

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**09-22-11
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September 22, 2011

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Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 11-02-019

This is the proposed decision of Administrative Law Judge (ALJ) Maribeth A. Bushey. As provided in Commission Decision (D.) 11-09-006, this decision will be on the Commission's agenda for October 6, 2011.

As also provided in D.11-09-006, parties to the proceeding may file and serve comments on the proposed decision no later than **12:00 noon, Friday, September 30, 2011**. No reply comments shall be filed.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Maribeth A. Bushey at mab@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTONKaren V. Clopton, Chief
Administrative Law Judge

KVC:lil

Attachment

Decision **PROPOSED DECISION OF ALJ BUSHEY** (Mailed 9/22/2011)

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.

Rulemaking 11-02-019
(Filed February 24, 2011)

**DECISION RESCINDING OPERATING PRESSURE LIMITATION ON SUCTION
SIDE OF TOPOCK COMPRESSOR STATION**

1. Summary

This decision authorizes Pacific Gas and Electric Company to restore the Maximum Allowable Operating Pressure of the suction side of the Topock Compressor Station to 660 pounds per square inch gage.

2. Background

Located near the Arizona border, the Pacific Gas and Electric Company's (PG&E) Topock Compressor Station (Topock) receives gas from three pipelines: PG&E's Lines 300A and 300B (fed by El Paso Natural Gas' interstate pipeline), and the Transwestern interstate pipeline. Gas coming into Topock is compressed and leaves through Lines 300A and 300B. These lines, which constitute the portion of PG&E's backbone system that bring gas into PG&E's service territory from the Southwest producing basins, terminate at PG&E's Milpitas Terminal. Topock has historically operated at a Maximum Allowable Operating Pressure (MAOP) of 660 pounds per square inch gage (psig).

On February 2, 2011, the Commission's Executive Director ordered PG&E to reduce pressure on all PG&E natural gas pipelines that had experienced pressure increases of greater than 10% of MAOP. This order required PG&E to reduce the operating pressure on the suction side of the Topock compressor station, which had experienced overpressurization to 727 psig, or 1 psig over the authorized 726 psig. The order limited PG&E to operating this segment at 528 psig, or 20% below the authorized MAOP of 660 psig.

On July 11, 2011, PG&E moved for a Commission order delegating authority to the Executive Director to review and approve requests to restore operating pressure on lines where pressure tests had been completed. In Decision (D.) 11-09-006, the Commission denied PG&E's request for a delegation of authority and established an expedited process by which the Commission would review such requests.

On September 12, 2011, and pursuant to D.11-09-006, PG&E filed and served its request to lift the operating pressure restrictions on the suction side of the Topock, along with the required supporting information. PG&E stated that without restoring normal operating pressure, overall pipeline flow rates on PG&E's backbone Lines 300A and 300B will be reduced this winter, and that El Paso Natural Gas will need to resume deliveries to PG&E at the normal (600 psig +) pressures when a Southern California Gas Company line returns to service in late October. PG&E concluded that it needs to return Topock to normal operation to avoid potential curtailments of gas deliveries to its customers this winter.

3. Pressure Test Results

To validate the strength and integrity of the Topock piping and components without prior complete pressure test records, PG&E stated that it

pressure tested one-half of the station piping at a time, while maintaining minimum pipeline flows through the other half. PG&E explained that all segments were successfully tested to a pressure above the minimum required to confirm the safe operation of the Topock station at the established MAOP with an additional measure of safety in compliance with the requirements of 49 Code of Federal Regulations (CFR) Part 192, Subpart J. PG&E provided the complete pressure test results for each test segment in its Supporting Information.¹

As required by D.11-09-006, the Commission's Consumer Protection and Safety Division (CPSD) reviewed the pressure test information provided by PG&E. In a memorandum dated September 12, 2011, CPSD listed several deficiencies in PG&E's pressure test protocols and records, but determined that the tests conducted by PG&E had demonstrated adequate assurance of the fitness for operation of these facilities at the restored MAOP.² CPSD directed PG&E to remedy the listed deficiencies for future testing.

