

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the  
Commission's Own Motion to Adopt  
New Safety and Reliability Regulations  
for Natural Gas Transmission and  
Distribution Pipelines and Related  
Ratemaking Mechanisms.

Rulemaking 11-02-019  
(Filed February 24, 2011)

**NON-PARTY COMMENTS OF SENATOR JERRY HILL ON THE SAFETY  
AND ENFORCEMENT DIVISION'S PRESENTATION OF PROPOSED GAS  
SAFETY REPORTING METRICS AT THE JUNE 27<sup>TH</sup> WORKSHOP**

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I appreciate the continued effort by the Safety and Enforcement Division (SED) to address the weaknesses in oversight of gas pipeline operators brought to light by the Independent Review Panel, the National Transportation Safety Board, and others in the aftermath of the pipeline rupture in San Bruno. Though active in public discussions on pipeline safety, I have not (with limited exception) participated directly in the current rulemaking, preferring to offer direction through Legislation.

As the new chair of the Senate Subcommittee on Gas and Electric Infrastructure Safety (under the Standing Committee of Energy, Utilities, and Communications), I will be taking a more formal oversight role. As the June 27<sup>th</sup> workshop on gas safety reporting metrics touches upon an area of current investigation by the subcommittee, I would like to offer these comments regarding the subcommittee's direction for consideration by the SED and the parties.

These comments are restricted to the importance of clearly stating the purpose of each proposed reporting requirement, and how it will help the CPUC and SED achieve a specific safety goal.

The CPUC has undertaken many actions since the San Bruno explosion, but it is not evident whether all of these actions have improved safety. Safety is not easily quantifiable; one cannot merely add more “safety” to achieve safer outcomes. Safety does not lend itself well to experimentation. One can perform a great many actions with the intent to improve safety, but without quantifiable measures, it is difficult to say whether these actions are effective, are without effect, or are detrimental to the safety goal. Unlike in enterprises where the performance measures are self-evident—measures such as dollars earned, widgets produced, or customers served—it will be more difficult for the CPUC to know if the outcome of “safety” is achieved.

The Subcommittee on Gas and Electric Infrastructure Safety will be considering the CPUC's need for clear and well-articulated goals for safety, as well as connecting actions used to achieve those goals with performance metrics in order for the CPUC to gauge its progress, and also to give the Legislature confidence in the CPUC's ability to regulate for safety.

When considering new reporting requirements, one might take as a starting point NTSB's criticism:

*“The NTSB also concludes that because PG&E, as the operator of its pipeline system, and the CPUC, as the pipeline safety regulator within the state of California, have not incorporated the use of effective and meaningful metrics as part of their performance-based pipeline safety management programs, neither PG&E nor the CPUC is able to effectively evaluate or assess the integrity of PG&E's pipeline system.”<sup>1</sup>*

SED's careful consideration of metrics used for reporting is a vital step toward understanding the condition of the utilities' gas delivery systems. The reporting requirements considered in this phase of the rulemaking may also in part fulfill Recommendation 7.4.2 of the Independent Review Panel<sup>2</sup> and AB 1456 (Statutes of 2012) which codified it.

The Independent Review Panel had, however, raised warnings about adding new reporting requirements.<sup>3</sup> As the division and the parties are well-aware, utilities are capable of producing a great deal of information—information that can be unhelpful and

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<sup>1</sup> National Transportation Safety Board, 2011. *Pacific Gas and Electric Company Natural Gas Transmission Pipeline Rupture and Fire, San Bruno, California, September 9, 2010*. Pipeline Accident Report NTSB/PAR-11/01. Washington, DC, p. 122.

<sup>2</sup> “Upon thorough analysis of benchmark data, adopt performance standards for pipeline safety and reliability for PG&E, including the possibility of rate incentives and penalties based on achievement of specified levels of performance.”

<sup>3</sup> *Report of the Independent Review Panel: San Bruno Explosion, Revised Copy*, June 24, 2011, p. 107.

overwhelming unless presented in a manner in which the CPUC’s regulatory staff can use. Jacobs Consultancy recognized this in its technical evaluation of PG&E’s PSEP, stating that PG&E should regularly report progress in various aspects “in a format specified by the CPUC.”<sup>4</sup>

To get the most value out of its new reporting requirements, the CPUC may wish to consider stating how any reporting metric that it proposes to add to GO 112-E will help SED and the CPUC fulfill a specific safety goal.

