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To: Terrie D.' Prosper (terrie.prosper@cpuc.ca.gov) (terrie.prosper@cpuc.ca.gov)  
Cc:  
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Subject: FW: News: PG&E target of new federal grand jury probe

**From:** Sam Singer [mailto:singer@singersf.com]  
**Sent:** Wednesday, August 20, 2014 11:42 AM  
**To:** Sam Singer  
**Subject:** News: PG&E target of new federal grand jury probe

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1. PG&E target of new federal grand jury probe

By George Avalos, Contra Costa Times – Aug. 19, 2014

*(Also in Santa Cruz Sentinel)*

SAN FRANCISCO -- Federal court sources said Tuesday that a new grand jury probe of PG&E is underway. While the focus of the probe has not been announced, it follows disclosure by the utility that it is being investigated by the U.S. Attorney's Office in connection with a natural gas explosion in March in Carmel that damaged a vacant home but caused no injuries.

The revelations come on the heels of this week's not-guilty plea by PG&E to a 28-count federal indictment on felony criminal charges, including obstruction of justice, in connection with a fatal 2010 gas pipe explosion in San Bruno that killed eight people.

The U.S. Attorney, the state Public Utilities Commission and local authorities in Carmel are investigating the explosion in the posh seaside town, PG&E said in its most recent quarterly regulatory filing at the end of July. And the utility warned that additional investigations could commence regarding the Carmel explosion.

"It is reasonably possible that fines could be imposed on the Utility, or that other enforcement actions could be taken, in connection with this matter," PG&E said in the filing. The further actions could include another criminal indictment.

The U.S. Attorney's Office declined to comment on the new grand jury probe.

"We received a subpoena from the U.S. Attorney's Office related to the incident in Carmel," Greg Snapper, spokesman for San Francisco-based PG&E, said Tuesday. The utility added that it is focusing on a far-reaching upgrade of its natural gas pipelines that will make the system the nation's safest.

The federal case regarding San Bruno could lead to a fine for PG&E of up to \$1.13 billion, and a separate PUC investigation into the San Bruno blast could result in a fine against the utility of up to \$2.45 billion.

The U.S. Attorney investigation of the Carmel explosion is underway at the same time as the new federal grand jury probe, but the timing could be a coincidence, because the focus of the new grand jury probe is unknown. Court sources, including a clerk for U.S. District Judge Thelton Henderson, who is presiding over the PG&E case, confirmed the existence of the new grand jury.

Peter Henning, a professor of law with Detroit-based Wayne State University, said the new grand jury probe indicates that "the prosecutor is being aggressive."

"They are sending a message to PG&E that they are not done," Henning said. "That ratchets up the pressure on PG&E."

Prosecutors typically are barred from using a new grand jury to produce fresh evidence for a case in which it already has an indictment, legal experts say. However, the lines between two separate cases can become blurred.

"It is pretty common for one investigation to lead to another," said Rory Little, a law professor with UC Hastings College of the Law in San Francisco.

PG&E indicated in its regulatory filing that inaccurate gas records were a factor behind the Carmel explosion. PG&E's shoddy records and flawed maintenance efforts are deemed to be the principal factors behind the fatal San Bruno blast.

"The danger for PG&E is there are other cases out there, or evidence of conduct similar to San Bruno, that could cut off an avenue of defense," Henning said.

2. Carmel: U.S. Attorney's office investigating PG&E and house explosion

By Tom Leyde, Monterey Herald News – Aug. 19, 2014

CARMEL >> The U.S. Attorney's office and other authorities are investigating Pacific Gas & Electric Co. regarding a natural gas pipeline explosion that destroyed an unoccupied home in Carmel on March 3.

The explosion at Guadalupe and 3rd also caused minor damage to three nearby residences. There were no injuries.

The federal investigation coincides with confirmation that a new grand jury is reviewing evidence against the embattled utility.

Existence of a second grand jury looking at criminal charges against PG&E surfaced during a brief scheduling hearing in U.S. District Court and was confirmed Tuesday by court officials and others sources.

In its quarterly regulatory filing, PG&E stated, "It is reasonably possible that fines could be imposed on the utility, or that other enforcement actions could be taken in connection with this matter."

After the explosion, Carmel Mayor Jason Burnett requested that PG&E halt any similar non-emergency work in the city. At the time of the blast, a PG&E crew was working on a main gas line immediately adjacent to the residence. It was unknown if the work played a role in the explosion, Mike Calhoun, Carmel's public safety director, said at the time.

