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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 re: San Bruno, CPUC, PG&E

From: Sam Singer [mailto:singer@singersf.com]
Sent: Wednesday, August 27, 2014 9:18 AM
To: Sam Singer
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1. [Carmel mayor urges probe of natural gas explosion](#)

By Julia Cheever, SF Bay News – Aug. 26, 2014

The mayor of Carmel said Tuesday a formal investigation by the California Public Utilities Commission of a natural gas explosion in March “is the only procedural mechanism that would work for our community.”

Mayor Jason Burnett said:

“Our interests would be served only by the public process and robust process that a formal proceeding allows.”

Burnett requested the probe in a letter to the San Francisco-based commission Monday, following a 4-0 vote of authorization for the request by the City Council.

The PG&E-pipeline-related explosion on March 3 demolished an unoccupied five-room wooden house at the corner of Third Avenue and Guadalupe Street. No one was hurt.

According to a report prepared for PG&E by engineering consultant Exponent Inc. of Menlo Park in April, a PG&E Co. repair crew tapped into a 2-inch metal pipeline and punctured an internal plastic pipe that was not shown on the utility's maps.

The puncture released pressurized natural gas that flowed into the space between the plastic and metal pipes, then into the soil and a sewer system connected to the house. The gas was ignited, probably by a stove pilot light, 15 to 30 minutes after the puncture, according to the report.

The root cause of the explosion was "inadequate verification of system status and configuration when performing work on a live line," the consultant's report said.

Burnett said Carmel officials are "deeply concerned" that the incident shows apparent record-keeping problems similar to those that played a role in a fatal pipeline explosion in San Bruno in 2010.

Burnett said Tuesday:

"There appears to be a fact pattern of repeated problems."

Eight people died and 66 others were injured in the San Bruno explosion and fire on Sept. 9, 2010. The National Transportation Safety Board concluded the cause was a rupture in a defective seam weld in a pipe segment that was incorrectly listed in PG&E records as seamless.

Burnett's letter asks the PUC to initiate a formal process, known as an order instituting investigation, to determine whether PG&E's recording-keeping for the Carmel line violated federal or state pipeline safety laws or regulations:

"This explosion could easily have killed and seriously injured people and whether PG&E violated the law should not be ignored."

The PUC's Safety and Enforcement Division is already conducting a staff probe of the Carmel explosion. PUC spokesman Andrew Kotch said a staff investigation is normal procedure following an accident.

Kotch said the safety division has no deadline for completing its work and that it has the authority to levy fines of up to \$50,000 per violation per day. A formal commission investigation, by contrast, would be a more public process in which documents and certain hearings would be open to public, Burnett said.

If the City Council decided to intervene and become a party in the case, "we can offer expert witnesses and cross-examine other witnesses if appropriate. There will be no short-circuiting of the process," Burnett said.

A formal PUC proceeding is led by an administrative law judge and one commissioner. Their recommendation, which could include fines or other enforcement orders, is submitted to the full five-member commission for a decision. The process could take a year or more.

The PUC said in a statement:

"Our staff investigation is still in progress and potential enforcement actions are yet to be determined."

San Francisco-based PG&E said:

"An order instituting investigation is a matter for our regulator to address. We'll continue

cooperating fully with the CPUC's ongoing investigation into the incident.”

Separately, a federal grand jury in San Francisco is also looking into the Carmel explosion. PG&E spokesman Greg Snapper confirmed the utility received a grand jury subpoena for information related to the incident, but said PG&E did not know what federal prosecutors' "interest or intent" might be.

In the San Bruno case, PG&E has been indicted by a federal grand jury on one count of obstructing justice in the NTSB probe and 27 counts of violating the U.S. Natural Gas Pipeline Safety Act in its record-keeping and management of the San Bruno pipeline and several other lines.

The utility has pleaded not guilty to the charges and is due to reappear in court, through its lawyer, for a status conference before U.S. District Judge Thelton Henderson in San Francisco on Sept. 22. A trial date has not yet been set.

2. Carmel Wants Investigation Into PG&E Gas Blast

By Chris Roberts, NBC Bay Area – Aug. 26, 2014

Carmel wants help in its fight against Pacific Gas & Electric Co.

After a March gas explosion leveled a one-bedroom cottage near Highway 1, the city wants answers and says that PG&E has not been keen on presenting them, according to reports.

