

testing expense. TURN applies a similar rationale for pipeline of that vintage which PG&E's proposed decision tree determines should be replaced, and recommends disallowance of \$81 million in costs for replacing 18 miles of 1956 to 1961 pipeline.

PG&E states that while it began to follow the industry guidelines in 1955, it did so on a voluntary basis rather than due to a legal or regulatory requirement. Because it was not required to perform pre-service pressure tests from 1955 to 1961, PG&E posits that ratepayers should fund pressure testing for any pipeline placed into service during that time for which PG&E cannot locate pressure test data. PG&E summarizes its position: even though it may have "lost, destroyed, or misplaced" some of its records, it was able to prudently operate its natural gas transmission system by relying on the historical exemption in subpart J, thus the newly required pressure testing or replacement should be at ratepayers expense.<sup>46</sup>

We find that where PG&E undertook or stated that it undertook to comply with industry standards but no longer possesses the records of such compliance, the costs of retesting required by the missing records is a result of an error in PG&E's operation of its natural gas transmission system. Where PG&E's record retention errors have led to re-testing pipeline installed between 1955 and 1961, the costs of such re-testing is not a just and reasonable cost of providing public utility service. Such costs, therefore, should be excluded from authorized revenue requirement to be recovered from ratepayers.

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<sup>46</sup> PG&E Reply Brief at 8.

The evidentiary record supports the factual finding that from 1956 on, PG&E's practice was to comply with then-applicable industry standards for pre-service pressure testing, and that retaining records of such testing was part of the industry standard. As it was PG&E's practice to incur these pre-service test costs, we would expect that absent unusual circumstances such costs would be included in revenue requirement and recovered from ratepayers. No evidence has been presented to suggest that the cost of the 1956 to 1961 testing was excluded from revenue requirement. We, therefore, find that the preponderance of the evidence supports the findings that from 1956 to 1961: (1) PG&E's practice was generally to pressure test natural gas pipeline before placing the pipeline into service, with record retention being part of the practice, and (2) the costs of such pressure testing were included in revenue requirement recovered from ratepayers. We further find that if PG&E had competently retained the pressure test records for pipeline installed from 1956 to 1961, we would have evidence that such pressure tests did, in fact, occur and this pipeline would not be included in the Implementation Plan.<sup>47</sup>

Now, in response to D.11-06-017, PG&E is required to pressure test or replace all applicable natural gas transmission pipeline in its system. PG&E is unable to locate records of some of its previous testing for the 1956 to 1961 pipeline, and requests Commission authorization to include the cost of re-testing this pipeline in revenue requirement. PG&E argues that because it was not legally required to pressure test these pipeline segments previously, even

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<sup>47</sup> See Conclusion of Law 3 in D.11-06-017 defining pre-1961 pressure test requirements. Notwithstanding compliance with historic standards, PG&E should evaluate these pipeline segments in later Phases of the Implementation Plan.