

**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.

R. 11-02-019
(Filed February 24, 2011)

**COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO
ON THE SAFETY AND ENFORCEMENT DIVISION'S
PROPOSED CHANGES TO GENERAL ORDER 112**

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I. INTRODUCTION

Pursuant to the May 2, 2013 Amended Scoping Memo and Ruling of the Assigned Commissioner, the City and County of San Francisco (San Francisco or the City) submits these comments on the Safety and Enforcement Division's Proposed Changes to General Order 112-E (SED Proposal). San Francisco supports many of the proposed changes,¹ and offers additional suggestions in these comments to strengthen the Commission's oversight over pipeline safety.

It has become clear that pipeline regulators at the state and federal level have not been able to evaluate historic compliance with pipeline safety rules because they lacked the necessary data. San Francisco appreciates that under the SED Proposal the Commission will begin to collect more information from which meaningful analysis may be drawn, and that the SED Proposal contains many constructive changes that should help the Commission lay the foundation for developing meaningful oversight. However, it is incumbent upon the Commission to not only collect the relevant data, but also develop appropriate standards to evaluate pipeline operator performance. The importance of this task was identified by both the NTSB and the Commission's Independent Panel.² It is critical for safety that the Commission accomplish this next step. To that end, the Commission should include in these revisions a commitment to revisit these rules and actually develop specific performance goals which the Commission and the public can use to evaluate the operator's performance. In addition, the Commission should require reporting performed pursuant to the revised GO 112 to be verified by a senior officer of the utility. This will help to encourage truthful and accurate reporting.

¹ For example, the City supports the SED Proposal's requirement to define High Consequence Areas using "Method 1."

² NTSB Report at p. 122 ("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."); and Independent Review Panel at p. 108.

II. COMMENT

A. State and Federal Pipeline Regulators Need Better Metrics.

As identified by the U.S. General Accountability Office in its report Pipeline Safety: Better Data and Guidance Needed to Improve Pipeline Operator Incident Response (GAO-13-168 Pipeline Safety) (GAO Report), many of the pipeline safety standards are so vague that it is impossible to determine if operators are actually complying with those standards. For instance, even though pipeline operators are required to respond to emergencies in a “prompt and effective” manner, “without a performance measure and target for a ‘prompt and effective’ incident response, PHMSA cannot quantitatively determine whether an operator meets this goal.”³ This was also one of the NTSB’s main criticisms of current pipeline safety oversight.⁴

One solution is require operators to comply with specific reporting goals. Several states already require operators to report metrics that allow for comparison of current and past performance. The Commission should use these existing models as a starting point for its new rules.

For instance, the New Hampshire Public Utilities Commission requires distribution companies to report their response times to leaks and incidents pursuant to standards defined in terms of minutes. New Hampshire sets out goals for the speed with which operators must respond to calls regarding leaks and odors. For example, during normal operating hours, operators must respond to calls within 30 minutes 82% of the time, within 45 minutes 90% of the time, and within one hour 97% of the time.⁵ The full matrix of response time goals is set forth below:

³ GAO report at p. 19

⁴ NTSB Report at p. 121 (“Critical to this process, for operator and regulator, is the selection of metrics that quantify results against a specified value to provide a rate of occurrence for either a desired or undesired outcome... Such metrics can provide a basis for comparison of the frequency of various types of defects and identify specific problem locations on pipelines. Similar assessments of operator performance can be used by regulators to exercise more effective oversight by focusing on those operators with problems, and to identify the causes of critical safety problems.”)

⁵ See NH PUC Order # 24777 Section C (7)(n) available at: <http://www.puc.nh.gov/Regulatory/Orders/2007orders/24777g.pdf> (July 12, 2007) , Docket DG 06-107 and NH PUC Order # 24906 Article VI 6.6 (October 10, 2008), Docket DG 08-048 available at: <http://www.puc.nh.gov/Regulatory/Orders/2008orders/24906g.pdf>.

