From: Doll, Laura
Sent: 9/4/2014 1:05:57 PM
To: Terrie D.' 'Prosper (terrie.prosper@cpuc.ca.gov) (terrie.prosper@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: News re: Reactions to CPUC Penalty, PG&E's Plans to Appeal

From: Alex Doniach [mailto:alex@singersf.com]
Sent: Thursday, September 04, 2014 1:03 PM
To: Alex Doniach
Cc: Sam Singer
Subject: News re: Reactions to CPUC Penalty, PG&E's Plans to Appeal

1. PG&E will appeal $1.4 billion penalty for San Bruno blast

By Jaxon Van Derbeken, SF Gate – Sept. 4, 2014

2. PG&E moves to alter criminal indictment and plans to appeal regulatory fine in San Bruno blast cases

By George Avalos, San Jose Mercury News – Sept. 3, 2014

3. Unsatisfying outcome in state's case against PG&E

Opinion, San Francisco Chronicle – Sept. 3, 2014

4. Oakland Tribune editorial: Proposed PG&E penalty deserves far bigger penalty

Oakland Tribune editorial, Oakland Tribune – Sept. 4, 2014

(Also Contra Costa Times Editorial)

5. Mercury News editorial: Proposed PUC penalty lets PG&E off the hook

Mercury News Editorial, San Jose Mercury News – Sept. 4, 2014

6. California Utility PG&E Could Faces Fines Totaling $5.89 Billion

By Bringham A. McCown, Forbes – Sept. 3, 2014

7. California's Largest Utility Receives Largest Fine in History Of California Utilities

By William Pentland, Forbes – Sept. 3, 2014

8. PG&E to appeal proposed $1.4- billion penalty for fatal pipeline blast

By Marc Lifsher, Los Angeles Times – Sept. 3, 2014

9. California Utility Should Pay $1.4B For San Bruno Pipeline Blast: Court

By Mark Chediak, Bloomberg – Sept. 3, 2014

10. PG&E intends appeal $1.4B fine for fatal blast

By Sudhin Thanawala, The Associated Press – Sept. 4, 2014]

11. Our View: PG&E's fines were justified; rate increases were not

Editorial, The Modesto Bee – Sept. 3, 2014

12. PG&E and critics plan appeals of $1.4 billion CPUC penalties

By Chris Rauber, San Francisco Business Times – Sept. 3, 2014

13. PG&E Set To Appeal $1.4B Pipeline Safety Penalty

By Bay City News, SF Appeal – Sept. 3, 2014

14. Pacific Gas and Electric hit by $1.4bn penalty following 2010 explosion

By Sandra Kilhof, World Finance – Sept. 4, 2014

15. PG&E To Appeal $1.4B Penalty For San Bruno Explosion

By Jeff Sistrunk, Law 360 – Sept. 3, 2014

16. PG&E Fights Pipeline Explosion Indictment

By Dan McCue, Courthouse News Services – Sept. 4, 2014

17. PG&E Faces $1.4B Fine Over San Brunp Pipeline Explosion

By Zacks Equity Research, Yahoo! Finance – Sept. 4, 2014

18. PG&E Slapped with $1.4 Billion Fine for San Bruno Blast

By Thomas Overton, POWER Magazine – Sept. 3, 2014

19. PG&E seeks reasonable, proportionate CPUC penalty for San Bruno

Penn Energy – Sept. 3, 2014

20. PG&E to appeal proposed $1.4B penalty for San Bruno pipeline blast

By Carl Surran, Seeking Alpha – Sept. 3, 2014

21. State Penalizes PG&E $1.4 Billion for Deadly San Bruno Pipeline Explosion

By Ken Broder, All Gov California – Sept. 3, 2014

22. California Judges Recommend $1.4B Safety-related Penalty Against PG&E

By Ellen Knickmeyer, Insurance Journal – Sept. 4, 2014

23. Sept. 9, 2010: A Day San Bruno Never Will Forget [PhotoGallery]

By Josh Cable, EHS Today – Sept. 4, 2014

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1. PG&E will appeal $1.4 billion penalty for San Bruno blast

By Jaxon Van Derbeken, SF Gate – Sept. 4, 2014

Pacific Gas and Electric Co. will appeal a $1.4 billion penalty that two state regulatory judges imposed for more than 3,700 safety violations leading up to the deadly San Bruno pipeline explosion, the company said Wednesday.

PG&E signaled it would appeal in a filing with the Securities and Exchange Commission. It did not specify the grounds, but PG&E spokesman Greg Snapper said the company wants the California Public Utilities Commission to take into consideration the $2.7 billion that the utility has spent or intends to spend on safety measures in reaction to the September 2010 disaster.

"We're planning to ask the commission to review yesterday's recommendation to make sure that a final penalty counts all of the company's safety investments and actions to make the gas system the best in the country," Snapper said.

PG&E officials contend that the bulk of any penalty should be spent on improving the company's gas-transmission system. Under Tuesday's ruling by the two administrative law judges with the utilities commission, $950 million of the $1.4 million penalty would consist of a fine that would go to the state's general fund, to be spent however lawmakers see fit.

The rest of the penalty amounts to a $400 million refund to PG&E customers for money the company collected but failed to spend on pipeline safety in the decade before the blast, and $50 million to pay for a gas records audit and other safety costs.

The utilities commission ordered PG&E separately last year to spend $635 million to upgrade gas pipelines. Including those costs and other expenses, including an inability to write off any fines from its taxes, the total penalty for the San Bruno explosion could amount to $4.7 billion, PG&E said in its filing with the Securities and Exchange Commission.

PG&E has 30 days to challenge the ruling by administrative law judges Amy Yip-Kikugawa and Mark Wetzell. The appeal would be sent to the judges first for review and possible changes before going to the five-member utilities commission for a final decision.

San Bruno officials and a consumer-advocate group, The Utility Reform Network, both expressed dismay that the judges had not ordered PG&E to spend more on pipeline safety. They have not said whether they will appeal.

In addition to the state regulatory case, PG&E faces federal criminal charges that it violated pipeline safety laws and lied to investigators about maximum-pressure policies for its gas pipes. The company has pleaded not guilty and asked a judge to strip language related to the blast from the 28-count criminal indictment.

In a motion last week, PG&E said prosecutors were basing their case on the San Bruno explosion, which killed eight people and destroyed 38 homes, but had failed to show that any specific violation of a law led to the blast. As a result, the utility wants any mention of the blast removed from the indictment.

"PG&E believes that none of its employees committed a crime - a knowing and willful violation of pipeline safety regulations - that caused the accident," the company's attorneys said in the motion. "It appears that the grand jury agrees. The combined federal, state and local prosecution team did not obtain an indictment from the grand jury that alleges that any crime caused the San Bruno explosion."

2. PG&E moves to alter criminal indictment and plans to appeal regulatory fine in San Bruno blast cases

By George Avalos, San Jose Mercury News – Sept. 3, 2014

SAN BRUNO -- Days ahead of the fourth anniversary of the fatal natural gas explosion in San Bruno, PG&E signaled it will mount a fierce defense in a federal criminal case linked to the blast.

In a legal filing Friday, PG&E asked U.S. District Judge Thelton Henderson to order that all references to the explosion -- which killed eight, injured 66 and wrecked a quiet San Bruno neighborhood -- be stricken from the 28-count indictment filed July 29. On Aug. 19, PG&E pleaded not guilty to the felony indictment.

Separately, the utility issued a regulatory filing Wednesday that stated it would appeal a proposed ruling from two judges with the state Public Utilities Commission that would impose a penalty of $1.4 billion for its role in causing the explosion.

San Francisco-based PG&E, by taking the two actions, has signaled that it plans a vigorous, fight-to-the-finish defense in its court battle with the U.S. Attorney's Office in San Francisco, legal experts said Wednesday. It's also clear the utility hopes to water down the proposed regulatory penalty even before the five-member PUC makes a final decision, probably in December.