The San Francisco Chronicle reports that Carmel thinks PG&E is "stonewalling" the city in demands for what happened when a PG&E crew cut into a pipe that then exploded.

A PG&E crew set off the blast after they mistakenly "cut into a plastic sleeve inside an older steel pipe," according to the newspaper. PG&E records did not reveal the plastic line was there, the newspaper reported.

After the cut, gas from the pipe flooded the cottage before it detonated. There were no injuries.

Carmel Mayor Jason Burnett says that the company is refusing to release records. PG&E is also accused of shoddy record-keeping in connection to the fatal explosion and fire in San Bruno.

3. California Focus: Time for utility execs to worry

By Thomas D. Elias, Sonoma Index-Tribune – Aug. 26, 2014

Executives of California's large, privately owned utility companies don't usually have to worry about much, what with virtual monopolies, guaranteed profits, regular shareholder dividends and large personal salaries.

Plus, when the folks who run companies like PG&E, Southern California Edison and San Diego Gas & Electric make mistakes, they're never held personally liable for anything.

But times have changed since the state's abortive venture into electricity deregulation led to selloffs of many power plants and an energy supply crisis in 2000-02, with no penalties to decision-making executives for the bankruptcy of PG&E and the near failure of Edison.

Since that time, actions and policies decided by officials of those companies have led to two more disasters of a different nature. There was the 2010 PG&E gas pipeline explosion that killed eight people and destroyed 35 houses in San Bruno. And there was Edison's decision to allow installation of faulty parts in its San Onofre Nuclear Generating Station, causing the plant's retirement, for which Edison and minority partner SDG&E now want to dun customers billions of dollars.

In both cases, customers have already paid plenty. PG&E regularly collects funds for gas pipeline maintenance via monthly bills, and has done so since the 1950s. And since federal authorities fingered PG&E maintenance as negligent after San Bruno, it's fair to ask what the company did with all the money it collected.

Similarly, since Edison and SDG&E customers have paid monthly for decades for the eventual retirement of San Onofre, it's hard to see why they should pay even a nickel more, especially when a federal report concluded the early retirement was caused by the knowing actions of Edison bosses.

So far, no utility executive has paid a personal price for those problems. But the utility brass involved in gas pipeline management and the San Onofre decisions ought to be quaking a bit today, in part because a San Mateo County judge has cleared the way for lawsuits against executives whose alleged mismanagement led to San Bruno.

And another court action in London, England should also have gotten executive attention.

This one saw three former top executives of the Associated Octel Corp., sentenced to prison for bribing Indonesian and Iraqi government officials to continue their nations' importation of a toxic tetraethyl lead fuel additive that is banned in America and most of the rest of the world.

The Colorado-based company profited from its lead product by making millions of dollars in illicit payments between 2002 and 2008.

The English court's decision to sentence the three to terms of two to four years could give federal prosecutors the idea that personal immunity for corporate executives and their decisions is over. So far, there have been no court actions against Edison for its mismanagement of the San Onofre situation.

But PG&E is now under criminal indictment for alleged obstruction of justice, and legal experts take the obstruction charge as a sign federal prosecutors plan to pursue the San Bruno

case aggressively.

That, in turn, could open the so-far nameless executives responsible to shareholder lawsuits for lost profits and dividends, if the penalty is steep enough.

4. Tech upgrades Helped PG&E Respond Quickly After Napa, Calif., Earthquake

By David R. Baker, Government Technology – Aug. 26, 2014

It wasn't just computer modeling that helped PG&E restore service so quickly after the Bay Area earthquake, but also wireless SmartMeters, that automatically signaled the utility when their buildings lost power.

Fifteen minutes after the ground stopped shaking Sunday morning, a computer model at Pacific Gas and Electric Co. spat out a prediction: Roughly 85,000 customers would be without power as a result of the quake, with many of them clustered around Napa. The utility started deploying its crews, trucks fanning out across the Wine Country before dawn.

"That gave us the first indication of how big an event this is and an idea of what resources we'd need and where we'd need them - so we had that right out of the gate," said Barry Anderson, PG&E's vice president of emergency response.

In the end, roughly 70,000 businesses and homes lost power following Sunday's early-morning earthquake near American Canyon. PG&E was able to restore electricity to almost all of them within 24 hours, finishing the rest by noon Monday.

