

From: Lindh, Frank  
Sent: 9/13/2011 7:37:53 AM  
To: Bottorff, Thomas E (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=TEB3)  
Cc: Clanon, Paul (paul.clanon@cpuc.ca.gov); Michael R. Peevey (michael.peevey@cpuc.ca.gov)  
Bcc:  
Subject: Re: MN - Mercury News interview with PG&E CEO Anthony Earley (transcript)  
Positive stuff, Tom. Thanks for sending it, and good luck with the transition!

On Sep 13, 2011, at 7:11 AM, "Bottorff, Thomas E" <[TEB3@pge.com](mailto:TEB3@pge.com)> wrote:

fyi  
Tom

The *Mercury News* ran two stories about Anthony Earley.  
*WWJ-TV* (CBS – Detroit) ran a story about leaders in Michigan that mentions Anthony Earley.

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### **First Day at Work for New PG&E CEO**

By Paul Rogers

Mercury News, September 12, 2011

In 1971, a young Navy officer proposed to his wife on the north overlook of the Golden Gate Bridge. Now, 40 years later, Anthony Earley is returning to the Bay Area, facing a new set of questions -- along with challenges, pressures and decisions that will affect millions of California residents.

Earley, 62, starts his first day of work today as CEO of PG&E, moving into an office on the 24th floor of PG&E headquarters on Market Street in San Francisco during one of the most difficult periods in the utility's 106-year history.

In a wide-ranging interview, Earley said his top priorities will be improving safety and rebuilding public trust a year after a PG&E gas transmission line exploded in San Bruno, killing eight people and destroying 38 houses.

"It's something that doesn't happen overnight. It's going to take a while," he said.

"But what it is, is delivering on your commitments to customers -- whether it's delivering on the commitment to make sure your system is safe, whether it's delivering on the commitments to supply good information to customers, or just the day-to-day stuff. One customer at a time is what it is going to take."

Earley, the former CEO and chairman of DTE Energy, which runs Detroit Edison and Michigan Consolidated Gas Company, succeeds Peter Darbee, who stepped down in April.

He said much of his focus will be working with the victims of San Bruno and restoring PG&E's reputation. Four days after the explosion, PG&E created a \$100 million fund to help victims and the city recover. But to date, only \$12 million has been spent on the victims and their families, with many saying that PG&E lawyers have spent too much time haggling with them over the value of their destroyed homes.

"I just can't imagine how difficult it is for those families to have lost loved ones, lost their possessions, lost their houses," said Earley. "And we need to acknowledge that it was a tragedy. And it's in the company's interest and their interest to resolve this as soon as possible."

Bill Magoolaghan, whose family home was destroyed in the San Bruno blast, said he wants the disaster to usher in permanent safety reforms. And he said Earley must understand the human toll it continues to take.

"If he wants to come and meet my family and look out my window to my devastated neighborhood and look at the pictures we took," Magoolaghan said, his voice trailing off,

"I hope PG&E and Mr. Earley appreciate the heartache this caused us."

The company is facing a financial headache that could easily eclipse \$1 billion. More than 300 plaintiffs have sued. State regulators are considering massive fines. And PG&E has proposed a major upgrade of its gas system to address problems found by the National Transportation Safety Board.

"The financial house has to be put in order. You have to figure out how you are going to pay for all this stuff," said Andrew Levi, a utility analyst with Caris & Co., in New York.

"Wall Street-wise, the image of the company has been hurt as well."

Levi said Earley is a respected name in the utility industry whose job is to reassure the public, investors and state lawmakers that PG&E is starting a new era. The company has \$1 billion in insurance, but it is still swirling in uncertainty.

"They aren't going to go bankrupt or anything like that, but the question is, what is the earnings power of the company?" Levi said. "Stability will be the key word. I'm sure that's his goal. Stabilize everything."

Last month, PG&E submitted a \$2.2 billion plan to state regulators to upgrade more than 1,000 miles of gas lines and install more than 220 automatic shutoff valves. But it ran into a buzz saw of criticism when it suggested ratepayers pay 90 percent of the costs.

