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For Immediate Release:

**San Bruno Calls for Investigation by Governor, A.G., Legislature, DOJ**

# **Illegal Relationship Exposed Between CPUC and PG&E**

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**Collusion Revealed Between CPUC, PG&E Executives after Emails  
Expose Illegal Actions in San Bruno PG&E Blast**

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***San Bruno Seeks Independent Monitor to Oversee CPUC***

**San Francisco**—In a series of significant legal and regulatory motions, the City of San Bruno today demanded the immediate removal of California Public Utilities Commission President Michael Peevey and substantial penalties against the Pacific Gas and Electric Co. after it was exposed that top CPUC and PG&E staff engaged in repeated and illegal private (ex parte) conversations in the ongoing CPUC penalty proceeding related to the deadly 2010 PG&E gas pipeline explosion in San Bruno.

“Today’s disclosure demonstrates an ongoing, illicit and illegal relationship between the CPUC and PG&E,” said Ruane, who released more than 7,000 pages of documents received after San Bruno filed a Public Records Act lawsuit against the CPUC.

The documents reveal that Peevey received confidential, non-public information from PG&E regarding its internal deliberations and financial conditions outside of the CPUC public hearing process and in violation of the Commission’s own rules forbidding ex parte (private) communications between parties and decision makers.

“Not only do these private communications violate the law, but they provide evidence of a relationship between the utility and the CPUC that is familiar, collegial and cozy,” Ruane said.

“The National Transportation Safety Board found this cozy connection to be one of the contributing causes of the PG&E San Bruno disaster and now, almost four years later, we are seeing these same types of relationships perpetuated under the leadership of President Michael Peevey and PG&E President and CEO Tony Earley. We are shocked and demand immediate action,” he added.

In addition to calling for Peevey’s immediate removal from the investigatory proceedings to determine PG&E’s fines and penalties, the City of San Bruno has requested that PG&E be sanctioned for the violation of CPUC rules. The City has also called for an investigation of PG&E’s misconduct in the case.

“When Tony Earley became head of PG&E, he told the public it was a ‘new day’ for PG&E and that a new culture of safety would happen under his leadership. Sadly, that statement is not true. PG&E is the same company today that it was prior to the tragedy in San Bruno,” Ruane said.

The City repeated its demand for the appointment of an Independent Monitor to oversee the CPUC and PG&E to ensure transparency and guarantee that the actions of this public agency are no longer subject to undue influence from PG&E.

Ruane said San Bruno filed legal challenges and demands today for investigations into the matter with the United States Department of Justice, the Office of Governor Jerry Brown, Attorney General Kamala Harris, the Inspector General of the Department of Transportation, San Mateo District Attorney Steve Wagstaffe, San Francisco District Attorney George Gascón, Senator Jerry Hill and others.

The CPUC is currently in the stage of overseeing the penalty and fine proceeding against PG&E for its gross negligence in the 2010 San Bruno explosion and fire that killed eight San Bruno residents, injured 66 and blew a hole in the heart of the City.

Operating under the belief that an illicit relationship persisted between California's regulator and its largest public utility, San Bruno made its initial request for the CPUC materials on May 30, 2013 and sued the CPUC on Feb. 3 this year to force production of materials.

San Bruno confirmed the right to review public records and correspondence between PG&E and Peevey and senior CPUC staff after it succeeded in its lawsuit to force the CPUC to produce public documents through the California Public Records Act – a victory the City believes will change the way the CPUC complies with public record requests in the future.

“The communications reveal the depths of this hidden relationship between the CPUC and PG&E – one so deep and pervasive that San Bruno believes it has invaded the very soul of this alleged public agency, corrupting its ability to carry out its mandated function and blinding it to the mortal dangers faced by the public,” Ruane said.

CPUC proceedings, like traditional legal proceedings, expressly prohibit private (ex parte) communications between one party and the decision maker in the case—without the knowledge or presence of the other side in the case. There are stiff penalties and fines associated with breaking the ex parte rules.

