STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

January 13, 2014

Ms. Jane Yura, Vice President
Pacific Gas and Electric Company
Gas Operations – Standards and Policies
6121 Bollinger Canyon Road, Office #4460A
San Ramon, CA 94583

GA2013-20

SUBJECT: General Order 112-E Gas Audit of PG&E's San Jose Division

Dear Ms. Yura:

On behalf of the Safety and Enforcement Division (SED) of the California Public Utilities Commission (CPUC), Willard Lam, Aimee Cauguiran, Sikandar Khatri, and Fred Hanes conducted a General Order 112-E audit of Pacific Gas and Electric Company's (PG&E) San Jose Division (Division) from September 16-20, 2013. The audit consisted of a review the Division's operation and maintenance records from 2010 to 2012. In addition to the records review, a representative field verification sample was conducted. SED's findings are noted in the Summary of Inspection Findings which is enclosed with this letter. The Summary reflects only the respective records and pipeline facilities that SED inspected during the audit.

Within 30 days of receipt of this letter, please provide a written response identifying measures taken by PG&E to address the violations noted in the Summary of Inspection Findings. Pursuant to Commission Resolution ALJ-274, SED staff has the authority to issue citations for each violation found during the audit. SED will notify PG&E of the enforcement action it plans to take after it reviews PG&E's audit response. If you have any questions, please contact Willard Lam at (415) 703-1327 or willard.lam@cpuc.ca.gov.

Sincerely,

Michael Robertson
Program Manager
Gas Safety and Reliability Branch
SED/CPUC

cc: Frances Yee, PG&E Gas Engineering and Operations
Mary Muse, PG&E Senior Gas Engineer
Cheryl Dizon, PG&E Gas Regulatory Support
Dennis Lee, SED
Aimee Cauguiran, SED

SUMMARY OF INSPECTION FINDINGS

A. PG&E's Internal Audit Findings

PG&E provided a summary of the internal review it conducted of the San Jose Division (Division) prior to the CPUC audit. Some findings from PG&E's Internal Review are violations of PG&E's operations and maintenance standards, and therefore are violations of Title 49 Code of Federal Regulations (CFR) §192.13(c). The findings identified in PG&E's internal review are summarized in Table 1.

Table 1: San Jose Division Internal Findings Summary

Item	Code Violation	Topic	Finding	Instances	Corrective Status
1	192.723(b)	Leak Survey Distribution	Annual public assembly maps out of compliance in 2011	2	Completed
2	192.723(b)		5-year, 3-year, and Annual Maps out of compliance in 2010	55	Completed
3	192.723(b)		Maps out of compliance due to restricted access "can't get in" (CGI) locations	17	Completed
4	192.13(c)	Leak Repair	Missing USA notification to one-call for excavation	22	Completed
5	192.13(c)		Leaks with late action in 2011	1	Completed
6	192.13(c)		Leaks with late action in 2012	3	Completed
7	192.739(a)(3)	Regulator Stations	Lock-up test not performed as required	1	Completed
8	192.203(b)(1)		Sense lines not rated for inlet MAOP	2	Pending
9	192.13(c)	Valves	Plug valves exercised but not lubed when required	5	Pending

(con'td)

Table 1 (cont'd): San Jose Division Internal Summary

Item	Code Violation	Topic	Finding	Instances	Corrective Status
10	192.13(c)	Corrosion	CPA Action plans late, not completed or updated	18	Completed
11	192.13(c)		CPA Action plans missing	3	Pending
12	192.13(c)		No follow up for 10%ers due to "Can't Get In" (CGI) locations	2	Completed
13	192.13(c)		Missed CPA reads	3	Completed
14	192.13(c)		Missing post rectifier read after restoration	1	Completed
15	192.13(c)		CPA not resurveyed with 6 year interval	1	Pending
16	192.13(c)		Missing casing potential reads	7	Completed
17	192.13(c)	Instrument Calibrations	Missing record of calibration of various instruments	18	Completed
18	192.13(c)		Distribution Leak Survey Maps missing calibration records	256	Completed
19	192.13(c)		Transmission Leak Survey instrument missing records	1	Completed
20	192.13(c)	Idle Stubs	Stubs reviewed late	89	Pending
21	192.603(b)	MAOP	Incomplete MAOP system documentation	5	Completed

SED is aware that some of the items may have been completed by the time of this letter. Please provide an update on the corrective status on the items that were pending as of September 20, 2013.

B. Audit Findings and Violations

1. Title 49 CFR §192.13(c) states:

"Each operator shall maintain, modify as appropriate, and follow the plans, procedures, and programs that it is required to establish under this part."

1.1. PG&E Utility Work Procedure WP4540-01 states:

Page 5; *"If the station configuration is such that it prohibits performing the lock-up check, note that fact on the back of the regulator station maintenance record...Create an SAP Corrective Notification to reconfigure the station to allow for a lock-up test. Note the Corrective Notification number on the back of the district regulator maintenance record."*

PG&E originally installed Regulator Station F-01 (Reg F-01) as a drip location without long/short sense lines. The lack of sense lines prohibits the operational lock-up test using the long/short line technique described in WP4540-01. Since Reg F-01 has no downstream customers, the Division did not consider or use it as a district regulating station. Consequently, the Division thought that Reg F-01 was exempt from the regulator station maintenance as prescribed in WP4540-01 and did not perform lock-up tests. However, after review, PG&E's Engineering Department determined that the Division must maintain Reg F-01 per WP4540-01 and therefore, was required to perform lock up tests. Additionally, if a regulator station configuration is found to prevent the operational lock-up check, the responsible supervisor must be notified and a Systems Applications and Products database (SAP) Corrective Notification number must be created to reconfigure the regulator station to allow for operational lock-up tests. The Division did not create a SAP Corrective Notification to reconfigure Reg F-01 until it was found missing during the SED audit despite being in operation since 1996.

