

From: Cherry, Brian K
Sent: 11/6/2013 2:46:55 PM
To: Malashenko, Elizaveta I. (elizaveta.malashenko@cpuc.ca.gov); Clanon, Paul (paul.clanon@cpuc.ca.gov); Jack Hagan (ejh@cpuc.ca.gov) (Jack.Hagan@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Addressing CPUC Commissioner Ferron's Statements

FYI

From: A Message from Tony Earley
Sent: Wednesday, November 06, 2013 2:37 PM
To: All PG&E Mail Recipients; All PGE Corp Employees
Subject: Addressing CPUC Commissioner Ferron's Statements

Team:

Earlier this week, California Public Utilities Commission (CPUC) member Mark J. Ferron issued an Alternate Proposed Decision that would fine PG&E \$17.25 million for failing to promptly notify the CPUC of incorrect records related to natural gas pipeline 147. Earlier, a proposed decision by an Administrative Law Judge recommended a \$6.75 million fine.

In a Nov. 4 news release accompanying his Alternate Proposed Decision, Commissioner Ferron stated:

“The sanctions I propose today are intended to send a clear message to the top corporate management of PG&E that the CPUC will not tolerate being misled. We simply cannot allow deliberate and calculated dishonesty. Since the pipeline tragedy in San Bruno, PG&E has said repeatedly that it is a changed organization and deserves our trust and confidence. But actions speak louder than words. While PG&E engineers brought this discrepancy to management’s attention immediately, PG&E’s top management delayed reporting significant details of this incident for more than eight months. PG&E’s actions were a clear attempt to conceal or obfuscate the facts on important matters involving the

public's trust, and frankly, are a shocking display of poor judgment on the part of senior management. I strongly urge the Board of Directors of PG&E to examine the behavior of its management team in relation to this episode specifically, and around the subject of gas pipeline safety and transparency, more generally. My Alternate Proposed Decision holds PG&E's leadership accountable for the course of action it chose. Shareholders, customers, members of the public, and other stakeholders rightly should hold the Board responsible for ensuring the highest ethical standards from its executive team."

We take the concerns that Commissioner Ferron has expressed seriously. It is important to understand that, as the Administrative Law Judge in the proceeding acknowledged, this was not a safety issue but rather an issue of regulatory compliance.

In this proceeding, the CPUC Safety and Enforcement Division said that all public safety issues were addressed by PG&E's operational actions. In addition, I strongly believe that the employees working to correct the records associated with Line 147 were trying to do the right thing.

However, it is essential to PG&E's future that our conduct be above reproach at all times and that we maintain credibility with the Commission, our customers and the public. Accordingly, I have asked the Audit Committee of the Board of Directors to independently review Commissioner Ferron's assertion of "deliberate and calculated dishonesty" by PG&E and his assertion that actions of senior management "were a clear attempt to conceal or obfuscate the facts on important matters involving the public's trust." These are very disturbing statements.

I have asked that the Audit Committee assessment be conducted expeditiously such that we can report back to the Commission, employees and the public with confidence that the assertions have been thoroughly reviewed and that appropriate actions, if merited, have been taken.

In the meantime, please stay focused on working safely on behalf of our customers and the communities that we serve.

Sincerely,

Tony