

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)

**REPLY BRIEF
OF THE SAFETY AND ENFORCEMENT DIVISION
CONCERNING THE RULING OF CHIEF ADMINISTRATIVE LAW JUDGE
AND ASSIGNED ADMINISTRATIVE LAW JUDGE DIRECTING PACIFIC
GAS AND ELECTRIC COMPANY TO SHOW CAUSE WHY IT SHOULD
NOT BE SANCTIONED BY THE COMMISSION FOR VIOLATION OF
RULE 1.1 OF THE COMMISSION'S RULES OF PRACTICE
AND PROCEDURE**

I. INTRODUCTION

Pursuant to Commission Rule of Practice and Procedure 13.11, the California Public Utilities Commission's ("Commission") Safety and Enforcement Division ("SED") files this opening brief in Rulemaking (R.) 11-02-019. This brief responds to the "Ruling of Chief Administrative Law Judge (ALJ) and Assigned Administrative Law Judge Directing Pacific Gas and Electric Company to Show Cause Why It Should Not Be Sanctioned by the Commission for Violation of Rule 1.1 of the Commission's Rules of Practice and Procedure" of August 19, 2013 ("Ruling").

II. SUMMARY OF ARGUMENTS

Pacific Gas and Electric Company ("PG&E") continues to mislead the Commission concerning its completion of its validation of the Maximum Allowable Operating Pressures ("MAOP") on its natural gas transmission system and, further, claims that there was no delay in notifying the Commission of errors in its pipeline

features list (“PFL”) and a reduction in MAOP on those particular segments where the pipe specifications were incorrect following PG&E’s MAOP validation process.

Key points are:

- Although PG&E knew as early as October 18, 2012 that errors and records insufficiencies existed in its PFL, which was used to validate maximum operating pressures for pipeline segments, PG&E asserts it did not have to report those PFL errors to the Commission until its analysis of the errors was completed on July 2, 2013 (PG&E Sept. 26, 2013 Comments (“PG&E Coms.”) at p 8.);
- PG&E’s counsel contends that a petition for modification of D.11-12-048 was inappropriate because the Ordering Paragraphs of that decision “already required PG&E to lower pressure after correcting the errors” (PG&E Coms. at pp. 4 - 6.);
- PG&E confuses its duty to notify the Commission of lowered MAOP segment pressures with its duty to notify the Commission of errors in its system-wide MAOP validation process (*Ibid*); and
- PG&E fails to address inconsistencies in its statements concerning the need to have complete, verifiable, and traceable pipe specifications before hydro testing (D.12-12-030, at p. 94).

III. PG&E FAILED TO PROVIDE THE COMMISSION WITH NOTICE OF ERRORS IN ITS PFL IN A REASONABLE PERIOD OF TIME AFTER DISCOVERY

As noted in SED’s Opening Brief, PG&E knew on October 18, 2012 by looking at the pipe it excavated, that the pipe material Line 147 Segment 109 was probably not accurately indentified in PG&E’s PFL. (SED’s Op. Brf. at p. 2.) On October 24, 2012, a PG&E pipeline corrosion engineer confirmed the error, (Johnson Verified Statement at p. 7, ¶ 30.) On January 25, 2013, a pipeline engineer reported to PG&E that PG&E’s PFLs also had an error for Line 147 Segment 103.1, an exposed above ground span of pipe. (Johnson Verified Statement at p. 10, ¶ 41.) On January 29, 2013, PG&E’s test results confirmed the Segment 103.1 error, which also applied to Segments 103 and 103.6 because they were installed on the same project. (Johnson Verified Statement at p. 9, ¶ 39 and p. 10, ¶ 41 & 42.) Knowing these problems with PG&E’s PFL, on January 31,

2013¹ (R.T., Vol. 16B at p. 2473), PG&E advised the National Transportation Safety Board that the work of MAOP validation had been completed. (SED Request for Official Notice, Sept. 26, 2013 at p. 1) Finally, on May 24, 2013, PG&E reduced the pressure on the Peninsula Pipeline system, including Lines 101, 132A and 147. (Johnson Verified Statement at p. 6, ¶ 24.) PG&E waited until July 3, 2013 to notify the Commission of these and similar errors, depriving the Commission of essential information regarding PG&E's MAOP validation process for eight months. PG&E states that it was waiting for a final determination on an interpretation of one-class-out class locations which went up in class before January 1, 1975. Waiting for this in-house determination on an independent, separate issue cannot excuse the failure to timely notify the Commission of the separate issue of MAOP validation errors. Thus, PG&E failed to provide the Commission with notice of errors in its PFL in a reasonable period of time after the errors were discovered.

