



Public Utilities Commission
STATE OF CALIFORNIA

Citation Date: January 23, 2015

Citation #: ALJ 274 15-01-002

Operator ID#: 15007

**CITATION FOR VIOLATION(S)
ISSUED PURSUANT TO RESOLUTION ALJ-274
OF GENERAL ORDER 112-E**

Gas Corporation (Operator): Pacific Gas & Electric Company
To Which Citation Is Issued

RESPONDENT:

Mr. Jesus Soto, Vice President
Pacific Gas & Electric Company
6111 Bollinger Canyon Road, Room 4590-D
San Ramon, CA 94583

CITATION:

Operator is hereby cited for three violations from 2004-2012 resulting in a financial penalty of \$430,000

VIOLATIONS:

Operator is cited with having violated General Order 112-E, as described below. These violations occurred during the period 2004 through 2012.

1. Title 49, CFR §192.925 What are the requirements for using External Corrosion Direct Assessment (ECDA)?

(a) Definition. ECDA is a four-step process that combines preassessment, indirect inspection, direct examination, and post assessment to evaluate the threat of external corrosion to the integrity of a pipeline.

(b) General requirements. An operator that uses direct assessment to assess the threat of external corrosion must follow the requirements in this section, in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 6.4, and in NACE SP0502-2008 (incorporated by reference, see §192.7). An operator must develop and implement a direct assessment plan that has procedures addressing preassessment, indirect examination, direct examination, and post-assessment. If the ECDA detects pipeline coating damage, the operator must also integrate the data from the ECDA with other information from the data integration (§192.917(b)) to evaluate the covered segment for the threat of third party damage, and to address the threat as required by §192.917(e)(1).



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(3) *Direct examination. In addition to the requirements in ASME/ANSI B31.8S section 6.4 and NACE SP0502-2008, section 5, the plan's procedures for direct examination of indications from the indirect examination must include—*

(i) Provisions for applying more restrictive criteria when conducting ECDA for the first time on a covered segment;

Section 5.9.1.2 of NACE RP0502-2002 states "When ECDA is applied for the first time, the pipeline operator should not downgrade any indications that were originally placed in the immediate or scheduled priority category to a lower priority category."

Section 5.2 Prioritization of NACE RP0502-2002 states in part:

"5.2.1 The pipeline operator shall establish criteria for prioritizing the need for direct examination of each indication found during the Indirect Inspection Step.

5.2.1.1 Prioritization, as used in this standard, is the process of estimating the need for direct examination of each indication based on the likelihood of current corrosion activity plus the extent and severity of prior corrosion."

SED noted that for the first time ECDA, PG&E reclassifies some of the immediate indications found as a result of indirect assessment based on some of its direct examinations. The NACE standard states that all immediate indications should be excavated if found as a result of indirect examination when ECDA is applied for the first time. If it is a first time ECDA, PG&E cannot use a sample of the immediate indications as a basis for reclassifying all the remaining immediate indications without conducting a direct examination of all identified immediate indications.

PG&E must directly examine all immediate indications found as a result of indirect assessment for the first time ECDA unless PG&E has a documented technical justification for not implementing the NACE recommendation.

2. Title 49, CFR §192.935 What additional preventive and mitigative measures must an operator take?

(a) General requirements. An operator must take additional measures beyond those already required by Part 192 to prevent a pipeline failure and to mitigate the consequences of a pipeline failure in a high consequence area. An operator must base the additional measures on the threats the operator has identified to each pipeline segment. (See §192.917) An operator must conduct, in accordance with one of the risk assessment approaches in ASME/ANSI B31.8S (incorporated by reference, see §192.7), section 5, a risk analysis of its pipeline to identify additional measures to protect the high consequence area and enhance public safety. Such additional measures include, but are not limited to, installing Automatic Shut-off Valves or Remote Control Valves, installing computerized monitoring and leak detection systems, replacing pipe segments with pipe of heavier wall thickness, providing additional training to personnel on response procedures, conducting drills



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with local emergency responders and implementing additional inspection and maintenance programs.