"PG&E's defense team is taking a very serious, very aggressive approach to the case," said Rory Little, a law professor with UC Hastings College of the Law in San Francisco.

"This is going to be a very contentious trial," added Peter Henning, professor of law with Detroit-based Wayne State University. "When you file a motion like this, you are not attempting to settle the case any time soon. This indicates it is going to be a knockdown, drag-out fight. PG&E is going to fight over everything."

Still, PG&E faces the real prospect that it could appear callous during a time when it has been seeking to burnish its public image.

In its motion to strike all references to San Bruno and the explosion, PG&E attempted to assure the court that it was well aware of the magnitude of the explosion. Yet in its wording, the utility also suggested that the blast was essentially an unforeseen mishap.

"The San Bruno pipeline explosion was a terrible accident which devastated many people and harmed an entire community," PG&E stated in its motion. "A pipe with a faulty weld was placed in service in 1956, where it performed safely for 54 years. Suddenly, it failed catastrophically."

The utility also argued that no employees committed a crime because they did not willfully and knowingly violate pipeline rules.

"It appears that the grand jury agrees," PG&E stated in its motion. "The combined federal, state and local prosecution team did not obtain an indictment from the grand jury that alleges that any crime caused the San Bruno explosion."

U.S. prosecutors didn't respond to a request for a comment about the situation. PG&E declined to elaborate beyond the filing. But the utility has sought to assure the public that it has learned the lessons posed by the San Bruno disaster and is seeking to improve the safety of its centuryold system of natural gas pipes.

Some critics did not agree. "Sadly, this is expected behavior from PG&E," state Sen. Jerry Hill said of the utility's maneuvers at the courthouse and with the PUC. "PG&E doesn't get it. The past four years, they have said one thing, then another, and spoken out of both sides of their mouth."

3. Unsatisfying outcome in state's case against PG&E

Opinion, San Francisco Chronicle – Sept. 3, 2014

The $1.4 billion package of fines against Pacific Gas and Electric Co. for its negligence leading up to the September 2010 San Bruno pipeline explosion was unsatisfying on several counts.

It wasn't necessarily a matter of dollars.

No monetary sum could fully compensate for the avoidable calamity that killed eight people and destroyed 38 homes. A punishment that might have driven PG&E into bankruptcy would not have served what must be the prevailing interests here: shielding ratepayers from the burden, and assuring an acceleration of the scope and timeline of pipeline safety improvements.

The package presented by two California Public Utilities Commission judges failed on that last important point. The $950 million fine against PG&E will go into the state's general fund, where the money can by spent by legislators and the governor in whatever way they wish.

We certainly understand the judges' concern that penalizing PG&E by forcing it to spend more on pipeline safety would "not effectively deter" it from future violations. We agree that the "punishment" should not be to require PG&E to do what it should have been doing all along and clearly needed to do in the future.

Still, a robust penalty directed toward safety could have been structured in a way to require PG&E to move faster, more boldly and more definitively in its newfound commitment to achieving state-of-the-art pipeline safety.

The judges missed an opportunity to push that mission forward. The package of penalties for PG&E's 3,700 violations of pipeline safety laws also includes $400 million in refunds to customers for money that should have been spent on safety in the past decade and $50 million in assorted other costs.

The other major disappointment from the judges was their dismissal of a motion to remove state PUC President Michael Peevey from the case because of his coziness with PG&E that was appallingly evident in a series of e-mails that recently became public. The judges also declined to appoint an independent safety monitor to oversee PG&E, a proposal pushed by San Bruno officials.

The problems with PG&E's culture have been well documented; its insufficient attention to safety and federal law clearly contributed to the 2010 San Bruno disaster. But it was not the only culture that needs to change. The state PUC needs a shakeup, too, and it needs to start at the top.

4. Oakland Tribune editorial: Proposed PG&E penalty deserves far bigger penalty

Oakland Tribune editorial, Oakland Tribune – Sept. 4, 2014

(Also Contra Costa Times Editorial)

The Public Utilities Commission's proposed penalty to punish PG&E for its role in the San Bruno gas pipeline explosion is woefully lacking.

Sure, the $1.4 billion penalty given by two administrative law judges is by far the largest ever given to a utility by a regulatory agency. But let's not lose sight that PG&E's negligence reached historic levels that scream out for a significantly higher judgment. The real tragedy of the PUC proposal is that PG&E ratepayers -- not shareholders -- will pay the biggest price for the utility's fatal errors.

The city of San Bruno and consumer groups should appeal this outrage, although it's unlikely that PUC President Michael Peevey and the full PUC board will overturn the judgment. Peevey's cozy relationship with the utility is so well documented that if he had an ounce of integrity he would recuse himself from the proceedings.

The PUC's staff and consumer groups had recommended a reasonable, $2.25 billion penalty. They made a compelling argument that shareholders should bear the burden of paying for the gas pipeline upgrades that PG&E neglected to make. Independent auditors had confirmed that PG&E, which routinely turns a profit in excess of $1 billion, could absorb the hit without doing long-term damage.

Investigators proved beyond doubt that PG&E took hundreds of millions of dollars that was collected from ratepayers for gas pipeline maintenance and instead used it for shareholder dividends and executive bonuses. If the money had been spent as it was intended, it might have prevented the San Bruno blast, which killed eight people and destroyed 38 homes.

PG&E has repeatedly argued that ratepayers should pay 90 percent of the utility's pipeline renovation plan, which is ludicrous, since they have already paid once for the repairs that were never made.

The PUC judges propose that shareholders should foot the bill for only $400 million of the necessary $2.2 billion in pipeline improvements. Ratepayers will pay the remainder, and it's worth noting that PG&E is already calling for rate increases.

The PUC judges also ruled that $950 million of the fine would go to the state's general fund. The state can certainly put the money to good use, but applying it toward required gas pipeline improvements would lessen the burden on ratepayers.

Wall Street's reaction to the PUC's penalty proposal should tell Californians everything they need to know about how lenient the penalty is for PG&E and its shareholders. The utility's stock price soared 3.5 percent after the PUC announcement, and it closed Tuesday up 1.7 percent.

In the days after the San Bruno tragedy, the PUC said it would make sure PG&E took full responsibility for its role in the blast. Sadly, Bay Area residents are still waiting for that to happen.

5. Mercury News editorial: Proposed PUC penalty lets PG&E off the hook

Mercury News Editorial, San Jose Mercury News – Sept. 4, 2014

The Public Utilities Commission's proposed penalty to punish PG&E for its role in the San Bruno gas pipeline explosion is a travesty of justice.

Sure, the $1.4 billion penalty given by two administrative law judges is by far the largest ever given to a utility by a regulatory agency. But let's not lose sight that PG&E's negligence reached historic levels that scream out for a significantly higher judgment. The real tragedy of the PUC proposal is that PG&E ratepayers -- not shareholders -- will pay the biggest price for the utility's fatal errors.

The city of San Bruno and consumer groups should appeal this outrage, although it's unlikely that PUC President Michael Peevey and the full PUC board will overturn the judgment. Peevey's cozy relationship with the utility is so well-documented that if he had an ounce of integrity he would recuse himself from the proceedings.

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In the days after the San Bruno tragedy, the PUC said it would make sure PG&E took full responsibility for its role in the blast. Sadly, Bay Area residents still are waiting for that to happen.

6. California Utility PG&E Could Faces Fines Totaling $5.89 Billion

By Bringham A. McCown, Forbes – Sept. 3, 2014

After nearly four years of deliberations, a pair of administrative law judges working for California's Public Utilities Commission ("CPUC") has recommended a $1.4 billion dollar fine against California's largest utility for events stemming from a pipeline explosion in San Bruno, a suburb of San Francisco in 2010. Although this proposed fine easily exceeds any fine ever levied for a pipeline explosion, the company claims its actual costs will approach $4.75 billion, not including the $1.14 billion dollar criminal indictment pending against the company.

