

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation And Order to Show Cause on the Commission’s Own Motion into the Operations and Practices of Pacific Gas and Electric Company with Respect to Facilities Records for its Natural Gas Distribution System Pipelines.

**FILED
PUBLIC UTILITIES COMMISSION
NOVEMBER 20, 2014
SAN FRANCISCO OFFICE
I.14-11-008**

**ORDER INSTITUTING INVESTIGATION
AND ORDER TO SHOW CAUSE**

I. INTRODUCTION AND STATEMENT OF PURPOSE

In response to several incidents, by this order, the California Public Utilities Commission (“Commission”) institutes a formal investigation to determine whether Pacific Gas and Electric Company (“PG&E”), violated any provision or provisions of the California Public Utilities Code (“Public Utilities Code”), Commission general orders or decisions, other applicable rules or requirements pertaining to safety recordkeeping for its natural gas distribution service and facilities, and/or other state or federal laws. This investigation will review and determine whether PG&E’s recordkeeping practices for its gas distribution system have been unsafe and in violation of the law.

The Respondent is PG&E, a privately-owned public utility, subject to the safety and rate jurisdiction and regulation of this Commission, and to California law and the Commission’s general orders, rules, and decisions. The Commission enforces a variety of federal and state laws that impose safety requirements pertaining to the design, construction, inspection, testing, operation, and maintenance of utility gas gathering, transmission, and distribution piping systems, and for the safe operation of such lines and equipment. This investigation will assess PG&E’s compliance with the law pertaining to safety-related recordkeeping for natural gas distribution pipelines.

This Order provides notice that the Commission will determine whether PG&E has violated the Commission's general orders or other applicable authority pertaining to safety-related recordkeeping for natural gas distribution pipelines. This Order also directs PG&E to show cause as to why the Commission should not find violations in this matter, and why the Commission should not impose penalties, and/or any other forms of relief, if any violations are found. The order also directs PG&E to respond to certain questions and provide specified information to the Commission.

II. DESCRIPTION OF RECENT NATURAL GAS DISTRIBUTION SYSTEM INCIDENTS

A. Castro Valley – September 17, 2010 - Incident G 20100917-01

On September 17, 2010, at approximately 10:19 am, a third party contractor digging a new storm drain for the City of Castro Valley struck a 1-inch plastic gas service line at a location on San Miguel Avenue in Alameda County. This caused the release of natural gas into the atmosphere, and a service interruption for four customers. There were no fatalities or injuries.

According to the Commission's Safety and Enforcement Division ("SED") Investigation Report (see Appendix A-1), PG&E had failed to delineate the pipe sufficiently due to a mapping error. The mapping error resulted from incorrect field documentation of the historical gas service records. Notably, both the 2005 and 2010 five-year leak surveys were conducted based on the erroneous maps. While PG&E stated that it had taken steps to locate underground facilities, including checking the surrounding area for service meters, the SED investigator found a meter at a nearby address on San Miguel Avenue that was visible from the street and was easily located. PG&E asserted that the mapping error had been subsequently corrected. PG&E also admitted that plat map errors are found throughout its service territory.

The SED Investigation Report claims that PG&E violated Title 49 Code of Federal Regulation ("CFR") §192.605(a), §192.605(b)(3), and/or Title 49 CFR §192.13(c). In support of these allegations, SED asserts that PG&E did not have accurate construction records, maps, and operating history available to appropriate operating

personnel, and that PG&E did not adequately follow PG&E's UO Standard S4460 which states, in part:

“Area and district superintendents and pipeline and facility engineers shall be responsible for ensuring that their assigned copies of the operating maps and operating diagrams are updated and accurate.”

B. Morgan Hill – June 21, 2012 - Incident G 20120621-01

On June 21, 2012, at approximately 8:50 am, a third party contractor excavating to install a water line struck and damaged an unmarked 3/4-inch steel gas service line causing a release of natural gas. One customer lost gas service and two structures were evacuated as a precaution. There were no injuries or property damage as a result of this incident.

According to the SED Investigation Report (see Appendix A-2), PG&E had failed to locate and mark the 3/4-inch steel service line. PG&E admitted that the damaged service line was built in 1951 and cut (deactivated) at the property line (“P/L”) in 1966. The crew at that time only wrote a note in "Remarks" section of the original 1951 Gas Service Record (“GSR”) stating that “service was cut back 8 feet out from P/L.” The plat map was not updated to show it as a stub (a short section of pipe that is capped and without a riser). This stub also did not appear on PG&E's five-year gas stub review program (Utility Procedure TD-9500P-16).

