BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company, Regarding the Gas Explosion and Fire on December 24, 2008 in Rancho Cordova, California.	I.10-11-013 (Filed November 19, 2010)

STIPULATION TO ORDER RESOLVING INVESTIGATION

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June 20, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION
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Order Instituting Investigation on the Commission's Own Motion into the Operations and Practices of Pacific Gas and Electric Company, Regarding the Gas Explosion and Fire on December 24, 2008 in Rancho Cordova, California.	I.10-11-013 (Filed November 19, 2010)

STIPULATION TO ORDER RESOLVING INVESTIGATION

The Commission's Consumer Protection and Safety Division ("CPSD") and Pacific Gas and Electric Company ("PG&E"), by and through their counsel, hereby stipulate as follows:

RECITALS

A. On December 24, 2008, natural gas leaking from a PG&E gas distribution pipeline resulted in an explosion and fire at 10708 Pauite Way, Rancho Cordova, California. One person died and others were injured.

B. The National Transportation Safety Board ("NTSB") immediately began to investigate the accident. PG&E and CPSD participated in the NTSB investigation as party participants. The NTSB concluded its investigation on May 18, 2010, with the issuance of its Pipeline Accident Brief on the accident. The NTSB concluded that the probable cause of the accident was the use of a section of unmarked and out-of-specification polyethylene pipe with inadequate wall thickness that allowed gas to leak from the mechanical coupling installed during a repair on September 21, 2006. The NTSB found that a 2-hour 47-minute delay in the arrival of PG&E's crew to begin response activities was a contributing factor.

C. On November 10, 2010, CPSD issued its Incident Investigation Report on the accident. CPSD's report alleges that PG&E violated various provisions of Title 49, Part 192 of the Code of Federal Regulations and Public Utilities Code § 451 in the following respects: (a) installation of pipe at 10708 Pauite Way that was not approved for gas usage; (b) failure to take appropriate corrective actions after the discovery that out-of-tolerance pipe had been installed in Elk Grove in October 2006; (c) failure to take immediate actions to safeguard life and property on December 24, 2008; (d) inadequate emergency response plan, practices and procedures and failure to coordinate with fire, police and other agencies in responding to the emergency on December 24, 2008; (e) failure to train appropriate operating personnel in emergency procedures; and (f) not administering drug and alcohol tests to all employees involved in responding to the accident.

D. The Commission issued the above-captioned Order Instituting Investigation ("OII") on November 19, 2010.

E. On February 17, 2011, PG&E submitted its testimony and exhibits responding to the OII.

F. CPSD and PG&E agree that the following agreement by PG&E and stipulation to an order resolving this OII represents a just and reasonable resolution of all claims, allegations and issues in this investigation.

STIPULATION

For purposes of this proceeding only, PG&E and CPSD agree as follows:

1. PG&E admits that the September 2006 installation of pipe at 10708 Paiute Way, Rancho Cordova, was pipe that was not authorized for gas service in violation of 49 C.F.R. Sections 192.59(a)(1) and 192.13(c).

2. PG&E admits that the pipe used in the September 2006 repair at 10708 Paiute Way, Rancho Cordova was not pressure tested in the manner required by law, prior to reinstating gas service, in violation of 49 C.F.R. Section 192.503(a)(1).

3. PG&E admits that the October 2006 installation of gas pipe with wall thickness below specifications in Elk Grove violated 49 C.F.R. Section 192.59(a)(1).

4. PG&E admits that it failed to follow its internal procedures with respect to its October 2006 discovery of the installation of gas pipe with wall thickness below specifications in Elk Grove, in violation of 49 C.F.R. Section 192.13(c).

5. PG&E admits that its response to the neighborhood resident's December 24, 2008 telephone call reporting an outdoor gas leak odor on Pauite Way was unreasonably delayed and not effective.

6. PG&E admits that not administering drug and alcohol tests after the Rancho Cordova explosion to all employees whose performance on December 24, 2008, under the circumstances presented, could not be completely discounted as a contributing factor to the accident, was in violation of 49 C.F.R. Sections 199.105(b) and 199.225 (a).

7. These admissions by PG&E are for this CPUC proceeding only and are not an admission with respect to any standard of conduct, state of mind, authorization or any other matter not expressly set forth above or related to any other proceeding or matter.

8. Except as expressly set forth above, PG&E and CPSD continue to contest all material issues.

9. PG&E agrees to pay a penalty of $26 million to the State General Fund within twenty (20) days of the Commission's approval of this stipulation without modification.

10. PG&E agrees to pay CPSD investigation and proceeding costs within twenty (20) days of the Commission's approval of this stipulation without modification, or within twenty (20) days of CPSD providing PG&E with an accounting of such costs, whichever of these two events comes later.

11. PG&E agrees that it will not seek to recover from customers in rates any portion of the penalty or any portion of the funds PG&E pays for CPSD costs.

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12. PG&E and CPSD agree that "Attachment A" contains stipulated facts which are sufficient to support the Commission's resolution of this proceeding. Other than such stipulated facts stated in Attachment A, neither PG&E nor CPSD agrees to any other stipulation of fact.

Respectfully submitted,

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ATTACHMENT A

STIPULATION OF FACTS

EMERGENCY PLANS, AND DRUG AND ALCOHOL TESTING

1. On December 24, 2008, at approximately 0916, PG&E's Customer Contact Center received a phoned complaint from a resident at 10716 Paiute Way, Rancho Cordova, California, who smelled gas.

2. The customer stated the following in the complaint call. "There is a gas smell outside my house. I smell it when I walk up front and I also smell it in the garage. It is pretty strong. I took my husband to work this morning and as I was driving back home, I smelled it about four houses away. I did not smell it in the garage previously. I am concerned that it is getting worse".

