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Safety and Enforcement Division
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RE: ORA's Suggested Improvements to PG&E's Quarterly Compliance Reports

This letter transmits the results of the Office of Ratepayer Advocates' (ORA's) review of Pacific Gas and Electric Company's (PG&E) first two quarterly compliance reports (Quarterly Reports) required by the Commission in Decision (D.)12-12-030 issued in the Pipeline Safety and Enhancement Plan (PSEP) rulemaking. By sharing the following comments and suggestions, ORA seeks to improve the usefulness of the Quarterly Reports to the Safety and Enforcement Division (SED), the Energy Division (ED), and parties to the PSEP rulemaking (R.)11-02-019.

The Commission, in D.12-12-030, required PG&E to submit Quarterly Reports regarding its PSEP, beginning with the period ending March 31, 2013. Attachment D to D.12-12-030 sets forth a comprehensive list of specific questions/items that the quarterly compliance reports are required to address. Based on our detailed review of PG&E's first two Quarterly Reports, ORA has issued two data requests to PG&E with specific questions about these two reports.¹ PG&E's October 2, 2013 amendment to the second Quarterly Report was a direct result of these data requests.²

ORA has identified issues related to the form and content of these reports and prepared a list of improvements to the Quarterly Reports, which is provided in the attachment to this letter. Some of the improvements we seek are due to the fact that PG&E's reports are not in compliance with the requirements contained in Attachment D to D.12-12-030. Per Ordering Paragraph 8 of D.12-12-030, the Commission has delegated oversight of PSEP implementation to SED. ORA recommends that SED direct PG&E to correct PG&E's Quarterly Reports on both a prospective and retrospective basis.

¹ These data requests were issued August 29, 2013. PG&E's initial responses resulted in additional questions, and supplementary data requests that were issued on October 1, 2013. Copies of these data requests have been provided to Maria Solis, SED and will be provided to others upon request.

² See Amendment To Pacific Gas And Electric Company's Pipeline Safety Enhancement Plan (PSEP) Compliance Report in this proceeding dated October 2, 2013, p 1.

Please do not hesitate to contact me should have questions about ORA's suggested improvements.

Sincerely,



Linda Serizawa, Deputy Director

cc: Gurbux Kahlon, Energy Division
Sunil Shori, SED
Joseph Como, ORA
Colin McDonagh, Manager, PG&E PSEP Reporting
R.11-02-019 service list

Attachment Suggested Improvements to Quarterly Reports

1. **CPUC approved costs per D.12-12-030 and late filed exhibit ALJ-5 should be the basis of all cost comparisons in the compliance report**

PG&E's use of its Job Estimate as the basis for calculations and comparisons in its Quarterly Report is not consistent with the requirements of D.12-12-030, and generally results in the illusion that it is less over budget on specific projects than it actually is.

Table 11-1 in the 1Q2013 report is the first of many tables in the report where forecasted costs are used as a basis for calculation of budget performance. For example, Table 11-1 provides calculated "Variance to Budget" and ">10% Over Budget" data for each project listed. Presumably, PG&E is tracking the 10% variance as a result of Item 15 in Attachment D, which requires PG&E to identify completed projects that are 10% or more over estimated costs and to "provide a detailed explanation why the cost overrun occurred." However, instead of using CPUC-approved project costs as the baseline,³ PG&E's reports to date use a "Job Estimate Amount" as the basis for these calculations.

PG&E describes the "Job Estimate Amount" on pages 28 and 29 of the 1Q2013 report as "it developed more specific work plans and [cost] estimates" and that these "refined estimates" are used as the budgeted amount in response to Items 11, 12, 13, and 15 in Attachment D. **There is however only one set of budget numbers approved by the CPUC, and these are not used in PG&E's report.** ORA evaluated 10 random projects in Table 11-1 of the 1Q2013 report and found that in 7 of 10 projects, PG&E's "Job Estimate" was higher than the amount in PG&E's original PSEP Application workpapers, which in turn are higher than the costs approved by the CPUC.⁴ ***CPUC approved costs per D.12-12-030 and late filed exhibit ALJ-5 should be the basis of all cost comparisons in the compliance reports.***

2. **PG&E should not be allowed to defer information to the Update Application which D.12-12-030 requires to be included in the Quarterly Reports**

Item 11 in Attachment D requires PG&E to provide detailed cost information regarding completed projects. However, PG&E has stated that data on the costs in excess of authorized budgets "is not yet available for this report." In response to question 12 and other questions, PG&E indicates that data will be provided as part of the Update Application. The PSEP has been underway for over 2 years, and has had an approved budget since December 2012. ***PG&E should not be permitted to omit data from its Quarterly Reports that is specifically required by D.12-12-030.***

³ Approved projects costs are provided in late filed exhibit ALJ-5.

⁴ The approved projects costs provided in late filed exhibit ALJ-5 reflect a lower escalation rate than PG&E used in its original application. PG&E's originally estimated costs for years after 2011 are therefore higher than those approved by the decision.

3. Tables 22-2 and 23-2 should provide tabulations of forecasted mileage

These tables are supposed to allow comparison of forecasted vs. actual miles per project per items 22 and 23 of Appendix D. Forecasted mileage is only provided within the project description as text, and these text descriptions were found to be flawed during ORA discovery in the original PSEP application. ***Tabulated values should be provided with sufficient significant digits, or alternative units such as feet, such that a simple subtraction indicates if a project has changed length***, regardless of the magnitude of the change.

