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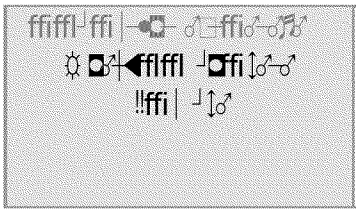
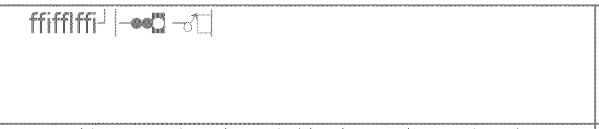
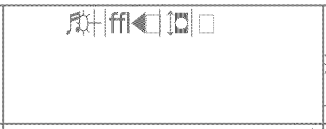
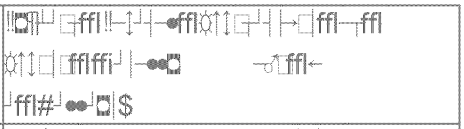
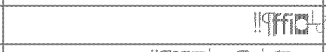
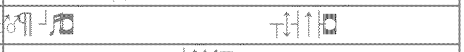
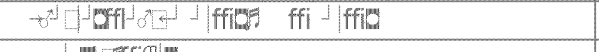
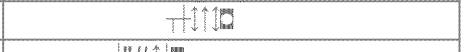
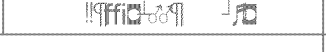
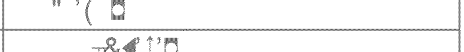
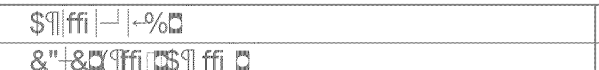
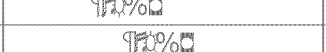
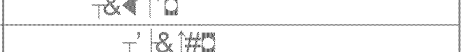
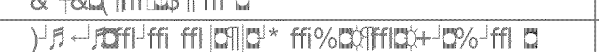
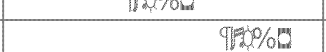
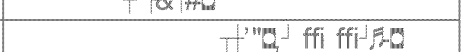
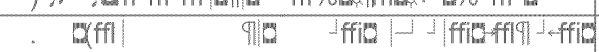
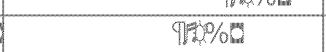
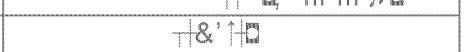
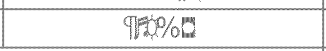
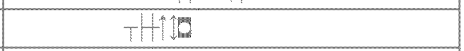
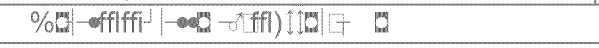
	• •

Pacific Gas and Electric Company®

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December 12, 2012

President Michael R. Peevey
Commissioner Timothy Alan Simon
Commissioner Michel Peter Florio
Commissioner Catherine J.K. Sandoval
Commissioner Mark K. Ferron

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: R.11-02-019 – Phase 1 Pipeline Safety Enhancement Plan (Item 50 on the 12/20/12 agenda)

Dear Commissioners:

You are scheduled to vote on PG&E's Pipeline Safety Enhancement Plan on December 20. This has been a complex and lengthy process, and I wanted to summarize PG&E's position one last time.

We are both pleased and disappointed by the Proposed Decision (PD). We are gratified that it clearly supports not only the direction but also the specific tasks we laid out to improve safety on the PG&E gas transmission system. We are anxious to obtain your formal assurance that we are on the right path and, for that reason, we urge you to vote out the Proposed Decision without delay on December 20.

Our disappointment stems from the mixed messages embodied within the PD: on the one hand our proposed work, after massive outside review, is deemed appropriate, but on the other hand we are penalized with unprecedented disallowances of cost recovery for those approved programs. The Commission's original intent for PSEP was to set a new industry-leading bar regarding pipeline safety. We believed from the start – and thought the Commission concurred – that the ongoing investigations were the appropriate place for penalty determinations, yet in particular the PD's disallowance of recovery of 2012 PSEP costs and a reduction in the rate of return on equity are punitive actions. The justification in the PD for these disallowances makes clear the punitive determination, and we consider this a grossly unfair mid-stream change in the Commission's originally stated intent for this allegedly forward-looking proceeding. As the investigations continue, we are deeply concerned about unjustly bearing double or triple penalties.

In our PSEP, we proposed strong cost protections for ratepayers to ensure that they would not pay twice for the same work, would only pay the cost of work actually completed, and would not pay for remedial work. In our comments on the PD we identify errors in five of the disallowance recommendations, and we have asked that the PD be modified to correct those. The areas of greatest concern to PG&E are (1) disallowance of any program contingency; (2) disallowance of cost recovery for any of the PSEP costs incurred during the first 10 months of 2012; (3) reduction in the allowed rate of return on equity; (4) disallowance of any of the costs of the Gas Transmission Asset Management program; and (5) reductions in the annual escalation rate and increase in depreciable life.

I want to reiterate that we are proud that the PD recognizes the merits of our comprehensive and aggressive plan to address the safety of our gas transmission infrastructure. As you prepare to vote, we ask you to ensure that your decision sends an unequivocal message of full regulatory support for the highest safety standards. Similarly, your future decisions in the ongoing investigations should clearly address past errors or omissions once and for all. I urge you to let this historic PSEP decision be the first in a series of new safety-focused regulatory actions that will establish California firmly as the leader in safety. PG&E's plan has undergone sufficient scrutiny over the past year. Allow us to proceed now with the regulatory certainty that only a timely decision on December 20 can provide.

Sincerely,

Thomas E Bottorff

cc: Paul Clanon, Executive Director
Maribeth Bushey, Administrative Law Judge
Service list R.11-02-019