The four separate CPUC civil decisions totaling thousands of pages are highly problematic for a state agency attempting to recover from significant criticism for years of lax oversight. That criticism showed no signs of abating, however, as stakeholder after stakeholder came forward to criticize the fines.

The recommendations call for nearly $1 billion of the direct $1.4 billion dollar fine to be sent to state coffers. Such a redirect is not only contrary to the basic tenants of regulatory safety, it is in effect the same behavior the CPUC criticized PG&E PCG -0.47% for undertaking. Part of the CPUC's allegations against the utility are based on what it calls "years of deferred spending on infrastructure." San Bruno Mayor Jim Ruane put it this way during an interview with the local ABC affiliate: "This reflects, if you will, a payday for Gov. Jerry Brown when we believe this money should instead be directed for a safer pipeline system." Safety advocates were also displeased. Mark Toney of The Utility Reform Network (TURN) said that not enough money was being allocated for pipeline repair.

The CPUC judges also recommend barring the utility from claiming credit for any monies expended to-date to fix its system. On the surface, such a stand may seem warranted, but not allowing a company to accept responsibility and make upgrades while awaiting a decision makes for bad public policy. Utilities and other regulated enterprises watching his case may very well be inclined to sit back and not spend any funds on remediation until, and unless ordered, to do so. Taking the initiative should be encouraged, not penalized.

In reality, if one considers the amount of money PG&E has already has expended or committed to spending on infrastructure upgrades and pipeline safety since the accident, the proposed penalty could wind up costing the company more than $4.75 billion. This according to PG&E's Securities and Exchange Commission 8-K filing.

The appropriate regulatory response to San Bruno lies not soley in the amount of a fine, but whether adequate investment in legacy utility systems is sufficient to provide an adequate level of safety for those living in and around underground infrastructure while also delivering electric and natural gas at a price consumers can afford. If implemented, this recommendation will undermine safety, send the absolute wrong message to regulated entities, and likely push energy costs higher for consumers.

7. California's Largest Utility Receives Largest Fine in History Of California Utilities

By William Pentland, Forbes – Sept. 3, 2014

In a series of decisions released on Tuesday, a pair of Administrative Law Judges in California ruled that the state's largest utility should pay a $1.4 billion fine for violating pipeline safety laws in the years leading up to the natural-gas pipeline explosion in San Bruno.

In 2010, a high-pressure gas pipeline in San Bruno owned by the utility, Pacific Gas and Electric Company, exploded in the Crestmoor neighborhood of San Bruno. The explosion killed eight people, injuring dozens of other people and damaged or destroyed more than 100 houses.

The $1.4 billion fine would be the largest safety-related penalty ever imposed by the CPUC.

The proposal would require the company to pay $400 million for pipeline safety work, which it would not be allowed to recover from ratepayers.

Unless an appeal is filed, the decisions of the ALJ will become the decisions of the California Public Utilities Commission (CPUC), the state agency that regulates the utility, in early October.

Earlier this year, PG&E was charged by a federal grand jury with knowingly and willingly violating the federal Pipeline Safety Act and obstructing the government's investigation of the explosion. PG&E has pleaded not guilty to the charges.

"We are accountable and fully accept that a penalty is appropriate," PG&E said in a statement.

Whether this means the company will not appeal is unclear.

Meanwhile, San Bruno Mayor Jim Ruane commended the record-setting fine, but expressed concern that "the CPUC chose to direct nearly $1 billion to the State General Fund instead of demanding that more dollars be reinvested back into a safer pipeline system."

UPDATE

In a filing with the U.S. Securities and Exchange Commission, PG&E said it plans to appeal the ALJ decision calling for a $1.4 billion fine. Per PG&E's 8-K filing with the SEC today:

The Utility plans to appeal the decisions to the CPUC within 30 days, as provided by the CPUC's rules. Other parties also may file an appeal or a CPUC commissioner may request that the CPUC review the decisions. Once the decisions are appealed, the CPUC commissioners will consider the decisions at a future business meeting. Parties will have 15 days to respond to appeals but the CPUC could act before considering any responses.

The SEC filing also outlines what PG&E claims to be its total loss exposure if the ALJ's decisions are adopted by the CPUC, stating: "If the ALJs' decisions become the final CPUC decisions, the Utility estimates that its total pre-tax unrecovered costs and fines related to natural gas transmission operations would be about $4.75 billion based on current forecasts."

8. PG&E to appeal proposed $1.4- billion penalty for fatal pipeline blast

By Marc Lifsher, Los Angeles Times – Sept. 3, 2014

Pacific Gas & Electric Co. said it would appeal a proposed $1.4-billon penalty for the

fatal gas pipeline explosion and firestorm that killed eight people and destroyed a Bay Area residential neighborhood.

Now the proposed fine appears headed to the five members of the California Public Utilities Commission, which has been criticized for being too cozy with the company it regulates. A final decision is likely by the end of the year.

PG&E, the state's largest utility, announced its intention to appeal in a filing with the Security and Exchange Commission on Wednesday.

The filing came shortly after the California Public Utilities Commission released proposed decisions by two administrative law judges seeking the largest safety-related fine in its history from PG&E shareholders.

The Sept. 9, 2010, blast and firestorm, caused by faulty welds in a 54-year-old, underground gas-transmission line, killed eight people, injured 66 and destroyed 38 houses in San Bruno, near San Francisco International Airport.

PG&E told the SEC that it “plans to appeal the decisions to the CPUC within 30 days.”

In a statement, the utility said it wanted the PUC to consider “the company's investments and actions to promote safety.”

San Bruno city officials said they were disappointed by PG&E's planned appeal. “It's not entirely a surprise,” City Manager Connie Jackson said. “The city would confirm our call for PG&E to accept the penalty as ordered as an understanding that it's accountable for what happened.”

The fine, she said, “is a clear and strong statement both in the amount and the way it was crafted.”

The stiff penalty, contends San Bruno Mayor Jim Ruane, contrasts with what he charges has been an overly cozy relationship between PUC top brass, particularly commission President Michael Peevey, and PG&E executives. The city contends that Peevey and others broke commission rules about disclosing communications with utilities that have active legal cases at the PUC.

The PUC said it takes all such complaints seriously and would review them. PG&E countered that it's in routine daily contact with the PUC on dozens of matters related to providing electric and gas service to

15 million customers.

The administrative law judges' decision, if upheld by the PUC commissioners, would represent a significant hit to shareholders' equity in PG&E Corp., the parent company told the SEC.

“If the ... decisions become the final CPUC decisions, the utility estimates that its total pre-tax unrecovered costs and fines related to natural gas transmission operations would be about $4.75 billion...,” the filing said. The total includes the proposed fine, the cost of past and projected safety improvements and PG&E's loss of tax deductions for payments of fines.

9. California Utility Should Pay $1.4B For San Bruno Pipeline Blast: Court

By Mark Chediak, Bloomberg – Sept. 3, 2014

PG&E Corp., owner of California's largest utility, should pay $1.4 billion for a deadly 2010 natural gas pipeline explosion in San Bruno, in what may be the largest safety-related penalty ever levied by the state's regulators.

The penalty consists of $950 million that would be paid to the state and $450 million in charges and remedies that shareholders would have to pay, according to the proposed decision from two state regulatory judges. The California Public Utilities Commission's five commissioners must still approve the proposal and may offer alternatives, according to an e-mailed statement today.

San Bruno city officials and commission staff had pushed for a larger fine, while the company warned against penalties that might push it to the brink of bankruptcy. The total penalties would be $2.04 billion when added to a prior ruling that forced the company to swallow $635 million in pipeline modernization costs.

