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Sent: 8/21/2014 11:12:22 AM
To: Terrie D.' Prosper (terrie.prosper@cpuc.ca.gov) (terrie.prosper@cpuc.ca.gov)
Cc:
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Subject: FW: News: PG&E CEO Says No Bankruptcy from San Bruno Fines; New Demand by City of Carmel for CPUC Investigation in PG&E

From: Sam Singer [mailto:singer@singersf.com]
Sent: Thursday, August 21, 2014 11:02 AM
To: Sam Singer
Subject: News: PG&E CEO Says No Bankruptcy from San Bruno Fines; New Demand by City of Carmel for CPUC Investigation in PG&E
Importance: High

1. [PG&E CEO Anthony Earley says utilities won't be bankrupted by fines from pipeline explosion](#)

By George Avalos, San Jose Mercury News – Aug. 21, 2014

2. [Grand jury investigating PG&E gas blast in Carmel](#)

By Jaxon Van Derbeken, San Francisco Chronicle – Aug. 21, 2014

3. [Pacific Gas Gets Subpoena From U.S. Over March Blast](#)

By Karen Gullo, Bloomberg – Aug. 20, 2014

4. [PG&E CEO: San Bruno explosion fines won't bankrupt us](#)

By Staff, San Francisco Business Times – Aug. 21, 2014

5. [CPUC cuts utility revenue request by \\$700M](#)

By Barbara Vergetis Lundin, Fierce SmartGrid – Aug. 20, 2014

6. [Letters to the editor: History isn't on PG&E's side](#)

From Charlie Powell, The Bakersfield Californian – Aug. 20, 2014

7. [Aug. 21 letters to the editor](#)

From Craig Bender, Contra Costa Times – Aug. 21, 2014

8. [KGO-AM \(Radio\) – San Francisco, CA](#)

7:34:15 AM, Aug. 20, 2014

1. [PG&E CEO Anthony Earley says utilities won't be bankrupted by fines from pipeline explosion](#)

By George Avalos, San Jose Mercury News – Aug. 21, 2014

PG&E CEO Anthony Earley says utility won't be bankrupted by fines from pipeline explosion

SAN JOSE -- PG&E believes it can withstand expected fines of up to \$3.6 billion resulting from the fatal 2010 gas pipeline explosion in San Bruno without having to file for bankruptcy, the utility's top executive said Wednesday.

PG&E Chief Executive Officer Anthony Earley, in a wide-ranging interview with the editorial board of this newspaper, also said the utility was surprised by a charge of obstruction of justice in its most recent federal criminal indictment, and asserted that PG&E is making good progress on efforts to upgrade its natural gas system.

The federal criminal charges against PG&E in the San Bruno case could lead to a fine of up to \$1.13 billion, and a state Public Utilities Commission probe could result in a fine of up to \$2.45 billion, but Earley said those penalties would not push the utility into bankruptcy. However, large fines would require PG&E to approach the capital markets for financing in the form of sales of stock to the public, he said.

Regarding the federal obstruction of justice charge against PG&E for allegedly impeding a National Transportation Safety Board investigation of the explosion, Earley said, "That did come as a surprise."

Earley offered praise for PUC President Michael Peevey, the powerful head of the state agency that regulates PG&E and numerous other utilities in California. Peevey is under fire from critics who say he has created a lax regulatory atmosphere at the PUC. Numerous emails have surfaced in recent weeks that suggest a cozy relationship between the PUC and PG&E that some critics say could cause the state commission to go easy on PG&E as it considers fines and rates for the utility.

But according to Earley, "Mike Peevey has a reputation that is well deserved of being one of the most forward-looking regulators in the U.S."

Earley's praise of Peevey irked city officials in San Bruno who have been pressing Gov. Jerry Brown to strip Peevey of his role as the president of the PUC.

"We have a need for fair, open, honest regulation of our utilities and to promote the safety of the public, but the PUC has not done that under Peevey's leadership," San Bruno City Manager Connie Jackson said in an interview Wednesday. "And the matter before the PUC regarding the penalty for the explosion cannot be decided fairly as long as Mr. Peevey is participating in the

decision."

Mindy Spatt, a spokeswoman for The Utility Reform Network, a consumer group, said a lack of oversight by the PUC may have caused PG&E to be taken by surprise by the obstruction of justice charge.

