NEWS RELEASE

FOR IMMEDIATE RELEASE

Date: August 25, 2014

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CITY OF CARMEL SEEKS FORMAL INVESTIGATION OF PG&E GAS EXPLOSION BY CALIFORNIA PUC

City Concerned about PG&E "San Bruno-Like Situation"

Cannot Comment on News of a Possible Grand Jury Investigation of PG&E

The City of Carmel-by-the-Sea ("Carmel") today filed a formal request for an investigation by the California Public Utilities Commission ("CPUC") into PG&E's gas pipeline explosion earlier this year in the heart of the beloved Monterey Peninsula village.

"Carmel today asked the CPUC to expedite the completion of its investigation that has been going on since the March PG&E gas pipeline explosion and then immediately begin a formal investigation in to what we believe are serious violations of public safety by negligence of PG&E," said Mayor Jason Burnett.

The PG&E explosion on March 3, 2014 destroyed an unoccupied home at Guadalupe Street and Third Avenue and also caused damage to three nearby residences. There were no injuries.

The Mayor said he could not comment on the news stories about a possible Federal Grand Jury investigation into PG&E's Carmel explosion. Just last week, PG&E pled not guilty to a 28-count federal indictment on felony criminal charges, including obstruction of justice, in connection with a fatal 2010 gas pipeline explosion in the City of San Bruno that killed eight people.

“We are deeply concerned that the same apparent negligence demonstrated by PG&E in San Bruno is possible in our community,” Mayor Burnett said.

He said it was “deeply troubling and of significant concern” that PG&E has to date not agreed to join us in a formal investigation (Order Instituting Investigation) into its Carmel explosion. He told the CPUC in his letter that “the fact that PG&E does not want a formal (investigation) is all the more reason to conduct it.”

“Under its franchise and police powers, City officials in Carmel have a solemn duty to protect the health and welfare of City residents, businesses and visitors,” Mayor Burnett said in the letter to the CPUC. “This explosion could easily have killed and seriously injured people and whether PG&E violated the law should not be ignored. It is clear from the preliminary investigations that PG&E still doesn’t know what is in the ground in Carmel and elsewhere.”

In a letter sent today to Denise Tyrell, the interim director of the CPUC Safety and Enforcement Division, and copied to the CPUC Commissioners, Mayor Burnett wrote of the requested Order Instituting Investigation (OII):

“Under Rule 5.1, the “nature of the matters to be investigated” in the OII would focus, among other things, on whether PG&E violated any applicable provision or provisions of the Pipeline Safety Act, California Public Utilities Code, Commission general orders or decisions, or other rules or requirements pertaining to safety, recordkeeping and integrity management for its gas distribution service and facilities. It is Carmel’s belief, based on the evidence reviewed thus far, that PG&E appears to have violated Public Utilities Code Section 451 and multiple provisions of the Pipeline Safety Act.”

Mayor Burnett added “we want more than words from PG&E that ‘everything is ok,’ we want to see proof and have it demonstrated to our citizens and this community.”

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RESOLUTION NO. 2014-60

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA AUTHORIZING STAFF AND LEGAL COUNSEL TO TAKE SUCH STEPS NECESSARY AND APPROPRIATE TO CARRY OUT THE DIRECTIONS SET FORTH REGARDING THE INCIDENT ON MARCH 3, 2014 HOUSE EXPLOSION AND RELATED EVENTS.

WHEREAS, this Resolution supersedes any prior actions or statements of this Council regarding the subject matter of PG&E and the circumstances surrounding the March 3, 2014 explosion and related franchise issues; and

WHEREAS, those circumstances revealed severe safety shortcomings in PG&E operations; and

WHEREAS, the City Council has carefully studied the Exponent report produced as a result of the Carmel incidents and has found it fails to address significant public safety issues of concern to Carmel-by-the-Sea; and

WHEREAS, the shortcomings appear to be in violation of good and accepted engineering standards and practices and thus in violation of Section 451 of the California Public Utilities Code or other laws and regulations; and

WHEREAS, PG&E and the Safety and Enforcement Division of the CPUC have the sole legal duty and technical responsibility for operation and maintenance of a safe and reliable gas utility system in the City of Carmel-by-the-Sea; and

WHEREAS, PG&E and the Safety and Enforcement Division of the CPUC are obligated to operate a safe gas distribution system and therefore are requested to certify to the City of Carmel-by-the-Sea and its citizens and ratepayers that any and all remedial measures implemented by PG&E and proposed for implementation by the CPUC will prevent any future incident similar to the March 3, 2014 explosion; and

WHEREAS, Staff and Legal Counsel are directed to take all steps necessary and appropriate to obtain from the CPUC an Order Instituting an Investigation (OII) into the facts and circumstances surrounding the March 3, 2014 explosion and other matters relevant thereto and to take such steps as are necessary an appropriate to intervene in such proceedings; and

WHEREAS, PG&E is requested to support and consent in writing to the institution of such an OII and if such consent and support is not forthcoming to provide a written explanation of why it is unwilling to do so and;

WHEREAS, Staff and Legal Counsel are directed to take such other steps as are necessary as appropriate to carry out the directions set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA that Staff and Legal Counsel are directed to take all steps necessary and appropriate to carry out the directions set forth.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF CARMEL-BY-THE-SEA this 25th day of August 2014 by the following votes:

AYES:	4	COUNCIL MEMBERS: BEACH, THEIS, DALLAS, BURNETT
NOES:	0	COUNCIL MEMBERS:
ABSENT:	1	COUNCIL MEMBERS: TALMAGE
ABSTAIN:	0	COUNCIL MEMBERS:

