More evidence of PG&E cost-cutting prior to San Bruno explosion

Kevin Kearney
17 September 2010

PG&E, the California utility that operates the pipeline that exploded in San Bruno last week, killing at least seven people, failed to perform a scheduled replacement on a near-by pipe, according to a consumer advocacy group. The utility also did not install automatic shut-off valves, which might have significantly reduced the damage and death toll from the explosion.

According to The Utility Reform Network (TURN), in 2007 the company was paid to replace an old section of pipe just north of the ruptured section that caused the explosion. The entire section had been considered “high risk” by the company for many years because of the population density surrounding it and its age—over 60 years old.

The 2007 plan was funded by a customer rate increase approved by the California Public Utilities Commission (CPUC). The project was scheduled to be completed by 2009. Yet despite the high risk, PG&E did not complete the replacement in 2009. Instead, it demanded and received another $5 million, funded by another consumer rate increase. It then put off the pipe’s replacement until 2013.

“PG&E claimed it needed money to repair this high risk pipeline, with an estimated cost of $5 million,” TURN’s executive director Mark Toney said in a statement, “but failed to get the job done.”

A 2009 report outlining the proposal indicates that PG&E was aware of the danger. Company officials wrote, “If the replacement of this pipe does not occur, risks associated with this segment will not be reduced. Coupled with the consequences of failure of this section of pipeline, the likelihood of a failure makes the risk of a failure at this location unacceptably high.”

The $5 million PG&E garnered by charging cash-strapped customers for critical repair work to the San Bruno gas line that was never done is a drop in the bucket compared to the tens of millions the company spent to back Proposition 16—an effort to prevent cities and counties from managing their own gas and electricity networks—earlier this year.

“There is a systematic deferring of maintenance to prop up their returns and pay their management high salaries,” said Mike Florio, a TURN attorney. “Now we see in a very dramatic way the safety consequence of this practice.”

The company’s failure to install modern, automatic shut-off valves in the highly dangerous section of gas pipeline has also become a focus for investigators. PG&E workers say it took them almost 2 hours to close valves on the 30 inch section manually, requiring workers to enter a secured room, attach an arm to the valve and then physically close it off.

Automatic valves can simply shut off gas after a triggering event such as the loss of gas pressure associated with a leak in the line, thereby eliminating the need for emergency action.

PG&E has been told to replace manual with automatic valves for over 30 years. In 1981 an accidental rupture of a PG&E gas line in downtown San Francisco caused the evacuation of 30,000 people to avoid inhalation of the gas, which was laden with toxic levels of PCB (Polychlorinated Biphenyls). Workers struggled for 9 hours to close the valves, finding that one was inoperable and another had been paved over.

According to National Transportation Safety Board spokesman Christopher Hart, two valves in particular are now being investigated—the first located at least one mile from the site of the explosion and the second 1.5 miles away. Had PG&E completed the 2009 repairs, automatic valves could have been installed to immediately shut off the gas flow.

In its coverage of the failure to install modern safety valves in one of the highest risk section of gas pipeline, the *San Francisco Chronicle* notes under the heading

"Legislation Coming" that the CPUC is going to take the problem in hand by issuing several orders to PG&E.

The CPUC is vested with significant regulatory authority over privately-owned utilities like PG&E. However, the commission is packed with industry insiders and political operatives that make a practice of publicly scolding PG&E while enabling its disregard for safety and ensuring its profits.

Current CPUC president Michael R. Peevey was appointed by Democrat Governor Gray Davis on December 31, 2002 and reappointed in December 2008 by Republican Governor Arnold Schwarzenegger for another six-year term.

Before becoming president of CPUC, Peevey served as President of Edison International and Southern California Edison Company—a major utility corporation similar to PG&E in Southern California—for ten years, while sitting on the board of directors of numerous other corporations. His wife, Democrat State Senator Carol Liu, has received thousands of dollars in campaign donations from Edison and other utility companies, according to TURN.

In 2009, Peevey awarded his former company, Southern California Edison, permission to raise rates on its customers by over $2.1 billion from 2009-2011—an extreme rate increase at a time when the vast majority of California households are struggling to make ends meet. This allowance represented $843 million more than the generous rate increase previously recommended by a CPUC administrative law judge. According to TURN, Peevey authorized the rate increase after Edison personally delivered him a company "wish list."

A more recent corporate recruit to the CPUC is Frank Rich Lindh. Lindh worked as an attorney for PG&E for over a decade before becoming general counsel for the CPUC.

The CPUC is currently reviewing a proposal submitted by PG&E that would require that its customers pay all the costs of catastrophic fires caused by accidents like the San Bruno explosion, that exceed its insurance coverage. If approved, the plan could trigger immediate rate increases. The practical effect of the proposal would make such rate hikes more frequent if the number of explosions and fires stemming from PG&E pipelines increase. The plan would clearly shift the cost of such disasters to its captive customers, protecting its shareholders and profit margins.

It has also come to light that the federal investigator in charge of the National Transportation Safety Board's (NTSB) inquiry into pipeline explosion, Ravi Chhatre, worked for PG&E for 20 years. Although the company insists he is no longer a shareholder, Chhatre still retains an economic connection with the company through his pension.

The NTSB has stepped in to shield PG&E from information requests since it asserted control over the investigation, along with the power to vet all information given to the media. While the deadly explosions exposed the lurking hazards of California's aging gas pipelines, the company persists in keeping details about its gas distribution network from the public.

According to *The Bay Citizen* the company refused to release the whereabouts of its riskiest gas-transmission pipelines or even a simple list of the pipelines, making vague references to security. The CPUC, responsible for safe gas transmission throughout the state, says it has no information on the 100 PG&E pipeline sections categorized as high risk.

As a private company, PG&E is not obliged to furnish records under the California Public Records Act. The California Energy Commission has also reportedly refused to provide detailed maps with the location of the state's gas pipelines. "We are not allowed to release GIS maps showing natural gas pipelines because of homeland security reasons," said Jacque Gilbreath, an energy commission employee.

Although a virtual wall has been erected around the company, allowing it to keep secret the most routine and essential information about the ruptured pipe's maintenance record and prior complaints by residents, PG&E President Christopher Johns admitted to the *San Francisco Chronicle* this week that there were at least two prior complaints of a gas smell in the neighborhood in July before the explosion.