



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CAL

Application of Pacific Gas and Electric Company
(U39G) to Update Pipeline Safety Enhancement
Plan.

Application 13-10-017
(Filed October 29, 2013)

FILED
10-16-14
12:05 PM

**PSEP UPDATE SETTLEMENT AGREEMENT AMONG PACIFIC GAS AND
ELECTRIC COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE
UTILITY REFORM NETWORK**

PSEP UPDATE SETTLEMENT AGREEMENT AMONG PACIFIC GAS AND ELECTRIC COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE UTILITY REFORM NETWORK

Pacific Gas and Electric Company (“PG&E”), the Office of Ratepayer Advocates (“ORA”), and The Utility Reform Network (“TURN”) (hereinafter collectively referred to as the “Settling Parties”) agree to settle the *Application of Pacific Gas and Electric Company to Update Pipeline Safety Enhancement Plan* (“PSEP Update Application”), Application 13-10-017, on the following terms and conditions, which shall become effective on the Effective Date (as defined below).

This settlement agreement (“Agreement”) is entered into as a compromise in order to minimize the time, expense, and uncertainty of further regulatory proceedings in the PSEP Update Application. PG&E, ORA and TURN agree to the following terms and conditions as a complete and final resolution of the PSEP Update Application. This Agreement constitutes the sole agreement between the Settling Parties concerning the subject matter of this Agreement.

As explained herein, the Settling Parties shall file a joint motion, pursuant to Rule 12.1(a) of the Commission’s Rules of Practice and Procedure (“Settlement Motion”), requesting California Public Utilities Commission (“Commission” or “CPUC”) approval of this Agreement.

**I.
THE PARTIES**

- 1.1. The parties to this Agreement are PG&E, TURN, and ORA.
- 1.2. PG&E is an investor owned public utility in the State of California and is subject to the jurisdiction of the Commission with respect to providing gas transmission service to its customers in the state of California.
- 1.3. ORA is an independent division of the Commission whose statutory mission is to obtain the lowest possible rate for service consistent with reliable and safe service levels. In fulfilling this goal, ORA also advocates for customer and environmental protections.
- 1.4. TURN is an independent, non-profit consumer advocacy organization that represents the interests of residential and small commercial utility customers.
- 1.5. The Northern California Generation Coalition, and the Southern California Generation Coalition have filed motions seeking party status in the PSEP Update Application, but are not parties to this Agreement.

II. DEFINITIONS

- 2.1. **Agreement:** This document and any appendices.
- 2.2. **ALJ:** Presiding Administrative Law Judge Maribeth Bushey.
- 2.3. **Commission or CPUC:** The California Public Utilities Commission.
- 2.4. **Decision Tree:** The Pipeline Program Decision Tree for evaluating manufacturing threats, fabrication and construction threats, and corrosion and latent mechanical damage threats under the PSEP for 2011-2014, as approved by the Commission in Decision 12-12-030, Conclusion of Law 9.
- 2.5. **Effective Date:** The date of issuance of the Commission's decision approving this Agreement.
- 2.6. **MAOP Validation:** A project initiated in 2011 involving collecting and organizing the necessary pipeline strength test and pipeline features data and then validating the Maximum Allowable Operating Pressure ("MAOP") for PG&E's gas transmission pipelines at the feature level, as described in Chapter 5 of PG&E's August 26, 2011 PSEP Testimony in Rulemaking 11-02-019, and Chapter 1 of PG&E's testimony submitted with the PSEP Update Application.
- 2.7. **ORA:** The Office of Ratepayer Advocates or its successor division.
- 2.8. **ORA Response:** ORA's letter dated June 4, 2014 to Liza Malashenko and served on the service list to this proceeding articulating ORA's concerns regarding certain conclusions in the SED Report.
- 2.9. **PG&E:** Pacific Gas and Electric Company.
- 2.10. **PG&E Response:** PG&E's response to the SED Report, served on the service list to this proceeding on May 22, 2014.
- 2.11. **PSEP:** PG&E's Pipeline Safety Enhancement Plan for the period 2011-2014, filed in Rulemaking 11-02-019 on August 26, 2011, in compliance with Decision 11-06-017, and authorized in Decision 12-12-030.
- 2.12. **PSEP Update Application:** Application 13-10-017 filed by PG&E on October 29, 2013, pursuant to Ordering Paragraph 11 of Decision 12-12-030.
- 2.13. **Quarterly Compliance Report(s):** The Quarterly Compliance Reports required by Ordering Paragraph 10 and Attachment D of Decision 12-12-030.
- 2.14. **SED:** The Commission's Safety and Enforcement Division.

