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Sent: 7/31/2013 9:40:23 AM
To: Clanon, Paul (paul.clanon@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: San Bruno Regulatory and Legal Proceedings Update

FYI

From: A Message from Tony Earley
Sent: Wednesday, July 31, 2013 9:32 AM
To: All PG&E Mail Recipients; All PGE Corp Employees
Subject: San Bruno Regulatory and Legal Proceedings Update

Team:

I want to provide you with an update on the various San Bruno regulatory and legal proceedings. I plan to touch on these matters as part of a broader update on the business during our all-employee call this afternoon.

As you may know, there are three very significant enforcement proceedings that are pending at the California Public Utilities Commission (CPUC) relating to the San Bruno accident. Earlier this month, the CPUC's Safety Division filed a completely revised penalty recommendation based on what we believe are flawed arguments and a completely incorrect view of the remaining shareholder costs for work under our Pipeline Safety Enhancement Plan. Their new proposal disregards most of the costs that PG&E's shareholders have incurred or will incur to improve the company's gas operations.

Late yesterday, we received a ruling from the Administrative Law Judge (ALJ) requesting that we and the other parties submit information about the impact that penalties would have on our ability to raise capital. Responses are due August 14 and September 13. We're disappointed to see the ALJ's ruling, which results in significant delays in this already protracted proceeding.

We understand the desire to punish the company for past behavior—but, more importantly, the process should ensure that past practices are corrected and that we meet new, higher standards. Since the San Bruno accident, the company has made significant improvements, and has committed substantial resources and shareholder dollars. Instead of recognizing that commitment, CPUC staff and other parties want to identify how much additional pain the company can bear, and their resulting recommendations have lost all perspective.

Ultimately, if the Safety Division or the other parties' recommendations were adopted, total shareholder-funded spending on unrecoverable gas pipeline work and fines would exceed \$4 billion. This is obviously excessive. We believe strongly that the Commission's final decision should recognize the huge amount of gas safety work we've already completed, and the billions of dollars being spent without recovery from customers. We will continue to urge the Commission to bring these proceedings to a reasonable conclusion as soon as possible.

As you may also know, since June 2011, the U.S. Department of Justice, the California Attorney General's Office and the San Mateo County District Attorney's Office have been conducting an investigation relating to the San Bruno accident. We have been cooperating with the investigation. Although it's uncertain, I want you to be aware of the possibility that criminal charges may be brought against the company if this matter is not resolved.

On the civil litigation side, as I have reported to you in the past, we are making very good progress on resolving cases brought by the victims of the San Bruno accident. We focused our early efforts on settling the most serious claims. I'm pleased we've been able to resolve many of these cases, and we are now working closely with the court and the other parties to settle the remaining cases. In addition, you may recall that we agreed to reimburse the city of San Bruno for certain expenses incurred in connection with the San Bruno accident and followed this with an additional \$70 million contribution to benefit the city and residents of San Bruno.

While we desire to resolve all pending regulatory and legal matters related to the San Bruno accident, we continue to advocate for outcomes that are fair and appropriate based on the facts. It would be irresponsible to do otherwise.

With that said, I want to be clear: Neither I nor anybody else on the senior leadership team takes lightly any of the lessons of San Bruno. To the contrary, PG&E must never forget these lessons. And while we cannot bring back those who lost their lives, we will continue to work diligently and honorably to make this company the safest energy utility in the country. That is our commitment to our customers and to all of you.

Thank you for your support, and I look forward to talking to you later today.

Tony