

Senate Committee on Energy, Utilities and Communications
Senate Committee on Public Safety
Joint Informational Hearing
The San Bruno Explosion: Pipeline Safety in California

TESTIMONY of CARL WOOD
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Chairman Padilla, Chairman Leno, members of the Senate and the Assembly.

I am Carl Wood, National Regulatory Affairs Representative and Job Development Specialist for the Utility Workers Union of America, AFL-CIO.

I was a CPUC Commissioner from 1999 through 2004 and served as Chair of the Consumer Affairs Committee of NARUC, the National Association of Regulatory Utility Commissioners. These were the years when the long-term damage done by the philosophy of deregulation wreaked havoc on California and other states around the US. I was fully engaged in resisting further deregulation and attempting to restore effective regulation for the people of California, to assure good quality service at affordable, just and reasonable rates.

The Role and Value of Utility Workers

I am a journeyman electrician by occupation. I have performed electrical maintenance on powerplants including the San Onofre Nuclear Generating Station (SONGS). I have a keen appreciation for the expertise and insight that utility workers have about the workings of the infrastructure we are entrusted to operate, maintain, repair and replace.

I am not a gas system expert. My union brothers and sisters in Locals 132, 483 and 522 at SoCal gas are genuine experts. They have direct experience with the gas system infrastructure and direct interaction with the consumers who use gas to heat, light and power their homes and businesses. If a meaningful approach to improving safety of the gas system is to move forward, it is vitally important that legislators and regulatory authorities have direct, unfiltered, regular and ongoing access to these experts' information and perspectives, unencumbered by restraints imposed unilaterally by management. They should not be an afterthought.

Barriers to such access, particularly at the CPUC, need to be removed. This includes regular opportunities for inclusion in safety and customer service program development initiatives, clarifying the eligibility of utility workers and their unions for statutory participant funding programs, and possibly other measures to facilitate dialogue.

Accountability to the Public

During my tenure at the CPUC I grappled with issues about (1) how to improve the operation of the utility systems, and (2) assuring the public that the money they pay in rates for safe and efficient operation is actually spent to achieve real safety and efficiency. It has been my experience that this is a matter of the CPUC Commissioners and staff faithfully implementing clear legislative policy direction in an open and transparent process, with the public – including workers in the industry – fully engaged.

Improving Operations

During the Energy Crisis the Legislature passed Senate Bill 39XX (Burton and Speier) directing the CPUC to adopt and enforce operation and

maintenance standards for power plants to eliminate the epidemic of power plant shutdowns that contributed to high prices and rolling blackouts. I was the CPUC representative and Chairman of the Committee that developed the standards and authored the CPUC decision that adopted General Order 167, a technically complex program with profound implications for the power plant fleet in California. The program adopted provided for development of plant-specific maintenance plans, with regular reporting and a periodic review/audit procedure.

The key to developing effective standards and programs in that instance was having good collaboration among the core stakeholders – utilities, workers, key non-utility power plant operators, and the grid operator -- supported by strong professional staff at the CPUC and strong Commissioner leadership in carrying out the Legislature’s intent.

This model is clearly applicable to the “Safety First” gas system policy recommendation. Unlike GO 167 (which entailed developing a first-in-the-nation program) minimum standards for gas pipeline safety and O&M have already been established by federal law and incorporated into an existing CPUC General Order 112. The issues for California’s gas system are:

(1) strengthening the standards beyond the federal minimum, to minimize incidents and damage, and

(2) assuring effective implementation on the ground and enforcement at the CPUC. This may require the Legislature’s augmenting the CPUC’s complement of inspectors and engineers, and supporting the development of Commissioner-level leadership in the gas safety area.

Both of these issue areas will benefit from ongoing participation by utility workers in developing programs and a safety conscious environment.

Assuring the Public that Authorized Revenues are Spent for Safety, Operations and Maintenance and Customer Support.

Each utility regulated by the CPUC has periodic rate case proceedings, where its operating programs, maintenance, capital-spending and other procedures are reviewed, costs established and customer rates set based on the over-all level of cost. A “Safety First” policy can be translated into programmatic detail including estimates of its costs in these proceedings at the CPUC.

The CPUC has available several techniques for enforcing accountability for the use of authorized revenues in operation, maintenance and capital spending, including:

- One-way balancing account -- essentially a “use it or lose it” approach, where a program is provided funding by Commission order, with reductions from authorized spending being recovered for the benefit of ratepayers. Example, PG&E vegetation management program balancing account adopted in PG&E 1999 GRC (D.00-02-046, Section 7.2.3.3 and Ordering Paragraph 11.)
- Program audit, inspection and enforcement programs – a deterrent to manipulation of program expenses and outcomes. Example, monetary penalties for SCE Performance-based Ratemaking fraud adopted in D.08-09-038, imposed after a utility-initiated, CPUC-completed investigation. (This proceeding occurred after my tenure.)
- Prescriptive standards for customer service and response with compensatory rebates to consumers for failure to meet the standard – establish standards for timeliness and accuracy of customer service and response programs, with incentives to meet the standards and timelines. Example, PG&E Quality Assurance Program (QAP),

adopted in PG&E 1999 GRC (D.00-02-046, Section 6, “Service Quality” and Ordering Paragraph 10.)

These tools are available to rectify misdirection of ratepayer funds away from program requirements. Their existence is also a deterrent to misdirection in the first instance. The effective use of these tools would be enhanced by the participation of utility workers in CPUC proceedings.

However, the best assurance of faithful performance of safety requirements is to clearly articulate a “safety first” expectation, to encourage the development of a strong safety culture and safety conscious environment and to develop procedures for implementing safe practices with the full participation of the workers responsible for delivering safe and reliable service to the public.

Thank you for opportunity to participate in this hearing.