California Public Utilities Commission
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CPUC STAFF RECOMMEND $2.25 BILLION TOTAL PENALTY AGAINST PG&E FOR SAN BRUNO PIPELINE RUPTURE; PENALTY WOULD BE LARGEST OF ITS KIND ASSESSED IN NATION

SAN FRANCISCO, May 6, 2013 - The Safety and Enforcement Division of the California Public Utilities Commission (CPUC) today recommended that the CPUC impose a total $2.25 billion penalty against Pacific Gas and Electric Company (PG&E) for three penalty cases arising from the Sept. 9, 2010, PG&E pipeline rupture in San Bruno, Calif. If the recommendation is adopted by the CPUC, it would be the largest penalty ever levied by a state regulator.

Brigadier General (CA) Jack Hagan, the Director of the CPUC's Safety and Enforcement Division, said, "I am recommending the highest penalty possible against PG&E, without compromising safety and I want every penny of it to go toward making PG&E's system safer."

The Safety and Enforcement Division's recommendation calls for the $2.25 billion penalty to be used solely for safety purposes. The Safety and Enforcement Division says that the death toll, physical injuries, and extensive damage to homes by the pipeline blast is unsurpassed in its severity and PG&E's failures is long and reprehensible. "There is no amount of money that will bring back the eight people who tragically lost their lives in the pipeline blast or heal the lasting wounds to the people of San Bruno. All we can do is make sure such a tragedy does not happen again. I listened to legislators and the public and determined that every single dollar available from PG&E should go straight to efforts that will ensure safety," said General Hagan. "The recommendation is what the Safety and Enforcement Division believes is the maximum financial penalty that can be imposed on PG&E shareholders without compromising safety. This is a penalty far greater than the CPUC, or any other state regulatory body, has ever assessed."

The recommended penalty payment would encompass monies PG&E already has been ordered to spend on safety enhancements, as well as future safety investments. Under the Safety and Enforcement Division's recommendation, the $2.25 billion penalty would be directed toward Phase I and Phase II of PG&E's Pipeline Safety Enhancement Plan. The money would come out of shareholder funds and would not be paid by ratepayers. Likewise, any capital investments by PG&E would be excluded from the utility's rate base, for ratemaking purposes.

Since the September 2010 pipeline rupture, PG&E has said that it has invested upwards of $1 billion in safety activities such as pipeline test or replacement, installation of safety values, verification audits and inspections, and development of safety management systems. The recommended penalty amount would include these expenditures plus future safety expenses, up to a total of $2.25 billion. Under the recommendation made today, PG&E also would be subject to audits to ensure the company does not under-spend in any other areas of their operations that effect safety to off-set any of these expenditures. The recommendation calls for an independent third-party to oversee the funds to ensure they are spent wholly and appropriately.

The Safety and Enforcement Division's recommendation agrees with the Independent Review Panel that examined the pipeline rupture and cautions that responsibility for the tragedy in San Bruno does not start and stop with PG&E. Said General Hagan, "The CPUC itself must recognize its contribution to the lax safety culture that directly led to the unsafe conditions resulting in the explosion. PG&E was not operating safely, and we at the CPUC did not do enough to spot this. PG&E failed to know, failed to test, failed to prioritize safety in its gas system integrity management program. But the CPUC, its staff, and all intervening parties failed as well to do their job to ensure safety of the natural gas system. This is the harsh lesson of the pipeline rupture. We must never fail to keep it foremost in our minds."

If today's recommendation is adopted by the CPUC, it would be the largest penalty ever levied by a state regulatory body in the U.S. The largest CPUC safety related penalty imposed in the past was a $38 million penalty against PG&E as a result of a natural gas explosion on December 24, 2008, in Rancho Cordova, Calif. Nationally, the largest penalty under federal pipeline safety laws was $101.5

million for an explosion on the El Paso Natural Gas pipeline in New Mexico in August 2000.

PG&E will file its reply to the recommendations of the Safety and Enforcement Division and other intervenors on May 24, 2013; the Safety and Enforcement Division and intervenors will then file any replies to PG&E on June 5, 2013. A CPUC decision is expected in late summer.

The Safety and Enforcement Division recommendation is available at: http://www.cpuc.ca.gov/NR/rdonlyres/1865E039-2482-43A4-91A5-E9E28C40A00A/0/I1201007etalCPSDOpeningBriefonFinesandRemedies.pdf.

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