Hit Seen as Sustainable

"It might be a little less than some investors had feared but it is obviously a very big number," Kit Konolige, a New York-based analyst for BGC Partners LP, said today. "It looks like the market is marginally relieved that this doesn't appear to be any worse than some of the things that have been proposed."

PG&E rose 1.7 percent to $47.29 at the close in New York.

"We are accountable and fully accept that a penalty is appropriate," PG&E said in an e-mailed statement from Greg Snapper, a spokesman. "We have respectfully asked that the commission ensure that the penalty is reasonable and proportionate."

Less Than Staff Recommended

The proposal is less than a staff recommendation that San Francisco-based PG&E pay $2.25 billion in penalties for violations that led to the explosion that killed eight people and destroyed 38 homes.

PG&E has called that amount “excessive” and Fitch Ratings Ltd. said a large penalty, on top of costs related to the incident that have already been absorbed by PG&E, would signal a “deterioration of the broader regulatory compact in California.”

Since the incident, the company replaced its CEO, froze its dividend and separated its gas business from electric utility operations.

The city of San Bruno had proposed a $2.45 billion penalty, without credit for money the company has spent upgrading its statement.

San Bruno City Manager Connie Jackson said the city is reviewing the penalty proposals.

“The decision doesn't go nearly as far as the city advocated for safety improvements,” Jackson said today in a telephone interview.

Federal Charges

PG&E also faces as much as $1.13 billion in fines if the utility is convicted in a federal criminal case alleging 27 counts of violations of federal pipeline regulations and obstructing an investigation by the National Transportation Safety Board. PG&E pleaded not guilty to the federal charges and has said its employees didn't intentionally violate the pipeline safety law.

Federal and state investigations determined PG&E installed faulty pipe, kept poor records and performed inadequate maintenance on the pipeline.

Today's decision found that PG&E committed 3,798 violations of state and federal laws, rules, standards or regulations.

“This has been a major milestone that investors have been waiting for,” Paul Patterson, a New York-based analyst for Glenrock Associates LLC, said in a phone interview before the decision was released. “It could serve as a signal as to what the commission might do, but there is no guarantee they won't ultimately go in a different direction.”

10. PG&E intends appeal $1.4B fine for fatal blast

By Sudhin Thanawala, The Associated Press – Sept. 4, 2014

(Also in the U.S. News & World Report, FOX News, San Mateo Daily Journal, The Sacramento Bee, KGO San Francisco, CBS San Francisco, KTVU, The SF Examiner, KRON 4, The Press Democrat, Missourian, ABC Action News Fresno, Miami Herald, News OK, Houston Chronicle, KMOV St. Louis, WKRC Cincinnati, KRGV Texas, Colorado Springs Gazette, Manteca Bulletin, Washington Times, Washington Examiner, Whiz news, New Jersey Herald, Daily Comet Louisiana, The Ledger Florida, St. Louis Post-Dispatch, Minneapolis Star Tribune, Las Vegas Sun)

SAN FRANCISCO — An appeal is planned of a landmark $1.4 billion penalty recommended for a Northern California utility for a gas pipeline explosion that killed eight people, Pacific Gas and Electric said in a federal filing.

The utility said it plans to appeal to the California Public Utilities Commission within 30 days. Wednesday’s filing with the U.S. Securities and Exchange Commission did not list a reason for the appeal, but PG&E spokesman Greg Snapper said the utility wants the commission to take into consideration the $2.7 billion it will or already has spent on gas pipeline safety improvements.

“We’re planning to ask the commission to review yesterday’s recommendation to make sure that a final penalty counts all of the company’s safety investments and actions to make the gas system the best in the country,” Snapper said.

He said any penalty should also directly go toward public safety. By far the largest share of the $1.4 billion penalty recommended by two administrative law judges Tuesday would go directly to the state with no strings attached.

The $950 million portion marked for the state's general fund also drew objections from a private advocacy group for ratepayers and the city of San Bruno, the San Francisco suburb where the fiery 2010 explosion destroyed more than three dozen homes and became the state's deadliest utility disaster in decades.

Those funds can be spent any way the governor and Legislature see fit, said H.D. Palmer, a spokesman for the state Department of Finance.

The penalty — the largest safety-related levy ever against a public utility in the state — also includes $400 million for pipeline improvements and about $50 million to enhance pipeline safety. PG&E cannot recover any of the money from customers.

Any appeal would first go to the administrative law judges who recommended the penalty before going to the state utilities commission for consideration.

The blast occurred when a 30-inch natural-gas transmission line installed in 1956 ruptured.

A 2011 investigation by the National Transportation Safety Board concluded the break occurred in a weak weld in a pipeline that PG&E records had shown as being smooth and unwelded. Among other safety failings, PG&E let an hour and 35 minutes go by before shutting off the natural gas fueling the fire, the federal investigators said.

The utilities commission previously ordered PG&E to pay $635 million for pipeline modernization — money that also cannot come from PG&E customers.

This year, federal prosecutors separately indicted PG&E on 27 counts alleging the utility violated pipeline safety requirements.

PG&E faces additional fines of more than $1 billion if convicted of the federal charges, which are separate from the state financial penalties. PG&E has pleaded not guilty to the counts.

11. Our View: PG&E's fines were justified; rate increases were not

Editorial, The Modesto Bee – Sept. 3, 2014

The judges appointed by the California Public Utilities Commission ruled that PG&E must pay a record $1.4 billion in fines for the horrific natural gas explosion that killed eight people and destroyed a San Bruno neighborhood four years ago.

Combined with the $635 million PG&E already has paid, the overall amount approaches the $2.25 billion the city of San Bruno and other harsh critics of PG&E had sought. For a company that made $814 million in profit on revenues of $15.6 billion last year, the fines are painful but certainly not excessive.

Still, it's not nearly as bad as it sounds for the company. Just three weeks ago, the CPUC approved rate increases totaling $460 million this year. Over three years, it will receive $2.37 billion in rate increases. Ratepayers will see their bills go up roughly $7.50 per month, and they could go higher if a separate rate increase for natural gas is also approved.

Two years ago, perhaps anticipating that its culpability would result in these record-setting fines, PG&E requested rate increases totaling $4.8 billion over three years, starting in 2015. Those increases were to cover such things as improved pipeline safety, but also additional money for retiring executives, a short-term incentive program for employees and a rewards and recognition program. We find spending any additional money on bonuses for PG&E executives repugnant. It was, after all, PG&E's executives who allowed the pipelines to fall into disrepair and who left the company open to pending federal criminal charges.

Anyone who had responsibility for making executive-level decisions in the time frame leading up to San Bruno disaster in 2010 should not be eligible for any incentives or retirement bonuses.

While the fines are larger than many anticipated, the reaction from Wall Street was more telling. PG&E's stock price rose after the decision was issued Tuesday, an indication that bankers and stock traders feared the fines might have been worse. Perhaps they should have been.

The decision is actually four separate decisions running 239 pages, 283 pages, 51 pages and 167 pages, plus attachments, produced by administrative law judges Mark S. Wetzell and Amy Yip-Kikugawa. They focus on PG&E failures to maintain records, properly classify the magnitude of danger related to pipelines and the explosion itself. The fourth decision sets forth the justification for the fines.

"This amount serves to put all gas pipeline operators on notice that there is an absolute need to maintain and operate their pipeline systems in compliance with all federal and state safety requirements, and that failure to do so will result in a fine that is not simply a "cost of doing business," the decision says.

The judges detailed shameful business decisions leading up to the explosion, including one in 2005 in which the company's top executives presented the notion of "transformation," intended in part to reduce operating costs. Safety suffered.

The company decreased investments in gas transmission infrastructure from $250 million 2009 to $200 million in 2010.

