



Public Utilities Commission
STATE OF CALIFORNIA

Citation Date: 11/5/2013

Citation #: 13--003

Operator ID#: 15007

**CITATION FOR VIOLATION(S)
ISSUED PURSUANT TO RESOLUTION ALJ-274
OF GENERAL ORDER 112-E**

Gas Corporation (Operator): Pacific Gas and Electric Company
To Which Citation Is Issued

RESPONDENT:

Mr. Jesus Soto Jr.
Senior Vice President, Gas Transmission Operations
Pacific Gas and Electric Company
P.O. Box 770000, Mail code N15F
San Francisco, CA 94177

CITATION:

Operator is hereby cited at a Level 1 resulting in a financial penalty of \$8,110,000.00.

VIOLATIONS:

Operator is cited with having violated General Order 112-E, as described below. These violations occurred during the period of 2011 through 2013.

1. Title 49 Code of Federal Regulations (CFR) § 192.243:

"(d) When nondestructive testing is required under §192.241(b), the following percentages of each day's field butt welds, selected at random by the operator, must be nondestructively tested over their entire circumference" (emphasis added).

2. Public Utilities (P.U.) Code Section 451:

"Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public."



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ENCLOSURES:

The following enclosures were used to establish the findings of fact:

1. *Enclosure 1: "Letter of Concern"*

SED staff investigation is ongoing. Some of the information used to establish findings of fact is confidential.

STATEMENT OF FACTS:

The above violation(s) are based on one or more of the following:

1. *On March 26, 2013, Pacific Gas and Electric (PG&E) employee observed a PG&E contractor perform a nondestructive test in a manner non-compliant with applicable codes and standards.*
2. *The observation of the non-compliant nondestructive testing occurred on a project in Brentwood on Line 114.*
3. *On April 1, 2013, PG&E sent a letter to the company contracted to perform nondestructive examination, notifying them that all further work by the contractor has been terminated.*
4. *Subsequently, PG&E re-validated all welds on Line 114 to ensure their safety. This PG&E work has been reviewed by SED and SED currently has no outstanding concerns.*
5. *In the immediate aftermath of observations made on March 26, 2013, PG&E began an extensive review of other work performed by the nondestructive testing contractor.*
6. *PG&E review of contractor's previous work identified 224 nondestructive tests that were not in compliance with applicable codes and standards. Specifically, the welds had incomplete radiographic coverage which did not cover the entire circumference of the weld.*



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SED CITATION ANALYSIS

| Element of Sentencing Schedule | Staff Finding |
|--|--|
| Number of violation (s) and duration of violation (s) since inception | <i>103 violations in 2011 106 violations in 2012 15 violations in 2013 Duration varies, but in many cases exceeds 365 days</i> |
| Maximum Fine per P.U. Code § 2107 and P.U. Code § 2108 | <i>(224 of violations) * (>365 days) * (\$50,000) = over \$3 billion</i> |
| Severity of the offense: overall level of risk of violation(s) | <i>Risk Level 2: High Risk</i> |
| The conduct of the utility before, during, and after the offense | <i>Utility has been cooperative with staff</i> |
| Previous occurrence of similar violations by the utility | <i>Under analysis</i> |
| Self-reporting of the violation | <i>Yes, verbally and on PSEP Quarterly Report</i> |
| Indication of the violation (s) being willful | <i>No</i> |
| Actions taken by the utility to address the violation | <i>Under analysis</i> |
| Associated safety related condition | <i>Under analysis</i> |
| Financial resources of the utility | <i>4.3 Million customers, \$715 Million Revenue requirement</i> |
| The totality of the circumstances | <i>Under analysis</i> |
| The amount of the fine in the context of other SED citations or Commission decisions | <i>N/A</i> |
| Other factors deemed relevant by SED | <i>Mitigating Factor: The issue was originally</i> |



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| | |
|---|--|
| | <p><i>identified by PG&E through an internal Quality Assurance/Quality Control program (QA/QC). PG&E took immediate corrective steps, including revalidation of welds on Line 114.</i></p> <p><i>Other: PG&E nondestructive testing program is currently under investigation by SED. PG&E is in the process of developing an updated extent of condition analysis and corrective action plan. Depending on PG&E's execution of the corrective action plan and the results of the SED investigation, there may be additional citations issued to PG&E for failure to ensure compliance of nondestructive testing.</i></p> |
| <p>Resultant Citation Taking All Of These Factors Into Account</p> | <p>\$ 8,110,000.00</p> |



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RESPONSE:

Respondent is hereby called upon to provide a response to this Citation by: **5:00 PM (PST) on November 15, 2013.**

By way of such response Respondent, **within 10 calendar days**, may either:

- (1) Correct the violations as soon as feasible, with any immediate safety hazard requiring immediate correction, and/or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 10 days to correct, and pay a fine pursuant to Pub. Util. Code § 2107. (Submit a check payable to California Public Utilities Commission using the attached *Citation Payment Form*. Upon payment, the fine will be deposited in the State Treasury to the credit of the General Fund and this citation will become final); **or**
- (2) Confirm that the violation(s) noted in this Citation have been corrected and/or otherwise do not present an on-going safety hazard to the Operator's employees and the general public, and /or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 10 days to correct, **and** contest this citation by completing and submitting a *Notice of Appeal Form*. Please see the attached document, "Directions For Submitting An Appeal To A Citation Issued Pursuant To Resolution ALJ-274" for information on the appeals process and the attached "Notice of Appeal Of Citation Form."

