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Sent: 2/6/2012 11:22:52 AM  
To: Clanon, Paul (paul.clanon@cpuc.ca.gov) (paul.clanon@cpuc.ca.gov)  
Cc:  
Bcc:  
Subject: FW: Pipeline Safety Advisory Board Concept/Overview

Paul,

When you have a chance, I'd appreciate your thoughts on this.

Tom

## **BELOW IS AN OVERVIEW OF PIPELINE SAFETY ADVISORY BOARD**

Collaborative Advocacy is a strategy that creates short-term to long-term benefits through the creation and maintenance of relationships with well-respected individuals representing key constituency groups by bringing them "inside the company tent."

By creating a Pipeline Safety Advisory Board that includes representatives from various stakeholder groups, PG&E can demonstrate its firm commitment to openness and transparency as it takes positive steps to overhaul its gas operations and bring them up to world-class safety and performance standards.

PG&E's customers, regulators and the public at large are closely watching how PG&E shows its leadership and dedication to safety, and the Advisory Board is a powerful way to gain valuable input and insight

from outside the company while also underscoring the corporation's willingness to being inclusive in the process of re-engineering its gas operations.

In short, a Pipeline Safety Advisory Board makes an important statement to PG&E's commitment to its stakeholders. Through a collaborative advocacy strategy, PG&E can reap short-term and long-term returns for its top priority of making its gas operations among the safest in the industry, also key to restoring public trust and confidence in the corporation.

### **Key Elements for Successful Collaborative Advocacy**

Key elements for creating a successful Pipeline Safety Advisory Board structure include:

- A board chair (Jim Hall) with relationships and credibility that crosses interest groups;
- Company leadership from strong executive sponsor (Nick) ;
- Strong internal executive support and an internal commitment to the long-term success of the group;
- Long-term company commitment to the Advisory Board;
- Carefully selected members, also well respected - either from targeted advocacy groups, or from across a broad range of constituencies; (Bill, Bob, etc.)
- Quarterly in-person meetings with interim communication as warranted;
- An objective third party to help shepherd the agendas and communications between the Advisory Board and the company leadership;
- Internal point person assigned to handle tactical meeting planning and logistics; and
- Dedicated Advisory Board budget that includes allocations for annual member remuneration as well as travel and materials costs.

## **PG&E Pipeline Safety Advisory Board Membership**

The goal of the Advisory Board is the creation of a forum that recognizes the full breadth of issues that a natural gas business must manage. Though pipeline safety is at the forefront of the public's mind, and managing those safety issues is a top company priority, it will be better accomplished by putting safety issues in context with other issues, including economic development, environmental concerns, infrastructure investment and community partnerships, among others.

Potential Representatives of the following groups to be considered for the Advisory Board:

- Pipeline and Public Safety;
- Infrastructure Investment;
- Innovation/Energy Efficiency;
- Community;
- Consumers, both industrial and residential;
- Economic Partners; and
- Environmental Advocacy Groups

Note: may also want to ask the CPUC to suggest one member.

## **Case Study: EFH Sustainable Energy Advisory Board**

The Energy Future Holdings (EFH) Sustainable Energy Advisory Board (SEAB) was created to offer a forum for the company's broad range of constituency groups to discuss and influence the company's direction, while allowing EFH to better understand how its businesses affect these communities. (EFH, formerly named TXU Corp., is a Dallas-based energy holding company, with a portfolio of competitive and regulated energy subsidiaries, primarily in

Texas, including TXU Energy, Luminant and Oncor. TXU Energy provides electricity and related services to 2.1 million electricity customers.)

When creating the SEAB, the board intended that the SEAB provide a confidential forum for frank and constructive discussions among the members and a venue to allow members to communicate their recommendations and opinions to the EFH senior management team in a non-public manner. It was understood that while there might not always be agreement, there would be great benefit in facilitating and conducting discussions. Each member signed a confidentiality agreement upon his or her selection to the SEAB.

Most recently, the SEAB proved its value for EFH during a lobbying and legal campaign to gain more time before implementation of a newly announced EPA regulation, the Cross State Air Pollution Rule (CSAPR). SEAB members were very engaged on the CSAPR issue, and the overwhelming majority of members have been valuable partners in the CSAPR advocacy process, publicly voicing concerns about the impact of CSAPR's timing and severity on consumers and businesses. The success of the company's CSAPR advocacy efforts depended in large part on the bipartisan nature of the concerns about the rule, and the activities of the SEAB members were critical to maintaining that bipartisan support.

The SEAB provides a model of company partnerships with constituent groups to ensure productive dialogue and strong relationships. The groups won't always agree with the company, but creating a forum like this allows for frank discussion - truly a remarkable accomplishment in a corporate world that usually shies away from talking to adversaries or critics, much less working with them.

### **Advisory Board Operational Budget**

A recommended remuneration for executive leadership of \$10 - \$15k per member, per year, is enough to make it possible for independent members to afford to participate, but is not so much that it appears overly generous. On the EFH SEAB, more than half the members declined the payment to preserve their independence, and several others directed the funds to charitable organizations. Recommend a board with up

to 12 members and unofficial participation from PG&E that includes Nick as the company sponsor.