

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 7, 2012

Chairman Deborah A. P. Hersman
Vice Chairman Christopher A. Hart
Member Mark R. Rosenkind, PhD.
Member Robert L. Sumwalt
Member Earl F. Weener, PhD.

Subject: Status of CPUC Implementation of Recommendations Related to San Bruno Tragedy

Honorable Chairman, Vice Chairman, and Members:

The California Public Utilities Commission (CPUC) thanks the National Transportation Safety Board (NTSB) for its thorough and thoughtful analysis of the tragic rupture of the natural gas pipeline, Line 132 located in San Bruno, owned by Pacific Gas and Electric Company (PG&E). The CPUC is committed to implementing each of the NTSB recommendations directed at our agency. Our goals are simple:

- Reform the CPUC to make safety its first priority;
- Ensure the safety of existing natural gas pipeline infrastructure;
- Upgrade and replace existing natural gas pipeline infrastructure to improve safety; and
- Instill safety culture in the natural gas pipeline operators we oversee.

This letter serves as an update on our progress.

Urgent Recommendation NTSB P-10-5 required that the CPUC ensure, through careful oversight, that PG&E has diligently searched for traceable, verifiable and complete records to support the Maximum Allowable Operating Pressure (MAOP) on its pipelines in High Consequence Areas. The CPUC implemented this recommendation initially by sending a letter on January 3, 2011 to PG&E, directing PG&E to undertake the necessary search for records. PG&E completed its records review of 2088 miles of High Consequence Area pipeline in January 2012 and is now in process of performing a similar MAOP validation on all of its transmission pipelines. CPUC staff has reviewed the records for lines that PG&E has subsequently requested to increase pressure and will be conducting additional reviews of records throughout the course of this year.

Urgent Recommendation NTSB P-10-6 required that the CPUC provide oversight to any hydrotesting required by NTSB Safety Recommendation P-10-4 (to PG&E). CPUC staff is actively monitoring the ongoing hydrotesting efforts. PG&E completed testing 152 miles in January 2012. CPUC staff's oversight responsibility will continue as the operators begin additional hydrotesting and pipeline replacement proposed in gas safety implementation plans currently under consideration. The CPUC has engaged consultant support to assist in our oversight as we build more expertise in this area. NTSB P-10-6 also required that the CPUC review PG&E's requests to increase pressure on lines facing pressure reductions. The CPUC has reviewed and approved requests by PG&E to restore pressure on Lines 101, 132A, and 147, as well as pressure restoration of facilities in the suction side of the Topock Compressor Station.

Urgent Recommendation NTSB P-10-7 required the CPUC to notify operators of the circumstances of the San Bruno pipeline rupture and the NTSB urgent safety recommendations. Operators were immediately notified by Letter from Executive Director Clanon along with a posting on the CPUC Website on January 3, 2011.

NTSB Recommendation P-11-22 directs the CPUC, in conjunction with the Pipeline and Hazardous Materials Safety Administration (PHMSA), to conduct a comprehensive audit of all aspects of PG&E's natural gas operation. As you know, as one of PHMSA's regulatory partners, the CPUC already conducts regular audits focusing on Transmission Integrity Management and Operator Qualifications. We also plan to conduct regular audits of new programs such as Distribution Integrity Management, Public Awareness and Control Room Management. We will of course be continuing to perform these audits but our audit procedures and focus will be modified based on what we have learned from the San Bruno rupture. We have conducted the following PG&E audits with PHMSA in the last six months: Public Awareness (November 2011) and Operation, Maintenance, and Emergency Plans (February 2012). We will integrate all of the recommendations from these audits, our investigatory reports, and NTSB recommendations for PG&E into a comprehensive set of recommendations for PG&E.

In your letter you requested that the CPUC complete this audit within six months. Because of the extensive scope of the audit, the sheer amount of material to audit, and the need to coordinate with PHMSA, we were unable to complete the audit within the six month period you recommended. The following table contains the audits we requested PHMSA to participate in. We would be happy to report to you on an ongoing basis about the status of our audit activities.

PG&E Audits	Audits Dates
Operator Qualifications	7/30 - 8/3/2012
Transmission Integrity Management Program	8/27 - 8/31/2012 & 9/10 - 9/14/2012
Control Room Management	10/22 - 10/26/2012
Kettleman District and Compressor Station	10/8 - 10/12/2012
Distribution Integrity Management Program	12/10 - 12/14/2012

NTSB Recommendation P-11-23 directs the CPUC to require PG&E to correct all deficiencies identified as a result of the San Bruno accident investigation and verify that all corrective actions are completed. As you may know, in February 2011, the CPUC opened an investigation into PG&E's recordkeeping practices. The reports analyzing PG&E's recordkeeping practices as they relate to natural gas pipelines, reviewing industry standards and engineering practices for recordkeeping, and evaluating PG&E's performance against that standard, were served on March 12, 2012. In addition, our staff conducted an investigation into the San Bruno rupture, in parallel with, and building on, the NTSB investigation. This investigation resulted in a report and initiation of an enforcement proceeding in January 2012. The results of these staff reports are informing the scope of the audit called for by the NTSB in Recommendation P-11-22. In addition, these reports present significant critiques of PG&E's integrity management program and identify areas for enhancement which will assist PG&E in fulfilling NTSB Recommendation P-11-29. PG&E is also reporting progress on fulfilling the NTSB Recommendations directed at it to the CPUC staff on a regular basis.

We intend to formalize what we have learned through implementation of the strongest policies and rules in the country surrounding natural gas pipeline operations. In February 2011, the CPUC opened a rulemaking that is focusing on forward looking rule revisions to improve natural gas pipeline safety. A cornerstone of our rulemaking was adoption of a pressure test or replace policy in June 2011. This policy eliminates grandfathering of historical pressure levels by requiring the operators under our jurisdiction to either produce a traceable, verifiable record that its pipelines have been pressure tested, or to conduct such a test or replace the pipeline. No longer will engineering assumptions substitute for test results. The utilities we regulate have submitted implementation plans pursuant to this policy, which the CPUC is currently reviewing through its administrative process. The plans include enhancing valve automation, additions to supervisory control and data acquisition systems, consistent with NTSB Recommendations P-11-26 and 27, as well as improved record management initiatives.


On our website we have published several documents that provide the public with an update on our progress. At <http://www.cpuc.ca.gov/PUC/events/sanbruno.htm> you can find our January

2012 Overview and Detailed implementation Status, as well as a February 13, 2012 Update and a May 7, 2012 Update. We intend to provide updates approximately every 75 days.

As described above and in the referenced documents, the CPUC has made significant steps to improve our oversight over California's natural gas operators and to ensure that NTSB Recommendation P-11-23 will be fulfilled not only by PG&E, but all our operators. The CPUC is committed to improving our gas pipeline safety program.

The CPUC is ready to provide additional information to you or your staff about any aspect of our gas safety activities. Please do not hesitate to contact our Consumer Protection and Safety Division Director Jack Hagan at 415 703 2349 or jack.hagan@cpuc.ca.gov or his Deputy, Julie Halligan, at 415 703 1587 or julie.halligan@cpuc.ca.gov if you have additional questions.

Sincerely,



Paul Clanon
Executive Director

cc: Steve Klejst, Director of the Office of Railroad, Pipeline, and Hazardous Materials
Investigations
Paula Sind-Prunier, Chief of Safety Recommendations
Commissioners
Brigadier General (CA) Jack Hagan, Director, CPSD
Michelle Cooke, Transitional Director, CPSD
Julie Halligan, Deputy Director, CPSD