

From: Cherry, Brian K
Sent: 10/6/2010 6:01:55 PM
To: 'pac@cpuc.ca.gov' (pac@cpuc.ca.gov)
Cc:
Bcc:
Subject: Fw: WSJ story
FYI

From: Foley, Beth
To: Bottorff, Thomas E; Cherry, Brian K; Williams, Geisha; Salas, Edward A (ET); Johnson, Kirk
Cc: Pruet, Greg S.; Loduca, Janet C.; Parnell, Renee
Sent: Wed Oct 06 18:00:58 2010
Subject: WSJ story

Below is the *Wall Street Journal* story for which Kirk was interviewed. This electronic version was just pushed out, which typically means that it will appear in the print version tomorrow.

Kirk's quotes are solid. Ed, Geisha and Kirk - we'd like to work with you on the facts the reporter included so we can confirm what areas to push back on when we reach out to Rebecca.

-bmf

By Rebecca Smith

(From THE WALL STREET JOURNAL)

California's natural-gas pipelines spring thousands of leaks each year and the state's gas utilities are cited for scores of safety violations.

But records show the companies rarely are hit with penalties authorized by state law, even when accidents kill or maim.

Concerns about safety in the system, and questions about enforcement, have flared since the Sept. 9 explosion of a pipeline owned by San Francisco-based PG&E Corp. The blowout and fire killed eight people, injured dozens and destroyed or badly damaged 55 homes in San Bruno, Calif.

The blast remains under investigation, and the cause hasn't been determined.

Federal law dictates how gas pipelines should be built and operated, but Washington delegates enforcement to 48 states, including California.

From 2004 through 2009, California's gas utilities tallied nearly 700 "probable violations" of federal or state pipeline-safety rules, from shoddy maintenance records to worker errors, according to state officials. During that period, the state assessed no penalties.

Richard Clark, head of the California Public Utility Commission's consumer protection and safety division, defends his agency's record. He said his pipeline-safety team uses "graduated enforcement," starting with a warning or citation, to deal with infractions. "If they correct it, that's as far as it goes," he said.

Mr. Clark said he must decide where to apply resources and that the commission has levied penalties totalling more than \$500 million since 1999, primarily on the electric side of the business.

Kirk Johnson, PG&E's vice president of gas transmission and distribution, said it would be "a mistake to suggest that a lack of fines equates to a lack of oversight." He said the state's system lets utilities and regulators spend more time fixing problems than fighting about them.

One measure of effectiveness is the number of incidents that must be reported to federal authorities, who get involved when an incident causes \$50,000 or more of property damage, injury requiring hospitalization, or death. Reportable incidents for California utilities have been trending upward, according to federal data, with nine in 2004, 10 in 2005, 18 in 2006, 16 in 2007, 25 in 2008 and 20 in 2009.

PG&E -- one of the largest U.S. gas-delivery companies in terms of customers -- tallied more such incidents from 2004 through the middle of this year than any other U.S. gas-pipeline operator, federal data show. PG&E's 56 incidents included nine explosions that together injured or killed at least 16 people.

Michael Peevey, president of the state utilities commission, said the number of PG&E incidents "suggests there may be more systemic problems with our pipelines."

"California being the largest state, by population, one would expect more enforcement action," said Brigham McCown, a Dallas attorney who is a former head of the federal agency that oversees pipeline safety.

Many probable violations are uncovered through audits of utility divisions, in which inspectors go through records, review corrosion-prevention plans and examine equipment in the field. In California, such audits are generally conducted once every two or three years.

The state has just nine pipeline inspectors to police more than 100,000 miles of gas mains and audit utilities, a figure Mr. Clark described as "stable" for the past decade. In the entire U.S., there are only about 300 state pipeline inspectors and 100 federal inspectors.

A 2008 state examination of PG&E records for the San Bruno area found several problems. U.S. Rep. Jackie Speier, a Democrat who represents the district, said it troubles her that the state commission rarely uses its penalty powers, which allow for fines of up to \$20,000 per incident per day. She said that if Washington delegates its duties, it is essential that "federal standards are being kept up and that there's some uniformity in

fines" among the states.

Mr. Clark said he looks for patterns of violations but hasn't seen any. From 2004 through 2009, PG&E was cited 411 times for unsafe practices in its gas operation, about six times as many as San Diego's Sempra Energy, which owns more pipeline.

Mr. Johnson said some accidents were out of PG&E's control, such as vehicles hitting gas meters and causing fires. But utilities are required to control many things, such as corrosion and repairs.

In July 2005, firefighters pulled shaken family members from a Los Altos home that was almost completely leveled by a gas explosion. An investigation pinned the blame on corrosion of a 1948 PG&E pipe, but no penalties were levied.

And in December 2008, a pipeline leak in Rancho Cordova caused an explosion that killed a man, destroyed his home and injured five people.

Federal investigators concluded the explosion could have been prevented if the pipe had been fixed correctly or if PG&E workers responded more quickly and capably to gas-leak complaints. Nearly two years later, the probe remains open.