The city has been working with PG&E and the California Public Utilities Commission to determine what caused the explosion.

Calls to Carmel Mayor Jason Burnett and the city's Public Works Department director seeking comment on the investigation were not immediately returned.

PG&E spokesman Nick Stimmel said the company could not comment on the U.S. Attorney's office investigation of the Carmel gas pipeline explosion.

On Monday, PG&E was arraigned in U.S. District Court on criminal charges stemming from the Sept. 9, 2010, pipeline explosion in San Bruno. The U.S. Attorney's office filed charges on 12 violations of federal safety rules that caused the death of eight and injuries to 66. The explosion leveled an entire neighborhood. It was one of the worst gas pipeline explosions in U.S. history.

PG&E is accused of diverting pipeline safety funds for executive compensation and shareholder returns.

"Based on all evidence in the new indictment we still do not believe that a PG&E employee violated the Pipeline Safety Act," Stimmel said. "We've made a lot a progress to continue on our mission to create the safest, most reliable gas system in the nation."

### 3. In the Rockaways, pipeline debate takes a contentious turn

By Peter Moskowitz, Aljazeera America – Aug. 20, 2014

FAR ROCKAWAY, N.Y. — On the night of Sept. 9, 2010, a 30-inch natural gas pipeline buried underneath the city of San Bruno, California, exploded. The fire was so large and the corresponding roar so loud that many residents thought a plane from the nearby San Francisco International Airport had crashed.

The next morning, state Sen. Jerry Hill walked through the Crestmoor neighborhood and surveyed the damage: eight people dead, dozens of houses leveled, an entire neighborhood transformed overnight.

“I have a difficult time talking about it because people died,” Hill says through tears. “The houses were still smoking ... I was standing next to automobiles where the tires were just melted off. That’s what began the questioning for me. How could that happen? What went wrong?”

The San Bruno disaster is what activists point to when they talk about the dangers of natural gas pipelines. And it’s here in the Rockaways — a working-class beach community off the coast of Brooklyn and Queens — that the discussion has taken one of its most contentious turns.

A new pipeline called the Rockaway Delivery Lateral Project is under construction in the Rockaways. It will deliver 647,000 dekatherms of natural gas to New York City each day — enough to power 2.5 million homes. Activists, organized into two loosely affiliated groups, the Coalition Against the Rockaway Pipeline (CARP) and No Rockaway Pipeline, say the project is inherently dangerous and is just the latest sign of a broken approval and monitoring process for the United States’ energy infrastructure. They say if the history of pipelines and of the company building this pipeline is any lesson, residents of the Rockaways have reason to be concerned.

“It’s happening so fast,” says Elizabeth Press, a filmmaker from Brooklyn who joined the protests after riding her bike past the construction site one day. “You leave and come back, and it’s already under construction. There are people at the beach just going about their activities while they’re building something with such high risk.”

But at least for now, their fight might be winding down. Williams, one of the nation's largest pipeline companies, has already begun laying pipe off the coast. When the project is complete, it will connect Williams' existing Transco pipeline in the Atlantic — which gathers and distributes gas throughout the eastern United States, including the shale gas fields of Pennsylvania and Ohio — to New York City's gas distribution system.

Rockaway Lateral won't increase the amount of natural gas flowing through New York by much, but it will allow Williams to circumvent its circuitous current pipeline system, which runs through Long Island to get to Brooklyn and Queens. Instead, a new three-mile section will run between the popular beaches of Jacob Riis Park and Fort Tilden and under a golf course and then connect to a pipeline run by National Grid, one of the main gas providers in New York City. That pipeline will run for 1.6 miles, under a federally protected wildlife refuge and into a hangar, where it will feed into the city's existing delivery system.

The Rockaway Lateral pipeline is not unique; it will be one short section of hundreds of thousands of miles of natural gas pipelines in the United States. But activists in the Rockaways say that pipelines are a bad idea everywhere and that having one there is particularly dangerous.

“This community knows disaster,” says Victoria Barber, an anti-pipeline campaigner and a resident of the area. “People here had a front seat view for 9/11. They were devastated by Hurricane Sandy ... We don't need another disaster.”

In 2012, Sandy was responsible for 1,600 pipeline leaks, according to data compiled by the investigative journalism nonprofit ProPublica, though none of the incidents caused injury or serious damage.

