

From: Marre, Charles
Sent: 12/17/2010 12:54:31 PM
To: Cadenasso, Eugene (eugene.cadenasso@cpuc.ca.gov); Myers, Richard A. (richard.myers@cpuc.ca.gov); Kahlon, Gurbux (gurbux.kahlon@cpuc.ca.gov)
Cc: Stock, William (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=WCS3); Horner, Trina (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TNHC);
Redacted
Bcc:
Subject: RE: Line 132

Gurbux

Following up on your questions below, during the period of 2006 - 2009 PG&E spent \$23.8 million on pipeline reliability projects in which it did not anticipate/include in its capital forecast for the 2008 GT&S rate case. This is \$5.5 million greater than projects forecasted but not worked during the same period of time for this same category of work.

Specifically for the projects below - P.02973 L-300A CCC MP-271.96 TO 274.98 and 30646111-L-300a, Mp 245.50 To 247.18, Cc - were needed due to residential development along the pipeline corridor that caused the class location to change from class 1 to class 3. It was necessary to replace both sections of pipeline to be in compliance with Federal Code (CFR49 Part 192.6).

For project 30603984-DFM 1816-01 Soquel Creek, a section of pipe that crossed beneath Soquel Creek was exposed due to severe erosion during winter storms. It was necessary to replace and relocate the pipe on to a bridge crossing the creek.

Regarding L132, PG&E identified this line section in 2006 as being a project for 2009 in its workpapers for the 2008 gas transmission rate case, and sought \$5 million to fund the work. In early 2008, the pipeline engineer responsible for this area reanalyzed information on this segment, including the data from the External Corrosion Direct Assessment (ECDA) conducted on segments of Line 132. In addition to reviewing the available data, the responsible engineer personally conducted a field investigation of the segment. This review involved driving the entire section, observing that a portion of it was contained within a well-marked right of way and a portion under a public cul-de-sac. After this review, and in consultation with other pipeline integrity engineers, it was determined that a third party dig-in risk did not warrant immediate replacement of the segment (a third-party dig had caused a leak at MP 43 in November 2001) and the segment had not experienced any leaks due to corrosion. Based upon the review of information and knowing that PG&E was going to be performing another ECDA later that year or the next year, it was determined that the work did not need to be done as previously scheduled.

Thanks

Chuck

From: Kahlon, Gurbux [mailto:gurbux.kahlon@cpuc.ca.gov]
Sent: Thursday, December 16, 2010 10:46 AM

To: Kahlon, Gurbux; Marre, Charles; Cadenasso, Eugene; Myers, Richard A.
Cc: Stock, William; Horner, Trina; [Redacted]
Subject: RE: Line 132

From Chuck's worksheets sent to us earlier, here are the three projects with a high price tag that PG&E ended up doing but were not forecasted:

P.02973-L-300A CCC MP-271.96 TO 274.98	\$9.383 million
30603984-DFM 1816-01 Soquel Creek	\$2.844 million
30646111-L-300a, Mp 245.50 To 247.18, Cc	\$2.687 million

Could you use these as the example projects and why they were more critical than line 132? Thanks.

Gurbux

From: Kahlon, Gurbux
Sent: Thursday, December 16, 2010 10:29 AM
To: 'Marre, Charles'; Cadenasso, Eugene; Myers, Richard A.
Cc: Stock, William; Horner, Trina; [Redacted]
Subject: RE: Line 132

Chuck, in view of the need to explain to the public in a very simple, clear way, I am requesting you to provide the following:

1. Please provide me with say 3 examples of high priority work that had not been forecasted in 2007, that PG&E ended up assigning higher priority than the work on line 132. Does PG&E have a priority determination that compares the likely consequences of dropping an already forecasted project with the likely consequences of dropping a project that was not forecasted but seems critical to do? Please provide a simple summary of this priority determination process.
2. Apparently, line 132 work had been described by PG&E in 2007 as very critical and needing to be done. What considerations led PG&E to drop line 132 to a lower priority bucket?
3. What critical considerations led PG&E to assign higher priority to those 3 projects that you use as an example?

Thanks a lot.

