

From: Doll, Laura  
Sent: 7/30/2014 3:15:37 PM  
To: Terrie D.' Prosper (terrie.prosper@cpuc.ca.gov) (terrie.prosper@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: FW: NEWS: PG&E accused of obstructing justice in San Bruno blast probe by US Attorney--New Indictments; Editorials call for Ouster of CPUC President Peevey

**From:** Sam Singer [mailto:singer@singersf.com]  
**Sent:** Wednesday, July 30, 2014 10:44 AM  
**To:** Sam Singer  
**Subject:** NEWS: PG&E accused of obstructing justice in San Bruno blast probe by US Attorney--New Indictments; Editorials call for Ouster of CPUC President Peevey  
**Importance:** High

1. *Mercury News editorial: PUC president's unethical behavior laid bare*

Mercury News Editorial, San Jose Mercury News – July 29, 2014

2. *Gov. Brown must show PUC President Mike Peevey the door*

Editorial, SF Chronicle – July 29, 2014

3. *PG&E accused of obstructing justice in San Bruno blast probe*

By Jaxon Van Derbeken, SF Gate – July 29, 2014

4. *PG&E Charged With Obstructing Investigation, Breaking Safety Rules*

By Cassandra Sweet, Wall Street Journal – July 29, 2014

5. *PG&E lied to regulators after San Bruno blast, new indictment alleges*

By Ryan Parker, Los Angeles Times – July 29, 2014

6. *PG&E May Face \$1.1 Billion U.S. Fine for Pipeline Blast*

By Mark Chediak and Karen Gullo, Bloomberg – July 29, 2014

7. *Pacific Gas & Electric charged with obstruction in connection with fatal San Bruno explosion*

By Paul Elias (AP), U.S. News & World Report – July 29, 2014

*(Also in The Washington Post, SF Chronicle, SF Examiner, SF Guardian, Huffington Post, Modesto Bee, ABC News, Fox News, CBS News, KTVU-TV Oakland, CBS Sacramento, MSN Money, KSN-TV Kansas, WSB-TV Atlanta, WFTV Orlando, KSL-TV Utah, KXAS-TV Dallas, KIRO-TV Washington, KSAZ-TV Phoenix, Palm Beach Post, Houston Chronicle, Northwest Cable News, WSET-TV Virginia, WAWS-TV Florida, WVTM Birmingham, WHEC Rochester, Port Huron Times Herald, The Monitor, San Antonio Express, Atlanta Journal, Milton Daily Journal, KSTP-TV Minnesota, Sioux City Journal, Idaho State Journal).*

8. *PG&E hit with new federal felony charges in San Bruno explosion*

By George Avalos, San Jose Mercury News – July 29, 2014

9. *Deadly San Bruno pipeline blast keeps reverberating*

By Tom Vacar, KTVU – July 29, 2014

10. *PG&E Faces \$1B Indictment In Pipeline Blast Case*

By Michael Lipkin, Law360 – July 29, 2014

11. *Expanded indictment for PG&E: Utility accused of obstructing justice in San Bruno probe*

By Julia Cheever, San Mateo Daily Journal – July 30, 2014

*(Also on The San Francisco Appeal, KTVU, Energy Global)*

12. *PG&E faces new criminal charges over fatal 2010 pipeline explosion*

By Sarah Drake, Silicon Valley Business Journal – July 30, 2014

13. *Utility charged with obstruction in 2010 Calif. Pipeline blast*

By Timothy Cama, The Hill – July 30, 2014

14. *PG&E Charged With Obstruction of Probe Into Deadly San Bruno Explosion*

By KPIX Staff, CBS SF Bay Area (KPIX) – July 29, 2014

*(Also on KQED News)*

15. *PG&E Hit With Federal Felony Charges in San Bruno Explosion*

By Forum Staff, KQED Forum – July 30, 2014

16. *San Bruno Officials: Emails Prove Collusion Between PG&E, Regulator*

By Sara Hossaini, The California Report – July 29, 2014

17. *Tuesday Must Reads: San Bruno Mayor Calls for CPUC Ouster in PG&E Scandal; EBMUD and East Bay Cities Agree to \$1.5 Billion in Sewer Line Upgrades*

By Robert Gammon, East Bay Express – July 29, 2014

18. *PG&E charged with obstruction of justice in 2010 explosion investigation: Prosecutors say the company attempted to mislead National Transportation Safety Board investigators*

By Zach Warren, Inside Counsel – July 30, 2014

19. *Feds Say PG&E Obstructed San Bruno Probe*

By Arvin Temkar, Courthouse News – July 30, 2014

20. *City: Emails show 'cozy' ties of PG&E, regulator*

By Garance Burke (AP), Huffington Post – July 28, 2014

*(Also in Bloomberg Business Week, Salon, KQED News, KOB-TV New Mexico, Houston Chronicle, Modesto Bee, KSL-TV Utah, Fresno Bee, ABC News, WTVA-TV Mississippi, Philly.com, KOST 103.5 FM, New Jersey Herald, WCF Courier, Winona Daily News, WXXV Mississippi, Ledger Independent, Lexington Dispatch, NBC Monterey, Texas Valley Morning Star).*

-----

1. *Mercury News editorial: PUC president's unethical behavior laid bare*

Mercury News Editorial, San Jose Mercury News – July 29, 2014

We knew Michael Peevey was PG&E's biggest ally in fending off accountability for the deadly San Bruno explosion. We knew the president of the California Public Utility Commission placed his cozy relationship with the utility above any responsibility to the public. We've been calling for his head for three years.

But now, thanks to the Public Records Act, there's proof of where Peevey's loyalty lies. Emails between PUC officials and PG&E executives released Monday lay bare the extent of Peevey's attempts to protect PG&E.

The state Attorney General and the federal Department of Justice should immediately open investigations into the connection between Peevey and the utility. At a minimum, the conduct

appears to violate the PUC's own rules. The public trust, already worn thin, is in tatters.

And if Gov. Jerry Brown persists in backing his outrageously unethical appointee, he might as well change the name to the Pro Utility Commission.