Hundreds of natural gas pipelines fail each year, and the Department of Transportation has called federal and state oversight programs for pipelines lacking. Since 1986, there have been about 8,000 significant pipeline incidents in the United States, which have resulted in over 500 deaths, more than 2,300 injuries and billions of dollars in damage, according to data compiled by the Center for Biological Diversity from the U.S. Pipeline and Hazardous Materials Safety Administration (PHMSA). About 7 percent of those incidents happen because of natural disasters or other forces of nature — something that's particularly worrying in a place that was



hard hit by Sandy, activists say.

The PHMSA has been criticized for failing to address pipeline safety issues. Last year a Congressional Research Service report found a “long-term pattern of understaffing” at the agency, with only 135 people employed to inspect the 305,000 miles of natural gas pipeline in the country as well as all the other ones that transport oil and other substances. Each year, on average, the PHMSA requested 23 more pipeline inspectors than it received, according to the report.

“When people think of infrastructure, they think of bridges and tunnels, but we have so much going on underground that needs to be taken care of,” says San Bruno Mayor Jim Ruane. “The regulatory powers that oversee utilities aren’t doing their job, so a disaster could happen anywhere.”

Activists fighting the pipeline say the PHMSA’s shortcomings should have people worried. Williams pipelines have been involved in at least 50 gas transmission incidents since 2006, according to PHMSA data. And Williams is the subject of a U.S. Chemical Safety Board probe because of a recent string of incidents.

In 2013 two people were killed when a Williams-owned petrochemical facility in Louisiana exploded. The Occupational Safety and Health Administration cited the company for a “willful violation” of standard safety practices for that incident. Also last year, 13 construction workers were injured when a Williams gas facility caught fire in Branchburg, New Jersey. This March a Williams gas plant in Plymouth, Washington, exploded, injuring five and forcing the evacuation of the entire town. In April a Williams pipeline in West Virginia exploded, setting fire to two acres of trees. Later that month a pipeline in Wyoming owned by Williams caught fire, forcing the evacuation of 95 nearby residents. And last month a Williams compressor station in Pennsylvania caught fire.

“Three major incidents in less than a year — that’s too frequent,” says Dan Tillema, the lead investigator at the safety board. “That’s more than we’d typically see.”

Williams says it is committed to safety and is conducting an internal audit of its safety practices.

“The string of incidents was very uncharacteristic,” says Williams spokesman Chris Stockton. “When we do have incidents, we take them very seriously ... Safety is not a destination you reach. It’s an ongoing journey.”

Stockton also points out that Williams has operated pipelines near the Rockaways for decades without incident, including one in nearby Long Beach.

Still, that’s little reassurance to those in the Rockaways. They say no matter how safely Williams operates the pipeline, it will always be a danger to the neighborhood.

Rockaway Beach is a middle-class community filled mostly with one- and two-story houses, tightly packed together. It is surrounded by beach and ocean and is an hour from Manhattan on public transit. Though part of New York City, it feels a world apart.

On a recent gray weekday, Victoria Barber and her friend Albert Carcaterra, 19, met at the office of You Are Never Alone (YANA) a community organization that helps locals with rebuilding homes destroyed by Hurricane Sandy as well as with applying for jobs and food stamps.

The office has become the de facto center for anti-pipeline activism, with several groups, including CARP (mostly defunct since construction on the pipeline began) and the newer, more aggressive No Rockaway Pipeline, which has attempted to shut down work on the pipeline in protests.

Barber and Carcaterra drove to the beach to photograph the drilling rig and boats as part of Barber’s project to take photos of the neighborhood; she has an exhibition of her post-Sandy photo series at the YANA office now. Except for a small sign on a construction access road, there’s no indication the pipeline is being built at all.

They say that most people in the neighborhood don't know about the pipeline, and the two don't blame them. The New York Natural Gas Supply Enhancement Act — the bill that gave Williams the federal OK for the pipeline — was passed by Congress and signed into law in November 2012, weeks after Hurricane Sandy ravaged the Rockaways, leaving thousands in the area without power. (Because the pipeline runs through nationally protected land, it needed an act of Congress to be approved.)

Barber believes that if the public had been more informed and the timing of the bill had been different, opposition would have been stronger. “People didn't have electricity,” she says. “They weren't watching the news.”

