

**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 PACIFIC GAS AND ELECTRIC COMPANY
ON PROPOSED DECISION DECLINING TO STAY DECISIONS
AUTHORIZING INCREASED OPERATING PRESSURE**

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Dated: May 20, 2014

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I. INTRODUCTION

As the Proposed Decision (PD) recognizes, the parties and the Commission subjected Lines 101, 131-30, 132A, and the suction side of the Topock Compressor Station (the Pressure Restoration Lines) to a thorough review, including understanding how an incorrect assumed value came to be used in the pipeline features list (PFL) for Line 147. This review included hundreds of data requests, four days of direct and cross-examination, and a workshop during which parties were provided extensive access to PG&E's pipeline records and subject matter experts. With this record, and together with the pressure test records, PFLs and other supporting documentation PG&E submitted with its original pressure restoration requests, the Commission has ample evidence upon which to find that the Pressure Restoration Lines are operating with a considerable margin of safety and that no stay of its decisions authorizing increased operating pressure on those lines is merited. Accordingly, and as explained further below, the PD should be adopted without modification.

II. AMPLE RECORD EVIDENCE SUPPORTS THE PD'S FINDING THAT PG&E'S RECORDS FOR THE PRESSURE RESTORATION LINES ARE RELIABLE

The Commission issued the Order to Show Cause (OSC) following PG&E's report of its discovery of an error in the PFL for Line 147. As described in the Verified Statement of Kirk Johnson, PG&E performed a root cause investigation and determined that the error was caused by an engineer's misapplication of an assumed value (seam type) where pipeline records were

unavailable.¹ This root cause analysis also determined that several data quality measures, including a peer review of the engineer's pipe specification determinations, were not performed.² Had the engineer followed PG&E's procedures, the error would not have occurred, and would not have escaped peer review. PG&E then performed a review of the PFLs for all the Pressure Restoration Lines to determine whether any similar errors were present.³ This review confirmed the accuracy of the Pressure Restoration Line records.⁴

In addition to PG&E's investigation, parties to this proceeding served hundreds of data requests and spent four days questioning PG&E witnesses, including PG&E's Vice President of Gas Transmission Maintenance and Construction, PG&E's Senior Director for Asset Knowledge Management in Gas Operations (responsible for overseeing the MAOP Validation effort), and PG&E's lead MAOP consultant (responsible for creating the PFL process). As TURN acknowledged, the parties did not identify any records discrepancy on the other Pressure Restoration Lines.⁵

Sumeet Singh, then PG&E's Senior Director for Asset Knowledge Management,⁶ testified about enhancements to the quality control and quality assurance processes in PG&E's MAOP Validation effort. As part of its work to continuously improve records accuracy, several months after the PFL for Line 147 was created (and with no knowledge of the error subsequently discovered), PG&E implemented additional control measures, including the mandatory use of an automated assumptions tool and the mandatory use of an engineering data validation tool.⁷ These tools automate the process of selecting appropriate conservative, assumed values and validating other determinations made during MAOP validation. PG&E also added an engineering analysis quality assurance process that engaged a third party to audit the accuracy of PG&E's PFLs.⁸

¹ E.g., Verified Statement of Kirk Johnson at 8-9 (Aug. 30, 2013).

² R.T. 2454 (PG&E/Singh).

³ R.T. 2467-68 (PG&E/Singh).

⁴ R.T. 2468 (PG&E/Singh).

⁵ E.g., TURN OSC OB at 17 ("TURN has seen no evidence that there are Type 5 MAOP Validation errors for the other pressure restoration lines, and, absent such evidence, does not recommend suspending the pressure restoration orders.").

⁶ Mr. Singh is now PG&E's Vice President, Asset & Risk Management.

⁷ Ex. OSC-4 at 9; Verified Statement of Kirk Johnson at 12-14 (Aug. 30, 2013).

⁸ Ex. OSC-4 at 9.

Pursuant to D.11-09-006, PG&E previously provided the Pressure Restoration Line PFLs and supporting documentation to the Commission and the parties as part of its 2011 and 2012 pressure restoration applications. Following its discovery of the Line 147 error, PG&E reviewed all the Pressure Restoration Line PFLs and found no errors. Mr. Singh testified that this review showed the Pressure Restoration Line PFLs are accurate.² ORA contends this evidence is not “verifiable” and should thus be discounted.¹⁰ However, ORA and the other parties had the opportunity to conduct discovery and to challenge Mr. Singh’s testimony through cross-examination.¹¹ Despite access to PG&E’s records and subject matter experts, no party identified any error on the Pressure Restoration Lines or otherwise undermined Mr. Singh’s testimony that the PFLs for those lines are accurate. PG&E has met the burden imposed by the OSC, and no party has shown that additional proceedings or further proffers by PG&E will yield a different conclusion regarding the safety of the Pressure Restoration Lines.