- 2.15. **SED Report:** SED's report dated April 25, 2014 entitled "Safety Review Report of PG&E's PSEP Update Application," which was provided to the service list in this proceeding on April 25, 2014.
- 2.16. **Settling Parties/Settling Party:** PG&E, ORA, and TURN, or any of them.
- 2.17. **Supplemental Testimony:** Testimony PG&E served in this proceeding on June 6, 2014 proposing ratemaking treatment for PSEP projects that were originally planned for operation in 2014, but that may not be complete by December 31, 2014.
- 2.18. **TURN:** The Utility Reform Network.

III. GENERAL RECITALS

- 3.1. PG&E filed its PSEP in Rulemaking 11-02-019 on August 26, 2011, pursuant to Decision 11-06-017.
- 3.2. In Decision 12-12-030, the Commission approved PG&E's PSEP (including specific authorized unit costs for PSEP projects) and a total PSEP cost cap of \$1,003.8 million for capital expenditures and \$165 million for expenses.
- 3.3. Ordering Paragraph 11 of Decision 12-12-030 required PG&E to file a PSEP Update Application within 30 days of completion of its MAOP Validation and records search, to present the results of those efforts and update its PSEP authorized revenue requirements and related budgets, consistent with Decision 12-12-030.
- 3.4. PG&E completed its MAOP Validation and records search on July 1, 2013.
- 3.5. With permission from the Commission's Executive Director, PG&E filed its PSEP Update Application on October 29, 2013.
- 3.6. PG&E's PSEP Update Application proposed that its authorized cost caps be reduced to \$766.2 million for capital expenditures and \$133.7 million for expenses.
- 3.7. From October 29, 2013, through June 9, 2014, TURN and ORA conducted discovery regarding the PSEP Update Application and PG&E responded to approximately 115 data request questions propounded by TURN and ORA.
- 3.8. On March 3, 2014 an initial pre-hearing conference was held. The parties and the ALJ agreed that a schedule for hearings and briefs should not be established until SED prepared and circulated the SED Report to the parties in this proceeding.

- 3.9. On April 25, 2014, SED served the SED Report on the service list in this proceeding.
- 3.10. On May 5, 2014 SED held a workshop summarizing the findings in the SED Report. On May 22, 2014, PG&E served the PG&E Response to the SED Report on the service list of this proceeding.
- 3.11. On May 23, 2014, a second pre-hearing conference was held wherein, among other things, the Settling Parties represented to the ALJ that it was appropriate for them to explore the possibility of settlement.
- 3.12. In response to the Settling Parties' representations at the second pre-hearing conference, the ALJ, among other things, established a schedule for the proceeding which provided time for initial settlement discussions, with a status report scheduled for July 8, 2014, intervenor testimony due on July 11, 2014, rebuttal testimony due on July 30, 2014, and hearings (if needed) on August 6-8, 2014.
- 3.13. On June 4, 2014, ORA served the ORA Response to the SED Report on the service list of this proceeding.
- 3.14. On June 6, 2014, PG&E served Supplemental Testimony on the service list to this proceeding addressing PSEP projects that may not be operative by December 31, 2014.
- 3.15. On July 7, 2014, the Settling Parties convened a settlement conference pursuant to Rule 12.1(b) of the Commission's Rules of Practice and Procedure, with notice and opportunity to participate provided to all parties for the purpose of discussing settlement in this proceeding.
- 3.16. On July 8, 2014, the Settling Parties filed a Joint Status Report in this proceeding, informing the ALJ that the Settling Parties had reached an agreement in principle, which the Settling Parties expected to present for Commission approval by July 25, 2014.

IV.