4. Project status should be provided in an MS Excel format, not just in tabular form

PG&E provides project status in tabular form in different tables in the appendices to the reports. For example, projects completed, started, and pending start are listed tables 11-1, 12-2, and 13-1 respectively. ORA understands that some parties may prefer tabular responses to specific questions, but also believes that the tables provided to date do not allow accurate comparisons quarter to quarter. For example, tables in the 1Q2013 report generally provide "inception to date" information for the period April 1, 2011 through March 31, 2013, while the 2Q2013 report provides a mix of year-to-date data and quarterly data. One way to overcome this issue is provide data electronically so it can be sorted by the user depending on the particular time period of interest and the information required. ORA requested the following information in MS Excel format from PG&E for the first two compliance periods, and believes that the 2Q2013 version of this report should be updated each quarter and circulated along with the written compliance report:

Provide a single MS Excel spreadsheet which includes all originally planned and added PSEP projects, including all projects listed in Tables 11-1, 12-1, 13-1, 25-1, and 26-1. The spreadsheet should provide data as of **July 30, 2013**.⁵ Include the following for each project:

- All data in the tables referenced above,
- Project type: REPL, Test, ILI Upgrade, ILI, Valves,
- Primary status code: Completed, Started, Engineered, Blank (indicating projects planned but yet to start),
- Secondary status code: Included (from PG&E original application), Deleted (from PG&E original application), Added,
- Tertiary status code: project scope modified from PG&E original application? (Yes or No),
- Original project scope and revised scope (number of valves or miles with sufficient resolution to show changes in scope),
- Estimated project budget as approved, per late filed exhibit ALJ-5, Tables 2, 3, 4, and 5,
- "Variance to budget" and ">10% Over Budget" fields calculated based on CPUC adopted project budgets, per late filed exhibit ALJ-5.

This information will allow ongoing comparisons of PG&E's performance regarding scope and budget compliance with D.12-12-030. SED, ED, and other parties in the proceeding may wish to have additional data provided in these spreadsheets. ORA recommends how to define and vet this spreadsheet in section 7 below.

⁵ This question in data request TCR-3 asked for data through 2Q 2013. On a prospective basis, this date should be updated quarterly.

5. Summary tables should provide data comparable to the original application and late filed exhibit ALJ-5

Summary Table 1 (Table 2 in the 2Q2013 report) groups Program Management Office (PMO) costs with "other" costs. PG&E requested and received a specific budget for the PMO and this cost should be tracked and presented separately from undefined "other" costs. Also, Table 2 of the 2Q2013 report excludes StanPac expenses without an explanation.⁶ StanPac expenses were requested by PG&E and approved by the CPUC, and should be shown in the reports. Tables in the compliance reports should generally allow direct comparison to the original application and late filed exhibit ALJ-5.

6. The report should present charts and graphs to illustrate trends in key performance metrics

Based on ORA's work in other proceedings, PG&E program managers typically prepare detailed reports with graphics intended to quickly convey their program performance to corporate steering committees and executives. In the 1Q2013 report, PG&E's response to Question 6 states that a standardized report was developed "to inform PG&E leadership of the progress of the program (all workstreams)." ORA would like to see trends in the following displayed graphically, and will likely expand this list based on PG&E's data responses:

- Costs per mile of pipe replacement,⁷
- Costs per mile of hydrotest,⁸
- Miles of pipe replacement eliminated due to found records,
- Miles of hydrotest eliminated due to found records,
- % scope completed vs. % budget used.

ORA recommends that SED work with ED and parties to R.11-02-019 to determine additional information to be added to the Quarterly Reports and made available to the public.

7. Spreadsheets, charts, and tables should use the same format in each report, and the report format should be publicly vetted

Whether or not data is provided electronically, the tables and charts provided in the report should have a consistent form and content. As mentioned above, the time period covered by tables in the appendices changed between the two reports, and within the 2Q 2013 report.⁹ Summary tables 1 and 2 have similarly changed. ORA recommends that the standard tables provide quarterly data to show trends, with separate high-level tables showing performance since inception.

⁶ PG&E operates and maintains the Standard Pacific Gas Line Inc. (StanPac), which is a joint ownership pipeline with Chevron Pipe Line Company. PG&E has a six-sevenths interest in StanPac.

⁷ This should be provided in a meaningful format, which may require segregation by pipe size, location, or other factors PG&E finds are driving differences in pipe replacement costs.

⁸ This should be provided in a meaningful format, which may require segregation by project length, pipe size, location, or other factors PG&E finds are driving differences in hydrotest costs.

⁹ Tables 11-1 and 12-1 cover Jan. 1, 2013 to June 30, 2013, while most other tables cover April 1, 2013 to June 30, 2013.

SED, ED, and other parties in the proceeding should provide additional input on the information they would like PG&E to provide in spreadsheets, charts, and tables. ORA recommends that all stakeholders meet to establish templates. ORA can provide a first cut at these templates after reviewing PG&E's responses to its data requests.

8. PG&E should revise and re-file the first two compliance reports to allow performance evaluation to be tracked consistent with D.12-12-030

Based on the issues described above, PG&E has not provided reports that allow tracking of program performance beginning with the 1Q2013, as required per D.12-12-030. PG&E should revise and re-file the first two reports once these issues have been resolved. ORA suggests that the first report include two sets of tables: one for 1Q2013 with format and content consistent with all subsequent reports, and one covering the time period from program inception through 2012. At a minimum, tabular data should be revised to provide an accurate, complete, and consistent record of PSEP activities since inception.