

Docket No. SA-534

Exhibit No. 2-DK

NATIONAL TRANSPORTATION SAFETY BOARD

Washington, D.C.

**PG&E RESPONSE OF DECEMBER 16, 2010 TO CPUC'S MAY
2010 INTEGRITY MANAGEMENT AUDIT**

(2 Pages)



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December 16, 2010

Mr. Michael Robertson
Utilities Safety and Reliability Branch
Consumers Protection and Safety Division
California Public Utilities Commission
505 Van Ness Avenue, 2nd Floor
San Francisco, CA. 94102-3298

Re: State of California – Public Utilities Commission
May 2010 Integrity Management Program Audit

Dear Mr. Robertson:

The Utilities Safety and Reliability Branch (USRB) conducted an extensive, two-week long General Order 112-E audit of PG&E's Transmission Integrity Management (IM) Program from May 17 – 28, 2010. This comprehensive audit was supported by four USRB staff auditors and more than a dozen PG&E engineers and other staff.

This letter provides an overview of PG&E's response and responds to the two areas of concern that you highlighted in your letter. Preliminarily, PG&E wants to acknowledge the hard work and dedication of the USRB auditors, and express our appreciation for their feedback regarding continued improvement of our IM Program. Although PG&E's IM Program complies with PHMSA requirements and the documents incorporated by reference in those regulations, as a result of the thoughtful and productive discussions during this audit, we have identified several ways to improve the effectiveness of our program. For example, the USRB auditors identified areas where the original integrity management program documentation does not reflect current implementation as our IM Program has matured and developed over time. PG&E plans to reconcile these areas through revisions to the IM Program procedures, as discussed in detail in the two attachments.

The USRB's audit attachment includes 65 numbered findings which address 76 separate issues (some findings include multiple issues). Of the 65 findings, USRB auditors and PG&E engineers identified several areas for improvement in our IM Program. In Attachment A, we discuss each of the 65 findings, explaining in detail where we agree the program can be improved as suggested, and also explaining where we do not think the suggested changes are warranted. Although PG&E has not agreed with every item brought forth by the USRB, we acknowledge the USRB's

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leadership and direction. PG&E wants to be an industry leader and will continue to make program improvements based on the USRB's guidance.

In addition to the USRB's specific findings, your letter identified two general areas of concern. Your first concern involved the exception process and the second concern was regarding PG&E's responses to the audits done in 2007 and 2009 by consultants retained by PG&E to help us improve our program. In each area of concern, your letter set forth several specific items. Attachment B sets forth PG&E's response to the specific items raised in your letter itself. However, PG&E acknowledges that the exception process and our responses to these audits are critical components of the IM Program and that increased rigor can improve the effectiveness of these processes.

Regarding exception reports, PG&E's procedure RMP-06 describes the procedures to be followed when a deviation from established integrity management procedures is appropriate. PG&E agrees with USRB that IM personnel have tended to use the exception report process to document more than just procedural exceptions and have issued exception reports when they weren't necessarily needed (i.e. no procedural exception was actually being taken). PG&E agrees that this is an over-use of exception reports and we will take steps to reduce this practice.

Regarding the external audits, PG&E acknowledges that, although it does specifically require the audits to take place, RMP-06 does not provide clear direction regarding a formal response and closure of any issues identified. PG&E agrees with USRB that addressing this concern will add additional rigor and clarity and will improve our overall process. RMP-06 will be updated during the next revision to bring more clarity and rigor to Section 13.8. Additionally, all corrective actions resulting from future audits will be tracked via PG&E's established commitment tracking process managed by PG&E Gas Engineering Regulatory Support.

Again, I want to acknowledge USRB's thorough and professional audit of PG&E's IM Program. The auditors gave generously of their time and the candid discussions produced many useful ideas to improve our program. As noted in the attached table, we intend to implement many of USRB suggestions to enhance future integrity management assessments.

If you have any questions concerning this report, please contact Larry Berg at (925) 974-4084.

Sincerely,



~~Glen Carter~~
Senior Director, Gas Engineering

Attachments – under separate cover

cc: Julie Halligan, California Public Utilities Commission
Raffy Stepanian, California Public Utilities Commission
Sunil Shori, California Public Utilities Commission