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January 7, 2011

Paul Clanon, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: CPUC January 3, 2011 Directives in Response to NTSB Safety Recommendations

Dear Mr. Clanon:

PG&E is fully committed to working expeditiously and cooperatively with the Commission to restore public confidence in the safety and integrity of our natural gas transmission system. Ensuring the completeness and the accuracy of PG&E's system records is absolutely fundamental to this effort. Accordingly, our customers and the Commission have PG&E's pledge that verifying its gas system records is among PG&E's most immediate and highest priorities.

As you know, following the San Bruno accident, we discovered a discrepancy in our records. A discrepancy of this nature is not acceptable to us. We initiated a comprehensive records review for the approximately 150 miles of transmission pipeline on the San Francisco Peninsula.

Your directive following this week's National Transportation Safety Board (NTSB) recommendations calls on us to extend this type of review to approximately 1,800 miles of transmission pipelines in class 3 and class 4 locations and class 1 and class 2 high consequence areas throughout our service area. Your January 3, 2011, letter directed PG&E to undertake specific actions in response to the NTSB recommendations and requested that we confirm by today whether this work could be completed by February 1, 2011.

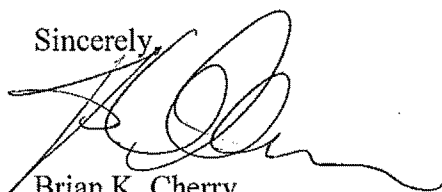
PG&E recognizes and supports the urgency surrounding this work and is moving forward aggressively. Our first step, already under way, is to gather all hydrostatic and other pressure test information to verify which pipeline segments have had their maximum allowable operating pressure established through pressure testing. Although we maintain a centralized data base that indicates that the majority of the 1,800 miles of pipeline have been pressure tested, we understand that your directive requires us to review and verify the original paper records, which currently are kept in local offices and records storage facilities. As part of this process, we will also be collecting images of the original records in a centralized system, which is consistent with our understanding of your request.

Paul Clanon
January 7, 2011
Page 2

This is a substantial undertaking. We are marshalling both internal and significant external resources, and we will deliver the results of our pressure testing verification work to you on March 15, 2011. We commit to providing you with a status update on February 1, 2011, including a plan for our records verification work, and regular updates thereafter.

The maximum allowable operating pressures on our pipelines are established in accordance with federal and state regulations and industry practice. We understand that this is a national issue that may result in future changes to those rules, and look forward to working with you in that effort.

Sincerely,

A handwritten signature in black ink, appearing to read 'B. Cherry', with a long horizontal flourish extending to the right.

Brian K. Cherry
VP, Regulatory Relations

cc: Julie Fitch, Energy Division
Frank Lindh, General Counsel