3. At 0921 PG&E dispatched a gas service representative (technician) to the site.

4. PG&E's technician arrived at the site about 1014 in response to the customer complaint.

5. PG&E's technician was not equipped or trained to identify, classify, and assess outdoor leaks. She was equipped and trained to identify, classify, and assess indoor leaks.

6. The technician found, with the equipment she had on site, natural gas readings in the water box outside the house at 10716 Paiute Way.

7. At 1025 the technician called PG&E central dispatch to request that PG&E dispatch a Flame Ionization Unit (flamepack) to the site, and a leak investigator qualified to use the flamepack, to find the outdoor leak.

8. A resident at 10712 Paiute Way directed the technician to a patch of dead grass in the front yard at 10708 Paiute Way. The resident explained that a leak had been previously repaired at the location of the dead grass.

9. Dead grass can be caused by a gas leak underneath.

10. The technician detected the presence of gas near the dead grass, at about 63 percent of the lower explosive limit of natural gas, or about 3 percent gas-in-air.

11. The technician knocked on the front door at 10708 Paiute Way to check the gas level inside the house, but no one answered.

12. The technician called dispatch again about 1100 to obtain the status of the leak investigator. The technician then called the Sacramento office to receive an update. The Sacramento office gave the technician the leak investigator's number in the field. The

technician then called the leak investigator and asked when he would be there. The leak investigator stated that he would be at the site before noon.

13. The technician then parked her PG&E truck across the street facing the home at 10708 Paiute Way, and waited inside the truck.

14. The technician was not equipped by PG&E to place signs on the door or string up tape on the outside of the house to warn residents that entry could be hazardous.

15. Between 1100 and 1130 the technician made calls to PG&E's Customer Contact Center, its maintenance department, its Concord Dispatch, and the leak investigator.

16. The leak investigator arrived at PG&E's Sacramento service center at about 1130 to pick up the flame pack. He left the service center at about 1242, about an hour and ten minutes after arrival there.

17. The leak investigator called the technician three times to report his delay. The leak investigator did not notify his supervisor or PG&E dispatch of the delay.

18. At about 1149 the technician noted that the leak was in the vicinity of the patch of dead grass in the front yard at 10708 Paiute Way, and made several additional calls to PG&E to determine the status of needed equipment and personnel trained to deal with outdoor leaks.

19. The next PG&E personnel to arrive at the site was a foreman, who arrived at about 1314.

20. The PG&E foreman and the technician had a brief conversation, in which the technician told him there was a leak in the yard at 10708 Paiute Way, but that she had been unable to get into the house.

22. The PG&E foreman relieved the technician and she left the site.

23. At about 1319 the PG&E leak investigator arrived on scene with the flame pack. His arrival was 2 hours and 47 minutes "since the technician had called Concord Dispatch to request the specialized equipment to locate the leak".

24. Three persons entered the home at 10708 Paiute Way at some time before the explosion. Their entrance was not noticed by PG&E's personnel.

25. The leak investigator knocked on the door of 10708 Paiute Way. A person answered the door and referred the leak investigator to her grandfather, the owner of the house.

26. Outside the house the PG&E leak investigator and the homeowner had a brief conversation. The leak investigator turned away from the house to continue his investigation, and the house exploded at about 1335.

27. The homeowner died from the fatal injuries sustained by the explosion, and his daughter and granddaughter in the house were seriously injured. PG&E personnel and a neighbor also sustained injuries from the explosion.

28. No PG&E personnel at the scene either contacted the fire department before the explosion, or requested that anyone in the neighborhood evacuate their homes.

29. After the explosion, PG&E did not administer drug and alcohol testing of its employees.

2006 GAS PIPE INSTALLATION AND TESTING IN RANCHO CORDOVA

1. On September 21, 2006 PG&E completed the installation of an approximately six inch long and one and a quarter inch diameter polyethylene pipe in the ground at 10708 Paiute Way, Rancho Cordova.

2. The pipe did not have the markings required for pipe certified as lawful to transport gas.

3. The pipe's wall thickness was below specification needed to transport gas.

4. The pipe was uncertified and unlawful to transport gas.

5. A gas pipe pressure test at the time of installation was required by law.

6. The 2006 installation at 10708 Paiute Way would have failed a pressure test done properly and as required by the law.

7. The required pressure test of the installed pipe was not done before reinstating gas service.

8. The pipe failed on December 24, 2008, and caused the Rancho Cordova gas leak and subsequent explosion.

2006 GAS PIPE INSTALLATION IN ELK GROVE

1. On October 7, 2006 PG&E installed, in Elk Grove California, a one and one quarter inch diameter polyethylene pipe and four Metfit couplings.

2. The pipe failed to hold after installation and blew out of the coupling. The repair was then completed by fusing the replacement pipe instead of using a mechanical coupling.

3. PG&E sent pipe sections and the pipe couplings to the pipe manufacturer for analysis and measurement.

4. The pipe manufacturer concluded that the reason for the leak was the pipe rather than the couplers, and communicated this to PG&E in writing.

5. PG&E did not follow up further with the pipe manufacturer regarding the out of specification pipe.

6. PG&E did not replace the unauthorized pipe in the ground in Elk Grove but instead left the repair made with it.

7. PG&E replaced the out of specification pipe in Elk Grove in February of 2009.

8. Between October 2006 and February 2009, PG&E did not excavate any installations in the Sacramento area to search for similar size and type of out of specification pipe installed close to the same time frame as the installation in Elk Grove.