Asked how much the company is willing to budge on that figure, Earley deferred. He said PG&E should have to pay for upgrades "that we caused because we didn't do the right thing." But new government requirements like automatic shutoff valves, which can cost hundreds of thousands of dollars each to install, should be funded by ratepayers, he said.

"To say you shouldn't put any of this in rates, I think is an unreasonable approach," he said. "But the company has to acknowledge that we bear responsibility and we're going to have to pick up some of those costs. What the right number is, I don't know yet."

Earley, an engineer and former ensign at Mare Island Naval Shipyard in Vallejo,

said he has committed to the PG&E board to stay "three to five years." Overseeing more than 20,000 employees, Earley will be paid a \$1.25 million salary, and receive a \$1.5 million signing bonus, along with \$6 million in stock awards.

Looking at other major issues, he said PG&E will continue rolling out smart meters, a technology he said modernizes the gas and electrical system by allowing, for example, the utility to more quickly start and stop service, and to respond faster to outages.

"I know there has been some objection to them," he said of smart meters. "Quite honestly, I think the objections are misplaced. The electromagnetic emissions from a smart meter are minuscule compared to what you get from all the other electronic equipment around your house."

Earley, who also sits on Ford Motor Company's board, was chairman of the industry's Edison Electric Institute when it negotiated a global warming bill that passed the Democratic-controlled House of Representatives in 2009. He called California's new law requiring 33 percent of electricity to come from renewable sources by 2020 "very aggressive," but said PG&E will meet the target, and will comply with the state's new regulations in 2013 requiring mandatory limits on greenhouse gases.

In a wider sense, he said, he hopes to restore PG&E's image and reputation.

"For most of my career, if you asked anyone in our industry to write down the three best companies in our industry, write down the three companies you would really like to be at, PG&E would have been on every one's list," he said, adding moments later: "My main focus will be looking ahead. What do we need to do to really get ourselves on track towards operational excellence?"

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## **O'Brien: New PG&E CEO needs to focus on fixing utility, not profits**

By Chris O'Brien, columnist

Mercury News, September 12, 2011

My advice to PG&E's new CEO, Anthony Earley, is simple: Focus on fixing the long list of things that ail Northern California's largest utility.

If that sounds obvious, well, it hasn't been to the folks sitting in the executive suites at PG&E for the past decade. The company has made investors a priority over we, the ratepayers.

Rather than building safe and reliable natural gas and electricity systems, executives have seemed restless, downright bored with running a utility. They appeared to be more interested in pursuing schemes to generate higher profits. Meanwhile, the core of the business itself was neglected. Records kept on paper scattered around shoeboxes tucked behind couches. Crucial infrastructure rotting away unnoticed.

So far, Earley is saying the right things.

"The message is that we are going to be focusing on delivering safe, reliable and affordable electric and gas service to our customers," Earley said to my colleague, Paul Rogers. "That's what they want from us."

But Earley faces an enormous challenge in trying to reform the profit-driven

culture that took hold of PG&E in the late 1990s as California entered its doomed experiment with deregulation.

The utility spent several years pumping cash into a unit called the New Energy Group, home to exciting if risky, and unregulated, business like energy trading and buying power plants in other states (like Enron, actually). PG&E executives expected NEG to be a source of almost limitless growth and new profits -- and big bonuses.

That didn't work out as planned: Both the core utility and NEG eventually filed for separate bankruptcies, with PG&E eventually abandoning NEG.

But PG&E has kept the door open to moving back into new non-regulated businesses.

Indeed, when I was discussing this several months ago with Severin Borenstein, an energy policy and business expert at the University of California at Berkeley, he expected PG&E to begin pursuing non-regulated business at some point.

"I wouldn't be surprised if they decided to get back into other energy markets either in the U.S., or outside the U.S.," he said.

That should make anyone shudder. PG&E doesn't need such distractions when there's so much to do right here at home.

