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April 19, 2011

Mr. Paul Clanon
Executive Director
California Public Utilities Commission
505 Van Ness Avenue, 5th Floor
San Francisco, CA 94102

Subject: Report of SoCalGas and SDG&E on Actions Taken in Response to the National Transportation Safety Board Safety Recommendations

Dear Mr. Clanon:

On Friday, April 15, 2011, SoCalGas and SDG&E submitted to the Commission its report on actions taken in response to the NTSB safety recommendations. The April 15, 2011 report is SoCalGas and SDG&E's response to your January 3, 2011, letter directing SoCalGas and SDG&E to pay close attention to the NTSB safety recommendations and detail specific, proactive, and corrective actions as appropriate for the SoCalGas and SDG&E system. This letter provides further clarification of that report in response to queries from Commission staff. Specifically we were asked the following questions:

- The percentage of the Category 4 pipeline miles that has been grandfathered.
- The extent of the search SoCalGas and SDG&E conducted for pipeline construction records, and the extent of the information contained in Category 4 pipeline files.
- The effort made to respond specifically to NTSB Recommendation P-10-3.

Our responses are summarized below:

The Percentage of Category 4 Pipeline Miles that Has Been Grandfathered

Federal regulation 49 CFR 192.169(c) governs how pipeline MAOP is determined for pipelines constructed before July 1, 1970. Pipelines that had their MAOPs established in this manner are commonly referred to as "grandfathered". Based on additional screening of our records review, we have identified that 341 of the 383 SoCalGas Category 4 miles and 61 of the 64 SDG&E Category 4 miles were installed pre-1970 and were grandfathered. The remaining 42 miles for

SoCalGas and 3 miles for SDG&E are post-1970 pipelines for which we are confident all test requirements of 49 CFR.192(J) were performed indicating they were pressure tested, but whose pipeline files were not 100% complete when we conducted our review. In these cases, construction records and documented actions to verify the MAOPs were extensive and sufficient to assure us that the current MAOP was properly established and that these pipelines are operating safely. Although the records are sufficient to support the current MAOP, in strict adherence to the NTSB recommendations only in so far as they lacked complete documentation of the strength test, these pipelines were left in Category 4 pending further review.

Extent of the Search SoCalGas and SDG&E Conducted for Pipeline Construction Records, and the Extent of the Information Contained in Category 4 Pipeline Files

SoCalGas and SDG&E aggressively and diligently searched work order files for items such as as-built drawings, alignment sheets, specifications, design, construction, inspection, testing, maintenance, and other related records according to NTSB Safety Recommendation P-10-2. As stated in the report, SoCalGas and SDG&E reviewed many types of pre-construction documents that provide confidence that the pipelines were manufactured, designed and constructed to operate safely. Such records include design and construction specifications and drawings, material specifications, pipe mill inspections and tests to eliminate manufacturing flaws prior to arrival at the construction site and other pre-construction documentation. Post-construction records (*e.g.*, as-built drawings and records of strength tests) were also reviewed. These documents provide additional information to validate the integrity of a pipeline after installation. As example of that review and the breadth of records searched, SoCalGas and SDG&E's scrutiny of records for each of the roughly 4,000 pipeline segments that make up the 1,622 criteria miles identified all work orders that support the segmentation of the pipeline by diameter, grade, and wall thickness.

As part of the records review SoCalGas and SDG&E were specifically searching for documentation of a performed strength test to at least 1.25 times the MAOP. All of our pipelines have extensive construction and/or operations records that support the MAOP in the absence of strength test or strength test documentation. On page 9 and 10 of the report the example of Line 2003 is provided where a 1962 report concludes the pipeline was strength tested, however, a related document was missing. Due to our conservative approach, this pipeline was placed in Category 4 so that it will be subject to further review and strength validation. In cases where construction records are missing, we used conservative assumptions, of which some are required by regulation, regarding the characteristics of the weakest pipe known to be available at the time of pipe installation. This review and strength validation should not be misinterpreted as concern about the pressure carrying capability of the pipeline; rather it assists us in planning additional maintenance and inspection activities on these segments.

The Effort Made to Respond Specifically to NTSB Recommendation P-10-3

For lines that have not had the MAOP established by a pressure test, NTSB Recommendation P-10-3 requires the use of "traceable, verifiable, and complete" information to determine the MAOP based on the weakest component. SoCalGas and SDG&E worked from the literal and conservative meaning of the words, which in our view require a perfect chain of document

custody for a pipeline or pipeline segments. Such a threshold is extremely difficult to achieve for pipelines that may have been installed over fifty years ago. Nevertheless, SoCalGas and SDG&E reviewed the established MAOPs for all the pipelines in Category 4. This review did not reveal any significant concerns with the currently established MAOPs.

SoCalGas and SDG&E have substantial non-strength-test records for Category 4 pipelines that provide confidence that these pipelines were constructed to operate safely. But we did not believe it would be appropriate to certify to the Commission that the pipelines in Category 4 satisfied the requirements of P-10-3. Accordingly, SoCalGas and SDG&E placed in Category 4 all grandfathered pipelines for which it could not validate a 1.25 safety margin on the basis of a hydro test or an equivalent strength test – without exception. These pipelines are subject to the remedial plan as specified in the report, and no attempt was made to present grandfathered pipelines, on the sole basis of historical operating records, as meeting the requirements of NTSB recommendation P-10-2 or P-10-3.

As is custom, all supporting pipeline files and information used to prepare this report are immediately available for review by the Commission. SoCalGas and SDG&E will gladly assist Commission staff in accessing these records and in further examination of Category 4 pipeline files.

Should you have any questions or concerns please contact me. Thank you.

Sincerely,



Richard M. Morrow
Vice President
Engineering & Operations Staff

cc: Ms. Michelle Cooke, Interim Deputy Executive Director, CPUC
Mr. Richard Clark, Director, Consumer Protection and Safety Division, CPUC
Ms. Julie Halligan, Deputy Director, Consumer Protection and Safety Division, CPUC