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August 13, 2012

General Jack Hagan, Director  
Consumer Protection and Safety Division  
California Public Utilities Commission  
505 Van Ness Avenue, Room 2205  
San Francisco, CA 94102-3298

Re: CPUC Resolution ALJ-274 Self-Identified Non-Compliance Notification  
Regulator Station Maintenance Performed Late in Monterey County

Dear General Hagan:

Pursuant to Resolution ALJ-274, PG&E is providing notification of a self-identified non-compliance issue regarding a late inspection performed at a pressure regulator station located in Monterey County.

PG&E's Utility Standard S4540, "Gas Pressure Regulation Maintenance Requirements," specifies that an internal inspection ("B" inspection) of district regulator stations be performed at least once every 8 years not to exceed 15 months to the date from the previous Class "A" (external) inspection. PG&E defines a "B" inspection as the depressurizing of the station piping and the disassembling of the components of the regulator station. All internal components are inspected and all rubber parts are replaced. District regulator stations are defined as pressure regulating or limiting stations that feed distribution systems with a Maximum Allowable Operating Pressure (MAOP) of 60 psig or less. For pressure regulating or limiting stations that feed systems with an MAOP greater than 60 psig, PG&E Gas Information Bulletin 322 specifies that "B" inspections be performed at five year intervals. Performance of periodic internal inspections exceeds the federal code, which can be met by annual external inspections.

PG&E's regulator station J-79 outside of King City in Monterey County feeds a distribution feeder main with an MAOP of 130 psig and requires a "B" inspection every five years, or within 15 months of an external "A" inspection, in accordance with Gas Information Bulletin 322. The prior "B" inspection of this station was performed on May 12, 2006, but an external "A" inspection of this station was performed on March 29, 2010. Thus, performing a "B" inspection of this station prior to June 29, 2011, would have kept it in compliance with Gas Information Bulletin 322.

This non-compliance was discovered during a system-wide validation of the "B" inspection schedules of all applicable regulator stations. A "B" inspection of this station

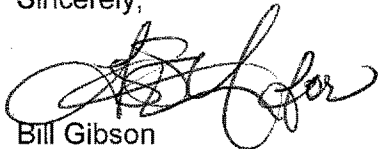
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was completed on July 6, 2012. This inspection schedule validation is being conducted system-wide by PG&E's Gas Asset Strategy Department and will be completed by December 31, 2012. Any additional regulator stations found not to comply with these procedures will be communicated to the Consumer Protection Safety Division.

PG&E will notify the local authorities for Monterey County of this issue and will provide confirmation of notification as a supplement to this letter.

Please contact [Redacted] at [Redacted] or [Redacted] for any additional questions you may have regarding this notification.

Sincerely,



Bill Gibson  
Director, Regulatory Compliance and Support

cc: Julie Halligan, CPUC  
Dennis Lee, CPUC  
Mike Robertson, CPUC  
Sunil Shori, CPUC

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