PG&E established its procedure RMP-17, LTIMP to identify acceptable preventive and mitigative (P&M) measures for pipeline segments. The LTIMP provides details about how to perform a continual evaluation on PG&E's covered segments of pipeline. PG&E may also use the procedure as a basis for selection of P&M measures on selected non-covered segments with similar characteristics and threat susceptibility.

RMP-17 states that "The LTIMP process includes conducting a review following an integrity assessment, identifying P&M measures, and performing continual evaluations. The integrity assessment review integrates data and develops P&M measures based on threats identified for each pipe segment."

V-1 SED reviewed several LTIMP reports and found that PG&E did not generate many of them in a timely manner.

SED noted that since PG&E did not create the LTIMP reports in a timely manner after it completed the assessments, PG&E might have not addressed and promptly communicated to the responsible work groups some P&M measures for implementation.

During the audit, PG&E provided a copy of its LTIMP summary report which shows all pending LTIMP reports along with P&M work activity measures identified as a result of integrity management assessments.

As of September 2012, PG&E had a total of approximately 610 pending LTIMP projects. PG&E categorized approximately one third of these (229) as Priority 1 projects. This summary report also indicated that PG&E generated more than one third of all its pending LTIMP projects (258) for the assessments conducted prior to 2006 and based approximately 50% (116) of the pending Priority 1 projects on the inspections it conducted prior to 2006.

SED noted that as of September 2012, PG&E has only completed 17% of LTIMPs based on its 2004 baseline assessment mileage. It appears that since PG&E generated LTIMPs several years after the completion of integrity assessments, by the time PG&E started implementing the P&M measures, in some cases, covered segments were due for a reassessment.

SED determined that PG&E RMP-17 neither specifies any timeframe to create an LTIMP after PG&E completes an assessment nor does it require an allowed time interval to complete the implementation of P&M measures.

Therefore, PG&E must establish provisions in its RMP-17 for not only creating LTIMP reports but also implementing P&M measures with specific timeframes after conducting integrity assessments.



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V-2 SED also determined that PG&E does not have an effective method of providing the Risk Management group with the results of the LTIMPs.

PG&E must clear its LTIMP backlog and establish procedures for implementing its LTIMP process in a timely manner.

SED has concluded that PG&E must do the following:

- PG&E must initiate the LTIMP process immediately after it completes the assessments to ensure timely implementation of P&M measures.
- PG&E must prioritize the P&M measures and schedule the highest priority ones for implementation promptly for each assessed segment and record them in the database.
- PG&E's IM group must improve its communication with PG&E's other departments in order to take remedial actions in a timely manner.
- PG&E must improve its LTIMP database to track the progress of projects and completed work and to update the status of each project.
- PG&E's LTIMP team must provide documentation for project time extensions in order to justify the need for the extension and to ensure that it would not affect the integrity of the pipeline adversely.

3. Title 49, CFR, §192.937 What is a continual process of evaluation and assessment to maintain a pipeline's integrity?

(a) General. After completing the baseline integrity assessment of a covered segment, an operator must continue to assess the line pipe of that segment at the intervals specified in §192.939 and periodically evaluate the integrity of each covered pipeline segment as provided in paragraph (b) of this section. An operator must reassess a covered segment on which a prior assessment is credited as a baseline under §192.921(e) by no later than December 17, 2009. An operator must reassess a covered segment on which a baseline assessment is conducted during the baseline period specified in §192.921(d) by no later than seven years after the baseline assessment of that covered segment unless the evaluation under paragraph (b) of this section indicates earlier reassessment.

