

From: Bottorff, Thomas E
Sent: 6/12/2012 9:15:08 PM
To: 'Clanon, Paul' (paul.clanon@cpuc.ca.gov)
Cc: Cherry, Brian K (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=BKC7)
Bcc:
Subject: RE: Pa. PUC recommends \$386K fine against gas utility over deadly 2011 Allentown blast

We understand who the real victims are and don't include ourselves among them. We've already spent \$1.5 billion and are quickly heading towards \$2 billion. And we're prepared to spend more to keep the system safe. The question is: How much more is reasonable at shareholder expense?

From: Clanon, Paul [mailto:paul.clanon@cpuc.ca.gov]
Sent: Tuesday, June 12, 2012 8:57 PM
To: Bottorff, Thomas E
Cc: Cherry, Brian K
Subject: Re: Pa. PUC recommends \$386K fine against gas utility over deadly 2011 Allentown blast

Any victim mentality on the part of PG&E senior management or Board is seriously misplaced. San Bruno wasn't a one-off; it exposed decades of unsafe practices by a now-\$19 billion company. UGI is \$3 billion. The recommended penalty in PA is a statutory maximum; California holds itself and its utilities to a higher standard.

On Jun 12, 2012, at 8:27 PM, "Bottorff, Thomas E" <TEB3@pge.com> wrote:

Paul,

These are the stories that get the attention of our board and senior management. We have a meeting tomorrow with Tony and others, and I've been told to answer the question, "Why does the CPUC believe fines in the hundreds of millions are appropriate when other jurisdictions levy amounts far less?"

I will probably give my typical response that California's different, but it won't be persuasive.

Tom

From: Clanon, Paul [<mailto:paul.clanon@cpuc.ca.gov>]
Sent: Tuesday, June 12, 2012 2:44 PM
To: Bottorff, Thomas E; Cherry, Brian K
Subject: FW: Pa. PUC recommends \$386K fine against gas utility over deadly 2011 Allentown blast

Different world, huh?

Investigators with the Pennsylvania Public Utility Commission on Monday recommended that a natural gas utility be ordered to pay a \$386,000 fine and take a series of corrective measures following an explosion in Allentown that killed five people.

PUC investigators said following a 16-month investigation that Reading-based UGI Utilities Inc. failed to heed warning signs about the integrity of its 80-year-old cast-iron mains and then, after the explosion, failed to follow its own emergency protocols.

The company can challenge the investigatory findings and recommendations before an administrative law judge and said it "looks forward to the opportunity to present its position in the appropriate forum."

The Feb. 9, 2011 explosion destroyed eight homes and triggered a raging fire. The PUC complaint traced the source of the gas that led to the explosion to a cracked, corroded 12-inch cast-iron main installed in 1928. The complaint said that UGI did not respond to "ample warning signs" about the pipe's integrity and has not moved quickly enough to replace Allentown's decades-old network of cast-iron gas pipelines despite two earlier deadly explosions, in 1976 and 1990.

Investigators also noted that UGI did not receive any calls about a gas odor in the hours before the 2011 explosion, evidence that it failed to maintain adequate levels of Mercaptan, the chemical odorant added to natural gas to give it its distinctive rotten-egg smell.

The PUC's Bureau of Investigation and Enforcement recommended that UGI change the procedure it uses to monitor odorant levels, and to finish replacing all of its cast-iron pipelines within 10 years.

UGI, in a statement after the complaint was filed, said that it routinely monitors the gas in its distribution system to make sure it is odorized, and "regularly checks its system to ensure safe operation and system integrity." The company said it has spent nearly \$300 million since 1995 to replace infrastructure throughout its network and plans to remove all cast iron within 20 years.

UGI has already settled a wrongful death claim filed by the estate of a couple in their 70s. The three other victims died in a neighboring home.

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