

From: Cherry, Brian K
Sent: 10/8/2013 8:04:47 PM
To: brian.turner@cpuc.ca.gov (brian.turner@cpuc.ca.gov); Paul Clanon
(paul.clanon@cpuc.ca.gov); Liza Malashenko (elizaveta.malashenko@cpuc.ca.gov)
Cc:
Bcc:
Subject: Fwd: An Update on Line 147 in San Carlos
FYI.

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Begin forwarded message:

From: A Message from Nick Stavropoulos
<AmessagefromNickStav@pge.com>
Date: October 8, 2013, 7:42:32 PM PDT
To: All PG&E Mail Recipients <ALLPG&E@exchange.pge.com>, All PGE
Corp Employees <AllPGECorpEmployees@exchange.pge.com>
Subject: An Update on Line 147 in San Carlos

Gas Team:

I want to provide you with an update on the situation involving Line 147, PG&E's gas transmission line in San Carlos, a critical cross-tie that connects Line 101 on the east side of the Peninsula to Lines 109 and 132 on the west side, and equip you to be able to answer questions from your family, friends or neighbors if you get them. I am copying all PG&E employees for the same purpose.

Here's What Happened

Since the California Public Utilities Commission (CPUC) initiated an inquiry on

Line 147, we have been providing regular updates to the City of San Carlos. Last Thursday, as part of our commitment to be transparent with them, we provided the city with copies of employee emails produced in connection with a data request. One of those emails involved a series of important safety-related questions about the pipeline as a result of a leak in 2012. Let me be crystal clear—a questioning attitude is the sign of a culture that is truly focused on safety and we encourage this. We took the questions seriously and satisfied ourselves that Line 147 was safe.

Currents Video: Hydrotesting, Safety Culture and Update on Pipeline Safety Progress

I can tell you without any hesitation that we are confident that Line 147 is, in fact, safe. Hydrostatic testing is the gold standard of the industry and is recognized as such by organizations including the National Transportation Safety Board, Pipeline and Hazardous Materials Safety Administration and the CPUC. This line has been hydrotested in accordance with federal safety regulations. In addition, a subsequent third-party metallurgical report supported our conclusions. Over time, we conducted maximum allowable operating pressure validation, baseline integrity assessments for the portions of Line 147 that are in densely populated areas, installed a new 20-inch valve, conducted comprehensive leak surveys, and took many other safety-related steps.

All of these actions give me confidence that this pipeline has been maintained and operated by many professionals, including our IBEW employees, in a safe fashion and we have communicated these points to the City of San Carlos. We wouldn't knowingly operate this or any other line in an unsafe condition.

Nevertheless, the City of San Carlos, on Friday, took the extraordinary measure of obtaining a temporary injunction from the California Superior Court requiring us to cease service to the line.

This is deeply concerning in part because I have been advised that the court lacked the authority to make such a ruling. That authority belongs exclusively to the CPUC for the good reason of avoiding a patchwork of conflicting local regulation and standards in the state. However, faced with a court order, we

proceeded to shut in the pipeline, a process that has been completed in order to fully comply.

This has consequences. With Line 147 not in service, it is limiting the operational flexibility of the Peninsula pipeline system and by nature increasing the reliability risk profile of the system. This is also delaying previously planned safety work in the Peninsula.

Here's Where We Stand

Today, we approached the court and asked it to vacate its temporary injunction based on the fact that it doesn't have jurisdiction on the matter.

In the interest of attempting to reassure San Carlos and other communities regarding the safety of this line, we do not currently plan to reinstate the pipeline into service. Instead, we are going to work with the CPUC to validate the safety-related work that we have done on Line 147.

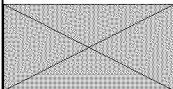
We think this is the right thing to do to demonstrate our sincere interest in acting as a good and responsible neighbor, but this validation must be completed on an expedited basis because Line 147 is critical to our system once colder weather comes our way. We don't want to be in a position of being unable to serve our customers.

I will admit that I am upset with this entire situation because I feel that it fails to recognize the incredible work that all of you have been doing over the past three years.

The vast amount of work that you have completed, safely and efficiently, far surpasses anything in the industry and I am incredibly humbled to lead this great team in our journey to become the safest and most reliable gas system in the nation.

I hope this update helps you to understand and communicate about this situation and I will continue to update you as appropriate. In the meantime, don't let any of this distract you from working safely every hour of every day.

Sincerely,



Nick Stavropoulos