT TESTIMONY OF MARCEL HAWIGER

**CALIFORNIA PUBLIC UTILITIES COMMISSION
INVESTIGATION OF THE SAN BRUNO EXPLOSION AND FIRE
OII 12-01-007**

on behalf of

THE UTILITY REFORM NETWORK

115 Sansome Street, Suite 900
San Francisco, CA 94104
Telephone: (415) 929-8876
Email: marcel@turn.org

April 24, 2012

(Errata submitted January 15, 2013)

TABLE OF CONTENTS

1.	1. SUMMARY OF RECOMMENDED CONCLUSIONS AND COMMISSION	
	ACTIONS 1	1 <input type="checkbox"/>
2.	2. SUMMARY OF CPSD FINDINGS REGARDING INTEGRITY	
	MANAGEMENT ON LINE 132	4 <input type="checkbox"/>
3.	3. NEED FOR A SYSTEM-WIDE INVESTIGATION OF PG&E'S	
	INTEGRITY MANAGEMENT PRACTICES	7 <input type="checkbox"/>
4.	4. THE COMMISSION SHOULD INCORPORATE THE RESULTS OF THE	
	MAOP VALIDATION PROJECT TO EVALUATE PG&E'S THREAT	
	IDENTIFICATION PRACTICES	10 <input type="checkbox"/>
5.	5. ANALYSIS OF AVAILABLE INFORMATION REGARDING SYSTEM-	
	WIDE INTEGRITY MANAGEMENT DEFICIENCIES AND VIOLATIONS	13 <input type="checkbox"/>
a.	PG&E Used An Improper Assessment Method for Pipelines with	
	Manufacturing and Construction Threats	14 <input type="checkbox"/>
b.	PG&E Failed to Hydrotest Lines With Operational Pressure Excursions	17 <input type="checkbox"/>
6.	6. THE COMMISSION SHOULD INSURE PROPER INSPECTION OF	
	FUTURE EXCAVATIONS	20 <input type="checkbox"/>
1.	1. SUMMARY OF RECOMMENDED CONCLUSIONS AND COMMISSION	
	ACTIONS	1 <input type="checkbox"/>
2.	2. SUMMARY OF CPSD FINDINGS REGARDING INTEGRITY	
	MANAGEMENT ON LINE 132	4 <input type="checkbox"/>

3. NEED FOR A SYSTEM WIDE INVESTIGATION OF PG&E'S INTEGRITY MANAGEMENT PRACTICES	7	<input type="checkbox"/>	ð
4. THE COMMISSION SHOULD INCORPORATE THE RESULTS OF THE MAOP VALIDATION PROJECT TO EVALUATE PG&E'S THREAT IDENTIFICATION PRACTICES	10	<input type="checkbox"/>	ð
5. ANALYSIS OF AVAILABLE INFORMATION REGARDING SYSTEM- WIDE INTEGRITY MANAGEMENT DEFICIENCIES AND VIOLATIONS	13	<input type="checkbox"/>	ð
a. PG&E Used An Improper Assessment Method for Pipelines with Manufacturing and Construction Threats	13	<input type="checkbox"/>	ð
b. PG&E Failed to Hydrotest Lines With Operational Pressure Excursions	17	<input type="checkbox"/>	ð
6. THE COMMISSION SHOULD INSURE PROPER INSPECTION OF FUTURE EXCAVATIONS	20	<input type="checkbox"/>	ð

LIST OF TABLES

Table 1: Pipelines Spiked to Preserve MAOP	19	<input type="checkbox"/>	ð
Table 1: Pipelines Spiked to Preserve MAOP	19	<input type="checkbox"/>	ð

1 **DIRECT TESTIMONY OF MARCEL HAWIGER**

2
3 Pursuant to the schedule established in the Joint Scoping Memo and Ruling of
4 March 13, 2012, as modified by ALJ Wetzell on April 6, 2012 and April 23, 2012, I am
5 submitting this testimony on behalf of the Utility Reform Network (“TURN”).

6 I have been a staff attorney at TURN since August of 1998. I have participated in
7 many gas proceedings and utility rate cases, including the “Gas Accord” proceedings
8 concerning PG&E’s gas transmission and storage departments. I have testified previously
9 before this Commission. My statement of qualifications is included as Attachment 1.

10
11 **1. SUMMARY OF RECOMMENDATIONS AND CONCLUSIONS AND A COMMISSION**

12
13 1. The deficiencies and violations related to PG&E’s Transmission Integrity
14 Management Program (“TIMP”)¹ identified in the CPSD and NTSB Reports² appear to
15 reflect system-wide problems. The Commission should either expand this Investigation
16 or open a new Investigation to determine the full scope of PG&E’s Integrity Management
17 violations and deficiencies. A more comprehensive investigation of PG&E’s past
18 Integrity Management practices would likely show more deficiencies affecting a broader
19 scope of PG&E’s HCA pipeline.

¹ Transmission Integrity Management refers generally to procedures and practices adopted to comply with the 2002 Pipeline Safety and Improvement Act and regulations in Subpart O of 49 CFR 192.

² This testimony refers extensively to two reports. Consumer Protection and Safety Division, “Incident Investigation Report,” January 12, 2012 (“CPSD Report”); and National Transportation Safety Board, Accident Report, NTSB/PAR-11/01, August 30, 2011 (“NTSB Report”).

