

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 9, 2013

Anthony F. Earley Jr.
PG&E Corp. Chairman, CEO, and President
77 Beale Street
Mail Code B32
San Francisco, CA 94105

Re: PG&E Expenditures on Pipeline Safety since the San Bruno Pipeline Rupture and Explosion of September 9, 2010

Dear Mr. Earley:

As you know, in my capacity as the Director of the Safety and Enforcement Division at the California Public Utilities Commission, on May 6, 2013, I recommended in the penalty phase of the pending San Bruno-related enforcement proceedings that PG&E be penalized by our Commission in the amount of \$2.25 billion.

I have recommended that this penalty be assessed against PG&E in the form of shareholder-funded safety investments in PG&E's natural gas transmission pipeline system. If approved by the Commission, this will be by far the largest penalty ever assessed against a public utility by a state regulatory commission in the United States, and among the largest penalties of any kind in the nation's history.

My recommendation is based on the seriousness of the violations we have found in our investigation and alleged against PG&E in the pending proceedings.

In order to enable me to provide a complete accounting to the Commission in its consideration of the penalties recommendation I have made, I request that PG&E provide the information listed below. I further request that you sign an attestation, under oath, verifying the accuracy and completeness of the information provided, in your capacity as the senior officer of the Company.

Specifically, please provide a chart listing by major category (e.g., pipe replacement, in-line inspections, installation of automatic or remote control valves) all of the gas transmission system safety projects and activities undertaken by PG&E since the accident in San Bruno on September 9, 2010, the dollars expended for each category, and an accounting breakdown showing (i) any such dollars the Commission has authorized PG&E to recover in its gas rates, and (ii) any such dollars for which PG&E has not received Commission authorization

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to recover in its gas rates. The list you provide should be comprehensive in scope, and should include projects and activities approved by the Commission in Decision No. ("D") 12-12-030 as part of the Pipeline Safety Enhancement Plan ("PSEP"), projects and activities approved by the Commission in the Gas Accord V decision, D.11-04-031, and projects and activities intended to remediate encroachments on PG&E's right-of-ways for its gas pipelines. Please clearly delineate among PCEP and these other projects and activities.

Please provide this information to me by May 16, 2013.

Sincerely,

A handwritten signature in black ink, reading "Emory J. Hagan, III". The signature is written in a cursive, flowing style with a large initial "E".

Emory J. Hagan, III
Brigadier General (CA)
Director of the Safety and Enforcement Division

cc: All parties to Investigations 12-01-007, 11-02-016, and 11-11-009