The review process was stacked against pipeline opponents from the start, say the activists.

The shorter National Grid segment connects the Williams pipeline to a metering station under the Jamaica Bay Wildlife Refuge, a federally protected wildlife habitat. The Williams segment required a federal environmental review as an interstate pipeline. (It connects the Transco pipeline to New York City's gas delivery system via New Jersey.) But the National Grid portion was billed as an expansion of the company's services in New York City and therefore required only the city's approval, which it got in 2012.

According to Andrew Jones, a fellow at the Center for Urban Environmental Reform at the City University of New York, the pipeline's division allowed federal regulators to approve the Williams portion without considering its full potential for environmental impact. He believes that the two pipelines are one project and should be reviewed as such by the federal government.

The separate approvals for both segments of what should be a single pipeline “proved that the long, public back-and-forth communication between regulators and us turned out to be a sham,” says Maureen Healy, a CARP co-founder and a longtime anti-fracking activist from Brooklyn. “We voiced all our concerns, only to have them ignored.”

With both sections scheduled to begin operation in November, Healy, Barber and others say it's time to start focusing on the future. They say for the safety of the community, it's important that people not forget that the Rockaway Lateral Project exists and remember how

controversial it was at its inception.

When the pipeline in San Bruno exploded in 2010, it was 54 years old. Hardly anyone knew it was there.

In the Rockaways, people are paying attention now. That attention can help keep Williams, politicians and federal regulators on their toes, says Mark McDonald, a pipeline safety expert at NatGas Consulting, which works to improve the safety of natural gas projects. But after the last inch of pipe is laid and the ground covered up, the beach will go back to looking like any other beach, the golf course like a golf course and the park like a park — and it's likely that the attention surrounding the pipeline will dissipate.

“The pipeline goes in, and everyone will go back with their lives,” McDonald says. “That’s where the concern comes in, because everyone will forget.”

#### 4. PUC, PG&E should be allies, not adversaries, on safety

By Karlene H. Roberts and Paul R. Schulman, San Francisco Chronicle – Aug. 19, 2014

The furor over recently disclosed e-mails between officials of the California Public Utilities Commission and PG&E prior to and after the 2010 San Bruno gas pipeline explosion has led to an intense and widespread condemnation of both organizations. But the public may not realize that fallout from this controversy may have important effects on their future safety. The important question is: What, in fact, is an appropriate relationship between a regulatory agency and its regulated organizations?

Is it one of simple prescription and compliance, reinforced by limited communication to prevent corruption?

We, as members of the Center for Catastrophic Risk Management at UC Berkeley, have spent

years researching the promotion of reliability and safety in organizations dealing with hazardous technologies. We don't believe regulatory options are only adversarial independence versus corruption. Intense adversarial relations do not characterize an effective way to regulate safety in nuclear power and aviation in many countries, including our own. Based on our research, we contend that adversarial detachment on the part of regulators will ultimately fail to produce the safety we seek from our complex and increasingly interconnected services.

What, then, is involved in regulating for safety? Is it simply to make rules and have them carried out? This action-at-a-distance approach might have worked when technical systems were simple in design and operation, and their safety hazards clear and immediate. But many of today's organizations operate highly complex technologies whose risks encompass not simply operator error but system failures rooted in chains of causation. Failures may build over time and harmful effects may be long term, even over generations.

Under these conditions, safety becomes an ongoing process of careful design and analysis, a constant search for ways to "manage the unexpected" and detect error. It is unlikely that a regulatory agency can simply write rules to cover safety-related behavior. To try to do this at a distance is to invite error in the rules themselves.

Do you, the reader, think formal rules can be written to sensibly direct all of the work you do in your organization? Do you think a distant CEO can effectively direct your day-to-day behavior simply through rules? Do all the formal rules and procedures make sense when applied to your work, and do you comply with all of them?

The PUC has committed itself to the development of a safety management system with an ultimate goal of zero accidents among its regulated industries. This is an ambitious goal and it shows a high priority in the PUC for safety improvement in services such as gas, water and electricity. But our study of effective safety management and high reliability operations suggests strongly that these are not founded on hierarchical prescriptions and periodic inspections alone. Organizational cultures that embrace safety as a pre-eminent value are also necessary. So, too, are error reporting systems not grounded in punishment but in learning.

