

Safety and Enforcement Division



Safety and Enforcement Division Staff Program Quality Review Plan for the Pacific Gas and Electric Pipeline Safety and Enhancement Plan

Gas Safety and Reliability Branch

August 22, 2013

EXECUTIVE SUMMARY

The California Public Utilities Commission (CPUC) has ordered the Pacific Gas and Electric Company (PG&E) to develop a plan to ensure safety of its natural gas transmission system, known as the Pipeline Safety Enhancement Plan (PSEP). The work involved in implementing the PSEP is estimated to cost more than two billion dollars, it requires more than 1,300 PG&E staff and contractors, and more than 300 discrete projects and processes that touch almost every aspect of PG&E's operations. The Safety and Enforcement Division (SED) of the CPUC is overseeing the development and implementation of PG&E's PSEP to ensure that the opportunity to improve safety is maximized throughout this effort.

The PG&E PSEP is an undertaking of an unprecedented magnitude. As originally proposed, Phase I includes pressure testing 783 miles of pipeline, replacement of approximately 185 miles of pipeline, installation of 228 automated valves, upgrades to 199 miles of pipeline to allow for in-line inspection, and in-line inspection of 234 miles¹. PG&E is also updating its database after the conclusion of its Maximum Allowable Operating Pressure (MAOP) validation and record search effort, which was mandated by the CPUC.

The CPUC performed a thorough analysis of PG&E's PSEP, approving it on December 20, 2012. The SED team supported the decision-makers by providing technical expertise in analyzing the record in the proceeding² and providing recommendations throughout the process. Having completed the MAOP validation effort, PG&E is scheduled to submit to the CPUC an update to the PSEP in the third quarter of 2013. The SED team will once again provide its technical expertise to the decision-makers as it assess the safety impacts of the proposed PG&E plan update.

The involvement of the SED team in overseeing PG&E's PSEP goes far beyond the formal proceeding. SED gas safety experts perform an ongoing review of PG&E activities, including both review of PG&E's procedures, standard practices, and execution of the work in the field. Field work review by SED includes maintenance, operations, and construction activities.

¹ PG&E operates 7,199 miles of natural gas transmission pipeline, with 2,088 miles in High Consequence Area pipeline (HCA).

² PG&E PSEP was filed in the Gas Safety OIR proceeding R. 11-02-019

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In order to perform diligent quality assurance and quality control of PG&E's PSEP, SED has developed a Quality Review Plan that outlines key PG&E activities that require SED oversight. The SED plan is comprised of six core workstreams: Program Controls, Pipeline Records, Project Planning and Design, Technical Review, Field Audits, and Continuous Improvement. Each workstream has specific Scope and an individual set of Activities.



The SED team bases its Quality Review Plan on the SED core values of justice, integrity, and commitment. SED is implementing these values by creating a paradigm shift both internal and external to the CPUC. SED is striving to establish relationships based on trust with both internal and external stakeholders. This foundation of trust will empower all parties involved in the PG&E PSEP program to work collaboratively together to develop win-win solutions that serve the public interests.

This Quality Review Plan document provides a detailed overview of how SED staff approaches regulatory oversight of the PG&E PSEP program. SED staff welcomes all comments and recommendations on how this approach can be further improved.

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2 CPUC MISSION AND GOALS OF THE PROGRAM

2.1 CPUC VISION, MISSION AND VALUES

VISION

The California Public Utilities Commission (the Commission or CPUC) betters the lives of all Californians through our recognized leadership in innovative communications, energy, transportation, and water policies and regulation.

MISSION STATEMENT

The CPUC serves the public interest by protecting consumers and ensuring the provision of safe, reliable utility service and infrastructure at reasonable rates, with a commitment to environmental enhancement and a healthy California economy. We regulate utility services, stimulate innovation, and promote competitive markets, where possible, in the communications, energy, transportation, and water industries.

VALUES

LEADERSHIP: We lead with integrity, take initiative, and inspire a shared vision in the pursuit of the public interest.

EXCELLENCE: Our skilled, dedicated, and diverse workforce provides the highest quality products and services.

PEOPLE: We promote professional growth, empowerment, innovation, accountability, teamwork, collegiality, and mutual respect.

PARTICIPATION: We provide an open, fair, timely, and inclusive process.

STEWARDSHIP: We are responsible stewards of the human, financial, information, and natural resources entrusted to us.

COMMUNICATION: We provide accurate, timely information and consumer education.

