

PUBLIC UTILITIES COMMISSION

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July 22, 2010

Mr. Glen Carter, Director
Gas Engineering (GT&D)
Pacific Gas and Electric Company
375 N. Widget Lane, Suite 200
Walnut Creek, CA 94598

SUBJECT: Notice of Violations of General Order 112E – Audit of PG&E's OM&E Plan

Dear Mr. Carter:

The staff of the Utilities Safety and Reliability Branch (USRB) of the California Public Utilities Commission conducted a General Order 112-E safety audit of Pacific Gas & Electric Company's (PG&E) Operation, Maintenance, and Emergency (OM&E) Plan. The audit, which was conducted on February 23-25, 2010, consisted of a review of PG&E's gas distribution and transmission standards and guidelines which are the basis of, and support, its OM&E Plan. No field inspections were performed as part of this audit.

During the audit, PG&E staff provided an update on PG&E's continuing efforts to review all existing standards and guidelines, and to include specific work procedures related to the standards, in order to obtain compliance with Title 49 Code of Federal Regulations, Part 192, Section 192.605. As we have noted in previous findings, this level of effort has been much needed; however, we are concerned about the pace with which the review is proceeding, the absence of measures to assure that reviews are completed in a timely manner, and that the reviews, along with follow-up performed related to the reviews, are properly documented and auditable.

Violations of GO 112-E, identified by USRB staff during the audit, are itemized within the Summary of Inspection Findings (Summary) enclosed with this letter. The Summary also contains any Areas of Concern identified during the audit.

By August 23, 2010, please provide a written response indicating the measures taken by PG&E to address the Violations and Areas of Concern noted in the Summary.

If you have any questions, please do not hesitate to contact me at (415) 703-2407.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sunil K. Shori".

Sunil K. Shori
Utilities Engineer
Utilities Safety and Reliability Branch
Consumer Protection and Safety Division

Enclosure: Summary of Inspection Findings

Electronic copy:

Larry Berg – PG&E

Ivan Garcia – CPSD/USRB

Steve Artus – CPSD/USRB

Aimee Cauquiran – CPSD/USRB

Kenneth How – CPSD/USRB

Summary of Audit Findings

Pacific Gas and Electric Company, OM&E Plan Audit
San Francisco, California
Audit date: February 23-25, 2010

AREAS OF VIOLATION:

- 1) 49 CFR, Part 192, Section 192.605 -- Procedural manual for operations, maintenance, and emergencies.

Section 192.605 (a) requires operators to: "...prepare and follow for each pipeline, a manual of written procedures for conducting operations and maintenance activities and for emergency response. For transmission lines, the manual must also include procedures for handling abnormal operations. This manual must be reviewed and updated by the operator at intervals not exceeding 15 months, but at least once each calendar year..."

a) Our audit found that many standards assigned to various Subject Matter Experts (SMEs) for review within 2009 were not reviewed within the calendar year. We also found an instance where a standard (S 4134), shown within the tracking matrix as having been reviewed in February 2009, had no updated documentation of the reviewed standard. Finally, in many instances where reviews had been completed, there were no records that allowed for us to confirm what actions had been implemented in response to the assigned SME's findings.

Discussion with PG&E staff indicated that measures had been not implemented to properly track the progress of reviews after they were assigned to the various SMEs. As a result, it appeared to us that it did not become apparent until it was too late in the year that certain standards had not been, and would not be, completed within the calendar year. It was also troubling to us that there was no process in place for notifying responsible managers when assigned reviews of standards were not being completed in a timely manner by those to whom they had been assigned.

PG&E needs to implement formalized procedures which require progress to be tracked at all levels of the operations, maintenance, and emergency (OM&E) review process. This includes the assignment of the standards for review, the progress of the reviews, early identification of delays which

need to be resolved in order to meet compliance with Section 192.605(a), and the timely implementation of the findings/outcome of standard reviews performed by SMEs. A Work Procedure (WP), WP 4000-02, being created to address these items was discussed during the audit; however, we do not believe we received a copy of this document at that time.

b) Our audit found that PG&E has not included its Standards and Specifications manuals in the operations and maintenance annual planned reviews performed by the company pursuant to Section 192.605(a). As a result, standards such as Gas Standards and Specification (GS&S) A-66, Repairing Cast Iron Defects, GS&S A-36, or others that provide procedural details on work performed are not currently included in the annual reviews. Also currently not part of annual reviews, are the on-call manuals utilized by PG&E personnel performing on-call duties. The On-Call-Manual reviewed during the audit was last updated in year 2007.

We believe that the Standards and Specifications manual is directly related to the operations and maintenance of PG&E's gas system. As a result, it is covered by, and included under the requirements of Section 192.605. Likewise, since the on-call manual is directly related to, and impacts, emergency response, its review is also subject to the requirements of Section 192.605. Not including annual review of these items is a non-compliance with Section 192.605. PG&E needs to include these on annual reviews, as well as identify other procedures related documents that are currently not, but need to be, placed on annual reviews pursuant to Section 192.605.

c) Our audit found that WP 6435-04, Procedure for Discontinuing Gas Service, had not been reviewed on an annual basis. This procedure, which is performed by personnel from PG&E's Gas Field Services (GFS), was not included among those that are reviewed on an annual basis.

Of more concern, it appeared to us that the services performed by the GFS are not part of the scheduled annual reviews we examined during the audit. It was also unclear what part of PG&E, if any, does perform annual reviews of OM&E related procedures/standards utilized by GFS. We would like PG&E to provide details on the process used to assure that OM&E procedures/standards, utilized in the performance of tasks performed by personnel from GFS, are identified and reviewed on an annual basis pursuant to the requirements of Section 192.605.

d) Our audit found that PG&E has still not completed its gap analysis to determine which company documents address the various requirements of the gas pipeline safety regulations (i.e., PG&E documents that address 192.613 (a) and (b)). We are aware a substantial amount of effort has been imparted towards the gap analysis; however, we are concerned

about the delay, since USRB first noted its concerns regarding inadequate annual reviews of standards, to complete this analysis. Please provide PG&E's timetables for assuring that the gap analysis is completed as soon as possible and certainly by the time of our next audit.

AREAS OF CONCERN:

1) Electronic access for USRB staff to PG&E Standards

Please provide us an update on PG&E's efforts to provide the USRB with electronic access to its standards, as it has requested numerous times in the past.