As PUC head, Peevey's job is to regulate PG&E. He should have thrown the book at the utility for negligence in the 2010 pipeline explosion in San Bruno that killed eight people, injured 66 and destroyed 38 homes. Instead, the emails show, he has been the utility's faithful friend.

If Brown fails to act, Attorney General Kamala Harris should demand that Peevey remove himself from consideration of any fine for PG&E. In fact, at this point, the only way a penalty will be credible is if the process starts over with an outside arbiter.

How solid is the evidence of Peevey's priorities? Take this email exchange with Brian Cherry, PG&E's vice president for regulatory relations.

Cherry sent Peevey a note outlining PG&E CEO Anthony Earley's plans to accept liability for the explosion. Peevey responds:

"One comment: PG&E's decision to issue a press release anticipating all this meant that the public got to read two big stories rather than one. I think this was inept."

Instead of riding herd on PG&E, Peevey was offering PR advice.

But our favorite was from PG&E executive Laura Doll to Peevey's chief of staff, Carol Brown, in the midst of April 2013 legal proceedings about a safety seminar the commission was planning. It said: "Love you. Thanks."

The emails show a PUC happy to intervene on the utility's behalf during the hearings on gas pipeline safety. They also show that the PUC shared PG&E's concerns that a potential \$2.25 billion fine would hurt its bottom line.

U.S. Rep. Jackie Speier, whose district includes San Bruno, on Monday joined the chorus of government officials including state Sen. Jerry Hill, the San Bruno City Council and the San Mateo County Board of Supervisors demanding Peevey's ouster. Others should speak out.

Brown has resisted pressure for years, but surely these revelations should move him. The PUC's credibility is shot, and the president is an embarrassment to the state -- and to the governor.

2. *Gov. Brown must show PUC President Mike Peevey the door*

Opinion, SF Chronicle – July 29, 2014

Gov. Jerry Brown had ample cause to remove Michael Peevey as president of the California Public Utilities Commission even before the disclosure of e-mails that underscored the coziness between state regulators and Pacific Gas and Electric Co.

How much more evidence does the governor need that something is terribly amiss: How about that e-mail from Peevey's chief of staff offering advice to PG&E on how to stonewall a public information request about the commission's work?

Still not convinced, Governor?

How about the PG&E official's e-mail response to the regulator: "love you"?

And just to be clear: The pattern of e-mails suggests that exchange was not an isolated case of a staff member gone rogue. Peevey himself was offering PG&E public relations advice. In an e-mail earlier this year, Peevey told a PG&E executive that the utility was "inept" in its pre-emptive rollout of the news that it was about to be indicted on federal criminal charges in connection with the 2010 pipeline explosion that killed eight people and destroyed 38 homes.

As Rep. Jackie Speier, D-Hillsborough, said: "If Mike Peevey wants to be a consultant to PG&E, then he should resign."

Peevey, whose term expires at year's end, has shown no inclination to step down. Nor has he demonstrated recognition of the need to create a culture of impeccable independence and accountability.

Peevey's obliviousness has been evident in everything from his attempt to raise money for a foundation to benefit commission employees - with utilities they're supposed to regulate buying tables at the event for \$20,000 each - to his self-appointment as overseer of the PG&E penalty process. The National Transportation Safety Board investigation of the San Bruno disaster was highly critical of the commission's oversight of PG&E during Peevey's tenure.

The love notes and strategic chatter between the commission and PG&E were, at minimum, highly inappropriate. They may have violated laws against such back-channel communications. Compounding the breach of trust is evidence that regulator and utility were plotting to suppress public information.

We realize that Peevey has friends in high places and is widely respected for his knowledge of the industry. Still, he is the wrong person for this job. It's past time for the governor to replace him.

Governor, do your job

Gov. Jerry Brown has authority to remove Michael Peevey as president of the California Public Utilities Commission. Urge him to do so. E-mail: [governor@governor.ca.gov](mailto:governor@governor.ca.gov)

Governor, do your job

Gov. Jerry Brown has the authority to remove Michael Peevey as president of the California Public Utilities Commission. Urge him to do so. E-mail: [governor@governor.ca.gov](mailto:governor@governor.ca.gov)

3. *PG&E accused of obstructing justice in San Bruno blast probe*

By Jaxon Van Derbeken, SF Gate – July 29, 2014

A federal grand jury indicted Pacific Gas and Electric Co. on Tuesday on a total of 28 counts stemming from the San Bruno natural-gas explosion, including a charge that the company lied when it denied it had an official policy of ignoring federal law requiring pipeline inspections.

The indictment, which replaces one that the same grand jury issued in April, does not charge any individual PG&E employees with wrongdoing. But it vastly increases the financial penalty the company could face in connection with the September 2010 blast that killed eight people and destroyed 38 homes.

The company was originally charged with a dozen violations of the federal Pipeline Safety Act, punishable by a total of \$6 million in fines. The superseding indictment unsealed Tuesday in San Francisco means the utility could be punished by fines of as much as \$1.3 billion, based on its profit associated with the alleged criminal conduct. That would be on top of \$2.5 billion in possible penalties associated with state regulatory violations.

In all, PG&E is now accused of one count of obstruction of justice, for allegedly lying to National Transportation Safety Board investigators after the blast, and 27 counts of violating the Pipeline Safety Act.

PG&E officials issued a statement saying they had not seen the new indictment, but that "based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide



customers with safe and reliable energy."

The company had pleaded not guilty to the earlier charges. It will have to enter a new plea to the superseding indictment.

#### More pipelines involved

The new charges add three natural-gas pipelines to the total that PG&E allegedly operated illegally under the Pipeline Safety Act, bringing the number to six.

The San Bruno pipeline was one of the six, federal prosecutors say. On several of the lines, PG&E relied on its own rules that it had substituted for federal regulations that require utilities to check gas pipes for damage after pressure surges occur, prosecutors say. Such surges can cause cracks in welds that hold pipelines together.

It was a cracked weld that ruptured on a transmission pipeline in San Bruno, triggering the explosion that devastated the Crestmoor neighborhood.

The San Bruno pipeline was among those where PG&E had failed to check for damage after gas-pressure surges over the years, the new indictment says.