2.2 SED VISION, MISSION AND GUIDING PRINCIPLES FOR THE QUALITY REVIEW PLAN FOR PG&E PSEP

VISION

The Safety and Enforcement Division (SED) of the CPUC bases its work and approach on the principles of justice, integrity and commitment. In providing regulatory oversight of the Pacific Gas and Electric (PG&E) Pipeline Safety Enhancement Plan (PSEP), SED staff implements these principles by closely monitoring the program and working collaboratively with internal and external stakeholders. Through audits, inspections and close involvement in all aspects of the PSEP program, SED staff serves the public interest by ensuring that work is being performed in accordance with gas safety regulations and by validating that PG&E has traceable, verifiable, and complete records for existing and new natural gas pipeline infrastructure. SED strives to establish relationships based on trust with both internal and external stakeholders. This foundation of trust empowers all involved parties to work collaboratively together to develop win-win solutions that serve the customer needs.

MISSION STATEMENT

Use the PG&E PSEP program as an opportunity to lead a culture change transformation that ensures that all activities performed by the CPUC and PG&E are based on the principle of safety. Make certain that PG&E PSEP program maximizes the opportunity to enhance safety of the transmission pipeline system and delivers a long-term solution for providing a safe and reliable utility service.

GUIDING PRINCIPLES

In order to perform diligent regulatory oversight of PG&E PSEP program, SED staff developed a Quality Review Plan that outlines key PG&E activities that require SED validation and review. The following Guiding Principles were used as a foundation for focusing staff effort:

- Level of “safety risk” associated with work performed or process execution;
- Importance of a process or activity to the overall success of the program;

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- Levels of redundancy and oversight already built into the process (e.g., number of entities performing quality assurance of a specific step);
- Best practical approach to ensure quality of the result (e.g., watching over every step of the process vs. performing a review of the result); and,
- Level of audit necessary to ensure proper implementation Federal and State Gas Safety Regulations.

The specifics of the SED team oversight continue to evolve as lessons learned are incorporated into SED practices.

3 SED STAFF METHODOLOGY

3.1 SUMMARY OF THE PG&E PSEP SCOPE OF WORK

The work involved in implementing the PSEP is estimated to cost more than two billion dollars, it requires more than 1,300 PG&E staff and contractors, and more than 300 discrete projects and processes that touch almost every aspect of PG&E's operations.

PG&E PSEP scope of work includes creating a database of traceable, verifiable, and complete records on all existing and new gas pipeline infrastructure. To complete this task, PG&E has performed a complete overhaul of pipeline feature records. In cases where PG&E could not establish traceable, verifiable, and complete pipeline records, PG&E identified infrastructure projects to ensure safety of the pipelines involved. These infrastructure projects include hydrotesting of existing and new pipelines installed in the field, installation of additional automated valves, pipeline replacements, and additional in-line-inspections. To ensure quality of the work being performed, PG&E is leveraging its Integrity Management Program established in accordance with the Code of Federal Regulation (CFR).³

As work progresses and additional data gathered, PG&E PSEP program specifics evolve. The changes in scope, as well as all progress updates, are reported quarterly to SED in PG&E PSEP

³ Department of Transportation (DOT), Code of Federal Regulation (CFR) 49 part 192. The PG&E Integrity Management Program is audited annually by SED.

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Quarterly Reports. As PG&E PSEP program evolves, SED staff adjusts its oversight to focus on priority areas and address potential areas of concern.

3.2 SED STAFF METHODOLOGY FOR QUALITY REVIEW OF PG&E PSEP

PG&E PSEP is an undertaking of an unprecedented magnitude. The challenge of providing adequate regulatory oversight for this effort requires a paradigm shift regarding how SED ensures compliance with gas safety regulations. By adopting National Transportation and Safety Board (NTSB) recommendations to the CPUC⁴, SED has expanded its approach to safety regulation by moving beyond compliance and placing the emphasis on risk management. The methodology that SED staff is using to provide regulatory oversight for PG&E PSEP program is a prime example of this paradigm shift in practice. SED staff is looking at the PG&E PSEP program holistically, identifying major risks and processes that are critical to the overall success of the PG&E PSEP program. Compliance with gas safety codes is one of the components of the SED staff review, as SED staff strives to ensure safety beyond code compliance. This Quality Review Plan document captures SED staff approach to PG&E PSEP program and similar quality review plans will be developed for other gas operator and/or owner performing pipeline enhancement work.

