

Subject: Taking Accountability

PG&E Team:

Since the San Bruno accident, PG&E's decisions, our culture and even our values have come under great scrutiny. In the past 14 months, we've learned a lot about ourselves, both good and bad. We've been up-front about the shortcomings of our past gas operations, while at the same time working around the clock to improve that part of our company.

All along, our actions have been driven by one simple goal: to do the right thing. We have been sincere in that effort from the very first night.

As you may remember, PG&E received a flurry of media attention in July in response to a legal filing that was misinterpreted by some to mean that PG&E was leaving the door open to somehow blame San Bruno residents or the city of San Bruno for the accident itself. Nothing could be further from the truth, which we stated at the time. In a follow-up filing, we clarified our position by explicitly stating that none of the plaintiffs or residents of San Bruno was at fault for the accident. PG&E has consistently stated our position that we would do what we could to assist the residents of San Bruno and help them recover from this tragic accident.

Today, PG&E took another important step in this effort by agreeing that we are liable for the San Bruno accident. As a result, we are taking on financial responsibility so that everyone injured in the accident will be able to recover all of their damages from PG&E. This further underscores that we would never consider holding the residents—or the city of San Bruno—accountable, and that we will bear the cost to make things right for the victims of this tragedy.

I want to emphasize that this announcement was made not in reaction to any external pressure. As we've said all along, our pledge is to do the right thing in every area of our response to this tragedy. The judge presiding over these cases asked PG&E to provide our official position. The judge is hopeful that this will make the legal proceedings move faster and more efficiently. PG&E is hopeful that this will allow the people injured to receive compensation sooner without unnecessary legal proceedings.

PG&E is determined to learn everything we can from the accident and to use that information to change how we operate our gas business. As a result, we've reorganized our Gas Operations, completed a massive effort to validate through records or hydrotesting more than 150 miles of transmission pipeline, and validated the maximum allowable operating pressure on hundreds of additional miles of pipeline.

As we look to 2012 and beyond, we know our company will continue to be in the spotlight. Our efforts to turn around our gas business and resolve all of the outstanding legal claims are far from over. Our pledge to our customers and all of our stakeholders is that we will work to make PG&E's gas operations the best in the industry—and that we will do so with integrity and accountability.

Chris