Four of the other five pipelines cited in the indictment are also in the Bay Area - one that parallels the San Bruno line up the Peninsula, one running from Oakland to Fremont, one through central and eastern Contra Costa County and the fourth from Milpitas to near Livermore. The other pipeline cited in the indictment runs from Aptos (Santa Cruz County) to Santa Cruz.

#### PG&E's rules

Using company e-mails and other documents, prosecutors say PG&E told its engineers as early as 2009 that they needed to inspect pipelines for damage only when pressure surged 10 percent above federally allowed levels. Federal law specifies, however, that any pressure surge above

allowable levels must result in a test for damage.

PG&E never disclosed its policy to regulators before the San Bruno explosion, the indictment says.

In March 2011, The Chronicle reported that PG&E had given federal officials a policy document that asserted it did not have to comply with the gas-pressure regulations. A month later, PG&E executives said the policy document had been a draft and was never in effect.

"We have no indication that it was ever approved," PG&E gas official William Hayes said of the policy in an April 6, 2011, letter to National Transportation Safety Board investigators.

The indictment says that denial was an obstruction of justice. It says investigators turned up records that showed PG&E repeatedly used the policy to avoid testing lines like the one that exploded in San Bruno.

Had PG&E heeded the federal rules, the company would have had to use costly methods to check for pipeline damage such as testing with high-pressure water or running automated devices through lines. Instead, PG&E heavily relied on an above-ground method approved only to check for corrosion, not weld cracks, and did so only during regularly scheduled testing, not after pressure surges.

In his 2011 letter, Hayes acknowledged that PG&E had avoided inspecting some lines where pipeline pressure exceeded federal limits. PG&E records given to federal investigators show at least a half dozen times where pressure surged on various lines, but the utility failed to order tests for weld damage.

The 27 counts against PG&E related to the Pipeline Safety Act deal with the same six gas pipelines. They allege that the company failed to keep proper records and failed to properly assess and test for safety problems on the lines.

'Pattern of deceit'

San Bruno Mayor Jim Ruane issued a statement saying the new charges "demonstrate a pattern of deceit by PG&E. ... Multiple investigations found PG&E's tragic explosion to be entirely man-made and the result of its willful decision to divert pipeline safety funds and use them for executive compensation and shareholder returns for many decades."

In their statement, PG&E officials said they were "absolutely committed to re-earning the trust of all of the people we are fortunate to serve every day."

They added, "We are confident the legal process will ensure all of the facts are fully reviewed. In the meantime, we want all of our customers to know that we will stay focused on transforming this 100-plus-year-old natural gas system into the safest and most reliable in the country."

They noted that the company has spent \$2.7 billion of shareholders' money on pipeline safety and improvement efforts since the San Bruno explosion.

#### 4. *PG&E Charged With Obstructing Investigation, Breaking Safety Rules*

By Cassandra Sweet, Wall Street Journal – July 29, 2014

A federal grand jury added charges late Tuesday to a criminal case against PG&E Corp. PCG - 1.22% over a fatal natural-gas pipeline explosion in San Bruno, Calif., in 2010.

The grand jury charged the company's utility, Pacific Gas & Electric Co., with obstructing the federal government's investigation of the explosion and charged the utility with 27 new counts of knowingly and willingly violating the federal Pipeline Safety Act. Those charges involve allegedly failing to fix problems with record keeping and improperly handling threats to pipelines.

"We do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith," PG&E said in a statement.

The charges were added to a criminal case that federal and state prosecutors filed in April against the San Francisco-based utility. That indictment included 12 separate charges of failing to maintain important pipeline records and allegedly ignoring aging sections of the pipeline—one of which eventually exploded—over several years, despite federal requirements.

The utility also is accused by federal and state prosecutors of relying on inaccurate and incomplete information to make important decisions about the pipeline's operation, and for failing to identify potential defects in the aging pipeline.

Prosecutors alleged PG&E's violations resulted in gains for the utility of \$281 million, while victims of the pipeline blast suffered losses of about \$565 million.

The charges stem from the Sept. 9, 2010, explosion of a high-pressure gas pipeline in San Bruno that killed eight people, injured dozens of others, and caused fires that damaged or destroyed more than 100 homes. Federal investigators blamed PG&E for the rupture that caused the explosion and faulted the utility for losing critical pipeline records, neglecting its aging pipeline system and operating the San Bruno pipeline in an unsafe manner.

PG&E in April pleaded not guilty to criminal charges that the company knowingly broke federal safety rules before the explosion and denied that any employee intentionally violated safety regulations, but said, "San Bruno was a tragic accident and we're accountable for that."

The maximum statutory penalty for each count for a corporation is \$500,000 or a fine based on twice the gain PG&E made as a result of the violations, or twice the losses suffered by the victims, according to the U.S. Department of Justice. PG&E is scheduled to appear Aug. 18 before a federal district judge.

5. *PG&E lied to regulators after San Bruno blast, new indictment alleges*

By Ryan Parker, Los Angeles Times – July 29, 2014

Pacific Gas & Electric was charged Tuesday with lying to regulators during the immediate aftermath of the deadly 2010 pipeline explosion that killed eight people and ravaged a San Bruno, Calif., neighborhood.

The new indictment includes obstruction charges related to what the company said about its records immediately after the incident, according to a release from the Northern District of California U.S. attorney's office. The filing comes three months after an April indictment claimed that PG&E violated federal pipeline safety laws.

The additional charges in the new indictment create the possibility of more than \$1 billion in fines, the Associated Press reported.

In addition to the obstruction, PG&E allegedly “failed to address record-keeping deficiencies concerning its larger natural gas pipelines knowing that their records were inaccurate or incomplete,” according to the release. In addition, the company is accused of not properly investigating threats to pipelines when they were identified.

According to the AP, the utility had announced in June it was expecting additional charges to be filed.

"However, based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy," a spokesman told the AP in a statement.

On Monday, San Bruno city officials alleged regulators and the utility improperly

communicated in the aftermath of the explosion.

