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Exhibit Number	:	<u>ORA-04E</u>
Commissioner	:	<u>C. Peterman</u>
ALJ	:	<u>A. Yip-Kikugawa</u>
Witness	:	<u>P. Morse</u>



**OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**Report on the Results of Operations
for
Pacific Gas and Electric Company
Test Year 2015
Gas Transmission and Storage Rate Case**

**Chapter 4A
Integrity Management Enhancement and Public
Awareness with Errata**

San Francisco, California
October 14, 2014

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1 **ENHANCE INTEGRITY MANAGEMENT AND PUBLIC AWARENESS**

2 **I. INTRODUCTION**

3 This exhibit presents the analyses and recommendations of the Office of
4 Ratepayer Advocates (ORA) regarding Pacific Gas and Electric Company's (PG&E)
5 Enhance Integrity Management and Public Awareness proposals associated with its
6 operation and maintenance (O&M) expenses for Test Year (TY) 2015 Gas
7 Transmission and Storage (GT&S) rate case.

8 Programs to Enhance Integrity Management expenses support work activities
9 related to Root Cause Analysis (RCA) and Risk Analysis Process Improvements.
10 Public Awareness was implemented by PG&E to inform people living in proximity to
11 its pipelines of the risks associated with natural gas pipelines and actions to take in
12 case on an emergency.¹

13 PG&E's activities and costs are grouped with similar types of work into a
14 Major Work Category (MWC). PG&E's forecasts for MWC expenses are expressed
15 in SAP nominal dollars. SAP dollars include certain labor-driven adders such as
16 employee benefits and payroll taxes that are charged to separate Federal Energy
17 Regulatory Commission (FERC) accounts. ORA's recommendations are made by
18 MWC and SAP nominal dollars, which are then translated into the appropriate FERC
19 accounts through the Results of Operations (RO) model.

20 PG&E indicated that it could not provide authorized spending levels from the
21 previous rate case period as established in Gas Accord V, and in most cases PG&E
22 could not provide any information on actual program spending prior to the year
23 2009.² Given this lack of accurate historical data, PG&E cannot prove that it has not
24 previously collected in rates funding which should have been used in order to bring
25 pipeline assets into compliance with federal regulatory requirements.³

¹ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-75.

² PG&E Response to ORA-DR-71 Q3, PG&E Response to ORA-DR-75 Q3a.

³ PG&E Response to TURN-DR-14 Q1.

1 **II. SUMMARY OF RECOMMENDATIONS**

2 The following summarizes ORA’s recommendation regarding Public
3 Awareness:

- 4 • The Commission adopt ORA’s forecast for Public Awareness of \$2.613
5 million for TY2015 O&M expenses, rather than PG&E’s forecast of \$4.344
6 million, an adjustment of \$1.7 million to PG&E’s forecast. This adjustment
7 uses a three year average of recorded expenses (2011-2013) removing
8 the \$5.3 million cost to send information letters to customers within 2000
9 feet of transmission pipelines but includes the addition of one employee.

10 Table 04E-1 compares ORA’s and PG&E’s TY2015 forecasts of Root Cause
11 Analysis, Risk Analysis Process Improvements and Public Awareness expenses:

12 **Table 04E-1 with errata**
13 **Expenses for TY2015**
14 **(In Thousands of 2015 Dollars)**

Description (a)	ORA Recommended (b)	PG&E Proposed ⁴ (c)	Amount PG&E>ORA (d=c-b)	Percentage PG&E>ORA (e=d/c)
MWC HP – Root Root Cause Analysis	\$1,054	\$1,054	\$0	0%
MWC HPA – Risk Analysis Process Improvements	\$6,263	\$6,263	\$0	0%
MWC HP – Public Awareness	\$2,613	\$4,344	\$1,731	40%
Total	\$9,930	\$11,661	\$1,731	15%

15 **III. DISCUSSION / ANALYSIS OF ROOT CAUSE ANALYSIS**

16 This section discusses PG&E’s TY 2015 proposals for Root Cause Analysis
17 (RCA). State and Federal pipeline safety regulations require operators to analyze
18 accidents and failures.⁵ PG&E has instituted several risk analysis improvements
19 that were driven primarily by NTSB and Independent Review Panel findings,
20 however PG&E proposes to enhance Root Cause Analysis (RCA) “...[t]o include a
21 deeper investigation of incidents and a number of follow-on in-field evaluations,

⁴ PG&E Prepared Testimony, Volume 1 (Barnes), pp. 4A-63 to 4A-65 (Root Cause Analysis and Risk Analysis Process Improvements) and pp. 4A-75 to 4A-77 (Public Awareness).

