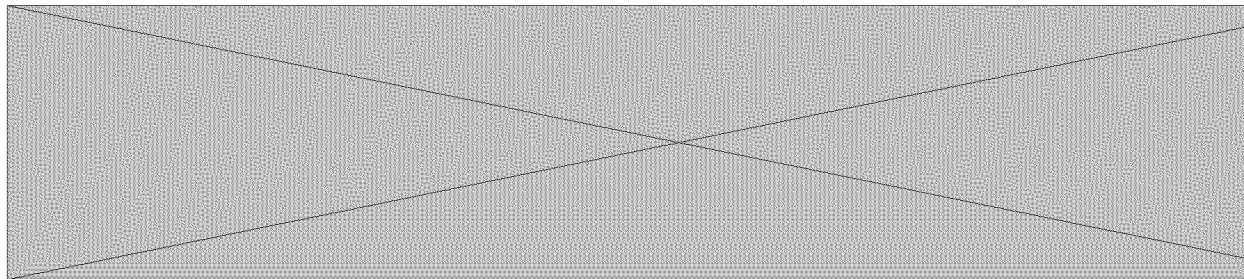


From: Cherry, Brian K
Sent: 11/6/2013 9:58:58 AM
To: Malashenko, Elizaveta I. (elizaveta.malashenko@cpuc.ca.gov); Clanon, Paul (paul.clanon@cpuc.ca.gov); Jack Hagan (ejh@cpuc.ca.gov) (Jack.Hagan@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: The Only Problem We Can't Fix is the One We Don't Know About

FYI

From: A Message from Nick Stavropoulos
Sent: Tuesday, November 05, 2013 2:36 PM
To: All PG&E Mail Recipients; All PGE Corp Employees
Subject: The Only Problem We Can't Fix is the One We Don't Know About



Team:

I've said it before and I'll say it again—the only problem we can't fix is the one we don't know about.

Today, the California Public Utilities Commission (CPUC) directed us to submit a plan to review quality assurance processes associated with the inspection of new girth welds on PG&E gas transmission pipelines.

I wanted all PG&E employees to know that we welcome the opportunity to do so as part of our overall goal of becoming the safest and most reliable gas operator in America. In fact, the CPUC action came about because we identified the issue.

Background

In March 2013, a PG&E inspector conducted an unannounced inspection of a job site where a third-party contractor was performing a radiographic assessment—a technique similar to an X-ray—of a girth weld on a PG&E gas transmission line in Brentwood, Calif. The PG&E inspector determined that the contractor was not performing the assessment in compliance with standard procedures for radiographic assessment of welds.

Current standards typically require three radiographic images of each weld before a pipeline is put into service. In this case, we found that a contractor was creating two, rather than three, exposures. In high population areas, nearly all welds must be inspected using techniques including radiographic assessment. In lower population density areas, 10 to 15 percent of the welds must be inspected in such a manner.

We immediately removed the contractor from the project and conducted an in-depth examination of records and a sample of welds. We found that about 490 radiographic images from the contractor did not comply with code requirements.

The CPUC today issued a citation because the non-compliant radiographic images constituted a violation of required standards, as identified by PG&E.

We support the CPUC's order to address the work of all firms we have retained for radiographic testing as well as other measures outlined by the Commission, both to ensure public safety and public confidence in our quality control processes.

What You Can Do

Given today's order, you may be asked by family, friends or neighbors about whether our pipes are safe.

First, you should know that all issues with the Brentwood project were resolved and the pipeline was approved by the CPUC for entry into service. We didn't find safety issues with that project and we don't have evidence of any safety issues with other girth welds.

You should also know that radiographic assessment is just one of three quality controls applied to this specific work:

- The primary control process for this work is the hiring of specially trained and certified welders.
- The secondary control process is that the work is subject to immediate, onsite visual inspection by master welding inspectors.
- Radiographic assessment was introduced at PG&E in the 1960s as a third layer of quality assurance consistent with industry requirements. Girth welds on pipes installed before that time have not undergone radiographic

assessment.

In fact, in 2012, the CPUC conducted an investigation into the quality of our welding program in response to allegations of substandard welding on gas transmission pipeline-related projects. The investigation included field excavations, document review and witness interviews. The CPUC issued a report in September 2012 that found no evidence of substandard welding work.

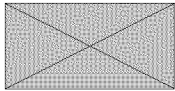
In addition, PG&E has in place a comprehensive integrity management program, which includes hydrostatic testing and in-line inspections to ensure pipeline safety throughout the system.

Finally, as you know, we continue to make many other improvements that enhance the safety of our system. For example, over the last few years we have installed more than 100 new shutoff valves across our system, which allows us to respond more quickly and more effectively in the event of an accident.

Last but not least, we're now managing our pipeline safety work 24 hours a day from our new, state-of-the-art gas control center in San Ramon where we've centralized both distribution and transmission operations.

All of these things contribute to a safer system. But it all starts with coming forward when a job isn't being done right. This act of integrity is at the heart of our safety culture and we must celebrate it.

Stay safe,



Nick