



Bill Gibson
Director, Regulatory Compliance
and Support
Gas Operations

375 N. Wiget Lane, Suite 250
Walnut Creek, CA 94598

925-974-4210
Fax: 925-974-4102
Internet: WLG3@pge.com

July 31, 2012

General Jack Hagan, Director
Consumer Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue, Room 2205
San Francisco, CA 94102-3298

Re: CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification
Underrated Valves Discovered in the City of Morgan Hill, Santa Clara County

Dear General Hagan:

Pursuant to Resolution ALJ-274, PG&E is providing notification of a self-identified non-compliance issue regarding inlet valves at high pressure regulators (HPRs) found to be underrated for the existing operating pressure. The non-compliance occurred at eight locations on a pipeline in the City of Morgan Hill.

PG&E's [Redacted] Distribution Feeder Main (DFM) has a Maximum Allowable Operating Pressure (MAOP) of 250 pounds per square inch gauge (psig). PG&E has determined that eight ¾-inch inlet valves to HPRs tapped directly off of the Diana Avenue DFM have a manufacturer's shell test pressure of 400 psig and a maximum working pressure rating of 200 psig, which is below the MAOP of the Diana Avenue DFM. This is not in compliance with 49 CFR §192.145(a), which states, "Except for cast iron and plastic valves, each valve must meet the minimum requirements of American Petroleum Institute (API) 6D (incorporated by reference, see § 192.7), or to a national or international standard that provides an equivalent performance level. A valve may not be used under operating conditions that exceed the applicable pressure-temperature ratings contained in those requirements."

In 1999, the [Redacted] DFM was updated from 200 psig to 250 psig. These inlet valves were not reviewed to ensure their maximum working pressure was adequate for the system update.

PG&E lowered the operating pressure of the [Redacted] DFM to 180 psig on June 21, 2012 and has inspected each valve for operability and has found no leakage. The operating pressure of the Diana Avenue DFM will remain at 180 psig until all eight valves are replaced or eliminated. This work is expected to be completed by October 31, 2012.

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PG&E is in the process of issuing a work procedure to inspect all farm tap regulator sets and to conduct a pressure regulator diagnostic on a three-year periodic basis (HPRs serving one or two service lines are known as "farm taps"). PG&E will include in this work procedure the requirement to review and document the specifications for all regulator set equipment. The publication date of this work procedure is expected to be in the fourth quarter 2012.

PG&E will notify the local authorities for the City of Morgan Hill and the County of Santa Clara of this issue and will provide confirmation of notification as a supplement to this letter.

Please contact Redacted for any additional questions you may have regarding this notification.

Sincerely,



Bill Gibson
Director, Regulatory Compliance and Support

cc: Julie Halligan, CPUC
Dennis Lee, CPUC
Mike Robertson, CPUC
Sunil Shori, CPUC

Redacted

Shilpa Ramaiya, PG&E
Frances Yee, PG&E