Even after the collapse of NEG, PG&E's appetite for higher profits wasn't curbed. In January 2005, the company elevated Peter Darbee, its chief financial officer and a former investment banker at Goldman Sachs, to CEO.

Darbee subsequently made a bold promise to shareholders: The company was going to deliver 8 percent annual growth in profits. First, Darbee laid out an ambitious program called "Transformation" that was going to cut expenses by \$2 billion through better use of technology and other efficiencies.

The company fell well short, only hitting \$1 billion.

Undeterred, PG&E proposed in 2008 a massive spending plan called "Cornerstone Improvement Project." The company wanted permission to spend \$2 billion to upgrade its electricity distribution network. Utilities are guaranteed profits on money they spend, so more spending equals more profits.

In May 2010, an administrative law judge at the California Public Utilities Commission said the company had not demonstrated it needed the money, and denied the request. The judge did allow the company to spend about \$360 million.

Despite these failures, PG&E still managed to deliver the promised profits thanks to the rollout of smart meters and the natural growth in the number of ratepayers.

Of course, the company even bungled the smart meter program by ignoring customer complaints. In other words, the company failed to do exactly what Darbee had promised: Treat people like customers whose loyalty they had to earn.

"We were going to transition the company to run more like a competitive company," Darbee said early in his tenure as CEO. "A customer is someone you have to go out and win every day. A ratepayer is someone who is a prisoner."

Then, of course, came San Bruno.

Can Earley turn this around?

Yes, by making clear that ratepayers are the priority. PG&E has left the door open to new non-regulated businesses by maintaining a complex corporate shell it created in the late 1990s. Earley should close that door on his way in. Next, he needs to reexamine the plan PG&E proposed for paying for the necessary upgrades to the company's natural gas system. The company wants ratepayers to pay \$2 billion of the \$2.2 billion in proposed fixes. Earley needs to dramatically lower the ratepayers' share. From there, there's a to-do list to last a lifetime. Rebuild infrastructure. Repair tattered relationships with politicians and regulators. Restore the company's battered reputation. If he can really convince us that PG&E can put people over profits, that it can be satisfied with trying to be the best utility it can be, then Earley will have taken the most important step toward regaining our trust.

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### **Michigan Leaders Before They Were Stars**

Rick Snyder, Dave Bing, Tony Earley, Mary Sue Coleman and Others Talk of Formula for Success

By Carol Cain

WWJ-TV CBS Detroit's "Michigan Matters", September 12, 2011

It wasn't always champagne wishes and caviar dreams or roar of sports fans or voters for some of our state's most successful leaders. These captains of industry, government, sports and education were like thousands of other young people starting out with big dreams. It was experiences they had early on that shaped them and spurred them on to the road of success.

For Anthony Earley it was while in the Navy he learned about facing crisis.

"Those were Cold War years," said Earley, who starts a new job this week as chair/president and CEO of PG&E Corp. in San Francisco leaving behind his position of executive chairman at DTE Energy.

"American and Soviet submarines played a dangerous game of cat and mouse." Earley recalled that experience as he talked about facing the power blackout of 2003 when he was CEO of DTE Energy.

"Someone asked me why I looked so calm during that crisis," he said. "I told them as a 25 year old submarine officer, I monitored Soviet fleet exercises or trailed Soviet subs. When you are doing that, you realize the lives of 100 sailors and an expensive ship are in your hands. If you screw up, you create a major international incident. You mature pretty fast."

Rick Snyder mentioned three jobs that shaped his leadership style he still uses today as governor of Michigan. He worked at Gun Lake Northside Grocery in Battle Creek at age 14. He also worked as a resident advisor in the dorms at University of Michigan and teaching assistant to. Snyder, whose mantra as governor is "relentless positive action" said those jobs taught him to "solve problems and not assign blame or take credit."

For Mary Sue Coleman, she learned about people while delivering Des Moines Register newspapers early every morning to fellow students at Grinnell College. The way they treated me as a newspaper delivery person was illuminating," said

Coleman, president at the University of Michigan. “It brought home how important it is to be respectful of everyone,” she said. “And I learned the lengths some were willing to go to avoid paying their bills when I came to collect,” she laughed.

