



**Pacific Gas and
Electric Company**

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April 1, 2014

Mr. Jeffrey Wiese
Associate Administrator for Pipeline Safety
Pipeline and Hazardous Materials Safety Administration
U.S. Department of Transportation
1200 New Jersey Ave., SE
Washington, DC 20590

Dear Mr. Wiese:

Pacific Gas & Electric Company ("PG&E") is providing an update and correction to the notification it submitted to the Pipeline and Hazardous Materials Safety Administration ("PHMSA") on December 28, 2012, indicating the completion of its baseline assessment for each covered segment by December 17, 2012, as required by 49 CFR §192.921(d). (See Attachment A).

As explained in detail below and in the attachments, PG&E is in the process of revising an internal procedure related to our External Corrosion Direct Assessment ("ECDA") program. This revision was prompted by audit findings issued by our state regulator and subsequent internal analysis. In addition to revising our procedure, PG&E has committed to validating a total of 2.62 miles¹ of gas transmission pipelines that were previously assessed from December 27, 2007² to December 31, 2013 using PG&E's prior ECDA procedure and practices. Of those 2.62 miles, a total of 2.13 miles were part of a total mileage of 935.5 miles in PG&E's Baseline Assessment Program ("BAP") from December 27, 2007 to December 17, 2012.

PG&E will be acting with due diligence to revise its procedure and conduct the validations and anticipates completing all 2.62 miles during the second quarter of 2014.

Background

On December 17, 2013, the Safety and Enforcement Division ("SED") of the California Public Utilities Commission ("CPUC") issued audit findings associated with PG&E's Transmission Integrity Management Program ("TIMP"). Among these findings, SED identified a Notice of Violation of 49 CFR §192.925(b)(3) relating to PG&E's ECDA practices. In particular, SED noted that "for the first-time ECDA, PG&E reclassifies some of the immediate indications

¹ All mileage included in this letter is based on an initial review; the results are currently being vetted by PG&E's Internal Audit organization for an additional level of due diligence. Any changes resulting from that internal audit will be submitted as part of a subsequent update.

² PG&E's internal ECDA procedure that is at issue was modified on December 27, 2007 to allow grouping and sampling of "adjacent indications" in certain circumstances. This language was misapplied in the field to immediate indications for first-time ECDA. This practice, which prompted the audit findings by our state regulator, did not apply prior to December 27, 2007 because PG&E's prior internal procedure did not include a reference for grouping and sampling of indications.

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found as a result of indirect assessment based on some of its direct examinations.”
(See Attachment B, p. 10). SED further concluded that, per the NACE Standard (SP-0502-2008),
“PG&E must directly examine all immediate indications found as a result of indirect assessment
for the first-time ECDA unless PG&E has a documented technical justification for not
implementing the NACE recommendation.” (*Id.*)

On February 18, 2014, PG&E agreed with SED’s Notice of Violation as part of PG&E’s
response to the TIMP audit and committed to changing its ECDA internal procedure to address
the issue. PG&E further explained:

Historically, PG&E has applied the "adjacent indications"
methodology as outlined in [PG&E’s internal procedure], and
grouped immediate adjacent indications. Within these groups,
PG&E excavated the most severe indication, and then applied
these results to reclassify the group.

Moving forward, PG&E will no longer group immediate adjacent
indications. For first-time assessments, PG&E will treat each
immediate indication uniquely and perform direct examinations
accordingly. PG&E will undertake an effort to review historical
locations where immediate adjacent indications have been
grouped, and use a risk based approach to evaluate these locations,
and take any necessary actions.
(See Attachment C, p. 25).

Scope

Of the approximately 935.5 miles for which PG&E reported in December 2012 that it had
completed integrity assessments per 49 CFR §192.921(d), a total of 2.13 non-contiguous miles
were assessed using PG&E’s prior ECDA procedures and practices and must be validated. An
additional 0.49 non-contiguous miles were also assessed using the prior ECDA procedures and
practices after December 17, 2012 that must be validated. PG&E arrives at the total mileage as
follows:

	12/27/2007-12/17/2012	12/18/2012-12/31/2013	Total
Initial identified miles	4.92	0.73	5.65
Previously excavated in accordance with regulations	2.30	0.24	2.54
Hydrotested *	0.49	0.00	0.49
Replaced/retired	0.00	0.00	0.00
Final miles	2.13	0.49	2.62

* Hydrotested: Reported as the integrity assessment method in the PHMSA Annual Reports (No. 7100).

The 2.62 miles comprise of 15 separate projects and 221 locations across our service territory.

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Corrective Actions

PG&E is currently undertaking the following corrective actions and compliance plan, which it has submitted to SED for approval. PG&E will:

1. Revise its internal ECDA procedures to address the issue raised by SED's Notice of Violation and ensure that all work performed in 2014 and beyond is completed in accordance with the 49 CFR §192.925 and NACE SP 0502-2008;
2. Perform ECDA validations including all necessary field work (e.g., Indirect Inspection Testing survey) of all impacted miles;
3. Perform excavations per CFR 49 Part 192 and NACE SP-0502-2008 on all required immediate indications resulting from these validations; and
4. As an additional level of validation of historical immediate indications, a) Perform excavations on the three highest priority locations identified during the post-December 27, 2007 ECDA survey; and b) Compare historical immediate indication locations identified during the post-December 27, 2007 ECDA surveys with results of the ECDA validations and perform additional excavations based on a statistically valid sample of historical locations.

PG&E will notify PHMSA when these corrective actions are approved by SED and completed by PG&E. We will also submit an update to the 2012 PHMSA Annual Report (No. 7100) and have adjusted the mileage in the 2013 PHMSA Annual Report (submitted on 3/14/2014) to reflect the ECDA work conducted in 2013 that will now be validated in 2014 as a result of this issue.

Please feel free to contact me if you have any questions or concerns.

Sincerely,



Sumeet Singh
Vice President, Asset & Risk Management
Gas Operations