SETTLEMENT AGREEMENT TERMS AND CONDITIONS

4.1. PG&E Adjustment Of Expenses By \$23 Million

The Settling Parties have agreed that the PSEP expenses to be recovered from ratepayers will be reduced by \$23 million from the \$133.7 million that was proposed in the PSEP Update Application. Pipeline Modernization capital costs will be \$614.9 million, as proposed in the PSEP Update Application. PG&E will be authorized to recover a total PSEP revenue requirement of \$223,228,000 for 2012-2014 through the Implementation Plan surcharge approved in Decision 12-12-030.

Provided as Appendix 1 to this agreement are Updated Tables E-1 through E-4, updated to show the capital, expense, and revenue requirement caps presented in this Agreement for the Commission’s approval.

The table below sets forth: (1) the PSEP revenue requirement adopted in Decision 12-12-030; (2) the PSEP revenue requirement proposed in the PSEP Update Application; and (3) the PSEP revenue requirement presented in this Agreement for the Commission’s approval.

PSEP 2012-2014 Revenue Requirement:

Adopted in D. 12-12-030	\$299,214,000
Proposed in PSEP Update Application (A.13-10-017)	\$246,527,000
Proposed in Settlement Agreement	\$223,228,000

4.2. PG&E’s Scope Of Work Will Not Be Reduced As A Result Of This Agreement

PG&E agrees that this Agreement will not change the scope of work it proposed pursuant to the PSEP Update Application. This Agreement does not modify PG&E’s ability to make “improvements, efficiencies, and adjustments to the Implementation Plan based on sound engineering data and that further the objectives of the Plan,” in accordance with Decision 12-12-030, p. 84. Any reduction in the scope of work proposed in the PSEP Update Application would be subject to the requirements of Conclusion of Law 37, and Ordering Paragraph 6 of Decision 12-12-030.

4.3. Decision 12-12-030

Nothing in this Agreement changes the determinations made in, or the positions taken by, any party with respect to Decision 12-12-030.

4.4. No Representations Regarding Safety

Nothing in this Agreement, either express or implied, should be construed as an agreement among the parties that PG&E’s gas transmission system is safe or that the scope, quality, and prioritization of the PSEP work undertaken by PG&E is reasonable from a safety perspective.

4.5. Completion Of PSEP Projects

In its Supplemental Testimony, PG&E explains that all of the PSEP projects planned for release to operations in 2014 may not become operational by December 31, 2014.

The Parties agree that the Commission should order, and PG&E should implement, the ratemaking mechanisms for addressing PSEP projects that become operational after December 31, 2014 as described in PG&E's Supplemental Testimony, as follows:

- (a) The Settling Parties agree that 2014 PSEP revenues recovered in End-Use customer rates will be reduced for any PSEP capital project^{1/} that will not be operational in 2014; PG&E will return the 2014 revenue reduction to End-Use customers in the Annual Gas True-Up filing (filed at the end of 2014) by crediting the Core Fixed Cost Account and Noncore Customer Class Charge Account consistent with the allocation authorized by Decision 12-12-030.^{2/}
- (b) The cost caps established in Decision 12-12-030, as modified by any Commission decision adopting this Agreement, will remain unchanged and will not be adjusted for PSEP projects that become operational after December 31, 2014. For purposes of this section, a project that was deferred beyond December 31, 2014 and replaced with a higher priority project, pursuant to Conclusion of Law 37 and Ordering Paragraph 6 of Decision 12-12-030, does not constitute a "PSEP project."
- (c) Notwithstanding subsection (b) above, ORA and TURN reserve their rights to contend in the Gas Transmission and Storage ("GT&S") Rate Case, A.13-12-012, that certain projects that are included in the GT&S proceeding that are not characterized as PSEP projects in either this proceeding or R.11-02-019, could or should have been included as PSEP projects in the PSEP Update Application. PG&E reserves its right to oppose such a contention.
- (d) Nothing in this Agreement shall be construed as agreement among the Settling Parties regarding the rationale that PG&E provided in the Supplemental Testimony for these ratemaking mechanisms.

4.6. Quality Assurance and Quality Control

Nothing in this Agreement, either express or implied, should be construed as agreement among the Settling Parties that PG&E's quality assurance and/or quality control processes and procedures as used for the PSEP are reasonable or appropriate.