1 2. Such a comprehensive investigation should include an evaluation of the
2 results of PG&E's Maximum Allowable Operating Pressure ("MAOP") Validation
3 Project, which is included as part of PG&E's Pipeline Safety Enhancement Plan
4 ("PSEP"), to determine whether record-keeping deficiencies and/or errors in database
5 input resulted in the misidentification of pipeline threats under PG&E's Integrity
6 Management Program.

7 3. Even absent such a comprehensive examination of PG&E's past practices
8 with respect to Integrity Management, the available information provides substantial
9 evidence of Integrity Management deficiencies extending well beyond Line 132,
10 including:

11 a. At the start of its Integrity Management Program in 2004, PG&E
12 ruled out hydrotesting as an assessment method and, from 2002-2010, PG&E in-line
13 inspected 171 miles of HCA pipeline, thus failing to properly assess the vast majority of
14 its HCA pipeline for manufacturing or construction defects.

15 b. PG&E in 2004 identified 457 miles of HCA pipe with a
16 manufacturing threat, but conducted in-line inspections on only 34.35 miles of this pipe
17 during 2004-2010, including only 10.41 miles using TFI pigging. Thus, for almost all of
18 this pipeline, PG&E failed to use the proper assessment method.

19 c. From 2003-2010, PG&E spiked over 415 miles of pipeline,
20 including 86 miles of pipeline identified as having a manufacturing threat (a subset of the
21 457 miles identified above). PG&E should have hydrotested these 86 miles of pipeline
22 for priority assessment of seam threats.

23

1 4. The findings and conclusions above have implications for the issue of
2 ratepayer versus shareholder cost responsibility for PG&E's Pipeline Safety
3 Enhancement Plan ("PSEP"), filed in Rulemaking 11-02-019. In light of PG&E's own
4 principle that its shareholders should be responsible for work that should have been done
5 under existing regulations,⁴ the Commission should make the following findings:

6 a. Of the 457 miles of pipeline discussed in 3.b above, 239 miles are
7 scheduled for testing and 62 miles for replacement under PG&E's Phase 1 PSEP.⁵ If
8 PG&E had properly assessed this pipeline under Integrity Management requirements,
9 PG&E should have already tested or replaced this pipeline.

10 b. Of the 86 miles of pipeline discussed in 3.c above, 51.7 miles are
11 | scheduled to be tested (31.9 miles) or replaced (19.8 miles) in PG&E's Phase 1 PSEP. If
12 | PG&E had properly assessed this pipeline under Integrity Management requirements,
13 | PG&E should have already hydrotested this pipeline.

14 c. A more comprehensive Commission investigation of PG&E's past
15 Integrity Management practices would likely show more miles of pipeline that are
16 scheduled to be tested or replaced in PG&E's Phase 1 PSEP that should have already
17 been tested or replaced if PG&E had fulfilled its obligations under Integrity Management
18 regulations.

19 4. The Commission should investigate whether PG&E should have known
20 that more pipeline segments than just Segment 180 were defective. To support this
21 investigation, the Commission should order PG&E, at shareholder expense, to have

⁴ R.11-02-019, Exhibit 21 (Bottorf Rebuttal Testimony for PG&E), pp. 1-1 to 1-2.

⁵ The Phase I of the PSEP includes the specific request made by PG&E to fund pipeline testing and replacement work scheduled for 2012-2014. The PSEP was submitted by PG&E on August 26, 2011 in R.11-02-019.

1 independent and experienced pipeline inspectors present during all excavations
2 conducted as part of testing or replacement in the PSEP. These inspectors should monitor
3 the condition of ~~installed~~ the existing pipe to evaluate the presence of pre-existing
4 defects.

5

6 **2. SUMMARY** ~~CPSD FINDINGS~~ ~~REGARDING~~ ~~INTEGRITY MANAGEMENT~~ ~~LINE~~ ~~132~~
7

8 Section V of the CPSD Report, entitled “Integrity Management,” describes
9 several deficiencies in PG&E’s integrity management procedures that contributed to the
10 rupture of Segment 180. The CPSD Report includes the following facts concerning
11 PG&E’s data gathering, threat identification and risk assessment:

12 ➤ PG&E failed to gather all relevant leak data on Line 132 and integrate it
13 into the GIS system used for risk analysis. PG&E failed to integrate
14 relevant data from the 1948 construction records, and data on seam leaks
15 and test failures from other similar DSAW pipe.⁶ These data would have
16 confirmed the potential for a manufacturing defect on Segment 181 and
17 would have resulted in a different and more appropriate assessment
18 method choice.

19 ➤ PG&E did not ensure the use of conservative default values in the absence
20 of reliable data. PG&E used several non-conservative values, non-
21 conservative assumptions (concerning pipe characteristics), and did not
22 consider all relevant information (missing girth weld radiography records,

⁶ CPSD Report, pp. 32-34, 46-47.
Hawiger Direct Testimony
I.12-01-007
April 24, 2012

1 construction damage, leaks on similar pipelines, use of “wedding band”
2 joints) in its risk assessment process, as required by Part 192.917(c)⁷ and
3 ANSI B31.8S.