(b) Evaluation. An operator must conduct a periodic evaluation as frequently as needed to assure the integrity of each covered segment. The periodic evaluation must be based on a data integration and risk assessment of the entire pipeline as specified in §192.917. For plastic transmission pipelines, the periodic evaluation is based on the threat analysis specified in 192.917(d). For all other transmission pipelines, the evaluation must consider the past and present integrity assessment results, data integration and risk assessment information (§192.917), and decisions about remediation (§192.933) and additional preventive and mitigative actions (§192.935). An operator must use the results from this evaluation to identify the threats specific to each covered segment and the risk represented by these threats.

SED did not find any documentation to verify that PG&E has performed continual evaluation for establishing reassessment methods and schedules by considering all



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information relevant and required to determining risk associated with pipeline operations in HCAs as required by CFR, §192.937(b). SED noted, at the time of the audit that PG&E recently developed a Continual Evaluation Form; however, PG&E had not implemented the form for usage.

PG&E must prioritize and implement P&M measures identified in the LTIMPs based on their risk score and complete all remedial actions before the next reassessment of the covered segments.

PG&E must improve its procedure for continual evaluation in Section 7 of RMP-17, by providing additional specificity to improve the clarity and repeatability of the process. Additionally, PG&E must improve the procedure by adding robustness and missing pieces of information to meet the requirements of CFR, §192.937(b).

During the audit, it was unclear to SED what events and data PG&E needed to complete its "Continual Evaluation Form". PG&E needs to clearly define in its procedures that process for filling-out this form.



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ENCLOSURES:

The following enclosures were used to establish the findings of fact:

1. *Enclosure 1 – SED Investigation Report, dated August 29, 2014*
2. *Enclosure 2 – SED 2013 PG&E Transmission Integrity Management Program Audit, dated December 17, 2013*
3. *Enclosure 3 – PG&E Response to Transmission Integrity Management Program Audit Report, dated February 18, 2014*
4. *Enclosure 4 – CPUC, Transmission Integrity Management Program Audit Report, dated October 21, 2010*
5. *Enclosure 5 – PG&E Response to Transmission Integrity Management Program Audit Report and Attachment A, dated December 16, 2010*

STATEMENT OF FACTS:

The above violations are documented in the attached *Enclosure 1 – SED's Investigation Report* which is based on one or more of the following: SED's review of the 2012 PG&E Transmission Integrity Management Program (TIMP) Audit, PG&E's response to the audit findings, Operator's records and/or substantiating documents obtained from other sources, or other reasons as stated in the attached report.



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SED CITATION ANALYSIS

Element of Sentencing Schedule	Staff Finding
Number of violation (s) and duration of violation (s) since inception	<i>Three violations total; Title 49 CFR §192.925(b)(3), §192.935(a), and §192.937(a)(b) from 2004 through 2012</i>
Severity of the offense: overall level of risk of violation(s)	<i>These violations contributed unnecessary risk to the utility's operations prior to corrective action</i>
The conduct of the utility before, during, and after the offense	<i>The utility was cooperative</i>
Previous occurrence of similar violations by the utility	<i>2010 TIMP audit finding</i>
Self-reporting of the violation	<i>Not self-reported. Violations found as a result of SED 2012 PG&E TIMP Audit</i>
Indication of the violation (s) being willful	<i>No</i>
Actions taken by the utility to address the violation	<i>Refer to Enclosures 3 and 5</i>
Associated safety related condition	<i>N/A</i>
Financial resources of the utility	<i>4.3 Million customers, \$715 Million Revenue requirement</i>
The totality of the circumstances	<i>SED used annual compounding in accordance with Public Utilities Code § 2108 and considered the factors of Public Utilities Code § 2104.5 in its determination of the citation amount</i>
Other factors deemed relevant by SED	<i>See Enclosure 1</i>
Resultant Citation Taking All Of These Factors Into Account	\$430,000.00



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RESPONSE:

Respondent is hereby called upon to provide a response to this Citation by: **5:00 PM (PST) on February 2, 2015.**

By way of such response Respondent, **within 10 calendar days**, may either:

