

From: Cherry, Brian K
Sent: 12/14/2012 7:51:12 AM
To: Mark Ferron (fer@cpuc.ca.gov) (fer@cpuc.ca.gov)
Cc:
Bcc:
Subject: FW: Pipeline & Gas Journal - Passion for People, Safety Drives PG&E's Stavropoulos

FYI – Nice article on Nick.

From: owner-Newsflash-Real-Time@pge.com [mailto:owner-Newsflash-Real-Time@pge.com] **On Behalf Of** News Flash
Sent: Friday, December 14, 2012 7:26 AM
To: Newsflash-Real-Time
Subject: Pipeline & Gas Journal - Passion for People, Safety Drives PG&E's Stavropoulos

Pipeline & Gas Journal published a feature story on the leadership of Nick Stavropoulos, PG&E's executive vice president of gas operations.

Passion for People, Safety Drives PG&E's Stavropoulos

By Jeff Share

Pipeline & Gas Journal, December 2012

<http://www.pgionline.com/passion-people-safety-drives-pge%E2%80%99s-stavropoulos>

How do you know when you have the right person for the job, albeit a difficult one that can tolerate no error in judgment?

That was the dilemma facing the leadership of **Pacific Gas and Electric Company** after the catastrophic Sept. 10, 2010 transmission pipeline explosion that decimated an entire neighborhood in the city of San Bruno, killing eight and injuring a number of others. In addition to bringing down the wrath of regulators and lawmakers throughout

the state and nation because of its shoddy record-keeping and questionable operations practices, it effectively shattered the morale of the huge utility company.

PG&E's executives needed to find a leader who not only understood natural gas operations and possessed strong leadership skills, but one whose passion for his fellow human beings comes from deep within his soul.

Ultimately this search led them to **Nick Stavropoulos**, a then-53-year-old executive who had spent his entire 33-year career with gas utilities. In June 2011, **Stavropoulos** began work in the newly created position of **Executive Vice President, Gas Operations, for PG&E**. Turning the company's gas operations around was now in his hands – a job that few would have envied.

As he recruited from near and afar for his staff, **Stavropoulos** met tirelessly with employees, union leaders, community officials, regulators and others to develop a plan to build a better company.

Welcoming Speech at AGA

Last May, San Francisco hosted the American Gas Association's annual operations conference. As head of the host company, **Stavropoulos** brought along his winning smile in offering welcoming remarks to the hundreds of utility officials in the audience. He spoke candidly, telling of the enormous toll San Bruno left on his reeling employees. He keenly understands those horrible losses suffered in San Bruno.

"You can never understand the magnitude of such a loss," he said, then paused, "To have someone there one second, gone the next...."

He told of the evening in 2008 when he and his wife sat down to dinner with their 26-year-old daughter, Nicole. During the meal, she choked on a piece of meat. As his wife dialed 911, he tried to perform the Heimlich maneuver while awaiting the paramedics. "But we couldn't save her," **Stavropoulos** told his audience, emotion overcoming his

voice as he sought to regain his composure.

It sucked the breath out of everyone who sat or stood in that packed auditorium. The rest of us now knew that PG&E had the right man for this most difficult of jobs. Yet, experience has shown that the natural gas distribution sector has an uncanny knack of picking the right people to lead their companies.

Later, *Pipeline & Gas Journal* had the opportunity to interview **Stavropoulos**. By then, he had been at the helm for 15 months and had plenty to talk about in a voice that still retains more than a trace of a New England accent.

Internship Led to Career

A native of Cambridge, MA, **Stavropoulos** said he never expected to build a career within the energy business. A background in finance and accounting seemed to indicate a career with a public accounting firm. This was 1979 when the dreary Boston economy faced high unemployment while interest rates and inflation were out of control. Come graduation from nearby Bentley College, he needed a job.

That's when the utility industry came calling.

His utility career actually began when he worked as an intern between his junior and senior years at Colonial Gas, a local LDC where worked as a summer intern during college in a job that became permanent the day after graduation. He gradually was promoted to upper management, moving to Boston Gas which had acquired Colonial; then to KeySpan which had acquired Boston Gas, then to National Grid, a Scottish-based utility giant which bought KeySpan in 2007.

By then he was executive vice president and chief operating officer and had earned a reputation as the company's chief troubleshooter and was asked to stay on as part of the transaction.

Robert Catell, former CEO of Keyspan, called **Stavropoulos** “one of the most experienced and effective gas operations executives in the country. Nick understands what it takes to run a complex gas system and he knows it starts with safety.”