4 ➤ PG&E failed to analyze cyclic fatigue and loading conditions in its threat
5 assessment of Line 132. PG&E excluded the threat of cyclic fatigue based
6 on the results of a 2007 report by John Kiefner without conducting any
7 evaluation or analysis, using the actual pressure spectrum of Line 132, as
8 required by Part 192.917(e)(2).⁸

9 ➤ PG&E spiked the pressure on Line 132 in December 2003 over the system
10 MAOP within days of identifying the pipeline as an HCA location in order
11 to argue that any future pressure increases would not exceed the
12 “maximum operating pressure experienced during the five years preceding
13 identification of the high consequence area,” thus triggering a finding of
14 an unstable defect pursuant to Part 192.917(e)(3).⁹ PG&E repeated the
15 pressure spiking in 2008.

16
17 As a result of these deficiencies, PG&E failed to properly identify and properly
18 assess all potential threats on Line 132. PG&E was required to assess all pipeline threats.
19 For pipelines where PG&E identified manufacturing threats, PG&E had to properly

⁷ All references are to Section 49 of the Code of Federal Regulations unless otherwise indicated.

⁸ CPSD Report, p. 50-54.

⁹ CPSD Report, p. 43. The CPSD Report goes to great lengths to document that the “pressure spikes” were actually performed a few days *after* identification of the segments as located in an HCA. Regardless of the actual timing, it is clear that PG&E’s intent with the pressure spiking was to avoid any possibility of a future pressure increase that would trigger the need to consider an operating or manufacturing threat as unstable.

1 assess the threat. Guidance for assessing manufacturing threats is provided in 49 CFR
2 192.917 and ASME/ANSI B31.8S, Section 5.

3 The CPSD report includes an analysis of “specific errors in PG&E’s threat
4 analysis and how that impacted Line 132.”¹⁰ The CPSD Report relies in large part on the
5 facts and data in the NTSB Report as support for these conclusions. The factual
6 conclusions contained in the NTSB Report focus on Line 132, and more specifically
7 Segment 180 and surrounding pipeline segments. While the NTSB Report considered
8 voluminous data from various sources, it was focused on the rupture of Line 132.

9 The CPSD Report concludes that:

10 Had PG&E properly identified the threat of potentially unstable
11 manufacturing defects, it would have been required to use an assessment
12 technology capable of assessing this threat. Had PG&E hydro-tested Segment
13 180, it is highly probable that one of the defective pups would have failed.¹¹

14 ~~The CPSD concludes that PG&E should have, at the very least, hydro-tested~~

15 The CPSD concludes that PG&E should have, at the very least, hydro-tested

16 adjoining Segment 181, and would thus have found the defects on Segment 180.

17 The evaluation of PG&E’s practices with respect to integrity management
18 indicates that PG&E did not perform the type of thorough records-based review of all
19 available data concerning Line 132 that was required under federal regulations in order to
20 properly identify all threats. Where data deficiencies or shortcomings were present,
21 PG&E did not make proper conservative assumptions. PG&E did not consider available
22 information that would have resulted in different threat identification. The outcome was
23 that PG&E relied exclusively on external corrosion direct assessment (“ECDA”) to assess

¹⁰ CPSD Report, p. 38.

¹¹ CPSD Report, p. 26.

1 the threats on Line 132. ECDA was incapable of detecting the type of seam threats that
2 existed on Line 132.

3 **3. NEED FOR SYSTEM-WIDE INVESTIGATION OF PG&E'S INTEGRITY MANAGEMENT PRACTICES**
4

5
6 The NTSB and CPSD Reports are focused on PG&E's Integrity Management
7 violations as they relate to the San Bruno pipeline and explosion. The findings and
8 conclusions in these Reports raise questions regarding: (1) the extent to which the
9 identified Integrity Management violations affected other pipeline segments; and (2)
10 whether a more comprehensive investigation of PG&E's Integrity Management practices
11 would show other violations.

12 It is likely that the Integrity Management violations that resulted in deficiencies in
13 PG&E's assessment of Segment 180 on Line 132 affected other HCA pipeline. The types
14 of deficiencies identified in the NTSB and CPSD Reports reflect broad, system-wide
15 issues that appear not to be limited to Segment 180. For example, CPSD points out a
16 faulty PG&E policy that caused it to fail to gather the necessary data, such as leak history
17 data, for threat assessment.¹² Similarly, the NTSB and CPSD Reports find multiple
18 instances in which PG&E failed to follow the requirement to use conservative
19 assumptions when performing risk assessment.¹³ Other likely broad-based problems
20 include: processes that did not ensure accurate information in PG&E GIS system,¹⁴
21 PG&E's failure to consider certain pipeline characteristics and maintenance information

¹² CPSD Report, p. 30 (PG&E's policy in RMP-06 is contrary to applicable regulations).

¹³ CPSD Report, p. 31; NTSB Report, Sec. 2.6.1.

¹⁴ CPSD Report, p. 32.

1 in its threat algorithms,¹⁵ PG&E’s failure to consider DSAW pipe as potentially subject to
2 manufacturing defects,¹⁶ and PG&E’s failure to appropriately consider cyclic fatigue in
3 its threat assessment and risk ranking processes.¹⁷ The NTSB concluded that “PG&E’s
4 pipeline integrity management program was deficient and ineffective.”¹⁸ The NTSB
5 recommended a comprehensive audit of PG&E’s integrity management programs (P-11-
6 22), and recommended that PG&E “assess every aspect of your integrity management
7 program.” (P-11-29)

8 Accordingly, TURN urges the Commission to either expand this investigation or
9 to open a new investigation in order to conduct a comprehensive assessment of PG&E’s
10 past Integrity Management practices. These and other system-wide deficiencies in
11 PG&E’s Integrity Management Program need to be investigated to determine the full
12 scope of PG&E’s violations and to fully inform the Commission’s determination of
13 necessary remedies. While this Commission is comprehensively addressing PG&E’s past
14 record-keeping and pipeline classification practices in other dockets, there is no such
15 systematic evaluation for Integrity Management. The extent to which deficiencies in
16 PG&E’s integrity management practices affected other pipeline segments is important for
17 future system safety.

