

From: Doll, Laura
Sent: 8/18/2014 4:47:35 PM
To: Terrie D.' Prosper (terrie.prosper@cpuc.ca.gov) (terrie.prosper@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: News: PG&E Pleads Not Guilty, San Bruno Asks Feds for Independent Monitor

From: [Redacted]
Sent: Monday, August 18, 2014 4:21 PM
To: [Redacted]
Subject: News: PG&E Pleads Not Guilty, San Bruno Asks Feds for Independent Monitor
Importance: High

1. [PG&E pleads not guilty in gas explosion case, San Bruno demands PUC preserve computer drives](#)

By George Avalos, Contra Costa Times –Aug. 18, 2014

2. [PG&E Pleads Not Guilty to Hindering Pipeline Blast Probe](#)

By Karen Gullo, Bloomberg Businessweek – Aug. 18, 2014

3. [PG&E pleads not guilty to charges in deadly blast](#)

Associated Press, USA Today – Aug. 18, 2014

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4. PG&E pleads not guilty to San Bruno explosion charges

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5. Monday Must Reads: Big Soda Sues Berkeley Over Proposed Tax; PG&E's Coziness with Regulators Deepens

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1. PG&E pleads not guilty in gas explosion case, San Bruno demands PUC preserve computer drives

By George Avalos, Contra Costa Times –Aug. 18, 2014

SAN BRUNO -- PG&E pleaded not guilty on Monday to a new federal criminal indictment on felony charges linked to a fatal natural gas explosion on the Peninsula, and hours later, San Bruno officials requested the state Public Utilities Commission preserve computers and other electronic data that could shed further light on cozy ties between the PUC and the utility it is supposed to oversee.

At the center of the request by San Bruno officials is an effort by the PUC to swap out hard drives on its computers. The city, where eight people were killed in a September 2010 natural

gas explosion, is concerned that key emails and other electronic records that it is seeking could vanish as a result of the computer equipment work.

San Francisco-based PG&E is charged with 28 criminal counts, including obstruction of justice for allegedly impeding an investigation into the explosion, as well as violations of the pipeline safety act that led to the explosion.

"Not guilty to all counts," Steve Bauer, an attorney for PG&E, said in answer to the charges that were formally presented to the company. Company executives did not appear at the brief court hearing in San Francisco before a federal magistrate.

PG&E faces a maximum fine of up to \$1.13 billion, Assistant U.S. Attorney Hallie Hoffman said after the court hearing. Hoffman appeared for the federal prosecution in the case.

After the hearing, San Bruno City Manager Connie Jackson expressed support for the government prosecution. She also requested that federal prosecutors press for creation of a California pipeline safety trust to help improve safety for natural gas pipes statewide, and to establish an independent monitor to oversee PG&E and the state Public Utilities Commission, which regulates PG&E.

"PG&E has refused to step up and take full responsibility for the explosion," Jackson said.

San Bruno officials, in a letter to PUC executive director Paul Clanon, said it is essential that all electronic equipment, data and documents related to three ongoing investigations into the explosion be preserved and available for public inspection.

"Any failure to assure the preservation and protection of all paper and electronic documents related to these proceedings could form the basis of criminal or civil liability for destroying evidence or spoliation of evidence," Jackson stated in her letter to the PUC executive director.

One of the federal criminal charges centers on an allegation that PG&E deliberately obstructed an investigation by the National Transportation Safety Board into the aftermath of the San Bruno explosion.

"PG&E responded to hundreds of questions and requests for information and documents from the NTSB on an expedited basis," Greg Snapper, a spokesman for the utility, said in a prepared release.

In one response to the NTSB probe, PG&E submitted a cover sheet that was connected to the wrong internal document. PG&E later corrected the error with a follow-up letter.

Federal prosecutors also have charged PG&E with 27 alleged violations of pipeline safety rules.

"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," Snapper said. "Even where mistakes were made, employees were acting in good faith."

Separately, San Bruno pointed out that a series of emails between officials with the PUC and PG&E show a cozy relationship between the two organizations. The latest suggestions of an improper relationship are linked to a symposium on gas safety sponsored by the state government.

"This is appalling," Jackson said. "It was our protests that caused the cancellation of that symposium."

The symposium flap is one of numerous instances that suggest close ties between the PUC and PG&E. San Bruno cited numerous emails between the PUC and the utility that were released a few weeks ago.

"PG&E is pulling the strings at the PUC," Jackson said.

2. PG&E Pleads Not Guilty to Hindering Pipeline Blast Probe

By Karen Gullo, Bloomberg Businessweek – Aug. 18, 2014

PG&E Corp. (PCG:US)'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.

Pacific Gas & Electric Co. could be fined as much as \$1.13 billion if convicted in the criminal case 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.