Gurbux Kahlon
Manager, Rate Regulation, Analysis and Policy Branch
Energy Division
California Public Utilities Commission
505 Van Ness Ave, San Francisco Ca 94102
Tel: 415-703-1775
E-mail: gkk@cpuc.ca.gov

From: Marre, Charles [mailto:CMM6@pge.com]
Sent: Wednesday, December 15, 2010 5:58 PM
To: Kahlon, Gurbux; Cadenasso, Eugene; Myers, Richard A.
Cc: Stock, William; Horner, Trina; [Redacted]; Marre, Charles
Subject: RE: Line 132

Gurbux

Following up on our call today and my note from last night, attached is the updated spreadsheet to reflect 2006. I've modified the headings of some of the columns - hopefully this provides greater clarity. In addition, I have added a summary tab to compare the total forecast amount by category of work those projects forecasted in the 2008 GT&S rate case and not worked to the total recorded costs for those projects worked and not included in the 2008 GT&S rate case.

Also, as we discussed today, I will add the two additional categories of work - Manage Buildings and Power Plant Gas Metering - and update the spreadsheet sometime tomorrow. As a point of reference for these two categories of work the total recorded spend and amount forecasted in the rate case for the period 2006 - 2009 are \$6.1 million and \$7.4 million, respectively.

Please contact me should you have any further questions or would like me to clarify the information.

Chuck Marre
973-1940

From: Marre, Charles
Sent: Tuesday, December 14, 2010 7:42 PM
To: Kahlon, Gurbux; Cadenasso, Eugene; Myers, Richard A.
Cc: Stock, William; Horner, Trina; Yura, Jane; [Redacted]
Subject: RE: Line 132

Gurbux

Per your request, and following up on the voice message I left, attached are a couple of schedules to respond to the questions below. The first attachment and to be used for question 1, GA IV Projects.xls, provides three separate worksheets which show the following for the years 2007 through 2009:

- A listing of all projects either forecast in Gas Accord IV or with recorded costs. This schedule shows both the capital forecast and recorded costs by category of work and planning order.
- Projects were forecast for Gas Accord and in which no recorded costs have been reported
- Projects in which there have been reported costs and which were not forecast in Gas Accord IV

The detailed forecast and recorded information for 2006 is currently being compiled and will be sent out tomorrow.

In response to the second question, I have attached PG&E's October 4, 2010, memo to Paul Clanon, which provides a comparison of the amount authorized versus spent on pipeline safety and pipeline replacements for the period of 2003 through 2009.

As you review the attachments, you may contact me to help explain or clarify the information. Thanks

Chuck Marre
973-1940

From: Kahlon, Gurbux [mailto:gurbux.kahlon@cpuc.ca.gov]
Sent: Tuesday, December 14, 2010 4:06 PM
To: Dowdell, Jennifer; Yura, Jane; Cadenasso, Eugene; Myers, Richard A.
Cc: Marre, Charles; Stock, William; Horner, Trina
Subject: RE: Line 132

Thanks. When you are ready, please send this information to Rich Myers (ram@cpuc.ca.gov) and to Eugene Cadenasso (cpe@cpuc.ca.gov) also. .

From: Kahlon, Gurbux [mailto:gurbux.kahlon@cpuc.ca.gov]
Sent: Tuesday, December 14, 2010 9:57 AM
To: Dowdell, Jennifer; Yura, Jane
Subject: Line 132

Jennifer, we are getting questions on the \$5 million that was diverted from line 132. PG&E has maintained that it spent more money in total than was authorized but spent the money on other higher priority projects.

1. Please provide me an explanation of which higher priority project (s) the \$5 million was spent on along with a complete list of all projects done during that time.

2. Also need actual pipe line safety expenditures over the last 5 years.

I need this information by the end of the day today. Please give me a call if you have any questions. Thanks.

*Gurbux Kahlon
Manager, Rate Regulation, Analysis and Policy Branch
Energy Division
California Public Utilities Commission
505 Van Ness Ave, San Francisco Ca 94102
Tel: 415-703-1775
E-mail: gkk@cpuc.ca.gov*