PG&E also admitted that its employee did not follow internal procedures. For example, the employee did not contact the mapping department before the incident when he failed to locate the stub. In addition, the employee did not communicate to the contractor that there was a possibility of gas line that appears in plat 3541-G1, block 12, which he could not locate.¹ During the investigation by PG&E, the employee stated that pressure was felt from a supervisor to complete work and assist a colleague with another USA ticket. Additionally, the Supervisor was made aware of employee opinions that the work load was extremely difficult to manage.

¹ There was also inadequate documentation in IRTNet regarding the activity of the employee.

PG&E further admitted that on the day of the incident, the Gas Foreman on the repair crew did not submit a new GSR indicating that the damaged gas service was deactivated at the main after making the repairs. SED believes that PG&E notified appropriate personnel of this issue and requested a new GSR be submitted to local Gas Mapping.

The SED Investigation Report claims that PG&E violated Government Code §4216.3(a)(1), Title 49 CFR §192.605(b)(3), and/or 49 CFR §192.605(a). In support of these allegations, SED asserts that PG&E failed to mark the service line that was hit, failed to provide its employees with accurate maps and available information regarding its gas infrastructure, failed to review its information and maps for accuracy, and failed to follow its own procedures.

C. Milpitas – October 10, 2012 - Incident G 20121010-01

On October 10, 2012, at approximately 12:45 pm, PG&E lost service to 987 customers while a gas construction crew was replacing a six-inch steel gas distribution main with a new four-inch plastic gas distribution main in the vicinity of Montague Expressway and Great Mall Parkway in Milpitas. There were no injuries or property damage as a result of this incident.

According to the SED Investigation Report (see Appendix A-3), PG&E had ran an engineering model and determined that the system would have sufficient back feed to maintain service to customers. However, PG&E admitted that a non-emergency distribution main valve that the engineering model showed to be in the open position was actually in the closed position, preventing back feed to the affected customers. The valve position had been manually transcribed as “OPEN” in PG&E’s model based on the plat sheet, which resulted in the inaccuracy in the model conducted prior to the distribution main transfer.

The SED Investigation Report claims that PG&E violated Title 49 CFR §192.605(a) and/or 49 CFR §192.605(b)(3). The SED Investigation Report also noted PHMSA Advisory Bulletin ADB-02-03 reminding Operators to keep maps and records

up-to-date as pipeline construction and modifications take place. In support of the allegations, SED asserts that PG&E failed to monitor pressure gauges while the job was in progress as required by PG&E standards A-93.1 and D-S0454, and that the operating position for valve 3352-E2A reflected on the map did not match the actual field operating position, which thereby provided inaccurate information to PG&E personnel.

D. Milpitas – March 4, 2013 - Incident G 20130304-01

On March 4, 2013, at approximately 1:30 pm, a third party contractor dug into a two-inch plastic distribution main while excavating to install a storm drain. The damaged pipe branched off a main running under Main Street near Great Mall Parkway. There were no injuries, no fatalities and no ignition.

According to the SED Investigation Report (see Appendix A-4), the facilities were not accurately marked. PG&E admitted that its crew had marked the pipe location six feet away from the actual pipe location. PG&E admitted that the Electronic Test Station (“ETS”) station installed in 1994 for this buried pipeline was not marked on the plat map for the area, so that the mark and locate technician was not able to use the most accurate tracer wire lead point for his location survey.

The SED Investigation Report claimed that PG&E violated Government Code §4216.3(a)(1) which is a requirement from participation in the One-Call program to fulfill the Damage Prevention rules under Title CFR 49 §192.614, for the failure to mark the approximate location² of the distribution main within 24 inches of the subsurface facilities.

E. Mountain View – July 30, 2013 - Incident G20130730-02

On July 30, 2013, at approximately 12:30 pm, a PG&E crew welded a tap fitting onto a 1 ¼ inch steel service line casing in Mountain View. The PG&E welding crew was unaware that the 1 ¼ inch steel service line casing had an inserted one-inch

² Government Code 4216(a) defines ‘Approximate location of subsurface installations’ as “a strip of land not more than 24 inches on either side of the exterior surface of the subsurface installation.”

plastic line which was unmapped. The one inch plastic insert melted causing a release of gas which went unnoticed due to the gas traveling down the steel service line casing away from the work area. There were no injuries, fatalities or property damage as a result of this incident.

According to the SED Investigation Report (see Appendix A-5), the crew foreman utilized construction documents for the replacement project as well as the plat map. Neither indicated the presence of the plastic insert. PG&E admitted that sometime between 1972 and the mid-1980s the plastic line had been inserted. The date of pipe manufacture does not narrow down the installation date, as PG&E Gas Standard A-93.1 Revision 1 dated 04-17-73 only limits the length of time that materials can be stored in direct sunlight to no more than one year and does not limit the length of time that polyethylene can be stored.