The company also issued annual dividends to shareholders of between $476 million and $624 million from 2005 to 2009, and paid bonuses to employees of $56 million in 2010.

The San Bruno explosion destroyed 38 homes and carved a 72-foot crater in the Crestmoor neighborhood.

“The Crestmoor neighborhood was effectively wiped off the map,” one of the judges wrote.

PG&E committed 3,708 separate violations. Many of them went on for as long as 50 years.

Pacific Gas and Electric Co. must pay $950 million in a fine to the state of California’s general fund and $400 million for pipeline improvements, plus $50 million in other payments. PG&E also must pay the litigation costs of the city of San Bruno and consumer advocates who intervened, which will run into the millions.

Even this long after the 2010 explosion, the proceeding is not over. Public Utilities Commission members will review the decision and affirm or alter it. But the outline is in place. The blame and burden are squarely on PG&E, rightly so.

12. PG&E and critics plan appeals of $1.4 billion CPUC penalties

By Chris Rauber, San Francisco Business Times – Sept. 3, 2014

Pacific Gas and Electric Co. plans to appeal the $1.4 billion in penalties announced Tuesday over the 2010 gas pipeline explosion that devastated the town of San Bruno.

“We are planning to ask the Commission to review the administrative law judge's recommendation to ensure that a final decision takes into consideration the company’s investments and actions to promote safety," officials confirmed Wednesday afternoon, adding, "we believe any penalty should directly benefit public safety.”

That appears to refer to plans to ship $950 million to Sacramento if the judges' ruling is upheld by the entire CPUC.

PG&E shares (PCG:NYSE) rose yesterday after the regulatory agency disclosed the preliminary decision. The company says it will be on the hook for nearly $5 billion if the Sept. 2 penalties stand, including $2.7 billion in actual and forecast pipeline improvement and safety costs. PG&E has already paid out $500 million to settle claims with victims and families of the September 2010 explosion, set up a $50 million trust for the City of San Bruno, and contributed $70 million to recovery efforts in the San Francisco suburb, officials said.

On top of that, PG&E faces up to $1.13 billion in fines if it is convicted in a federal criminal case involving alleged violations of federal regulations and obstructing an investigation into the matter.

The Utility Reform Network or TURN, a frequent PG&E critic, is also likely to appeal the administrative judges' decision, which included $950 million targeted to the bolster the state's general fund and $450 million for pipeline improvement projects and related efforts.

"We have not reached a final decision, but an appeal seems likely," Mindy Spatt, a TURN spokeswoman, told the Business Times Wednesday afternoon. "And we would be surprised if there wasn't an appeal by PG&E," she added, moments before the giant utility disclosed its plans to appeal.

TURN and PG&E, of course, would come at potential appeals from diametrically opposite positions. The utility reform advocacy group thinks much of the $950 million penalty slated to go to California's general fund, if the decisions announced Sept. 2 aren't overturned or altered, should instead go to pipeline repair and testing. City of San Bruno officials have made the same argument.

"The CPUC should at the very least double that amount to relieve customers of the burden of paying for PG&E's mistakes and mismanagement," TURN said Tuesday.

13. PG&E Set To Appeal $1.4B Pipeline Safety Penalty

By Bay City News, SF Appeal – Sept. 3, 2014

PG&E Co. announced in San Francisco today it will appeal a record $1.4 billion pipeline-safety penalty and fine to the California Public Utilities Commission.

The penalty and fine were levied Monday by two PUC administrative law judges in three proceedings stemming from a 2010 natural gas pipeline explosion in San Bruno that killed eight people, injured 66 others and destroyed dozens of homes.

The utility's plan to appeal to the five-member commission, based in San Francisco, was disclosed in a PG&E filing with the U.S. Securities and Exchange Commission and confirmed by PG&E spokesman Donald Cutler today.

"We are planning to ask the Public Utilities Commission to review the penalty to ensure that it takes into account PG&E's (existing) $2.7 billion safety investments and actions," Cutler said.

In addition, the spokesman said, "We believe any penalty should directly benefit public safety."

The $1.4 billion sanction proposed by PUC administrative law judges Mark Wetzell and Amy Yip-Kikugawa is for 3,708 violations of federal and state regulations governing gas transmission line record-keeping, classification and maintenance.

It includes a $950 million fine to be paid to the state's general fund, $400 million for pipeline modernization and $50 million to carry out more than 75 specific safety measures.

It is the largest financial sanction is ever imposed by the commission in a safety-related case and must be paid with shareholder funds and not with customers' gas and electric bill payments.

Including another $635 million in shareholder funding previously ordered by the PUC for the first phase of pipeline modernization, the total penalty and fine will be $2.035 billion, if upheld.

Cutler said the utility has already paid or agreed to pay $2.7 billion for improvements. That amount includes the previously allocated $635 million that the commission has said must come from shareholders rather than customers, according to the SEC filing.

Other parties in the case, which include the city of San Bruno and TURN, a consumer advocacy group, are also entitled to appeal to the commission within the next 30 days.

San Bruno and TURN have not yet announced whether they will appeal, but representatives of both said Monday they believed that more of the fine should go toward safety measures rather than the state's general fund.

TURN executive director Mark Toney said the money should be used to alleviate costs to customers as well as to pay for improvement.

"We don't want customers left holding the bag for PG&E's neglect. The commission should be protecting consumers from these unfair costs, which are more appropriately borne by shareholders than ratepayers," he said.

The cause of the Sept. 9, 2010, explosion in San Bruno 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 National Transportation Safety Board.

The three PUC proceedings were investigations into the San Bruno explosion, PG&E's pipeline record-keeping and its pipeline operations in locations with high population density.

PUC spokesman Christopher Chow said any appeals filed will first be submitted to the two administrative law judges for consideration of possible modification of their recommendation, and then referred to the commission.

If not appealed, the administrative judges' ruling would have become the final decision in the case.

PG&E is also facing criminal charges in federal court in San Francisco. It is accused of one count of obstructing justice in the NTSB investigation of the San Bruno explosion and 27 counts of violating a federal pipeline safety law in connection with several pipelines.

If convicted, it could face a maximum penalty of $1.13 billion.

14. Pacific Gas and Electric hit by $1.4bn penalty following 2010 explosion

By Sandra Kilhof, World Finance – Sept. 4, 2014

In the wake of Deepwater Horizon, regulators are getting tough, doling out major penalties to the world's biggest energy firms as serious breaches in safety come to light

Four years after a natural gas explosion left a residential neighbourhood in California in ruins, killing eight people and seriously injuring dozens of others, the Pacific Gas & Electric Company has been hit with a $1.4bn penalty for suspected safety violations.

It is the largest safety penalty proposed by local regulator, the California Public Utilities Commission. But according to two administrative law judges, PG&E committed 3,798 violations of state and federal laws, rules, standards and regulations in connection with its pipeline.

The pipeline exploded in the San Bruno area in September 2010. The blast was so powerful that it dug a 22m-long crater and sent a 1.3-ton section of pipe flying across the neighbourhood. The ensuing blaze destroyed about 50 houses and lead to a mass evacuation of the area, while authorities and PG&E fought to contain the blast. It took more than 95 minutes for the utility company to isolate the break and shut off the gas, raising concerns about the care and maintenance of underground pipelines.

So far, the firm has spent hundreds of millions of dollars settling claims by the victims and their families and contributing to recovery efforts in San Bruno.

“We are accountable and fully accept that a penalty of some kind is appropriate,” the company said in a statement. “However, we have respectfully asked that the commission ensure that the penalty is reasonable and proportionate and takes into consideration the company’s investments and actions to promote safety.”

Deepwater Horizon settlement

In related news, US federal authorities have secured $1.1bn from energy company Halliburton, which is looking to settle lawsuits stemming from the worst oil spill in US history. The settlement resolves most of the legal claims that Halliburton is facing over its role in the 2010 oil spill in the Gulf of Mexico.

