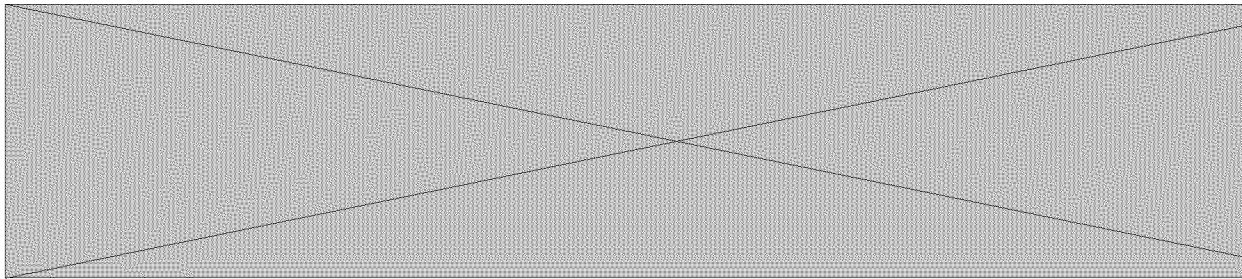


From: Cherry, Brian K
Sent: 3/12/2012 5:31:10 PM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov) (paul.clanon@cpuc.ca.gov); Michelle Cooke (mlc@cpuc.ca.gov) (mlc@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: The good, the bad and the ugly about PG&E's past gas record-keeping practices

FYI

From: A Message from Nick Stavropoulos
Sent: Monday, March 12, 2012 5:17 PM
To: All PG&E Mail Recipients; All PGE Corp Employees
Subject: The good, the bad and the ugly about PG&E's past gas record-keeping practices



PG&E Team:

Last October, I sent a letter to Paul Clanon, the executive director of the California Public Utilities Commission (CPUC), and his team before their field visits looking into our gas record-keeping practices. I wanted them to know how we're approaching our work moving forward. Here's what the concluding paragraph of my letter said: "Briefly put, we recognize the need to improve. We welcome the Legal Division's site visits and the added records management scrutiny that comes with them. If the Record-keeping Order Instituting Investigation proceeding identifies records management deficiencies, we intend to address them, if we haven't already addressed them in our improvement efforts currently underway."

Today, the CPUC's Consumer Protection Safety Division released its findings after examining our past gas record-keeping practices. As anticipated, the conclusions indicate that we could do better in this area.

PG&E is improving its record-keeping practices

For those of you who have met me, there's one thing that I have very low

tolerance for: talk and no action. Plus I like my sleep, and I've found that being transparent, honest and doing what I say I'm going to do works much better for me than drinking a glass of warm milk.

Not only am I saying we've made tremendous progress in improving our record-keeping practices, but I am also sharing specific examples to back this up:

- In 2010 and 2011, we retrieved, scanned and uploaded more than 2.5 million documents associated with more than 2,000 miles of transmission pipelines in populated urban areas, also known as High Consequence Areas (HCAs). To put this number into perspective, and not to suggest that our pipelines run between these two cities, 2,000 miles is slightly less than the distance from San Francisco to Chicago. Many of these records were paper documents that are now electronic and can be easily accessed. We are now working on gathering all records associated with the remaining non-HCA transmission pipelines.

We catalogued pipeline data from these records—including other relevant information—for these 2,000 miles and uploaded it to an enhanced geographic information system (GIS) so that it can be viewed and analyzed in a central location. The scanned records are linked to every pipeline component in this enhanced GIS database.

- One of my first priorities after arriving at PG&E last June was to establish a clear organizational structure that puts public and employee safety first and supports the work we do. In other words, form should follow function and not the reverse.

We established eight major areas of responsibility, and one of these is Asset Knowledge Management. Sumeet Singh heads up this function and reports directly to me. He and his team oversee records verification and management, the production of maps, development of a gas distribution GIS, data quality, and technology and tools.

- National records experts are helping us with an assessment of our gas records and information management process. We're looking at everything from governance, standards and policies, training, technology, processes, and associated quality and controls.
- As part of our Gas Transmission Asset Management Program included in the Pipeline Safety Enhancement Plan, we are improving our records management infrastructure with next-generation technology and moving away from reliance on paper records. We will be connecting field crews with PG&E's enterprise systems through mobile technology, establishing a master index of job files, and strengthening integrity management and risk analysis tools. These steps will help employees make informed and prompt decisions that facilitate public and employee safety.

On a broader level than Gas Operations, PG&E is establishing an Enterprise Records Management organization, which will report to the General Counsel. Its purpose will be to develop and implement a companywide records management policy that promotes transparency and accountability, protects vital records and disaster plans and ensures appropriate retention practices. Closely associated with this new group is an Enterprise Records Management committee that includes representatives from throughout PG&E. The committee will weigh in on how these standards and policies are established and managed for the entire life cycle of a record for PG&E's lines of businesses.

Gas pipeline records management ain't easy

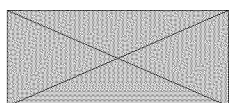
Having worked in the gas business for more than 30 years, I can say with certainty that gas operators throughout the U.S. have combinations of old and new pipes in their systems. Some pipes are replacements whereas others are new installations. Some parts may be made of cast iron and others of steel or plastic. One end of the pipe may have been installed 75 years ago, with parts of it being replaced 10 years ago and then other parts installed in 2012. Regulations and standards for pipes—and record-keeping practices—have also evolved over the years. Not only have record-keeping requirements changed to fit new gas regulations, but technological evolution—moving from hard copy records to microfiche, to PCs, to Enterprise Data Management systems—has changed record-keeping practices over time as well.

All of these factors complicate the task of maintaining accurate and current gas pipeline records.

PG&E is improving its record-keeping practices while many other natural gas operators in the United States are facing these challenges, too.

The past is out of our hands; the future isn't

In a recent meeting with my officers and directors, I talked about what the next six months could look like for us. In late July, civil trials will begin associated with the San Bruno accident. The FBI already visited our Kettleman facility a few weeks ago, and I wouldn't be surprised to see the FBI show up at other PG&E locations. Some subpoenas have been issued and others will likely be coming. I want everyone to be prepared for the fact that criticism against PG&E will continue. We'll still hear the bad and the ugly said about PG&E. But mixed in with this, we are also starting to hear some praise and sentiments that recognize that we are making good progress. It may feel discouraging from time to time, but I have great comfort in knowing that we are all working to make things better at PG&E for our customers, communities and for each other. I hope you do, too.



Nick