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## PG&E: Pipeline upgrade could top \$11 billion

Jaxon Van Derbeken  
Tuesday, March 20, 2012

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Dylan Entelis / The Chronicle  
A PG&E worker does repairs to a damaged natural gas pipe in Woodside in November.

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**(03-19) 19:49 PDT SAN FRANCISCO --** Pacific Gas and Electric Co. executives defended the utility's position Monday that customers should pay for most of a \$2.2 billion post-San Bruno pipeline safety program, even as they signaled that additional work in coming years could boost the price tag to \$11 billion.

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The head of PG&E's regulatory relations division delivered the estimate on the first day of a two-week hearing before a California Public Utilities Commission administrative law judge in San Francisco.

Judge Maribeth Bushey is considering how much customers should pay for the initial \$2.2 billion phase

of the program, which PG&E began after the San Bruno pipeline explosion in September 2010 that killed eight people.

The utility has proposed that customers pick up 84 percent of the cost of testing and replacing pipelines and installing dozens of automatic shutoff valves on its urban natural-gas system. Company executives say those costs were imposed on them by regulators and were not a direct outgrowth of PG&E's pre-San Bruno failures.

Post-disaster investigations revealed that PG&E lacked strength records for roughly one-third of its urban gas pipeline mileage, and government reports concluded that the damage in San Bruno could have been limited had the pipeline been equipped with automatic shutoff valves instead of manual ones.

Tom Bottorff, PG&E's regulatory relations vice president, said the second phase of the company's safety upgrade could boost the total cost to between **\$9 billion and \$11.2 billion**. PG&E wants customers to pay all but \$370 million of the initial \$2.2 billion phase, which is focused on gas transmission lines in urban areas.

Bottorff did not have a breakdown for how much the company would seek from customers for the second phase, during which PG&E will be concentrating on improvements in rural areas.

Nick Stavropoulos, PG&E's vice president in charge of gas operations, testified that customers should have to pick up the bulk of the first-phase costs because the changes are the result of the "new, higher safety standard" imposed by government regulators.

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PG&E's shareholders should have to pay the costs only of changes that the company has to make to comply with regulations in place before the disaster, Stavropoulos said.

Bottorff acknowledged that the company had long told regulators it was complying with industry standards that called for operators to test lines during installation for such problems as bad welds, the flaw that contributed to the San Bruno pipeline rupture. In fact, PG&E did not test much of its system before lines were installed and usually confined subsequent testing to inspections for corrosion.

Now that state regulators are making the more thorough testing a legal requirement, instead of an industry recommendation, PG&E is entitled to pass along the cost, Bottorff said.

Attorneys with The Utility Reform Network, a consumer advocate group, said much of the \$2.2 billion first phase is an outgrowth of investigative findings that PG&E had systemic problems for years before the blast that contributed directly to the disaster.

The group's attorneys pressed Bottorff to explain why PG&E should not be held to account for gaps in its records and its safety practices.

Bottorff replied that issues such as PG&E's inaccurate or incomplete records of its gas system were the subject of a separate penalty process and irrelevant to how the costs of the pipeline upgrade should be divided.

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*This article appeared on page C - 1 of the San Francisco Chronicle*

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**TunaSnake** 7:23 PM on March 19, 2012

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**shangwich** 7:03 PM on March 19, 2012

PG&E has spent decades hoarding and mispending money allocated for upgrades and safety. Customers paid their bills expecting PG&E to maintain the system, not to let it rot.



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Of course PG&E can afford these upgrades out-of-pocket. Asking the customers to pay even more for maintenance PG&E should have been providing for years and years is nothing but greed.

No customer should have to pay a time. PG&E needs to start doing their job now that they got caught.

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**glenparknative** 6:58 PM on March 19, 2012

"Pacific Gas and Electric Co. executives defended the utility's position Monday that customers should pay for most of a \$2.2 billion post-San Bruno pipeline safety program, even as they signaled that additional work in coming years could boost the price tag to \$11 billion...The utility has proposed that customers pick up 84 percent of the cost of testing and replacing pipelines and installing dozens of automatic shutoff valves on its urban natural-gas system" --- Sounds good - let's just do the normal thing and screw the ratepayers. How 'bout we also start holding the PG&E execs for criminal negligence for the San Bruno explosion. Somewhere, somehow they should've figured out that the pipes were in need of replacement as they were nearing 70 years old. It's time for CPUC commissioners to be replaced if PG&E get away with this request for cost passing....

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