Based on our research, it seems doubtful that the PUC can prescribe and inspect its way to the levels of safety it hopes to achieve. A great deal of safety and reliability research suggests instead that what will help make the PUC's system effective are mutually supporting and reinforcing safety management systems among its regulated organizations to maximize

information sharing and learning.

We need to educate ourselves about what it actually takes in inter-organizational relationships to lay a strong foundation for safety. As Californians, we have a stake in the success of the PUC's safety management system. But it is far less likely to be successful if confined to only the adversarial option proposed by many of its public critics.

Karlene H. Roberts is professor emerita of the Haas School of Business, UC Berkeley. Paul R. Schulman is a professor of government at Mills College in Oakland.

5. San Bruno's scars remain nearly 4 years since tragic explosion

By Tom Vacar, KTVU – Aug. 19, 2014

SAN BRUNO, Calif. — Next month marks four years since a huge defective PG&E natural gas pipeline destroyed a neighborhood and killed eight of its residents.

Gaping wounds still pock mark that community and the scars remain seared into the minds of San Brunans who still wrestle with the reality of the deadly explosion that incinerated 38 homes.

Today the Crestmoor neighborhood very much remains an unfinished work in progress.

"They promised us they were gonna do it as soon as possible and no body suspected it would take four years," says Bill Bishop whose home was badly damaged in the fire.

Ten lots remain barren and residents say that don't know if and when they'll be built.

"We had five people that wanted to buy lots but they wouldn't sell it to us," says Jerry Guernsey whose home was destroyed in the fire.

"We wish we could get some updates, because, when we do call, it takes forever to get a call back." says Nellie Bishop who sees the barren lots every day.

Because of the tragedy that happened here, many people believe this to be sacred ground but in reality it's also marked "private property."

"Seven of the lots are owned by PG&E; three by the city," says Connie Jackson, San Bruno's City Manager.

The city and PG&E agreed that single, financially strong contractor should build all the lots simultaneously. The city says it feared that individual contractors might fail under the then, still bad economy, causing even more disruption to the community.

"I don't think anybody really imagined the extent of the work or how long it would take," says City Manager Jackson.

That doesn't go down well with Jerry Guernsey.

"The city's dragging their feet I think and I think PG&E's dragging its feet getting these lots sold," says Guernsey.

The three way deal between the city, PG&E and the contractor is still being negotiated and the building season is just about over.

"Construction timeline is roughly 18 months maybe a little bit more quickly," says San Bruno

City Manager Connie Jackson. "C'mon, it should be done by now," chides Bill Bishop

And until then? "Yeah. It does remind us, each and every day, what happened that night," says fire victim Nellie Bishop.

PG&E, which stands to make a profit on its lots, issued a statement saying it's working with the developer and hopes to see the lots purchased by the end of the year.

6. Lois Henry: PUC needs a reboot, new appointee says

By Lois Henry, The Bakersfield Californian – Aug. 19, 2014

I wish Michael Picker luck. But I hold out very little hope.

Picker is a newly minted California Public Utilities commissioner, appointed in January to fill out the term of departing Mark Ferron, who left for medical reasons.

Picker was in Bakersfield in between attending public hearings in Fresno and Los Angeles on yet another rate increase being sought by PG&E for its gas transmission and storage operations.

And yes, this is on top of a nearly 10 percent rate increase for 2015/16 that the PUC already granted PG&E earlier this month largely to improve safety for the utility's gas and electric operations. More on that later.

This new rate increase would be specific to the gas side. If you'd like to have a say, feel free to attend one of two hearings today, Aug. 20.



You might wonder why I sound positive about Picker since I spent most of his hour-and-a-half visit arguing with him about his approval of PG&E's last rate hike (with which I heartily disagreed).

But despite that flawed decision, I think Picker has the right idea about the PUC — a makeover.

The PUC's regulations and its very system of regulation are so far behind the modern world that much of what it does has become obsolete. Think cell phones. The PUC regulates land lines but cells come under federal jurisdiction. So, you'd think the PUC would adapt to a new world that has fewer and fewer land lines. It hasn't.

Picker's marching orders from Gov. Jerry Brown were to observe the system and make recommendations on what to dump.

In his six months on the board, he said, he's learned that the PUC is the "Strangest, most cumbersome, arcane, difficult bureaucracy I've ever seen."

Beyond that, he said, the agency doesn't have the kind of focus on safety it needs. It has no investigators nor a real enforcement arm.

