



Department of Justice

United States Attorney Brian J. Stretch
Northern District of California

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PG&E ORDERED TO DEVELOP COMPLIANCE AND ETHICS PROGRAM AS PART OF ITS SENTENCE FOR ENGAGING IN CRIMINAL CONDUCT

***Five years of probation and fines make up sentence for PG&E's violations
of the National Gas Pipeline Safety Act and for Obstructing Agency
Proceeding***

SAN FRANCISCO— Pacific Gas and Electric Company (“PG&E”) was sentenced today to submit to an expansive program of probation after having been found guilty of multiple willful violations of the Natural Gas Pipeline Safety Act of 1968 (“PSA”) and obstructing an agency proceeding, announced U.S. Attorney Brian J. Stretch, San Mateo County District Attorney Stephen M. Wagstaffe, U.S. Department of Transportation Office of Inspector General Special Agent in Charge William Swallow, and FBI Special Agent in Charge John F. Bennett. Among the provisions included in the program of probation issued by the Honorable Thelton E. Henderson, District Judge, are the obligation to submit to a corporate compliance and ethics monitorship, the obligation to

complete 10,000 hours of community service, and the requirement to spend up to \$3 million to inform the public in print advertisements and television commercials to notify the public of the utility's criminal and neglectful behavior.

On August 9, 2016, after a 5 1/2 week trial, a federal jury found PG&E guilty of multiple willful violations of the PSA and obstructing an agency proceeding. The PSA-related charges stem from PG&E's record keeping and pipeline "integrity management" practices and were uncovered in the course of the San Bruno investigation. The obstruction charge was added after investigators discovered PG&E attempted to mislead the National Transportation Safety Board (NTSB) during its investigation. The evidence at trial demonstrated that, between 2007 and 2010, PG&E willfully failed to address recordkeeping deficiencies concerning its larger natural gas pipelines knowing that its records were inaccurate or incomplete. The evidence further demonstrated that PG&E willfully failed to identify threats to its larger natural gas pipelines and to take appropriate actions to investigate the seriousness of threats to pipelines when they were identified. In addition, PG&E willfully failed to adequately prioritize as high risk and properly assess threatened pipelines after they were over pressurized, as the PSA and its regulations required. These charges were filed in an indictment on April 1, 2014. In finding PG&E guilty, the jury concluded the company knowingly and willfully violated the PSA and its regulations between 2007 and 2010. The jury found PG&E guilty of six felony counts—five willful violations of the PSA and one count of corruptly obstructing the federal investigation into the 2010 fatal pipeline explosion in San Bruno, in violation of 18 U.S.C. § 1505. The jury acquitted PG&E of an additional six alleged violations of the PSA.

The charge of obstructing an agency proceeding was included in a superseding indictment filed July 29, 2014. The evidence at trial demonstrated that during the course of the NTSB's investigation, PG&E provided a version of a policy outlining the way in which PG&E addressed manufacturing threats on its pipelines, and then sought to withdraw the document. According to PG&E's letter, the policy was produced in error and was an unapproved draft. In finding PG&E guilty of obstructing an agency proceeding, the jury concluded PG&E intentionally and corruptly tried to influence, obstruct, or impede the NTSB investigation, in violation of 18 U.S.C. § 1505.

"Today, the Pacific Gas and Electric Company was sentenced for its crimes after having been found guilty of violating federal regulations designed to keep our citizens safe and obstructing an agency proceeding," said U.S. Attorney Stretch. "As a part of the sentence, the court has imposed upon PG&E a monitor to ensure the company's future compliance with the rules and regulations the company has chosen in the past to

flaunt. As we know from the horrible explosion in San Bruno in 2010, the failure of PG&E to deliver gas safely can have devastating consequences that no amount of fines and no monetary penalties can ever remedy. While the conviction and sentence in this case will not bring back those who were lost on September 9, 2010, or eliminate the suffering of their surviving family members, it does take necessary steps toward ensuring PG&E will never again engage in this type of criminal behavior that puts all of its customers at substantial risk. I would like to acknowledge the many public servants—including the men and women of this office, the California Attorney General’s Office, the San Mateo County District Attorney’s Office, the San Bruno Police Department, the Federal Bureau of Investigation, and the U.S. Department of Transportation Office of Inspector General—whose hard work uncovered PG&E’s violations of the law and the company’s efforts to obstruct the investigation. We are gratified that the verdicts and sentence memorialize PG&E’s criminal conduct.”

