

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Pacific Gas and Electric Company for Authority to Increase Revenue Requirements to Recover the Costs to Implement a Program to Improve the Reliability of Its Electric Distribution System (U 39 E).

Application 08-05-023
(Filed May 15, 2008)

**COMMENTS OF ENGINEERS AND SCIENTISTS OF
CALIFORNIA, LOCAL 20 ON THE PROPOSED DECISION**

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, CA 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

Attorneys for Engineers and Scientists of
California, Local 20, International Federation of
Professional & Technical Engineers, AFL-
CIO/CLC

Date: June 14, 2010

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Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the Engineers and Scientists of California, Local 20, International Federation of Professional & Technical Engineers, AFL-CIO/CLC (ESC) submit these comments on the Proposed Decision (PD) of Administrative Law Judge David Fukutome, issued on May 25, 2010.

The PD addresses the request of Pacific Gas and Electric Company (PG&E) for authority to invest nearly \$2 billion in its Cornerstone Improvement Project (CIP) to improve the reliability of the electric distribution system. ESC agreed with PG&E’s emphasis on ensuring reliable service to customers, but the PD clearly expresses a desire to obtain significant improvements to reliability at a much lower cost. As the PD noted, “up to 68% of the quantifiable reliability improvement benefits identified in

PG&E's Cornerstone Improvement Project proposal can be achieved for the approximate 18% of the requested costs."¹

ESC shares the PD's desire to use available resources as efficiently as possible. ESC's participation in this proceeding was focused on drawing the Commission's attention to the inefficiencies associated with contracting out work that is normally performed by PG&E employees, particularly the engineers, drafters, schedulers, estimators, mappers, and project managers that are represented by ESC in the areas of distribution engineering and design.² ESC took the step of participating in a Commission proceeding for the first time as an individual party because ESC was concerned that PG&E will not implement the CIP efficiently or effectively, and that a lack of recruitment, training, or a commitment to use PG&E employees to perform the required design and engineering work would squander an ideal opportunity to make real improvements to distribution reliability.

As ESC pointed out in this proceeding, outsourcing the design and engineering of PG&E's distribution system is not just a matter of hiring outside cooks to follow an existing recipe. Distribution planning requires expertise, knowledge, and judgment,³ developed over years of working with the PG&E distribution system and informed by a familiarity with the unique characteristics of PG&E's system. The greatest

¹ PD, p. 2.

² The specific classifications ESC represents are the heart of the design and engineering of PG&E's electric distribution system and include Estimators, Associate Distribution Engineers, Distribution Engineers, Design Drafters, Design Engineers, Protection Engineers, Civil and Electrical Engineers, Mappers, Schedulers, and Project Managers.

³ See Tr. Vol. 1, p. 152 (Pearson/PG&E).

expertise regarding PG&E's distribution system resides within PG&E, with its employees.⁴

The judgment required for efficient distribution design and engineering cannot be purchased in the open market; it arises from years of working with the PG&E distribution system.⁵ A full understanding of the electrical geography of PG&E's distribution network is necessary to be able to propose and evaluate the best and most cost-effective improvements and engineering solutions. Only experienced PG&E employees have that depth of understanding. For these reasons, contracting out distribution design and engineering is neither efficient nor effective.

Although outsourcing is often perceived as a way to reduce costs, the appearance of savings frequently disappears when the full costs of contracting out are considered. Because of the unique characteristics of PG&E's distribution system, any design or engineering work performed by outside contractors or consultants must be reviewed by PG&E employees.⁶ Because PG&E's distribution system does not follow the textbook models, the design and engineering work performed by outside contractors often contains significant and extensive errors. PG&E employees drop their other assignments and responsibilities and review the contractors' work and either make corrections or return the work to the consultant for correction, after making extensive annotations to explain why the work does not reflect the realities of PG&E's unique

⁴ See Tr. Vol. 3, p. 322 (Sanborn/CCSF).

⁵ See Tr. Vol. 1, pp. 152-153 (Pearson/PG&E).

⁶ Tr. Vol. 1, p. 18 (Dasso/PG&E); Tr. Vol. 1, pp. 148-149 (Pearson/PG&E).

system. Sending drawings back for corrections leads to project delays and increased costs, because the corrected drawings must again be checked. And if the revisions are incomplete or incorrect, another round of corrections may be required, leading to additional delays and ultimately to higher costs for ratepayers.

All these effects add to the real cost of outsourcing design and engineering work, costs that are not reflected in the bids submitted by the outside consultants and contractors but that will ultimately be reflected in rates.

Because the program approved by the PD was considerably scaled down from PG&E's proposal, the PD erroneously concluded that it did not need to address the concerns raised by ESC. These concerns, however, exist regardless of the scale of the program. Moreover, the PD's emphasis on efficiency underscores the need to look closely and critically at the underlying costs of outsourcing.

Consistent with the PD's emphasis on using resources efficiently, ESC respectfully urges the Commission to carefully scrutinize PG&E's use of outside contractors to perform engineering and design work, to ensure that ratepayers are not unnecessarily paying more for less work and less competent work. The scaled-down program recommended by the PD lessens ESC's concerns about developing and training the larger workforce that would be required for the program PG&E proposed, but ESC's recommendation on outsourcing is unaffected by the reduced size of the CIP. To reduce costs for ratepayers, ESC respectfully urges the Commission to encourage PG&E to rely on its knowledgeable and experienced employees to perform the bulk of the engineering and design work required for the CIP. Outside consultants or contractors are properly

used only when a particular job requires specialty work not ordinarily performed by PG&E employees or requires special expertise or skills that are not possessed by PG&E employees. To ensure that ratepayers are not bearing the unnecessarily high costs of outsourcing, PG&E should be required to submit an annual report on the performance of all design and engineering consultants, documenting the qualify and cost-effectiveness of work performed by outside consultants.