"PG&E has become so accustomed to the laxity of the PUC that they are surprised when the federal prosecutors exert their authority," Spatt said. "There is actually a speed limit that PG&E has to follow. The feds actually expect their rules to be followed."

Earley's assessment that PG&E can avoid bankruptcy was welcomed by TURN officials.

"That is a more responsible message than what PG&E had given Wall Street earlier, when they were threatening to file for bankruptcy if they received the maximum fines," said Mark Toney, TURN's executive director. "The issue is what is the appropriate penalty, not only for all the death and destruction in San Bruno, but the negligence that led to it."

Earley said he is looking forward to a time when the utility can put the regulatory punishments and the criminal case behind it.

"We can focus on the really cool stuff and the new technologies, how to make California's energy system the best in the world," he said.

Still, with the four-year anniversary of the San Bruno explosion in September 2010 just weeks away, Earley said PG&E must never forget the disaster, which killed eight people, injured 66 and wrecked a neighborhood.

"We need to always keep San Bruno in front of us from a safety standpoint," Earley said.

2. Grand jury investigating PG&E gas blast in Carmel

By Jaxon Van Derbeken, San Francisco Chronicle – Aug. 21. 2014

A federal grand jury is investigating whether Pacific Gas and Electric Co. violated gas-pipeline safety laws in a Carmel explosion that a company consultant blamed on faulty gas system records, sources said Wednesday.

An assistant U.S. attorney revealed in San Francisco federal court Monday that prosecutors had issued subpoenas for an investigation involving "different matters" from an indictment charging PG&E in connection with the deadly 2010 gas-pipeline explosion in San Bruno.

The prosecutor was not specific, but company officials acknowledged that they have received a grand jury subpoena related to a March 3 gas explosion in Carmel that leveled a vacation cottage.

"We did get a subpoena," said PG&E spokesman Greg Snapper. "We cannot speak on behalf of the (U.S. attorney's office) with respect to their interest or intent."

Sources with knowledge of the case say the new investigation centers on whether PG&E has failed to fix one of the major problems behind the San Bruno disaster - company records that give incorrect information about the thousands of miles of natural-gas pipelines in Northern and Central California. The sources spoke on condition of anonymity because grand jury probes are not made public.

Fines possible

In a recent statement to its shareholders, PG&E said federal prosecutors, the California Public Utilities Commission and Carmel officials were looking into the explosion. It added, "It is

reasonably possible that fines could be imposed on the utility, or that other enforcement actions could be taken."

Critics of PG&E say the similarities between the San Bruno blast and the Carmel explosion are striking.

"It is the same fundamental problem both in San Bruno and Carmel," said Frank Pitre, an attorney who represents the Carmel homeowner in a potential lawsuit against PG&E. "There are inadequate records to know what lies in the ground - to me, that is the time bomb that is just waiting to go off."

In San Bruno, PG&E's records did not reveal the presence of welds in a major, 30-inch transmission line. One of the welds ultimately ruptured, causing the September 2010 explosion that killed eight people and destroyed 38 homes.

Maps were wrong

The new investigation concerns a much smaller pipeline, but the same basic problem - PG&E's lack of accurate records.

The Carmel explosion happened as crews working near Highway 1 were linking a 2-inch line to a newly laid plastic distribution pipeline. PG&E's gas-system maps showed that the 2-inch line was made of steel, a company consultant later found.

However, sometime after 1997, PG&E or a contractor inserted a plastic pipe inside the steel one. In doing so, workers made slices in the steel line, rendering it useless for carrying natural gas. The PG&E consultant concluded that required records showing that work were "not available" to the crews on the scene in March.

When the crews drilled into the old steel main, they pierced the plastic line inside, unaware it

was there. Had there been just a steel main, workers would have harmlessly controlled the gas. But when the plastic pipe was pierced, it flooded gas uncontrollably into the surrounding steel pipe.

The gas soon escaped through a cut in the steel line and into a one-bedroom cottage at Third Avenue and Guadalupe Street, which a Palo Alto man used as a vacation home. The cottage was empty but a pilot light was on, and it apparently touched off the explosion that leveled the structure and damaged three nearby homes. No one was injured.