1.2. PG&E Utility Work Procedure WP4540-01 states:

Page 6; *"The monitor regulator must be the upstream device. If the monitor regulator is not the upstream device, the station must be reconfigured during the current maintenance. If, for operating reasons, reconfiguration is not possible, obtain written documentation allowing an exception for a downstream monitor and ensure that it is filed in the regulator station's maintenance folder. The exception must be granted by the senior gas distribution engineer."*

During review of the Regulator Station F-77 (Reg F-77) maintenance folder, SED found that the Division configured Reg F-77 with the monitor as the downstream device. PG&E's Utility Work Procedure WP4540-01 requires written documentation allowing an exemption to be filed in the maintenance folder for a downstream monitor. However, the Division did not have a written exemption on file for Reg F-77.

1.3. PG&E Utility Work Procedure WP4540-01 Attachment 4 states:

Page 2; *"If a spring-loaded type regulator is used, the maximum regulator setting is MAOP minus 4.0 psig."*

Regulator Station F-01 consists of a spring-loaded Fisher 627 regulator and monitor with a Maximum Allowable Operating Pressure (MAOP) of 60 psig. Per PG&E's WP4540, Regulator Station F-01 must have a regulator set point of 56 psig or less. Regulator maintenance records dating back to 2009 show the regulator set point to be 57 psig, which is greater than the 56 psig that PG&E Work Procedure WP4540 Attachment 4, allows.

1.4. PG&E Utility Work Procedure WP4133-02 states:

Page 1; *"Review CPAs, as defined in this work procedure, at least once every 6 nominal years"*

SED found two instances of Cathodic Protection Areas (CPAs) exceeding the 6-year interval allowed by Utility Work Procedure WP4133-02.

Table 2: CPAs exceeding 6-year resurvey interval

CPA	Previous Resurvey Date	Current Resurvey Date	Elapsed Time
3606-01A	7/30/2004	12/27/2011	7 Years
3683-01	9/21/2001	12/21/2009	8 Years

1.5. PG&E Standard O-16 states:

Page 11; *"If the CPA restoration work is (or is expected to be) over 30 days, the "CPA Follow-Up Action Plan" form must be used and developed within 30 calendar days from the date the CPA is found below adequate levels of protection"*

SED discovered two instances where the Division failed to create a CPA Action Plan within the 30 days required by Standard O-16:

Table 3: Late CPA Action plans

CPA Location	Date Found Below Adequate Levels of Protection	Date Restored	Days Elapsed
3415-04/05	8/13/2013	9/17/2013	35
3412-09	8/10/2011	11/11/2011	93

1.6. PG&E Standard O-16 states:

Page 10; *"After the CPA has been restored and re-polarized, record final P/S on-potential and rectifier measurements on the "Standard Cathodic Protection Maintenance Report"*

SED found the following Standard Cathodic Protection Maintenance Reports missing post restoration rectifier reads:

- CPA 3412-20 maintenance report was missing the rectifier measurements after the Division restored the CPA in May of 2011.
- CPA 3412-13 maintenance record was missing the rectifier measurements after the Division restored the CPA in July of 2011.

2. Title 49 CFR § 192.465(d) states:

"Each operator shall take prompt remedial action to correct any deficiencies indicated by the [external corrosion control] monitoring"

The May 19, 1989, Federal Pipeline and Hazardous Materials Safety Administration's (PHMSA) Inspection Guideline and Interpretation #PI-89-006 for 192.465(d) states that, as a rule of thumb, PHMSA interprets "prompt" as having the "correction completed by the time of the next scheduled monitoring". SED found the following CPA locations with inadequate pipe-to-soil reads in 2011 that continued through 2013:

Table 4. Locations with CP remediation longer than 15 months

CPA Location	Date low potential found	Corrective Status as of September 2013	Reasoning
3414-02	8/17/2011	Pending	Awaiting deep well anode bed replacement
3474-14	8/12/2011	Pending	Awaiting deep well anode bed replacement
3476-06	3/9/2011	Pending	Awaiting deep well anode bed replacement

C. Observations and Concerns

1. During a field visit to the Milpitas Regulating Station, SED observed that the monitor on the standby regulating run failed to control while checking the set point. An internal "B" inspection discovered that the Mooney regulator diaphragm had an alleged material defect, preventing the monitor from operating correctly. Based on maintenance records, on May 1, 2013, the Division performed a successful "B" inspection, including a successful lock-up test. The Division placed the monitor back into service upon completion of the inspection, until the failed diaphragm was discovered during the field visit. Please provide the results of the root cause analysis that PG&E performed regarding this matter and the corrective actions it plans to implement to prevent recurrence of this.

2. During a field visit to CPA 3413-13, SED observed the Division measure a pipe-to-soil read of -836 mV that did not meet the -850 criteria at 876 N 18th Street, San Jose. Please provide SED a status report on the cathodic protection at this location.