



California Public Utilities Commission

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News Release

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PUC APPROVES SETTLEMENT IN PG&E MISSION SUBSTATION INVESTIGATION

SAN FRANCISCO, February 16, 2006 -- The California Public Utilities Commission (PUC) today approved a settlement in the Commission's investigation into a 2003 fire at Pacific Gas and Electric Company's (PG&E) Mission Substation, requiring PG&E shareholders to pay \$6 million to fund five programs and projects to improve electric system reliability, as well as pay \$500,000 to the State's General Fund.

The settlement, between PG&E, the Commission's Consumer Protection and Safety Division (CPSD), and the City and County of San Francisco (CCSF), results from a Commission investigation opened following the conclusion of independent investigations into a December 20, 2003 fire at PG&E's Mission Substation by CPSD and by PG&E, in which more than 100,000 customers throughout San Francisco lost power, including downtown retail stores filled with shoppers on a peak holiday shopping weekend.

The Commission's goal in opening the investigation was to take a broader look at substation operations and determine if the Commission could apply lessons learned from the Mission incidents into increasing system-wide reliability and safety. Both CPSD's and PG&E's investigations into the 2003 fire also reviewed the causes of a 1996 fire at Mission Substation. On March 26, 2005, nine days after the Commission's investigation was opened, a third fire broke out at Mission Substation.

"When we launched our investigation, our goal was to improve safety and reliability throughout the PG&E electric system," said PUC President Michael R. Peevey. "Our decision today ensures that we will have improved and necessary safety measures in place."

The proposed allocation of the \$6 million is as follows:

- \$3 million for reliability improvements to PG&E's electric system in San Francisco, including \$500,000 to hire an independent consultant to evaluate system reliability and to identify potential projects or other measures to improve reliability, with the remaining \$2.5

million to implement one or more of those projects, etc., which the parties unanimously select.

- \$750,000 for a fire safety program for the San Francisco Fire Department (SFFD) and specialized fire equipment for SFFD to enhance the ability of SFFD to respond effectively to indoor substation fires and other PG&E-related emergencies in San Francisco.
- \$750,000 for CCSF to build needed infrastructure to improve public safety in the event of an outage.
- \$1 million for a Hunters Point Substation Improvement Program (while the Hunters Point Power Plant is slated to be fully shut down and demolished, the contiguous Hunters Point Substation will remain in place and will be a critical element of PG&E's ability to provide a reliable supply of electricity in San Francisco).
- \$500,000 to support the Commission's undertaking to create a substation inspection program.

The rationale for the parties' settlement consists of a three-part assessment that: (1) while PG&E's operations of Mission Substation and its response to the December 20, 2003 fire did not violate any Commission General Orders pertaining to electrical systems; (2) nevertheless, PG&E did not implement its own internal recommendations, following the 1996 fire, regarding operational response procedures, the lack of smoke detection equipment, and the lack of fire barrier penetration sealing; and (3) thus, had PG&E implemented those 1996 recommendations, it is reasonable to conclude that the duration of the December 2003 fire and the associated outage, as well as the number of customers affected by the outage, would have been significantly reduced.

The proposal the Commission voted on is at
http://www.cpuc.ca.gov/word_pdf/AGENDA_DECISION/53394.doc.

For more information, please visit the PUC's website at www.cpuc.ca.gov.

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