

California Public Utilities Commission
505 Van Ness Ave., San Francisco

FOR IMMEDIATE RELEASE

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

PRESS RELEASE

Docket #: I.12-01-007

**CPUC STAFF REPORT ALLEGES PG&E'S VIOLATION OF LAWS AND
REGULATIONS LED TO SAN BRUNO PIPELINE RUPTURE;
PENALTY CONSIDERATION CASE BEGINS**

SAN FRANCISCO, January 12, 2012 - The California Public Utilities Commission (CPUC) today issued a staff report alleging that Pacific Gas and Electric Company (PG&E) violated state law and various federal and state pipeline safety regulations and accepted industry standards, leading to a pipeline rupture in San Bruno, Calif. on September 9, 2010. The CPUC's Commissioners voted unanimously to immediately open a penalty consideration case to examine the report and, as appropriate, consider proper penalties and remedies for such violations.

The report, by the CPUC's Consumer Protection and Safety Division, alleges that the pipeline rupture in San Bruno was caused by PG&E's failure to follow accepted industry practice when installing the section of pipe that failed, PG&E's failure to comply with federal pipeline integrity management requirements, PG&E's inadequate record keeping practices, deficiencies in PG&E's data collection and reporting system, inadequate procedures to handle emergencies and abnormal conditions, PG&E's deficient emergency response actions after the incident, and a systemic failure of PG&E's corporate culture that emphasized profits over safety.

The case opened today is the culmination of the staff investigation into the pipeline rupture and means a formal enforcement action, leading to possible penalties and other remedies, has now been launched by the CPUC. The case will not be solely limited to the events that took place on September 9, 2010, but will include all past operations, practices, and other events

or courses of conduct that could have led to or contributed to the pipeline rupture in San Bruno.

The CPUC will specifically consider what monetary fines and other remedies are appropriate to ensure that a catastrophe of this type does not occur again. Said CPUC President Michael R. Peevey, “The National Transportation Safety Board, the Independent Review Panel, and CPSD have presented us with sufficient information and good cause to move to this new phase and determine whether safety violations have occurred with respect to PG&E before, during, and after the San Bruno pipeline rupture, and if so, the proper remedies for such violations. We are now, essentially, giving PG&E its day in court. If we determine PG&E has violated the law, we are prepared to impose very significant fines.”

Said Commissioner Timothy Alan Simon, who is a member of the Pipeline Safety Task Force between the National Association of Regulatory Utility Commissioners and the U.S. Department of Transportation’s Pipeline and Hazardous Materials Safety Administration, “The timing of this case now is very appropriate as we have before us the complete investigation reports from the National Transportation Safety Board, the Independent Review Panel, and our Consumer Protection and Safety Division. I believe this proceeding is going to show utilities the need to re-examine their response protocols, risk assessment, and records management for pipeline safety.”

Added Commissioner Mike Florio, who leads a CPUC proceeding to set new rules for the safe and reliable operation of natural gas pipelines in California, “We will hold public hearings as part of this case and I encourage interested parties to actively participate, as our decisions benefit from the expertise and input of parties.”

Said Commissioner Catherine J.K. Sandoval, “Today’s action is an important milestone to address the tragedy of San Bruno and promote public safety. The Consumer Protection and Safety Division’s report analyzes in great detail the causes of the pipeline rupture and PG&E’s actions or inactions that may provide the basis for fines, penalties, and orders to improve gas safety. Timely review of the Consumer Protection and Safety Division’s report and further action are now necessary to ensure that such tragedies don’t happen again.”

Said Commissioner Mark J. Ferron, “Today’s order is a watershed event. It is the culmination of a lengthy investigation by our staff and the National Transportation Safety Board into the terrible tragedy that occurred in San Bruno. I pledge my very best effort to get to the bottom of this, and to impose very significant penalties on PG&E if staff’s allegations of wrongdoing by PG&E are proven on the record. We owe this debt to the good people of San Bruno.”

The CPUC will soon announce a prehearing conference before an Administrative Law Judge in order to establish a schedule in this case including the date, time, and location of an evidentiary hearing.

For more information on this proceeding, including CP&E’s report, please visit www.cpuc.ca.gov/PUC/SanBrunoReport.htm.

For more information on steps the CPUC is taking to improve pipeline safety and the CPUC’s internal operations, please visit www.cpuc.ca.gov/PUC/events/sanbruno.htm.

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

###