6. *PG&E May Face \$1.1 Billion U.S. Fine for Pipeline Blast*

By Mark Chediak and Karen Gullo, Bloomberg – July 29, 2014

PG&E Corp. (PCG)'s utility was accused of obstructing a federal probe and faces a potential fine of as much as \$1.13 billion on new charges over a 2010 natural gas pipeline explosion that killed eight people in a San Francisco suburb, prosecutors said.

In addition to obstruction, Pacific Gas & Electric Co. was charged with 27 counts of “knowingly and willfully” violating the Natural Gas Pipeline Safety Act in a revised indictment, according to a statement yesterday from the U.S. Attorney in San Francisco.

“These are serious allegations,” said Paul Patterson, a New York-based analyst for Glenrock Associates LLC. “I cannot think of a comparable situation in the 20 years that I have followed the utility industry.”

PG&E said yesterday in an e-mailed statement that it hadn't seen the latest version of the indictment. The company said it doesn't “believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy.”

PG&E fell 3 cents to \$46.57 at 10:18 a.m. in New York trading. The shares gained 16 percent this year before today.

The additional charges come as state regulators separately consider a proposed \$2.25 billion penalty after a gas fireball from a ruptured pipe engulfed a neighborhood in San Bruno, California. PG&E Chairman and Chief Executive Officer Tony Earley last year said a fine that large could force the San Francisco-based company to the brink of bankruptcy.

## High Risk

Federal prosecutors said the utility tried to hide from the National Transportation Safety Board that it didn't prioritize or properly assess many of its oldest natural gas pipelines as high-risk from 2009 to 2011, according to the statement.

The utility could face a fine based on twice the losses suffered by victims of the blast, totaling \$1.13 billion, according to the statement. PG&E said last month that it expected federal prosecutors to file more charges over alleged violations.

“The new criminal charges demonstrate a pattern of deceit by PG&E,” San Bruno Mayor Jim Ruane said in an e-mailed statement. “The indictment shows federal prosecutors are taking the strongest steps to ensure PG&E is brought to justice based on the evidence of criminal actions and gross negligence.”

PG&E was initially charged in April with 12 pipeline safety violations by the U.S. government for the explosion.

The case is U.S. v. Pacific Gas and Electric Co., 14-cr-00175, U.S. District Court, Northern District of California (San Francisco).

### 7. Pacific Gas & Electric charged with obstruction in connection with fatal San Bruno explosion

By Paul Elias (AP), U.S. News & World Report – July 29, 2014

*(Also in The Washington Post, SF Chronicle, SF Examiner, SF Guardian, Huffington Post, Modesto Bee, ABC News, Fox News, CBS News, KTVU-TV Oakland, CBS Sacramento, MSN Money, KSN-TV Kansas, WSB-TV Atlanta, WFTV Orlando, KSL-TV Utah, KXAS-TV Dallas, KIRO-TV Washington, KSAZ-TV Phoenix, Palm Beach Post, Houston Chronicle, Northwest Cable News, WSET-TV Virginia, WAWS-TV Florida, WVTM Birmingham,*

*WHEC Rochester, Port Huron Times Herald, The Monitor, San Antonio Express, Atlanta Journal, Milton Daily Journal, KSTP-TV Minnesota, Sioux City Journal, Idaho State Journal).*

SAN FRANCISCO (AP) — Pacific Gas & Electric was charged Tuesday with lying to regulators in connection with a fatal pipeline explosion that killed eight people and leveled a suburban Northern California neighborhood in 2010.

The U.S. attorney in San Francisco announced the obstruction of justice charge and 27 related counts, which are in a new indictment charging the utility with felonies. It replaces a previous indictment that contained 12 counts related to PG&E's safety practices, but not obstruction.

Prosecutors say PG&E hampered the investigation by lying to regulators soon after the blast. In particular, PG&E officials are accused of telling National Transportation Safety Board investigators that the safety procedures being followed were correct and approved.

The other charges accuse the utility of failing to act on threats in its pipeline system even after the problems were identified by its own inspectors. The indictment charges PG&E with keeping shoddy records, failing to identify safety threats and failing to act when threats were found.

Investigators found that PG&E had inaccurate records on its more than 6,000 miles of gas transmission lines, and that as a result hadn't tested for the defective seam weld that ruptured a pipeline and ignited a fireball.

No employees or executives have been charged in the San Bruno disaster. Prosecutors could still file another indictment charging individuals.

The utility announced in June that it was expecting the new indictment. PG&E spokesman Greg Snapper said company officials had not yet seen it.



"However, based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy," he said in a prepared statement.

The new charges expose PG&E to more than \$1 billion in fines. It had previously faced up to a \$6 million fine under the old indictment.

In addition, the utility is facing lawsuits and \$2.5 billion in civil fines from regulators, including the state Public Utilities Commission. San Bruno city officials on Monday demanded the head of the PUC resign, alleging the agency had improper contacts with PG&E.

Besides killing eight people, the explosion injured dozens and destroyed 38 homes. Nearly four years later, the neighborhood about 12 miles south of San Francisco is still recovering.

On Tuesday, San Bruno City Manager Jim Ruane said "the new criminal charges demonstrate a pattern of deceit by PG&E."

PG&E said in May that it has committed \$2.7 billion over the next several years for safety-related work following the incident.

Its profits were weighed down in its most recent quarter by \$40 million in legal and safety improvement costs tied to its natural gas business.

#### 8. *PG&E hit with new federal felony charges in San Bruno explosion*

By George Avalos, San Jose Mercury News – July 29, 2014

SAN FRANCISCO -- A federal grand jury on Tuesday issued a new criminal indictment

against PG&E in connection with the fatal 2010 gas pipeline explosion in San Bruno, leaving the utility to face dozens of charges, including obstruction of justice.

All told, the U.S. Department of Justice filed 27 charges accusing PG&E of willfully violating the pipeline safety act, and one charge of obstructing an investigation of the explosion by the National Transportation Safety Board, with prosecutors alleging the company lied to federal investigators about the policies it was using to fix its pipeline system. The new indictment replaces one filed April 1 that charged PG&E with 12 felony counts.