18 Moreover, an evaluation of deficiencies in PG&E’s past integrity management
19 practices could provide valuable information to assist PG&E in future threat
20 identification and assessment. One of the issues that should be addressed going forward is
21 how to properly assess manufacturing threats, especially on non-HCA pipeline. TURN is

¹⁵ NTSB Report, Sec. 2.6.1.

¹⁶ CPSD Report, pp. 41-42.

¹⁷ CPSD Report, pp. 50-54.

¹⁸ NTSB Report, p. xi and 114.

1 concerned that, in an understandable desire to ensure safe pipeline operations, this
2 Commission may have moved too quickly in mandating testing or replacement of *all*
3 pipeline, including non-HCA pipeline, where PG&E is missing complete historical test
4 records. The Commission should consider whether other options could provide the same
5 assurance of safety at lower cost. It is possible that a properly conducted integrity
6 management program may be sufficient to address threats existing on some pipeline
7 segments for which MAOP was established pursuant to the grandfathering provision of
8 192.619(c). While federal gas Transmission Integrity Management Plan regulations apply
9 only to HCA pipeline, the Commission should consider whether extending TIMP
10 requirements, and using other assessment tools such as ILI, would be a more appropriate
11 response rather than limiting the options to only testing or replacing all pipeline.

12 A proper evaluation of deficiencies in PG&E's TIMP is also highly relevant to
13 apportioning cost responsibility for the PSEP. PG&E has agreed that shareholders should
14 be responsible for work made necessary because PG&E historically failed to perform
15 work required by regulations.¹⁹ PG&E has explicitly stated:

16 We will also take responsibility for any other costs the Commission
17 determines in the San Bruno OII, the Recordkeeping OII, and the Class
18 Location OII . . . result from past alleged failures of PG&E to comply with
19 regulations.²⁰
20

21 Thus, PG&E acknowledges that the Commission's findings of violations in this and other
22 enforcement dockets can and should affect the apportionment of PSEP costs between
23 ratepayers and shareholders. Likewise, the Commission put PG&E on notice that while

¹⁹ R.11-02-019, Exhibit 21 (Bottorff Rebuttal Testimony for PG&E), pp. 1-1 to 1-2.

²⁰ *Id.*, p. 1-2, lines 29-33.

1 cost responsibility issues will be addressed in Rulemaking 11-02-019, the Commission
2 “may take note of the record evidence in this investigation” in the rulemaking.²¹

3 Under this principle, to the extent that PG&E should have previously hydrotested
4 or in-line inspected pipeline presently scheduled for testing or replacement in the PSEP,
5 then PG&E ratepayers should not shoulder the cost. The analysis in Section 5 of this
6 testimony addresses this issue. Here, however, the point is that a comprehensive analysis
7 of PG&E’s past Integrity Management practices is not only necessary to promote safety,
8 but also to ensure that the Commission has the factual record it needs to fairly apportion
9 responsibility for PSEP costs.

10 There are two issues identified in the detailed investigations of Segment 180 that
11 are relevant to system-wide integrity management. The first is the potential that PG&E
12 did not appropriately identify all pipelines with manufacturing or construction defects.
13 This issue is discussed in Section 4 below. The second is the likelihood that PG&E did
14 not use the appropriate assessment method for significant portions of the pipeline that it
15 ~~already identified~~ did identify as having a manufacturing threat. This issue is discussed in
16 Section 5 below.

17 **4. THE COMMISSION SHOULD INCORPORATE THE RESULTS OF THE**
18 **VALIDATION REPORT TO EVALUATE PG&E’S THREAT IDENTIFICATION**
19

20 The Integrity Management deficiencies identified in the NTSB and CPSD Reports
21 show that a key problem was PG&E’s failure to properly identify manufacturing and
22 construction threats.

²¹ OIR, p. 11.
Hawiger Direct Testimony
I.12-01-007
April 24, 2012

1 In its 2004 Baseline Assessment Plan (“ 2004 BAP”) PG&E identified 457 miles
2 of HCA pipeline as having potential seam or non-seam manufacturing threats, based on
3 procedures detailed in its 2004 RMP-06 document. By the end of 2010, PG&E had
4 disqualified almost 60 miles from consideration, primarily due to changing the
5 classification of the pipeline to distribution status or reclassifying the segment location as
6 non-HCA.²² PG&E thus identified 400 miles of HCA pipeline with manufacturing threat
7 in its 2009 BAP.

8 A number of record keeping and risk analysis deficiencies contributed to the fact
9 that PG&E did not identify a manufacturing or construction threat on Segment 180 of
10 Line 132 in its 2004 Baseline Assessment Plan (“BAP”). The CPSD Report explains that
11 in the 2004 BAP PG&E did not list Segment 180 as having a manufacturing threat, even
12 though adjoining Segment 181 was identified as having a manufacturing threat, simply
13 because the installation date of Segment 180 (1956) was less than 50 years before 2004.

