

**EXHIBIT**

**Memorandum of Agreement  
Between the  
Department of Conservation  
Division of Oil, Gas, and Geothermal Resources  
and the  
California Public Utilities Commission**

**I. Background**

In 1994, the Legislature passed AB 3261 (O'Connell) giving the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (Division) jurisdiction over pipelines that are integrally associated with oil and gas production and lie within the administrative boundaries of oil and gas fields. Included are pipelines used for natural gas injection and extraction in gas storage projects. Pursuant to the California Public Utilities Commission's (CPUC) General Order No. 112-E, Rules 101 and 102, the CPUC adopts, by reference, Title 49 of the Code of Federal Regulations (49 CFR), Parts 190, 191, 192, 193, and 199, which govern the design, construction, testing, operation, and maintenance of gas gathering, transmission, and distribution piping systems in California. These rules implement CPUC safety jurisdiction over public utility pipelines as defined in Public Utilities Code Section 227. Consequently, natural gas pipelines within the administrative boundaries of oil and gas fields fall under the jurisdiction of both the Division and CPUC.

**II. Purpose and Scope**

This Memorandum of Agreement (MOA) clarifies the regulatory responsibilities under which the Division and the CPUC will manage the gas-storage pipelines that fall under joint jurisdiction.

**III. Responsibilities and Authorities**

Under this MOA, the Division will regulate all pipelines within the administrative boundaries of oil and gas fields pursuant to Chapter 1 of Division 3 of the Public Resources Code, with the exception of those pipelines associated with gas-storage projects. The CPUC will regulate pipelines covered by this MOA pursuant to the Public Utilities Code. The Division will accept the testing and leak-prevention requirements utilized currently by the CPUC as equivalent to the requirements specified in Division regulations.

**IV. Cooperative Functions**

- a. Both agencies will exchange information, as requested.
- b. The CPUC will notify promptly the Division when a pipeline fails to pass an integrity test, and shall ensure that the pipeline is not put back into service until it is repaired properly and re-tested successfully.

**V. Implementing this MOA**

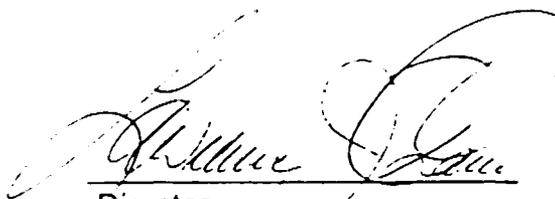
Each Agency will designate a representative to be responsible for coordinating and implementing the provisions of this MOA. The designee will act as the contact point for any requests and/or notifications stipulated in this MOA.

**VI. Savings Provision**

Nothing in this MOA alters, amends, or affects in any way the statutory authority of the Division or the CPUC.

**VII. Effective Date**

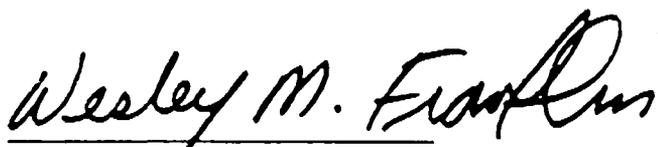
This MOA is effective upon signature by both parties. Both parties may amend this MOA by mutual agreement. Either party may terminate this MOA upon 30-days written notice.



Director  
Department of Conservation

Nov 23, 1998

(date)



Executive Director  
California Public Utilities Commission

December 3, 1998

(date)

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

CONSUMER SERVICES DIVISION  
UTILITIES SAFETY BRANCHResolution SU-49  
Date: December 3, 1998RESOLUTION SU-49, AUTHORIZING MEMORANDUM OF  
AGREEMENT WITH THE DEPARTMENT OF  
CONSERVATION, DIVISION OF OIL, GAS, AND  
GEOTHERMAL RESOURCES CLARIFYING  
REGULATORY RESPONSIBILITIES**BACKGROUND**

1. Public Utilities (P.U.) Code Sections 702 and 768 grant the Commission authority to establish and enforce standards of construction, maintenance, and operation of utility lines, plant or systems. Rules governing design, construction, testing, maintenance, and operations of intrastate natural gas pipelines are codified in the Commission's General Order (G.O.) 112-E. The Utilities Safety Branch (USB) oversees utility compliance with G.O. 112-E.
2. Rules 101 and 102 of G.O. 112-E adopt by reference Title 49 of the Code of Federal Regulations (CFR), Parts 190, 191, 192, 193, and 199, which govern the safety of intrastate natural gas gathering, transmission, or distribution systems. Pursuant to 49 U.S.C. Sections 60105 and 60106, the Commission is authorized to enforce the federal intrastate natural gas safety requirements and the Commission receives grant funding from the United States Department of Transportation in this regard.
3. In 1994, the California Legislature passed Assembly Bill (AB) 3261 giving the California Department of Conservation, Division of Oil, Gas and Geothermal Resources (Division) safety jurisdiction over pipelines that are integrally associated with oil and gas production and lie within oil and gas fields. See California Public Resources Code, Section 3106 (a). Consequently, both the Commission and the Division have jurisdiction over the safety of certain natural gas pipelines (e.g., gathering systems) which are located in oil and gas fields.

**DISCUSSION**

1. In light of the overlapping jurisdiction between the Commission and the Division, it is necessary for the two agencies to clarify their regulatory responsibilities and coordinate their safety requirements.
2. The Commission should therefore enter into the attached Memorandum of Agreement (MOA) between the Commission and the Division, which, while not altering the statutory authority of either agency, will better coordinate the two agencies' safety requirements by providing that: the Division will accept the testing and leak-prevention requirements currently utilized by the Commission; both agencies will exchange information as requested; and the Commission will promptly notify the Division when a natural gas pipeline fails to pass an integrity test and ensure that the pipeline is not put back into service until it is repaired and re-tested successfully.

**THEREFORE, IT IS ORDERED THAT:**

1. The Commission's Executive Director is authorized to sign, on behalf of the Commission, the attached MOA.
2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 3, 1998. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

RICHARD A. BILAS  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
COMMISSIONERS