

February 1, 2011

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

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

Dear Mr. Clanon:

In our January 7, 2011, letter to you we committed to provide the California Public Utilities Commission (Commission) with an update of our progress in fulfilling the directives in your January 3, 2011 letter, ratified by the Commission through Resolution L-410 on January 13, 2011. PG&E is aggressively and diligently working to meet the expectations of the Commission to perform our records review and verification work by March 15, 2011. This letter provides an update on PG&E's work and plan going forward.

The Commission's directive applies to over 1,800 miles of gas transmission pipelines in Class 3 and Class 4 locations, and Class 1 and 2 high consequence areas throughout PG&E's service territory. Consistent with federal regulations, not all of these lines require a pressure test-established maximum allowable operating pressure (MAOP); nevertheless, we are in the process of verifying the number of these pipeline miles for we have records of pressure tests, containing the information required by 49 C.F.R. § 192.517(a).

The foundational step and PG&E's initial focus have been collecting, scanning and indexing an estimated 1.25 million individual records associated with approximately 2,750 "job numbers" from PG&E's hard copy records into its electronic database. It is critical to the remainder of this records verification and validation effort that this first step provide comprehensive, high quality electronic documentation of PG&E's gas transmission system. Toward that end, the entire process is being subjected to detailed quality assurance oversight, as described in more detail below.

As part of the first phase of this records verification project, PG&E has taken the following actions:

- PG&E's business lead for this records verification project reports directly to the Senior Vice President, Engineering & Operations. The business lead

oversees an internal team of over 50 engineers, estimators, mappers, information technology specialists and managers dedicated exclusively to the project; this team will continue to grow.

- PG&E has retained numerous leading external partners to lend specialized expertise and significant additional resources to this process in the areas of document management, process controls, engineering, pipeline pressure calculations, and auditing. For example, Iron Mountain, Inc., a leading global document management company, is dedicating over 230 staff to assist PG&E in timely completing the document collection, scanning and indexing operation.
- PG&E has leased new space to house the record verification operations as well as built out space in its existing facilities to accommodate this activity.

Progress to date on this project includes:

- Document scanning and indexing operations are proceeding 24 hours-a-day, seven days-a-week.
- PG&E has collected hundreds of boxes of original records from over 20 field office and other locations across the service territory.
- At this stage, PG&E is scanning and indexing tens of thousands of these documents each day.

PG&E is using the scanned and indexed records to verify the completeness of pressure test records and other applicable records used to establish each line's MAOP per industry standards and federal code compliance. Over the next six weeks, PG&E will determine the total number of miles for which it has complete, verifiable and traceable records of prior pressure tests.

At the same time, PG&E will start the process of using all available verified records identified in the collection, scanning and indexing process to compile a segment-by-segment pipeline features list (PFL). Where necessary, PG&E will perform excavations to verify pipeline features. In the end, as directed by the Commission, MAOP will be validated based on the weakest segment in these Class 3 and 4, and Class 1 and 2 HCA transmission pipeline sections.

PG&E is dedicated to taking all steps to ensure the safety and integrity of our gas pipeline systems, including the monumental effort of verifying the underlying records of over 1,800 miles of pipeline by March 15th. In the meantime, however, if you have any questions, please do not hesitate to contact me.

Paul Clanon
February 1, 2011
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Sincerely,

A handwritten signature in black ink, appearing to read "Brian K. Cherry". The signature is fluid and cursive, with a prominent initial "B" and "C".

Brian K. Cherry
VP Regulatory Relations

cc: Michael R. Peevey, President
Mike Florio, Commissioner
Catherine Sandoval, Commissioner
Timothy A. Simon, Commissioner
Julie Fitch, Energy Division
Richard Clark, Consumer Protection Safety Division
Julie Halligan, Consumer Protection Safety Division
Frank Lindh, General Counsel
Harvey Y. Morris, Legal Division
Patrick S. Berdge, Legal Division
Joe Como, Division of Ratepayer Advocates