14 The NTSB Report explains that PG&E’s GIS database system had
15 mischaracterized Segment 180 as a “seamless” pipe due to errors in data input into the
16 1977 pipeline survey sheet, which used an accounting journal voucher as the source of
17 data concerning pipeline characteristics.²³

18 However, even if PG&E had correctly characterized Segment 180 as DSAW
19 (double submerged arc weld) pipeline, PG&E did not consider DSAW pipe as an
20 integrity threat, despite the conclusions of its own “Integrity Characteristics of Vintage
21 Pipelines” report, which identifies DSAW pipe as having manufacturing defects.²⁴

²² PG&E Response to TURN DR 001-003, included as Attachment 2.

²³ NTSB Report, p. 27.

²⁴ CPSD Report, p. 41.

1 Instead, PG&E used a risk algorithm with identified specific pipeline characteristics and
2 treated DSAW the same as if it were seamless pipe.²⁵ The CPSD report concludes that
3 “PG&E’s procedure should have considered the category of DSAW as one of the weld
4 types potentially subject to manufacturing defects, and subject to Part 192.917(e)(3).”²⁶

5 Given these identified problems, one particular issue that needs further
6 investigation is the full scope of pipeline mileage (i.e., how much more than the 457
7 miles identified by PG&E) that should have been identified as having a manufacturing
8 threat,²⁷-if PG&E had used correct information about pipeline characteristics, had
9 properly incorporated leak data and had given appropriate consideration to the threats
10 associated with DSAW pipeline.²⁸ This question requires a close examination of the
11 accuracy of PG&E’s GIS database and records, the appropriateness of PG&E’s risk
12 algorithms in RMP-05, and the appropriateness of its integrity management procedures in
13 RMP-06.

14 For example, if PG&E had properly identified DSAW pipeline as having a
15 manufacturing threat, then PG&E should have increased its use of ILI to inspect DSAW
16 pipeline. This issue has important implications for PSEP cost responsibility. In its
17 PSEP, PG&E is proposing to pressure test 282.8 miles of DSAW pipe, which is the
18 largest single weld type out of the 783 miles scheduled for pressure testing in the PSEP.
19 If PG&E should have tested this pipeline as part of TIMP, then ratepayers should not be
20 responsible for these costs.

²⁵ NTSB Report, p. 62; RMP-05, Rev. 4, p. 6.

²⁶ CPSD, p. 41-42.

²⁸ This issue is also relevant to construction threats. TURN has simply not had time to address this issue.

1 PG&E will be reviewing and compiling all of its pipeline records as part of the
2 “MAOP Validation” project in the PSEP. PG&E may find additional errors in the GIS
3 database. Presumably, PG&E will use the corrected information as part of its ongoing
4 integrity management plan. The Commission should order PG&E to file a comparison of
5 the pipeline risk identification of all HCA pipelines after completion of the data
6 validation to determine whether, and to what extent, PG&E’s historical baseline
7 assessment plans (“BAP”) were inaccurate due to record errors and deficiencies.²⁹

8 **5. ANALYSIS ~~OF AVAILABLE~~ INFORMATION ~~ON RECORDS MANAGEMENT~~ ~~AND~~ INTEGRITY ~~MANAGEMENT~~ ~~DEFICIENCIES~~ ~~AND~~ ~~VIOLATIONS~~**
9

10

11 Even without the comprehensive investigation of PG&E’s Integrity Management
12 practices urged in Section 3, the available evidence shows that Integrity Management
13 violations have caused PG&E to fail to perform necessary and important assessments for
14 a significant portion of its HCA pipeline. Moreover, much of that pipeline is now
15 earmarked for testing or replacement in PG&E’s PSEP.

16 In this section, TURN quantifies the potential magnitude of work that should have
17 been performed by PG&E to properly assess manufacturing and construction defects,
18 assuming conservatively that PG&E’s identification of 457 miles of pipeline with
19 manufacturing threat is correct.³⁰

²⁹ It appears that PG&E’s BAP will change dramatically due to the use of a different method for classifying high consequence areas (HCAs). This is a separate impact on BAP data.

³⁰ As noted in the previous section, the available evidence shows that more miles should have been identified as having a manufacturing threat.

1 a. PG&E Used An Improper Assessment Method for Pipeline
2 Manufacturing and Construction Threats
3

4 As noted above, PG&E identified 457 miles of HCA pipeline as having potential
5 manufacturing threats in its 2004 Baseline Assessment Plan (“2004 BAP”). This number
6 was reduced to 400 miles in the 2009 BAP due to changes in pipeline status or HCA
7 location.

8 By the end of 2010, PG&E had assessed 357 miles of pipeline with manufacturing
9 threats. PG&E assessed 322.95 miles of this pipeline using external corrosion direct
10 assessment (“ECDA”).³¹

11 PG&E should not have used ECDA for pipelines with manufacturing threats.
12 ECDA is a primary assessment method only for external corrosion.³² Direct assessment,
13 including ECDA, is not the proper method to assess the risk of manufacturing or
14 construction defects. PG&E’s own procedures explain that ECDA is used to evaluate
15 external corrosion and third party damage risks.³³ The primary assessment methods for
16 manufacturing or construction threats are hydrostatic strength testing and in-line
17 inspection. Non-destructive examination can also be used on exposed pipeline.

