

From: Prosper, Terrie D.
Sent: 7/30/2013 6:53:59 PM
To: Doll, Laura (/O=PG&E/OU=CORPORATE/CN=RECIPIENTS/CN=LRDD)
Cc:
Bcc:
Subject: RE: Upcoming Mercury News Articles - "PG&E's Top Boss Acknowledges Utility's Guilt in San Bruno Blast but Balks at Proposed Penalty"

Thank you!

From: Doll, Laura [mailto:LRDD@pge.com]
Sent: Tuesday, July 30, 2013 6:53 PM
To: Clanon, Paul; Prosper, Terrie D.
Subject: FW: Upcoming Mercury News Articles - "PG&E's Top Boss Acknowledges Utility's Guilt in San Bruno Blast but Balks at Proposed Penalty"

FYI – out tomorrow

http://www.mercurynews.com/business/ci_23763771/pg-es-top-boss-acknowledges-utilitys-guilt-san?source=email

PG&E's Top Boss Acknowledges Utility's Guilt in San Bruno Blast but Balks at Proposed Penalty

By George Avalos and Paul Rogers

Posted: 07/30/2013 06:11:00 PM PDT

Updated: 07/30/2013 06:11:02 PM PDT

SAN JOSE -- PG&E's top boss agrees the utility should be punished for its role in the lethal gas explosion in San Bruno but thinks the \$2.25 billion penalty recommended by the staff of the state Public Utility Commission earlier this month is excessive, he told this newspaper Tuesday in an exclusive interview.

Yet CEO Anthony Earley, who joined PG&E after the blast, said his company is eager to put the San Bruno catastrophe behind it, and indicated the utility is unlikely to launch a lengthy appeal once the PUC rules on the penalty. A ruling is expected before the end of the year.

"The company deserves some sort of a punishment for what was a huge human tragedy," Earley said in his first public comments on the PUC recommendation. But he added: "I just want to get this behind us from a regulatory standpoint. I'm more interested in the future. I don't want to spend a lot of time arguing with the past."

Earley insisted that the proposed \$2.25 billion penalty, which includes an unprecedented \$300 million fine, would in fact cost the utility about \$4 billion because it would prevent the utility from receiving a credit for safety improvements already made to its gas pipeline in the wake of the 2010 explosion, which killed eight people, injured 58 and destroyed 38 homes.

While disinclined to challenge the final penalty, Earley said PG&E may do so if the punishment is so onerous that it would seriously damage the utility's standing among shareholders and investors.

"If we get indications from Wall Street that we simply cannot raise capital, we may be forced into an appeal," Earley said. "An appeal would be a last resort. I do not want to go down that path."

Earley also discussed other topics, including hydraulic fracturing, or "fracking," the controversial practice of injecting water and chemicals into the ground at high pressure to crack underground rock formations to release oil and gas.

Earley said the spread of fracking has helped keep natural gas prices low, which has benefited PG&E customers. But the oil and gas industry is going to have to accept tougher regulations to win wider public acceptance, he said, including disclosing the chemicals it uses and testing groundwater before and after wells are fracked.

"I think we ought to be totally transparent about it," said Earley. "I think we ought to have stringent drilling regulations so that everybody's comfortable."

PG&E itself does not engage in fracking, but as California's largest utility, serving 15 million people from Bakersfield to the Oregon border, it is a huge consumer of natural gas, and influential in the U.S. energy industry.

The utility's concerns about the proposed penalty for the San Bruno blast drew harsh responses from critics such as state Sen. Jerry Hill, whose legislative district includes San Bruno.

"PG&E will do what serves its interests," Hill said. "What PG&E wants and what is fair are two different things. What I have struggled with in the nearly three years since the explosion is PG&E says they will do one thing, but then they do something else."

Hill complained of "a disconnect between PG&E's legal department and the company's moral compass. They need to bring those two into sync."

Mindy Spatt, a spokeswoman for The Utility Reform Network, a consumer group that often intervenes in utility cases at the PUC, said it is appropriate for punishments to be painful.

"PG&E has the position that they don't want to pay anything that hurts," Spatt said. "But PG&E should be held accountable. And sometimes accountability hurts. It's time for PG&E to put its money where its mouth is."

Since the blast, PG&E has spent or pledged to spend \$2.21 billion for upgrades and repairs to its natural gas system. The remedies include high-pressure pipeline tests, installations of automatic valves and other projects.

And the company is preparing to open in San Ramon a gas control complex that will become a state-of-the-art nerve center for its vast natural gas system.

"Whether the total penalty is \$2 billion, or \$3 billion, or \$4 billion, it's not going to change the work we are doing," Earley said. "We are going as fast as we can. We are doing as much work as we can."

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