- (1) Correct the violations with any immediate safety hazard requiring immediate correction as soon as feasible, and/or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 10 days to correct, **and** pay a fine pursuant to Pub. Util. Code § 2107. (Submit a check payable to California Public Utilities Commission using the attached *Citation Payment Form*. Upon payment, the fine will be deposited in the State Treasury to the credit of the General Fund and this citation will become final); **or**
- (2) Confirm that the violation(s) noted in this Citation have been corrected and/or otherwise do not present an on-going safety hazard to the Operator's employees and the general public, and/or submit a Compliance Plan to the Director of SED for correcting those violations requiring more than 10 days to correct, **and** contest this citation by completing and submitting a *Notice of Appeal Form*. Please see the attached document, "Directions For Submitting An Appeal To A Citation Issued Pursuant To Resolution ALJ-274" for information on the appeals process and the attached "Notice of Appeal Form". Also attached is a copy of Resolution ALJ-299 including Appendices A and B.

Respondent's failure to provide a response, as noted above, within 10 calendar days from the date the citation is served, will place Respondent in default of the citation and will result in forfeiture of Respondent's rights to appeal the citation. A late payment will be subject to a penalty of 10% per year, compounded daily and to be assessed beginning the calendar day following the payment-due date. The Commission may take additional action to recover any unpaid fine and ensure compliance with applicable statutes and Commission orders.

NOTIFICATION TO PUBLIC AGENCIES:

As soon as is reasonable and necessary, and no later than 10 calendar days after service of the citation is effected, Respondent must provide a notification to the City Manager or similar local agency authority in the city and county where a citation is issued. Within 10 days of providing such notification, Respondent must serve an affidavit to the Director of SED, at the mail or e-mail address noted below, attesting that the local authorities have been notified; the date(s) for when notification was provided; and the name(s) and contact information for each local authority so notified.



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The CPUC expects Operators to take actions, as soon as feasible, to correct, mitigate, or otherwise make safe all violations noted on the Citation regardless of the Operator's intentions to accept or appeal the violation(s) noted in the Citation.

A handwritten signature in cursive script, appearing to read "Elizaveta Malashenko", written over a horizontal line.

Elizaveta Malashenko

Deputy Director

Office of Utility Safety and Reliability

Safety and Enforcement Division

California Public Utilities Commission

505 Van Ness Avenue

San Francisco, CA 94102

elizaveta.malashenko@cpuc.ca.gov



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CITATION PAYMENT FORM

I (we) _____ hereby agree to comply with this citation dated _____, and have corrected/mitigated the violation(s) noted in the citation on _____ and no later than _____, all work to make permanent corrections to any mitigated, or otherwise remaining concerns related to the violation(s) will be completed as noted in the Compliance Plan we have submitted to the Director of SED and, herewith, pay a fine in the amount of \$ _____ as included in the citation.

Signature of Gas Corporation's Treasurer,
Chief Financial Officer, or President/CEO, or
delegated Officer thereof

(Signature)

(Date)

(Printed Name and Title)

Payment with a check must be made payable to the **California Public Utilities Commission** and sent to the below address. Please include the citation number on the memorandum line of the check to ensure your payment is properly applied.

California Public Utilities Commission
Attn: Fiscal Office
505 Van Ness Avenue
San Francisco, CA 94102-3298

NOTE: A copy of the completed Citation Payment Form must be sent to the Director of the Safety and Enforcement Division, via email or regular mail, to the addresses provided on the Citation.



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**DIRECTIONS FOR SUBMITTING AN APPEAL TO A CITATION
ISSUED PURSUANT TO RESOLUTION ALJ-274**

Within 10 calendar days of the Respondent being served with a **CITATION FOR VIOLATION(S) ISSUED PURSUANT TO RESOLUTION ALJ-274**, Respondent may appeal the citation. Beyond 10 calendar days of being served with the citation, Respondent is in default and, as a result, is considered as having forfeited rights to appeal the citation. The Respondent must still correct the violation(s) as feasible unless, within 10 calendar days from the date of service of the citation, the Respondent submits to the Director of SED, a Compliance Plan that provides a detailed description of when the violation(s) will be corrected, the methodology to be utilized, and a statement, supported by an affidavit from the Gas Corporation's Chief Executive Officer, that in the Respondent's best judgment, the time necessary to correct the violation(s) will not affect the integrity of the operating system or unduly endanger the public.

