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Sent: 10/12/2012 11:38:34 AM
To: Prosper, Terrie D. (terrie.prosper@cpuc.ca.gov)
Cc:
Bcc:
Subject: CPUC Proposed Decision Requires PG&E to Implement Pipeline Safety Plan; Rate Impact Reduced to 36% of Utility's Request: CPUC Press Release

**FOR IMMEDIATE RELEASE
RELEASE**

PRESS

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov
#: R.11-02-019

Docket

**CPUC PROPOSED DECISION REQUIRES PG&E TO IMPLEMENT
PIPELINE SAFETY PLAN; RATE IMPACT REDUCED
TO 36% OF UTILITY'S REQUEST**

SAN FRANCISCO, October 12, 2012 -- The California Public Utilities Commission (CPUC) today issued for public comment a Proposed Decision that, if approved by the five-member CPUC, would authorize a Pipeline Safety Enhancement Plan proposed by Pacific Gas and Electric Company (PG&E), but require PG&E to absorb approximately two-thirds of the cost.

Details include:

- Pressure testing of 783 miles of pipeline
- Replacement of 186 miles of pipeline
- Installation of 228 automated valves
- Upgrades to 199 miles of pipeline to allow for in-line inspection

PG&E requested \$768.7 million in rate increases through 2014 to cover the initial costs of the Plan. The Proposed Decision allows only \$277.8 million or 36 percent of the requested amount over that period due to PG&E's past imprudent management.

Specifically, under the Proposed Decision:

- PG&E shareholders bear the costs of pressure testing pipeline for which pressure test records are missing.

- PG&E must continue its gas pipeline record management improvement project; however, due to past deficiencies in document management, the costs of this project and the proposed new computer database may not be recovered from ratepayers.
- PG&E's shareholders must bear the risk of cost overruns because PG&E's past management decisions led to the need to undertake the massive project on an expedited schedule.
- Shareholder return on equity for all safety enhancement capital expenditures is reduced from 11.35 percent to 6.05 percent for five years.

The Proposed Decision, authored by Administrative Law Judge Maribeth Bushey and titled "Decision Mandating Pipeline Safety Implementation Plan, Disallowing Costs, Imposing Earnings Limitations, Allocating Risk of Inefficient Construction Management to Shareholders, and Requiring On-Going Improvement in Safety Engineering", is part of the CPUC's proceeding to set new rules for the safe and reliable operation of natural gas pipelines in California. As part of the proceeding, PG&E submitted its Plan for consideration by the CPUC.

The Proposed Decision says that among all public utility facilities, natural gas transmission and distribution pipelines present the greatest public safety challenges. Natural gas operators and the CPUC must assume a different perspective when considering natural gas system operations while we are moving forward with this safety journey. The Proposed Decision says that in the context of an unending obligation to ensure safety, the CPUC must also realize that in practical terms safety is exacting, detailed, and repetitive. The Proposed Decision recognizes that this is only the beginning of a permanent change in operations, attitude, and perspective, for both PG&E and the CPUC. Institutionalizing the needed change will require permanent operational and functional changes.

The comment period has been extended for this Proposed Decision in order to allow more time to comment. Comments by parties are due by Nov. 13, 2012, and reply comments are due by Nov. 26, 2012.

Members of the public can comment on the Proposed Decision by contacting the CPUC's Public Advisor's Office at 415-703-2074 (TTY 866-836-7825) or public.advisor@cpuc.ca.gov or CPUC Public Advisor, 505 Van Ness Avenue, Room 2103, San Francisco, CA 94102. Please reference proceeding number R.11-02-019.

The first opportunity that the Commissioners will have to vote on the Proposed Decision is Dec. 20, 2012.

The Proposed Decision is available at <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M030/K329/30329308.PDF>.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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California Public Utilities Commission

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