"That's remarkable - that's a good time" said Bob Bea, a UC Berkeley professor emeritus in civil engineering. "For once, PG&E is due an accolade."

It wasn't just computer modeling that helped PG&E restore service so quickly after the Bay

Area's biggest earthquake in 25 years. Wireless SmartMeters, which PG&E has installed on every building it serves, automatically signaled the utility when their buildings lost power.

"Back in '89, with Loma Prieta, we had outage calls from customers, and that was it," said Anderson, who is leading PG&E's response to the Napa earthquake.

PG&E's sprawling networks for delivering electricity and natural gas appear to have suffered little lasting damage from the 6.0-magnitude quake. Although 12,000 feet of electric lines were knocked down by the shaking, none of the company's substations dropped offline. More than 400 phone calls poured in from customers who smelled natural gas, but only 20 buildings lost gas service, in each case as a result of structural damage.

In the past, PG&E has at times needed days to restore electricity to areas hit by winter storms. Following Loma Prieta, which knocked out power to more than 1 million customers, the utility was able to bring power back to 900,000 within 24 hours, but still had 55,000 customers without gas a week later.

So what made the difference with this quake?

Part of the answer is technology. The computer system that predicted quake damage and the SmartMeters that reported it weren't in place 10 years ago, much less 25. Part of it is investment. The deadly 2010 explosion of a pipeline beneath San Bruno forced PG&E to inspect its natural gas system and replace miles of transmission pipes and smaller distribution lines.

Part is preparation, with PG&E holding its latest earthquake simulation for employees in May. And part is luck. Not only was the Napa quake smaller than the 6.9-magnitude Loma Prieta temblor, but the places it hit did not undergo liquefaction, in which shaking soil starts to move as a liquid. Liquefaction beneath San Francisco's Marina district during Loma Prieta snapped natural gas lines and triggered fires that consumed apartment buildings.

Natural gas is suspected in one fire that followed Sunday's quake, a blaze that destroyed four

mobile homes. PG&E says its gas line into the mobile home park did not break. However, mobile home parks typically run multiple gas lines off of one meter, maintaining the lines within the park on their own. A rupture could have occurred there, according to the utility.

Bea hopes the utility continues to hunt for leaks in its North Bay natural gas system, even if it hasn't found any significant ones so far. "We've got service re-established - is that service as safe as it should be?" he said. "I would hope PG&E remains vigilant that there could be undetected leaks."

5. Corruption finds fertile ground in lax state laws

By Thomas D. Elias, San Diego Daily Transcript – Aug. 26, 2014

To some, it seems almost as if California has lately become New Jersey West. Incidents of possible corruption and conflict of interest are exposed at least once a month these days, with almost no consequences for anyone involved.

Some examples:

- Last month, The Los Angeles Times revealed that the president of the state's stem cell agency, the California Institute for Regenerative Medicine, Alan Trounson, took a job with a private company shortly after the institute gave the firm a \$19 million grant. Whether or not that was payback for Trounson, it didn't look good.
- A month earlier, this column caught the state Energy Commission earmarking more than \$28 million in "hydrogen highway" grants for a new company co-founded by a consultant who only months earlier drew the map determining where hydrogen refueling stations will go and then trained commission staff on how to evaluate grants.

No conflict of interest there, the commission insisted. Right.

- More recently, the San Francisco Chronicle uncovered emails in which the chief of staff to Public Utilities Commission President Michael Peevey advised officials of Pacific Gas & Electric Co. how to fend off lawsuits over the deadly 2010 explosion of a PG&E natural gas pipeline in San Bruno.

Never mind that the fact Peevey is the former president of a large utility by itself should have raised sufficient conflict of interest questions to prevent his getting that job in the first place.

These revelations — probably just the tip of a conflict of interest and corruption iceberg, because each exposure most likely required a tip from an insider — suggest that corruption may be rampant in state government.

The incidents are magnified because they arose while the state Senate steadfastly refuses to expel three members who have been either convicted or indicted for crimes ranging from lying about place of residence to accepting bribes for votes and assisting supposed gun-runners. Instead, all three are under suspension, but with full pay, most likely until their terms end.

