

**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)

**THE CITY OF SAN BRUNO'S OPENING COMMENTS ON
PROPOSED DECISION DECLINING TO STAY DECISIONS
AUTHORIZING INCREASED OPERATING PRESSURE**

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, the City of San Bruno submits its Opening Comments to Administrative Law Judge Maribeth Bushey’s (ALJ Bushey) Proposed Decision “Imposing Sanctions for Violation of Rule 1.1 of the Commission’s Rules of Practice and Procedure” against Pacific Gas and Electric Company (PG&E). On April 25, 2014, ALJ Bushey issued a Proposed Decision declining to stay decisions authorizing increased operating pressure on Lines 101 and 132A, Lines 131-30, and the Topock Compressor Station. San Bruno respectfully asks the Commission to reconsider the conclusions in its Proposed Decision as well as have the Final Decision address issues raised by several parties, but omitted from discussion in the Proposed Decision.

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II. DISCUSSION

A. The Proposed Decision Permits Increased Operating Pressures in the Absence of Reliable Records.

The Proposed Decision readily admits PG&E does not possess traceable, verifiable, and complete records.¹ It also states: “there is no way to know what one does not know because of the absence of any particular records.”² This particular proceeding was entitled “Order to Show Cause why all Commission Decisions Authorizing Increased Operating Pressure Should not be Stayed Pending Demonstration that Records are Reliable” (emphasis added). So, it appears that the Commission has correctly answered the question it posed: the records are simply not reliable.

Not only does the Proposed Decision find that PG&E doesn’t possess traceable, verifiable, and complete records, but the Commission’s own safety enforcement arm (Safety and Enforcement Division) recently discovered significant issues with the quality of PG&E’s records. Pursuant to PSEP Decision D.12-12-030, PG&E filed an Update Application to update the CPUC and parties on the results of PG&E’s MAOP validation project.³ SED conducted its safety review of PG&E’s MAOP validation project on April 25, 2014 and found several issues with PG&E’s records.⁴ For example, of the 20 Pipeline Features Lists (PFLs) reviewed by SED

¹ Proposed Decision (PD) at p. 15.

² PD at p. 14.

³ Application (A.) 13-10-017; October 29, 2013; PSEP Update Application.

⁴ See https://www.pge.com/regulation/PSEP-Update/Reports/SED/2014/PSEP-Update_Report_SED_20140425_303366.pdf; SED’s “Safety Review of PG&E’s MAOP Validation and PSEP Update.”

during an on-site inspection, 11 contained at least one error.⁵ What is even more troubling, after the on-site inspection, staff discovered a serious type 5 error⁶ in another PFL that was not inspected during the on-site inspection.⁷ Seven had Type 4 errors which impact the MAOP and result in an input value that is less conservative than the correct value.⁸ Also of important note, the SED report found that PG&E is using low quality data when confirming that pressure tests actually occurred.⁹ How do these recently discovered significant records issues evidence that PG&E's records are traceable, verifiable, and complete?

Despite this, the Proposed Decision authorizes the increased operating pressures because PG&E "is in the process" of improving its records integration program to an electronic records system, it continues to improve the reliability of its records, it pressure tested all of the subject lines, which the other parties did not dispute, and no party could point to an error in PG&E's Maximum Allowable Operating Pressure (MAOP) or other records.¹⁰ Stated another way, the Proposed Decision justifies its ruling because 1) no one can currently cite a new records error (despite past mistakes); and 2) hydrotests assure the public the pipes are operating at safe pressure levels.

⁵ See https://www.pge.com/regulation/PSEP-Update/Reports/SED/2014/PSEP-Update_Report_SED_20140425_303366.pdf, page 11.

⁶ *Id.*; see definition of Type 5 error: "Causes an incorrect feature MAOP that is less conservative than the correct feature MAOP, and causes an incorrect MAOP for the entire PFL."

⁷ *Id.*

⁸ See https://www.pge.com/regulation/PSEP-Update/Reports/SED/2014/PSEP-Update_Report_SED_20140425_303366.pdf, page 12.

⁹ See https://www.pge.com/regulation/PSEP-Update/Reports/SED/2014/PSEP-Update_Report_SED_20140425_303366.pdf, pages 30-31.

¹⁰ PD at pp. 11-12, 15-16.

San Bruno respectfully disagrees. Have we forgotten so quickly how this OSC began? Back in November 2011, PG&E assured us it hydrotested every inch of Line 147. It assured us the company possessed traceable, verifiable, and complete records for Line 147. Even its Vice President of Gas Transmission, Maintenance, and Construction verified (under oath) that Line 147 could be safely operated at 365 psi.¹¹

We know now PG&E was wrong. Despite the pressure tests, purported records, and PG&E's engineer's oath, we learned, through PG&E's July 3, 2013 "errata" filing, that Line 147 was operating unsafely.¹² This Commission concluded same in its recent Decision when it ordered PG&E to reduce the operating pressure of Line 147 to 330 psi.¹³

Recent unfortunate events prove San Bruno's point. On March 3, 2014, PG&E crews used an out-of-date map to tie in a new gas line in a residential neighborhood located within the town of Carmel, in Monterey County. The map did not reflect that the steel pipe contained a newer plastic pipe inside. Unaware of the interior pipe, PG&E's crew did not turn off the flow of gas within the plastic pipe. The construction work caused a nearby home to fill with gas, explode, and was completely destroyed. Miraculously, no one was hurt¹⁴

This recent event shows another gas explosion due to a records error. While PG&E and this Commission continue to investigate all facts which contributed to the cause of this Carmel explosion, it is undisputed that inaccurate records was a primary

¹¹ D.11-12-048 at pp. 9-10.