-
- 1/ There will be no revenue requirement adjustment for PSEP expense projects that are not completed at the end of 2014 but that ultimately will be completed. Unlike capital projects, for which revenue requirements are determined in relation to the operational date of the project, the revenue requirements associated with expense projects were determined on a forecast basis, as updated by the decision in this case.
 - 2/ Post-2014 recovery of the ongoing PSEP revenue requirement related to authorized PSEP capital expenditures will be addressed in PG&E's 2015 Gas Transmission and Storage Rate Case, Application 13-12-012.

4.7. Issues Related to the SED Report

- (a) The Settling Parties agree that the SED Report, PG&E Response, and ORA Response should be included in the record of this proceeding and will separately present a joint motion to enter these documents into the record of this proceeding.
- (b) PG&E confirms that it is performing the activities identified as “Action Items” in the PG&E Response.

4.8. Correction To Tables 2-5 and 2-10 In The PSEP Update Application Testimony

PG&E agrees that the information in Tables 2-5 and 2-10 of its October 29, 2013 Testimony (which also appear as Tables 1 and 3 in the PSEP Update Application) does not reflect that some of the segment miles shown as being replaced in the PSEP will actually be retired or downrated. To accurately reflect this fact, Tables 2-5 and 2-10 should instead read as follows, using the following format that separately breaks out segment miles to be retired or downrated:

**TABLE 2-5
PACIFIC GAS AND ELECTRIC COMPANY
GAS TRANSMISSION PIPELINE MODERNIZATION PROGRAM UPDATE
PSEP PIPE REPLACEMENT – VALIDATED SCOPE CHANGES**

Line No.	Number of Miles	Reason for Scope Change
1	185.7	Filed segment miles to be replaced
2	(33.2)	Filed segment miles cleared (valid test record)
3	(22.0)	Filed segment miles from replacement to strength test
4	(24.5)	Filed segment miles deferred beyond Phase 1 (Class 1 and 2 non-adjacent)
5	(8.5)	Filed segment miles deferred beyond Phase 1 (Class 3)
6	(2.2)	Filed segment miles addressed outside of PSEP
7	19.2	Segment miles from strength test to replacement
8	5.6	Segment miles from strength test to retirement
9	0.1	Segment miles from strength test to downrate
10	15.4	Segment miles not included in August 2011 PSEP filing, but are now Phase 1 replacement
11	1.5	Segment miles not included in August 2011 PSEP filing, but are now Phase 1 retirement
12	6.2	Segment miles not included in August 2011 PSEP filing, but are now Phase 1 downrate
13	143.3	Total updated capital segment miles in PSEP Phase 1 (includes replacement, retirement and downrates)
14	5.6	Validated segment miles from strength test to retirement
15	1.5	Validated segment miles not included in August 2011 PSEP filing, but are now Phase 1 retirement
16	2.8	Validated segment miles from PSEP replacement to retirement
17	9.9	Validated PSEP segment miles to be retired
18	0.1	Validated segment miles from strength test to downrate
19	6.2	Validated segment miles not included in August 2011 PSEP filing, but are now Phase 1 downrate
20	5.8	Validated segment miles from PSEP replacement to downrate
21	12.1	Validated PSEP segment miles to be downrated
22	121.3	Total updated segment miles to be replaced in PSEP Phase 1 (excludes retirements and downrates)

TABLE 2-10
PACIFIC GAS AND ELECTRIC COMPANY
GAS TRANSMISSION PIPELINE MODERNIZATION PROGRAM UPDATE
PSEP PHASE 1 PIPELINE STRENGTH TESTS – VALIDATED SCOPE CHANGES

Line No.	Number of Miles	Reason for Scope Change
1	783.0	Filed segment miles to be strength tested
2	(162.0)	Filed segment miles cleared (valid test record)
3	(19.2)	Filed segment miles from strength test to replacement
4	(5.6)	Filed segment miles from strength test to retirement
5	(0.1)	Filed segment miles from strength test to downrate
6	(58.5)	Filed segment miles deferred beyond Phase 1 (Class 1 and 2 non-adjacent)
7	(14.0)	Filed segment miles deferred beyond Phase 1 (test record met code, but not PSEP)
8	(13.5)	Filed segment miles deferred beyond Phase 1 (Class 3)
9	(3.0)	Filed segment miles addressed outside of PSEP
10	22.0	Segment miles from replacement to strength test
11	129.0	Segment miles not included in August 2011 PSEP filing, but now meet Phase 1 strength test criteria
12	658.1	Total updated segment miles to be strength tested in PSEP Phase 1

For purposes of all future reporting or representations to the Commission or elsewhere regarding PSEP, PG&E shall show pipeline retirements and downrates separately from pipeline replacements.