The SED Investigation Report claimed that PG&E violated Title 49 CFR §192.605(b), for its failure to provide accurate information about the service line to its workers. The SED Investigation Report also noted PHMSA Advisory Bulletin ADB-02-03 reminding Operators to keep maps and records up-to-date as pipeline construction and modifications take place.

F. Carmel – March 3, 2014 – Incident G20140303-01

On March 3, 2014, at approximately 11:15 am, a natural gas explosion destroyed a house located in the city of Carmel-by-the-Sea. Prior to the explosion, a PG&E welding crew was preparing to tie-in the gas distribution main along 3rd Avenue into the newly installed plastic main on Guadalupe Street. The estimated cost of the damage involved in this case is \$302,000. There were no injuries or fatalities as a result of this incident.

According to the SED Investigation Report (see Appendix A-6), the PG&E welding crew welded a tapping tee onto a two-inch steel distribution main on 3rd Avenue, when the welding crew discovered that the steel distribution main had an inserted and unmapped 1 ¼-inch plastic line. The inserted plastic main was damaged by

the welding and tapping process which caused the natural gas to escape the plastic main. Natural gas migrated into the residential structure and later resulted in an explosion.

PG&E admitted that there were no records found on the installation of the inserted plastic on 3rd Avenue. PG&E also admitted that the only available document containing information about the main was Plat 3956-C08 that was used by the PG&E GC welding crew on the day of the incident. The Plat 3956-C08 map showed a 2-inch steel main on 3rd Avenue and did not reflect the inserted 1 ¼-inch plastic line. In addition to the error regarding the main, the Plat 3956-C08 also showed a ¾-inch steel service pipe instead of an inserted ½-inch plastic service.

The SED Investigation Report claimed that PG&E violated Title 49 CFR §192.605(b), among other violations, including Public Utilities Code §451, for its failure to update its records which led to the company providing incomplete information about the distribution main to its workers.

III. INITIATION OF INVESTIGATION

Delivery of natural gas is potentially dangerous to the general public and to PG&E employees, especially when the distribution facilities are located in populated areas. Both members of the public and PG&E employees are entitled to expect that PG&E will transport gas as safely as reasonably possible. Indeed, California law requires Commission-regulated utilities to operate safely. Section 451 of the Public Utilities Code in part reads: “Every public utility shall 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 SED Investigation Reports present us with a strong showing that PG&E may have violated applicable law. We infer that the state of PG&E’s records regarding critical infrastructure (in this case, its gas distribution pipelines) may have been inadequate to make critically important, ongoing safety decisions. We have before us sufficient evidence and good cause to commence a formal investigation to ascertain

whether such violations have occurred, and if so, to consider the proper penalties and remedies for such violations.

The Commission's focus will be to determine whether PG&E's gas safety recordkeeping has been conducted in a manner that violates the general provisions of Public Utilities Code §451, the recordkeeping violations cited in the SED Investigation Reports, and/or any other applicable law. Gas safety recordkeeping refers, but is not limited to, PG&E's acquisition, maintenance, organization, safekeeping, and efficient retrieval of data that the Commission finds is necessary and appropriate under the circumstances for PG&E to make good and safe gas engineering decisions, and thus to promote safety as required by Section 451 of the Public Utilities Code. Thus, the Commission institutes this formal proceeding pursuant to Rule 5.1 of the Commission's Rules of Practice and Procedure ("Rules")³ to consider the allegations in the SED Incident Investigation Reports, and potentially responsive information from PG&E, in order to determine whether PG&E violated any provisions of the Public Utilities Code, Commission general orders or decisions, or other applicable standards, laws, rules or regulations. The Commission will investigate and decide whether PG&E's recordkeeping pertaining to gas distribution lines has violated good and accepted engineering standards and practices, and thus whether PG&E violated Section 451 of the Public Utilities Code or other laws and regulations.

Further, we will specifically consider what monetary fines and other remedies are appropriate in order to prevent PG&E's recordkeeping failures from endangering the public. We will also review the duration of violations per Public Utilities Code §2108. If supported by the evidence, the Commission will consider ordering daily fines for a significant period of time.

³ All citations to Rules refer to the Commission's Rules of Practice and Procedure, which are codified at Chapter 1, Division 1 of Title 20 of the California Code of Regulations.

The Commission also invites interested parties to actively participate in this proceeding as it involves important safety and other policy matters that may benefit from the expertise, participation, and evidence of other parties.