After review of PG&E 2011 PSEP filing and the final Commission decision on December 12, 2012⁵, SED staff analyzed all of the proposed work and mandates and grouped the quality review into specific categories called “workstreams”. A workstream is an area of activity with a specific focus and is used to help organize numerous tasks into progressive efforts that are required to finish the project. The six workstreams (see Figure 1: SED Staff Quality Review Workstreams Summary) that have been identified are:

1. Program Controls
2. Pipeline Records
3. Project Planning and Design

⁴ NTSB Safety Recommendations to the CPUC, January 3, 2011

⁵ Gas Safety Rulemaking R.11-02-019; Decision D.12-12-030 “Decision Mandating Pipeline Safety Implementation Plan, Disallowing Costs, Allocating Risk of Inefficient Construction Management to Shareholders, and Requiring Ongoing Improvements in Safety Engineering”

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4. Technical Review
5. Field Audits
6. Continuous Improvement

The PSEP Program Manager manages and monitors the success of the individual workstreams. Each workstream has a specific scope and an individual set of activities, which are detailed in the later sections of this Quality Review Plan. Each workstream requires support of a specific set of team members who have the training and expertise to perform the specific quality review activities.

The role of the PSEP Program Manager is also to provide updates to CPUC management and stakeholders on a regular basis, as well as to escalate any issues. The PSEP Program Manager is also responsible for ensuring the Vision, Mission, and Guiding Principles of the Quality Review Plan are attained.

To supplement the workforce and expertise of the SED team, the CPUC has also brought on a consultant to assist with the quality review of PG&E's PSEP work. All of SED's engineering auditors are required to attend specific gas safety training courses taught by the Pipeline and Hazardous Materials Safety Administration (PHMSA). Nationwide this is how the Federal Government regulates and trains State employees to audit gas operators and owners per the Federal 192 gas safety code. Only state gas safety regulators are allowed to attend the PHMSA gas safety training. Currently PHMSA does not offer private consultants gas safety training. Thus, the consultant that SED has hired to assist with field audits has worked in the field reviewing PG&E PSEP construction projects since November 2012 to gain the experience necessary to learn PG&E's policies and procedures to properly audit PG&E PSEP projects. The consultants' learning curve has been tremendous; however they have been able to rely on previous construction experience to complement their specific PG&E gas safety auditing field experience. This is another example of a shift in SED's paradigm to allow outside private consultants to audit gas safety construction projects. The SED team will continue to use all the resources available to ensure that PG&E's PSEP delivers on the vision of a safe transmission pipeline system.

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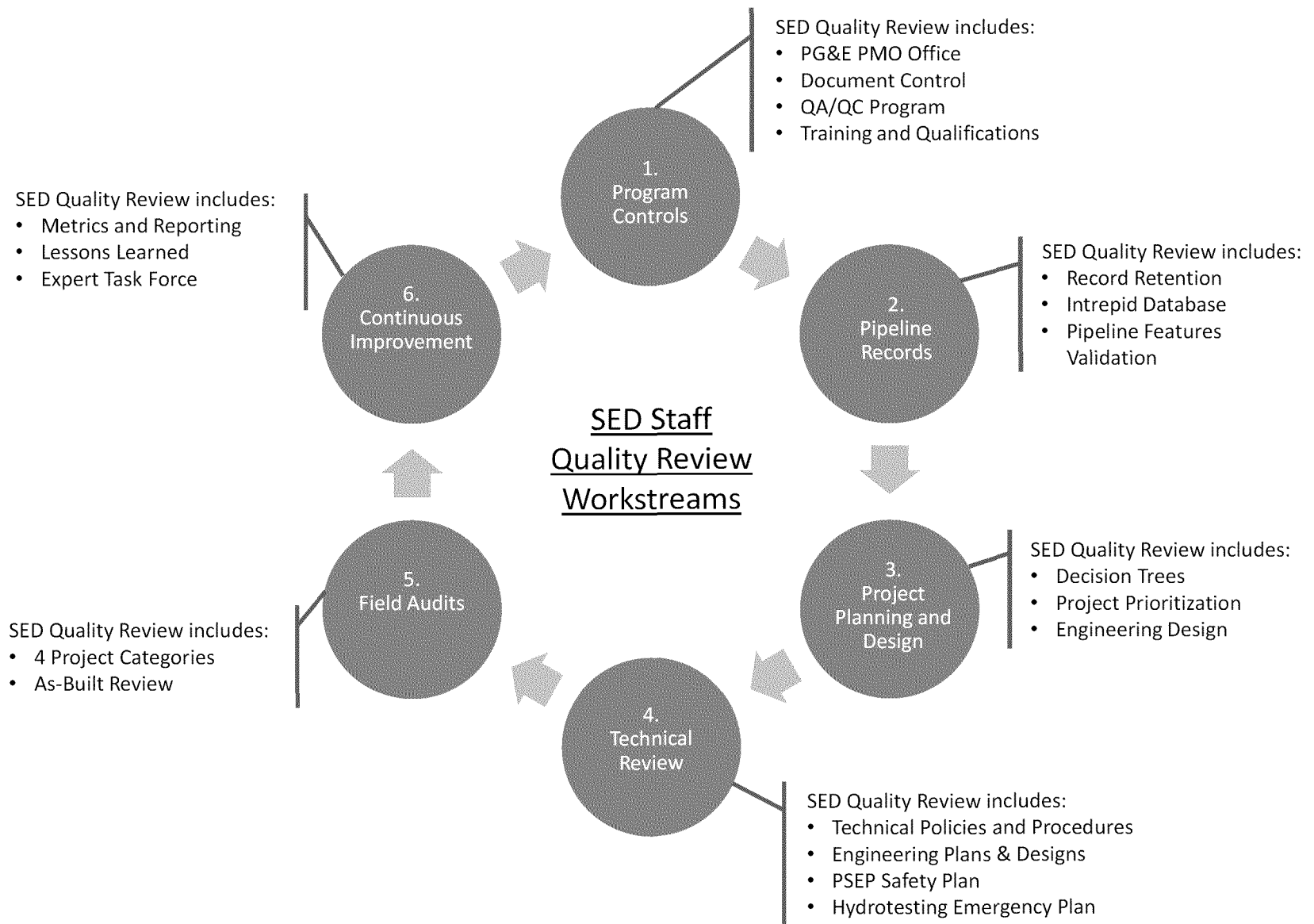