The charges, filed in what's known as a superseding indictment, significantly increase the financial penalty the utility faces, with the company now subject to a fine of up to \$1.1 billion. Prosecutors are also charging the company with a crime that purportedly took place after the explosion; up to now, all of the charges against the company targeted actions it took before the explosion.

The utility is scheduled for arraignment August 18.

San Francisco-based PG&E said it had not seen the new indictment. "However, based on all the evidence we have seen to date, we do not believe the charges are warranted," the utility said in a prepared release. "Even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy."

The San Bruno explosion in September 2010 killed eight people, injured 66 and wrecked 38 homes in a quiet San Bruno neighborhood.

As part of the obstruction of justice charge, federal prosecutors allege that PG&E told NTSB investigators it was operating under one set of policies for addressing hazards related to its natural gas pipelines when, in fact, it was operating under a different set of guidelines.

"The consequence of this practice was that PG&E did not prioritize as high-risk, and properly assess, many of its oldest natural gas pipelines, which ran through urban and residential areas," the U.S. Department of Justice said in a prepared release that outlined the main points of the

new indictment.

"We are very disappointed to hear the allegations that PG&E deliberately withheld information in connection with the NTSB investigation," San Bruno City Manager Connie Jackson said in an interview with this newspaper.

The 27 counts related to violations of the pipeline safety act allege that PG&E failed to address record-keeping deficiencies, even while knowing its records were inaccurate or incomplete. The indictment also accuses PG&E of failing to identify threats to its natural gas pipelines and failing to take action once hazards were identified.

"I'm encouraged that the indictments and the investigation is expanding," state Sen. Jerry Hill, whose district includes San Bruno, said in an interview with this newspaper. "But I am still disappointed that those individuals who are responsible are not yet being brought to justice."

The maximum penalty for each count is a \$500,000 fine or a fine based on twice the gross gain PG&E made as a result of the violations, or twice the losses suffered by the victims. Federal prosecutors calculate that PG&E benefited by \$281 million as a result of its violations of the pipeline safety act, and that victims of the explosion suffered losses of \$565 million.

Investigators have found that poor record keeping and shoddy maintenance by PG&E were the primary factors that caused the lethal blast.

Separately, PG&E faces a fine of up to \$2 billion from the state Public Utilities Commission for the utility's role in the explosion. The PUC has yet to determine PG&E's punishment for the explosion.

"The new criminal charges demonstrate a pattern of deceit by PG&E," San Bruno Mayor Jim Ruane said in a news release.

9. *Deadly San Bruno pipeline blast keeps reverberating*

By Tom Vacar, KTVU – July 29, 2014

SAN BRUNO, Calif. — On the front doorsteps of the California Public Utilities Commission in San Francisco Monday morning, the City of San Bruno released a barrage of criticisms and demands for firings, fines, and punishments aimed at the CPUC as well as PG&E for what it calls blatantly illegal conduct: secret meetings and communications out of the public view. If the city is right, then CPUC, as currently constituted, may not survive the San Bruno blast.

The City of San Bruno revealed the contents of thousands internal documents it sued for, by and between the CPUC and PG&E; documents sent since the 2010 pipeline blast that killed eight.

"PG&E has made illegal efforts to influence the CPUC decisions makers to protect the utility's financial interests. Sadly and shockingly, the CPUC has participated in the illegal conduct," says San Bruno Mayor Jim Ruane.

The city of San Bruno has filed various legal motions demanding the removal of CPUC President Michael Peevey from his position. Those demand the firing of any CPUC or PG&E Executive implicated in illegal contacts or influence. It also demands the appointment of an independent monitor to oversee the PG&E and CPUC relationship going forward. Finally, it wants law enforcement investigations to prosecute and punish PG&E and CPUC employees for illegal conduct.

"The PUC leadership, during the past three-and-a-half years, has made no effort to respect the arm's length relationship they're supposed to have with PG&E," says State Senator Jerry Hill who represents San Bruno.

One such e-mail, from no less than PG&E's head of regulatory relations to a CPUC administrative law judge, ends with "love you."

"A relationship much deeper and more shocking than even we originally figured," says Mayor Ruane.

PG&E was quick to respond.

"After we do this thorough review of all the communications that are being discussed here, we're gonna be able to make a determination of what kind of action is required. So, let's be clear: we will take action if somebody's fallen short," says PG&E Spokesman Greg Snapper.

A CPUC statement reads, "The CPUC takes seriously all allegations of bias and rule violations and will evaluate the Motions when filed by the City of San Bruno, including providing an opportunity for parties to comment."

But, since a state agency, the California Public Utilities Commission, seems to be up to its neck in all this, should California's general fund reap all that fine money for a disaster it helped create? No says State Senator Jerry Hill who also says it should be returned to PG&E's rate payers, who paid for all of the CPUC's and PG&E's misdeeds. Alas, says Hill, that's too much money for others to pass up.

"\$2.5 billion, those other 199 legislators and the Governor have a lot of calls on that money," says Hill.

#### 10. *PG&E Faces \$1B Indictment In Pipeline Blast Case*

By Michael Lipkin, Law360 – July 29, 2014

Law360, Los Angeles (July 29, 2014, 9:59 PM ET) -- A California federal grand jury hit Pacific Gas & Electric Co. with a superseding indictment Tuesday over its role in the fatal 2010 San Bruno natural gas explosion, tacking on 16 new criminal counts, including obstruction, and pegging potential penalties at up to \$1.1 billion.

Federal prosecutors accused PG&E of impeding the National Transportation Safety Board's investigation of the San Bruno explosion, which killed eight people.

PG&E initially told investigators its response policies for pipeline manufacturing threats but later said the documents it had turned over were unapproved drafts produced in error, according to prosecutors. PG&E had actually been using the purported draft policies since 2009, prosecutors said.

“The consequence of this practice was that PG&E did not prioritize as high-risk, and properly assess, many of its oldest natural gas pipelines, which ran through urban and residential areas,” a press release from the U.S. Attorney’s Office in the Northern District of California said.

