

**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)

**PACIFIC GAS AND ELECTRIC COMPANY'S RESPONSE TO CITY OF
SAN BRUNO AND OFFICE OF RATEPAYER ADVOCATES' JOINT
APPLICATION FOR REHEARING OF DECISION NO. 14-06-011
DECLINING TO STAY DECISIONS AUTHORIZING INCREASED
OPERATING PRESSURE**

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The Commission's August 19, 2013 Order to Show Cause (OSC) required PG&E to provide information relating to the Line 147 error, and ordered PG&E to appear at evidentiary hearings. PG&E provided the required information, presented witnesses at evidentiary hearings, hosted a workshop for parties to examine PG&E's gas pipeline records, and responded to hundreds of data requests relating to Line 147, as well as Lines 101, 131-30, 132A, and the suction side of the Topock Compressor Station (the Pressure Restoration Lines). The Commission found that PG&E's showing satisfied its concerns regarding the reliability of PG&E's pipeline records and declined to stay prior pressure restoration orders.

The City of San Bruno and Office of Ratepayer Advocates seek to substitute their judgment for the Commission's in their application for rehearing of D.14-06-011 (Rehearing Application). Specifically, the Rehearing Application argues – without any support or basis – that despite hydrostatic strength testing to levels significantly above the restored operating pressure, the Pressure Restoration Lines pose a threat to public safety. The Rehearing Application also argues that D.14-06-011 is unsupported by evidence because the supporting information submitted as part of the pressure restoration applications was not filed. These arguments are contrary to the weight of evidence showing that hydrostatic strength tests performed on all of the Pressure Restoration Lines provide a substantial margin of safety. The Rehearing Application does not identify any errors of law or fact, and should be denied.

I. THE COMMISSION DETERMINED THAT PG&E MADE THE SHOWING REQUIRED BY THE ORDER TO SHOW CAUSE

The purpose of the OSC was for PG&E to provide the Commission with additional information relating to the error in the Line 147 pipeline feature list.¹ As D.14 -06-011 recognizes, PG&E made the required showing through “a rigorous and thorough review of the entire process by which the errors were discovered and evaluated, and PG&E’s recordkeeping improvement program generally.”² Accordingly, the Commission properly declined to stay its prior pressure restoration decisions.

The Rehearing Application argues that the OSC contemplated a complete re-examination of the pressure restoration records that the Commission relied upon when it granted PG&E’s previous applications to restore pressure, and that without such an examination, the Commission does not have sufficient evidence to close the OSC proceeding.³ Contrary to this claim, the OSC required PG&E to submit a verified statement explaining how PG&E identified the error and what it did in response, and to appear at an evidentiary hearing.⁴ PG&E filed its verified statement on August 30, 2013. The verified statement detailed how PG&E identified the root cause of the error and described PG&E’s review of Lines 147, 101, and the remaining Pressure Restoration Lines to determine whether any additional errors were present.⁵ The verified statement also described enhancements to PG&E’s MAOP validation processes, including additional third party review, validation of conservative engineering assumptions, and implementation of an engineering data validation tool to identify pipeline feature list errors.⁶ PG&E further explained its actions to ensure pipeline records accuracy at the evidentiary hearing. PG&E’s witnesses explained that, following discovery of the discrepancy, it re-reviewed the pipeline feature lists for Line 147, and expanded that review to the Pressure Restoration Lines.⁷ The re-review did not result in decreasing the MAOP of any segment or feature on the Pressure Restoration Lines.⁸

¹ August 19, 2013 Order to Show Cause at 6.

² D.14-06-011 at 13.

³ Rehearing Application at 8 (“The purpose of the OSC was to verify – anew – the pipeline design information submitted in 2011 and 2012 . . .”).

⁴ August 19, 2013 Order to Show Cause at 6.

⁵ August 30, 2013 Verified Statement of Kirk Johnson at 6-11.

⁶ August 30, 2013 Verified Statement of Kirk Johnson at 12-14.

⁷ R.T. 2446 (PG&E/Singh).

⁸ R.T. 2468 (PG&E/Singh).

The Commission also ordered PG&E to present witnesses at additional evidentiary hearings, respond to hundreds of data requests, and host an all -day workshop at its offices where subject matter experts and senior staff explained details from PG&E’s pressure restoration filing.⁹ Despite this access and opportunity, the parties did not identify any specification error in the Pressure Restoration Lines. TURN acknowledged that there is no evidence of any incorrect MAOP in the Pressure Restoration Lines.¹⁰

The evidence presented in PG&E’s verified statement and elicited during evidentiary hearings is sufficient for the Commission to find that its concerns with the accuracy of PG&E’s records and the safety of the Pressure Restoration Lines have been satisfied.