The studious-minded Coleman was a finalist in a science contest as a teen and had a chance to meet former President John F. Kennedy and Vice President Lyndon Johnson at the White House as part of it.

Detroit Mayor Dave Bing was another who delivered newspapers and mowed lawns. He worked as an apprentice brick layer for his late father, Hasker Bing, and as a janitor in college. “My parents instilled in me the value of a good work ethic at a young age,” Bing said. He hit pay dirt as an NBA player with the Detroit Pistons and made \$15,000 in his first year.

“My parents used to joke it was too bad I wasn’t born 15 years later,” said Bing when NBA superstars made millions.

Others mentioned time spent in the military as leaving an indelible impact. Peter Secchia, Grand Rapids job businessman and former U.S. Ambassador to Italy, made his first trip to Europe while in the U.S. Marines. He learned about rigors and discipline which he used in his first job and as he rose through the ranks to become CEO of Universal Forest Products. “The toughest job at Universal Forest Products was during my training when I was unloading box cars in British Columbia, Canada in the winter of 1963 during 40 below zero temperatures,” said Secchia. “I was there to learn the lumber business,” which he did and stayed 40 years until retiring as CEO.

Blue Cross Blue Shield President and CEO Daniel Loepp won a job as an overnight billing clerk at Merrill Lynch over other students at De La Salle Collegiate High. “My advice? Don’t be bashful,” said Loepp. “It’s the reason I got that first job over 15 other guys.”

Rod Alberts, executive director of the Detroit Auto Dealers Association and the North American International Auto Show, learned persistence as he competed as an arm wrestler in college and professionally. He wrestled Alan Fisher (a 26 time World Champion) in 1985 which appeared in the Sylvester Stallone movie “Over the Top”. “It’s okay to get your butt kicked a few times on the way to the top. As a matter a fact, it is a requirement,” said Alberts.

And as leader of UM, Coleman oversees an institution dedicated to educating people for their future. She had one piece of advice. “Take the job you can get even if it isn’t your first choice,” she said. “You will learn from it. Put everything you have in it.”

The *Mercury News* posted a transcript of an interview that staff writer Paul Rogers had with PG&E’s Anthony Earley.

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## **Transcript: Mercury News interview with PG&E CEO Anthony Earley**

By Paul Rogers

Mercury News, September 12, 2011

Here is a transcript of Mercury News staff writer Paul Rogers' interview with new PG&E CEO Anthony Earley, who starts his job on Tuesday.

**Earley's** opening remarks: "I start on Tuesday at PG&E and I am looking forward to it. I'm really looking forward to this opportunity. I know it is going to be a challenge, but PG&E has been one of the iconic companies in our industry for as long as I've been involved. And this is an industry where one company has problems it affects every company, and the ability to come in and try and use some of the things I have learned in my 25-plus years in the industry to help a name like PG&E with a service territory like California is something that you dream about in your career, and this is I think an opportunity to do that."

**Mercury News:** PG&E has just concluded one of the most difficult years in its 106-year history. It has come under criticism from policy makers and from the public. As the incoming CEO, what message do you have for the public and political leaders here in California?

**Earley:** "The message is that we are going to be focusing on delivering safe, reliable and affordable electric and gas service to our customers. That's what they want from us. We have an absolutely unique business. When I look out my window here in Detroit, and when I look out my window there in San Francisco, virtually every single person is one of our customers. Their lives and their businesses are very different if we don't supply safe, reliable and affordable natural gas and electricity to them. And that's where our focus has to be. It's one of the things I've done in my career and that I intend to do. The tragedy of San Bruno was just that. It was tragic. And we want to make sure that, as best we can, say it's never going to happen again."

