From: Hagan, Jack (Brigadier General – CA
Sent: 5/7/2013 10:10:35 PM
To: Doll, Laura (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=LRDD)
Cc:
Bcc:
Subject: RE: MN, SFC - Editorials - PG&E Deserves PUC's $2.25 Billion Penalty

That was a great article.

I will be sending over a letter asking you all to document all the Share Holder and Rate payer money you have spent on Safety since San Bruno by catagorey and project. This includes PSEP and Non PSEP. We can discuss this more on Thursday.

Brigadier General (CA) Emory J. Hagan, III

Director

Safety and Enforcement Division

California Public Utilities Commission

505 Van Ness Avenue

San Francisco, CA 94102

(916) 267-7201 Mobile

ejh@cpuc.ca.gov

"No one dies on my watch!"

"No better friend - no worse enemy!"

Effective 1 Jan 2013, Consumer Protection and Safety Division (PCSD) will become the "Safety and Enforcement Division" (SED)

From: Doll, Laura [LRDD@pge.com]
Sent: Tuesday, May 07, 2013 21:04
To: ejhagan@sbcglobal.net; Hagan, Jack (Brigadier General – CA)
Subject: Fw: MN, SFC - Editorials - PG&E Deserves PUC's $2.25 Billion Penalty

From: News Flash
Sent: Tuesday, May 07, 2013 07:01 PM
To: Newsflash-Allnews

Subject: MN, SFC - Editorials - PG&E Deserves PUC's $2.25 Billion Penalty

The *Mercury News* and the *San Francisco Chronicle* published editorials on the recommended fines for the San Bruno accident.

PG&E Deserves PUC's $2.25 Billion Penalty

Mercury News – Editorial, May 7, 2013

http://www.mercurynews.com/opinion/ci_23190936/mercury-news-editorial-pg-e-deserves-pucs-2

For the first time since the 2010 San Bruno gas pipeline disaster, the California Public Utilities Commission appears poised to step up and do the right thing.

The PUC's staff recommended Monday that PG&E pay a whopping $2.25 billion penalty for its role in the explosion and that shareholders should pay those costs. The proposed penalty is nearly identical to the amount Overland Consulting, in a 2011 audit, indicated PG&E could absorb without impacting ratepayers.

The proposal is subject to a final vote by the five PUC commissioners, and given PUC President Michael Peevey's cozy relationship with PG&E, anything remains possible. **PG&E's new CEO, Tony Earley**, is already lobbying for a lesser amount, calling the penalty excessive and "far exceeding anything that I have seen in my 30 years in the industry."

Gov. Jerry Brown, the Legislature and ratepayers must hold the PUC commissioners' feet to the fire. The regulatory agency needs to follow through on its staff's recommendation.

Earley's claim that the penalty is extreme is embarrassing. PG&E remains unwilling to acknowledge full responsibility for its gross incompetence.

Eight people died in the San Bruno gas pipeline tragedy. Fifty-eight people were injured, and 38 homes were destroyed. Investigation after investigation showed PG&E for years has been putting profits before safety.

The utility repeatedly failed to properly install and test gas pipelines throughout its system, including the San Bruno pipeline. Instead, it took the ratepayer money that was designated for that purpose and used it for management bonuses and to embellish its profits. In the three years before the San Bruno blast, according to the Overland report, PG&E spent more than $150 million on an executive incentive plan that has been criticized for encouraging staffers to ignore significant safety issues.

Following the San Bruno blast, PG&E continues to rack up more than $1 billion a year in annual profits. The PUC staff clearly believes -- with ample reason -- that the utility has the capacity to handle the penalties without going to ratepayers.

The only real question for the staff was whether the money should go directly to the state's general fund or be plowed back into the utility's fund to improve its gas pipeline system. The PUC proposes allocating the money for improvements because if it doesn't, PG&E will likely charge ratepayers for work they already paid for once, even though it never got done. This way shareholders will be paying those costs, as they should.

Trust in PG&E and the PUC is all but non-existent after decades of gross mismanagement of both. PG&E's insistence that ratepayers pay the price of the utility's incompetence remains a black mark on its integrity. For the PUC, its staff proposal to hold PG&E responsible for its actions could be a good first step in the commission's long road back to respectability, if the utility-friendly commissioners approve it.

The Right Course for PG&E's 'Penalty'

San Francisco Chronicle – Editorial, May 8, 2013 http://www.sfchronicle.com/opinion/editorials/article/The-right-course-for-PG-amp-E-s-penalty-4496503.php

It seems rather odd to even call it a "penalty." The Consumer Protection and Safety Division of the California Public Utilities Commission is recommending that the "punishment" for Pacific Gas and Electric Co.'s decades of insufficient attention to safety should be to spend $2.25 billion to do what it should have been doing all along.

Still, this is the right course of action. The dollars are significant, and they will be directed exactly at where they are needed: toward safety enhancements that should greatly reduce the chances of a repetition of the September 2010 pipeline disaster in San Bruno that left eight people dead, dozens injured and 38 homes destroyed.

This "penalty," immediately cited as the largest against a utility in U.S. history, will ensure that PG&E will continue investing heavily in making its system the state of the art in pipeline safety. It will allow the utility to receive credit for the more than $1 billion it has spent or committed for safety upgrades, which is reasonable.

Most important, the PUC is recommending that the money come out from shareholders, not ratepayers - in that sense, the order does amount to a penalty.

The scale of the forced commitment also is appropriate. It matches the figure an independent consultant calculated that PG&E shareholders could absorb without putting the utility in danger of bankruptcy.

As much as some PG&E critics might want to punish the utility by hitting it with a fine - in which the money would go into the state general fund, where it could be spent on schools, prisons, social programs and other everyday government expenses - the public interest and the memory of the San Bruno victims are better served by dedicating the money to pipeline safety.

Also, it's important to note that PG&E's financial exposure from the pipeline disaster does not begin or end here. It still could be liable for civil penalties that easily could run into the hundreds of millions.

The recommendation involves serious money for serious breaches of the public trust. PG&E's transgressions include maintaining an unsafe pipeline system, keeping incomplete records and responding inadequately on the night of the blast. It took PG&E 95 minutes to shut off the gas that was spewing from the broken pipeline.

Two administrative law judges overseeing the PG&E case are now expected to review the recommendation and make their own finding on how much the utility should be penalized. The final decision will be made by the five appointees on the state Public Utilities Commission.

Tony Earley, PG&E's chief executive officer, said he agreed with the recommendation to direct the penalty money to safety, but "the numbers are just too big" in comparison to fines for other utility disasters. His concern: The liability might make it hard for PG&E to attract investors.

But if PG&E truly is committed to safety, this major investment should be considered an essential cost of doing business. State regulators should insist on it.