

**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)

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER FERRON
IMPOSING SANCTIONS FOR VIOLATION OF RULE 1.1 OF THE COMMISSION'S
RULES OF PRACTICE AND PROCEDURE**

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I. INTRODUCTION

Pursuant to the Commission's Rule of Practice and Procedure 14.3(d), the City and County of San Francisco ("San Francisco") submits these reply comments on the Alternate Proposed Decision of Commissioner Ferron Imposing Sanctions For Violation Of Rule 1.1 Of the Commission's Rules of Practice and Procedure (the "Alternate Proposed Decision"). San Francisco responds to comments filed by PG&E, San Bruno, the Office of Ratepayer Advocates ("ORA"), and TURN.

San Francisco supports the the Alternate Proposed Decision. San Francisco also supports the comments from San Bruno, ORA and TURN that PG&E had an obligation to disclose public safety issues to the Commission in a timely fashion and that PG&E's five month delay in disclosing the discrepancy in its records was unreasonable. San Francisco also supports TURN's proposed modification to page 10 of the Alternate Proposed Decision to remove unnecessary language.

A. **PG&E Should Have Disclosed Its Discovery of "Known Errors" to the Commission No Later Than November 16, 2013.**

San Bruno, ORA and TURN each argue that PG&E should have disclosed the "known errors" to the Commission and the public when its senior management became aware of the records discrepancy for segment 109 of Line 147. San Francisco agrees with this recommendation. PG&E, in contrast, asserts that the Alternate Proposed Decision's "findings regarding PG&E management's actions and conclusions consist of baseless conjecture."¹

Although PG&E attempts to marshal procedural arguments that the Alternate Proposed Decision reaches beyond the evidentiary record, there is ample evidence in the record to show that the continuing violations should have begun as early as November 14, 2012, two days earlier than the Alternate Proposed Decision begins the continuing violation. PG&E admitted that the

¹ PG&E Opening Comments on Alternate Proposed Decision at p. 3.

pipeline engineer who discovered the pipeline discrepancy on segment 109 of Line 147 shared his discovery with others in PG&E via email on November 14, 2012.² According to PG&E, “the pipeline engineer sent an email notification of the leak repair and his observation of a potential discrepancy with the PFL [Pipeline Features List] for Line 147 to various departments, including MAOP Validation, Integrity Management, Operations, PSEP, Hydrotest, and Gas Planning.”³ Based on this discovery, PG&E then began to take a number of remedial actions, including an investigation of why the records were incorrect, a re-review of the specifications for Line 147, and revalidation of the appropriate MAOP.⁴ When PG&E took these actions, it knew it had a problem and it should have disclosed these issues to the Commission and the public.

Given the purpose of the reporting requirements in the federal regulations and General Order 112-E for safety-related conditions,⁵ PG&E should have disclosed this records discrepancy as early as November, 14, 2013, the date the pipeline engineer emailed the major pipeline groups within PG&E about this is problem. Based on the discovered “records discrepancy,” PG&E admitted that the operating pressure for segment 109 on Line 147 was not commensurate with the class location.⁶ In PG&E’s words “we concluded that applying a conservative joint efficiency factor of 0.8 rather than 1.0 for DSAW still resulted in an MAOP above 365 psig, but would require the pipe to operate ‘one-class-out’ pursuant to the strength test provisions in 49 C.F.R. § 192.611.”⁷ It is important to note that PG&E now admits that its previous interpretation of operating pipelines “one class out” was unlawful.⁸ In essence, PG&E had been operating the pipeline above the appropriate maximum allowable operating pressure for many years.

² August 30, 2013 Verified Statement of PG&E at ¶ 33.

³ *Id.*

⁴ *Id.*

⁵ See 49 CFR Part 191 and General Order 112-E Section 124.

⁶ August 30, 2013 Verified Statement of PG&E at ¶ 33.

⁷ *Id.*

⁸ *Id.* ¶ 59 (“As a result, PG&E came to the conclusion that it cannot rely on a post-1974 strength test to operate a segment one-class-out if that segment experienced a class change prior to 1971. We reached this conclusion, not as a matter of public safety, but based on a strict reading of the federal code sections.”) and ¶ 62 (“However, as discussed above, our interpretation of the code

The purpose of the safety-related conditions reporting requirement is for operators to inform the regulators of potential problems as soon as possible. In order to comply with the purpose of the regulations, when PG&E realized that it was exceeding the maximum allowable operating pressure for segment 109 of Line 147, it should have promptly informed the Commission and the public.

Dated: December 2, 2013

Respectfully submitted,

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has changed, and we are no longer relying on the 2011 strength test to be able to operate one-class-out.”).

CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4700.

On December 2, 2013, I served:

**REPLY COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO
ON THE ALTERNATE PROPOSED DECISION OF COMMISSIONER FERRON
IMPOSING SANCTIONS FOR VIOLATION OF RULE 1.1 OF THE COMMISSION'S
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by electronic mail on all parties on the attached Service list in CPUC Proceeding

No. R.11-02-019 The following addressee(s) without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on December 2, 2013, at San Francisco, California.

/S/

KIANA V. DAVIS

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