The superseding indictment also charges PG&E with 27 violations of the Natural Gas Pipeline Safety Act of 1968, up from 12 in April. PG&E faces penalties of up to twice the victims’ losses, which, the release estimated, are about \$565 million.

PG&E said Tuesday that it had not yet seen the new indictment — a copy of which was not immediately available — but that it did not believe the charges were warranted. The company called the explosion a “tragic accident” for which it was sorry.

“Even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy,” PG&E said. “We are confident the legal process will ensure all of the facts are fully reviewed.”

Prosecutors said PG&E knowingly failed to address inaccuracies and gaps in its record keeping related to its network of pipelines and failed to comply with other mandatory “integrity management” standards.

The indictment also claimed that the company failed to identify threats to other, larger natural

gas pipelines and did not take the appropriate steps to investigate them after they were pointed out or adequately reprioritize and assess problems that arose after the pipelines were overpressurized.

The various missteps were uncovered by an investigation by the California Public Utilities Commission in the wake of the September 2010 PG&E pipeline rupture in San Bruno. Approximately 47.6 million standard cubic feet of natural gas was released in the explosion, causing a fire that killed eight, injured 58 and destroyed dozens of homes.

In May 2013, the mayor of San Bruno called for PG&E shareholders to shoulder \$1.25 billion of the proposed regulatory fine for the incident itself and that another \$1 billion go to cover an independent monitor to oversee the company's safety operations, technical pipeline improvements and an emergency response fund.

Last year, PG&E signed a \$70 million settlement with San Bruno to end the city's claims over the pipeline explosion. The payment came on top of PG&E's agreement to fork over \$50 million for infrastructure repairs and other city expenses tied to the accident.

The government is represented by Kim Allison Berger, Stacey P. Geis, Brett Joseph Morris and Hallie Mitchell Hoffman of the U.S. Attorney's Office for the Northern District of California.

PG&E is represented by Steven M. Bauer and Margaret A. Tough of Latham & Watkins LLP and Walter M. Brown Jr. and Eric M. Hairston of Orrick Herrington & Sutcliffe LLP.

The case is USA v. Pacific Gas and Electric Company, case number 3:14-cr-00175, in the U.S. District Court for the Northern District of California.

11. *Expanded indictment for PG&E: Utility accused of obstructing justice in San Bruno probe*

By Julia Cheever, San Mateo Daily Journal – July 30, 2014

*(Also on The San Francisco Appeal, KTVU, Energy Global)*

Pacific Gas and Electric Co. was charged in a revised grand jury indictment in San Francisco Tuesday with a new criminal count of obstructing justice in a probe of a fatal pipeline explosion in San Bruno in 2010, U.S. prosecutors announced.

U.S. Attorney Melinda Haag said the superseding indictment also charges the utility with 27 counts of willfully violating the federal Natural Gas Pipeline Safety Act in its recording-keeping and pipeline management practices.

The original indictment against PG&E, filed April 1, contained 12 counts of violating the pipeline safety law.

As of 7 p.m. Tuesday night, the expanded indictment had not yet been posted on the court's electronic docket.

Haag said the grand jury charged PG&E with obstructing the National Transportation Safety Board's investigation of the San Bruno explosion and fire, which killed eight people and injured 66 others on Sept. 9, 2010.

She said the indictment alleges that during the investigation, PG&E provided a version of a policy outlining the way in which it addressed manufacturing risks on its natural gas pipelines.

PG&E later withdrew that version, claiming it was produced in error, and was an unapproved draft. In fact, PG&E allegedly was operating under the so-called unapproved draft from 2009 through April 5, 2011, the U.S. attorney said.

Haag said the consequence of that practice was that PG&E did not prioritize as high-risk and properly assess many of its oldest natural gas pipelines, which ran through urban and



residential areas.

PG&E's next scheduled court appearance is a status conference before U.S. District Judge Thelton Henderson in San Francisco on Aug. 18.

If the utility is convicted, the 28 charges each carry a potential maximum fine of either \$500,000 or twice the amount of either PG&E's gain or the victims' loss from the alleged crimes. The indictment alleges that PG&E's gain was \$281 million and the victims' loss was \$565 million, Haag said.

PG&E said in a statement, "We have not yet seen the superseding indictment. However, based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy."

PG&E also said, "San Bruno was a tragic accident. We've taken accountability and are deeply sorry."

San Bruno Mayor Jim Ruane said, "The new criminal charges demonstrate a pattern of deceit by PG&E. The indictment shows federal prosecutors are taking the strongest steps to ensure PG&E is brought to justice based on the evidence of criminal actions and gross negligence."

The indictment comes a day after Ruane and other San Bruno officials asked Gov. Jerry Brown to remove Commissioner Michael Peevey from the presidency of the California Public Utilities Commission on the ground that Peevey and his staff improperly exchanged private emails with PG&E officials on matters being investigated by the CPUC.

San Bruno also asked the commission itself to disqualify Peevey from acting on three proceedings related to the San Bruno explosion and to sanction PG&E for allegedly violating a rule against private communications.

“The cozy relationship between PG&E and the CPUC that led to this preventable tragedy must end now,” Ruane said Tuesday.

In one of the proceedings, the PUC is considering how much to fine PG&E for record-keeping and safety-compliance failures.

San Bruno has urged the commission to levy the maximum allowable penalty and fine, a total of \$2.45 billion in after-tax funds.

12. *PG&E faces new criminal charges over fatal 2010 pipeline explosion*

By Sarah Drake, Silicon Valley Business Journal – July 30, 2014

Pacific Gas & Electric is being charged with new criminal counts in connection with the 2010 explosion of a natural-gas pipeline in San Bruno that killed eight people. A federal grand jury accused the company of obstructing an investigation and violating safety regulations, the Wall Street Journal reported.

PG&E faces 27 new counts of deliberately breaching the federal Pipeline Safety Act, including allegedly failing to fix record-keeping problems.

PG&E responded in a statement: "We do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith."

The criminal case also accuses the San Francisco-based utility of relying on inaccurate and incomplete information to make critical decisions regarding the pipeline and for failing to spot potential defected areas in the pipeline, according to the article.

PG&E is slated to appear before a federal district judge on Aug. 18.