Response Time for NH Distribution Operators:

Normal hours	30 minutes	82%
Normal hours	45 minutes	90%
Normal hours	60 minutes	97%
After hours	30 minutes	80%
After hours	45 minutes	86%
After hours	60 minutes	95%
Weekends and Holidays	30 minutes	76%
Weekends and Holidays	45 minutes	84%
Weekends and Holidays	60 minutes	94%

In addition, the information and level of granularity operators are required to track provides the ability to perform trending analysis for leaks, something the Commission is seeking.⁶

Information included in reports:

- A) call initiation date
- B) call completion date
- C) call type (reflecting cause for call, e.g. odor inside at meter, odor outside, 3rd party damage, etc.)
- D) job code or work order #
- E) classification (normal hours, after hours, weekends & holidays)
- F) category (30 minutes, 45 minutes, 60 minutes)
- G) dispatch call receive time
- H) time of dispatch
- I) time held in dispatch [H-G]
- J) emergency responder receive time
- K) on scene time
- L) travel time of emergency responder [K-J]
- M) completion time
- N) total job time [M-K]
- O) response time [I+L]
- P) dispatcher name or employee #
- Q) emergency technician responding or employee #
- R) address of location (including street #, street, town)⁷

The New Hampshire rules provide a sound structure that could be useful for California, even though differences in operator size and geography might support changing some of the specific targets in terms of minutes or percentages. As described below, it appears that SED seeks to move in this direction and has taken initial steps to do so.

⁶ See May 2, 2013 Amended Scoping Memo and Ruling of the Assigned Commissioner.

⁷ *Id.*

B. The Proposed Revisions to Rule 123 Are a Good First Step to Tracking the Necessary Information to Develop Better Oversight of Pipeline Operators.

SED proposes to modify rule 123 to require pipeline operators to track more detailed information regarding: the number of leaks repaired,⁸ the pipeline characteristics of the leaking pipe,⁹ and operators response times to leaks (including the time between when an operator finds the leak and actually repairs it,¹⁰ as well as the amount of time the operator and first responders take to respond to reports of leak or damages to pipelines).¹¹ In general, San Francisco supports these proposed rules and believes that they set the foundation for the Commission to develop “meaningful metrics” to evaluate operator performance. However, as described below, the Commission must commit to revisiting these rules no later than one year from their adoption in order to develop the appropriate standards to actually evaluate pipeline operator performance.

1. Proposed Changes to Rule 123.2(a)

As SED currently proposes, rule 123.2(a) would require operators to provide the following information: “(a) Number of gas leaks associated with causes, pipeline materials, sizes, and decades of installation.”¹² As worded, the use of the term “pipeline materials” may be limiting. The Commission appears to be seeking as much pertinent information about the leaking pipeline as possible in order to facilitate a trending analysis. Other relevant pipeline characteristics may include the manufacture date (if known), installation date, pipeline manufacturer, seam type, whether the pipeline had hydrotested previously and when, as well as other maintenance information such as whether the pipeline is cathodically protected, or in an area subject to ground movement.¹³ Rather than attempting to exhaustively list each potentially relevant characteristic, San Francisco suggests that the Commission modify rule 123.2(a) to state

Rule 123.2(a)

⁸ Proposed Rule 123.2(a).

⁹ Proposed Rule 123.2(a).

¹⁰ Proposed Rule 123.2(b).

¹¹ Proposed Rule 123.2(c).

¹² Proposed Rule 123.2(a).

¹³ These are all relevant pipeline features that can affect the integrity of the pipeline. See NTSB Report at p. 111.

