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Sent: 3/17/2013 9:14:19 AM  
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Thomas (HTA1@PGE.COM) (/o=PG&E/ou=Corporate/cn=Recipients/cn=HTA1)  
Bcc:  
Subject: Kern Root Cause Analysis

Valerie and Chris,

Please find attached the final independent Root Cause Analysis of Fatal Injury at Kern Power Plant performed by Bureau Veritas. Both PG&E and Cleveland Wrecking Company have reviewed the report and disagree with aspects of the Root Cause Analysis. However, PG&E believes the report is constructive in that it lists suggested process improvements for PG&E's consideration on a going forward basis. In that spirit, we are evaluating the recommendations in light of process improvement initiatives already underway at PG&E as we strive to identify and utilize industry best practices for safety.

While not completely inclusive, PG&E wishes to highlight the following concerns with the substance of the Root Cause Analysis in the BV Report:

- The BV Report mischaracterizes PG&E's procurement process, stating that it: "does not identify risks associated with hiring contractors whose in-house safety programs are sub-standard" (pg. 26, Potentially Substandard Act 7.1). In fact, PG&E's existing procurement process does identify such risks and makes procurement decisions among contractors based on those risks.
- The BV Report mischaracterizes PG&E's procurement process, stating that: "In-house staff may not possess the knowledge or experience to evaluate contractors' compliance with regulatory requirements for contractors' in-house safety programs." (pg. 26, Possible Personal Factor 7.01). In fact, PG&E does have a team of safety professionals who do possess the knowledge and experience to evaluate a contractor's compliance with regulatory requirements for contractor's safety programs. In this RFP, safety programs of bidders were evaluated by line-of-business

professionals.

- The BV Report mischaracterizes PG&E's in-house capability to evaluate contractors' safety and regulatory compliance qualifications stating: "There is a lack of in-house capability to accomplish the task of evaluating a contractor's compliance with regulatory requirements, during the qualification process. An outside contractor specializing in this area should be considered to accomplish the task." (pg. 26, Possible Work-Env. Factor 7.03 - Inadequate Purchasing - inadequate contractor selection). In fact, PG&E does have a team of safety professionals who do possess the knowledge and experience to evaluate a contractor's compliance with regulatory requirements for contractor's safety programs. PG&E could have engaged in-house safety professionals to evaluate safety program of bidders. PG&E agrees that a third party administrator specializing in this area would be helpful and PG&E is in the process of using such third-party firms on a pilot basis as part of a process improvement program.

I have also attached the comments of URS (Parent company of Cleveland Wrecking Company) on the BV report for your information.

Finally, in reference to the October 5, 2012 Letter from Valerie Beck to Thomas Allen, we believe the BV report is responsive to the two requests outlined by the Safety and Enforcement Division (at the time, CPSD). We would like approval to resume demolition of the oil tanks and boiler as soon as possible after your review of the report.

We would be happy to meet with you to discuss the report and PG&E's process improvement plans at your earliest convenience. Please let me know if you have any questions or need additional information to complete your review.

Best regards,

Erik

Erik Jacobson

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