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To: Prosper, Terrie D. (terrie.prosper@cpuc.ca.gov)
Cc:
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Subject: CPUC Fines PG&E \$38 Million For Rancho Cordova Natural Gas Explosion:
CPUC Press Release

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RELEASE**

PRESS

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov
Docket #: I.10-11-013

CPUC FINES PG&E \$38 MILLION FOR RANCHO CORDOVA NATURAL GAS EXPLOSION

SAN FRANCISCO, December 1, 2011 - The California Public Utilities Commission (CPUC) today approved a \$38 million fine against Pacific Gas and Electric Company (PG&E) as a result of a natural gas explosion and fire that occurred on December 24, 2008, in Rancho Cordova, Calif., which resulted in one fatality, other injuries, and property damage.

The CPUC determined that PG&E violated safety laws in several respects in connection with the Rancho Cordova explosion, which was caused by natural gas leaking from a PG&E distribution pipeline. Violations include:

- The September 2006 installation of pipe at Paiute Way was pipe that was not authorized for gas service;
- The pipe used in the repair at Paiute Way was not pressure tested in the manner required by law prior to reinstating gas service;
- The wall thickness of the gas pipe installed in Elk Grove, Calif., in October 2006 was thinner than allowed by gas piping specifications;
- PG&E failed to follow its internal procedures with respect to its October 2006 discovery of the installation of gas pipe with wall thickness below specifications in Elk Grove;
- PG&E did not administer drug and alcohol tests after the Rancho Cordova explosion to all employees whose performance on December 24, 2008, under the

circumstances presented, could not be completely discounted as a contributing factor to the accident; and,

- PG&E's response to the neighborhood resident's December 24, 2008, telephone call reporting an outdoor gas leak odor on Paiute Way was unreasonably delayed and not effective.

A fine of \$26 million was previously submitted by the parties to this proceeding for consideration by the Administrative Law Judge. That fine was rejected and a larger fine was put forth by the judge.

Commissioner Timothy Alan Simon, the assigned Commissioner in this proceeding said, "I commend Administrative Law Judge Wong's decision that levies this penalty on PG&E for safety violations resulting in a tragic fatality and property damage. This decision sends a signal that California is taking a firm stand on integrity and safety in its gas distribution infrastructure. Today's decision is part of the CPUC's ongoing effort to set a high bar on California's distribution pipeline safety standards that will incentivize utilities to maintain effective pipeline safety, risk assessment, and response procedures."

"I support the \$38 million penalty and related stipulations," said Commissioner Catherine J.K. Sandoval. "It represents a strong reminder that safety and reliability of the natural gas system are of paramount importance to the CPUC and to the public interest. My deepest condolences to the family and community affected by this tragedy."

Added Commissioner Mark J. Ferron, "Today's decision not only fines PG&E for its culpability in this tragedy, but it also underscores that our role as a regulator is to expect and enforce a culture of safety. I cannot stress enough to PG&E management that safety must come before everything else; it must be paramount; it must be what everyone thinks about every day from the most senior executive to the worker in the field."

PG&E will not seek to recover from customers in rates any portion of the penalty and other costs associated with today's decision. The fine amount will be remitted to the state's General Fund.

The proposal voted on is available at
http://docs.cpuc.ca.gov/PUBLISHED/AGENDA_DECISION/153113.htm.

Information on the Rancho Cordova case is available at www.cpuc.ca.gov/PUC/Enforcement/pge08.htm.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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