⁵ 49 CFR § 192.617.

1 which will be based on historical trends from RCA findings,” citing that “...[t]he
2 current RCA process in not robust enough to achieve our desired risk reduction and
3 continuous improvement levels.”⁶ The RCA program has not historically been used
4 to analyze beyond the level of direct cause of failure.⁷ PG&E has been performing,
5 and expects to continue to perform RCAs on incidents that are deemed to potentially
6 impact public or employee safety, affect pipeline reliability, or case significant
7 financial burden.⁸

8 The following tables summarize PG&E’s request and ORA’s recommendation
9 for the MWCs within Root Cause Analysis.

10 **Table 04E-2**
11 **Programs to Enhance Integrity Management Expenses for TY2015**
12 **Root Cause Analysis**
13 **(In Thousands of 2015 Dollars)**

Description (a)	ORA Recommended (b)	PG&E Proposed ⁹ (c)
MWC HP	\$1,052	\$1,052
Total	\$1,052	\$1,052

14 **A. Expenses**

15 PG&E proposes TY 2015 O&M expenses of \$1.1 million for Root Cause
16 Analysis (RCA), \$1.2 million less than recorded 2012. Table 04E-3 summarizes
17 PG&E’s historical RCA spending.

18 **1. MWC HP – ROOT CAUSE ANALYSIS**

19 PG&E proposes TY 2015 O&M expenses of \$1.1 million for Root Cause
20 Analysis (RCA), and ORA does not oppose PG&E’s forecast.

⁶ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-64.

⁷ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-63.

⁸ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-63.

⁹ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-64, and PG&E Workpapers, Chapter 4A, p. WP 4A-459.

1 PG&E's TY2015 forecasts include lab work, indirect inspection and direct
2 inspection as ways to analyze accidents and failures to minimize the possibility of
3 reoccurrences.¹⁰ PG&E has been in compliance with RCA work from 2009-2013¹¹
4 and the work forecast for the TY2015 will go beyond minimum compliance.¹²

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Table 04E-3
2008-2013 Recorded Data for Root Cause Analysis
(in Thousands of 2015 Dollars)

Description	2008	2009	2010	2011	2012	2013
MWC HP	NA	\$8	\$1,327	\$317	\$2,216	\$4,115

9 Source: 2009-2013 data from PG&E Response to ORA-DR-75 Q1, Attachment 1. "[P]G&E does not
10 have readily available costs for 2008".

11 **IV. DISCUSSION / ANALYSIS OF RISK ANALYSIS PROCESS** 12 **IMPROVEMENTS**

13 This section discusses PG&E's TY 2015 proposals for Risk Analysis Process
14 Improvements. PG&E's Risk Analysis Process Improvements were implemented
15 following the San Bruno accident, to address National Transportation and Safety
16 Board (NTSB) and Independent Review Panel findings.¹³ PG&E's proposed work
17 goes beyond the minimum requirements for work in high consequence area (HCA)
18 assessments.¹⁴

¹⁰ PG&E Workpapers, Chapter 4A, p. WP 4A-460.

¹¹ PG&E Response to ORA-DR-75 Q7.

¹² PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-64.

¹³ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-65.

¹⁴ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-65.

1 **A. Expenses**

2 PG&E proposes TY 2015 O&M expenses of \$6.3 million for Risk Analysis
3 Process Improvements. Table 04E-4 summarizes the PG&E’s 2009-2013 recorded
4 O&M expenses.

5 **1. MWC HPA – RISK ANALYSIS PROCESS**
6 **IMPROVEMENTS**

7 PG&E proposes TY 2015 O&M expenses of \$6.3 million for Risk Analysis
8 Process Improvements. ORA does not oppose PG&E’s forecast.