Halliburton, which poured the cement on the well that was at the centre of the spill, is one of three companies blamed for the accident. BP, which owned the Macando well, has paid billions to businesses and individuals harmed by the spill, while Transocean, which operated the rig that was pumping oil out of the well, has also paid out big bucks.

The Deepwater Horizon oil rig exploded on April 20, 2010, killing 11 people and sending millions of gallons of oil into the Gulf. The well wasn't successfully capped until three months after the explosion, causing extensive environmental damage.

The settlement resolves claims by BP that Halliburton was to blame for the spill.

So far, BP has agreed to pay $4.5bn in government penalties and has set up a $20bn trust fund to provide compensation for those harmed in the disaster. Similarly, Halliburton said it will pay the $1.1bn into a trust fund in three instalments over the next two years.

Following the Macondo accident, US offshore drilling safety regulation has been tightened significantly, setting unprecedented demands for rig safety and maintenance. Now that fracking and gas use is booming, broad-reaching probes into on-shore energy activities have followed.

15. PG&E To Appeal $1.4B Penalty For San Bruno Explosion

By Jeff Sistrunk, Law 360 – Sept. 3, 2014

Law360, Los Angeles (September 03, 2014, 9:46 PM ET) -- PG&E Corp. said Wednesday it will appeal a record $1.4 billion penalty recommended by California Public Utilities Commission judges for its role in the deadly San Bruno pipeline explosion and fire, as it wants the final decision to take into account $2.7 billion it is spending for safety enhancements.

In a U.S. Securities and Exchange Commission filing, PG&E said it plans to appeal within 30 days several decisions issued Tuesday by CPUC administrative law judges.

While the filing didn't specify a reason for the appeal, PG&E said in a statement that the utility wants "to ensure that a final decision takes into consideration the company's investments and actions to promote safety."

"Moreover, we believe any penalty should directly benefit public safety," the company said.

A pair of CPUC administrative law judges issued four decisions Tuesday determining that PG&E committed 3,798 violations of state and federal laws and regulations of the operations and practices of its gas transmission system pipeline, according to a Tuesday statement by the CPUC.

PG&E is also being fined for violations that went on for several years, according to the statement. The CPUC judges found that the energy company was in violation for a total of 18.4 million days.

The $1.4 billion penalty is the largest safety-related penalty ever imposed by the CPUC, according to the commission. The sum must be paid by PG&E's shareholders, rather than its customers, the CPUC said.

The penalty adds to a $635 million fine issued in an earlier decision forcing the company to finance pipeline modernization, bringing the total fines from the commission to more than $2 billion, according to the CPUC.

The CPUC commissioners themselves didn't provide input or comment on the decisions and didn't review the decisions before they were released.

Since the accident, PG&E has strength-tested 566 miles of transmission pipeline, replaced 108 miles of it, installed or upgraded 157 automated valves and opened a Gas Control Center to provide real-time monitoring and control of the whole gas system, among other changes, the utility said.

The September 2010 explosion in a 30-inch diameter underground pipe released 47.6 million standard cubic feet of natural gas, causing a fire that killed eight people, injured 58 others and destroyed 38 homes, according to a June 2011 report by the commission.

The city of San Bruno had been asking the CPUC to impose $2.25 billion in fines, calling for a contribution of at least $1.25 billion for the state's general fund and $1 billion to cover an independent monitor to oversee PG&E's safety operation, technical pipeline improvements and an emergency response fund.

PG&E signed a $70 million settlement with San Bruno in March 2012 to end the city's claims over the pipeline explosion. The payment came on top of PG&E's agreement to fork over $50 million for infrastructure repairs and other city expenses tied to the accident.

Last month, PG&E pled not guilty to charges that it violated the Natural Gas Pipeline Safety Act and obstructed a federal investigation into the accident.

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

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

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

16. PG&E Fights Pipeline Explosion Indictment

By Dan McCue, Courthouse News Services – Sept. 4, 2014

Pacific Gas and Electric Co. asked a federal judge to strike "irrelevant or prejudicial allegations" in an indictment involving the 2010 pipeline explosion that killed eight people and flattened a neighborhood in San Bruno, Calif.

PG&E was charged in July with obstructing a federal investigation into the pipeline explosion. A superseding indictment from a federal grand jury charges the utilities company with one count of obstruction and 27 counts of violating the Natural Gas Pipeline Safety Act.

PG&E was charged in April with 12 counts of violating the Safety Act.

Prosecutors say the utilities company lied to National Transportation Safety Board investigators about its pipeline safety policies. The government claims that PG&E operated under a dangerous policy from 2009 to mid-2011.

The government claims in the criminal indictment that PG&E knew of deficiencies in its 46,000 miles of gas transmission and distribution pipelines but failed to maintain accurate and complete records of leaks, or to make the records it did have accessible, or to maintain welding maps or inspection records, or to keep records about how the lines were manufactured.

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

"The superseding indictment refers to the tragic San Bruno pipeline accident 11 times and alleges that 'the victims suffered losses of approximately $565 million,'" PG&E says in its motion to strike those references. "On a first reading, it is perfectly natural for one to assume that the grand jury has alleged that criminal conduct caused the explosion and the losses. Indeed, that appears to be the point of the indictment.

"But a closer reading reveals that the grand jury does not actually allege that any of the 28 charged felonies caused either the accident or any victim losses. This suggests that, after the government's years-long investigation, the grand jury did not find probable cause to believe that any Pipeline Safety Act violation caused the San Bruno explosion."

As it has in the past, PG&E characterizes the San Bruno pipeline explosion as "a terrible accident," one that "devastated many people and harmed an entire community."

" A pipe with a faulty weld was placed in service in 1956, where it performed safely for 54 years. Then, suddenly, it failed catastrophically at a pressure less than its historical capacity," it says of the Sept. 9, 2010 explosion.

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

But PG&E claims that none of its employees committed a crime - a knowing and willful violation of pipeline safety regulations - which caused the accident. "Now, after two indictments, it appears that the grand jury agrees," the utility says. "The combined federal, state and local prosecution team did not obtain an indictment from the grand jury that alleges that any crime caused the San Bruno explosion.

"Additionally, the indictment requests an enormous fine for victim losses in an amount that appears to be based on the San Bruno explosion. Yet there is nothing indicating that the grand jury found that any of the 28 alleged crimes caused any loss in any particular amount," PG&E says. "These vague charges violate the Constitution's mandate that an enhanced fine requires that the grand jury find and allege facts indicating that a particular crime proximately caused a particular victim loss or defendant gain, and in an identified and supported amount.

"On these basic facts, this indictment is silent. Since the grand jury did not find facts supporting the alleged maximum fine and state those facts in the indictment, the penalty allegations cannot stand and we respectfully ask the Court to strike them as well."

In April, Louis Marini, owner of 14,000 shares of PG&E stock, sued the utility, accusing its officers of failing to properly maintain gas transmission lines, resulting in the deadly explosion that exposed shareholders and the company to "billions of dollars in losses."

Marini claims that "despite the massive amount of evidence that has surfaced regarding PG&E's inaccurate and missing records, PG&E continues to rely on those records."

The utility is represented by Steven M. Bauer and Margaret A. Tough of Latham & Watkins LLP, and Walter F. Brown Jr. and Eric M. Hairston of Orrick, Herrington & Sutcliffe LLP. Both firms are in San Francisco.

A spokeswoman for the U.S. Attorney's Office declined to comment of PG&E's motion.

