

California Public Utilities Commission
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PRESS RELEASE

Docket #: I.10-11-013

**CPUC STAFF PROPOSE RESOLUTION OF PG&E RANCHO CORDOVA CASE
WITH \$26 MILLION FINE AND ADMISSION BY PG&E
THAT THE COMPANY VIOLATED SAFETY LAWS**

SAN FRANCISCO, June 20, 2011 - The California Public Utilities Commission's (CPUC) Consumer Protection and Safety Division (CPSD) today filed a stipulated resolution for Commissioner consideration that would penalize Pacific Gas and Electric Company (PG&E) \$26 million in shareholder funds for a 2008 natural gas leak and explosion in Rancho Cordova, Calif. If approved by the CPUC's Commissioners, it amounts to the largest safety related fine assessed by the CPUC in more than a decade. In the stipulation, PG&E admits that it violated safety laws in several respects in connection with the Rancho Cordova explosion.

In November 2010, the CPUC opened a penalty consideration proceeding regarding a December 24, 2008, incident in which natural gas leaking from a PG&E distribution pipeline resulted in an explosion and fire at 10708 Paiute Way in Rancho Cordova. One person died and five others were injured.

Under the stipulated resolution agreed to by CPSD and PG&E, PG&E would pay a \$26 million fine in shareholder funds to the state's General Fund and admits violations of pipeline safety regulations, including:

- The September 2006 installation of pipe at Paiute Way was pipe that was not authorized for gas service;
- The pipe used in the repair at Paiute Way was not pressure tested in the manner required by law prior to reinstating gas service;
- The wall thickness of the gas pipe installed in Elk Grove, Calif., in October 2006 was thinner than allowed by gas piping specifications;

- PG&E 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;
- PG&E did not administer 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; and,
- PG&E's response to the neighborhood resident's December 24, 2008, telephone call reporting an outdoor gas leak odor on Paiute Way was unreasonably delayed and not effective.

Said Richard W. Clark, Director of CPSD, "I believe this is an effective and meaningful resolution of all the issues in this penalty case, but the Commissioners will make the final decision."

PG&E will reimburse CPSD's investigation and proceeding costs. The stipulated resolution provides that PG&E will not seek to recover any portion of the fine or CPSD costs in rates.

An Administrative Law Judge will determine the next steps in this case.

More information on the Rancho Cordova proceeding, including the stipulated resolution is available at www.cpuc.ca.gov/PUC/Enforcement/pge08.htm.

For more information on the CPUC, please visit www.cpuc.ca.gov.

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