

**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 BRIEF OF THE CITY AND COUNTY OF SAN FRANCISCO  
IN RESPONSE TO THE 'SUBSTANTIVE' ORDER TO SHOW CAUSE CONCERNING  
THE RELIABILITY OF THE RECORDS OF PACIFIC GAS & ELECTRIC COMPANY**

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January 31, 2014

## I. INTRODUCTION

Pursuant to the Administrative Law Judge’s ruling at the December 16, 2013 hearing, the City and County of San Francisco submits this reply brief regarding the August 19, 2013 Order to Show Cause issued by the Assigned Commissioner and Assigned Administrative Law Judge (Substantive OSC). San Francisco responds to the opening briefs filed by PG&E, TURN, ORA, and San Bruno.

In its opening brief, PG&E argues that the Commission should not suspend any of the Commission decisions authorizing increased operating pressure.<sup>1</sup> PG&E’s brief, however, fails to address the full scope of the OSC. In the OSC, the Commission notes that the happenstance discovery of the records discrepancy on Line 147 was “profoundly troubling” in light of PG&E’s “expenditure of hundreds of millions of dollars for record review and validation” for PG&E’s natural gas transmission system. Thus, the Commission ordered PG&E to “show cause why all orders issued by this Commission authorizing increased operating pressures should not [be] immediately suspended pending competent demonstration that PG&E’s natural gas system records are reliable.” Notably, the OSC’s inquiry regarding the reliability of records was not limited to the records for only the lines PG&E had sought pressure restorations.

PG&E’s arguments, however, are limited to the “pressure restoration lines”<sup>2</sup> and fails to meet the full scope of the charges levied by the Commission. In contrast, the intervening parties have adequately demonstrated that there are many reasons to question the reliability of PG&E’s records.<sup>3</sup> Specifically, TURN and San Bruno showed that PG&E has admitted that there are up to 185 pipeline features for which PG&E has incorrect data that are consequential enough to

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<sup>1</sup> PG&E Opening Brief at p. 1.

<sup>2</sup> See PG&E Opening Brief at pp. 3, 5 (“Hydro testing confirms the safe operation of the pressure restoration lines” and “There is no evidence of additional records discrepancies on the pressure restoration lines.”).

<sup>3</sup> TURN Opening Brief at pp. 11-13; ORA Opening Brief at pp. 8- 14; San Bruno Opening Brief at pp. 4-6.

require a reduced MAOP.<sup>4</sup> San Bruno also demonstrated that PG&E has been relying upon low quality records and that PG&E acknowledged that its own investigation into the error rate determined that there was a direct correlation between the record quality and the accuracy of the data contained in the record.<sup>5</sup> ORA also questioned the reliability of PG&E's record keeping practices and standards.<sup>6</sup>

This is ample evidence that PG&E's records are unreliable *system-wide*. System-wide records discrepancies raise significant and broad safety issues that must be addressed. Additional steps are required to ensure the safety of PG&E's gas transmission lines and the reasonableness of the rates PG&E charges its customers. San Francisco therefore supports recommendations made by TURN and San Bruno for an independent monitor.

Finally, San Francisco urges the Commission to not be fooled by PG&E's assertions that its historic pressure tests provide a measure of safety for poor records.<sup>7</sup> As former-Commissioner Ferron aptly noted in the Line 147 Order to Show Cause "[t]his argument that we had hydrostatic tests, therefore, there's no safety issue, therefore, there's no need to report is completely illogical."<sup>8</sup> As further clarified in a colloquy between Commissioner Ferron and PG&E's Executive Vice President of Gas Operations, Nick Stravopoulos:

MR. STAVROPOULOS: Yeah. So the hydrotest is the primary tool used to establish the MAOP for Line 147.

COMMISSIONER FERRON: Right. And that hydrotest was available to the Commission in December 2011. So we took that into consideration when we set the MAOP at 3 – at 360. When we -- but that was not the sole determinant. The Pipeline Features List was an important part of that decision. And then when we determined that one of the factors that went into that determination was materially wrong, and you know, PG&E's own calculations said based on that information we should operate at 330. On what basis can you in good faith say that the fact that there's a hydrotest trumps the fact that the Pipeline Features List was incorrect?<sup>9</sup>

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<sup>4</sup> TURN Opening Brief at p. 11; and San Bruno Opening Brief at pp. 4-5.

<sup>5</sup> *Id.*

<sup>6</sup> ORA Opening Brief at pp. 8-14.

<sup>7</sup> PG&E Opening Brief at p. 4.

<sup>8</sup> RT Vo. 19 at p. 3032: 16-19.

<sup>9</sup> RT Vol. 19 at pp. 3033:23- 3034:12.

In other words, the historic pressure test is irrelevant to the Commission's determination of whether the records are accurate. If the decision to allow pressure restoration was based on an inaccurate record, then that casts doubt on the reliability of the maximum allowable operating pressure; the Commission then must re-determine whether the pressure is being properly set for that pipeline, using accurate information about the features. Thus, those historic pressure tests are irrelevant to the Commission's inquiry regarding whether (i) the records for the pipelines are accurate; (ii) PG&E is making the proper assumptions based on the number of missing records in its system; and (iii) the resulting pressures provide an adequate margin of safety.

January 31, 2014

Respectfully submitted,

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