18 Indeed, PG&E’s own plan was to use ILI for assessing manufacturing threats
19 “whenever it is physically and economically feasible.”³⁴ In its first Integrity Management
20 Program plan, dated December 9, 2004 and created to comply with Part 192.907, PG&E
21 had already decided to exclude pressure testing as an assessment method:

³¹ PG&E Response to TURN DR 001-03. Included as Attachment 2.

³² 49 CFR 192.923 and 192.925. The NTSB Report provides a summary of different assessment methods in Section 1.13.1. The NTSB Report further evaluates PG&E’s assessment methods in Section 2.6.2.

³³ PG&E’s RMP-06, Sec. 5.6; PG&E’s RMP-09, Sec. 2.1.

³⁴ PG&E’s RMP-06, Sec. 5.4.

1 Sec. 5.2. Background: The Company will choose the method or methods best
2 suited to assess the identified threats to the HCA. These methods may include 1)
3 In-line inspection tools ... 2) Pressure testing 3) Direct assessment. ...
4

5 Sec. 5.4 Inline Inspection: It is the Company's **desire to inspect pipelines**
6 **utilizing In-Line Inspection (ILI)**, whenever it is physically and economically
7 feasible. ...
8

9 Sec. 5.5. Pressure Testing: **The Company does not plan to use pressure testing**
10 to assess the integrity of its pipelines. However, during the course of assessing
11 data for ECDA or ILI, it may become apparent that pressure testing is the only
12 feasible option. If so, the Company will perform a pressure test following the
13 requirements found in Company's Gas Standards and Specifications A-37.
14

15 Sec. 5.6. Direct Assessment: Direct Assessment assesses integrity by the use of a
16 structured process to integrate knowledge of the physical characteristics and
17 operating history of a pipeline with results of inspection, examination and
18 evaluation. **It can be used as a primary method only for external and internal**
19 **corrosion, and stress corrosion cracking.** It may also be used as a supplement to
20 other methods.³⁵
21

22 Thus, at the **very outset** of integrity management PG&E had decided to rely
23 primarily on ILI. PG&E acknowledged that ECDA was **not an appropriate primary**
24 **assessment method** for threats other than corrosion. The language quoted above from
25 Section 5 of the 2004 RMP-06 is repeated verbatim in every revision of RMP-06 in 2005-
26 2010.³⁶

27 PG&E offered no rationale in its IMP documents for deciding to eliminate
28 hydrotesting as one of the three potential assessment methods. However, PG&E testified
29 in the 2005 Gas Transmission and Storage rate case that hydrotesting will be limited so as
30 to minimize customer impacts due to potential flow interruptions:

³⁵ PG&E RMP-06, "Integrity Management Program, Risk Management Procedure,"
Revision [0], dated 12/9/04 (emphasis added). This document is in the record in I.11-02-
016 as document P2-371.

³⁶ These documents are marked as exhibits P2-372 to P2-376 in I.11-02-016.

1 To verify pipeline integrity under these regulations [49 CFR 192, Part O], three
2 assessment methods are allowed: Smart Pigging, Pressure Testing and Direct
3 Assessment. PG&E has created the Pipeline Integrity Management Program to
4 cover the work required by these new safety regulations. Smart pigging
5 inspections that PG&E will perform to comply with the new rule have been
6 determined to be capital expenditures due to significant pipeline modifications
7 that must be implemented to facilitate pigging (such as valve and selected pipe
8 replacement). Consequently, smart pigging has no impact on expected 2005 O&M
9 expenditures. **Pressure testing will be used on a limited basis since it requires**
10 **the pipeline to be temporarily taken out of service to perform the test.** Direct
11 Assessment and the associated physical excavations to inspect the pipeline are the
12 primary Pipeline Integrity expenditures anticipated in 2005.³⁷
13

14 In practice, however, PG&E failed even to use ILI properly to assess threats.
15 Instead, PG&E relied predominantly on external corrosion direct assessment (“ECDA”)
16 to assess HCA pipelines. The NTSB Report notes that all of Line 132 was assessed
17 exclusively with ECDA. The NTSB Report further notes that of the 1,021 miles of HCA
18 pipeline, 813 miles were designated for assessment with ECDA and 208 miles with ILI.
19 None were designated for assessment with hydrotesting.³⁸

20 In actuality, during 2002-2010 PG&E assessed 649 miles of HCA pipeline using
21 direct assessment, 171 miles using ILI and only 14 miles using hydrotesting.³⁹

22 PG&E’s use of ILI declined dramatically after 2008. PG&E used ILI to inspect an
23 average of 123 miles per year in 2005-2008,⁴⁰ but then used ILI only for an average of 21
24 miles per year in 2009-2011. This dramatic decrease corresponds to a change in FERC
25 accounting rules. Based on FERC guidance, starting in 2008 PG&E accounted for ILI
26 costs as an expense, rather than a capital cost.

³⁷ A.04-03-021, PG&E Direct Testimony, dated March 19, 2004, p. 3-8, Kirkpatrick, PG&E (emphasis added).

³⁸ NTSB Report, p 112.

³⁹ PG&E Testimony in R.11-02-019, August 26, 2011, p. 2-17, Hogenson, PG&E.

⁴⁰ This number reflects the fact that PG&E ILI’ed much pipeline not in HCA locations. In total, PG&E ILI’ed approximately 826 miles of pipeline in 2000-2011.