**Mercury News:** How do you regain public trust in the company?

**Earley:** "It's something that doesn't happen overnight. It's going to take a while. But what it is, is delivering on your commitments to customers, whether it's delivering on the commitment to make sure your system is safe, whether it's delivering on the commitment to supply good information to customers, or just the day-to-day stuff -- one customer at a time is what it is going to take. It is communicating openly. I've always been an advocate of frequent and open communications with our customers, with political leaders -- I think if you talk to people who've dealt with me that's one of the things I've done over the years. It's not going to change tomorrow, it's not going to change next week, and maybe not even next year, but I think if we keep delivering on our commitments to our customers, eventually our customers are going to say this company deserves our respect. Because it plays an absolutely vital role in every community that we are in."

**Mercury News:** Are you moving to the Bay Area, or maintaining two houses? And how long do you expect to stay as CEO?

**Earley:** "I am going to be moving to the Bay Area. My initial commitment to the PG&E board was that I'd be there three to five years, and we're looking forward to it. Actually, my wife and I got engaged in the Bay Area when I was a Naval officer stationed at Mare Island Naval Shipyard, so we're very familiar with the area.

"We're going to be living in San Francisco, right close to the office so I don't have a long commute."

**Mercury News:** In terms of where we go from here, the NTSB just concluded an investigation into San Bruno, and Deborah Hersman, the chairman, said "this tragedy began years ago with PG&E's 1956 installation of a woefully inadequate pipe. It was compounded over the years by a litany of failures -- including poor record keeping, inadequate inspection programs, and an integrity management program without integrity." Did you watch that hearing? And what is your reaction to the NTSB's findings?

**Earley:** "I did not watch that hearing. I have read the reports of that hearing. Over the last couple of weeks, my commitment has been to wrap up all the things I was involved in here and then fully dive in when I get to San Francisco and understand the details of that.

"But from a very high level, clearly there were mistakes made in the installation and from there, a series of mistakes. And what we have to do is look forward as to how do we make sure we have a system in place that is going to ensure the integrity of our pipelines going forward?"

**Mercury News:** One of the most important issues facing the company in the coming year will be how to pay for the \$2.2 billion in improvements that the company is planning to make during the next three years. What do you say to folks, including congresswoman Jackie Speier, whose district includes San Bruno, who have been critical of the idea that ratepayers should not have to pay 90 percent of those costs, as PG&E has proposed?

**Earley:** "I know PG&E has made a filing. I was not involved in that. But here's my perspective: There clearly are costs that are associated directly with the San Bruno incident, and other operations that are going to be the company's responsibility -- incremental costs that we caused because we didn't do the right thing. On the other end of the spectrum, there are clearly costs that are new requirements to take pipeline safety not only at PG&E, but nationally -- because pipeline safety is a national issue and there have been other incidents around the country that suggest we need to re-look at safety issues -- and those new requirements, installing new technologies, there's talk about the automatic shutoff valves, those are new requirements that clearly ought to be included in the rate base. And then there's going to be a gray area that we'll have to discuss



where costs that we should have incurred, that would have been appropriate to put in the rate base in years past, that now we're going to do, and the question is well, you know, either you pay for it then or you pay for it now through rates. And I think that's where a lot of the discussion would be.

"To say you shouldn't put any of this in rates, I think is an unreasonable approach. But the company has to acknowledge that we bear responsibility and we're going to have to pick up some of those costs. What the right number is, I don't know yet."

**Mercury News:** How firm is the 90 percent?

**Earley:** "As I said, I don't know what a good number is. I'm going to take a look at that when I get there."

**Mercury News:** Our winters aren't anything like Detroit's, thankfully, but there have been some concerns from PG&E to the public utilities commission that it will need to increase the pressure on some gas lines this winter or customers could suffer, or may even be endangered. I'm wondering if you've followed that much, and if so, how big of a concern this is for the company and if you have any thoughts about when it might need to raise the pressure or how serious an issue that is.

**Earley:** "That's a detail that I'm just not prepared to get into. I do know that gas flow through pipes is related to the pressure in the pipes. But obviously increasing the pressure in the pipes increases the forces, and if you've got concern about the integrity of the pipes that's an issue and it has to be looked at. But Nick Stavropoulos and his team, and by the way, I've known Nick from the industry and he was a great addition to the team there, they're going to have to look at that and make some technical judgments about what would be appropriate to do. But I'm just not close to those details yet."