To appeal the citation, Appellant must file a Notice of Appeal (including a completed title page complying with Rule 1.6 of the Commission's Rules of Practice and Procedure, and attached Notice of Appeal Form) along with copies of any materials the Appellant wants to provide in support of its appeal with the Commission's Docket Office **and** must be served, at a minimum, on

- 1) The Chief Administrative Law Judge (with an electronic copy to:
ALJ_Div_Appeals_Coordinator@cpuc.ca.gov),
- 2) The Director of Safety and Enforcement Division
- 3) The Executive Director
- 4) General Counsel
- 5) The Director of the Division of Ratepayer Advocates

within 10 calendar days of the date on which the Appellant is served the Citation at the address listed below. The Appellant must file a proof of service to this effect at the same time the Appellant files the Notice of Appeal. The Notice of Appeal must at a minimum state: (a) the date of the citation that is appealed; and (b) the rationale for the appeal with specificity on all grounds for the appeal of the citation.

California Public Utilities Commission
505 Van Ness Ave,
San Francisco, CA 94102
Attn: <Insert Title>

NOTE: Submission of a *Notice of Appeal Form* in no way diminishes Appellant's responsibility for correcting the violation described in the citation, or otherwise ensuring the safety of facilities or conditions that underlie the violations noted in the Citation.



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Ex Parte Communications as defined by Rule 8.1(c) of the Commission's Rules of Practice and Procedure, are prohibited from the date the citation is issued through the date a final order is issued on the citation appeal.

After SED receives the Appellant's *Notice of Appeal Form*, a hearing will be convened before an Administrative Law Judge. At least ten business days before the date of the hearing, the Appellant will be notified and provided with the location, date, and time for the hearing. At the hearing,

- (a) Appellant may be represented by an attorney or other representative, but any such representation shall be at the sole expense of the Respondent;
- (b) Appellant may request a transcript of the hearing, but must pay for the cost of the transcript in accordance with the Commission's usual procedures;
- (c) Appellant is entitled to the services of an interpreter at the Commission's expense upon written request to the Chief Administrative Law Judge not less than five business days prior to the date of the hearing; and
- (d) Appellant may bring documents to offer in evidence (Rule 13.6 (Evidence) of the Commission's Rules of Practice and Procedure applies) and/or call witnesses to testify on Respondent's behalf. At the Commission's discretion, the hearing in regard to the Appellant's appeal can be held in a hearing room at either of the offices of the CPUC at the following locations:

San Francisco:

505 Van Ness Avenue
San Francisco, CA 94102

Los Angeles:

320 West 4th Street, Suite 500
Los Angeles, CA 90013

The hearing(s) held in regard to the Appellant's appeal will be adjudicated in conformance with all applicable Public Utilities Code requirements.



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Notice of Appeal Form

Appeal of PG&E from Citation ALJ 274 15-01-002 issued by Safety and Enforcement Division (For A Citation Issued Pursuant to Resolution ALJ-274)

Appellant:

Name
Vice President, Gas Operations
Gas Utility Name
Mailing Address
City, CA Zip

Citation Date:

Citation #: ____-____-____

Operator ID#:

Appeal Date: _____

"Appeal of [insert Operator Name] from [insert Citation number] issued by Safety and Enforcement Division"

Statements supporting Appellant's Appeal of Citation (You may use additional pages if needed and/or attach copies of supporting materials along with this form).



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Enclosures to Accompany Utility Appeal

Utility to add Enclosures as appropriate