II. HYDROSTATIC STRENGTH TESTING VALIDATES HISTORIC MAOP FOR THE PRESSURE RESTORATION LINES

The Rehearing Application argues – for at least the fourth time – that a pipeline’s design pressure is the dispositive factor in establishing MAOP.¹¹ This argument is contrary to federal pipeline safety regulations and the procedure that gas pipeline operators must follow to establish MAOP under D.11 -06-017. The Commission should reject this argument as it has on previous occasions.

The Rehearing Application mischaracterizes federal pipeline safety regulations, stating “[a]s . . . the federal gas pipeline safety regulations . . . recognize, an MAOP established solely by a hydrotest does not ensure that a line is safe. Design records remain a critical feature in ensuring a line’s safety and establishing a correct MAOP.”¹² In fact, the federal gas pipeline safety regulations do not opine on the safety of establishing MAOP by any particular method. Federal pipeline safety regulations require pipelines built after July 1, 1970 to have their MAOP established pursuant to 49 C.F.R. § 192.619(a). This analysis includes consideration of the design pressure. However, under 49 C.F.R. § 192.619(c), pipelines built prior to July 1, 1970 may have an MAOP established solely by historical operating pressures. As stated in § 192.619(c) (emphasis added),

⁹ D.14-06-011 at 13.

¹⁰ TURN Opening Brief 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.”).

¹¹ Rehearing Application at 9. The Office of Ratepayer Advocates raised this argument in post-hearing briefing in the OSC, comments on D.13-12-042, and an application for rehearing of D.13-12-042.

¹² Rehearing Application at 9.

The requirements on pressure restrictions in [§ 192.619(a)] do not apply in the following instance. An operator may operate a segment of pipeline found to be in satisfactory condition, considering its operating and maintenance history, at the highest actual operating pressure to which the segment was subjected during the 5 years preceding [July 1, 1970].

Thus, under the federal pipeline regulations, pre-1970 pipelines may operate at the highest pressure experienced in the five years prior to July 1, 1970 *even if that pressure exceeds the design pressure.*

In D.11-06-017, the Commission supplemented the federal regulations by directing that California gas utilities may not establish the MAOP of pipelines under § 192.619(c) based solely on their historical operating pressure.¹³ Instead, all pre-1970 pipelines without records of past pressure tests must be hydrostatically strength tested to validate the historical operating pressure, or replaced.¹⁴ The requirement that operators validate historical operating pressures through hydrostatic testing makes California pipeline regulations more stringent than federal regulations, but still allows operators to establish MAOP for certain pipelines without being limited by the design pressure.

The Rehearing Application's argument fails in light of federal regulations that allow pipeline MAOP to be established solely on historic operating pressure, and state regulations that allow for MAOP to be established by verifying historic operating pressures through hydrostatic testing. Moreover, this argument challenges more than the maximum operating pressure for the Pressure Restoration Lines – it attacks the very procedure that the Commission set forth in D.11-06-017 for establishing MAOP. As stated by ALJ Bushey,

We're in a very narrow review of a very narrow question with a very specific evidentiary requirement. And to the extent you want to challenge the way, the protocol for the PSEP, that is something that should be addressed in the update application if you don't like the interpretation there, because it goes – it's not just to Line 147. It's everything throughout the state.¹⁵

The Commission should deny this collateral challenge to D.11-06-017.

¹³ D.11-06-017 at 18 & n.22.

¹⁴ D.11-06-017 at 19.

¹⁵ R.T. 2749 (ALJ Bushey).

III. HYDROSTATIC STRENGTH TESTING PROVIDES A SUBSTANTIAL MARGIN OF SAFETY AT THE RESTORED OPERATING PRESSURES

The Commission, the Commission’s Safety and Enforcement Division (SED), and one of the nation’s foremost pipeline strength testing experts, Michael Rosenfeld, agree that hydrostatic strength tests to levels substantially above the pipeline’s operating pressure provide a significant margin of safety. Despite this evidence, the Rehearing Application makes the claim that confirming MAOP by hydrostatic strength testing pursuant to D.11 -06-017 “is a serious error that could compromise public safety.”¹⁶ The Commission should reject this unsupported claim, as it has in the past.¹⁷

As D.14-06-011 states, “strength testing [the Pressure Restoration Lines] to very high pressures reasonably supports their established maximum operating pressure, and going forward, provides a significant margin of safety.”¹⁸ The Commission recognized this fact in approving PG&E’s MAOP Validation methodology. In D.11 -06-017, the Commission directed PG&E to perform a thorough records review to validate MAOP based on pipeline features.¹⁹ However, this records review effort was an interim safety measure that served to prioritize pipeline segments for testing or replacement. The Commission did not allow PG&E or any other operator to use historic operating pressures or calculations based solely on pipe specifications to establish MAOPs, but instead directed all operators to test or replace pipe for which they could not identify traceable, verifiable, and complete pressure test records.²⁰ The Commission reiterated this principle in its decision establishing the process for PG&E to request authorization to restore pressure on a given pipeline.²¹ Prior to requesting permission to restore the MAOP to historic operating levels, PG&E must first locate pressure test records for all HCA segments, or pressure test these sections of pipe.²²

¹⁶ Rehearing Application at 9.