9 **Table 04E-4**
10 **2008-2013 Recorded Data for Risk Analysis**
11 **(in Thousands of 2015 Dollars)**

Description	2008	2009	2010	2011	2012	2013
MWC HPA	NA	\$2,356	\$14,668	\$25,069	\$ 25,790	\$13,063

12 Source: 2009-2013 data from PG&E Response to ORA-DR-75 Q1, Attachment 1. “[P]G&E does not
13 have readily available costs for 2008.”

14 **V. DISCUSSION / ANALYSIS OF PUBLIC AWARENESS**

15 This section discusses PG&E’s Public Awareness program, intended to
16 inform people living in proximity to its pipelines of the risks associated with natural
17 gas pipelines and what actions to take in the event of an emergency.¹⁵ PG&E’s
18 Public Awareness program was re-evaluated in the aftermath of the San Bruno
19 incident in order to better address public outreach. The Public Awareness funding
20 was accounted for in the Gas Accord V and was not included in PSEP.¹⁶

21 The Table 04E-5 summarizes PG&E’s request and ORA’s recommendation
22 for the MWC within Public Awareness.

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¹⁵ Complies with 49 CFR § 192.616 regulations.

¹⁶ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-77.

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**Table 04E-5 with errata
Public Awareness Expenses for TY2015
(In Thousands of 2015 Dollars)**

Description (a)	ORA Recommended (b)	PG&E Proposed ¹⁷ (c)
MWC HP	\$2,613	\$4,344
Total	\$2,613	\$4,344

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A. Expenses

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1. MWC HP – PUBLIC AWARENESS

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PG&E proposes TY2015 O&M expenses of \$4.3 million for Public Awareness¹⁸ equal to a 235% increase over 2013 recorded expenses. ORA recommends TY2015 O&M expenses of \$2.6 million, a difference of \$1.7 million.

9

In Prepared Testimony PG&E stated, “[t]he forecasts for this program were developed using historical costs for the multiple communications streams and outreach methods used in the program, including mailings, public meetings and appearances, and outreach to special stakeholders such as police, firefighters, and excavators.”¹⁹ PG&E presented in workpapers TY2015 Public Awareness forecasts by detailed cost.²⁰ ORA requested historical costs for each detailed cost from 2008-2013. PG&E responded: “[P]G&E has not tracked the costs for each component of the Public Awareness Program historically, and is only providing the total program costs for each year.”²¹

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Given PG&E’s statement in direct testimony quoted above and the response to ORA discovery, PG&E has provided no foundation for its use of historical

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¹⁷ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-77, and PG&E Workpapers, Chapter 4A, p. WP 4A-461.

¹⁸ PG&E Prepared Testimony, Volume 2 (Barnes), p. 4A-77 and PG&E Workpapers, Chapter 4A, pp. WP 4A-461 to 4A-466.

