

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking on
Commission's Own Motion to Adopt New
Safety and Reliability Regulations for Natural
Gas Transmission and Distribution Pipelines
and Related Ratemaking Mechanisms.

R.11-02-019
(Filed February 24, 2011)

**PACIFIC GAS AND ELECTRIC COMPANY'S
COMMENTS ON THE INDEPENDENT REVIEW
PANEL REPORT**

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July 15, 2011

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Since the Independent Review Panel delivered its report on June 8, 2011, PG&E has been carefully reviewing its detailed findings and recommendations to improve the safety, quality and performance of our gas system. Although our review continues, we agree in full spirit with the panel's overall conclusions and in principle with its 18 formal recommendations (Appendix A). The report is a thoughtful and significant contribution to our ongoing analysis of what we need to do to operate our gas pipeline system safely.

Public safety is, and must always be, our foremost responsibility and priority. It's clear, as we've openly acknowledged, that we need to make major improvements in both our operations and culture in order to deliver the performance our customers rightly expect – and that we expect from ourselves.

For the 18 specific recommendations aimed at PG&E, we have identified accountable owners among senior leadership and for some, actions are already underway. Others will require long-term commitments and are being built into our future plans. Several of the recommendations overlap with the scope of this rulemaking and will be addressed as the rulemaking proceeds.

PG&E is committed to improving its gas operations and has already taken a number of actions. We've separated the gas and electric operations and are rebuilding

core technical expertise under the leadership of 30-year veteran Nick Stavropoulos, the executive vice president of gas operations reporting directly to the president of the utility. Mr. Stavropoulos has been given a mandate for change and is conducting a top-to-bottom review of the operations to raise them to world-class performance standards.

We recognize and agree with comments made by Panel members that it is critically important for PG&E and the Commission to work closely together to make PG&E's pipeline system a model of safety for the industry. The Panel's Report helps inform the work being undertaken in this proceeding. In fact, there is some overlap between the directives for the Implementation Plans and specific IRP recommendations. Thus, the Panel's Report does not, in PG&E's view, require any procedural or substantive changes to be made to the directives for the Implementation Plans.

Be assured that PG&E will work diligently and with urgency to address the Panel's recommendations in collaboration with the Commission, its dedicated safety staff, and policymakers.

Respectfully submitted,

/s/

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