APPROVED:

Jason Burnett

Jason Burnett, Mayor

ATTEST:

Lori Frontella

Lori Frontella, MMC, Interim City Clerk

City of Carmel-by-the-Sea
POST OFFICE BOX CC
CARMEL-BY-THE-SEA, CA 93921
(831) 620-2000

August 25, 2014

Ms. Denise Tyrrell
Interim Director
Safety and Enforcement Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Formal Request for OII - City of Carmel-by-the-Sea PG&E Explosion March 3, 2014

Dear Ms. Tyrrell:

The City of Carmel-by-the-Sea (Carmel) formally requests that the California Public Utilities Commission's (Commission or CPUC) Safety and Enforcement Division (SED) complete its investigation and report into the Carmel gas explosion that occurred on March 3, 2014. Carmel further requests that after the completion of the formal staff report, that the Commission promulgate an Order Instituting Investigation (OII).[1] Under Rule 5.1, the "nature of the matters to be investigated" in the OII would focus, among other things, on whether Pacific Gas and Electric Company (PG&E) violated any applicable provision or provisions of the Pipeline Safety Act, California Public Utilities Code, Commission general orders or decisions, or other rules or requirements pertaining to gas safety practices, recordkeeping and integrity management for its gas distribution service and facilities. It is Carmel's belief, based on the evidence reviewed thus far, that PG&E violated Public Utilities Code Section 451 and multiple provisions of the Pipeline Safety Act in part due to the absence of records, erroneous records and in particular the fact that PG&E didn't have as-built records when conducing a pipe replacement project in Carmel. The City is further concerned about other practices of PG&E that may also have contributed to the explosion.

It is highly troubling, almost four years after the Line 132 PG&E explosion in San Bruno, that Carmel and its residents witnessed the spectacle of PG&E's actions directly causing a house explosion. Under its franchise and police powers, City officials in Carmel have a solemn duty to protect the health and welfare of City residents, businesses and visitors. This explosion could easily have killed and seriously injured people and whether PG&E violated the law should not be ignored. It is clear from the preliminary investigations that PG&E, among other public safety deficiencies, still doesn't know what is in the ground in Carmel and elsewhere. PG&E has shown that it cannot manage its as-built records or properly identify gas pipelines in the ground. "Ground truthing" should have been a minimum standard safety practice after the records debacle of the past four years. The Commission has already acknowledged that PG&E has serious issues with its recordkeeping in relation to the PG&E explosion in Carmel: "A big concern is PG&E's mapping issue. It is PG&E's responsibility and duty to know what they have in the ground and where it's located."[2]

The City of Carmel-by-the-Sea has carefully reviewed the Exponent report and has concluded that the report has an overly narrow focus and fails to investigate the range of issues required to adequately address public safety. We have repeatedly requested that PG&E remedy these deficiencies but it has been unable or unwilling to do so. Despite the deficiencies in the Exponent report, certain lessons can be

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[1] Rules of Practice and Procedure, Rule 5.1
[2] http://www.sfgate.com/news/article/PG-amp-E-Carmel-home-explosion-blamed-on-bad-5316064.php

learned. The Exponent report determined that the root cause of the explosion was: "Inadequate verification of system status and configuration when performing work on a live line."[3] It appears from the Exponent report and PG&E's public statements that PG&E has violated the law and CPUC regulations, including the failure to operate a safe system under Public Utilities Code Section 451.

Given the deficiencies in PG&E's investigation and the public safety implications, we have concluded that an OII is the only fair, objective, public and forthright way to review and determine whether PG&E's gas safety operations and recordkeeping practices for its entire gas transmission system are unsafe and in violation of the law. The fact that PG&E as of this date has refused to join in asking for a formal OII is all the more reason to conduct it.

Despite assurances to the contrary, there is no way for Carmel to ensure that PG&E will take the recommended actions suggested by Exponent as well as other remedial actions unless there is an investigation and a remedial order of the Commission. The Exponent recommended actions include: 1) develop procedures to require positive verification of the expected system status and configuration when working on a pipe; 2) develop procedures to require further investigation of the system configuration when estimating a job for which "as-builts" are not available; 3) review the current process for receiving, approving, and storing job folders; and 4) develop a process for more detailed pre-job briefing.[4] The Commission should independently verify that these and perhaps other actions are necessary to ensure a safe and reliable gas system.

The Commission has the responsibility under Public Utilities Code Section 761 to correct and prevent unsafe utility practices. To that effect, we ask that SED complete a staff report and request the Commission to commence a formal investigation into whether PG&E's recordkeeping and other practices represent deficient actions and decision making about its gas service. The Commission should investigate and decide whether PG&E's practices, including its recordkeeping pertaining to gas distribution lines, have violated good and accepted engineering standards and practices, and thus whether PG&E violated Section 451 of the Public Utilities Code or other laws and regulations.

Sincerely,

Jason Burnett

Jason Burnett
Mayor
City of Carmel-by-the-Sea

Cc: Michael R. Peevey; President, California Public Utilities Commission
Michel Peter Florio; Commissioner, California Public Utilities Commission
Catherine J.K. Sandoval; Commissioner, California Public Utilities Commission
Carla J. Peterman; Commissioner, California Public Utilities Commission
Michael Picker; Commissioner, California Public Utilities Commission
Victoria Beach, Mayor Pro Tem
Steve Dallas, City Council Member
Carrie Theis, City Council Member
Ken Talmage, City Council Member
Donald G. Freeman, City Attorney
Steven Meyers, Special Counsel
Britt Strottman, Special Counsel
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[3] Exponent Carmel Gas Incident, April 2014; page 66
[4] *Id.*