1 Of the 357 miles of pipeline with manufacturing threats assessed by the end of
2 2010, PG&E in-line inspected 34.35 miles, including 10.41 miles conducted using
3 transverse field inspection (“TFI”) pigging.⁴¹ PG&E thus assessed about 8.6% of its
4 pipeline with identified manufacturing threat using ILI, and about 2.6% using TFI
5 pigging, a method capable of evaluating longitudinal seam weld defects. .

6 PG&E now plans to test or replace 301 miles of the 400 miles of pipeline with
7 manufacturing threat as part of its Phase I Pipeline Safety Enhancement Plan (“PSEP”).
8 Of the 185 miles scheduled for replacement in Phase I of the PSEP, 62 miles had a
9 manufacturing threat identified in the 2009 BAP, including 20 miles installed after 1955.
10 Of the 783 miles identified for hydrotesting in Phase I, 239 miles had a manufacturing
11 threat identified in the 2009 BAP, including 62 miles installed after 1955.⁴²

12 PG&E should have performed a different assessment on the 400 miles of HCA
13 pipeline in the 2009 BAP with identified manufacturing threats, including the 301 miles
14 now included in the PSEP Phase I (239 for testing and 62 for replacement). PG&E
15 shareholders should be responsible for the costs of testing or replacing these 301 miles of
16 pipeline due to violations of integrity management.⁴³

17 **b. PG&E Failed Direct Test In-
18 Lines With Operational Pressure Excursio**

⁴¹ Traditional MFL pigging is capable of detecting anomalies along girth welds, while TFI pigging is capable of detecting seam weld anomalies.

⁴² Due to database issues, TURN could only compare the contents of the PSEP with the 2009 BAP. As noted above, the 2009 BAP in total contained about 60 miles less of pipeline with identified manufacturing threat.

⁴³ Additionally and as a separate rationale, PG&E shareholders should cover the costs of testing and replacing the 82 miles installed after 1955 due to violation of industry standards, which required hydrotesting upon installation and the maintenance of certain test records.

1 There is a separate and independent basis for finding Integrity Management
2 violations with respect to the subset of pipelines with identified manufacturing threats
3 where PG&E “spiked”⁴⁴ the pipeline pressure in order to set a five-year MOP. The
4 CPSD and NTSB Reports explain in detail how PG&E spiked the pressure on Line 132 in
5 2003 and 2008 for this purpose.⁴⁵ PG&E believed that such spiking would allow it to
6 argue that any future pressure increases would not exceed the “maximum operating
7 pressure experienced during the five years preceding identification of the high
8 consequence area.” Pursuant to Part 192.917(e)(3) and ASME B31.8S, a pressure
9 excursion would have triggered the need to perform a hydrotest to assess seam integrity.⁴⁶

10 PG&E’s intent in performing the pressure spiking was to avoid any possibility
11 that a future pressure increase would trigger the need to consider an operating or
12 manufacturing threat as unstable. The CPSD Report explains that PG&E should have
13 considered the manufacturing threats on Segments 180 and 181 to be unstable due to any
14 one of the following independent reasons: the occurrence of the pressure spikes after
15 classification of the pipeline as an HCA pipeline, the information concerning
16 Consolidated Western pipe welds contained in various records and reports, the fact that
17 the spike test exceeded the pipeline MAOP, and the fact that PG&E did not conduct a
18 cyclic fatigue analysis.

⁴⁴ I use the term “spiked” to denote a pressure increase intended to preserve a five-year MAOP, not spiking as part of a hydrostatic pressure test. PG&E described these “planned pressure increases” in its letter to Paul Clanon dated February 2, 2011.

⁴⁵ CPSD Report, pp. 40, 44-49; NTSB Report, pp. 36-38, 112-113.

⁴⁶ NTSB Report, pp. 37, 112; CPSD Report, p. 40, 42-49.

1 This analysis may apply to other pipelines. At a minimum, PG&E should be held
 2 accountable for its decision to spike other pipelines in order to avoid having to properly
 3 assess manufacturing or construction threats.

4 PG&E spiked ~~more than ten~~ twelve lines (~~some three of them~~ more than once) in
 5 order to maintain the five-year MAOP at a constant value:

6 **Table 1: Pipelines Spiked to Preserve MAOP⁴⁷**

Line No.	Dates of Pressure Spiking	Total Line Length	Length of Line Spiked	Length of Line with MT Identified in 2009 BAP
101	12/11/03	47.4	44.6	8.6
107	6/19/09	25.9	25.0	1.6
108	1/8/09	76.9	62.3	2.9
109	12/11/03, 11/14/08 ₇ 4/12/10 12/11/03 ₇	57.4	52.7	12.9
132	12/9/08	53.8	46.6	28.4
138	10/30/08	34.6	35.2	2.2
0805-01	11/14/08	2.2	3.5	0.4
114	6/19/09	35.8	25.1	5.4
118A	1/8/10 10/19/2004 ₇	81.2	84.7	12.2
142S	8/13/09	11.6	9.0	8.0
1607-01	5/23/08	1.7	2.2	0.7
50A	7/20/10	43.3	24.4	2.7
Total		471.8	415.3	86.0

7

⁴⁷ All data from PSEP database and PG&E Response to TURN R.11-02-019 DR 018-016. In some instances, the “length of line spiked” exceeds the “total line length,” presumably due to the location of metering stations relative to the actual line, though TURN cannot fully explain this discrepancy.