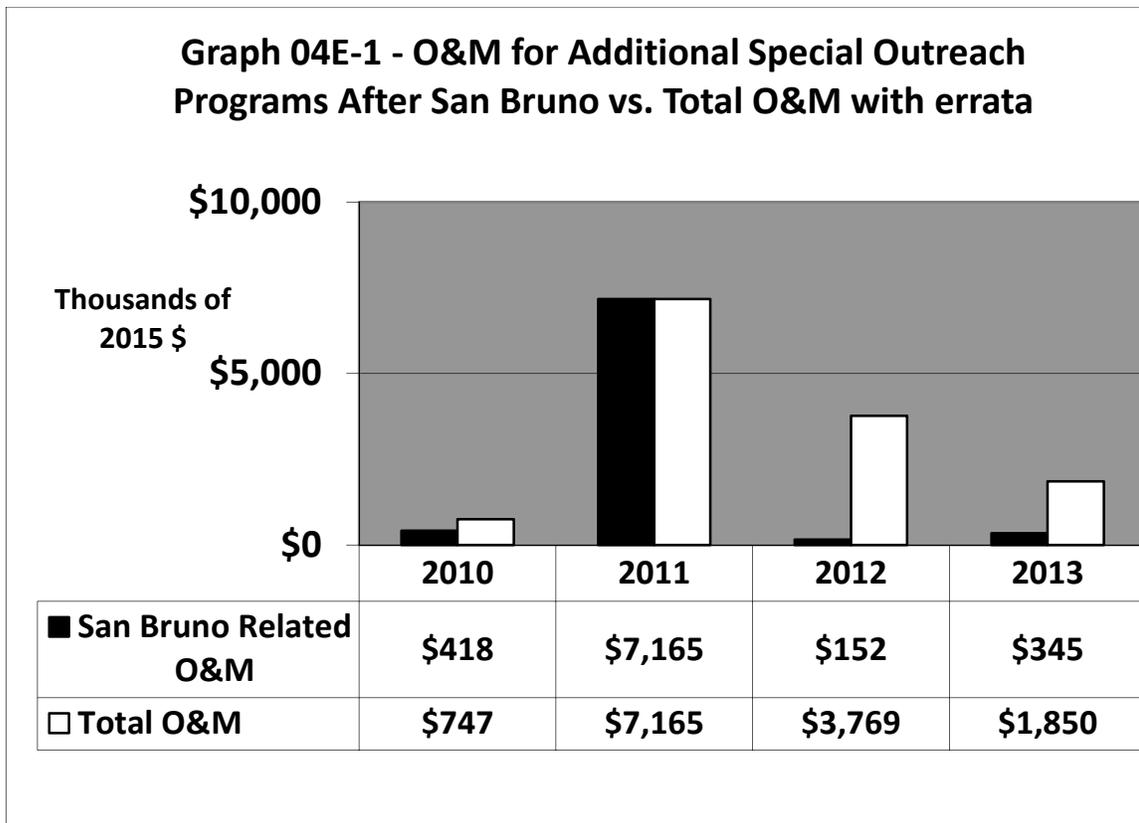
¹⁹ PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-77

²⁰ PG&E Workpapers, Chapter 4A, pp. WP 4A-462 to 4A-465.

²¹ PG&E Response to ORA-DR-84 Q2b. Emphasis added.

1 activities to forecast TY2015 activities. Notwithstanding these challenges with
 2 PG&E’s data, ORA has obtained pertinent information based on Federal
 3 requirements and historical O&M expenses obtained through other discovery to
 4 derive a reasonable forecast.

5 PG&E’s recorded spending from 2010-2013 for gas transmission Public
 6 Awareness has been affected by the San Bruno incident. In response to ORA
 7 discovery, PG&E identified that there were additional special outreach programs in
 8 place following the San Bruno incident.²² Recorded O&M expenses are summarized
 9 in Graph 04E-1.



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11 Source: PG&E Response to ORA-DR-84 Q2. Applied escalation rates from PG&E response to ORA-
 12 75 Q1 Attachment, see ORA-04E workpaper p. 04E-1 for calculations.

²² PG&E Response to ORA-DR-84 Q2.

1 In 2011, PG&E sent informational letters to customers within 2,000 feet of a
2 transmission pipeline at a cost of \$5.3 million (nominal \$),²³ a triennial commitment
3 made to Congresswoman Jackie Speier, whose district includes the city of San
4 Bruno. PG&E's detailed cost calculation includes zero funding for the information
5 letters in the TY2015.²⁴ Given PG&E's commitment, adjusted 2011 O&M expenses
6 total \$1.5 million (2015 \$), while in 2009-2010 PG&E spent an average of \$0.6
7 million (2015 \$) on Public Awareness activities pursuant to Federal Regulations.

8 **Table 04E-6 with errata**
9 **2008-2013 Recorded Data for Public Awareness**
10 **(in Thousands of 2015 Dollars)**

Description	2008	2009	2010	2011	2012	2013
MWC HP – Public Awareness	NA	\$399	\$748	\$1,456 ²⁵	\$3,980	\$1,850

11 Source: 2009-2013 PG&E Response to ORA-DR-84 Q2. PG&E states “[T]he recorded expenses for
12 2008 are not readily available. See ORA-04E Workpaper 04E-1.