Figure 1: SED Staff Quality Review Workstreams Summary

3.3 SED PG&E PSEP QUALITY REVIEW SCHEDULE AND MILESTONES

PG&E began the effort to enhance the safety of the transmission pipeline system in the aftermath of the September 2010 pipeline rupture in San Bruno, California. PG&E proposed the PSEP program in August 2011 and the Commission subsequently approved it in December 2012 (see Figure 2: High Level Timeline). This Quality Review Plan is focused on the SED staff approach to PG&E PSEP program oversight following the Commission approval.

Below is the summary of key milestones and work products planned by SED staff for the PG&E PSEP program quality review:

- Provide technical review of PG&E PSEP implementation plan filing [Complete]
- Develop field audit schedule [Complete]
- Kick-off field audit work [Complete]
- Formalize SED staff approach to PG&E PSEP review [Complete]
- Review PG&E QA/QC processes for PSEP [In Progress]
- Review results of the PG&E MAOP validation [In Progress]
- Review new PG&E transmission GIS database [Planned]
- Provide technical review of PG&E PSEP update filing [Planned]
- Provide monthly updated to SED leadership on PSEP progress [In Progress]
- Provide public reports on results of SED PSEP quality review [In Progress]
- Support PSEP Phase 2 activities [Planned]

Additional details regarding SED staff activities and work products are provided as part of the detailed discussion of each of the six workstreams.

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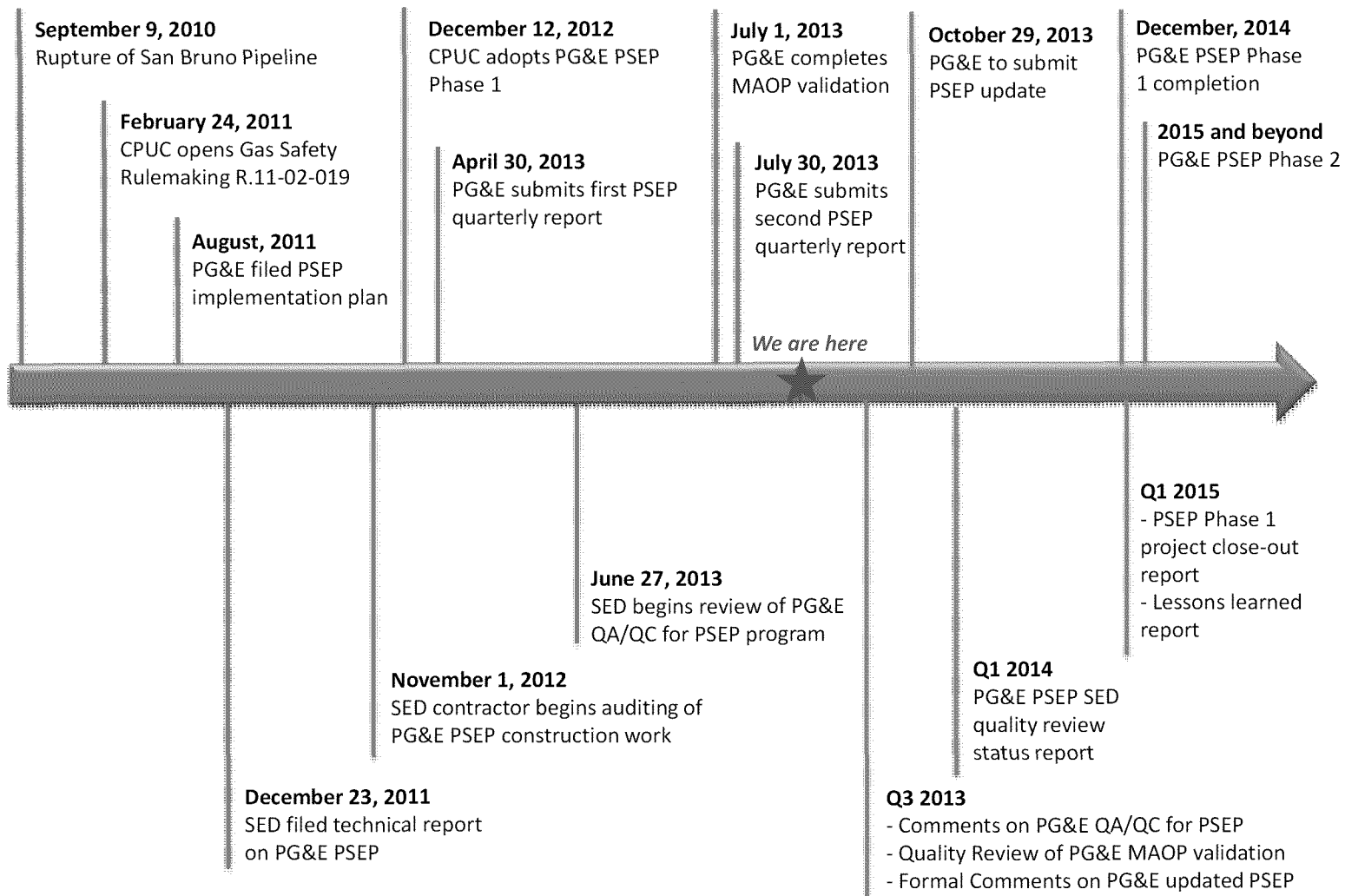