CPSD also informed the Commission that PG&E's pressure test data showed that PG&E was pressure testing facilities to a MAOP of 735 psig, and certain vessels to a MAOP of 900 psig, rather than the previously existing 660 psig. Thus, these pressure test results not only supported lifting the Commission's operating pressure restrictions but also, as provided in 49 CFR,

¹ PG&E redacted certain critical infrastructure details including maps and drawings of stations components from its public filing. At the direction of the Administrative Law Judge, PG&E provided a full set to CPSD under seal and offered parties an opportunity to inspect the full documents.

² The memorandum is included in the record as part of Exhibit E to PG&E's Supporting Information filed on September 12, 2011.

Part 192, Subpart K, § 192.555, PG&E's pressure test results could be used as part of an operator's review to justify a higher MAOP when conditions later permit.

4. Evidentiary Hearing

On September 19, 2011, the assigned Commissioner Florio, Commissioner Simon, and Administrative Law Judge (ALJ) Bushey convened a hearing on PG&E's request to restore MAOP at the Topock. PG&E presented its Vice President of Gas Operations, Standards and Policies to testify that PG&E's engineers had validated the engineering and construction, and performed hydrostatic pressure testing on all segments and components for which a prior pressure test result was not available. PG&E's Vice President concluded that in her professional judgment, the suction side of the Topock was safe to operate at the MAOP of 660 psig. The witness was cross examined by the parties, Commissioners, and ALJ.

5. Discussion

Pursuant to Public Utilities Code Section 451 each public utility in California must:

Furnish and maintain such adequate, efficient, just and reasonable service, instrumentalities, equipment and facilities,...as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

The duty to furnish and maintain safe equipment and facilities falls squarely on California public utilities, including PG&E. The burden of proving that particular facilities are safe also rests with PG&E.

The Executive Director and this Commission have taken extraordinary steps to restrict the operating pressure on certain of PG&E's natural gas transmission pipelines in response to the worst tragedy in California history

from public utility operations. In D.11-09-006, the Commission set forth the specific requirements for PG&E to demonstrate that the operating pressure restrictions can safely be removed. These requirements begin with a pressure test complying with regulations applicable when conducted, and also require a responsible engineer's review of the pipeline construction and assessment of the pressure test results to ensure safe operations. The end result is that PG&E must be fully accountable for the pressure test and the assertion that the line can be safely operated at the restored MAOP.

5.1. Pressure Test Results

PG&E has presented complete pressure test results for the 11 segments pressure tested for the suction side of the Topock Compressor Station that had not been previously tested. The test results included hydrostatic test packages for each segment, as well as supporting documentation including test procedure, post hydro test leak survey results, ultrasonic thickness records, and carbon equivalency tests.

CPSD has examined these test results and found that the results substantially, albeit not perfectly, comply with applicable requirements and provide adequate assurance of fitness to operate at the restored MAOP of 660 psig.

PG&E has presented adequate pressure test results supporting its assertion that the suction side of the Topock can safely be operated with an MAOP of 660 psig. These test data show that pipeline facilities were subject to sustained pressure levels well above the minimum levels required to establish a MAOP of 660 psig, for a period of eight hours, with no failure of these facilities. The maximum pressure level of more than 50% above MAOP of 660 psig also well exceeds the 20% pressure reversal level at which the probability of pipeline

failure, due to pressure reversal, is considered to be one in ten million.³ Thus, the ratio of the high test pressure to the intended MAOP of 660 psig effectively demonstrates the low risk of failure of these pipeline facilities.

Although CPSD found the testing adequate in this instance, CPSD identified several pressure testing deficiencies. We order PG&E to remedy all deficiencies noted in CPSD's September 12, 2011, memorandum for its future MAOP restoration requests.

5.2. Responsible Engineer's Review

PG&E's Vice President of Gas Operations, Standards and Policies, a Professional Mechanical Engineer registered with the State of California, testified under oath that PG&E's engineers have validated the engineering and construction, and performed hydrostatic pressure testing on all segments and components for which a prior pressure test result was not available. PG&E's Vice President concluded that in her professional judgment, the suction side of the Topock was safe to operate at the MAOP of 660 psig.

We, therefore, find that PG&E's responsible engineer has reviewed the engineering and construction of the segments, as well as the results of the pressure tests, and concluded that the MAOP may be safely returned to 660 psig.