“Number of gas leaks associated with causes, and pipeline materials characteristics (which includes the pipeline sizes, manufacture date (if known), installation date, pipeline manufacturer, seam type), and operations and maintenance history (which includes whether the pipeline was hydrotested previously and when, as well as other maintenance information such as whether the pipeline is cathodically protected, or in an area subject to ground movement) ~~decades of installation.~~”

This will require pipeline operators to provide these additional facts for consideration while still leaving open the possibility that the pipeline operators will provide other pertinent information to the Commission useful for this trending analysis. Not only will this help the Commission’s oversight, but it should help pipeline operators develop trending analysis about their pipeline systems. The Distribution Integrity Management Program requires knowledge and understanding of the distribution system, including any information gleaned from past design, operations and maintenance. If used properly, key metrics such as leak rate, response, repair and pipe characteristics (including location, operating pressure, and diameter), will allow pipeline operators to identify trends and develop strategies for improving their systems.¹⁴

2. Proposed Changes to Rule 123.2(b)

SED also proposes to require operators to report the number of months between when the operator finds the leak and when the operator actually fixes the leak. San Francisco supports this approach but notes what appears to be a clerical error. The language in rule 123.2(b) states that operators must report the number of leaks repaired within certain three month intervals. However, the rule omits an interval for leaks repaired within 3-6 months. This interval should be added, as shown below:

Rule 123.2(b)

For leaks replaced in the calendar year, show time between finding the leak and its repair in intervals of 0-3 months; 3-6 months; 6-9 months; 9-12 months; 12-15 months; and greater than 15 months. For the aggregated value of leaks repaired greater than 15 months, segregate the value into leaks that are never regraded; regraded once; regraded twice; regraded three times; and regraded more than three times.

¹⁴ GAO report at p. 20-21.

3. Proposed Rule 123.3

The Commission must commit to revisiting these rules soon to determine what the appropriate performance standards should be. The reporting in Proposed rules 123.2 will provide the Commission with the relevant data to perform meaningful evaluations of how a utility is performing. The Commission, operators and the public will finally have better insights into how well pipeline operators are performing.

The SED Proposal, however, only proposes to gather the relevant data. It does not set any specific standards by which the Commission and the public may evaluate the performance of the pipeline operators, such as those used in New Hampshire. Therefore, San Francisco proposes Rule 123.3 which would commit the Commission to revisiting these rules one year following the date the Commission adopts these changes. The adoption of actual standards is a critical step that should not be deferred any longer.

Rule 123.3

One year following the date the Commission adopts these rules, SED (or its successor) will review the data submitted by the operators and develop performance standards for each of the categories of information reported in these annual reports.

C. Quality of Data Must Be Consistent and Verifiable

In addition, to make this effort meaningful, the Commission must ensure that the quality of the data is consistent and verifiable. The GAO report found that one reason why the current reporting information is insufficient was that operators are interpreting the intended content of the data fields inconsistently. To prevent confusion, the Commission should issue guidance accompanying the new rules that provides definitions and examples to ensure that all operators interpret the data fields consistently.

The Commission should also require verification of the data submitted. Data is only as good as the information that is put into it. This proceeding has provided numerous examples illustrating this point. On July 3, 2013 PG&E filed an “Errata” in this docket. There PG&E stated that some segments of Line 147 were inaccurately identified as double submerged arc welded (DSAW). Because PG&E believed that the pipe segments were DSAW pipe, it assigned

a joint efficiency value of 1 to those segments. In truth, those segments were made of pipe with lower joint efficiencies, and were operating at pressures that exceeded the appropriate maximum allowable operating pressure. Requiring verification of all reports to the Commission will help ensure the accuracy of the data.

San Francisco proposes, therefore, that all annual reports include a verification attesting that the information included in the annual reports is true.

Rule 123.4

Each Operator must submit a verification under penalty of perjury from a senior officer of the utility stating that the facts contained in the annual report are true and correct to the best of that individual's knowledge.

III. CONCLUSION

San Francisco appreciates the opportunity to submit these comments and supports the Commission's efforts to develop better oversight of the pipeline operators in California.

Respectfully submitted,

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