4.9. Final PSEP Report

PG&E shall serve a Final PSEP Report on the service lists for Rulemaking 11-02-019 and this proceeding within 120 days of the last PSEP project becoming operational. The Final PSEP Report will be consistent with the form and content of the first quarter 2014 Quarterly Compliance Report (and as set forth in Attachment D to Decision 12-12-030) except as follows, or as directed by SED or the Commission:

- (a) All data provided will be final values as of the date of the Final PSEP Report, not subject to later modification;
- (b) With regard to the questions set forth in Attachment D of Decision 12-12-030:
 - (i) For questions 1 through 10, PG&E may provide either or both of the following abbreviated answers: (a) PG&E may refer to responses provided in prior Quarterly Compliance Reports; or (b) PG&E may refer to its response to Question 17 in the Final PSEP Report.
 - (ii) Where PG&E has material new information it has obtained since its preparation of the last Quarterly Compliance Report in response to any question, PG&E shall provide this information in the Final PSEP Report.

- (iii) The summary of Project Management Office costs required by Question 7 shall be provided as a final figure as of the date of the Final PSEP Report.
 - (iv) The response to Question 17 regarding lessons learned shall provide a high level overview of the topics addressed in Questions 1 through 10, and particularly Question 7, of the Quarterly Compliance Reports.
 - (v) The responses to Questions 12 and 13 may be “Not Applicable” except in the event PG&E has material new information.
 - (vi) A response of “None” for Question 19 is appropriate if supported by the cost data in Table 11-1.
- (c) All data provided in the Final PSEP Report will be for the entire duration of the PSEP, from inception through completion;
 - (d) Downrates, retirements, and replacements will be reported separately consistent with Section 4.8 above;
 - (e) Tables 14-1 and 26-1 will include all data fields currently included in Table 11-1;
 - (f) Tables 11-1, 14-1, and 26-1 currently provided in the Quarterly Compliance Reports will include the following project lengths in units of feet: PFL footage of the forecasted project, design length, and installed footage.

PG&E will provide ORA and TURN with Excel copies of any tables included in the Final PSEP Report and PG&E agrees that ORA or TURN may make any and all of the information provided pursuant to this Section publicly available.

4.10. PG&E Testimony Regarding Actual Costs

PG&E makes certain representations in the PSEP Update Application regarding the actual costs it claims to have incurred to perform the PSEP projects. PG&E acknowledges that these claims have not been tested through either discovery or cross examination. Nothing in this Agreement, express or implied, should be construed as agreement among the Settling Parties that PG&E’s figures regarding actual costs incurred are accurate or complete. In exchange for PG&E’s acknowledgment of these facts, ORA will withdraw its motion to strike actual costs filed on May 14, 2014, within thirty days of Commission approval of this Agreement.

4.11. Support For This Agreement

In consideration of the mutual obligations, promises, covenants and conditions contained herein, the Settling Parties agree to support approval by the Commission of this Agreement, as further described herein, and to support this Agreement in its entirety before any regulatory agency or court of law where this Agreement, its meaning or effect is an issue, and no Settling Party shall take or advocate for, either directly, or indirectly through another entity, any action that would have the effect of modifying or abrogating

the terms of this Agreement. The Settlement Parties will file a Joint Motion for Approval of this Agreement (“Settlement Motion”).

**V.
GENERAL PROVISIONS AND RESERVATIONS**

The Settling Parties further acknowledge and agree as follows:

5.1. Complete Package

This Agreement is to be treated as a complete package, not as a collection of separate agreements on discrete issues or proceedings.