With that kind of recommendation, the offer from San Francisco came in. But at a time when many executives are trying to ease their way into retirement, why take on this daunting challenge?

Next Phase of Career

“I was at a point in my career where I was asking myself what do I want to do for the second half,” **Stavropoulos** recalled. “I was 53, had been chief operating officer for the third-largest LDC in the country, had done the finance side of the business, IT, and run what was considered the most aggressive sales and marketing program in the country at that time.

“I gave serious thought to what other options there might be. Being a chief operating officer is a 7/24, 365-day job. You constantly check text messages and e-mails because something is always going on.

“After PG&E came calling, I visited with them in San Francisco. I had done my research, and, given the situation they described to me and what they wanted to accomplish, I felt that with my 33 years in the business I might be uniquely qualified to take on this challenge. I’d seen and been involved with a lot.

“Boston Gas was the second-oldest gas company in the country, founded in 1823, so I had dealt with a lot of aging infrastructure issues. I took over 30 trips to the UK the previous five years dealing with my colleagues, doing best-practice exchanges on safety and infrastructure replacement programs. I was responsible for 3.5 million customers in the U.S. compared to 11 million in the UK so, between us, we were one of the largest gas companies in the world.

“When I met with the board of directors, **Chris Johns** (president) and **Lee Cox** (member of PG&E Corporation’s Board of Directors and, at that time, acting chairman, president and CEO) I could see they were serious about making the improvements necessary to aspire to be the safest gas company in the country. They were willing to give me the reins I needed to recruit top talent, the money I needed to repair and replace the infrastructure and build up the technology, processes, procedures and training programs in our business.

“I thought I was young enough to take it on and experienced enough to know what I was getting into and that the long days and hours this job was going to take over a multi-year period of time. But I still had the energy and the desire.” The opportunity to make a difference where so many people were hurting also led him to think about uprooting himself, even if it meant returning to the 24/7, 365-day grind.

“That’s what gave me the inspiration to think seriously about taking on this challenge,” he said.

Critical Reports

Though he intently studied the materials PG&E sent and felt he had done his research, it wasn’t until he “came out here to kick the tires and see first-hand the types of problems we’re dealing with” that he fully realized all that challenge involved. Neither the critical National Transportation Safety Board nor the Independent Review Panel reports had yet issued.

A study prepared by the state Public Utility Commission was already identifying a serious technology investment shortfall. There were issues around absent records; integrity management programs; sound policies, procedures and replacement programs. These were all areas **Stavropoulos** had dealt with.

“I felt that I could bring that experience, but more importantly, I pride myself on being able to lead and inspire large teams and that’s what we felt was needed here. People

were down; they needed someone to come out and give them hope. I began to think I could make a difference.”

When the NTSB and Review Panel reports came in, they were “spot on and very plain speaking,” **Stavropoulos** said. Both identified deficiencies that occurred over the years. What also came across was that the combination electric-gas model type of company wasn’t working.

“PG&E was the country’s second-largest gas company yet it was tucked inside this very large electric company which was run as a combined enterprise. The Review report recommended PG&E split the gas business off from electric which was the model I was used to where I ran the gas business but did all of the locate-mark and underground work for gas and electric. For the most part, gas construction, operations and engineering was run separately from electric operations.

“Our leadership thought it essential to keep them separate because they knew what could happen over a period of time. With combined companies, you have to guard against the electric side sucking away the resources – money, talent and skills – with the priority always on the electric business. Here, they had been combined for about 15 years and there had been a slow erosion of focusing on the gas business versus the electric business.”

It took about three months to separate the two businesses.

Re-engaging the WorkForce

During his first year **Stavropoulos** said his primary effort focused on re-engaging with the workforce, reaching out to the two unions, the IBEW and ESC, asking them to be partners with the improvement plan. He holds meetings in which he calls for open, honest and transparent communications with workers about their mutual challenges.

“The most important thing was to restore some pride in the gas workforce; let them

know they were important and an essential part of PG&E; that we couldn't turn around our operation without them and needed their input and cooperation. The leadership of the two unions has been fabulous."

Why is that dialogue so essential? Because there is no quick fix.

"We can't make things better overnight," **Stavropoulos** said. "I had no magic wand that was going to transform the company. It was going to take time because this is a marathon, not a sprint."

The reception among union leaders has been mutual.

"He's somebody who really is a gas guy," said Karen Sawislak, executive director of Engineers and Scientists of California, Local 20.