One month after the blast, the Menlo Park consulting firm Exponent Inc. said PG&E's pipeline maps had misled the workers. It did not explain why the detailed drawings of the plastic line were unavailable to the Carmel crews.

PG&E's changes

PG&E says it has implemented recommendations made by the consultant to ensure workers know what they're dealing with, and has ordered improved training and emergency response protocols.

The records problems identified by Exponent were nearly identical to those the National Transportation Safety Board found in its investigation of the San Bruno blast. The safety board concluded that PG&E could not locate the detailed drawings of a 1956 project in which the San Bruno pipeline was rerouted to make way for a housing development.

It was during that project that workers joined together several small sections of pipe. One of the sections was held together with an incomplete weld that could have been detected, had PG&E run tests designed to catch such flaws.

PG&E never did such tests because it didn't know the weld was there, and the pipe eventually ruptured.

Heart of state case

PG&E's incomplete or missing records are a major issue in a civil case in which the California Public Utilities Commission is considering fining the company as much as \$2.5 billion for San Bruno-related violations. The records are not central to the federal indictment of PG&E, which accuses the company of having a policy of not testing pipelines for damage after pressure surges and of lying about the policy to federal investigators.

Pitre, who represented survivors and victims' relatives in San Bruno-related lawsuits against PG&E, said the Carmel explosion and the San Bruno disaster both show that PG&E does not know enough to operate its system safely.

In Carmel, he said, "you had a calamity - you had a house that blew up. This time, thank God, you did not have any people in close proximity who were burned to death. Somebody dodged a bullet here."

3. Pacific Gas Gets Subpoena From U.S. Over March Blast

By Karen Gullo, Bloomberg – Aug. 20, 2014

PG&E Corp. (PCG) said it got a subpoena from U.S. prosecutors investigating a natural gas explosion that severely damaged a vacant California house in March while workers were upgrading a pipeline nearby.

Gas escaped from a steel pipe undergoing work by a welder and seeped through a sewer into the home in Carmel, according to the company. A firm hired by PG&E found the explosion was caused by inadequate verification of "system status and configuration when performing work on a live line," the company said in a regulatory filing last month.

The U.S. attorney in San Francisco sent a subpoena for information related to the incident, Greg Snapper, a PG&E spokesman, said by e-mail, without giving details of the request.

California utility regulators and Carmel fire and police officials are also investigating, the company has said. PG&E said it implemented enhanced safety procedures after the blast.

PG&E's Pacific Gas utility pleaded not guilty this week to obstructing a federal investigation of a 2010 pipeline explosion that killed eight people in San Bruno, a San Francisco suburb. The company also pleaded not guilty to 27 charges of violating federal pipeline safety rules that prosecutors said contributed to the San Bruno blast.

Assistant U.S. Attorney Hallie Hoffman said at an Aug. 18 court hearing about the San Bruno case that a new grand jury investigation of the San Francisco-based company's gas division was under way.

Lili ArauzHaase, a spokeswoman for U.S. Attorney Melinda Haag in San Francisco, didn't immediately return a voice-mail message seeking comment on the Carmel investigation.

4. [PG&E CEO: San Bruno explosion fines won't bankrupt us](#)

By Staff, San Francisco Business Times – Aug. 21, 2014

The chief executive officer at Pacific Gas & Electric says the fines levied after the 2010 gas pipeline explosion in San Bruno won't bankrupt the utility.

However, Anthony Earley said in an interview with the Contra Costa Times that the expected fines of up to \$3.6 billion could require PG&E to approach the capital markets for financing in the form of sales of stock to the public.

PG&E is facing a fine of \$2.45 billion from a state Public Utilities Commission investigation into the fatal 2010 explosion

Another \$1.13 billion fine could come out of a federal indictment charging PG&E with impeding a National Transportation Safety Board investigation into the blast.

Earley said the obstruction of justice indictment, which was handed down late last month, caught the utility by surprise.

Earley added PG&E is making progress in improving in efforts to upgrade its natural gas system.

5. CPUC cuts utility revenue request by \$700M

By Barbara Vergetis Lundin, Fierce SmartGrid – Aug. 20, 2014

After a long and arduous process, the California Public Utilities Commission (CPUC), has set the revenue amount needed for Pacific Gas and Electric Company (PG&E) to provide safe and reliable electric and natural gas service for 2014-2016.

