



City Manager News Release

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FOR IMMEDIATE RELEASE

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Subject : San Carlos Reaches Settlement with PG&E over PG&E's Wrong-doing

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March 28, 2017 – San Carlos, CA – In collaboration with the City of San Bruno, the Utility Reform Network and the California Public Utility Commission's (CPUC's) Safety Enforcement Division, the City of San Carlos reached a settlement with the Pacific Gas & Electric Company (PG&E) related to the CPUC's investigation into illegal communications between PG&E and CPUC Commissioners. San Carlos' participation in the legal proceedings at the CPUC relating to communication rules violations resulted in a settlement with PG&E that provides \$86.5 million in fines, penalties and compensation, along with significant non-financial penalties to enhance PG&E's reporting requirements. The settlement comes over three years after the City of San Carlos demanded that PG&E appropriately test and investigate the condition of Natural Gas Line 147, which runs through San Carlos along Brittan Avenue from Old County Road to Pulgas Ridge, and its appropriate maximum operating pressure. The improper communications at issue took place over a period of several years, including the timeframe related to the City's long held concerns over the safety of Line 147 and the CPUC's decision in December 2013 to allow repressurization of the line.

During the CPUC safety and enforcement proceedings, the cities of San Bruno and San Carlos demanded public records. Records produced under San Bruno's requests exposed communications and meetings that violated the CPUC's "ex parte" rules, including 164 improper communications between senior PG&E executives and CPUC decision-makers. The CPUC and its enforcement staff ordered an investigation into these improper communications, which this settlement resolves.

Of the \$86.5 million, a record \$73.5 million of rate relief will be provided to PG&E ratepayers. The settlement also includes a total of \$12 million to the cities of San Carlos and San Bruno, which will be paid for solely by PG&E shareholders, who will also be responsible for a \$1 million fine to the State of California General Fund. In the settlement, PG&E admits wrong-doing and agrees to extended disclosure requirements. The presiding Administrative Law Judge will review the settlement agreement, which must then be approved by a final vote of the CPUC.

"This settlement shows PG&E has taken responsibility for its past inappropriate conduct with the CPUC. This settlement provides a meaningful penalty and compensates the City of San Carlos for the issues surrounding Line 147, including the cost, inconvenience and harm caused to our residents" said San Carlos Mayor Bob Grassilli. "This settlement should close the Line 147 chapter in San Carlos, and begin a constructive relationship with PG&E and its new management."

The settlement terms include the following elements:

Financial remedies funded by shareholders:

- Because customers were harmed by PG&E's conduct, PG&E will provide ratepayers \$73.5 million of rate relief in 2018 and 2019.
- PG&E's shareholders will pay \$1 million to the State of California General Fund.
- PG&E's shareholders will pay the City of San Carlos' General Fund \$6 million for illegal communications related to a CPUC proceeding regarding pressure reductions on a gas transmission line that affected the safety of San Carlos residents.
- PG&E's shareholders will pay the City of San Bruno's General Fund \$6 million for its role in bringing the ex parte violations to light.

Non-Financial Remedies to address PG&E's violations include:

- PG&E admitted that during the period from 2010 to 2014, PG&E committed multiple violations of the CPUC's ex parte rules through communications that were either prohibited or not reported to the CPUC as required.
- For two years, PG&E will provide notice of "meet and greets" with CPUC Commissioners, including tours, to the CPUC's Safety Enforcement Division and ratepayer advocacy groups.
- For three years, if PG&E provides investment-related information to decision makers, PG&E will provide the communication to the CPUC's Safety Enforcement Division and ratepayer advocacy groups. PG&E will also provide annual ex parte rules training of selected employees.

Chronology:

In October 2013, San Carlos learned that there had been a gas leak on Line 147 in September 2012. In the email, a contract engineer for PG&E was concerned enough about the leak and the discovery that the type of pipe in the ground was not as described in PG&E records and that he asked whether Line 147 was another "San Bruno situation", which referred to the gas line explosion that killed 8 people and destroyed 38 homes in 2010.

This resulted in grave concerns in San Carlos about the safety of the line and caused City officials to file suit, successfully forcing a temporary pressure reduction. Shortly thereafter, San Carlos was thrust into the jurisdiction of the CPUC and requested reduced maximum operating pressure on the line based on expert advice received from its consultant and its interpretation of Federal regulations. On December 19, 2013, the Commission approved PG&E's request to increase the maximum allowable operating pressure on the line, despite San Carlos' concerns. The e-mails produced in 2015 showed that PG&E officials actively influenced the CPUC decision-makers up to the date of the hearing without following the CPUC's ex parte notice rules. As a result of the City's intervention since 2013, the entire length of Line 147 has been thoroughly tested and evaluated, repairs have been made, and the line should be ready for service in a safe manner in late 2017.

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