Figure 2: High Level Timeline

4 OVERVIEW OF SED QUALITY REVIEW WORKSTREAMS

4.1 WORKSTREAM 1: PROGRAM CONTROLS

SCOPE

The scope of the Program Controls workstream is to complete the quality review of the following PG&E PSEP functions and/or related Programs and Plans:

- PG&E Program Management Office (PMO)
- Document Control Program
- PG&E QA/QC Program
- PG&E & Consultant/Contractor Training and Qualifications Program
- Updated PSEP implementation plan filing
- Communication between PG&E PSEP PMO and the various Business Lines within PG&E
- Incorporation of lessons learned from PMO and the entire PG&E organization
- Cross pollination into the entire PG&E organization of new Safety Programs and QA/QC programs developed as a result of PSEP activities

The following is a more detailed example of the type of activity that SED staff plans to perform as part of this workstream. The objective of quality review of PG&E's Consultant/Contractor Training and Qualifications Program is to review and ensure PG&E is conducting the necessary training and evaluation of existing staff, new staff, and contractors. All the policy and procedures that have been put in place by PG&E and corresponding QA/QC procedures are not realistic if proper training and evaluation of internal and external staff is not conducted. PG&E has over 200 contracted inspectors conducting construction management as PG&E representatives and the majority of these inspectors are not from California. This is an extreme case of out of state contracted labor; however this example stresses the importance of

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proper training and evaluation of key PSEP team members. SED will develop a score card system to evaluate the training methods, frequency of training, and evaluation tools used by PG&E for PSEP activities.

ACTIVITIES

Review the following PG&E program areas and provide analysis results to CPUC leadership and PG&E, as appropriate:

- PSEP QA/QC program
- PSEP update filing
- PMO processes and monthly status reports
- Document Control processes
- Operator Qualifications and Training Program (PSEP related)

The resulting documents that SED staff produces related to the review of programs listed above may include:

- Formal report provided in the Gas Safety proceeding (R.11-02-019)
- Letters to PG&E providing feedback
- Enforcement actions in cases where a violation of code has been observed
- Reports to SED management and CPUC leadership

4.2 WORKSTREAM 2: PIPELINE RECORDS

SCOPE

The investigation of the San Bruno pipeline rupture uncovered that PG&E had serious issues with the quality of the records and data on the pipeline infrastructure. Following the event, PG&E has undertaken a significant effort to re-validate the data. There are several major activities that are related to the data validation effort and the PG&E PSEP update filing (see Figure 3: PG&E Pipeline Data & PSEP Update Reference Process Flow). These activities also correspond to major points for QA/QC and can be summarized as follows:

- 1) Review of digital and paper records within existing database and records retention

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information.

- 2) Development of the new GIS database (Intrepid).
- 3) Incorporation of new GIS Database information into dedicated PSEP Database.
- 4) Decision Tree logic applied using all data collected within PSEP Database to determine prioritization of PSEP Projects.
- 5) Development of Proposed list of PSEP Projects.
- 6) Development of Proposed PSEP Project Costs.
- 7) Revision of Total Ratepayer Costs.