Pacific Gas was first charged in April, 3 1/2 years after the explosion in San Bruno, California, that sent a 3,000-pound (1,361-kilogram), 28-foot (8.5-meter) section of a 54-year-old pipe flying through the air, fueled by blowing natural gas.

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.

‘Tragic Explosion’

“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.

“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.

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.

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.

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

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

Associated Press, USA Today – Aug. 18, 2014

(Also in Bloomberg Businessweek, 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, 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.

4. PG&E pleads not guilty to San Bruno explosion charges

By Julia Cheever (Bay City News), SF Bay – 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. “

5. Monday Must Reads: Big Soda Sues Berkeley Over Proposed Tax; PG&E's Coziness with Regulators Deepens

By Robert Gammon, East Bay Express – Aug. 18, 2014

Stories you shouldn't miss:

1. Major beverage makers are financing a lawsuit against the City of Berkeley over its proposed soda tax measure on the November ballot, the Trib\$ reports. The lawsuit contends that Berkeley's proposed one-cent-per-one-ounce tax on sugary beverages is “false, misleading, and illegally biased.” Backers of the measure are accusing Big Soda of bullying tactics.

2. PG&E's coziness with state officials that are supposed to regulate the utility is more extensive than previously known, the Chron reports. Michael Peevey, head of the California Public Utilities Commission, penned invitations to a state-sponsored gas-safety conference that were nearly identical to one written by PG&E. PG&E also organized the conference, wrote the agenda, and screened the panelists. Peevey has come under increasing fire for his close relationship with PG&E at a time when the CPUC is considering a \$2.5 billion fine against the utility for the deadly 2010 natural gas explosion in San Bruno.

3. Governor Jerry Brown, nonetheless, continues to strongly back Peevey, telling the Bay Area News Group that the CPUC chair is “a very effective leader; he gets things done.” Brown also vigorously defended his controversial plan to build two giant water tunnels underneath the fragile Sacramento-San Joaquin River Delta.

4. Environmentalists contend that a bill in the state legislature that would tighten rules on the use of antibiotics in livestock does not go far enough, and contains loopholes that would still allow the overuse of antibiotics, the Bay Area News Group reports.

5. And over the weekend, protesters demonstrated in Oakland and Berkeley against the killing of unarmed teen Michael Brown by a cop in Ferguson, Missouri, while at the Port of Oakland, demonstrators tried to block the unloading of an Israeli cargo ship as a part of a protest against Israel's actions in the Gaza Strip, the Chron reports.

6. PG&E Fights Charges Over Blast in San Bruno

By Arvin Temkar, Courthouse News Service – Aug. 18, 2014

SAN FRANCISCO (CN) - Pacific Gas and Electric Co. pleaded not guilty today to 28 federal felony charges stemming from the 2010 pipeline explosion in San Bruno that killed eight people and injured dozens.

PG&E's attorney Steve Bauer appeared on behalf of the company, which faces one count of obstructing a government investigation and 27 counts of violating the Natural Gas Pipeline Safety Act. In all, officials say, criminal fines could reach more than \$1 billion. U.S. Attorney Hallie Hoffman represented the prosecution.

"We believe it's high time PG&E cleaned up its act," San Bruno City Manager Connie Jackson said at a press conference after the hearing. "That it understood and took full responsibility ... for its malfeasance in operating the pipeline system."

In a superseding indictment filed last month, prosecutors alleged that the utilities company lied to the National Transportation Safety Board during its investigation into the San Bruno incident.

The blast killed eight people, destroyed 38 homes and cost victims nearly \$565 million in damages, prosecutors said.

From 2009 to mid-2011 the company operated under a dangerous policy, not properly assessing some of its fragile pipelines that run through residential areas, according to the charges. The company also allegedly failed to keep accurate and complete records, and did not take appropriate actions when there were threats to pipelines.

San Bruno has asked U.S. Attorney Melinda Haag to consider seeking further penalties, including requiring an independent monitor to oversee PG&E's safety progress and using a portion of the fines to establish a California Pipeline Safety Trust to advocate for the public, Jackson said.

San Bruno officials told the San Francisco Chronicle in July that they had obtained emails documenting "cozy ties" between PG&E and the state regulatory body charged with overseeing it, the California Public Utilities Commission. Emails showed that an aide to CPUC President Michael Peevey advised a PG&E executive on ways to avoid legal issues after the 2010 explosion.

The revelations have led San Bruno officials to call for Peevey's resignation.

"We do not trust the CPUC to perform its statutory functions," Jackson said, adding: "Effective regulation cannot occur in an environment where everybody are buddies."

The criminal fines PG&E faces compound civil fines from the CPUC that could total nearly \$2.5 billion.

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3:06:45 PM, Aug. 18, 2014

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

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