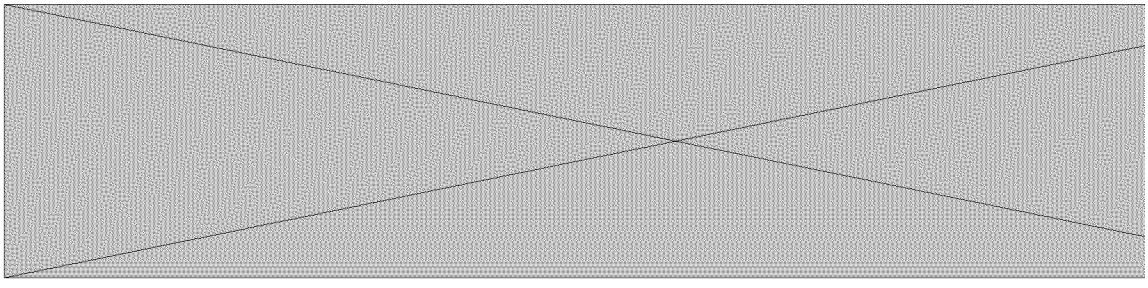
From:	Cherry, Brian K
Sent:	10/1/2012 7:10:52 AM
To:	Michelle Cooke (michelle.cooke@cpuc.ca.gov)
Cc:	
Bcc:	
Subject:	Fwd: Progress on PSEP and How it Will Help us Build the 21st Century Gas System California Deserves

FYI

Brian K. Cherry
PG&E Company
VP, Regulatory Relations
77 Beale Street
San Francisco, CA. 94105
(415) 973-4977

Begin forwarded message:

From: A Message from Nick Stavropoulos <AmessagefromNickStav@pge.com>
Date: September 30, 2012, 8:37:23 AM PDT
To: All PG&E Mail Recipients <ALLPG&E@exchange.pge.com>, All PGE Corp Employees <AllPGECorpEmployees@exchange.pge.com>
Subject: Progress on PSEP and How it Will Help us Build the 21st Century Gas System California Deserves



Team:

Our vision of becoming the safest gas utility in the nation isn't based upon a pie-in-the-sky dream. With so many major initiatives and projects going on at the

same time, it may feel like we are working on a huge collection of random activities. Let me assure you that they all contribute to one collective effort. Everything supports our top priorities: safety, reliability and affordability.

In the simplest of terms, I describe the assortment of work we're doing on our gas pipeline system—both transmission and distribution—as:

- Testing
- Inspecting
- Replacing
- Automating

On our gas transmission system, these actions are captured in our Pipeline Safety Enhancement Plan (PSEP).

Why Everyone Should Care About PSEP

In June 2011, the California Public Utilities Commission (CPUC) required all California gas operators to develop a plan to strength test or replace all transmission pipelines without complete, verifiable and traceable records, and to verify that existing test records met new, more rigorous standards. Utilities were instructed to expand the use of in-line inspection tools and automated gas shutoff valves.

From this CPUC mandate, PSEP was born. PG&E's PSEP is an unprecedented, multi-year program that will result in the implementation of new gas transmission safety regulations that are unparalleled in the United States.

In August 2011, PG&E submitted its PSEP to the CPUC. We expect to receive the CPUC's approval this December, although we started the work last year at the expense of PG&E shareholders.

Fast forward to 15 months later; we've covered a lot of ground and have made significant progress. Since the inception of the strength testing program in 2011 and through the end of August 2012, we have successfully completed 261 miles of transmission pipeline hydro-testing. This, combined with the validation of more than 72 miles of prior hydro-test records, means we're nearly 43 percent complete on the 783 miles of strength testing we proposed through 2014 in our PSEP plan.

What Everyone Should Know About the Progress We've Made

When PSEP is finished, we will have completed a comprehensive assessment of all 5,786 miles of PG&E's natural gas transmission pipelines, identified threats, and mitigated risks by replacing pipelines or strength testing them.

Highlights of other PSEP progress include:

- **Accelerating the pace of strength testing work**—In 2012, we have successfully tested more than 118 miles of transmission pipeline. This represents a 65 percent increase over the same point in 2011.

- **Doing more work while reducing costs—**The strength testing team is testing significantly more miles of transmission pipeline while reducing, on average, 20 percent of costs compared with 2011 costs. This represents an estimated $45 million savings!

- **Automating valves**—In 2012, we automated 35 valves, with a total of 48 completed since program inception.

- **Replacing transmission pipeline**—In 2012, we've installed more than 16 miles of transmission pipeline (our target is 39 miles).

- **Increasing workforce resources**—We've expanded our construction capacity by building out our pool of construction contractors. This means we are in a much better position to achieve higher replacement targets (the 2013 target is 64 miles).

Background Information About PSEP
PSEP is a long-term plan with four complementary work streams:

1. Pipeline Modernization
2. Valve Automation
3. Pipeline Records Integration
4. Interim Safety Measures

It occurs in two phases as depicted below.

	Phase 1	**Phase 2**
Timeframe	2011 through 2014	2015 through 2025 (proposed)
Focus Areas	High-priority areas, including pipelines without strength test records and those potentially having manufacturing-related threats	Targets everything else, namely: - Non-strength tested urban pipelines without manufacturing threats operating below 30% Specified Minimum Yield

		Strength ▪ Previously strength tested pipe ▪ All Class 1 rural pipelines
Forecasted Results	▪ Replace 185 miles of pipeline ▪ Strength test 783 miles of transmission pipeline ▪ Retrofit 199 miles of transmission pipeline to accommodate in-line inspection tools ▪ Conduct in-line inspections on 234 miles of transmission pipeline ▪ Automate 228 valves in densely populated areas	▪ Replace 250 to 500 miles ▪ Strength test 1,700 miles ▪ Conduct in-line inspection upgrades on 2,800 miles ▪ Close-Internal Survey of External Corrosion Direct Assessment: 1,030 miles ▪ Complete assessment of all 5,786 miles of natural gas transmission pipeline

PSEP will also address our aging infrastructure, allowing us to build the 21st century gas system that California deserves. That means:

▪ Modernizing the entire pipeline system with the latest technologies including automatic valves

▪ Transitioning to modern data management systems

▪ Validating all transmission pipelines to ensure they are operating at safe pressures

▪ Increasing coordination with first responders, contractors and others

Thank You and An Important Ask, Too

I'm extremely proud of the work the PSEP team is doing, and the efforts of the

countless people and departments who provide critical support to the team. In total, this has enabled us to stay on target, meet and even beat deadlines.

But now, more than ever, with people working at such an intense pace and dedicating long hours—in many cases without a day off—it's critical that we keep the focus on working safely.

Working safely is of utmost importance. So far this year, we've logged more than 500,000 hours on PSEP. Our recordable incident rate is currently 2.8 as compared to a lower industry average of 2.0. We've recorded 167 safety events year-to-date. We must work diligently to improve our focus on safety and to reduce our recordable incident rate.

There is no job that is worth pushing forward on if you're exhausted. There is no deadline we must meet if it puts you, your team members or the general public at risk. Not one.

Thank you, and please work safely.