17. PG&E Faces $1.4B Fine Over San Brunp Pipeline Explosion

By Zacks Equity Research, Yahoo! Finance – Sept. 4, 2014

(Also on NASDAQ, Zacks.com)

PG&E Corporation's (PCG) main subsidiary and California's largest regulated electric and gas utility – Pacific Gas and Electric Company (Pacific Gas) – is charged with $1.4 billion in fines and penalties associated with the fatal 2010 San Bruno natural-gas pipeline explosion.

After nearly four years of the incident that killed eight people, injured dozens of others, and damaged over 100 houses, this proposal of the California Public Utilities Commission (:CPUC) is believed to be the largest safety-related penalty in the history of the agency. A five-member CPUC is yet to approve the proposal from the two judges.

Pacific Gas has been fined $950 million for violating federal and state pipeline safety rules before the 2010 pipeline explosion. The remaining $450 million has been charged for upgrading the gas distribution network.

The charge comprises 3,798 violations of state and federal laws, rules, standards or regulations for the manner the company operated its gas pipeline network. PG&E and other associated parties in the case have 30 days to lodge an appeal, if any.

However, the proposed penalties have raised controversies. Although the Utility Reform Network that represents ratepayers at the San Francisco-based commission described the total fine amount as a considerable one, the mayor of San Bruno has criticized the judge's imposition to a consumer advocacy group. The fine ordained by the judges is lower than the $2.25 billion proposed by the CPUC staff, even when combined with the $635 million PG&E used for post-explosion safety expenses.

Apart from the fines, Pacific Gas was charged recently with obstruction of the National Transportation Safety Board (:NTSB) investigation in connection with the San Bruno explosion. A federal grand jury charged Pacific Gas of lying to the federal body about the deadly pipeline explosion. Pacific Gas was charged of “knowingly and willfully” violating 27 counts of the Natural Gas Pipeline Safety Act in a revised indictment.

The San Bruno accident continues to cast a shadow on the company’s financial results. PG&E said that penalties as well as upgrades may cost shareholders about $4.75 billion. This includes $2.7 billion PG&E had already committed for safety-related work following the San Bruno incident over the next several years.

PG&E’s operating earnings in the second quarter of 2014 lagged the Street expectation by 8% and the reported figure also trailed the year-ago number by 12.7%. The uninspiring earnings reflect the negative impact of unrecovered costs in the Natural Gas business.

Currently, PG&E carries a Zacks Rank #3 (Hold). Other better-ranked players in the sector include Huaneng Power International, Inc. (HNP), CMS Energy Corp. (CMS) and ALLETE, Inc. (ALE). Huaneng Power International holds a Zacks Rank #1 (Strong Buy), while CMS Energy and ALLETE carry a Zacks Rank #2 (Buy).

18. PG&E Slapped with $1.4 Billion Fine for San Bruno Blast

By Thomas Overton, POWER Magazine – Sept. 3, 2014

Nearly four years to the day after eight people were killed in a natural gas pipeline explosion in San Bruno, two judges of the California Public Utilities Commission (CPUC) ruled on Sept. 2 that Pacific Gas & Electric (PG&E) must pay a record $1.4 billion in fines and penalties for its role in the disaster.

The explosion took place in the evening of Sept. 9, 2010, when gas leaking from a 30-inch pipeline under a residential neighborhood ignited, causing a massive explosion and fire that led to eight deaths and destroyed dozens of homes. The blast was so large that authorities initially believed it had been caused by a plane crashing from the nearby San Francisco airport.

Later investigations determined that the pipeline had likely been leaking for some time as the result of defective welds. PG&E was ultimately cited by the CPUC for more than 3,700 violations of pipeline safety regulations, shoddy record keeping, and failing to perform required pipeline testing and maintenance. The final report from the commission appointed to investigate the disaster found that PG&E's failure to properly test the faulty pipeline led to the blast. The failure was largely the result of poor record-keeping in that PG&E was unaware that the specific welds that failed even existed.

The $1.4 billion penalty—by far the largest ever against a U.S. utility for a gas explosion—includes a $400 million refund to its ratepayers for pipeline improvements included in the ratebase that were never performed.

The fine comes on top of an earlier order to spend more than $600 million on pipeline upgrades and improvements throughout the system, funds that must come from PG&E shareholders rather than ratepayers.

The proposed ruling must still be approved by the full CPUC, which could offer its own alternatives. PG&E has not said whether it will appeal the ruling. It has accepted responsibility for the accident and said that it will accept a penalty, but has disagreed with the CPUC on how the fines should be structured.

PG&E says that it has improved its maintenance and testing programs since the explosion.

The fine does not put the whole matter to rest. PG&E is still facing a federal indictment for violations of the Natural Gas Pipeline Safety Act as well as allegedly lying to the National Transportation Safety Board during the investigation. That case could lead to as much as $1.13 billion in additional penalties. A consolidated civil suit against the company by the victims of the blast and their families is also pending.

19. PG&E seeks reasonable, proportionate CPUC penalty for San Bruno

Penn Energy – Sept. 3, 2014

Pacific Gas and Electric Company (PG&E) (NYSE:PCG) said Tuesday that a penalty being considered by the California Public Utilities Commission (CPUC) in connection with the 2010 explosion of a natural gas transmission pipeline in San Bruno should be reasonable and take into account precedent and the investments the company has made to promote safety.

Sept. 2, the CPUC's administrative law judges released a recommended penalty resulting from the investigations. While the CPUC characterized the penalty as totaling approximately $2 billion, PG&E believes that the total shareholder impact could reach approximately $4.75 billion, including the previous $2.7 billion in estimated costs that shareholders have incurred or are forecast to incur, to improve and enhance the safety of PG&E's natural gas operations. The ultimate amount of costs will depend on the scope and timing of work and other factors, many of which are described in PG&E Corporation's and PG&E's recent Securities and Exchange Commission reports. It's likely that the CPUC could take a minimum of 45 days to reach a final decision.

PG&E Corporation Chairman, CEO and President Tony Earley said:

"Since the 2010 explosion of our natural gas transmission pipeline in San Bruno, we've been dedicated to re-earning the trust of our customers and the communities we serve. We are deeply sorry for this tragic event.

“We are accountable and fully accept that a penalty of some kind is appropriate. However, we have respectfully asked that the Commission ensure that the penalty is reasonable and proportionate and takes into consideration the company’s investments and actions to promote safety. Moreover, we believe any penalty should directly benefit public safety.

“We’ve worked hard to do the right thing for the victims, their families and the community of San Bruno. Beyond this, all of us at PG&E have committed ourselves to a goal to transform this company into the safest and most reliable energy provider in America. We’ve hired some of the best gas experts in the country to help guide this effort and supported it with billions of dollars in shareholder funding.

“We have made tremendous progress but we’re not done. We have more work to do and we won’t rest until it’s done and done right.”

Here are just a few of the concrete actions the company has taken to make safety the cornerstone of its culture:

· Change began at the top with Tony Earley joining the company as CEO in 2011. We restructured our gas operations business and hired the best natural gas experts in the country to run it.

· We put 3,500 leaders at all levels of PG&E through safety training and we review the lessons of San Bruno with every new employee.

· We have conducted advanced pipeline safety testing, replaced pipe where necessary and installed 150 new automated or remotely controlled emergency shut-off valves.

· We built a new gas operations control center from which we can monitor the entire system and respond more quickly and effectively to emergencies. It employs the most advanced technology.

· We’re using new gas leak detection technology that is 1,000 times more sensitive than before in order to help find and fix leaks before they become a problem. When a customer calls to report a gas odor, we are now among the fastest in the entire industry in responding.

As a result of these and many other efforts, PG&E recently became one of the first utilities ever to earn two of the highest internationally recognized safety certifications—the International Organization for Standardization (ISO) 55001 and Publicly Available Specification (PAS) 55-1. These stringent certifications must be re-earned every year.

The company has settled claims amounting to more than $500 million with the victims and families of the San Bruno accident, established a $50 million trust for the City of San Bruno for costs related to recovery and contributed $70 million to support the city's and community's recovery efforts.