1 These spiked lines include approximately 415.3 miles of pipeline. Of this total,
2 Approximately 86 miles were included in the 2009 BAP as having a manufacturing
3 threat. And of these 86 miles of spiked pipeline with manufacturing threats, 51.7 miles
4 are included in the PSEP Phase I for testing (31.9 miles) or replacement (19.8 miles).⁴⁸

5 The CPSD Report concludes that PG&E should have hydrotested Segment 181
6 due to the pressure spiking in December of 2003.⁴⁹ Similarly, PG&E should have
7 hydrotested the 86 miles of spiked pipeline with identified manufacturing threats as part
8 of its integrity management program. P&GE shareholders should thus be responsible for
9 the cost of testing or replacing all of this pipeline, including the 51.7 miles included in
10 Phase I of the PSEP.

11 **6. THE [REDACTED] COMMISSION [REDACTED] SHOULD [REDACTED] INSURE [REDACTED] PROPER [REDACTED] INSPECTION [REDACTED] OF [REDACTED] FUT**
12 **EXCAVATIONS [REDACTED]**

13 The NTSB and CPSD Reports conclude that Segment 180 had significant
14 manufacturing and construction defects that PG&E should have known about if it had
15 followed good industry practice.⁵⁰ There is every reason to believe that such violations
16 were not limited to Segment 180. However, the Commission lacks information about the
17 extent to which similar violations occurred with other pipeline segments. The numerous
18 excavations that PG&E will conduct as part of the PSEP testing and replacement work
19 provide an important opportunity to collect key data concerning pipeline characteristics
20 and potential defects. To ensure that such data is properly collected, TURN recommends
21 that the Commission order the presence of independent qualified inspectors during
22 excavations.

⁴⁸ The remaining 34.3 miles are included in the PSEP Phase II.

⁴⁹ CPSD Report, p. 46-47.

⁵⁰ CPSD Report, p. 15.

1 One of the obvious facts about natural gas pipelines is that for the most part they
2 are located underground, and so cannot be visually or physically inspected. The purpose
3 of various assessment methods is to evaluate the pipeline through electronic
4 measurements from within the pipe, through testing of the pipe by injecting an internal
5 fluid, or through external assessment methods. However, whenever possible, actual visual
6 and physical inspection of the pipeline provides crucial information.

7 The NTSB Report reaches conclusions regarding the failure of Segment 180 from
8 detailed physical inspection of the pipeline itself.⁵¹ The CPSD Report concludes that *if*
9 P&GE had strength tested Segment 181, it would likely have discovered that Segment
10 180 was a DSAW pipe, presumably as part of the physical inspection performed when
11 excavating Segment 181 to perform hydrotesting.⁵²

12 Small sections of the pipeline are exposed during excavations necessary to install
13 equipment and access the pipeline whenever hydrotesting or ILI is performed. Entire
14 sections of the pipeline are exposed when PG&E replaces the pipeline. Such pipeline
15 exposures provide a unique opportunity to inspect the pipeline and any exposed welds.
16 Such examination will shed light on the question of whether the manufacturing and
17 construction defects (including the installation of defective pipe and deficient girth
18 welding) found on Segment 180 are present on other pipeline segments.

19 Such data will be highly relevant not just to determine the full extent of PG&E's
20 violations, but also the cost responsibility apportionment of PSEP costs. To the extent
21 inspectors find similar manufacturing or construction defects on pipeline PG&E is
22 replacing as part of PSEP, and PG&E failed to properly account for such defects due to

⁵¹ NTSB Report, Sec. 1.8, p. 39-50.

⁵² CPSD Report, p. 47-48.

1 deficient records and/or improper integrity management practices, PG&E shareholders
2 should be responsible for the costs.

3 In order to ensure collection of reliable relevant data, the Commission should
4 require that PG&E hire, at shareholder expense, independent and qualified pipeline
5 inspectors to be present ~~to examine at~~ excavation sites to assess the condition of the
6 existing pipeline. The presence of outside inspectors is vital not only to ensure unbiased
7 inspection, but also because it appears that PG&E may not be properly capturing all
8 relevant information during excavations.⁵³ The results of these inspections should be
9 made public to parties in this proceeding, and should be incorporated in the
10 Commission's deliberations concerning cost responsibility for PSEP work.

11

12 This completes my written testimony.

⁵³ The NTSB states the following concerning PG&E's ECDA procedure: "There is no requirement to update pipeline records with data collected from the excavation and examination portions of the ECDA process." NTSB Report, p. 109.

ATTACHMENT 1

Statement of Qualifications: Marcel Hawiger

My current position is Energy Attorney at TURN. I have held this position since August of 1998. I have represented TURN as the attorney of record in numerous proceedings since 1998, including various natural gas rulemakings, general rate cases, cost allocation proceedings, and a variety of other energy-related proceedings. I am a member of the Procurement Review Groups for all three IOUs. I have testified previously before this Commission.

Prior to my employment with TURN I was the Director of MidPeninsula Citizens for Fair Housing (1996-1998). I have also been employed by Evergreen Legal Services (1994-1996), the Massachusetts Department of Environmental Protection (1988-1990) and GHR Engineering, Inc. (1986-1988).

My education includes a Bachelor of Science degree in Geology from Yale University (1982), a Master of Science degree in Civil and Environmental Engineering from Cornell University (1988), and a law degree from New York University (1993).

ATTACHMENT 2

PGE Response to TURN DR 001-03