



PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
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ACTION
<i>Phmsa</i>
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CONTROL NO.

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April 18, 2011

The Honorable Raymond H. "Ray" LaHood
Department of Transportation Secretary
Department of Transportation Headquarters
1200 New Jersey Ave., S.E.,
Washington, DC 20590

Dear Secretary LaHood:

The California Public Utilities Commission appreciates the fact that the United States Department of Transportation and its Office of Pipeline Safety is conducting this Pipeline Safety Forum to address aging infrastructure. The September 9, 2010 San Bruno pipeline rupture and fire have highlighted many serious questions regarding the integrity of the aging pipeline infrastructure in the State. The Commission has regulatory authority over 101,242 miles of miles of distribution pipe, 10,000 miles of miles of transmission pipe, four gas storage operators with a working inventory approaching 121 Billion Cubic feet, and 3200 Master Metered Mobilehome Park and Propane operators. Immediately after the tragic event, our staff began work investigating the cause and ordering the operator, Pacific Gas and Electric Company, to take additional safety measures. To date, we have imposed operational limitations on several of PG&E's natural gas transmission lines, ordered PG&E to comply with the National Transportation Safety Board directives, instituted an inquiry by an Independent Review Panel of experts, and expanded our inspections of natural gas transmission pipelines.

Last week, the Commission adopted my Proposed Decision on PG&E's Gas Transmission and Storage (GT&S). This Gas Accord settlement agreement on PG&E's revenue requirement and tariff updates also orders the utility to furnish comprehensive biennial safety reports starting on October 1, 2011. These reports will allow the Commission to track authorized expenditures to ensure that priority infrastructure investments are being made in a timely fashion. In addition, the Commission has recently opened a Rulemaking proposing new pipeline safety rules and a new model of natural gas pipeline safety regulation applicable to all California pipelines subject

to our jurisdiction. These rules would augment the Commission's existing General Order 112-E, which has been the linchpin of the Commission's regulation of natural gas pipelines since 1961.¹

Major changes proposed in this Rulemaking include:

- (1) Requirements to strength test, via hydro-tests, any transmission pipelines with inadequate or missing documentation, or which have had their MAOP established via the "grandfather" clause of 49 CFR, Section 192.619(c);
- (2) Pressure reductions on pipelines on which hydro tests needed to comply with (1), above, are delayed due to service or other issues;
- (3) Requiring the use of assessment technology or technologies with a proven application capable of assessing seam integrity and seam corrosion anomalies for all pipeline segments which meet the following criteria:
 - (a) Contain low-frequency electric resistance welded pipe;
 - (b) Contain lap welded pipe;
 - (c) Satisfy the conditions specified in ASME/ANSI B31.8S appendices 4.3 and A 4.4; and
 - (d) Have experienced seam failure, whether a covered or non-covered segment, as defined in 49 C.F.R., Section 192.903, in the pipeline system.
- (4) Additional test requirements for mains and services operating below 100 psig;
- (5) Clearance requirements for gas pipelines and other subsurface structures as well a requirement to monitor cover of existing transmission pipelines;
- (6) Incorporate the one-call law by reference and require jurisdictional utilities to accurately mark their facilities;
- (7) Additional, more stringent, reporting requirements.

We have also requested comment on and incorporated into our Rulemaking several proposals offered by Congresswoman Jackie Speier, including, but not limited to: 1) requirements to install automatic or remote shut-off valves every five miles in high consequence areas, or along earthquake faults, 2) a requirement that operators provide replacement plans for any pipeline installed prior to 1961 in a high consequence area; and 3) requiring the Commission to conduct integrity management audits of each operator every two years.

This Rulemaking will also consider how we can align ratemaking policies, practices, and incentives to better reflect pipeline safety needs. Our ratemaking authority provides the Commission with sufficient flexibility to impose such ratemaking consequences as may be required. While the scope of the Rulemaking is broad and ambitious, we believe it is critical to

¹ CPUC Decision No. 61269 Adopted General Order 112 on December 28, 1960 and became effective on July 1, 1961.

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move forward quickly to adopt new rules to ensure the safe and reliable operation of natural gas pipelines in California.

Thank you for the opportunity to provide comments and participate in the Pipeline Safety Forum. We look forward to working with you to promote safe and reliable natural gas service in California and nationwide.

Sincerely,

A handwritten signature in black ink, reading "Timothy A. Simon". The signature is written in a cursive style with a large, prominent initial 'T'.

Timothy Alan Simon

Cc: Cynthia Quarterman, Administrator of PHMSA
Jeff Wiese, Assistant Administrator of PHMSA