13 ORA attempted to obtain historical spending for each forecast detailed
14 program activity to evaluate historical funding. PG&E responded by providing yearly
15 recorded O&M expenses, which indicated that PG&E spent less than half the
16 forecast amount for 2013.²⁶ Federal regulations on Public Awareness recommend a
17 portion of “baseline messages” be conducted every 2 or 3 years, which takes into
18 account the variability in spending.²⁷ PG&E has increased spending since 2010 to
19 go beyond minimum Federal recommendations. PG&E's workpapers identify

²³ PG&E Response to ORA-DR-118 Q5.

²⁴ PG&E Workpapers, Chapter 4A, p. WP 4A-463.

²⁵ 2011 recorded is adjusted to remove the cost to send informational letters to customers within 2,000 feet of a transmission pipeline, identified by PG&E to be \$5.3 million (2011\$) in PG&E's response to ORA-DR-118 Q5.

²⁶ PG&E Response to ORA-DR-84 Q2; see also PG&E Prepared Testimony, Volume 1 (Barnes), p. 4A-77, and PG&E Workpapers, Chapter 4A, p. WP 4A-461.

²⁷ See RP 1162 Program Recommendations.

1 “baseline activities” at a TY2015 cost of \$246,900 (not including labor),²⁸ consistent
2 with spending in 2009, before the San Bruno incident. Although PG&E has yet to
3 provide detailed historical costs, ORA obtained approximate labor costs from 2011-
4 2013.²⁹ PG&E’s average labor costs from 2011-2013 (per employee) were
5 \$176,000, yet in workpapers PG&E uses \$309,000 (per employee both costs are un-
6 escalated). ORA recommends the addition of one employee to support the Public
7 Awareness program at the rate of \$184,000.³⁰

8 Given the variability of O&M spending from 2011-2013 and the lack of
9 historical substantiation provided by PG&E, ORA recommends using a three-year
10 average of recorded O&M (removing the ~~\$5.0~~ \$5.3 million³¹ cost to send information
11 letters to customers within 2000 feet of transmission pipelines as PG&E forecast \$0
12 spending in detailed workpapers³²), with the addition of one employee at the rate of
13 \$184,000 for Public Awareness support, as it appears to be the most reflective of
14 TY2015 spending. ORA’s recommendation of ~~\$2.7~~ \$2.6 million, a difference of ~~\$1.6~~
15 \$1.7 million for the TY2015, funds Public Awareness activities well above pre-San
16 Bruno (see Table 04E-7 below).

²⁸ PG&E Workpapers, Chapter 4A, pp. WP 4A-462 to 4A-465.

²⁹ ORA data request ORA-DR-71 Q7.

³⁰ ORA data request ORA-DR-71 Q7 (2015 forecast total).

³¹ ORA data request ORA-DR-118 Q5.

³² PG&E Workpapers, Chapter 4A, pp. WP 4A-462 to 4A-465.

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Table 04E-7
2008-2013 Recorded Data for Public Awareness
(in Thousands of 2015 Dollars with errata)

	2009 Recorded	2010 Recorded	2011 Recorded	2012 Recorded	2013 Recorded	2014 Forecast	TY2015 Forecast
PG&E	\$399	\$748	\$6,969	\$3,883	\$1,831	\$8,444	\$4,344
Remove \$5,000 (Information Letters)			(\$5,730) ³³				
Revised Recorded			\$1,456 ³⁴	\$3,980	\$1,850		
Additional Employee							\$184
ORA							\$2,613

4 Source: 2009-2013 PG&E Response to ORA-DR-84 Q2. PG&E states “[T]he recorded expenses for
5 2008 are not readily available.” See ORA-04E Workpaper 04E-1 for greater detail.

6 Note: Due to ORA data request ORA-DR-118 Q5, which provided actual 2011 cost to send
7 informational letters to customers within 2000 feet of transmission pipelines per a verbal commitment
8 to Congresswoman Jackie Speier. ORA also updated escalation rates from PG&E’s response to
9 ORA-DR-118 Q6.

³³ ORA data request ORA-DR-118 Q5 (errata).

³⁴ 2011 recorded is adjusted to remove the cost to send informational letters to customers within 2,000 feet of a transmission pipeline, identified by PG&E to be \$5.3 million (2011 \$), see PG&E’s Response to ORA-DR-118 Q5.