The city of San Bruno this week called for PG&E to be dealt more sanctions over allegations that it and the state Public Utilities Commission had illegal and improper contacts. The city claims that about three dozen emails concerning confidential regulatory dealings were exchanged between the company and its regulators.

13. *Utility charged with obstruction in 2010 Calif. Pipeline blast*

By Timothy Cama, The Hill – July 30, 2014

Pacific Gas & Electric has been charged with obstructing justice by lying to investigators about a major gas pipeline explosion in Northern California in 2010.

The United States attorney for San Francisco said Tuesday that PG&E officials lied to National Transportation Safety Board investigators after the San Bruno blast that killed eight and destroyed a large swath of a neighborhood. Company policies on maintenance and testing did not meet federal rules, so PG&E lied about them, the prosecutor said.

“The consequence of this practice was that PG&E did not prioritize as high-risk, and properly assess, many of its oldest natural gas pipelines, which ran through urban and residential areas,” the federal attorney said in a statement.

PG&E was charged with obstruction and 27 other counts, including keep insufficient records and ignoring warnings about the state of the pipeline.

The charges apply only to the company, not to any individuals.

In a statement to the Associated Press, PG&E spokesman Greg Snapper said he had not seen

the charging documents, but they appeared to be unwarranted.

The utility faces up to \$1 billion in fines from the new charges.

#### 14. *PG&E Charged With Obstruction of Probe Into Deadly San Bruno Explosion*

By KPIX Staff, CBS SF Bay Area (KPIX) – July 29, 2014

*(Also on KQED News)*

SAN FRANCISCO (KPIX 5) — A federal grand jury has indicted Pacific Gas and Electric Company for allegedly obstructing the federal investigation into the deadly San Bruno pipeline explosion.

Prosecutors say PG&E hampered the investigation by lying to regulators immediately after the September 9, 2010 explosion and inferno in the Crestmoor neighborhood of San Bruno that killed eight people and destroyed 38 homes.

The indictment also includes 27 counts of violating the Natural Gas Pipeline Safety Act. It alleges that at the time of the blast, the utility was operating under an unapproved, draft policy for addressing pipeline problems and as a result, it failed to prioritize or properly assess many older, high-risk pipelines.

The indictment also accuses PG&E of failing to address record-keeping problems, despite knowing they were inaccurate or incomplete.

Each charge carries a minimum \$500,000 fine, but the penalties could end up being substantially higher.

In a statement, PG&E said it has not yet seen the indictment, but said “Based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with

safe and reliable energy.”

The utility is scheduled to appear in court to answer to the charges on August 18.

15. *PG&E Hit With Federal Felony Charges in San Bruno Explosion*

By Forum Staff, KQED Forum – July 30, 2014

A federal grand jury on Tuesday indicted PG&E on 16 new counts in connection with the San Bruno pipeline explosion in 2010, including a charge of obstructing justice. The new indictments, which will be added to the original 12 charges in April, come one day after San Bruno officials accused PG&E and its regulator, the California Public Utilities Commission (CPUC), of overly friendly, "cozy" e-mail communications and asked that the head of the CPUC be removed.

Host: Michael Krasny

Guests:

Jim Ruane, mayor of San Bruno

Jaxon Van Derbeken, reporter for The San Francisco Chronicle

Loretta Lynch, former president of the California Public Utilities Commission

16. *San Bruno Officials: Emails Prove Collusion Between PG&E, Regulator*

By Sara Hossaini, The California Report – July 29, 2014

The state agency in charge of regulating utilities is defending itself against charges its top

leadership is way too friendly with the biggest utility it regulates: PG&E. San Bruno city officials have been combing through e-mails they sued to gain access to as they follow up on a pipeline explosion that killed eight people and they destroyed 38 homes in 2010. They claim they've found damning evidence of illegal collusion between the California Public Utilities Commission (CPUC) and PG&E.

17. *Tuesday Must Reads: San Bruno Mayor Calls for CPUC Ouster in PG&E Scandal; EBMUD and East Bay Cities Agree to \$1.5 Billion in Sewer Line Upgrades*

By Robert Gammon, East Bay Express – July 29, 2014

1. The mayor of San Bruno is calling for the firing of the head of the California Public Utilities Commission in the wake of a scandal involving PG&E, the Chron reports. Mayor Jim Ruane contends that CPUC Chief Michael Peevey should be ousted by Governor Jerry Brown because internal emails show that Peevey and his staffers maintained a cozy relationship with PG&E officials in violation of the law. The CPUC is supposed to regulate PG&E and other utilities and is currently deciding how much to fine PG&E for the 2010 deadly blast in Ruane's city.

2. East Bay MUD and several East Bay cities, including Oakland, Berkeley, and Alameda, have agreed to spend about \$1.5 billion over the next two decades on sewer line upgrades as part of a legal settlement with the US Environmental Protection Agency, the Chron reports. The upgrades are designed to eliminate the flow of raw sewage into San Francisco Bay.

3. The US Government Accountability Office is strongly criticizing the US EPA for failing to properly regulate fracking nationwide, the LA Times reports. The GAO said the EPA has failed to monitor wastewater injection wells and seismic activity related to fracking and that the nation's groundwater supplies are at risk. The EPA said it agrees with the GAO's findings.

4. Leaders of nonprofit organizations in Oakland say a November ballot measure that would raise the minimum wage in the city to \$12.25 an hour will force them to cut back on job training programs for low-income people, the Chron reports. The nonprofits say that state and federal grants they receive will not increase with labor costs.

5. And a state appellate court has upheld the dismissal of a lawsuit filed by an Oakland

homicide detective who was disciplined for nearly botching the investigation into the killing of journalist Chauncey Bailey, the Bay Area News Group\$ reports. Sergeant Derwin Longmire had sued the city, contending that he was the victim of discrimination, but the courts concluded that there was insufficient evidence to prove his claim.