“Today’s sentencing of PG&E makes clear the solemn obligation that those entrusted with the public’s safety must make it their highest priority,” said William Swallow, regional Special Agent-in-Charge, USDOT OIG. “The pipeline system is a critical part of our Nation’s infrastructure, and working with our Federal, state and local law enforcement and prosecutorial colleagues, we will continue to protect the safety and integrity of our transportation infrastructure from fraud, waste, abuse and violations of law.”

“The residents of San Mateo County are indebted to the public servants of the Office of the United States Attorney,” said District Attorney Wagstaffe. “We are very thankful for their hard work and perseverance without which we would not have seen such a successful conclusion to this case.”

“The FBI San Francisco Division echoes the sentiments of our law enforcement and prosecutorial partners. PG&E demonstrated a lack of concern and irresponsibility to our community,” said FBI San Francisco Special Agent in Charge Jack Bennett. “We have a responsibility not only to uphold and enforce the laws of the United States but also to do everything within our power to protect our citizen’s and our community. This sentence is symbolic of the FBI’s commitment to serving justice and to show that no company is too large to be held accountable for criminal acts.”

In handing down the \$3 million monetary penalty, Judge Henderson ordered PG&E to pay the maximum statutory penalty allowable for each count charged under the PSA and for obstruction of justice. In addition to the monetary penalty, Judge Henderson ordered PG&E to the maximum term of five years’ probation. While on

probation, PG&E will submit to a corporate compliance and ethics monitorship, pay for advertising in national media outlets to publicize its criminal conduct, and engage in community service.

Judge Henderson ordered PG&E to develop within the first six months “an effective compliance and ethics program” as well as a schedule for implementation of the program. Judge Henderson’s order directs PG&E to create a program that will prevent criminal conduct with respect to gas pipeline transmission safety. In addition, during the five-year period, PG&E will be supervised by a Compliance and Ethics Monitor whose job it will be to approve the program, oversee PG&E’s compliance with the program, inspect PG&E’s records, and receive notifications from PG&E regarding any changes in the company’s financial status.

With respect to publicity, Judge Henderson ordered PG&E to spend \$3 million to publicize “the nature of the offenses it committed, the convictions, the nature of the punishment imposed and the steps that will be taken to prevent the recurrence of similar offences.” The \$3 million expenditure will include two parts. PG&E must purchase a full page advertisement in both the Wall Street Journal and the San Francisco Chronicle. Also, PG&E was ordered to purchase television time to air commercials “to the greatest extent possible replicating the same channels and air times that PG&E used” in the time period around when the case was being tried.

Judge Henderson also ordered PG&E to engage in 10,000 of community service that must be pre-approved by a federal probation officer. Of the 10,000 hours, 2,000 must be completed by “high level” employees. In addition, Judge Henderson stated his expectation that the planned community service would be approved only if is separate from, and in addition to, service that PG&E already had planned to do. Judge Henderson also advised PG&E that he expected the community service would be completed, to the greatest extent possible, in San Bruno.

Assistant United States Attorneys Hallie Hoffman, Jeff Schenk, and Hartley West prosecuted the case with the assistance of Denise Oki, Beth Margen, Maryam Beros, Alycee Lane, Bridget Kilkenny, and Maureen French. The prosecution is the result of an investigation conducted by the U.S. Attorney’s Office for the Northern District of California, the California Attorney General’s Office, the San Mateo County District Attorney’s Office, the United States Department of Transportation Office of Inspector General, the FBI, the Pipeline and Hazardous Material Safety Administration, and the City of San Bruno Police Department.

Further Information:

Case #: 14-175 TEH

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

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