CAPITOL OFFICE
STATE CAPITOL, ROOM 5064
SACRAMENTO, CA 95814
TEL (916) 651-4013
FAX (916) 324-0283

DISTRICT OFFICE
1528 S. EL CAMINO REAL
SUITE 303
SAN MATEO, CA 94402
TEL (650) 212-3313
FAX (650) 212-3320

WWW.SENATE.CA.GOV/HILL
SENATOR.HILL@SENATE.CA.GOV

California State Senate

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JERRY HILL
THIRTEENTH SENATE DISTRICT
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CHAIR

August 19, 2013

Christopher Johns, President
Pacific Gas and Electric Company
P.O. Box 770000
Mail Code B32
San Francisco, CA 94177

RE: Misidentified Pipe in San Carlos and PG&E's MAOP Validation Process

Dear Mr. Johns,

I listened with alarm on Thursday morning to the description of California Public Utilities Commission's (CPUC's) Mike Florio of an improperly validated maximum allowable operating pressure (MAOP) in one of the Peninsula high pressure gas transmission lines. When Pacific Gas and Electric Company (PG&E) had filed to increase the pressure on Peninsula lines 101,147, and 132A in the latter half of 2011, the CPUC, the media, and my constituents—who were calling my office with concern—all paid close attention to make sure that pressure was raised only after PG&E could prove that it was safe to do so.

The recent revelation that the MAOP validation overestimated based on inaccurate information calls into question the effectiveness of PG&E's MAOP validation efforts, which form the basis of PG&E's risk assessment program. Every step of PG&E's decision tree—whether to test, replace, or consider as a part of PG&E's integrity management program—depends on information about the nature of the pipe in the ground. As the National Transportation Safety Board (NTSB) stated in its report on the San Bruno explosion, "the foundation of risk assessment is accurate information" (p. 110).

PG&E indicated that the pipe segments in question had been hydrostatically tested to the higher MAOP, and so the public was not at risk. My concern is that PG&E used "traceable, verifiable, and complete" records to justify *not* performing hydrostatic testing or pipe replacement on thousands of miles of California pipeline, and if not all of those records are accurate, how do we know that those pipelines are safe? So that I may understand the situation we are in and ensure that the CPUC appropriately considers whether to accept PG&E's corrective action or to require more corrective action, I would like PG&E to provide to me the following information.

1. The errata filed with the CPUC on July 3rd indicates PG&E had during a routine leak survey in San Carlos discovered pipe of a lesser joint efficiency than had been listed in PG&E's MAOP validation records. **Please provide the root cause of the leak that was found.** PG&E notes that the pipe was safe to operate at higher pressures as it had been hydrostatically tested. PG&E has also, in its penalty case before the CPUC, suggested that an unrecorded hydrostatic test (or a test whose records have been lost) of segment 180 of line 132 may have weakened the already faulty weld to a point that it would later rupture. Please describe how the root cause analysis informed PG&E's risk management plans?

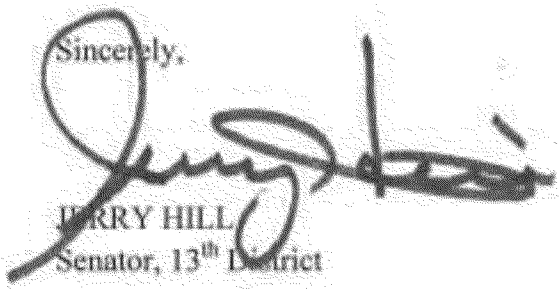
2. PG&E's errata indicates that, upon discovery of the initial incorrectly-recorded pipe segment, PG&E crews undertook further excavations in the San Carlos area and discovered more incorrectly-recorded pipe. I presume that PG&E did not excavate at random, but informed its investigation by looking at pipe segments whose records had similar characteristics. **Please describe the method PG&E used to identify other pipe segments whose records might be inconsistent with their features. Also, please provide in a table each pipe segment—identified by segment number—for which the excavations determined that the pipe had different features than were previously determined through the segment's MAOP validation. In the table, please indicate the feature as previously recorded and as found through excavation. Please list segments excavated in this investigation for which no inconsistency was found.**

3. In submitting its original proposal to raise the pressure on lines 101, 147, and 132A, PG&E stated that it had conducted 10 excavations to support MAOP validation. It seems that 10 excavations had not been sufficient. **Please describe how PG&E determines the appropriate number of excavations necessary to be confident in its MAOP validation.**

I acknowledge that PG&E—through the procedures it now has in place or the increased vigilance of its employees—has in this instance recognized the difference between what was believed to be in the ground and what was actually found through excavation, and it has acted to remedy this inconsistency. PG&E's historical failure to do so had been a criticism of NTSB. While I share Commissioner Florio's concerns about the method by which PG&E brought this information to the CPUC's attention and about the length of time it took to inform the CPUC, my immediate

interest is that the CPUC acts to ensure the adequacy of PG&E's MAOP validation procedures. Thank you for your consideration of my request.

Sincerely,



JERRY HILL
Senator, 13th District

cc: Michel Peter Florio, Commissioner, CPUC
Michael R. Peevey, President, CPUC
Catherine J.K. Sandoval, Commissioner, CPUC
Mark J. Ferron, Commissioner, CPUC
Carla J. Peterman, Commissioner, CPUC
Paul Clanon, Executive Director, CPUC
Emory J. Hagan, III, Director, CPUC Safety and Enforcement Division