**Mercury News:** Four days after the San Bruno blast, PG&E president Chris Johns set up a \$100 million "Rebuild San Bruno" fund. To date, only \$12 million of that \$100 million has been spent on the families and the victims, and some of them are saying that the company is being too tough in haggling over the value of each of their possessions and the value of their property. I'm wondering if you have any thoughts about that, or any idea how long it might be before those people are made whole again?

**Earley:** "I do have some thoughts. First of all, it's a good time to really remember those victims. It is an awful tragedy. I just can't imagine how difficult it is for those families to have lost loved ones, lost their possessions, lost their houses. And we need to acknowledge that it was a tragedy. And it's in the company's interest and their interest to resolve this as soon as possible. For me personally coming into the company I want to focus on the future, and so I'm

going to be very interested in asking 'How do we make sure that we treat these people in the right way, and get it done as soon as possible so we can move on to the other important issues we've got to deal with?'"

**Mercury News:** In a Republican presidential debate, Rick Perry, who is the leading candidate in national polls for the Republican nomination for president, was asked about climate change. Certainly that's an issue that PG&E has dealt with a lot, and the whole utility industry has dealt with in recent years. The Republican front-runner said "The science is not settled on this. The idea that we would put America's economy at jeopardy based on scientific theory that's not settled yet to me is just nonsense." Do you agree?

**Earley:** "You know, it's interesting. I really led the electric utilities trade association, Edison Electric Institute, the year that climate change legislation went through the House of Representatives and went over to the Senate and ultimately died over in the Senate.

We never were able to get a compromise. So I'm intimately familiar with that process.

"My personal view is that there are some things that we do know. We do know that fossil fuels emit carbon dioxide in the atmosphere. We do know that carbon dioxide does have the tendency to trap heat in the atmosphere. What we don't know is whether the effects of that are really driving higher temperatures on the planet or whether it is overwhelmed by the normal cycle of temperature changes in the environment. We've seen ice ages and we've seen times when it's been very hot on earth, and we don't know and I don't think we can know.

"So my position is if there are reasonable cost-effective ways of reducing the amount of carbon dioxide that our industry is emitting into the atmosphere, we ought to be trying to do that. And that's what I tried to do leading Edison Electric Institute. I was able to broker an agreement among all utilities -- and that's utilities that are heavily coal powered, utilities that have a lot of nuclear plants, hydro plants. We had a common industry position, and then were able to drive that, to get the legislation through the House, but unfortunately we weren't able to be successful on the Senate side. Because what our industry needs is certainty. We need to know what the rules are going forward. And if this issue comes up again, I look forward to the opportunity to playing a leadership role in trying to broker some kind of reasonable agreement."

**Mercury News:** Certainly, as you know, California has been ahead of the rest of the country. We have the AB32 process that kicks in in about a year with a mandatory cap and trade program, and also the 33 percent renewable portfolio standard that Gov. Brown signed recently. Do you have any thoughts about how difficult it's going to be, or how eager PG&E is to participate in that kind of a regulatory regime that you haven't been involved with in Michigan?

**Earley:** "Well, the policy is set, and we're going to be eager to comply with the policy. A 33 percent renewable requirement is very aggressive. I think anyone who says 'oh no, it's easy to do that' would be lying to you. And it's going to cost money to do that. But we've set that target, and I think PG&E is on track to hitting that target. We'll have to figure out how you operate a system, because remember not only are there costs associated with renewables, but also just the day-to-day operating the system. I know in West Texas, which has a lot of wind power, when the climate changes quickly and you lose the wind you have to scramble around to get other resources online. So just the mechanics of running a system aren't easy when anything starts to get over 20 percent renewables. But this is a company that has strong technical capabilities that we want to bring to bear to follow the policy that's been set."

