

March 17, 2011

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

Dear Mr. Clanon:

I write in response to your March 16, 2011 letter. Our intent has always been to comply with the Commission's directives as quickly as we can; that is what the many PG&E employees and contractors engaged in our records review effort have been working, and continue to work very hard to do. We deeply regret that there appears to have been a misunderstanding as to how much PG&E could accomplish by March 15th and how long it will take us to complete the entire scope of the Commission's January 3, 2011 directive.

Based on your explanation that the Commission's directive was to find a basis for establishing MAOP by means other than grandfathering, we wish to inform you that we do not have a "verifiable, traceable and complete" set of records sufficient to determine the MAOP of our grandfathered pipelines by engineering analysis of the pipeline components.

That is why our March 15, 2011 report proposes a number of immediate steps with respect to pipeline segments without pressure test records, including the following:

- We prioritized for hydrostatic testing or replacement this year 152 miles of HCA pipe for which the records indicate the segments contain either: 1) pre-1962 24 to 36 inch double submerged arc welded (DSAW) pipe or 2) pre-1974 seamless pipe greater than 24 inches in diameter.
- We prioritized for further assessment or replacement approximately 435 miles of HCA pipelines that meet the following criteria (in priority order): 1) pipelines containing low frequency electric resistance weld (ERW), single-submerged arc weld (SSAW), lap weld or flash pipe installed prior to 1970; 2) pipelines installed prior to 1970; and 3) pipelines installed after 1970.
- As part of Phase 2 of our records validation, we will excavate and field test pipeline systems to supplement existing records.

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These steps go well beyond what current regulations require for pipe where the MAOP was established pursuant to the “grandfather” clause, and demonstrate PG&E’s commitment to assure that our gas transmission system is safe.

In addition to the steps described above, and consistent with our determination to work with the Commission, we have reduced pressure by 20% on 190 miles of pipelines and conducted a comprehensive leak survey of our entire gas transmission system. Over the next two weeks, we will also be voluntarily reducing pressure 20% on the following pipelines: Line 021A, Line 105A, Line 105A-1, Line 105C, Line 105N, Line 107, Line 147, Line 191, SP-3, SP-5, and 0821-01. Those are the pipelines that have been prioritized for hydro testing or replacement this year. These pressure reductions, coupled with the reductions already taken, will affect about 570 miles of local transmission lines. We are taking this voluntary action in anticipation of completing the hydro testing or replacement before next winter so pressures can be restored to normal in time to avoid potential customer impacts.

PG&E also supports the Commission’s efforts to require all pipeline operators to improve their recordkeeping for grandfathered pipe and to phase out grandfathering to establish pipeline MAOPs in California.

Revalidating the MAOP of pipelines where the MAOP has previously been established pursuant to the “grandfather” clause requires that documents be reviewed and analyzed, and calculations performed by skilled engineers. One of the reasons these pipelines were excluded from the July 1, 1970 PHMSA regulations was recognition that operators often lacked sufficient records to perform such an engineering analysis. To use engineering analysis to revalidate the MAOP of its pipelines with grandfathered MAOPs requires PG&E to make assumptions about certain components, such as fittings and elbows, based on PG&E’s material specifications at the time these components were procured as well as sound engineering judgment. We are diligently working on completing the analysis requested by the Commission, but that is a painstaking task. It simply could not be completed by March 15th; we expect to finish by the end of the year.

PG&E’s management stands ready to meet with you and others at the Commission to further discuss this matter and to assure you that we are working to comply fully with the Commission’s directive as quickly as we can.

Sincerely,

Christopher Johns