

From: Cherry, Brian K
Sent: 4/2/2014 6:07:59 AM
To: Michel Peter Florio (MichelPeter.Florio@cpuc.ca.gov)
Cc:
Bcc:
Subject: Fwd: Federal Indictment - Note from Tony Earley and Chris Johns
FYI

Brian K. Cherry
PG&E Company
VP, Regulatory Relations
77 Beale Street
San Francisco, CA. 94105
(415) 973-4977

Begin forwarded message:

From: "Cheng, Linda Y H" <LYC1@pge.com>
Date: April 1, 2014 at 10:26:32 PM PDT
To: Officers - All <AllPGEOfficers@exchange.pge.com>
Subject: Federal Indictment - Note from Tony Earley and Chris Johns

Officers: I'm sending the following note on behalf of Tony and Chris. It contains additional information regarding the charges filed today by the U.S. Attorney's Office.

Linda

Officers:

As expected, the grand jury returned an indictment against Pacific Gas and Electric Company this afternoon. The indictment is 19 pages and alleges 12 counts of felony violations of the Pipeline Safety Act (49 U.S.C. Section 60123) for knowing and willful violations of several federal pipeline regulations relating to integrity management and recordkeeping. It is a technical and bare-bones document. The charges include:

- one count of failure to gather and integrate existing data and

information (49 C.F.R. Section 192.917(b)) relating to **Line 132**;

- one count of failure to maintain repair records (49 C.F.R. Section 192.709(a)) relating to **Line 132**;
- three counts of failure to identify and evaluate potential threats (49 C.F.R. Section 192.917(a)) relating to **Lines 132 and 153** (in Alameda County), and **Distribution Feeder Main (DFM) 1816-01** (in Santa Cruz County);
- three counts of failure to include all potential threats in the baseline assessment plan and failure to select the most suitable method to assess all potential threats (49 C.F.R. Section 192.919) relating to **Lines 132 and 153, and DFM 1816-01**;
- three counts of failure to prioritize segments as high risk for baseline assessment or reassessment after a changed circumstance rendered manufacturing threats unstable (49 C.F.R. Section 192.917(e)(3)) relating to **Lines 132 and 153, and DFM 1816-01**; and
- one count of failure to prioritize segments as high risk for a baseline assessment or reassessment after a changed circumstance rendered manufacturing threats unstable, and failure to analyze to determine risk of failure from such manufacturing threats (49 C.F.R. Section 192.917(e)(4)) relating to **DFM 1816-01**.

The indictment seeks monetary penalties of \$6 million, or \$500,000 per count, which is the maximum penalty allowed under the statute (the indictment also includes a special assessment of \$400 per count, amounting to \$4,800). The indictment makes no mention of a fine under the Alternative Fines Act. It also makes no mention of a monitor.

The indictment was filed in the Northern District of California in San Francisco. Arraignment is currently scheduled for April 9, 2014 before Magistrate Judge Spero. Our counsel will enter a not-guilty plea at this hearing.

The case is assigned to the Honorable Thelton E. Henderson, who is a senior judge nominated to the federal bench in 1980 by President Jimmy Carter. Prior to becoming a judge, he was a U.S. Army Corporal, attorney in the DOJ Civil Rights Division in the 1960s, assistant dean at Stanford Law School, and attorney in private practice. Judge Henderson is particularly well known for his work as a civil rights attorney, and more recently for a lawsuit regarding misconduct in the Oakland Police Department. He is currently overseeing a monitor of the Oakland PD in that case. He is also the subject of a documentary titled "Soul of Justice." We believe he is an experienced and capable federal judge with a good reputation. We can expect Judge Henderson to schedule a status conference at some point after the arraignment.

If you have any questions, please feel free to call either of us or Hyun. Thank you for all your support.

Tony and Chris