“These documents prove a knowing and intentional effort by PG&E to deny the public due process of law and attempt to illegally influence the outcome of four years of CPUC investigations and hearings,” Ruane said.

“These illicit communications and meetings reveal bias on the part of Peevey to protect PG&E's best interests. This misconduct has irreparably harmed the CPUC's impartiality in determining PG&E's penalty and fine for its gross negligence in the 2010 explosion and fire in San Bruno,” he added.

The private emails over the past 36 months expose more than 40 egregious violations of the law against ex parte contact by Peevey and top CPUC staff in the San Bruno case, including Carol A. Brown, chief of staff to Peevey, Paul Clanon, executive director of the agency, and others.

PG&E senior executives involved in the illegal contact include Thomas E. Bottorff, senior vice president, regulatory affairs; Brian K. Cherry, vice president, regulatory relations; and Laura Doll, director, regulatory relations for PG&E.

Cherry and Doll actively advocate for PG&E's position without disclosing any of this communication to San Bruno or the other participating parties, in violation of the CPUC's own regulations.

Key information within these emails expose:

1. Cherry influencing Peevey's decision about the size and scope of the penalty by continuously forwarding Peevey private analyst reports and internal PG&E documents that illustrate the implications of a large penalty on PG&E's financial outlook.
2. Cherry and Doll seeking counsel from CPUC staff regarding a recommended strategy for conducting the best outcomes for PG&E.
3. Peevey and his top staff providing PG&E executives with insights and updates benefiting PG&E.
4. Cherry influencing Peevey's decision about the gravity of the situation by forwarding Peevey emails from PG&E CEO Tony Earley and others explaining why the violations are not that egregious.
5. Cherry demonstrating PG&E's good faith in seeking compliance by forwarding Peevey press releases and other communications showing how PG&E is taking necessary steps to fix a broken system and make progress post the San Bruno explosion and fire.

When taken in its entirety, the email traffic shows that PG&E has unfettered access to Peevey, that PG&E's executives feel comfortable enough with Peevey to email "Mike" on a regular basis and that Peevey does not discourage, warn or admonish PG&E from providing highly sensitive information on a consistent basis.

"The fact that these 'off the record' communications occurred with the defendant (PG&E) and judge (CPUC's Peevey) in the most high-profile, high-stakes investigations to come before the CPUC creates a total loss of confidence and transparency in what should be an open, honest, fair judicial process," Ruane said.

"As the loss of eight lives in San Bruno attest, this is a serious situation in which the safety of Californians, the future of investor-owned utilities and the credibility of regulatory mechanisms is at stake. These pervasive, ongoing relationships and the actions of Peevey demonstrate an utter and complete disregard for the lives Peevey has been sworn in to protect.

"Peevey's willingness to consistently violate the rules of the CPUC similarly threatens the credibility of the State of California and its ability to adequately regulate and protect the citizens of this state," Ruane added.

Ruane said the timing for Peevey's removal and a state investigation is dire - the CPUC proceedings are coming to a close within the next few months and the CPUC will be confronted with levying historic penalties/fines against PG&E in the largest natural gas disaster in U.S. history.

"Consequently, we cannot have the same man who has proven to be biased presiding over the so-called 'penalties' that the CPUC will levy against PG&E. Nor should the citizens of our state be endangered by the CPUC's inability to ensure pipeline safety issues," he said. "More than

ever, now is the time to appoint an Independent Monitor who can apply the objective oversight badly needed to restore the public's broken trust in PG&E and in this Commission.”

San Bruno has called upon the CPUC to levy a maximum fine and penalty against PG&E amounting to \$2.45 billion in after-tax dollars for its gross negligence in the San Bruno tragedy. This penalty would fund ongoing safety improvements thereby alleviating the burden to ratepayers and would give no credits for past expenses. San Bruno based its recommendation on a report by Overland Consulting, independently commissioned by the CPUC in 2012, which found that PG&E could afford a penalty of this magnitude without hurting its creditworthiness.

Download the PG&E-CPUC emails and highlights by visiting [gaspipelinesafety.org](http://gaspipelinesafety.org).