Lastly, ORA and San Bruno continue to misunderstand the significance of hydrostatic testing from an engineering and safety perspective. As Michael Rosenfeld – one of the country’s foremost experts in gas pipeline integrity and safety – explained during the proceedings: PG&E’s pressure tests are a “proof test” that proves the pipe is safe to operate.¹² This proof test is valid regardless of what the pipe specifications are, or whether the operator’s records match what is in the ground.¹³

III. SED’S RECENT SAFETY REVIEW OF THE MAOP VALIDATION PROCESS SUPPORTS THE CONCLUSION THAT THE PRESSURE RESTORATION LINE RECORDS ARE RELIABLE

The Commission’s Safety and Enforcement Division (SED) recently released a report finding that PG&E’s MAOP Validation process is generally consistent with Commission directives and federal regulations for establishing MAOP. SED’s review included a two week inspection by six SED engineers of PG&E’s PFLs, supporting documentation, and personnel involved in creating the PFLs.¹⁴ This report states that the review “exposed SED to [a] whole

² R.T. 2467-68 (PG&E/Singh).

¹⁰ ORA Opening Comments at 2.

¹¹ Mr. Singh testified to this fact on the first day of hearings, September 6, 2013. R.T. 2467-68 (PG&E/Singh). The parties thus had months to conduct discovery on the testimony.

¹² R.T. 2959 (PG&E/Rosenfeld).

¹³ R.T. 2959 (PG&E/Rosenfeld).

¹⁴ SED Safety Report at 9.

new level of understanding of the massive effort behind PG&E's MAOP Validation efforts. . .

”¹⁵ SED characterized PG&E's MAOP Validation effort as

an unprecedented effort resulting in a substantial improvement over the previous system of record. This effort provides a level of detail not previously available and much can be learned from it. The opportunity for deeper understanding of PG&E's transmission system can greatly contribute towards improved decision-making impacting the safety and integrity of the system beyond validation of the MAOP.¹⁶

SED concluded, “PG&E's validation of MAOP was generally consistent with the CPUC's requirements under D.11-11-017, D.12-12-030, and Res L-410.”¹⁷ While this report did identify some errors in PG&E's PFLs (which PG&E will be addressing in detail), the only error that resulted in a less conservative MAOP was not due to an incorrect pipeline specification, but rather a conflict between the MAOP of record listed in the PFL and in Drawing 086868.¹⁸ SED did not identify any error on a Pressure Restoration Line.¹⁹

IV. PG&E'S MAOP CALCULATION IS MORE CONSERVATIVE THAN STATE AND FEDERAL REGULATORY REQUIREMENTS

ORA contends the PD mistakenly allows PG&E to establish MAOP through strength testing alone.²⁰ ORA's claim misrepresents how PG&E establishes MAOP, ignores this Commission's prior decision on this point,²¹ and mischaracterizes the requirements of D.11-06-017 and federal law. D.11-06-017 requires California pipeline operators to confirm the MAOP of “grandfathered” lines through strength testing.²² D.11-06-017 allows an operator to maintain MAOP at the historic operating pressure once the pipe is successfully hydro tested to validate that historic MAOP. PG&E takes the additional conservative step of limiting MAOP to the lowest of the calculated component design pressure, test pressure, and historical operating pressure, even where the line has been hydro tested to a level that validates a historic operating

¹⁵ SED Safety Report at 32.

¹⁶ SED Safety Report at 32.

¹⁷ SED Safety Report at 32.

¹⁸ Safety Report at 12. Drawing 086868 contains the MAOP of record for PG&E's transmission lines.

¹⁹ See Safety Report, Appendix A.

²⁰ See ORA Opening Comments at 6-8.

²¹ See D.13-12-042, *Decision Establishing Maximum Operating Pressure for Pacific Gas and Electric Company's Natural Gas Transmission Line 147* at 13-14.

²² D.11-06-017 at 18, n.22 (“We approve using the calculated MAOP to lower operating pressure as an interim measure pending replacement or testing.”).

pressure greater than the design pressure.²³ Thus, contrary to ORA's belief, PG&E establishes MAOP pursuant to the approach that ORA claims is consistent with the federal gas safety regulations.²⁴

V. CONCLUSION

The PD correctly finds that PG&E has fulfilled the requirements for pressure restoration of D.11 -09-006,²⁵ and no evidence has been presented in this proceeding to undermine that conclusion. The PD is based on substantial record evidence demonstrating that PG&E's Pressure Restoration Lines are operating with a considerable margin of safety and that PG&E's records for these lines are sufficiently reliable in light of the strength testing of these lines. The PD should be adopted without modification.

Respectfully submitted,

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Dated: May 20, 2014

²³ PG&E briefed this issue in greater detail at pages 4-7 of its OSC Reply Brief. As explained in the brief, federal regulations allow an operator to maintain MAOP of pipelines installed prior to 1970 at the highest operating pressure experienced between 1965 and 1970, regardless of the design or test pressure. See Ex. OSC-12 (Determination of Maximum Allowable Operating Pressure in Natural Gas Pipelines). PG&E's practice limiting the MAOP of the pre -1970 pipelines to the lowest of design, test, and historic operating pressure exceeds the requirements of the federal regulations and D.11-06-017.

²⁴ ORA Opening Comments at 7.

²⁵ See D.13-12-042.