

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 used 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 project, with a focus on the portions of the process that involve safety. Next, the report describes the corrective actions that PG&E identified as part of the investigation of the KPP demolition project incident. 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 this 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 PG&E's Contractor Safety Program initiative.

PG&E Procurement Process: PG&E employed a comprehensive REP evaluation process which included Go/No-Go criteria for 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 11 (Scorecard Evaluation), bidders are required to meet minimum, Go/No Go, criteria described below for a) Safety, b) Financial Viability, and c) Notice of Violations. Failure to meet the minimum criteria in any of these areas would result in exclusion from Phase 11 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 OSEIA 300 Logs = No Fatalities

supporting that program.

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

Phase II Review Process

Bidders were scored using a predetermined 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 clarify their proposals and delve deeper into various

aspects including safety. Also, PG&E requested that these selected bidders submit their "Best and Final" price for their proposals after the clarifications during the bidder interviews.

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

Evaluation results for Kern Power Plant 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 footings from the site in compliance with all laws, permits and safety requirements. Contractor safety history and safety plan for this specific scope of work, contractor capability, expertise in demolition work, financial viability, supplier diversity and price were the key factors in evaluating the bids. The Go/No Go filter was then applied utilizing information on safety record, financial viability, and notice of violations.

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

TOTAL SUMMARY		Cleveland Wrecking Company	BIDDER 2	BIDDER 2	BIDDER 4	BIDDER 5
Go/No Go	100%	GO	GO	GO	GO	NO GO*

Phase II: Scorecard Commercial, Technical, Pricing and Diversity"

TOTAL SUMMARY		Cleveland Wrecking Company	BIDDER 2	BIDDER 2	BIDDER 4	BIDDER 5
Total Commercial Score	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Total Technical Score	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Total Pricing Score**	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Total Diversity Score	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Overall Total Score	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED
Rank (1=Highest, 5=Lowest)	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED	REDACTED

\*BIDDER 5 has Safety Issues and scored as "No-Go" \*\*Total Evaluated Price

Kern Power Plant Demolition RFP Evaluation Scorecard

As part of the RFP process, PG&E required each Bidder 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 pre-established evaluation criteria.

After evaluation of bidder proposals, on Friday, February 3, 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 made presentations about their proposals, including their safety programs. These presentations were followed by a question and answer session addressing all aspects of the proposal, including safety. The PG&E RFP team was satisfied with both teams' answers to their questions.

Based on the bidding process, pre-established 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 its 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 program, 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 related to hiring contractors that are relevant to projects similar to the KPP demolition project. In particular, there are three contracting process enhancements shown in the table below that PG&E is considering in its 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&amp;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 higher risk construction projects, require safety records and relevant documentation for previous five (5) years.</p> <p>PG&amp;E will consider increasing the time period to 5 years for bidder's to meet the minimum safety criteria.</p>
<p>2. PG&amp;E accepted and reviewed data on EMR rate and OSEIA 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&amp;E will consider requiring backup documentation for EMR and OSEIA data.</p>
<p>3. Regulators and the public are concerned that there is not enough independent oversight of PG&amp;E's evaluation of contractor safety records.</p>	<p>PG&amp;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&amp;E's own review of contractors' safety programs and could reveal more information on contractors' safety performance.</p>