A key objective for this workstream is to perform a quality review for steps one through three. Steps four and five are the focus of Project Planning and Design workstream. Steps six and seven are purely financial and will be the focus of the Division of Ratepayer Advocacy (DRA).

In addition, this workstream also includes ongoing assessment of the quality of PG&E's pipeline features records⁶ and review of the on-going PG&E practices for record retention.

⁶ This will be done in coordination with the annual Integrity Management Audits.

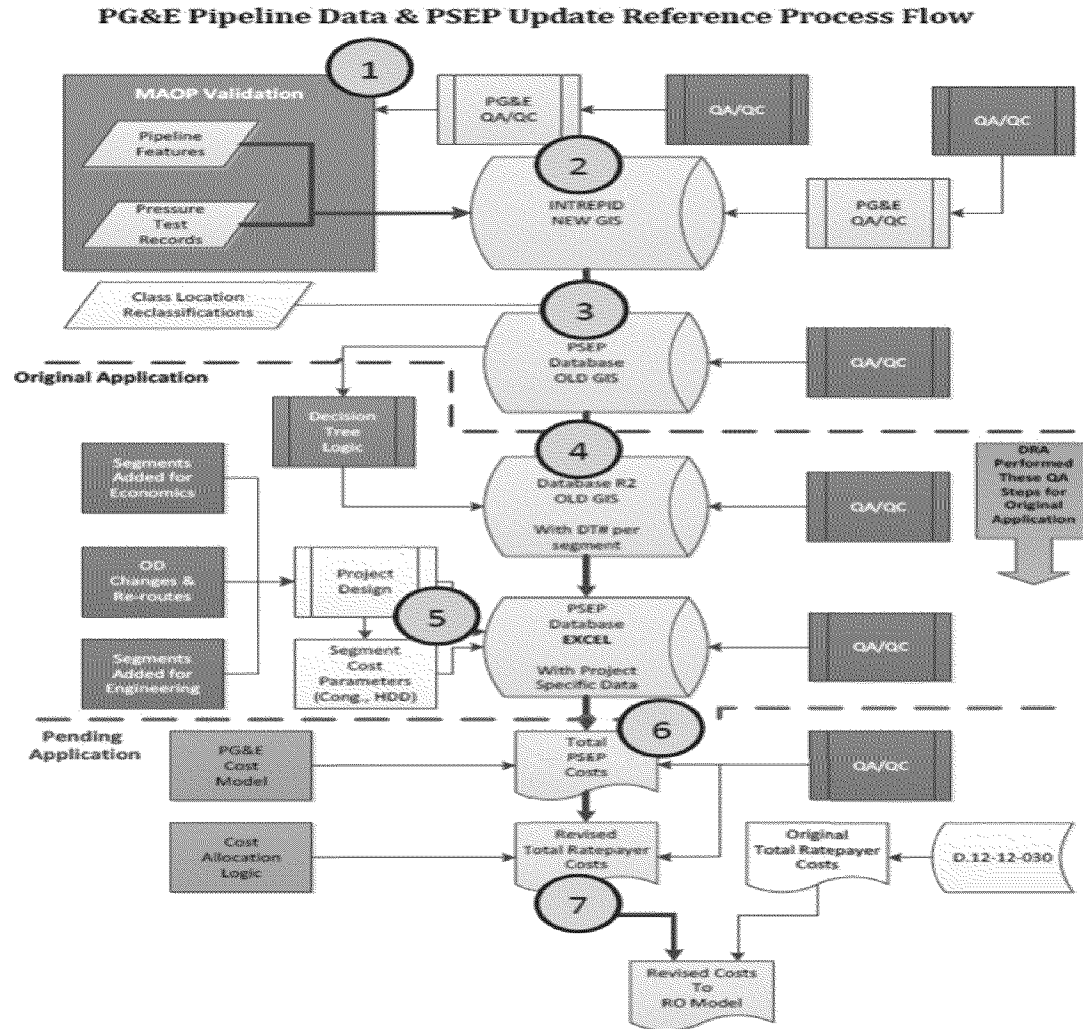


Figure 3: PG&E Pipeline Data & PSEP Update Reference Process Flow

ACTIVITIES

SED STAFF REVIEW FOR STEPS (1) & (2): QUALITY OF RECORDS

SED staff reviewed the process that PG&E used to validate MAOP and overall quality of the transmission pipeline records. Now that PG&E has completed this process, SED will perform a review of the new PG&E GIS database (Intrepid). In this review, SED staff will perform a validation that the assets in the new GIS Database have the originating records that indeed validate the MAOP and pipeline features. Due to the enormous size of the database, this activity will be performed based on a random sampling, the procedure for which will be developed by SED staff.