Meanwhile, Gov. Jerry Brown — who could have stopped the Energy Commission grants had he wished, but might not have been able to influence the other recent episodes — took off on a Mexico trade mission accompanied by a full retinue of lobbyists and corporate executives whose contributions for the trip gained them better access than usual to Brown. Nothing is more important to special interest lobbyists and executives than access to power.

Nasty as all this appears, it isn't very different from what's gone on before. One of the key causes of the 2003 recall of ex-Gov. Gray Davis was the fact that he at least gave the appearance of trading favors for campaign contributions.

The classic example came when an Oracle Corp. representative turned over \$25,000 in putative campaign funds to a Davis aide within days of the company getting a \$95 million state software contract without competitive bidding.

Of course, the recall and subsequent election of muscleman actor Arnold Schwarzenegger didn't improve matters. He began by promising never to take special interest campaign contributions, but accepted more than \$5 million during the recall election alone. He promised to set up a special panel to investigate his own well-documented womanizing, but never did.

He ended his seven years in office by sharply reducing a murder sentence for the son of his buddy Fabian Nunez, the former speaker of the state Assembly, leading to speculation about items for which this might have been payback.

Schwarzenegger also gave special treatment to oil companies that contributed to his campaigns, suddenly began backing liquefied natural gas imports after one of his top political consultants became a lobbyist for the Australian energy firm BHP Billiton and paid three of his top staffers from both his campaign committee and state funds. These items all came within his first two years in office.

There was also the fact that Schwarzenegger's magazine contract partner, American Media — also publisher of the National Enquirer — paid one of his alleged former mistresses \$20,000 for exclusive rights to her story and then deep-sixed it.

None of this stuff has been unique. It's all the product of California's very lax conflict of interest laws. Because governors and legislators have shown little interest for decades in tightening them, such corruption is to be expected and will likely continue, whoever may be in power.

6. PG&E Refines Post-Quake Work, Tests Response

By Richard Nemec, Natural Gas Intelligence – Aug. 27, 2014

Pacific Gas and Electric Co. (PG&E) officials on Tuesday voiced satisfaction with the performance of employees and infrastructure in the wake of Sunday's 6.0-magnitude earthquake in California's Napa Valley (see Daily GPI, Aug. 25).

"All customers have been restored, however we still have employees in the area," a San Francisco-based spokesman told NGI Tuesday. About 60 homes and businesses in the area were red-tagged and considered too devastated for gas and power to be restored.

"Assigned utility representatives are working directly with those particular customers," he said. PG&E employees also continue to go door to door, offering to schedule courtesy gas safety checks.

In light of the harsh criticism that the utility has endured in the wake of the fatal September 2010 gas transmission pipeline rupture in San Bruno, CA (see Daily GPI, May 1), the spokesman emphasized that there were no breaks in either the combination utility's distribution or transmission systems. The utility's new gas control system worked as it was designed to perform in an emergency situation.

"The new control center gave us real-time visibility into the [gas pipeline] system and the impacted areas, allowing us to prioritize the work and respond quickly," he said, adding that under the utility's now enhanced operations, resources and information are centralized, offering "an immediate proactive approach."

Several customers still had no gas service for safety reasons. "We will turn the gas back on after the customer works with a plumber to make repairs necessary," he said. "We've assigned a dedicated representatives to help each of these customers."

PG&E continued to use "mobile command vehicles" throughout the affected area that are outfitted to help gas crews provide response capability directly at the scene, and to coordinate with state and local safety agencies.

In addition, the utility has been deploying its leak detection technology, which officials previously characterized as more sensitive than traditional methods of checking for leaks (see Daily GPI, Dec. 3, 2012). "Any leaks identified were repaired immediately by onsite crews," the spokesperson said.

"We train for these kinds of events company wide so we are ready if and when natural disasters actually happen. Last May, we had an exercise where we simulated a similar response; we'll do it again this November."

7. ONS 2014: Bentley white paper calls for inspection software to prevent catastrophic failure

By Mark Venables, Oil & Gas Technology – Aug. 26, 2014

An effective structural integrity management program is the single most important barrier against catastrophic failure in complex industrial facilities, according to a white paper launched at ONS 2014 by Bentley

“Sadly, structural failures are still happening all too often, resulting in unplanned shutdowns, loss of production, financial impacts, loss of shareholder confidence and, sadly, even more tragic consequences,” said Mark Biagi, solution executive at Bentley, and author of the white paper. “Throughout the energy industries, as inherently dangerous assets get increasingly large and complex, operating in harsh and ecologically sensitive environments and aging assets’ lifespans are stretched and process conditions are being pushed to their limits, structural integrity envelopes are literally being stretched to their breaking point.”