5.2. Modifications by Commission

In the event the Commission rejects or modifies this Agreement, the Settling Parties reserve their rights under Rule 12.4 of the Commission’s Rules of Practice and Procedure to terminate or renegotiate this Agreement.

5.3. Commission’s Primary Jurisdiction

The Commission has primary jurisdiction over any interpretation, enforcement, or remedies regarding this Agreement and no Settling Party may bring an action regarding this Agreement in any State or Federal court or before another administrative agency without having first exhausted its administrative remedies at the Commission.

5.4. Further Actions

This Agreement is subject to approval by the Commission and as soon as practicable after all Settling Parties have signed the Agreement, the Settling Parties, through their respective attorneys, will prepare and file the Settlement Motion. The Settling Parties will furnish such additional information, documents, or testimonies as the Commission may require for purposes of granting the Settlement Motion and approving and adopting the Agreement, and shall support and mutually defend the Agreement in its entirety until the Commission has issued final approval of the Agreement.

5.5. Voluntary and Knowing Acceptance

Each Settling Party acknowledges and stipulates that it is agreeing to this Agreement freely, voluntarily, and without any fraud, duress, or undue influence by any other Settling Party. Each Settling Party has read and fully understands its rights, privileges, and duties under this Agreement, including its right to discuss this Agreement with its legal counsel, which has been exercised to the extent deemed necessary.

5.6. No Modification

This Agreement constitutes the entire understanding and agreement of the Settling Parties regarding the matters set forth herein, which may not be altered, amended, or modified in

any respect except in writing and with the express written and signed consent of all the Settling Parties hereto. All prior oral or written agreements, settlements, principles, negotiations, statements, representations, or understandings whether oral or in writing and regarding any matter set forth in this Agreement, are expressly waived and have no further force or effect.

5.7. No Reliance

None of the Settling Parties has relied or presently relies on any statement, promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Agreement. Each Settling Party expressly assumes the risk of any mistake of law or fact made by such Settling Party or its authorized representative.

5.8. Counterparts

This Agreement may be executed in counterparts by the different Settling Parties hereto and all counterparts so executed will be binding and have the same effect as if all the Settling Parties had signed one and the same document. All such counterparts will be deemed to be an original and together constitute one and the same Agreement.

5.9. Binding upon Full Execution

This Agreement will become effective and binding on each of the Settling Parties as of the Effective Date. However, the provisions of Sections 4.7, 4.11 and 5.4 of this Agreement shall impose obligations on the Settling Parties immediately upon execution of this Agreement by all of the Settling Parties. This Agreement will also be binding upon each of the Settling Parties' respective successors, subsidiaries, affiliates, representatives, agents, officers, directors, employees, and personal representatives, whether past, present, or future.

5.10. Commission Adoption Not Precedential

Commission approval and adoption of this Agreement does not constitute approval of or precedent regarding any principle or issue of law or fact in this or any other current or future proceeding.

5.11. Enforceability

After issuance of a Commission decision approving and adopting this Agreement, the Commission may reassert jurisdiction and reopen this proceeding to enforce the terms and conditions of this Agreement.

5.12. No Admission

Unless expressly stated herein, nothing in this Agreement or related negotiations may be construed as an admission of any law or fact by any of the Settling Parties, or as precedential or binding on any Settling Party in any other proceeding whether before the Commission, in any court, or in any other state or federal administrative agency. Further,

unless expressly stated herein this Agreement does not constitute an acknowledgement, admission, or acceptance by any Settling Party regarding any issue of law or fact in this matter, or the validity or invalidity of any particular method, theory, or principle of ratemaking or regulation in this or any other proceeding.

5.13. Authority to Sign

Each Settling Party executing this Agreement represents and warrants to the other Settling Parties that the individual signing this Agreement and the related Settlement Motion has the legal authority to do so on behalf of the Settling Party.

5.14. Limited Admissibility

Each Settling Party signing this Agreement agrees and acknowledges that this Agreement will be admissible in any subsequent Commission proceeding but only for the limited purpose of reflecting or enforcing the Terms and Conditions of this Agreement.

5.15. Estoppel or Waiver

Unless expressly stated herein, the Settling Parties' execution of this Agreement is not intended to provide any of the Settling Parties in any manner a basis of estoppel or waiver in this or any other proceeding.