"He did not have a single idea that we did not agree with," said Tom Dalzell, business manager for the International Brotherhood of Electrical Workers, Local 1245 (the largest IBEW local in the country). "The first meeting I thought, 'Well, he sure is saying the right things, so let's see what he does.' And he's done more in the last year here than they did in the last 20 years. He walks the walk."

Recruiting Top Talent

Stavropoulos said his second-biggest accomplishment was recruiting top talent from throughout the country.

"We're gaining traction all the time. We're bringing in a lot of top people - people who share my passion and who want to come here. It's not about the money - it's all about wanting to make a difference. That's the type of people that I'm looking for."

They include **Jesus Soto** who came from El Paso and is **senior vice president of Transmission Operations**. **Kevin Knapp** worked for **Stavropoulos** at National Grid Keyspan and is **vice president of Gas Distribution**. From Sears and already onboard was new **Chief Information Officer Karen Austin** who is leading a long-term state-of-the-art IT deployment plan for the gas business.

Stavropoulos said his biggest surprise was the outdated technology that was remarkably paper-based for a company of PG&E's size. It was also a serious sticking point with the regulators. The NTSB investigation issued a very strong recommendation telling PG&E that it had a significant amount of work to do with its transmission maps and records.

"We're working on improving virtually everything, starting with our records. It led to a lot of our problems because in a big company with a paper-based system things can fall through the cracks," **Stavropoulos** acknowledged. "As we're deploying technology, automating more of our processes, cutting down and eliminating the manual way we do some work, people are getting inspired and becoming more engaged around what we're trying to do."

Rebuilding Record System

PG&E is going to invest more than \$200 million to totally rebuild the underlying records of all 6,500 miles of transmission network. The utility also operates more than 2,000 high consequence area (HCA) transmission miles, about 9% of the HCA in the country. Using a team of experts from around the country, by Jan. 1, 2012 PG&E completed the re-creation of all of its maps and records for the HCA transmission pipe and is well on its way to completing the remaining 6,500 miles of transmission pipe by the end of the first quarter 2013.

That will enable PG&E to complete compliance with two new Pipelines and Hazardous Materials Safety Administration (PHMSA) authorized definitions around traceable, verifiable and complete records regarding transmission pipe, **Stavropoulos** said.

When finished, PG&E will have sufficiently digitized at least 4 million different records and documents in its new system, including source documents, factory specifications back to the '40s and '50s; material specifications and manuals, etc.

That massive undertaking will be duplicated on the gas distribution side where PG&E is deploying a new GIS platform for all 43,000 miles of gas distribution main and all 4 million gas service lines.

Then it's on to redeveloping integrity management protocols. Once they know what they have in the ground they have to know from an integrity standpoint the condition of all of those assets. Experts worldwide were hired to assess PG&E's situation and to redevelop its policies and procedures around its integrity management program.

Aggressive Hydrotesting

As that work goes on PG&E has set up what **Stavropoulos** said is the most aggressive hydrotesting program in the country. In the past year crews have hydrotested more than 178 miles of gas transmission pipeline. This year they are on track to hydrotest or find records for another 185 miles of transmission line.

"These are difficult areas. We have 39 miles of transmission pipe replacement going on this year in addition to 35 miles of distribution pipe. A lot of inline inspection work and automated valve work is under way and the list just goes on and on," he said. By the end of 2013, they expect to have replaced a total of 103 miles of transmission pipe and 160 miles of distribution pipe.

He also pointed out that it would take time and patience to get PG&E where he wants it to be operationally, despite steady improvements in leak detection technology and training, "I can point to things where we're doing better every day." **Stavropoulos** said. "In August 2011 our average response time to a call was in the middle of the third quartile. Now we're in the middle of the first quartile for all AGA member companies and we're approaching the top decile."

He figures it will take at least three or four years before the company can feel comfortable that its records are in proper order. Still, the integrity management program will continue moving forward. By then they expect to have:

- hydrotested more than 800 miles of pipe

- replaced another 200 miles of pipe

- made piggable a much larger portion of the system and

- almost completed another complete cycle of leak survey.

“Even at this pace - which is like nothing I have ever seen - the level of spending, the number of people brought in from around the country, the work activity is just stunningly amazing. After that time, we’ll be able to say that we’re really hitting our stride and that we’re on a program of continuous improvement because you’re never done.”

Stavropoulos said the NTSB gave PG&E 12 recommendations to improve operations. Four have been closed out, and eight of the remaining 12 are “open and acceptable” which indicates that PG&E has proven that it does have a plan with dates that the company has been able to meet. In other words, according to **Stavropoulos**, “our plan is realistic and achievable within a reasonable time frame.”

