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

October 17, 2017 GI-2017-08-SCG-68-02ABC

Jimmie Cho, Senior Vice President
Gas Operations and System Integrity
Southern California Gas Company
555 West 5th Street, GT21C3
Los Angeles, CA 90013

SUBJECT: GO112 Gas Inspection of SCG's North West Central Coast Inspection Unit

Dear Mr. Cho:

The Safety and Enforcement Division (SED) of the California Public Utilities Commission conducted a General Order 112[1] inspection of Southern California Gas Company (SCG) North West Central Coast Inspection Unit from August 21 through 25, 2017. The inspection included a review of the Inspection Unit records of maintenance activities for the period of January 1, 2014 through December 31, 2016 and a representative sample of SCG facilities field inspections in the Simi Valley, Oxnard, and Santa Barbara districts. SED staff also reviewed the Inspection Unit's Operator Qualification records, which included field observation of randomly selected individuals performing covered tasks.

A Summary of Inspection Findings (Summary), which contains probable violations and areas of concerns and recommendations identified by SED staff, is included as an attachment to this letter.

Please provide a written response indicating the measures taken by SCG to address the probable violations, areas of concerns, and recommendations within 30 days from the date of this letter.

If you have any questions, please contact Alula Gebremedhin at (415) 703-1816 or by email at ag5@cpuc.ca.gov.

Sincerely,

Kenneth Bruno
Program Manager
Gas Safety and Reliability Branch
Safety and Enforcement Division

Enclosure: Summary of Inspection Findings
cc: Troy Bauer, SCG Regulatory Compliance
Dennis Lee, SED/GSRB
Matt Epuna, SED/GSRB, Kan-Wai Tong, SED/GSRB

[1] General Order 112-F was adopted by the Commission on June 25, 2015 via Decision 15-06-044.

SUMMARY OF INSPECTION FINDINGS

I. Probable Violations

1. Title 49 CFR §191.12 states in part:

   "Each mechanical fitting failure, as required by §192.1009, must be submitted on a Mechanical Fitting Failure Report Form PHMSA F07100.1-2. An operator must submit a mechanical fitting failure report for each mechanical fitting failure that occurs within a calendar year not later than March 15 of the following year. Alternatively, an operator may elect to submit its report throughout the year."

   SCG experienced a mechanical fitting failure (MF# 520001237508) on December 16, 2015 that they reported on February 21, 2017. SCG reported the failure past the required date (March 12, 2016).

   Therefore, SCG is in violation of GO 112-F, Referenced Title 49 CFR §191.12, for its failure to report on or before the required date

2. Title 49 CFR §192.481(a) states in part:

   "(a) Each operator must inspect each pipeline or portion of pipeline that is exposed to the atmosphere for evidence of atmospheric corrosion, as follows:

If the pipeline is located:	*Then the frequency of inspection is:*
Onshore	*At least once every 3 calendar years, but with intervals not exceeding 39 months*
Offshore	*At least once each calendar year, but with intervals not exceeding 15 months*

   SCG reported 335 instances where the corrosion inspection of the meter set assemblies (MSA) were not in compliance with the frequencies stated in §192.481(a). After reviewing atmospheric corrosion records, SED found 26 more instances where the corrosion inspection of the meter set assemblies (MSA) were not in compliance.
   A table of those 361 instances is attached to this report.

   Therefore, SCG is in violation of GO 112-F, Referenced Title 49 CFR §192.481(a), for its failure to inspect 361 meter sets for evidence of atmospheric corrosion once every 3 calendar years, but with intervals not exceeding 39 months.

3. Title 49 CFR §192.605(a) states:

"*Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities ...."*

SCG's Gas Standard 223.0125 Leakage Classification and Mitigation Schedules, Section 3 states in part:

*3.11.2. "**CODE 2 LEAK INDICATION** - a leak that is recognized as being not-hazardous at the time of detection, but justifies scheduled repair based on the potential for creating a future hazard."*

3.11.2.1. "Examples of Code 2 leak indications include, but are not limited to:

3.11.2.1.8. ***Any reading on a pipeline operating at greater than 60 PSIG that is not a Code 1 leak"***

After reviewing SCG's leak survey records and maps, SED noted that the SCG failed to follow its own procedure. On May 21, 2015, a code 3 leak was discovered during an annual leak survey as can be seen on leak survey map VCO 4859-4 which was generated by order # 520000958432. This code 3 leak ID number is 1512936. Leak repair order # 520001097440 indicated that this leak was on a "high pressure" pipe. SCG defines "high pressure pipeline" as a pipeline operated greater than 60 psig (SCG Standard 182.0040 Section 3.4 High Pressure).

As a result, the operator did not follow SCG Standard 223.0125 Section 3.11.2.1.8 when they incorrectly classified this leak as a Code 3 leak. On July 23, 2015, during a re-evaluation inspection, this code 3 leak was re-coded as a code 2 leak since the leak is on a high pressure pipe (above 60 psig).

Therefore, SCG is in violation of GO 112-F, Referenced Title 49 CFR §192.605(a), for its failure to follow its own procedure by incorrectly grading the leak.