18. *PG&E charged with obstruction of justice in 2010 explosion investigation: Prosecutors say the company attempted to mislead National Transportation Safety Board investigators*

By Zach Warren, Inside Counsel – July 30, 2014

Pacific Gas & Electric (PG&E) was already going to pay heavily for a 2010 pipeline explosion that killed eight and destroyed parts of the Northern California neighborhood of San Bruno. But according to government regulators, the company now faces a different sort of charge — lying to investigators.

The U.S. attorney in San Francisco announced on July 29 that PG&E is charged obstruction of justice and 27 related counts following an investigation into the explosion. The new charges replace an older indictment that contained 12 counts related to the company’s safety practices.

The charges allege that PG&E officials attempted to mislead National Transportation Safety Board investigators about pipeline testing and maintenance procedures. According to prosecutors, the company’s testing and maintenance policies did not reach federal standards during and for six months after the explosion.

Investigators later found that PG&E had inaccurate records for more than 6,000 miles of gas transmission lines and had not tested for the defective seam weld that later caused the explosion.

“The consequence of this practice was that PG&E did not prioritize as high-risk, and properly assess, many of its oldest natural gas pipelines, which ran through urban and residential areas,” the U.S. attorney’s office said in a statement.

The Natural Gas Pipeline Safety Act of 1968 (PSA) indicates that the maximum penalty for violations is double the gross gain made as a result of the violations. The indictment alleges that PG&E made gross gains of \$281 million, and victims of the explosion suffered losses of approximately \$565 million. The company is also facing around \$2.5 billion in civil penalties related to the explosion.

According to the Associated Press, PG&E expected these increased charges. In June, company spokesman Greg Snapper said the company was awaiting word of the charges, but added, “However, based on all of the evidence we have seen to date, we do not believe that the charges are warranted and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy.”

Sun Bruno officials say the charges are a good start, with San Bruno Mayor Jim Ruane saying, “The new criminal charges demonstrate a pattern of deceit by PG&E.” However, the company also called for the resignation of the head of the California Public Utilities Commission, saying the regulator prosecuting PG&E in a civil case has improper ties with the company.

#### 19. *Feds Say PG&E Obstructed San Bruno Probe*

By Arvin Temkar, Courthouse News – July 30, 2014

SAN FRANCISCO (CN) - Pacific Gas and Electric Co. was charged Tuesday with obstructing a federal investigation into a 2010 pipeline explosion that killed eight people and injured dozens in San Bruno, the U.S. Attorney's Office said.

A superseding indictment from a federal grand jury charges the utilities company with one count of obstruction and 27 counts of violating the Natural Gas Pipeline Safety Act. PG&E was charged in April with 12 counts of violating the safety act.

Prosecutors say the utilities company lied to National Transportation Safety Board



investigators about its pipeline safety policies. The government claims that PG&E operated under a dangerous policy from 2009 to mid-2011.

"PG&E did not prioritize as high-risk, and properly assess, many of its oldest natural gas pipelines, which ran through urban and residential areas," the U.S. Attorney's Office said in a statement.

The indictment also accuses PG&E of more than two dozen violations of the 1968 pipeline safety law, including knowingly keeping inaccurate and incomplete records and not taking appropriate action when threats to pipelines were identified.

The company's approach to its work saved it \$281 million but cost victims nearly \$565 million in damages, prosecutors said. Under the new indictment, PG&E faces more than \$1 billion in fines.

PG&E said on its website that it "cooperated fully with the NTSB's investigation and fully embraced the resulting recommendations."

In 2012 the company paid \$70 million to the city of San Bruno to support community recovery efforts, PG&E says. It says it has established a \$50 million trust fund to cover the cost of fire damage in the city and has given more than \$50 million in goods, services, relief checks and more to affected residents.

PG&E is due back in court on Aug. 18.

20. *City: Emails show 'cozy' ties of PG&E, regulator*

By Garance Burke, Associated Press, Huffington Post – July 28, 2014

*(Also in Bloomberg Business Week, Salon, KQED News, KOB-TV New Mexico, Houston Chronicle, Modesto Bee,*

*KSL-TV Utah, Fresno Bee, ABC News, WTVA-TV Mississippi, Philly.com, KOST 103.5 FM, New Jersey Herald, WCF Courier, Winona Daily News, WXXV Mississippi, Ledger Independent, Lexington Dispatch, NBC Monterey, Texas Valley Morning Star).*

SAN FRANCISCO (AP) — Top California regulators communicated often and enthusiastically with executives at Pacific Gas & Electric Co., even offering unsolicited advice on handling the media while they presided over a case to decide how much the utility should pay for a deadly explosion in a San Francisco Bay Area suburb, according to a trove of emails released Monday.

The 7,000 pages of emails between leaders at PG&E and California Public Utilities Commission President Michael Peevey and his staff were released as the result of a lawsuit filed by the city of San Bruno.

The commission is responsible for punishing PG&E in the wake of the 2010 pipeline blast that claimed eight lives, injured dozens of people and laid waste to a suburban neighborhood — a disaster federal investigators said could have been averted.

In an April message from Peevey to Brian Cherry, PG&E's vice president of regulatory relations, Peevey offered the executive advice about improving public relations surrounding the federal criminal indictment of the utility.

"PG&E's decision to issue a press release last week anticipating all this only meant that the public got to read two big stories rather than one. I think this was inept," Peevey wrote.

San Bruno officials called Monday for Peevey to step down from the commission and sent a letter to Gov. Jerry Brown asking for Peevey to be fired.

"There is a very cozy relationship between the PUC and PG&E, and the results of that cozy relationship killed eight people," San Bruno Mayor Jim Ruane said at a news conference on the commission's steps. The emails show "it was illegal, improper and has to change."

**Singer Associates, Inc.**

47 Kearny Street, 2nd Floor | San Francisco, CA 94108

V: (415) 227-9700 | F: (415) 348-8478

[singer@singersf.com](mailto:singer@singersf.com) | [www.singer-associates.com](http://www.singer-associates.com)

*This e-mail and any attachments may be confidential or legally privileged. If you received this message in error or are not the intended recipient, you should destroy the e-mail message and any attachments or copies, and you are prohibited from retaining, distributing, disclosing or using any information contained herein. Please inform us of the erroneous delivery by return e-mail. Thank you for your cooperation.*