IV. PG&E REPORT

The SED Investigation Reports provide us with reason to further weigh any violations of law that have occurred. Thus, we provide Respondent PG&E with its opportunity to contest any facts asserted in the SED Incident Investigation Reports. Further, the Commission directs PG&E to provide its contentions, with detailed facts supporting them.

PG&E is therefore directed to appear and provide a report, within 30 days of the issuance of this OII, to identify all reasons of law and fact known to PG&E to support the possibility that the company has committed no violation of law with respect to its gas distribution recordkeeping. Thus, PG&E is directed to file and serve a report on all known parties, which responds to the following directives:

1. List each factual contention stated, and conclusion reached, by the SED Incident Investigation Reports, regarding PG&E's recordkeeping, that PG&E contends is incorrect, and provide support for PG&E's position.
2. What explanation does PG&E offer for each recordkeeping failure claimed in the SED incident investigation reports?
3. What corrective actions has PG&E already taken in response to the recordkeeping failures identified in the SED incident investigation reports?
4. Provide the names (and titles if employee or agent) of all witnesses to the responses and information in the PG&E report. Provide the name of each such witness with respect to specified portions of the PG&E report.

The ordered report shall be based on information in PG&E's possession. No discovery on the Commission or its staff is warranted for PG&E to complete this report. As noted below, a moratorium on discovery conducted by PG&E on the

Commission and its staff shall be in place until otherwise directed by a Ruling in this proceeding.

V. PRELIMINARY SCOPING MEMO

Rule 7.1(c) provides that an order instituting an investigation (OII) shall attach a preliminary scoping memo. The following discussion meets this requirement.

A. Issues Presented

The Commission is charged with responsibilities under Public Utilities Code §§451, 701, 761, 768, and federal pipeline standards that we are certificated and authorized by the federal government to enforce (49 U.S.C. §60105, and General Order 112-E). The Commission bears a responsibility both to enforce laws utilities may have violated in the past, and to prevent future unsafe utility practices.

If the Commission determines that PG&E violated safety standards with respect to its gas system recordkeeping, the Commission will determine whether penalties pursuant to Public Utilities Code §§2107 and 2108 are warranted, and if so the amount appropriate to the facts and the law.

The Commission also intends to establish whether PG&E should reimburse the state for the cost accrued by the Commission staff or by its consultants for prosecution of this investigation, and the included SED incident investigations. Currently, the facts and circumstances presented to the Commission provide us with no justification to conclude that ratepayers should bear these costs.

This proceeding shall:

- (1) Determine whether PG&E violated any provisions of the Public Utilities Code, general orders, Commission decisions, federal gas safety regulations and laws that the federal government has authorized the Commission to enforce in California regarding its gas distribution recordkeeping, and/or other state or federal law.
- (2) Determine whether PG&E violated other recordkeeping-related rules, or requirements, regarding its procedures, training, and supervision, linked to distribution pipelines in PG&E's service territory.

- (3) Determine the penalty for any proven violation, in compliance with the law.
- (4) Determine whether PG&E shareholders or ratepayers shall bear the costs of this investigation, and the included SED incident investigations.

B. Categorization of Proceeding

This proceeding is categorized as adjudicatory. *Ex parte* communications are prohibited. The determination as to category is appealable under Rule 7.6.

C. Need for Hearings and Schedule of Proceeding

The Commission notifies PG&E that hearings will be set to review the issues raised in this matter. The Commission intends to set a prehearing conference to consider and adopt a hearing schedule and schedule other matters for this proceeding.

Pursuant to Rule 7.6(a), appeals of the categorization of this investigation, if any, are to be filed and served within 10 days of the date this OII is issued. Responses on this preliminary scoping memo may also be filed and served within 10 days of the date this OII is issued. Replies to responses may be filed and served within 5 days of the due date for responses.

A prehearing conference (“PHC”) may be scheduled after receipt of comments on the preliminary scoping memo. This OII shall be focused on gas distribution recordkeeping and related matters. Further, the assigned Commissioner may refine the issues to be addressed and determine the schedule and applicable procedures for this OII.

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| Appeal of categorization | 10 days after issuance of this OII |
| Responses on scope and issues in Preliminary Scoping Memo | 10 days after issuance of this OII |
| PG&E Report due | 30 days after issuance of this OII |
| Subsequent Deadlines and Case Submission | To be Determined |

A moratorium on discovery conducted by PG&E on the Commission and its staff shall be in place until otherwise directed by a Ruling in this proceeding. In contrast, pursuant to Public Utilities Code §314(a), the Commission and its staff may seek information from PG&E at any time. Thus, there shall be no moratorium on discovery conducted by the Commission and its staff on PG&E, at any time in this proceeding, unless otherwise directed by a Commission Decision. Further, even without the compulsion of a subpoena, the Commission hereby confirms that under Public Utilities Code §§313, 314, 314.5, 315, 581, 582, 584, 701, 702, 771, 1794, and 1795, the Commission staff may obtain information from utilities and is already deemed to have the general investigatory authority of the Commission.

