



**Pacific Gas and
Electric Company®**

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March 16, 2012

Paul Clanon
Executive Director
State of California Public Utilities Commission
505 Van Ness Avenue, Room 5223
San Francisco, CA 94102

Dear Mr. Clanon,

Pacific Gas and Electric Company (PG&E) received, and supports, your March 5 letter (attached) concerning our Notice of Intent to file a 2014 General Rate Case (GRC) application. PG&E remains committed to enhancing the safety of its operations and improving its risk assessment processes. Accordingly, we appreciate the spirit and purpose of the directives included in your letter. PG&E will comply with them.

With respect to your request that shareholders fund the CPUC's third-party review of potential operational and public safety issues, we are amenable to this requirement. Under other circumstances, we may have expressed concern about such funding, but we do not do so here because we believe that this independent review will provide the Commission and others assurance that our GRC forecast includes sufficient funding to address possible safety concerns. At this point, PG&E can commit \$1 million of shareholder funds for this purpose. If you foresee this as inadequate either now or in the future, please let me know.

In terms of the content of the third-party reviews, PG&E believes that it is important to coordinate any GRC cyber security review with similar efforts being undertaken in the CPUC's Smart Grid proceedings. In June 2011, the California electric investor-owned utilities provided the Commission with their comprehensive cyber security strategies as part of their Smart Grid Deployment Plans, and the Commission is currently addressing the adequacy of these plans. In light of these other ongoing proceedings, my staff will reach out to yours to ensure that our GRC showing includes the material you expect us to cover. If the CPUC uses a third-party to review cyber security, PG&E recommends that you consider hiring a separate consultant with expertise in this area. In PG&E's experience, such expertise is typically distinct from those firms that have strong knowledge of electric operations.

Also, because safety issues concerning nuclear power plants are regulated exclusively by the Nuclear Regulatory Commission, PG&E had not expected to provide a safety showing



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concerning the Diablo Canyon Power Plant in the 2014 GRC. PG&E assumes that the generation review envisioned by your letter would extend to our hydroelectric and fossil assets but not Diablo Canyon. Please let me know if I am mistaken.

Finally, I would like to reiterate our support for your March 5 letter. We look forward to working with you and the Commission on the merits of our 2014 GRC application.

Sincerely,

A handwritten signature in black ink that reads 'Tom Bottorff'. The signature is written in a cursive style with a large, sweeping 'T' and 'B'.

Tom Bottorff

cc: Commissioners
Michelle Cooke, Interim CPSD Director
Karen Clopton, Chief ALJ
Ed Randolph, Energy Division Director
Service List A.09-12-020

Attachment