From: Hall, Thomas A.
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To: Hall, Thomas A. (thomas.hall@cpuc.ca.gov)
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Subject: DRA Recommends PG&E Shareholders, Not Customers, Bear Majority Of Gas Pipeline Safety Upgrade Costs

FOR IMMEDIATE RELEASE

Media Contacts:
Cheryl Cox, Policy Advisor, 415-703-2495, cxc@cpuc.ca.gov
Tom Hall, Information Officer, 415-730-2964, tbh@cpuc.ca.gov
DRA Press Room: http://www.dra.ca.gov/DRA/News/releases.htm

DRA Recommends PG&E Shareholders, Not Customers, Bear Majority Of Gas Pipeline Safety Upgrade Costs

SAN FRANCISCO, February 1, 2012 – The Division of Ratepayer Advocates (DRA), an independent consumer advocacy division within the California Public Utilities Commission (CPUC), on Tuesday recommended that shareholders of Pacific Gas and Electric Company (PG&E), *not ratepayers*, should fund the vast majority of the utility's natural gas pipeline safety upgrade costs due to the company's mismanagement of its pipeline safety programs.

In August 2011, PG&E submitted a plan that it estimates will cost $2.2 billion for high-priority pipeline testing, repairs, and renovations over the next few years. PG&E has asked the CPUC for the authority to charge its customers $768.8 million for Phase 1, which would fund safety upgrade measures to be implemented from 2012 to 2014.

On January 31, DRA submitted testimony concluding that much of the work required to make PG&E's pipeline system safe is necessary because of the utility's poor record-keeping and maintenance over several decades, a pattern uncovered by investigations into the San Bruno natural gas line explosion tragedy. DRA recommends that PG&E not be allowed to increase rates to recover the costs incurred during this three-year period and that PG&E should seek other funding sources such as reducing management bonuses and reducing its shareholders' earnings.

"PG&E's own failure to maintain its gas pipeline and record-keeping systems over decades led to the extraordinary need for infrastructure upgrades the company is dealing with now," said Joe Como, DRA's acting director. "Asking customers to pay 90 percent of the bill for PG&E's years of neglect is wrong."

DRA also found that PG&E relied on incomplete and erroneous data for its Pipeline Modernization Plan. While DRA believes that PG&E should continue testing its pipelines and replacing them where necessary, PG&E should provide a long-term Modernization Plan based on up-to-date and complete data.

DRA also recommends that:

- Through 2014, ratepayers should not be responsible for any additional costs (expenses or return on capital investment) associated with PG&E's pipeline upgrades beyond what the CPUC has already approved for 2012-2014.
- PG&E shareholders should be entirely responsible for all expenses associated with all hydrostatic testing during 2012-2014 and should foot the bill for the replacement of pipelines installed since 1955.
- PG&E's rate of return on equity on the replacement of pipelines installed between 1935 and 1955 should be set significantly lower than its currently authorized rate of return.

"It is up to PG&E to identify solutions to address the expenses and investment associated with achieving pipeline safety and correcting deficiencies in its record keeping activities rather than simply looking to ratepayers as deep pockets to finance these critical projects," said Como. "And, it is up to the CPUC to hold PG&E responsible in this undertaking."

You can find additional summaries and access DRA's testimony on DRA's Natural Gas Pipeline Safety webpage.

For more information on DRA, please visit www.dra.ca.gov.

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Tom Hall
Information Officer
California Public Utilities Commission
thomas.hall@cpuc.ca.gov
916-928-2274 (desk) | 415-730-2964 (cell)
180 Promenade Circle; Sacramento, CA
Visit the CPUC on: **Twitter** | **Facebook**