Victims in Their Thoughts

Meanwhile, **Stavropoulos** said he and the company constantly keep the people of San Bruno in their thoughts. He said he has met with the city manager as well as one

mother in particular who lost a child and with whom he shared his personal tragedy as one reason he took this job.

“I let them know that I understand a little bit of what loss is and what they must be feeling. That they have my personal commitment my team and I are here to do everything we can to do the things that are necessary to prevent something like this from happening.”

PG&E reached a settlement providing \$70 million in funding to San Bruno as well as paying for other improvements in the area. The company is in regular communication with the community and is trying to develop a protocol where they communicate all of the work activity - electric and gas. **Stavropoulos** said they have been trying to deal as sympathetically as possible during the numerous civil claims against the company.

“Through my observation, there is a lot of anger – how could this possibly happen? Looking back, hopefully people will think that we responded in a responsible manner by doing the things that a really great company would do in terms of standing up and dealing with a difficult situation.

“Our efforts will probably be better judged in five or ten years. But it will forever be an extraordinarily emotional thing for all the people who were there.”

That success will also be determined by PG&E’s response to the number one need expressed by its customers.

“They want us to run a safe operation and feel that we can take on that responsibility. What we’re trying to do is not tell them so much as to what we’re going to do, but when we do accomplish things to let them know what we’ve done by giving them factual information so that over time we can restore and earn back their trust and confidence.”

So, has the challenge lived up to its expectations?

“I knew this was going to be the challenge of my lifetime but it has far exceeded my original expectations going in. It continues to inspire me to get up every day, work hard, and do what you have to do.”

That does not mean there haven't been a few bumps along the way.

“The first part of this year it was taking longer to recruit people into our organization than we thought. It took a while for the message of what we were trying to do to resonate across the country. In February there was a little valley of despair. We have so much going on, so many things to improve, but we need more horsepower. It was like the first landing on the beach and waiting for the reinforcements to come in.

“Every time we added a new member to our leadership team you could feel the load get a little lighter. We've set a high bar. We want leaders who not only have lots of gas experience, have demonstrated they know what good looks like and know how to lead, but that they have passion for what we're trying to do here. We tried to make sure that we were focused on the right folks for our A team.

“I got down a little bit, but I was able to get up and bounce back real quick.”

Safety-First Culture

When he finally leaves his job **Stavropoulos** hopes that he will have established a strong safety-first culture involving open and transparent communication with an engaged workforce.

As part of that process, he and his team are working hard to put a new safety asset management system framework in place that would make PG&E the first gas company in the country eligible to obtain certification for a new ISO (55000) coming out in 2014 focused on asset-intensive companies.

“That would show that we can run our system with the best companies globally,”
Stavropoulos said.

He also is hoping that the work/life balance will improve, enabling him to travel and see parts of the country that he hasn't seen before. He has rarely been able to venture far from the apartment he took near PG&E's downtown San Francisco offices. Moving across the country and leaving behind a lifetime network of friends and family is never easy under the best of circumstances, never mind the magnitude of this challenge.

“I guess because I had that around me all the time I took it for granted. When you don't have it, you miss it a lot.”

He hopes that's something will resonate with his staff.

“The seriousness with which we take our responsibilities and the hours that my team and I have put in – I can't tell you how inspiring it is to work with the people here at PG&E. Everyone from the workers in the field to our leaders - the time they put in away from their families and friends, what they've given up nights and weekends. It has been just remarkable and is above and beyond, but it's been tough on everybody.

“We've been short-handed while we were bringing people in – not just at the leadership level, but at the skilled trade level. It's difficult to find qualified welders, qualified and experienced gas pipe fitters and gas workers. So we've been asking for a lot from all of our people for quite a period of time.

“I love the people at the company. They have been extraordinarily welcoming and supportive.”

That's when you know you've got the right person.

Editor's Note: Nick Stavropoulos will be the keynote speaker at PGJ's Pipeline Opportunities Conference on March 26, 2013 in Houston. Visit www.pgjonline.com/conference

Photo link:

http://www.pgjonline.com/sites/pipelineandgasjournal.com/files/imagecache/article_max

This e-mail contains copyrighted material and is intended for the use of the individual to which it is addressed. No redistribution or rebroadcast of the contents of this email is permitted. If you have received this e-mail in error, please notify the sender immediately and permanently delete the original and any electronic or hard copy of this e-mail.