"Complying with standards that were set 20 years ago isn't good enough," he said.

The one bright spot he saw in the PUC's safety focus was right here in Bakersfield where a "group of crusty old rail guys" took it upon themselves to learn what was happening with Bakken shale oil being shipped by rail to area refineries. We get a few trains now but are expecting a whole lot more as there's a glut of Bakken oil on the market now.

“(The Bakersfield rail guys) looked to the horizon and figured it was coming and took action” to work with various agencies and get a safety discussion going, Picker said. “They had instincts and acted autonomously.”

But that’s not the norm for the PUC.

It needs a real safety program with real accountability, Picker said.

Agreed, but that’s also one reason I’m against all these rate hikes.

PG&E claims it needs the money to make sure gas lines and electrical systems are operating properly. With the terrible San Bruno tragedy, where a PG&E gas line exploded in 2010, killing eight, that may sound reasonable.

Except for a couple things. We learned that PG&E had requested and been granted \$5 million from the PUC in 2007 to fix the San Bruno line, which had been deemed “high risk.”

It didn’t make the fix, obviously, while at the same time shelling out at least that much money on bonuses for six of its most highly paid execs, as was reported by TURN, a utility watchdog group.

Locally, we also learned that we had a “top 100” gas line here in Bakersfield beneath South Union Avenue. “Top 100” meant it was among the most concerning 100 gas lines in PG&E’s inventory. Even so, PG&E intentionally ramped the pressure above normal operating levels on numerous occasions, without any explanation nor notification to first responders, such as the Bakersfield Fire Department.

All of which tells me the top brass at PG&E has a cavalier attitude toward the public’s safety.

I don't believe that should be rewarded, and most definitely not on the backs of ratepayers.

Needless to say, Picker and I had to agree to disagree, as he approved the recent rate hikes on the theory that we need to pay for infrastructure upkeep.

Anyhow, despite my contrarian view, I do wish Picker luck.

If ever there was an agency in need of a do-over, it's the PUC.

7. PG&E pleads not guilty to charges in deadly blast

Associated Press, The Sacramento Bee – Aug. 18, 2014

*(Also in Bloomberg Businessweek, USA Today, Fox News, MSN.com, Huffington Post, SF Examiner, CBS San Francisco, CBS Sacramento, Silicon Valley News, KGO-AM 810, The Fresno Bee, Salon.com, KTVU Oakland, Monterey County Herald, Fairfield Daily Republic, The Houston Chronicle, Bay News 9, KSL Utah, WNCN North Carolina, Greenwich Time, KTIV Iowa, WAGT Georgia, The Albany Democrat-Herald, The Herald of Everett, WA, Delaware Online, News 12 Connecticut, Longview Daily News, WTVT Florida, KTUL Oklahoma, The State South Carolina, Madison.com, WHAS Kentucky, Northwest Indiana Times, KING 5 Washington, WVVA West Virginia, Battle Creek Inquirer, WSJV Indiana, World News Network, St. Louis Post-Dispatch, Tucson Arizona Daily, WVTM Alabama, KRIV Houston, WHDH Boston, WSVN Miami, Pipeline & Gas Journal, Law360, Huffington Post Canada)*

SAN FRANCISCO (AP) — Pacific Gas & Electric Co. pleaded not guilty Monday to charges in a new indictment that accuses the utility of lying to federal investigators looking into a fatal pipeline explosion in a San Francisco Bay Area neighborhood.

Steve Bauer, an attorney for the company, entered the plea in federal court to all 28 counts, including obstruction of justice. The new indictment — announced last month — replaced a 12-count indictment that related to PG&E's safety practices but did not include an obstruction charge.

Prosecutors say PG&E tried to mislead federal investigators about pipeline testing and maintenance procedures it was following at the time of the 2010 explosion in the city of San Bruno and for six months afterward.

The blast killed eight people and destroyed 38 homes.

The utility was operating under a company policy that did not meet federal safety standards, failing to prioritize as high-risk and properly assess many of its oldest natural gas pipelines, prosecutors said.

PG&E said in a statement on Monday that the obstruction charge stems from a paperwork error that the company quickly corrected.

"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," the company said.

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.

PG&E said Monday that employees did not intentionally violate the federal Pipeline Safety Act and even when there were mistakes, "employees were acting in good faith to provide customers with safe and reliable energy."