¹⁷ D.13-12-042 at 14 (“Where complete knowledge of strength testing to subpart J standards is not available for each segment, available records supplemented with conservative estimates can be used to prioritize these untested segments for interim safety measures and strength testing. Even though complete records for each pipeline segment may not be available, passing a properly conducted hydrotest confirms a pipeline’s fitness for service ‘without doubt,’ concluded the Rosenfeld report...”).

¹⁸ D.14-06-011 at 14.

¹⁹ D.11-06-017, OP 1.

²⁰ D.11-06-017 at 19.

²¹ D.11-09-006, OP 4.

²² D.11-09-006, OP 4.

The ability of a hydrostatic strength test to provide a substantial margin of safety is true even when the operator has incomplete or inaccurate records. As Mr. Rosenfeld explained,

You may not know the precise properties of the material or certain other data. But what you've proven is that the pipe can withstand a pressure that's much . . . higher than what you're intending to operate [at]. . . .

Now, you're not proving that the pipe is perfect, flawless material. But what you are showing is that there's nothing present in the pipeline today that could threaten the safe operation of the pipeline at this proposed operating level that's well below the test pressure.

. . .

[C]onceptually it's like saying if the bridge can hold an 80 -ton truck, it's logical that it can hold up a 40 -ton truck, and it doesn't matter what the bridge is made out of. Whether it's wood, stone, wrought iron or, you know, high test steel, it can do that job. . . .

[A] successful test can make up for or can help compensate for some things that aren't known such as every — the complete description of every piece of pipe. And that relies on the fact that the hydrotest was performed to a pretty high level over and above what the pipeline operates [at].²³

PG&E has verified pressure test records or hydrostatically tested all Pressure Restoration Line segments,²⁴ and provided these materials to SED prior to applying to restore pressure. As required by D.11 -09-009, SED has reviewed the supporting information for the Pressure Restoration Lines and provided PG&E with memoranda containing its comments and conclusions. As SED stated in its memorandum for the Topock Compressor Station application, “the hydrostatic tests conducted by PG&E, on pipeline facilities subject to the request, provide adequate assurance of the fitness for operation of these facilities at the restored MAOP.”²⁵

In contrast, the Rehearing Application argues that “[d]esign records remain a critical feature in ensuring a line's safety[,]” citing only PG&E's decision to lower the Line 147 MAOP.²⁶ This argument mischaracterizes the significance of PG&E's method of calculating pipeline MAOP. Despite Commission authorization to restore MAOP on pre-1970 pipelines to

²³ R.T. 2563-64, 2959-60 (PG&E/Rosenfeld).

²⁴ R.T. 2427, 2433 (PG&E/Johnson).

²⁵ PG&E's Supporting Information for Lifting Operating Pressure Restrictions on the Suction Side of Topock Compressor Station, Ex. E (Sept, 12, 2011).

²⁶ Rehearing Application at 9-10.

the historic operating pressure once the pipe is successfully hydrostatically tested, PG&E has chosen to implement the additional conservative step of limiting MAOP to the calculated component pressure even if the line is subsequently strength tested. Thus, PG&E set the MAOP of Line 147 at 330 pounds per square inch gauge (psig), even though hydrostatic strength testing at pressures exceeding 600 psig validated the line's historic MAOP of 400 psig. PG&E's conservative approach to MAOP validation does not call into question the ability of hydrostatic strength testing to validate historic operating pressures with a substantial margin of safety.

IV. AMPLE RECORD EVIDENCE SUPPORTS DECISION NO. 14-06-011

D.14-06-011 upheld the Commission's prior pressure restoration orders based on ample evidence provided to the Commission, SED, and the parties as part of the pressure restoration application process, as well as evidence introduced during evidentiary hearings held in connection with the OSC. The Rehearing Application argues that this supporting information is not in the evidentiary record, and that D.14-06-011 is therefore not supported by substantial evidence. This is a technical legal argument that should be disregarded.

The Commission requires PG&E to make substantial pipeline information available to SED and the parties during pressure restoration applications. This information includes pipeline features lists (PFLs) that detail the pipeline on a feature-by-feature basis, as well as strength test records linked in the PFL to each feature in the line.²⁷ As ALJ Bushey and the parties recognize, much of the information contains sensitive critical infrastructure information that would have to be redacted before the document could be filed publicly, but is of limited or no value when redacted.²⁸ Rather than require the supporting information to be placed into the record under seal, ALJ Bushey relied on the fact that all parties had the information, and that the hearing testimony was informed by and based on it.²⁹

In addition to the information supporting pressure restoration, PG&E provided a verified statement detailing the discovery of the Line 147 and PG&E's efforts to ensure that similar errors were not present on the Pressure Restoration Lines. PG&E witnesses provided direct testimony explaining these efforts. Parties were able to cross-examine PG&E's witnesses over

²⁷ D.11-09-006 at 17, OP 4.

