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PRESS RELEASE

Docket #: I.12-01-007;
I.11-02-016; I.11-11-009

**CPUC JUDGES ISSUE DECISIONS IN PG&E PIPELINE CASES,
LEVYING LARGEST SAFETY RELATED PENALTY EVER BY CPUC**

SAN FRANCISCO, September 2, 2014 - The California Public Utilities Commission (CPUC) today issued four decisions by two Administrative Law Judges in connection with its investigations of Pacific Gas and Electric Company's (PG&E) operations and practices related to gas transmission, including the pipeline rupture in San Bruno, Calif., in 2010, penalizing PG&E \$1.4 billion, the largest safety related penalty ever levied by the CPUC.

The Administrative Law Judges issued three decisions establishing the number of violations in connection with each investigation. In the fourth decision, the Administrative Law Judges impose a penalty based on the total number of violations. The Administrative Law Judges found that in total, PG&E committed 3,798 violations of state and federal laws, rules, standards, or regulations in connection with the operations and practices of its gas transmission system pipeline. Many of these violations continued for several years, resulting in a total of 18,447,803 days in violation.

The \$1.4 billion penalty, when combined with the amount that the CPUC previously ruled must come from shareholders for expenditures to improve the safe operation of natural gas pipelines (R.11-02-019), exceeds \$2 billion. The penalty consists of \$950 million to be paid to California's General Fund, \$400 million in pipeline improvements that cannot be recovered from customers (called a disallowance), and approximately \$50 million to be used to implement more than 75 remedies to enhance pipeline safety, including \$30 million for the CPUC's Safety and Enforcement Division to hire independent auditors to audit PG&E's Pressure Validation project and Project Mariner implementation, training for emergencies (City of San Bruno), establishing a centralized database to track location and use of salvaged pipe in PG&E's gas transmission pipeline system, and

to pay reasonably incurred litigation expenses of intervenors.

The penalty breakdown ordered in today's decisions is as follows:

- Fine to the California General Fund: \$950 million
- Shareholder amount toward PG&E's Pipeline Safety Implementation Plan: \$400 million
- Shareholder amount toward more than 75 remedies proposed by parties: \$50 million (est.)
 - **Total penalty from these investigations:** **\$1.4 billion**
- Shareholder amount toward PG&E's Pipeline Modernization Program (disallowance previously approved in Decision 12-12-030): \$635 million
 - **Total from these investigations and D.12-12-030:** **\$2.035 billion**

These penalties must be paid by PG&E's shareholders and are not recoverable from PG&E's customers. Within 60 days PG&E must submit a report to the CPUC providing the status of the progress and the timeframe for completion of each remedy ordered in the decisions.

The decisions of the two Administrative Law Judges are the culmination of the CPUC's investigations into PG&E's pipeline rupture in San Bruno (I.12-01-007), its pipeline recordkeeping (I.11-02-016), and its pipeline classification (I.11-11-009).

The CPUC's Commissioners did not provide input or comment into the decisions, nor did they have an opportunity to review the decisions before their release today. This is standard process in these types of investigations.

The decisions of the Administrative Law Judges will become the decisions of the CPUC after 30 calendar days from today, unless a party to the proceeding files an appeal or a Commissioner requests a review. Should a party file an appeal of the decisions or a Commissioner requests review, the Administrative Law Judges will review the appeal and either make changes to their decisions or keep them the same. The decisions would then come before the Commissioners to consider at a Voting Meeting (although the Commissioners may discuss the decisions of the Administrative Law Judges in a publicly noticed closed session, they can only vote on the decisions in open session). Commissioners also have the option of writing Alternate decisions for consideration.

The penalties announced today amount to the largest safety related penalty ever levied by the CPUC. The next largest CPUC safety related penalty imposed in the recent 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.

The Administrative Law Judges' decisions are available at:

- Proceeding Number I.12-01-007 (San Bruno Investigation):
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=All&DocID=104563307>
- Proceeding Number I.11-02-016 (Recordkeeping Investigation):
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=All&DocID=104563305>
- Proceeding Number I.11-11-009 (Pipeline Classification Investigation):
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=All&DocID=104563306>
- Proceeding Number I.12-01-007, I.11-02-016, I.11-11-009:
<http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=All&DocID=103390911>

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