The new charges expose PG&E to more than \$1 billion in fines. It had 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 officials said they have asked federal prosecutors to request the appointment of an independent monitor to oversee PG&E and its state regulators as part of any penalty against the company.

8. PG&E pleads not guilty to criminal charges in San Bruno blast

By Staff, Seeking Alpha – Aug. 19, 2014

- Pacific Gas & Electric (PCG +0.62%) pleaded not guilty yesterday to charges in a new indictment that accuses it of lying to federal investigators looking into the fatal 2010 pipeline explosion in San Bruno, Calif.

- PG&E entered the plea to all 28 counts, including obstruction of justice; the new indictment, announced last month, replaces a 12-count indictment that related to the utility's safety practices but did not include an obstruction charge.

- If found guilty, PG&E could have billions in fines added to the expected fines coming within weeks from the California Public Utilities Commission.

9. PG&E Pleads Not Guilty in San Bruno Blast Probe Obstruction Case

By Karen Gullo, Claims Journal – Aug. 19, 2014

PG&E Corp.'s utility pleaded not guilty to obstructing a federal investigation of the 2010 natural-gas pipeline explosion that killed eight people in a San Francisco suburb and said it received grand jury subpoenas in what prosecutors said was a separate probe of its gas division.

Pacific Gas & Electric Co. could be fined as much as \$1.13 billion if convicted in the criminal case over the pipeline explosion alleging 27 counts of violations of federal pipeline safety law and obstructing an investigation of the blast by the National Transportation Safety Board.

The obstruction charge and 15 new pipeline safety counts were added to a revised indictment filed July 29 in which federal prosecutors said the utility tried to hide from the NTSB its failure to prioritize or properly assess many of its oldest natural-gas pipelines as high-risk from 2009 to 2011. Steven Bauer, a lawyer for Pacific Gas, said the company pleaded not guilty to all charges at a hearing before a U.S. magistrate judge today in federal court in San Francisco.

Bauer said the company had received grand jury subpoenas related to its gas operation in recent months and prosecutors told the company that a second case against it could be related to the pipeline-explosion case.

The recent subpoenas are related to a separate investigation, Assistant U.S. Attorney Hallie Hoffman.

Separate Matter

“That is a totally separate matter,” Hoffman said at a second hearing today about the explosion case. “We may seek to join them if that makes sense.”

Bauer declined to comment on the subpoenas after the hearing.

PG&E's gas operations include its natural-gas distribution and transmission system in northern and central California. The utility's network includes about 42,500 miles of distribution pipelines and more than 6,000 miles of transmission pipelines.

“Regardless of the next legal steps, nothing will distract us from our goal of making our gas system the safest in the country,” Greg Snapper, a Pacific Gas spokesman, said in an e-mail.

San Bruno asked federal prosecutors today to put the company under an independent monitor as part of the penalty for the blast and use money from fines to establish a pipeline safety trust.

“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,” San Bruno Mayor Jim Ruane said in a statement.

#### Correction Letter

The obstruction charge was based on a document error that the company corrected with a letter to the NTSB, which the agency published online as part of its accident investigation, Pacific Gas said.

“Based on all of the evidence we have seen to date and our review of the new indictment, we still do not believe that PG&E employees intentionally violated the federal Pipeline Safety Act, and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy,” Pacific Gas said in an e-mailed statement today.

State regulators are separately considering a \$2.25 billion penalty for the blast that sparked a fireball which engulfed a San Bruno neighborhood.

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.

#### 10. PG&E Pleads Not Guilty , Denies Obstructing Justice in 2010 San Bruno Fire

By Susan C. Schena, Pleasant Hill Patch – Aug. 18, 2014

PG&E Co. pleaded not guilty in federal court in San Francisco today to 28 criminal counts, including a charge of obstructing justice in a probe of a fatal pipeline explosion and fire in San Bruno in 2010.

The 28 counts were lodged in an expanded indictment issued by a federal grand jury on July 29.

The utility is accused of obstructing the National Transportation Safety Board's investigation of the San Bruno blast and 27 counts of violating a federal pipeline safety law in its record keeping and management of the San Bruno pipeline and several other pipelines.

PG&E was previously charged in an earlier indictment with 12 counts of violating the Natural Gas Pipeline Safety Act.

The utility was scheduled to reappear, through its attorney, at a status conference at 2:30 p.m. today before U.S. District Judge Thelton Henderson, the trial judge in the case.