For instance, the SED’s presentation in the June 27<sup>th</sup> workshop proposed that utilities would be required to report response times to gas leaks. The goal this reporting requirement would support could be stated explicitly. The goal could be something such as minimizing the risk of injury from a gas leak. The CPUC could have a more specific goal of minimizing the time between the report of a leak and the evacuation of the area or determination that the leak is not hazardous. The metric would be different, however, if the goal were to minimize property damage from a gas leak. In that case, the metric would be the time between the report of a leak and the determination that a leak was not hazardous or the remediation of that leak to a non-hazardous state. Clearly stating the goals associated with each metric could minimize ambiguity.

In many cases SED likely already has the goals in mind, but writing those goals down could assist the parties in understanding the where such requirements fit within the CPUC’s safety philosophy and programs. Written goals could also help inform other CPUC staff in their own work. The Independent Review Panel found need for a much better coordination between CPUC safety and ratemaking functions:

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<sup>4</sup> Recommendations 7.4.3, 8.4.1, 8.4.2, and 8.4.3. Jacobs Consultancy, *Assessment of Pacific Gas and Electric Company’s Pipeline Safety Enhancement Plan*, December 23, 2011.

*“It is incumbent on the entire organization – safety and ratemaking branches – to understand the need for investments in safety and reliability, the goals expected from the investments, the alternatives considered, and the progress in system improvements. The silos between the various disciplines in the agency must be dismantled.”<sup>5</sup>*

Finally, writing down the goals associated with a particular metric can in cases be a valuable exercise for the person or persons developing those goals and metrics.

There may be information that the SED would like to capture, but at this time cannot articulate exactly what it would use the information for. In these cases, SED and the parties might consider putting these questions off until a later point in the proceeding. According to the CPUC’s Gas Safety Plan, there are a great number of topics the proceeding has yet to address, having completed only a handful of the following:

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<sup>5</sup> *Report of the Independent Review Panel: San Bruno Explosion, Revised Copy*, June 24, 2011, p. 103.

Actions in CPUC's Gas Safety Plan (April 2013) to be undertaken in R.11-02-019

Action	"Task"	Managed by/through	Source	Completion date
Eliminate the "grandfather" clause for pressure testing	1,14	R.11-02-019	NTSB	6/9/2011
Define "traceable, verifiable, and complete" records	2	R.11-02-019	NTSB	2012
Enhance the availability of safety-related information	9	R.11-02-019		ongoing
Require utilities to provide more detailed failure data in quarterly reports	10,17	R.11-02-019		2016
Require utilities to report complaints	10,17	R.11-02-019		2016
Revise drug and alcohol testing procedures	11	R.11-02-019	NTSB	2016
Develop emergency response standards	11,13	R.11-02-019	SB 44	2014
Develop a report format for utilities' pressure test plans	11	R.11-02-019, GSRB		2015
Develop a report format for utilities' gas safety activities	11	R.11-02-019, GSRB		2015
Require SCADA upgrades for safety activities	12	R.11-02-019		2016
Require automatic and remote controlled valves in HCAs	12,17	R.11-02-019	SB 216, AB 56	2015
Require operators to provide information to emergency response agencies	12	R.11-02-019		2016
Require operators to notify 911 in emergencies	13	R.11-02-019	NTSB	2016
Require in-line inspection retrofits	14	R.11-02-019		
Revise reporting rules for high- and low-pressure events	15,17	R.11-02-019		2016
Require manufacturing and construction defects to undergo hydrostatic testing before they can be considered stable	15	R.11-02-019		2016
Require operators to have safety plans	15	R.11-02-019	SB 705	2013
Devolve fine authority to staff	18,29	Res. ALJ-274	NTSB, IRP	12/1/2011
Whistleblower protection	19	R.11-02-019, GSRB		ongoing
Require operators to submit safety certifications in rate cases	22	R.11-02-019, GSRB	IRP	ongoing

Many appropriate reporting metrics may be best determined after other phases of the proceeding are complete.

SED's proposed reporting metrics appear to have merit. A further, written articulation of the purpose behind those metrics could help parties analyze and comment on them, and could also help staff in other divisions, future SED staff, and the public at

large (which includes the Legislature) better understand the direction the CPUC is taking in its continuing efforts to improve gas safety.

Respectfully submitted,

/s/ JERRY HILL

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