In an unprecedented move for a rate case, the CPUC retained outside experts to evaluate risk assessment, risk mitigation, programs and policies, as well as PG&E's corporate policies, goals, culture, and the efforts being made to bolster PG&E's system safety and reliability. After reviewing the findings, the CPUC adopted revenue requirements that it says "balances the priorities of safety and reliability with just and reasonable rates" -- cutting the amount requested by \$700 million.

PG&E requested a 17.5 percent increase (\$1.16 billion) over the currently approved revenue requirement for 2014-2016, but the CPUC only authorized an increase of \$460 million, which

is an increase of just 6.9 percent over the currently authorized revenue requirement. The CPUC decision also approved lower attrition increases than PG&E requested -- 4.57 percent for 2015 and 5 percent for 2016 as opposed to 5.9 percent for 2015 and 6.1 percent for 2016.

"This was not a 'business as usual' rate case. Consistent with our renewed focus on safety, the CPUC approached this rate case very differently from those in the past by integrating a heightened evaluation of safety, risk assessment, and accountability," said CPUC Commissioner Mike Florio, who oversaw the proceeding. "The amount we authorized is intended to provide the necessary revenue for the maintenance, replacement, and improvement of PG&E's aging infrastructure, and for the operation of the utility system in a manner that provides safe, affordable, and reliable service to PG&E's customers."

The decision includes requirements and ratemaking mechanisms that will increase the accountability of PG&E and, according to the CPUC, "help ensure that PG&E is using the increased revenues prudently and effectively," as well as requirements that will improve the showing on safety and risk in PG&E's next rate case.

"It is PG&E's duty to use its resources effectively to ensure its system is operated in a manner that provides safe, reliable, and affordable service to its customers. We expect and demand PG&E to be proactive and prudent in fulfilling this duty," said Florio. "For our part, we must commit more strongly than ever to our duty to safeguard that PG&E, and all the utilities we regulate, are operating their systems in a safe, reliable, and affordable manner."

It would appear to industry observers that the CPUC is taking a particularly hard stance with PG&E in light of recent accusations that it has had an inappropriate and unethical relationship with the utility since at least the aftermath of the 2010 San Bruno gas pipeline explosion.

6. Letters to the editor: History isn't on PG&E's side

From Charlie Powell, The Bakersfield Californian – Aug. 20, 2014

PG&E apparently just can't help itself in professing innocence in legal matters ("PG&E pleads

not guilty to charges over blast," Aug. 19).

The tragic gas explosion and fire in San Bruno is only the latest example of their steadfast position of denials of responsibility. This time, their denial of lying to investigators may mean more than a financial penalty.

One would think that the Hinkley, California, CR-1 contamination settlement would have provided a wake-up call to this corporation. In California alone they paid out \$650 million. That's a lot of money -- unless you are the uber-wealthy giant Pacific Gas & Electric Company.

This is not to say that they don't have every right to an aggressive defense. They do. But their history in these matters is not good. Anybody remember Erin Brockovich?

Charlie Powell

Bakersfield

7. Aug. 21 letters to the editor

From Craig Bender, Contra Costa Times – Aug. 21, 2014

Peevey and PUC are lacking in credibility

Besides California Public Utility Commission President Michael Peevey's cozy affair with PG&E regarding the San Bruno disaster, there are other onerous acts of culpability that should result in his removal from office.

Among the more blatant examples of his complete disregard for the ratepayers of this state, in

2012, Peevey created, out of whole cloth, a \$150 million sweetheart, make-work research and development project benefiting only PG&E shareholders and Lawrence Livermore National Laboratory.

This ratepayer-funded travesty was handed to LLNL on a silver platter by Peevey, without requiring any cost/benefit analysis, and without ever going out for competitive bids from other research organizations.

Most companies send a \$150,000 project out to bid, while PG&E and the PUC single-source a \$150 million project.

It is time for Gov. Jerry Brown and the state Legislature to clean house at the PUC and bring credibility back to the commission.

Craig Bender

Walnut Creek

8. [KGO-AM \(Radio\) – San Francisco, CA](#)

7:34:15 AM, Aug. 20, 2014

To hear full clip, click [here](#).

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