D. Comments

We invite parties to comment on the range of issues identified above. In their comments, parties may state any objections to the order regarding the need for hearing, issues to be considered, or the proposed schedule. All filings in this proceeding may be made electronically according to Resolution ALJ-188 and served consistent with Rule 1.10.

E. Parties and Service List

PG&E is named as a Respondent to this investigation. SED is named as a party to this proceeding. The service list may be updated with additional parties.

VI. SED INVESTIGATION REPORTS PUBLICALLY RELEASED

Fundamentally, the public has the constitutional right to scrutinize Commission business,⁴ which is undertaken on behalf of the public. In that vein, the Commission has the discretion to disclose investigation records under Section 583 of the Public Utilities Code.

⁴ See Cal. Const. Art. 1, § 3(b)(1).

We exercise our discretion here as the public interest in transparency in this matter of critical public safety significance outweighs PG&E's interest in maintaining the confidentiality of the investigation records. By this Order the attached SED Investigation Reports are publically released.⁵ Names of witnesses and residence addresses shall be redacted.

VII. PUBLIC ADVISOR

Any person or entity interested in participating in this investigation who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor's Office in San Francisco at (415) 703-2074, (866) 849-8390, or email public.advisor@cpuc.ca.gov; or in Los Angeles at (213) 576-7055, (866) 849-8391, or email public.advisor.la@cpuc.ca.gov. The TTY number is (866) 836-7825. Written communication may be sent to the Public Advisor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102.

VII. INTERVENOR COMPENSATION

A party that expects to request intervenor compensation for its participation in this Investigation shall file its notice of intent to claim intervenor compensation in accordance with Rule 17.1.

Therefore, **IT IS ORDERED** that:

1. An investigation is instituted on the Commission's own motion to determine whether PG&E violated any provision of the Public Utilities Code, general orders, federal law adopted by California, other rules, or requirements, and/or other state or federal law, by its recordkeeping policies and practices with respect to its gas distribution service.
2. PG&E is named as Respondent to this investigation.
3. SED is named as a party to this proceeding.

⁵ See Pub. Util. Code § 583.

4. The SED Reports present us with a strong showing that PG&E violated applicable law.

5. Respondent PG&E is directed to show at hearings why the Commission should not find it in violation of provisions of the Public Utilities Code, general orders, decisions, other rules, or requirements identified in this Order, and/or engaging in unreasonable and/or imprudent practices related to these matters, and why the Commission should not impose penalties. If any violation by PG&E is found, PG&E is directed to show why penalties and/or any other form of relief should not be applied. PG&E is also directed to file reports as required in this order no later than 30 days after the issuance of this OII and providing the information required and specified in this order.

6. PG&E is hereby given notice that fines may be imposed in this matter pursuant to Public Utilities Code §§2107 and 2108.

7. PG&E is hereby given notice that the Commission may order PG&E to implement measures designed to prevent future recordkeeping failures pursuant to Public Utilities Code §§451, 701, 761, and 768.

8. This Order includes a preliminary scoping memo.

9. Pursuant to Rule 7.1(c) of the Commission's Rules of Practice and Procedure, this proceeding is categorized as adjudicatory and deemed to require hearings.

10. *Ex parte* communications are prohibited in this proceeding.

11. A prehearing conference shall be convened before an Administrative Law Judge ("ALJ") for the purpose of establishing a schedule in this matter, including the date, time, and location of an evidentiary hearing, and for good cause shown the ALJ and/or Assigned Commissioner may extend the report deadlines specified herein, for any particular responses required.

12. A moratorium on discovery conducted by PG&E on the Commission and its staff shall be in place until otherwise directed by a Ruling in this proceeding.

13. There shall be no moratorium on discovery conducted by the Commission and its staff on PG&E, at any time in this proceeding, unless otherwise directed by a Commission Decision.

14. The attached SED Incident Investigation Reports are publically released. Names of witnesses and residence addresses shall be redacted.

15. The Executive Director shall cause a copy of this Order to be served electronically and by certified mail on the Respondent, PG&E, at:

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This order is effective today.

Dated November 20, 2014, at San Francisco, California.

MICHAEL R. PEEVEY
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
MICHAEL PICKER
Commissioners