Respectfully submitted this 14th day of June, 2010 at San Francisco,
California.

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321

By /s/ Brian T. Cragg
Brian T. Cragg

Attorneys for Engineers and Scientists
of California, Local 20, International
Federation of Professional & Technical
Engineers, AFL-CIO/CLC

CERTIFICATE OF SERVICE

I, Melinda LaJaunie, certify that I have on this 14th day of June 2010 caused a copy of the foregoing

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to be served on all known parties to A.08-05-023 listed on the most recently updated service list available on the California Public Utilities Commission website, via email to those listed with email and via U.S. mail to those without email service. I also caused courtesy copies to be hand-delivered as follows:

Commissioner President Michael R. Peevey
California Public Utilities Commission
State Building, Room 5218
505 Van Ness Avenue
San Francisco, CA 94102

ALJ David K. Fukutome
California Public Utilities Commission
State Building, Room 5042
505 Van Ness Avenue
San Francisco, CA 94102

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed this 14th day of June 2010 at San Francisco, California.

/s/ Melinda LaJaunie
Melinda LaJaunie

Service List – A.08-05-023
(Updated May 27, 2010)

ANDRE DEVILBISS
andre.devilbiss@recurrentenergy.com

Jake Wise
jw2@cpuc.ca.gov

RONALD LIEBERT
rliebert@cfbf.com

ANN L. TROWBRIDGE
atrowbridge@daycartermurphy.com

KEITH R. MCCREA
keith.mccrea@sutherland.com

REED SCHMIDT
rschmidt@bartlewells.com

BRIAN T. CRAGG
bcragg@goodinmacbride.com

KENNETH SWAIN
kenneth.swain@navigantconsulting.com

REED V. SCHMIDT
rschmidt@bartlewells.com

Brian D. Schumacher
bds@cpuc.ca.gov

Kevin S. Nakamura
kev@cpuc.ca.gov

SANDRA ROVETTI
srovetti@sfgwater.org

ROBERT FINKELSTEIN
bfinkelstein@turn.org

Karen M. Shea
kms@cpuc.ca.gov

Sophie Chia
swc@cpuc.ca.gov

BARBARA R. BARKOVICH
brbarkovich@earthlink.net

LAUREN ROHDE
ldri@pge.com

THERESA BURKE
tburke@sfgwater.org

BRUCE FOSTER
bruce.foster@sce.com

DON LIDDELL
liddell@energyattorney.com

THOMAS J. LONG
thomas.long@sfgov.org

BRUCE T. SMITH
bts1@pge.com

LUKE DUNNINGTON
luke.dunnington@recurrentenergy.com

Truman L. Burns
txb@cpuc.ca.gov

RAQUEL IPPOLITI
case.admin@sce.com

FRANK A. MCNULTY
mcnultfa@sce.com

WILLIAM H. BOOTH
wbooth@booth-law.com

HILARY CORRIGAN
cem@newsdata.com

MARC D. JOSEPH
mdjoseph@adamsbroadwell.com

WENDY L. ILLINGWORTH
wendy@econinsights.com

CALIFORNIA ENERGY MARKETS
cem@newsdata.com

MARK D. PATRIZIO
mdp5@pge.com

ANDREW YIM
Yim@ZimmerLucas.com

REGULATORY FILE ROOM
CPUCCases@pge.com

MICHEL PETER FLORIO
mflorio@turn.org

ADAR ZANGO
zango@zimmerlucas.com

CHARLES R. MIDDLEKAUFF
crmd@pge.com

Matthew Deal
mjd@cpuc.ca.gov

SAMARA RASSI
FELLON-MCCORD & ASSOCIATES
9960 CORPORATE CAMPUS DR.,
SUITE 2500
LOUISVILLE, KY 40223-4055

David K. Fukutome
dkf@cpuc.ca.gov

MRW & ASSOCIATES, LLC
mrw@mrwassoc.com

David K. Lee
dkl@cpuc.ca.gov

NORA SHERIFF
nes@a-klaw.com

DAVID MARCUS
dmarcus2@sbcglobal.net

NORMAN J. FURUTA
norman.furuta@navy.mil

PUC/X119990.v1

KAREN TERRANOVA
filings@a-klaw.com

Paul Angelopulo
pfa@cpuc.ca.gov

GARRICK JONES
garrick@jbsenergy.com

PAUL F. FOLEY
pfoley@adamsbroadwell.com

JAMES HECKLER
Jheckler@levincap.com

PATRICK G.. GOLDEN
PGG4@pge.com

JIM HOWELL
jim.howell@recurrentenergy.com

RALPH E. DENNIS
ralphdennis@insightbb.com

JENNIFER S. ABRAMS
JSAd@pge.com

CASE COORDINATION
regrelcpuccases@pge.com

JOSHUA SPERRY
jsperry@ifpte20.org

REBECCA W. GILES
RGiles@SempraUtilities.com

JULIEN DUMOULIN-SMITH
julien.dumoulin-smith@ubs.com

RACHAEL E. KOSS
rkoss@adamsbroadwell.com