The San Bruno explosion and subsequent fire killed eight people and injured 66 others on Sept. 9, 2010.

The cause was a rupture in a defective seam weld in a pipeline segment that was incorrectly listed in PG&E records as seamless, according to the NTSB.

The maximum possible fine in the criminal case, if PG&E is convicted, would be \$1.13 billion, or twice the amount of the victims' losses.



The indictment cites a figure of \$565 million in losses, which is the amount of settlements reached in San Mateo County Superior Court in lawsuits filed against PG&E by family members of victims, people who were injured and people whose property was damaged.

In a separate action, San Bruno officials revealed today that they have asked prosecutors to recommend the appointment of an independent federal monitor to oversee PG&E's progress in improving safety as part of the penalty if the utility is convicted.

In a letter to U.S. Attorney Melinda Haag on Aug. 11, San Bruno City Manager Connie Jackson wrote that a monitor would "provide the depth and breadth of resources needed to validate PG&E's regulatory responsibilities."

If PG&E is convicted, the penalty would be determined by the judge.

PG&E issued a statement today saying, "Based on all of the evidence we have seen to date and our review of the new indictment, we still do not believe that PG&E employees intentionally violated the federal Pipeline Safety Act and that, even where mistakes were made, employees were acting in good faith to provide customers with safe and reliable energy."

San Bruno also asked Gov. Jerry Brown last month to appoint a state independent monitor.

San Bruno spokesman Sam Singer said the city has not heard back from Brown and said, "We're disappointed and will continue to press the governor."

The city's letter to Brown came after San Bruno officials obtained copies of emails that they allege show that California Public Utilities Commission president Michael Peevey and his staff improperly exchanged private emails with PG&E executives on matters being investigated by the CPUC.

In an administrative proceeding that is separate from the federal criminal case, the commission is considering how much to fine PG&E for record-keeping and safety-compliance failures.

San Bruno has urged it to levy a penalty and fine of \$2.45 billion.

The criminal obstruction-of-justice charge in the indictment alleges that during the NTSB investigation in February 2011, the PG&E submitted a document outlining when it considered a manufacturing problem to be high-risk, but later withdrew the document in a letter on April 6, 2011, saying it had never been approved.

The indictment alleges that PG&E did not disclose in the letter that it in fact followed the practices set forth in the document between 2009 and April 2011, and also failed to disclose that it knew the policy violated a requirement of the pipeline safety law.

In its statement today, PG&E said it responded to hundreds of questions from the NTSB during the probe and that in one response, “PG&E had submitted a cover sheet approval form mismatched to the wrong internal engineering document.”

“PG&E corrected this error with a letter dated April 6, 2011. The NTSB published the letter on its accident investigation docket on September 30, 2011, and it has been publicly available since then. PG&E believes the letter is true and accurate and stands by it,” the utility said in its statement.

#### 11. PG&E faces \$1.1 billion fine for 2010 pipeline blast

By Staff, Petro Global News – Aug. 20, 2014

Pacific Gas & Electric pleaded not guilty in a California federal court Monday on charges of violating the Natural Gas Pipeline Safety Act and obstructing a federal investigation into the deadly 2010 natural gas explosion in San Bruno, California.

The company is also accused of failing to comply with mandatory “integrity management” standards and failing to identify and remedy threats to its natural gas pipelines, Law360 said.

PG&E faces up to \$1.1 billion in penalties.

US attorney Hallie Hoffman said PG&E earned about \$281 million from the alleged crimes and the victims lost approximately \$565 million because of the accident.

The pipeline ruptured in September 2010. About 47.6 million standard cubic feet of natural gas was released, causing a fire that killed eight people and injured 58 others. Dozens of homes were destroyed by the blaze.

PG&E spokesman Greg Snapper said that the company or its employees did not intentionally violate the Pipeline Safety Act and “even where mistakes were made” employees were “acting in good faith to provide customers with safe and reliable energy.”

Snapper also said that PG&E cooperated with investigators and handed over documents as quickly as it could.

Prosecutors have not commented on the case.

PG&E’s alleged violations were first publicized by the California Public Utilities Commission after the explosion.

Last year, the company reached a \$70 million settlement with San Bruno to end the city’s claims over the accident.

The settlement came on the heels of a \$50 million payment made by PG&E to cover the city's infrastructure repair costs and other expenses caused by the blast.

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