**VI.
IMPLEMENTATION OF SETTLEMENT AGREEMENT**

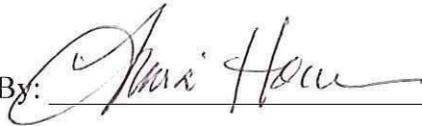
6.1. The Settling Parties request that the Commission approve the capital expenditure caps, expense caps, and revenue requirement caps presented in Tables E-1 through E-4 of Appendix 1 of this Agreement, which are based on the compromises made in this Agreement. The caps proposed in Appendix 1 to this Agreement will supersede the caps previously determined by the Commission and included in Appendix E to Decision 12-12-030.

6.2. If a final decision approving this Agreement is issued by the Commission by December 1, 2014, PG&E will: (1) return any accumulated balance on December 31, 2014 in the Gas Pipeline Expense and Capital Balancing Account to customers through the Customer Class Charge in the Annual Gas True-Up filing to be made before the end of 2014, in accordance with Ordering Paragraph 5 of Decision 12-12-030 and PG&E's Preliminary Statement CW; and (2) collect from, or refund to customers, the balance in the Core Gas Pipeline Safety Balancing Account and Noncore Gas Pipeline Safety Balancing Account on December 31, 2014 in the Annual Gas True-Up filing to be made before the end of 2014, in accordance with Ordering Paragraph 7 of Decision 12-12-030, and PG&E's Preliminary Statements CX and CY.

6.3. If a final decision approving this Agreement is not issued by the Commission by December 1, 2014, PG&E will perform the true-ups described in Section 6.2 above in the next available gas transportation rate change following Commission approval of this Agreement.

**VII.
EXECUTION**

IN WITNESS WHEREOF, the Settling Parties have duly executed this Agreement. This Agreement is executed in three counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the party represented.

<p>OFFICE OF RATEPAYER ADVOCATES</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: <u>Acting Director, Office of Ratepayer Advocates</u></p> <p>Date: _____</p>	<p>PACIFIC GAS & ELECTRIC COMPANY</p> <p>By:  _____</p> <p>Name: <u>Trina Horner</u></p> <p>Title: <u>Vice President, Regulatory Proceedings and Rates</u></p> <p>Date: <u>7/2/14</u></p>
<p>THE UTILITY REFORM NETWORK</p> <p>By: _____</p> <p>Name: _____</p> <p>Title: _____</p> <p>Date: _____</p>	

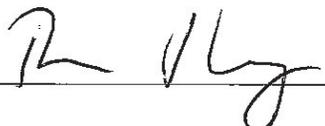
**VII.
EXECUTION**

IN WITNESS WHEREOF, the Settling Parties have duly executed this Agreement. This Agreement is executed in three counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the party represented.

<p>OFFICE OF RATEPAYER ADVOCATES</p> <p>By: <u>K Paul For Joe Como</u></p> <p>Name: <u>Joseph P. Como</u></p> <p>Title: <u>Acting Director, Office of Ratepayer Advocates</u></p> <p>Date: <u>7/23/14</u></p>	<p>PACIFIC GAS & ELECTRIC COMPANY</p> <p>By: _____</p> <p>Name: <u>Trina Horner</u></p> <p>Title: <u>Vice President, Regulatory Proceedings and Rates</u></p> <p>Date: _____</p>
<p>THE UTILITY REFORM NETWORK</p> <p>By: _____</p> <p>Name: <u>Thomas J. Long</u></p> <p>Title: <u>Legal Director, TURN</u></p> <p>Date: _____</p>	

**VII.
EXECUTION**

IN WITNESS WHEREOF, the Settling Parties have duly executed this Agreement. This Agreement is executed in three counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the party represented.