SED STAFF REVIEW FOR STEPS (3): PSEP DATABASE

A validation is required to ensure that the data integrity is maintained between the new GIS Database and the PSEP Database. A technical resource will validate the extraction and uploading process used and make sure that the PSEP Database utilizes the latest data.

The resulting work products of this workstream will be SED staff reports on the findings and technical analysis to be provided in the Gas Safety proceeding (R.11-02-019).

4.3 PROJECT PLANNING AND DESIGN WORKSTREAM

SCOPE

The scope of the Project Planning and Design workstream is to perform ongoing engineering review of planning and design of the PSEP project. This involves validation of steps four and five of PSEP program development (see Figure 3: PG&E Pipeline Data & PSEP Update Reference Process Flow):

- Step 4: Decision Tree logic applied using all data collected within PSEP Database to determine prioritization of PSEP Projects.
- Step 5: Development of Proposed list of PSEP Projects.

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As part of the activities in the workstream, SED staff will also be reviewing the PG&E PSEP Quarterly Compliance Reports. In the review of the PG&E PSEP Quarterly Compliance Reports SED staff will be looking for the overall performance of the PSEP program and also at the cost effectiveness. While cost control is not the primary function of SED, SED staff will want to ensure that PG&E project costs are consistent with sound engineering and that cost considerations are not negatively impacting safety. SED staff will work closely with the CPUC Energy Division and DRA on any cost related concerns.

Lastly, this workstream will also look at engineering planning and designs of individual PSEP projects. This will be done on a sampling basis to provide a validation of PG&E QA/QC processes.

ACTIVITIES

SED STAFF REVIEW FOR STEPS (4): APPLYING DECISION TREE LOGIC

A validation is required to ensure that “Decision Tree” logic is applied correctly. In order to do that, a technical resource needs to validate that the algorithm accurately represents the “Decision Tree” logic and that the results are consistent.

SED STAFF REVIEW FOR STEPS (5): PROPOSED LIST OF PSEP PROJECTS

Activities at this step have both safety implications and cost implications. A validation is needed so that the projects are both technically sound and developed to maximize efficiency (and minimize cost).

The resulting work products of this workstream will be SED staff reports on the findings and technical analysis to be provided in the Gas Safety proceeding (R.11-02-019).

4.4 TECHNICAL REVIEW WORKSTREAM

SCOPE

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The scope of the Technical Review workstream is to complete the quality review of the technical PG&E PSEP functions and related programs and plans. These may include:

- Technical Policies and Procedures (e.g. welding procedures)
- PSEP Safety Plan
- Hydrotesting Emergency Plan

ACTIVITIES

SED staff plans the following review activities:

- Incorporate review of PSEP related Policies and Procedures during annual Operations and Maintenance audits currently conducted by SED.
- Review and comment on PG&E's Program Execution Plan for PSEP construction projects.
- Review of all PSEP Safety plans and how they are specifically communicated within the entire PG&E organization and how the plans meet current federal and state gas safety codes.
- Review Safety table top and field exercises related to PSEP activities and their incorporation with local PG&E operations and maintenance staff.
- Audit all Safety training provided to PSEP contractors and field staff and provide PG&E recommendations to improve safety. This activity will be ongoing as field audits are conducted on PSEP projects.

The resulting documents that SED staff produces related to the review of programs listed above may include:

- Letters to PG&E providing feedback
- Enforcement actions in cases where a violation of code has been observed
- Reports to SED management and CPUC leadership

4.5 FIELD AUDIT WORKSTREAM

SCOPE

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The objective of the Field Audit Workstream is to audit the four categories of PSEP construction projects. The four project categories are hydrotesting, pipeline replacements, valve installation/modification, and in-line-inspection. The Field Audit Team is currently being managed by the PSEP Program Manager. This team has already developed detailed field guidance procedures to audit the various types of construction projects. During construction audits the Field Audit Team is ensuring that deficiencies in the field are addressed by PG&E and/or their contractors immediately and that those changes in the field are documented as part of the final as-built packages. This ensures verifiable as-built records when the projects are complete, thus significantly accelerating the quality review process for CPUC auditors, who traditionally conducted the majority of their quality review after the as-built records were complete and submitted to the CPUC.

According to current projections, the SED team will audit more than 90 percent of all the field work performed by PG&E during the execution of the PSEP Phase 1 work in 2013 through 2014. SED field auditors are ensuring that PG&E's field procedures are followed and if discrepancies are noted SED auditors, along with PG&E inspectors, take immediate action to correct the discrepancies while in the field.

