

United States Senate

HART SENATE OFFICE BUILDING
SUITE 112
WASHINGTON, DC 20510-0505
(202) 224-3553
<http://boxer.senate.gov>

February 13, 2012

The Honorable Michael R. Peevey
President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear President Peevey:

Thank you for the California Public Utilities Commission's (CPUC's) work to complete its audit of PG&E's safety practices and the causes of the 2010 San Bruno gas pipeline explosion. I was deeply disturbed by the audit's findings that prior to the San Bruno incident, PG&E consistently emphasized profits over safety, neglecting critical infrastructure upgrades while reaping surplus revenues above the level authorized by the CPUC. I was equally troubled by the CPUC's failure to detect these problems for over a decade.

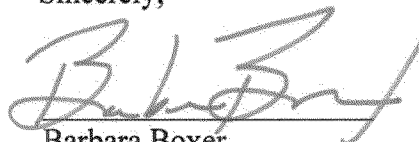
The CPUC audit outlined serious flaws in PG&E's past safety protocols, including multiple violations of Federal and State pipeline safety regulations. Less than a week after this audit was completed, PG&E finalized a CPUC-ordered review of their pipeline records, revealing that 540 miles of transmission pipelines were previously misclassified, and 169 miles have been operating at excessively high pressures.

Meanwhile, the CPUC audit found that as PG&E continued to neglect critical safety testing and upgrades, they accrued \$430 million in unspent ratepayer funds between 1999 and 2010. According to the audit, PG&E used at least some of these "savings" for dividends, stock repurchases, and bonuses – money that should have been invested in record verification, hydrotesting, in-line inspections, and infrastructure upgrades.

These findings highlight the CPUC's failure to provide sufficient oversight over pipeline operators' safety protocols and use of ratepayer funds. Therefore, as the CPUC reforms its oversight of pipeline operators in the state, I urge you to begin performing more frequent audits to ensure that problems are detected and addressed in a timely fashion. Also, I encourage the CPUC to develop policies to ensure that savings from safety programs are reinvested in future safety upgrades, removing any incentive to shortchange safety in order to increase profit margins.

I look forward to your reply and to working with you to ensure that the safety of our communities remains a top priority.

Sincerely,



Barbara Boxer
United States Senator