¹² PD at p. 5.

¹³ D.13-12-042 at p. 17.

¹⁴ http://www.montereyherald.com/news/ci_25710648/carmel-council-holds-special-meeting-house-explosion

factor. The gas pipelines serviced by the crew could have passed a hydrotest with gold stars, but under the circumstances, the hydrotest was not worth a dime when the PG&E needed accurate records to properly service the residential pipeline. Sadly, PG&E performed the work with bad documents and incorrect assumptions about the pipe (similar here), which resulted in yet another gas explosion and more property damage.

Turning to the Lines at issue here, San Bruno respectfully urges the Commission not to allow PG&E to rest its laurels on hydrotests in the absence of reliable records. PG&E relied upon hydrotests to establish its erroneous 365 psi for Line 147.¹⁵ Hydrotests alone should not suffice here.

B. The Proposed Decision Ignores the Mandates From the National Transportation & Safety Board.

San Bruno believes the Proposed Decision sidesteps the findings and recommendations in the National Transportation & Safety Board's (NTSB) August 30, 2011 pipeline accident report. The NTSB urgently recommended PG&E to first "aggressively and diligently" search for "all" traceable, verifiable, and complete records. Said traceable, verifiable, and complete records shall be used to determine the valid Maximum Allowable Operating Pressure (MAOP) "based on the weakest section of pipeline." If PG&E was unable to comply with said safety recommendations to accurately determine the MAOP, then, and only then, PG&E shall conduct hydrostatic testing to determine the MAOP.¹⁶

¹⁵ D.13-12-042 at p. 17.

¹⁶ NTSB August 30, 2011 report recommendations P-10-2; P-10-3; and P-10-4 at pp. 133-134.

The NTSB’s pipeline accident report includes more than just mere “recommendations.” Those recommendations are the driving force of this rulemaking proceeding. The NTSB’s recommendations were incorporated into the Decisions that are at the heart of this OSC today.¹⁷ This Commission incorporated the NTSB’s recommendations and turned them into conditions precedent in order to permit PG&E to establish its MAOP validations. Now it is questionable whether those preconditions have been met.

The Proposed Decision agrees that PG&E does not have traceable, verifiable, and complete records, but makes no finding that PG&E has diligently and aggressively searched for such records. It appears the Proposed Decision disregards the first two NTSB recommendations and finds hydrotesting as a suitable means to determine MAOP validation, regardless of the accuracy of the records.¹⁸ The NTSB and this Commission ordered that searching and possessing accurate records are first and foremost the most accurate means of safely keeping track of what is in the ground. Pressure tests are certainly an acceptable means to establish a pipeline’s MAOP, but only if traceable, verifiable, complete records cannot be found. This Decision must take into account that proper recordkeeping comes first before PG&E can defer to pressure tests.

PG&E plans to perform a massive modernization of its pipelines and intends to replace miles of vintage pipe.¹⁹ However, a mere pressure test will not tell PG&E whether a subject pipe should be considered “vintage” and requires replacement. A

¹⁷ See D.11-09-006; D.11-12-048.

¹⁸ PD at pp. 14-15.

¹⁹ See PG&E’s December 19, 2013 rate case application in A.13-12-012.

pressure test cannot indicate whether a pipe installed in 1968 is actually reconditioned and manufactured in 1946. PG&E's hydrotests to establish its MAOP²⁰ does not trump PG&E's obligations to obtain traceable, verifiable, and complete records.

C. The Proposed Decision Does Not Address Several Parties' Request for an Independent Monitor.

The Proposed Decision notes that three parties to this proceeding - The Utility Reform Network, City of San Bruno, and City and County of San Francisco - urge the Commission to appoint an independent third-party review to ascertain the reliability of PG&E's documentation of pipeline data and specifications.²¹ Their recommendation was neither discussed nor ordered in the Proposed Decision, nor did the Proposed Decision discuss the Commission's reasoning not to appoint an independent monitor. San Bruno asks that the Commission address these parties' request for a third-party records review in its Final Decision.

D. The Proposed Decision Does Not Address San Bruno's Request for a Local Government Notification Plan.

Similarly, both San Bruno's opening and reply briefs urged the Commission to use its constitutional authority to order PG&E to institute a plan to promptly notify local government after a discovery of a records error that requires a MAOP reduction of a pipeline running through the City's borders.²² This position was not addressed as part of San Bruno's position, nor was it discussed or ordered in the Proposed

²⁰ PG&E Brief at pp. 3-5.

²¹ PD at pp. 9-10.

²² San Bruno Opening Brief at pp. 8-9; San Bruno Reply Brief at p. 4.

Decision.²³ San Bruno asks that the Commission address San Bruno's proposed local government notification plan as part of its Final Decision.

III. CONCLUSION

A hydrotest does not trump inaccurate or missing records. As seen from Line 147 in this OSC process, a hydrotest does not necessarily establish a pipe is operating at the pipe's proper MAOP, when compared to the specific properties of that pipe. San Bruno respectfully requests the Commission rescind its orders authorizing PG&E to increase its operating pressures on Lines 101 and 132A, Lines 131-30, and the Topock Compressor Station until an independent monitor can vouch that PG&E's records are traceable, verifiable, and complete. San Bruno also respectfully requests that the Final Decision address both the third-party review proposal and the implementation of public outreach in response to the discovery of a consequential pipeline records error.

Respectfully submitted,

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²³ See PD at pp. 9-10, 12-16.