Respondent's failure to provide a response, as noted above, within 10 calendar days from the date the citation is served, will place Respondent in default of the citation and will result in forfeiture of Respondent's rights to appeal the citation. A late payment will be subject to a penalty of 10% per year, compounded daily and to be assessed beginning the calendar day following the payment-due date. The Commission may take additional action to recover any unpaid fine and ensure compliance with applicable statutes and Commission orders.

NOTIFICATION TO PUBLIC AGENCIES:

As soon as is reasonable and necessary, and no later than 10 calendar days after service of the citation is effected, Respondent must provide a notification to the City Manager or similar local agency authority in the city and county where a citation is issued. Within 10 days of providing such notification, Respondent must serve an affidavit to the Director of SED, at the mail or e-mail address noted below, attesting that the local authorities have been notified; the date(s) for when notification was provided; and the name(s) and contact information for each local authority so notified.



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The CPUC expects Operators to take actions, as soon as feasible, to correct, mitigate, or otherwise make safe all violations noted on the Citation regardless of the Operator's intentions to accept or appeal the violation(s) noted in the Citation.

A handwritten signature in black ink, appearing to read "Emory J. Hagan III", written over a horizontal line.

Emory J. Hagan III
Brigadeer General (CA)
Director
Safety and Enforcement Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
emory.hagan@cpuc.ca.gov



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CITATION PAYMENT FORM

I (we) _____ hereby agree to comply with this citation dated _____, and have corrected/mitigated the violation(s) noted in the citation on _____ and no later than _____, all work to make permanent corrections to any mitigated, or otherwise remaining concerns related to the violation(s) will be completed as noted in the Compliance Plan we have submitted to the Director of SED and, herewith, pay a fine in the amount of \$ _____ as included in the citation.

Signature of Gas Corporation's Treasurer,
Chief Financial Officer, or President/CEO,
or delegated Officer thereof

(Signature)

(Date)

(Printed Name and Title)

Payment with a check must be made payable to the California Public Utilities Commission and sent to the below address. Please include the citation number on the memorandum line of the check to ensure your payment is properly applied.

California Public Utilities Commission
Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298

NOTE: A copy of the completed Citation Payment Form must be sent to the Director of the Safety and Enforcement Division, via email or regular mail, to the addresses provided on the Citation.



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**DIRECTIONS FOR SUBMITTING AN APPEAL TO A CITATION
ISSUED PURSUANT TO RESOLUTION ALJ-274**

Within 10 calendar days of the Respondent being served with a **CITATION FOR VIOLATION(S) ISSUED PURSUANT TO RESOLUTION ALJ-274**, Respondent may appeal the citation. Beyond 10 calendar days of being served with the citation, Respondent is in default and, as a result, is considered as having forfeited rights to appeal the citation. The Respondent must still correct the violation(s) as feasible unless, within 10 calendar days from the date of service of the citation, the Respondent submits to the Director of SED, a Compliance Plan that provides a detailed description of when the violation(s) will be corrected, the methodology to be utilized, and a statement, supported by an affidavit from the Gas Corporation's Chief Executive Officer, that in the Respondent's best judgment, the time necessary to correct the violation(s) will not affect the integrity of the operating system or unduly endanger the public.

To appeal the citation, Respondent must complete and submit the below *Notice of Appeal Form* within 10 calendar days of the date on which the Respondent is served the Citation. The Respondent's appeal must explain with specificity all grounds for the appeal of the citation. The completed *Notice of Appeal Form*, along with copies of any materials the Respondent wants to provide in support of its appeal, must be sent to:

California Public Utilities Commission
505 Van Ness Ave, Room 2205
San Francisco, CA 94102
Attn: Director, Safety and Enforcement Division

Respondent must also serve a copy of the *Notice of Appeal Form*, along with copies of any supporting materials, at the address noted above, on the Commission's Executive Director, Chief Administrative Law Judge, General Counsel, and Director of the Division of Ratepayer Advocates.

NOTE: Submission of a *Notice of Appeal Form* in no way diminishes Respondent's responsibility for correcting the violation described in the citation, or otherwise ensuring the safety of facilities or conditions that underlie the violations noted in the Citation.

After SED receives the Respondent's *Notice of Appeal Form*, a hearing will be convened before an Administrative Law Judge. At least ten business days before the date of the hearing, the Respondent will be notified and provided with the location, date, and time for the hearing. At the hearing,

- (a) Respondent may be represented by an attorney or other representative, but any such representation shall be at the sole expense of the Respondent;



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- (b) Respondent may request a transcript of the hearing, but must pay for the cost of the transcript in accordance with the Commission's usual procedures;
- (c) Respondent is entitled to the services of an interpreter at the Commission's expense upon written request to the Chief Administrative Law Judge not less than three business days prior to the date of the hearing; and
- (d) Respondent may bring documents to offer in evidence and/or call witnesses to testify on Respondent's behalf.

At the Commission's discretion, the hearing in regard to the Respondent's appeal can be held in a hearing room at either of the Offices of the CPUC at the following locations:

San Francisco:

505 Van Ness Avenue
San Francisco, CA 94102

Los Angeles:

320 West 4th Street, Suite 500
Los Angeles, CA 90013

The hearing(s) held in regard to the Respondent's appeal will be adjudicated in conformance with all applicable Public Utilities Code requirements.



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Notice of Appeal Form
(For A Citation Issued Pursuant to Resolution ALJ-274)

Respondent:

Name
Vice President, Gas Operations
Gas Utility Name
Mailing Address
City, CA Zip

Citation Date:

Citation #: ____-____-____

Operator ID#:

Appeal Date: _____

Statements supporting Respondent's Appeal of Citation (You may use additional pages if needed and/or attach copies of supporting materials along with this form).



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Enclosures to Accompany Utility Appeal

Utility to add Enclosures as appropriate