ACTIVITIES

Development and Management of SED PSEP Construction Audit Program:

- Develop communications plan with PG&E field teams and construction management
- Develop protocols for SED auditors when visiting construction sites
- Develop protocols for information request before, during, and after construction projects are complete.
- Develop boundaries for communication and feedback to construction teams during audit of specific projects.

Development of Scope for Consultant Agreements

- Management of Consultants that audit field work

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- Preparation of Individual Field Audit Reports and review of these reports for accuracy
- Continuous collaboration with PG&E and consultants to develop win-win solutions related to improved implementation of PSEP construction projects
- Review of ongoing safety procedures in the field and continuous collaboration with PG&E on safety improvements

4.6 CONTINUOUS IMPROVEMENT WORKSTREAM

SCOPE

The scope of the Continuous Improvement workstream is to monitor all the workstreams and to review metrics and reporting of PG&E's PSEP and to develop a feedback loop to all workstreams on lessons learned to promote continuous improvement.

As part of this workstream, SED staff plans to establish a Multi-Disciplinary Task Force to provide technical expertise as-needed for each workstream. The efforts in this workstream will also involve coordination with the SED Risk Assessment Section. The Risk Assessment Section is developing a new compliance models that set, monitor, and enforce pipeline safety rules based on risk assessment and risk management. The Risk Assessment Section is developing performance metrics that examine pipeline safety beyond the typical realm of pipeline operations and reliability. The Risk Assessment Section is examining potential safety blind spots and issues that if not adequately addressed may pose a risk to gas pipeline safety. The Risk Assessment Section is new within the SED and it is crucial that our quality review of PG&E's PSEP is coordinated with the efforts of the Risk Assessment Section, specifically on metrics and lessons learned.

In addition, this workstream will review potential PSEP regulatory reporting overlap that may exist and will recommend appropriate streamlining proposals. Various State, Federal, and CPUC regulatory reporting requirements have been imposed on PG&E that have to be submitted at various time intervals. Streamlining is necessary to avoid multiple reporting of the same PSEP data or reporting of this data at inappropriate time intervals. Streamlining of data reported to the CPUC will ensure consistent quality review of the data submitted. Streamlining will also

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ensure that the data is useful and statistically significant to the overall safety of the gas pipeline infrastructure, ultimately reducing consumer rates.

MULTI-DISCIPLINE TASK FORCE

The objective of the Multi-Discipline Task Force is to invite interested parties to the table to discuss implementation of the PG&E PSEP on a bi-annual basis and review the activities of individual workstreams. The foundation of this task force will be guided by the same principles of SED and will work together collaboratively to develop win-win PSEP process oriented solutions. SED will also solicit input from this task force on the various workstreams. These meetings would be informal and not include legal counsel. The parties would agree that they are volunteering to serve on the task force for the duration of Phase 1 and 2 of the PSEP. The PSEP Program Manager will initially lead this task force until a task force lead is assigned to be rotated on an annual basis. Once the membership of this team is determined the team will be responsible for identifying specified, implied, and essential tasks to ensure the short term and long term goals are accomplished as they relate to the Vision and Mission of the Quality Review Plan. The following diagram is an example of one strategic method that can be used to identify tasks (see Figure 4: Continuous Improvement Method):

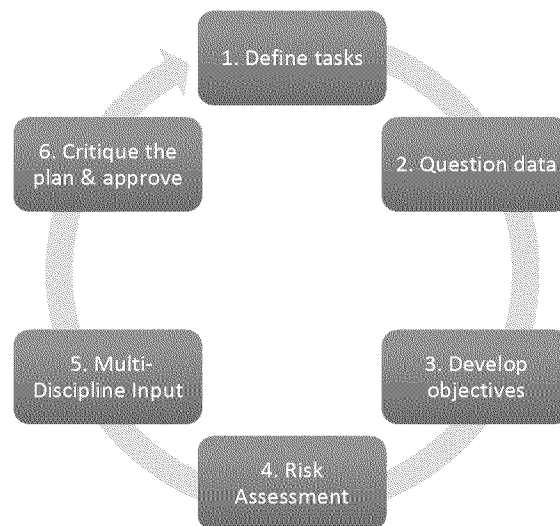


FIGURE 4: CONTINUOUS IMPROVEMENT METHOD

ACTIVITIES

Activities for this workstream are listed below:

- Develop format for reporting back to PG&E process improvements that are identified as a result Risk Assessment Section analysis
- Determine how these process improvements can be implemented within the entire PG&E company
- Develop a guidance document of all lessons learned and program management tools used for other gas operators/owners and state agencies to use while developing and managing PSEP programs nationwide

5 CONTACT INFORMATION

This Quality Review Plan is an evolving document. To further improve the program, the SED team welcomes recommendations and comments, which can be directed to:

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