The results of such failure litter the history of the industry.

The disaster at the RusHydro Sayano-Shushenskaya dam where extensive fatigue damage due to running a high-vibration process and missing bolts resulted in the deaths of 72 workers. The Chevron Richmond refinery where an integrity process failed to identify wall thinning in insulated pipework that resulted in 15,000 people being treated at hospital. And the San Bruno Pipeline where poor installation and testing resulted in pipes that are unable to cope with the operating pressure; eight people were killed and 38 homes were destroyed.

“For leading owner-operators, taking responsibility for their own integrity management is a top priority,” Biagi continued. “For example, Shell’s simple mission statement is, ‘Our assets are

safe. We know it, and we can show it.’ This drives what is arguably the most sophisticated process safety and integrity management program of any operator in the world.

“However, many other operators take a different approach, preferring to rely on outsourcing to help keep their assets safe. Certainly, there are many contractors with a rich knowledge of corrosion mechanisms, inspection methods, and products. It is vitally important that the industry promotes competition in finding ever more effective and efficient inspection methods to support integrity management processes. The flip side, however, is that many specialist vendors that only have part of the solution, along with their own esoteric home-grown software tools, can often introduce risks into the integrity management process.”

Conventional asset integrity management methods often involve multiple organisations across distributed enterprises - in-house, contractors, technicians and specialists – working in disconnected workflows with a wide variety of disparate, technical, esoteric, and non-graphical data sources in multiple specialist software systems that are relevant only to specific sub-asset types. This inconsistency and lack of clarity is a barrier to common understanding, introducing risk and inefficiency.

“Bentley’s approach is different,” Biagi said. “Dedicated to sustaining the world’s infrastructure, Bentley applies sophisticated engineering information management strategies to facilitate a consistent and auditable process of integrity management across distributed enterprises and multiple asset types.”

The company is widely recognised as being the leading vendor of structural engineering design and analysis software with global brand names such as STAAD, RAM, SACS, MOSES, AutoPIPE, and many more. It is also a leader in software for structural integrity management, also sometimes referred to as mechanical integrity management, with major operators, including Shell, standardising on Bentley’s strategies for corrosion inspection management of their pressurised systems.

8. [San Francisco CA: What will T.U.R.N Be Doing August 27th?](#)

By Robert Riechel, San Bruno Patch – Aug. 26, 2014

The Utility Reform Network Reports:

Say Yes to Safety and No to Higher PG&E Rates

Join TURN At A CPUC Public Hearing To Stop Rate Hikes And Demand Accountability!

PG&E is at it again. After winning approval of about \$8 a month in rate hikes last week, PG&E wants customers to pay an additional \$5 more on their monthly gas bills. PG&E claims it needs more money to ensure safe, reliable gas transmission and storage, but we know the overpaid executives just want to tack another zero on to their paychecks.

PG&E is using fears about the San Bruno pipeline explosion to justify these rate hikes. But the real cause of the explosion – PG&E mismanagement and greed – are not being addressed. Please join me to say YES to safety and NO to higher rates at a CPUC public hearing on August 27, 1 p.m. AND 6 p.m. at the Auditorium, 505 Van Ness Ave in San Francisco.

There is power in numbers! Tell the CPUC to stop further rate hikes! The hearing is informal, and is your opportunity to express your opinion on the service and safety PG&E provides, as well as rising rates.

PG&E customers have already paid hundreds of millions for pipeline safety.

- Rates increased by \$300 million in 2012–2014 for pipeline safety.

CPUC let PG&E get away with pipeline neglect for decades.

- Federal investigations documented missing records, lack of testing/repairs and failure to follow the rules.

PG&E should pay to fix its own mistakes.

- Customers should not have to pay again for testing, repairs and records that PG&E failed to do right the first time.

PG&E rates are already slated to go up.

- CPUC just allowed PG&E to bill customers an average of \$8 more per month. Don't let them tack on another \$5. with this latest demand!

We hope to see you there.

Sincerely,

Mark Toney

Executive Director

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