20. PG&E to appeal proposed $1.4B penalty for San Bruno pipeline blast

By Carl Surran, Seeking Alpha – Sept. 3, 2014

- Pacific Gas & Electric (NYSE:PCG) discloses plans to appeal a $1.4B penalty recommended yesterday by California regulatory judges for the 2010 San Bruno gas pipeline explosion that killed eight people.

- The SEC filing does not list a reason for the appeal, but PG&E says it wants the California Public Utilities Commission to take into consideration the $2.7B the utility has or will spend on pipeline safety improvements.

- The bulk of the penalty recommended by two administrative law judges would go into the state's general fund, a decision that has been widely criticized.

21. State Penalizes PG&E $1.4 Billion for Deadly San Bruno Pipeline Explosion

By Ken Broder, All Gov California – Sept. 3, 2014

Two state administrative judges meted out $1.4 billion in penalties to Pacific Gas & Electric (PG&E) Tuesday for the 2010 San Bruno gas pipeline explosion that killed eight people and leveled a neighborhood, bringing the utility's bill, so far, to $2 billion.

The judges, whose decision could be appealed to the five-member California Public Utilities Commission (CPUC), found that PG&E committed 3,708 violations of federal regulations, engineering standards and state rules, many of them over a number of years. When added up, PG&E was in violation 18,447,805 days.

That works out to a $76-penalty-per-fine-per-day. The judges said that they wanted the size of the penalty to serve as deterrence for other utilities that might not be properly attending to safety matters. Consumer groups and the CPUC's own Office of Ratepayer Advocates had recommended $2.25 billion in penalties.

Bay Area Democratic State Senator Jerry Hill told the Oakland Tribune the decision was "shocking and outrageous. . . . a windfall for PG&E. This is business as usual at the PUC."

The San Bruno blast was caused by a failed pipeline weld that had not been inspected, as required, after gas-pressure surges. In the ensuing investigations and lawsuits, it became apparent that PG&E kept horrible records of its pipeline infrastructure and wasn't performing necessary testing and upgrades.

The largest portion of the penalty, a $950-million fine, goes to the state's General Fund. Another $400 million must be refunded to consumers for money that was not spent on promised safety upgrades and $50 million covers costs, such as audits.

PG&E has already paid $500 million to settle lawsuits with victims and relatives, and spent $650 million on pipeline upgrades it couldn't pass on to customers. The utility still faces a potential fine in a federal criminal case that could top $1.1 billion.

San Bruno Mayor Jim Ruane criticized the divvy, telling the San Francisco Chronicle that more of the total should have gone to increasing pipeline safety, rather than a "payday" for the state. City Manager Connie Jackson said it was "too soon" to say if the city would appeal.

The contours of the state's penalty have been scrutinized throughout the process leading up to the decision by Judges Amy Yip-Kikugawa and Mark Wetzell. An early proposal would have shifted the penalty from fines to infrastructure upgrades, but was criticized for sticking consumers, not shareholders, with more of the cost and giving PG&E credit for work it should already have done.

Critics said the proposal was indicative of the cozy relationship between the utility and the commission that oversees and were none too pleased when e-mails were released a month ago documenting the two sharing strategies and commiserating with each other.

PG&E's stock rose 1.74% Tuesday, closing near its 2014 high, at $47.29.

22. California Judges Recommend $1.4B Safety-related Penalty Against PG&E

By Ellen Knickmeyer, Insurance Journal – Sept. 4, 2014

California regulatory judges recommended a $1.4 billion penalty on Tuesday _ the largest safety-related levy ever against a public utility in the state _ for a fiery 2010 gas pipeline explosion that killed eight people in a suburban San Francisco neighborhood.

The California Public Utilities Commission said the figure reached by two administrative law judges over the San Bruno pipeline explosion reflected nearly 3,800 violations of state and federal law, regulations and standards by Pacific Gas & Electric Co. in the operation of its gas pipelines.

The penalty is meant to "send a strong message to PG&E, and all other pipeline operators, that they must comply with mandated federal and state pipeline safety requirements, or face severe consequences," Timothy J. Sullivan, one of the two judges, wrote in the order.

The largest share – $950 million – of the penalty is a fine to be paid directly to the state. That amount drew objections from city officials in San Bruno, the utility and a private ratepayers-advocacy group that the overall penalty should be focused on spending for the safe operation of the aging pipeline network.

"We are accountable and fully accept that a penalty is appropriate," the utility said in a statement.

Asked whether PG&E would appeal, utility spokesman Greg Snapper said, "We're reviewing the decision and believe that any penalty should go toward pipeline safety."

The recommended penalty requires approval by members of the state utility board. PG&E and other parties in the case have 30 days to lodge an appeal.

The commission previously ordered PG&E to pay $635 million for pipeline modernization in the wake of the Sept. 9, 2010, blast in the suburb of San Francisco. The explosion destroyed more than three dozen homes and was California's deadliest utility disaster in decades.

The blast occurred when a 30-inch (76-centimeter) natural-gas transmission line installed in 1956 ruptured. At the time, survivors described the heat of the blast burning the back of their necks like a blowtorch as they ran away.

The $1.4 billion penalty also includes $400 million for pipeline improvements, and about $50 million to enhance pipeline safety. PG&E cannot recover any of the money from customers, including the earlier $635 million penalty, although a ratepayers' group called The Utility Reform Network maintained PG&E could raise rates in other rate cases to indirectly offset the penalty.

Sending $950 million to the state's general fund, with no strings attached, means it could be spent in any way the governor and Legislature see fit, said H.D. Palmer, a spokesman for the state Department of Finance.

San Bruno city officials were just beginning to study Tuesday's decision but on first read believed the overall judgment fell short of what was needed to ensure PG&E upgraded pipeline safety as much as necessary, city manager Connie Jackson said.

The penalty was historic in terms of financial charges levied against utilities on safety violations, said Britt Strottman, a lawyer for San Bruno. However, "a lot of the utilities do not cause the same amount of devastation and destruction that was a result of the PG&E explosion in San Bruno," Strottman said.

A 2011 investigation by the National Transportation Safety Board concluded the rupture occurred in a weak weld in a pipeline that PG&E records had shown as being smooth and unwelded. Among other safety failings, PG&E let 95 minutes go by before shutting off the natural gas that was fueling the fire, the federal investigators said.

That same 2011 federal investigation also faulted what it called the California Public Utilities Commission's weak oversight of the utility, which serves customers in the northern two-thirds of California.

The San Bruno blast prompted congressional hearings on pipeline safety and recommendations from the National Transportation Safety Board and other government bodies that utilities intensify their oversight of decades-old natural gas lines.

This year, federal prosecutors separately indicted PG&E on 27 counts alleging the utility violated pipeline safety requirements.

PG&E faces additional fines of more than $1 billion if convicted of the federal charges, which are separate from the state financial penalties. PG&E has pleaded not guilty to the counts.

Separately, PG&E was hit with about 160 lawsuits from people who lost family members, suffered injuries or had property damage.

23. Sept. 9, 2010: A Day San Bruno Never Will Forget [PhotoGallery]

By Josh Cable, EHS Today – Sept. 4, 2014

The value of EHS extends far beyond the workplace. Just ask Pacific Gas and Electric Co., which is facing $1.4 billion in proposed fines for a September 2010 pipeline blast that leveled parts of a residential neighborhood in San Bruno, Calif., and killed eight people.

The company, which has invested in safety training and pipeline improvements since the explosion, estimates that the true cost of the accident could approach $4.75 billion. That includes more than $500 million in payouts to the victims and their families, and $120 million to the city of San Bruno for its recovery efforts.

EHS is a holistic concept that encompasses the workplace and the community, as these images of the devastating accident remind us.

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