²⁸ R.T. 2776 (ALJ Bushey).

²⁹ R.T. 2766 (ALJ Bushey) (The safety certification information "is the documentation that we have not specifically decided not to include in the record in all of our past pressure restorations And the information has been provided to the parties for their inspections and clarification questions on, but not included in the record[.]").

several days of evidentiary hearings, and were also able to question pipeline hydrostatic testing expert Michael Rosenfeld regarding the margin of safety provided by hydrostatic testing. Parties were given access to PG&E’s pressure restoration records and employees at an impromptu workshop, and received thousands of pages in response to hundreds of data requests during the OSC proceeding.³⁰

Taken together, the pressure restoration supporting information and the evidentiary record developed in the OSC proceeding provide ample basis for the Commission to find that the questions that motivated the OSC have been resolved. The Rehearing Application now raises the technical legal argument that “the records of [the pressure restoration] proceedings contain no verifiable evidence” because the supporting information was not filed.³¹ This argument ignores the fact that the parties, including the City of San Bruno and the Office of Ratepayer Advocates, received redacted copies of the supporting information and were granted full access to the confidential, non-redacted versions for each pressure restoration application.³² Despite this access, the parties did not identify concerns regarding the reliability of the pressure restoration records, or the extent to which the Pressure Restoration Lines had been hydrostatically tested. D.14-06-011 properly finds that “[n]o party has presented evidence suggesting that Lines 131-30, Lines 101 and 132A, and the Topock Compressor Station have not, in fact, been subjected to a valid pressure test in accord with current state and federal regulations. Accordingly, the record presents us with no basis on which to stay the decisions’ findings that such pressure tests have been performed.”³³ The Commission should deny the Rehearing Application’s argument that the pressure restoration orders were somehow deficient simply because sensitive and voluminous supporting information was confidentially provided to and examined by the Commission, SED, and the parties, but was not entered into the record.

V. DECISION NO. 14-06-011 IS CLEAR IN SETTING THE MAXIMUM OPERATING PRESSURE FOR THE PRESSURE RESTORATION LINES

The Rehearing Application attempts to create confusion where there is none by arguing that D.14-06-011 is somehow unclear in establishing the maximum pressure at which PG&E can operate the Pressure Restoration Lines. However, D.14-06-011 could not be more clear: by

³⁰ D.14-06-011 at 13-14.

³¹ Rehearing Application at 10.

³² See, e.g., PG&E’s Supporting Information for Lifting Operating Pressure Restrictions on the Suction Side of Topock Compressor Station – Notice of Availability (Sept. 12, 2011).

³³ D.14-06-011 at 14.

upholding its pressure restoration orders, the Commission prohibits PG&E from operating the Pressure Restoration Lines above the maximum pressure granted in the relevant pressure restoration orders.

It is the responsibility of PG&E and the other pipeline operators to set their MAOPs in accordance with the governing regulations. The pressure restoration decisions consider whether previous Commission-imposed restrictions on operating pressures (not MAOPs) may safely be lifted. Consistent with the purpose of the pressure restoration proceedings, the several pressure restoration decisions authorize PG&E to operate its natural gas lines “with a maximum operating pressure” consistent with what PG&E requested and the Commission approved.

The effect of the pressure restoration decisions is to allow PG&E to restore the operating pressure of the Pressure Restoration Lines. Contrary to the semantic confusion the Rehearing Application attempts to create, no matter what MAOP PG&E may establish in the future, PG&E cannot operate the Pressure Restoration Lines at an operating pressure greater than that allowed in the decisions without further order of the Commission. The Rehearing Application’s complaint about D.14-06-011’s use of the term “maximum operating pressure” is without merit.

VI. CONCLUSION

The Rehearing Application presents no new grounds for the Commission to suspend pressure restoration orders, nor does it identify errors of law or fact in D.14-06-011. As the Commission previously found in granting PG&E’s request to restore pressure on Line 147, hydrostatic strength testing provides a substantial margin of safety, regardless of the completeness or accuracy of the operator’s pipeline records. Ample evidence was introduced by PG&E during the pressure restoration applications and elicited by the parties during evidentiary hearings to satisfy the Commission’s concerns regarding the reliability of PG&E’s records and the ability of the Pressure Restoration Lines to continue to operate safely at the restored maximum operating pressures. PG&E respectfully requests that the Commission deny the Rehearing Application.

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Respectfully submitted,

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