<p>OFFICE OF RATEPAYER ADVOCATES</p> <p>By: _____</p> <p>Name: <u>Joseph P. Como</u></p> <p>Title: <u>Acting Director, Office of Ratepayer Advocates</u></p> <p>Date: _____</p>	<p>PACIFIC GAS & ELECTRIC COMPANY</p> <p>By: _____</p> <p>Name: <u>Trina Horner</u></p> <p>Title: <u>Vice President, Regulatory Proceedings and Rates</u></p> <p>Date: _____</p>
<p>THE UTILITY REFORM NETWORK</p> <p>By: <u></u></p> <p>Name: <u>Thomas J. Long</u></p> <p>Title: <u>Legal Director, TURN</u></p> <p>Date: <u>7/23/14</u></p>	

Appendix 1

Table E-1
Pacific Gas and Electric Company
Implementation Plan Update Settlement Revenue Requirements
2011-2014

(\$ in thousands)

Line No.	Revenue Requirement	2011	2012	2013	2014	Total
1	Capital-Only Revenue Requirement	–	\$7,253	\$33,911	\$76,790	\$117,954
2	Expense-Only Revenue Requirement		\$79,399	\$58,981	\$50,697	\$189,077
3	Total	–	\$86,653	\$92,892	\$127,487	\$307,032
4	Disallowance of months in 2012		-\$83,804			
5	Decision Increase in Revenue Req.		\$2,849	\$92,892	\$127,487	<u><u>\$223,228</u></u>

Note - Disallowance based on effective date of decision

TABLE E-2 Program Expenses
PACIFIC GAS and ELECTRIC COMPANY
UPDATE SETTLEMENT EXPENSES (w/escalation adjustment)
(\$ IN MILLIONS)

Line No.	Description	2011(a)	2012(b)	2013	2014	Total
1	Pipeline Modernization Program	0.0	2.3	50.8	42.1	95.3
2	Valve Automation Program	0.0	0.1	3.0	3.6	6.7
3	Pipeline Records Integration Program	0.0	0.0	0.0	0.0	0.0
4	Interim Safety Enhancement Measure:	0.0	0.0	1.1	1.0	2.1
5	Program Management Office	0.0	0.1	3.3	3.2	6.6
6	Contingency	0.0	0.0	0.0	0.0	0.0
7	Total Expenses	\$0.0	\$2.6	\$58.2	\$50.0	\$110.8

Note: Differences due to rounding.

(a) The 2011 expenses will be funded by shareholders, as described in Chapter 8.

(b) The 2012 expenses will be funded by shareholders until effective date of decision.

TABLE E-3
PACIFIC GAS and ELECTRIC COMPANY
UPDATE SETTLEMENT CAPITAL Expenditures (w/escalation adjustment)
(\$ IN MILLIONS)

Line No.	Description	2011(a)	2012	2013	2014	Total
1	Pipeline Modernization Program	25.3	148.6	296.0	145.0	614.9
2	Valve Automation Program	13.7	38.9	51.6	24.8	129.0
3	Pipeline Records Integration Progr	0.0	0.0	0.0	0.0	0.0
4	Interim Safety Enhancement Meas	0.0	0.0	0.0	0.0	0.0
5	Program Management Office	3.0	6.5	6.5	6.3	22.3
6	Contingency	0.0	0.0	0.0	0.0	0.0
7	Total Capital Expenditures	\$42.0	\$194.0	\$354.1	\$176.0	\$766.2

Note: Differences due to rounding.

Note: Adopted Revenue Requirement includes 2011 and 2012 adjustments associated with authorized capital expenditures.

**Table E-4 - Update Settlement Combined Expense and Capital
w/Escalation Adjustment**

(\$ IN MILLIONS)

Line No.	Description	2011(a)	2012 (b)	2013	2014	Total
1	Pipeline Modernization Program	25.3	151.0	346.8	187.1	710.2
2	Valve Automation Program	13.7	39.0	54.6	28.4	135.7
3	Pipeline Records Integration Program	0.0	0.0	0.0	0.0	0.0
4	Interim Safety Enhancement Measures	0.0	0.0	1.1	1.0	2.1
5	Program Management Office	3.0	6.6	9.8	9.5	29.0
6	Contingency	0.0	0.0	0.0	0.0	0.0
7	Total Cost	\$42.0	\$196.6	\$412.3	\$226.0	\$877.0

Note: Differences due to rounding.

(a) The 2011 expenses will be funded by shareholders, as described in Chapter 8.

(b) The 2012 expenses will be funded by shareholders until effective date of decision.