

**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)

**REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON
THE PROPOSED DECISION DECLINING TO STAY DECISIONS
AUTHORIZING INCREASED OPERATING PRESSURE**



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I. INTRODUCTION AND SUMMARY

In accordance with Rule 14.3 of the Commission’s Rules of Practice and Procedure, The Utility Reform Network (“TURN”) submits these Reply Comments on the Proposed Decision Declining to Stay Decisions Authorizing Increased Operating Pressure (“PD”), in response to the Opening Comments of the Office of Ratepayer Advocates (“ORA”) and the City of San Bruno (“San Bruno”). In particular, as explained more fully in these Reply Comments, TURN fully supports the points made by ORA¹ and San Bruno² that the PD fails to make correct findings and conclusions regarding the serious issues raised by PG&E’s ongoing problems with inaccurate records, even after the completion of the Maximum Allowable Operating Pressure (“MAOP”) Validation effort.

II. THE PD MISSTATES THE VALUE AND IMPORT OF THE RECORD DEVELOPED IN THIS PROCEEDING REGARDING PG&E’S CONTINUING FAILURE TO HAVE RELIABLE RECORDS, EVEN AFTER MAOP VALIDATION

The PD correctly notes that, in the record of this case, PG&E was subjected to a “well-deserved rigorous and thorough review” of the process by which errors in supposedly validated data were discovered. However, as ORA points out, the PD reaches a thoroughly unjustified conclusion regarding the import of this examination of PG&E’s record-validation processes: “The end result is that we have confirmed what we found three years ago – PG&E has decades-old natural gas transmission pipelines with less than perfect documentation of what is in the ground.”³ In so concluding, the PD misstates the record and undermines the Commission’s safety goals.

First, the PD misses the point of the scrutiny of the outcomes of PG&E’s MAOP Validation program. That program was supposed to be the effort – an intensive and expensive one at that –

¹ ORA, pp. 11-13.

² San Bruno, pp. 2-7.

³ PD, p. 14.

that remedied the serious problems with PG&E's records that we learned about three years ago. It was supposed to address the unreliability of PG&E's records in two ways: (1) by locating traceable verifiable, and complete records, where such records still exist; and (2) where such records do not exist, to make conservative assumptions about the pipeline feature in question. As the PD suggests, the lack of traceable, verifiable, and complete records for all pipeline features is an unfortunate fact of life and indeed not a new revelation. But the PD ignores the fact that the record of this OSC proceeding shows something that could not have been known three years ago -- that PG&E's supposedly validated records still contain a high number of undiscovered errors with respect to the making of conservative assumptions and that these errors lead to erroneously high MAOPs.⁴

Second, the PD ignores the fact that reliably conservative MAOP Validation data is important not just for MAOP, but for other safety purposes as well, namely making correct determinations in Integrity Management, and in implementing and prioritizing PSEP work. As TURN demonstrated in its opening brief, the outcomes of the Integrity Management analysis hinge on accurate data, and errors or unduly aggressive assumptions could prevent dangerous threats from being identified, assessed and mitigated.⁵ Similarly, PSEP decision tree outcomes rely on accurate information; incorrect information or assumptions that (for example) a weld is seamless or DSAW - such as occurred with Line 147 - could cause a segment that needs priority replacement to not be addressed (even by a strength test) for a decade or longer.⁶

⁴ TURN's Opening Brief, based on TURN's cross examination, showed that PG&E's own sampling process found that there was a 99% percent probability that between 24 and 172 *undetected* Type 5 errors (i.e., errors that caused MAOP to be too high) still remained in PG&E's pipeline features lists. Further, these numbers did not include many additional undetected errors that could have adverse consequences for Integrity Management or PSEP implementation. TURN Opening Brief, pp. 11-13.

⁵ TURN Opening Brief, p. 14.

⁶ *Id.*, pp. 14-15.

Third, while it may be appropriate to acknowledge PG&E's efforts to improve the quality of its recordkeeping, the PD strikes the wrong tone by failing to simultaneously hold PG&E's feet to the fire with respect to correcting errors that should have been addressed in MAOP Validation. Instead, the PD only offers the one-sided Finding of Fact that "PG&E is continuously reviewing and improving the reliability" of its records.⁷ It is disconcerting that the PD fails to balance this finding with a stern reminder that the Commission will continue to oversee the quality of PG&E's records and that it expects PG&E to ferret out and fix the remaining errors and overly aggressive assumptions. Without such balance, the PD would suggest – hopefully unintentionally -- that the Commission is willing to return to a regime of excessive deference to utility judgment in safety matters.

Finally, as now worded, the PD sends the wrong message to intervenors who are trying to increase their focus on the safety of the gas system. The one and only reason that TURN devoted time and resources to this OSC proceeding is TURN's concern for promoting safety; rates were not at issue in this OSC. TURN is certain that the other intervenors also had the same motivation. Yet, the PD dismissively finds that the efforts of intervenors to scrutinize the quality of PG&E's supposedly validated records yielded no information that the Commission had not learned three years ago, a finding that is demonstrably incorrect as discussed above. The implicit message appears to be that intervenors' efforts to probe the quality of PG&E's supposedly corrected records are unwelcome.⁸ If the Commission wishes parties like TURN and ORA to continue their efforts of recent years to scrutinize the safety of utilities' operations, the dismissive tone of the PD does not further that goal.

⁷ PD, p. 15, FOF 3.

⁸ See also PD, p. 14 (commenting that PG&E "endured" days of cross examination from the intervenors).

To correct the PD and offer a more balanced discussion of the issues raised by results of PG&E's MAOP Validation effort, the PD should note that: (1) the record showed ongoing problems with the accuracy and assumptions of supposedly validated data: (2) such problems pose continuing safety concerns; (3) the Commission expects PG&E to continue to improve its pipeline feature records; and (4) the Commission will engage in the necessary oversight to ensure PG&E does exactly that.

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Respectfully submitted,

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