**Mercury News:** Let me ask about one other issue that's been in the news in the past year or two. PG&E has rolled out millions of Smart Meters in California. Have you followed that and do you have any thoughts on that issue?

**Earley:** "I have. At DTE here, we're not as far along as California. But of our 2 million electric customers, we're probably going to be approaching halfway done by the end of this year. Smart Meters allow us to provide much better service to our customers. They are a great technology innovation. And in the future there are going to be even more opportunities to provide unique features to the customer -- being able to turn on and turn off and adjust appliances remotely, and the like. But the biggest issue, and a lot of people don't realize this, is that utilities around the country do not know if you are out of power, with a normal meter, unless you call us up. People think we know. But with a Smart Meter, it is able to tell the utility that you're out of power, even if you are out on vacation, or at work. So we can get people dispatched to do the job before you even know that you're out of power. The other thing we can do is turn on and turn off customers."

Particularly in our area, with the University of Michigan, and I'm sure it's true at Stanford and Cal Berkeley, a lot of apartment owners have this issue that when new students are coming in, they've got to turn it on, and at the end of the year they've got to turn it off. It takes days to do that. People have to sit around and wait for the utility crews to come. We can do that remotely with Smart Meters. So there are incredible operational benefits to smart meters.

"I know there has been some objection to them. Quite honestly, I think the objections are misplaced. The electromagnetic emissions from a Smart Meter are minuscule compared to what you get from all the other electronic equipment around your house, and cell phones and TVs and everything else. So I think they are a great benefit for our customers. It's a program we ought to be embracing."

**Mercury News:** One final question: Any time a new CEO comes into any

corporation there are changes. What are the biggest changes that we should look for from you during the first year or two.

**Earley:** "I think one of the things that I've told the PG&E folks is that if we want to be the best-operated utility in the country, we're going to have to be able to prove that. And the only way to prove that is to figure out what best-in-class utilities are doing, measure where we are versus the best-in-class utilities, and then put together plans to close those gaps. Some of this work is already going on. (PG&E President) Chris Johns and his team are working on it. But I will continue to push that notion that we're going to need to be able to prove that we really are performing at a very high level.

"In terms of the organization, there's been a lot of turnover in the organization, a lot of new people have been brought in. And I think the last thing the organization needs is somebody stirring the pot for the sake of stirring the pot. So I'm going to take a hard look at the team there. One of the things I've done in my career is develop strong teams. I'm on the board at Ford Motor Company, and I've watched (CEO) Alan Mulally as he came in and transformed the company with virtually the same team, the same people that he had there at the company. He just got them in the right place, and all pulling in the right direction. I think we've got good people at the company, and now we just have to make sure they have the vision of operational excellence stamped on their brain. I think they understand that."

**Mercury News:** Do you have any sense of how it was that PG&E got away from being the best-in-class in some of these areas?

**Earley:** "I think that's a mystery to everyone in our industry. They were a leader in innovation. For most of my career, if you asked anyone in our industry to write down the three best companies in our industry, write down the three companies you would really like to be at, PG&E would have been on everyone's list.

"If you look back, some of the things were outside of their control, such as the whole California energy crisis, which ended up forcing the company through bankruptcy. Others were inside their control, and I think the NTSB report from San Bruno highlights that. So, I wish I could figure that out. I'll be looking at some of that. But my main focus will be looking ahead. What do we need to do to really get ourselves on track towards operation excellence?"

**Mercury News:** Any final thoughts, either on San Bruno, or the year ahead, that we haven't talked about and that you'd like to add?

**Earley:** "On San Bruno, we really would like to resolve that in a way that really respects the victims there, and make sure that we treat them fairly and we resolve things as quickly as possible so that we can move on.

"In moving ahead, I want to really re-establish PG&E as a major player and contributor to the California economy. Because our economy doesn't operate without energy. Computers don't run. Factories don't run. You can't heat your homes. And so we need to make sure that we're a partner with government, with industry, with our customers in making sure that we're providing products that are going to make their lives easier and better and at an affordable price. And that's going to be my focus."