IV. ERRORS IN PG&E'S PFL ARE SERIOUS AND REQUIRE MORE NOTICE THAN A MERE CORRECTION OF CLERICAL ERRORS

PG&E contends that using the term "errata" is nothing more than "counsel's good faith selection of a word that conveyed that the pleading was reporting errors...such as 'an error in printing or writing.'" (PG&E Coms. at p. 5.) SED strongly disagrees. The errors in PG&E's PFL, and the questions such errors pose for PG&E's MAOP validation process of the 2,088 segments that were reviewed, raise serious concerns regarding the safety of segments hydro tested blindly without sufficient knowledge of hoop stress and SMYS².

¹ See DRA Motion to Enter Evidence into the Record of the Rule 1.1 Order to Show Cause Proceeding in this Docket and Motion to Shorten Time for Responses, P. 3. This Motion requests that PG&E's partial response to SED-006-01 be entered into the record. This response shows the date when PG&E's Vice President was informed of these errors.

² SMYS means specified minimum yield strength is: (1) For steel pipe manufactured in accordance with a listed specification, the yield strength specified as a minimum in that specification; or (2) For steel pipe manufactured in accordance with an unknown or unlisted specification, the yield strength determined in accordance with § 192.107(b). 49 C.F.R. § 192.3.

V. DECISION (D.) 11-12-048 DOES NOT AUTHORIZE PG&E TO DELAY IN REPORTING ERRORS IN ITS PFL REGARDING PROBLEMS WITH ITS MAOP VALIDATION PROCESS

Even if D.11-12-048 permits PG&E to reduce MAOP pressures without notice, as PG&E argues, it does not permit PG&E to delay in notifying the Commission of errors in its PFL subsequent to its completion of MAOP validation process. These errors call into question the accuracy of the entire MAOP validation process. Since the pipe segments with these errors had inaccurate and incomplete material specifications, the hydro test was performed blindly. Similar errors could exist in other pipeline segments, making those pipelines potentially subject to blind hydro tests (i.e., segments where the pipe material and specifications were inadequate).

VI. THE SERIOUSNESS OF PG&E'S DELAY IN REPORTING ERRORS IS UNDERSCORED BY PG&E'S INCONSISTENT STATEMENTS CONCERNING THE HYDRO TESTING OF SEGMENTS WITH INADEQUATE OR INCOMPLETE PIPE SPECIFICATIONS

The problem of hydro testing pipe segments that do not have adequate material specifications remains unresolved by PG&E. PG&E knows the importance and necessity for accurate PFL data prior to hydro testing a pipe segment.

No natural gas system operator can comply with these requirements without creating and preserving accurate and reliable system installation, operating, and maintenance records. Thus, we find that PG&E has failed to demonstrate that long-standing regulations excuse incomplete and inaccurate natural gas system record-keeping.

(D.12-12-030 at p. 94.)

PG&E's Vice President [Kirk Johnson] stated that prior to doing a hydrostatic test it was important to know the components of the pipeline to be tested:

“What you want to know is everything that's in the ground before you start conducting that test so that you don't put yourself in a situation where you've led to unintended consequences by pressuring that pipe up.”

The Vice President went on to explain that with regard to seamed pipeline, where adequate records are not available regarding the strength of the longitudinal weld, PG&E would dig up the pipe and verify the condition of the weld.

(*Id.* at p. 92.)

And finally, Mr. Johnson testified on September 6, 2013, at the hearings on this OSC:

...[A]ctual pipeline characteristics are important ingredient of looking at the operating pressure of that pipeline... [hydro testing] does not substitute for knowledge.

(R.T., Vol. 16B at p. 2485-2486.)

PG&E had to confirm the MAOP of 2,088 segments. (R.11-02-019, PG&E's Feb. 7, 2012 Report at p. 1.) PG&E does not dispute that many of those segments did not have adequate pipeline material specifications or job files or purchase/mill orders. Without those records there are potential unintended consequences in blindly choosing a pressure for the hydro test. Hydro tests performed at too high a pressure can result in failure or worse, a pinhole leak or crack that may expand in time causing a rupture. PG&E's discovery of MAOP validation errors in its PFL should have been reported shortly after discovery. The serious nature of this omission is underscored by the fact that a leak discovered in segment 109 Line 147 might have been caused by the hydro test performed without sufficient records. Consequently, given the serious nature of these problems resulting from the lack of complete pipeline segment information, notice to the Commission should have been made immediately after PG&E first discovered the errors in October 2012.

VII. CONCLUSION

In conclusion, PG&E failed to provide the Commission with notice of errors in its PFL in a reasonable period of time after discovery. As a result, the Commission was led to believe that hydro tests on PG&E's peninsula lines had been performed in a safe manner, using accurate pipeline features data, when, in fact, the data was inaccurate leading to the possible over pressuring of lines during hydro tests.

Respectfully submitted,

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