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August 21, 2012

Mr. Paul Clanon, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 941-1-3298

Re: Costs to be paid for by PG&E shareholders

Sent Electronically

Dear Mr. Clanon:

This letter is an update to my initial submission of March 20, 2012 to the CPUC on what costs incurred by PG&E's proposed natural gas pipeline renovation plan should be passed on to ratepayers and what costs must be absorbed by PG&E shareholders. I respectfully request that this letter be entered into the record (R.11-02-019).

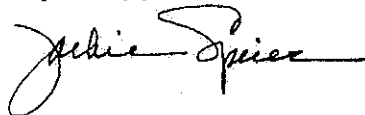
The California Public Utilities Commission (CPUC) has before it a question of great importance: How much, if anything, should ratepayers pay for construction on the PG&E gas pipeline system? I respectfully suggest that the commission adopt a principle of analysis. This principle could be stated as follows: Mistake-driven expenses should be paid for by shareholders.

Specifically, PG&E was always paid by ratepayers to create a safe and reliable gas pipeline system. It has not done so. I suggest that replacing pipes over time so that modern equipment could be used to internally evaluate extended lengths of pipe (making pipes piggable) should have been an ongoing practice at PG&E, but it was not. Even after the San Bruno explosion, PG&E insisted that welded pipe of differing vintages and diameters did not pose an inherent safety threat because external corrosion was the one safety threat that really mattered. This perspective was fatally flawed. At this point, pipe that is being upgraded to make it piggable is an example of a mistake-driven expense that now should be paid for by shareholders, not ratepayers.

Similarly, I believe that accurate data storage, retrieval and dissemination were already paid for as part of past rates allowed to PG&E.

Asking the question, "Did ratepayers already pay for this type of expense and is this proposal therefore duplicative?" would probably go a long way towards answering the question about apportionment of costs. In the end, I believe that very few of the costs should be borne by ratepayers.

Respectfully yours,



Jackie Speier
Member of Congress

KJS/rs:bp