

Procurement Process Review
Kern Power Plant Demolition Incident
November 14, 2012

Introduction: This report summarizes the review conducted by Pacific Gas and Electric Company (PG&E) into its procurement process to hire Cleveland Wrecking Company (CWC) on the Kern Power Plant (KPP) demolition project. The report first gives an overview of the process that was used for the KPP demolition with a focus on the portions of the process that involve safety. Next, it describes the corrective actions that PG&E identified as part of the investigation of the KPP demolition project. The corrective actions proposed in this report are consistent with an enterprise-wide Contractor Safety Program under development at PG&E. PG&E anticipates that additional measures and process improvements may result from implementation of the Contractor Safety Program. As a result, the corrective actions proposed herein should be considered interim and subject to refinement based on new insights and the final results of the Contractor Safety Program initiative.

PG&E Procurement Process: PG&E employed a comprehensive RFP evaluation process which included Go/No-Go criteria safety, financials and notice of violations. Thereafter, bid proposals were scored on a weighted scoring mechanism to rank the bids before moving on to interviews with the highest ranked bidders, and finally, awarding a contract.

Phase I Review Process

In order to be considered for Phase I (Standard Evaluation), bidders were required to meet minimum, Go/No Go, criteria described below: a) Safety, b) Financiality, and c) Notice of Violations. Failure to meet the minimum criteria in any of these areas would result in exclusion from Phase II evaluations and remaining procurement process. The minimum safety criteria for bidders to qualify for next phase of procurement process are:

- 3 most recent years of data from OSHA 300 Logs = No Fatalities
- 2 most recent years of data from OSHA 300 = Recordable Rate < 1.50; or
- Bidder has an observation based safety program, with clear processes and procedures supporting that program.

Bidders were required to submit safety data for their three most recent years as well as safety data for their three most critical contractors. The information received from bidders was reviewed by PG&E project team (Power Generation, Source and Safety) to determine if the bidder met the minimum threshold criteria.

Phase II Review Process

Bidders were scored using a pre-determined weighted scoring mechanism which included factors such as commercial, technical, pricing and diversity. Based on this scoring, PG&E interviewed the two (2) most competitive bidders to their proposals and delved deeper into various

aspects including safety. Also, PG&E required that these selected bidders submit their "Best and Final" price for their proposals after clarifying the other interviews.

The award decision was made using the total score assessed for each bidder after a final adjustment to the technical or commercial portion scoring based upon the results of these interviews and the receipt of the Best and Final proposals from two (2) most competitive Bidders.

Evaluation results for Kern Power Demolition RFP

On December 7, 2011, PG&E issued a Request for Proposals based on a turnkey contract whereby the successful bidder would assume total responsibility for the demolition and removal of all structures, equipment, foundations and fittings from compliance with all laws, permits and safety requirements. Contractor safety and safety plan for this specific scope of work, contractor capabilities in demolition work, financial viability, supplier diversity and price were the key factors in evaluating. The Go/No Go filter was then applied utilizing information on safety record, financial and notice of violations.

Kern Power Plant Demolition RFP Evaluation Scorecard

Phase I: Go/No-Go (Safety, Financialability and Notice of Violations)

TOTAL SUMMARY		Cleveland Wrecking Company	Bierlein Inc.	NCM Demolition and Remediation, LP	Silverado Contractors	NW Demolition
Go/No Go	100%	GO	GO	GO	GO	NOGO*

Phase II: Scorecard (Commercial, Technical, Pricing and Diversity)

TOTAL SUMMARY		Cleveland Wrecking Company	Bierlein Inc.	NCM Demolition and Remediation, LP	Silverado Contractors	NW Demolition
Total Commercial Score	5%	1.34	4.81	4.70	4.51	1.30
Total Technical Score	15%	4.07	3.78	3.98	3.88	3.61
Total Pricing Score**	60%	5.00	3.62	2.16	1.00	1.13
Total Diversity Score	20%	1.50	2.90	1.85	2.20	2.55
Overall Total Score	100%	3.98	3.56	2.50	1.85	1.80
Rank (1=Highest, 5=Lowest)		1	2	3	4	5

*NW Demolition has Safety Issues and scored as "No-Go"

**Total Evaluated Price

As part of the RFP process, PG&E required Bidders to submit safety related information for the Bidder and three (3) most critical subcontractors. Safety related submission information for this project RFP is shown in Attachment 1 of this document. All bidders' submittals to the RFP scored by the PG&E RFP team were based on established evaluation criteria.

After evaluation of bidder proposals, on Friday, 3F 2012, the two most competitive Bidders, one of which was CWC, were interviewed extensively by the PG&E RFP team. During these interview meetings the Bidders' representations about their proposals, including their safety programs. These presentations were followed by a question and answer session addressing all aspects of the proposal safety. The PG&E RFP team was satisfied with both teams' answers to their questions.

Based on the bidding process, published selection criteria and responses to bidder interview questions, Cleveland Wrecking Company ("CWC") was the successful bidder and was awarded the contract.

PG&E's Enterprise-Wide Contractor Safety Program In April 2012, PG&E embarked on an initiative to improve contractor safety by implementing an enterprise-wide Contractor Safety Program to enhance and track safety performance of contractors. This initiative involves benchmarking PG&E's contracting procedures and contractor safety programs against other utilities and suppliers, developing enterprise wide contractor safety metrics and then developing the Contractor Safety Program. This program will be implemented on a pilot basis during 2013. After evaluating the results of the pilot, PG&E plans to roll out the program on an enterprise-wide basis.

Enhancements Identified During the KPP Investigation While the Contractor Safety Program is in the early stages of development, there are some process improvements that have already been identified that are relevant to hiring contractors on projects similar to the KPP demolition project. In part, there are contracting process enhancements shown in the table below that PG&E considers Contractor Safety Program development process to address issues identified during PG&E's investigation of the KPP incident.

Issue Associated with Current Practice	Recommended Process Enhancements Under Review in Contractor Safety Program Initiative
<p>1. PG&E requires safety data for previous three (3) years including the current year. Information prior to 3 years was not required. Safety issues such as a serious incident prior to 3 years may not be identified.</p>	<p>Perform a longer look back into contractors' past safety performance. For large and high-risk construction projects, require safety records and relevant documentation for previous five (5) years.</p> <p>PG&E will consider increasing the time period to 5 years for bidder's to meet the minimum safety criteria.</p>
<p>2. PG&E accepted and reviewed data on EMR rate and OSHA data supplied by bidders without requiring backup documentation. There is a risk that some of the information submitted by bidders is incorrect.</p>	<p>PG&E will consider requiring backup documentation for EMR and OSHA data.</p>
<p>3. Regulators and the public are concerned that there is not enough independent oversight of PG&E's evaluation of contractor safety records.</p>	<p>PG&E will consider on-boarding a third-party company to verify contractors' safety records for future projects. This is expected to be over and above PG&E's own review of contractors' safety programs and could reveal more information on contractors' safety performance.</p>