5.3. PG&E is Accountable for Safe Operations at Restored MAOP

PG&E operates a natural gas transmission and distribution system. As the operator, PG&E must ensure that the system is operated safely. PG&E presented pressure test results, supporting information, and the testimony of its responsible

³ See Memorandum from Michelle Cooke, Interim Director, CPSD, to PG&E, September 12, 2011.

engineer verifying that the Commission could safely rescind its operating pressure limitation and that PG&E could resume operations with a MAOP of 660 psig for the suction side of the Topock Compressor Station.

5.4. Conclusion

Therefore, we conclude that PG&E has demonstrated that the suction side of the Topock may be safely returned to its previous MAOP of 660 psig. We note further that consistent with 49 CFR 192 Subpart K, PG&E's pressure test results could be used as part of an operator's review required by 49 CFR 192.555 to justify a higher MAOP when conditions later permit.

6. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Maribeth A. Bushey is the assigned ALJ in this proceeding.

7. Comments on Proposed Decision

The proposed decision of the ALJ Maribeth A. Bushey in this matter was mailed to the parties on September 23, 2011, in accordance with the expedited schedule adopted in D.11-09-006. The expedited schedule called for parties to file and serve comments no later than noon, Friday, September 30, 2011.

Findings of Fact

1. The Commission ordered PG&E to reduce operating pressure on several natural gas transmission pipelines, pending demonstration that the pipelines can be safely operated at the originally established MAOP.
2. On September 12, 2011, PG&E filed and served pressure test results for the suction side of the Topock, as part of its Supporting Information required by D.11-09-006.
3. PG&E's Vice President of Gas Operations - Standards and Policies verified that PG&E has validated the engineering and construction of, and performed

pressure tests in accord with 49 CFR 192 Subpart J on all segments of the natural gas pipelines on the suction side of the Topock. The Vice President concluded that these pipelines could be safely operated at the restored MAOP of 660 psig.

4. CPSD reviewed PG&E's pressure test results, identified several deficiencies but concluded that the information presented was adequate to support the conclusion that pressure on the lines could be safely restored to the previous MAOP of 660 psig.

Conclusions of Law

1. PG&E has complied with the Supporting Information requirements of D.11-09-006.

2. PG&E has demonstrated that the suction side of the Topock Compressor Station has been successfully pressure tested in accord with 49 CFR 192 Subpart J.

3. The Commission's operating pressure restriction on the pipelines in the suction side of the Topock Compressor Station can safely be rescinded.

4. PG&E should be ordered to remedy the pressure testing deficiencies noted in CPSD's September 12, 2011, memorandum.

5. The public necessity as defined in Rule 14.6(c)(9) of the Commission's Rules of Practice and Procedure requires a reduction of the 30-day period for public comment and review of the Commission's proposed decision on the whether to lift the operating pressure limitation on the suction side of the Topock compressor.

6. This decision should be effective immediately.

O R D E R

Therefore, **IT IS ORDERED** that:

1. The Commission's February 2, 2011, operating pressure limitation placed on the suction side of the Topock Compressor Station owned and operated by Pacific Gas and Electric Company is rescinded.
2. Pacific Gas and Electric Company must operate the Topock Compressor Station in accord with applicable state and federal law and regulations.
3. In future requests to rescind Commission-ordered operating pressure limitation, Pacific Gas and Electric Company must remedy the pressure testing deficiencies noted in the Consumer Protection and Safety Division's September 12, 2011, memorandum.
4. In future requests to rescind Commission-ordered operating pressure limitation, Pacific Gas and Electric Company must include a summary table showing the following information for each segment tested: current maximum operating pressure, minimum indicated test pressure at test point, spike test results, ratio of highest test pressure to maximum operating pressure, percent specified minimum yield strength at test pressure, percent specified minimum yield strength at maximum operating pressure.
5. In future requests to rescind Commission-ordered operating pressure limitation, Pacific Gas and Electric Company must identify segments tested to a maximum operating pressure higher than the previous maximum operating pressure and indicate if and when Pacific Gas and Electric Company expects to undertake the review necessary to increase the maximum operating pressure for that segment.

6. Rulemaking 11-02-019 remains open.

This order is effective today.

Dated _____, 2011, at San Francisco, California.