4. Title 49 CFR §192.603(c) states:

"The Administrator or the State Agency that has submitted a current certification under the pipeline safety laws (49 U.S.C. 60101 et seq.) with respect to the pipeline facility governed by an operator's plans and procedures may, after notice and opportunity for hearing as provided in 49 CFR 190.206 or the relevant State procedures, require the operator to ***amend its plans and procedures as necessary to provide a reasonable level of safety****."*

SCG Standard 223.0125 Leakage Classification and Mitigation Schedules, Section 1.3 has a Note which states,

"Although a repair of a classified leak may be expedited for a variety of reasons, ***the original classification of the leak shall not be changed****."*

CPUC General Order No. 112-F Section 143.2(d) states,

"Any grade of leaks above Grade 3 can only be downgraded once to a Grade 3 leak without a physical repair. After a leak has been downgraded to Grade 3, the leak must be reevaluated every calendar year not to exceed 15 months. ***If the Grade 3 leak is upgraded at any time to a higher grade, the leak must be reevaluated and repaired per the Operator's procedures for the higher grade to which the leak is upgraded and may not be downgraded again to Grade 3****."*

SCG Standard 223.0125 Section 1.3 does not allow reclassification of a leak. As a result, during re-evaluation of a leak, the operator cannot upgrade nor downgrade a leak if condition changes. For example, if gas indications are higher during a re-evaluation (compared to the original gas indication during the discovery of the leak) in which the leak may now be considered hazardous, it may be necessary to upgrade a leak to a higher grade. Currently, after a re-evaluation of a code 3 leak is performed, SCG is relying on the supervisor's judgment to make a decision on whether a code 3 leak must be mitigated or back on the re-evaluation schedule.

This may be inadequate since the supervisor's judgment is subjective and may not be consistent. Therefore, the flexibility to change the classification of a leak, especially during re-evaluation of a leak, may be needed to expedite the leak mitigation schedule. CPUC General Order No. 112-F Section 143.2(d) also allows reclassification of leaks.

Therefore, SCG is in violation of GO 112-F, Referenced Title 49 CFR §192.603(c), for its failure to have adequate procedure pertaining to leak classification and re-evaluation to provide a reasonable level of safety.

II. Areas of Concern / Recommendations/ Observations

1. During SED's field visit, the inspection unit recorded the following eleven low pipe-to-soil readings, in six different cathodic protection areas.

   SL8-11, S0000: -450 mV
   SL8-11, Q0000: -838 mV
   VCO1624-2-A, D0000: -452 mV
   VCO1624-2-A, A0000: -438 mV
   TVCO1376-1, isolated steel section: -526 mV
   HM195, F0000: -623 mV
   HM195, C0000: -626 mV
   HM372, A0000: -680 mV
   HM372, B0000: -703 mV
   HM001, B0000: -494 mV
   HM001, F0000: -500 mV

   Please provide an update on corrective measure to address the out of compliance pipe-to-soil reads.

2. During SED's field inspection of a Regulator Station maintenance of an above ground Station 0330B, SED observed condensation at the downstream pipe next to the service regulator; which we believe as a result of a big pressure cut at the 2nd stage cut (360 psig to 45 psig). However; SED found that the station has a working monitor at upstream which is designed to cut from 420 psig to 360 psig, and an adjustment on the 1st stage cut could reduce the condensation by lowering the big 2nd stage cut.

   Please provide SCG's plan to address the condensation of the downstream pipe, which could potentially create an atmospheric corrosion.

3. Title 49 CFR §192.605(a) states

   "Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities …."

   SCG Standard 223.0100 Leakage Survey, Section 11.2 states,

   *"Records **covering leakage surveys**, leaks discovered, and repairs made are filed by the appropriate Gas Transmission District, Storage Field, or Distribution Region, and maintained for the life of the pipeline plus five years."*

   SCG did not retain the leak survey map VCO 3551-2, order # 520001022011 as required by SCG Standard 223.0100 Section 11.2. The operator indicated the leak survey map was lost; however, the leak survey was performed. Information pertaining to this leak survey map includes 4 leaks that were recorded and that the leak survey performed by 42965 on August 3, 2015. Leak repairs orders for the 4 leaks were requested. Operator provided "Compliance Leak Survey" record for order # 520001022011 showing the leak survey was completed on

August 3, 2015 which indicates that the leak survey was recorded in the SAP. In addition, operator provided leak records for the 4 leaks discovered on that leak survey which were all "Above-ground minor leaks". The 4 leak ID's are 1518791, 1518793, 1518797, and 1518795.

SED recommends SCG to keep all the necessary documentation of maintenance activity performed as the SCG Standard 223.0100 Section 11.2 requires keeping records of maps covering leakage survey.

4. Title 49 CFR §192.605(a) states

> *"Each operator shall prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities ...."*

SCG Standard 189.0005 Operation Odometer, Sections 3.2.6 and 3.3.2 states I part

> *"3.2.6 Connect the sample line to the Odorometer. Check for and fix any gas leaks to avoid odor interference with the test."..."*

And

> *"3.3.2 Odor Intensity at 0.9% Gas in Air...."*

During SED's field inspection, SED observed SCG Technician (ID number 65872) conducting periodic sampling of odorant per GAS STANDARD 189.005 at location 404 Westlake Village of SCG Simi Valley District.
But the technician missed to perform the following two critical activities:

A. Section 3.2.6 for checking and fix any gas leaks to avoid odor interference with the test (as stated in the GAS STANDARD 189.005).
B. Section 3.3.2 Odor Intensity at 0.9% Gas in Air (as stated in the GAS STANDARD 189.005).

SED recommends SCG to conduct periodic evaluation of employers performing covered task field activity.