



Today's Utility Construction Business Model

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Today's Utility Construction

- Contractors perform the largest share of new construction replacement and even maintenance of underground utility lines
- Many contractors have a culture of minimum compliance
- Many utilities have no or ineffective inspection programs over their contractors

Today's Utility Construction

- Owner → Prime → Sub → Sub of a Sub
- Pricing structure
- Lack of adequate training
- Substandard, unsafe construction

We need to figure this out before
we have a major accident



COLUMBIA GAS OF VIRGINIA

2013 Virginia Damage Prevention Conference

Today's Utility Construction Business Model

April 16, 2013



Columbia Gas[®]
of Virginia
A NiSource Company

For A Successful Future, We Must Understand The Past

A Brief History of Utility Contracting (the theory):

- The Low Bid Wins!
- Delegate all responsibility for the job (or as much as they would accept) to the Contractor.
- “Don’t ask, don’t tell”, on how the job actually got done.
- Limited (or no) inspection of the contractor. *“I pay them to do it right, why should I have to pay to watch them”??*
- Accept no responsibility for OSHA Violations\unsafe acts that the Contractor may commit. *“The contract says that the contractor is responsible for his own safety program”*
- *“Their insurance pays first”*

For A Successful Future, We Must Understand The Past

A Brief History of Utility Contracting (the reality):

- Contractors are not Dopes, they will give you what you pay for....
- As Gas\Utility Operators, how much responsibility for our own work can we actually delegate?? “Let’s ask our host....”
- Has anyone ever heard of the concept “Cross-bore”??
- Without inspection, the job is only as good as the weakest crew\employee that the contractor has... Will that be good enough?
- Has anyone ever had a major injury (or worse) on a job site? Who actually gets sued?
- The truth is.... Everyone pays....

The Path To A Better Contracting Future

- **Value** – *“That which happens when price and quality come together”*. (Not always, or even frequently, the low bidder....)
- **Recognize** shared responsibility and embrace it, don't run from it.
- **Partner** with your contractors to establish the best ways to get the work done. And don't allow it if you can't sign off on it....
- **“Trust but verify”** - Robust inspections (particularly on construction projects) insures good performance and low maintenance for the long term.
- **Safe jobsites** - Not only everyone's responsibility, but indicative of a well run contractor operation. **Besides, who wants to be party to a serious injury or fatality on one of our jobs??**
- **Focus** – If the job is done correctly and safely, no one needs their insurance...



LAMBERTS
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Today's Utility Construction Business Model

Tommy Lambert

President

Lambert's Cable Splicing Company, LLC

- Contractors Called in Locates
- One Call Notified Owners
- Owners Located Utilities
- Everyone accepted their independent responsibility

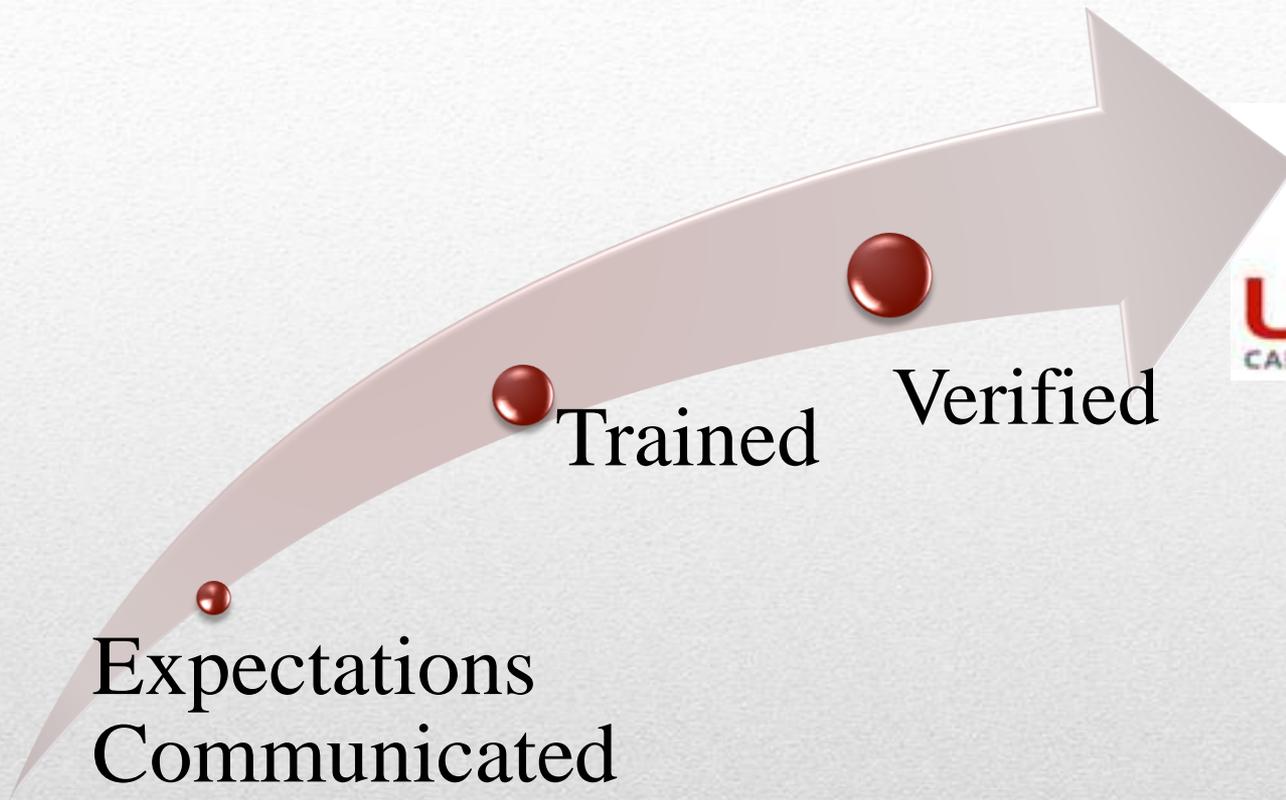


Old Model: Separated Responsibility

- All Parties Work Together to Protect Utilities and Prevent Outages
- Ensures safety of the public and employees
- Increased Responsibility for Contractors



New Reality: Shared Responsibility



How Lamberts Accepted This Increased Responsibility

Thank You



LAMBERTS
CABLE SPLICING COMPANY, LLC

Sub of a Sub of a Sub ...

Problems facing the Sub-
Contractor - Utility Operator
Relationship

Index

- Utility Operator
- Prime Contractor
- Sub Contractor
- Sub of Sub of Sub

Utility Operator

- Utility Operators rely on contractors for most construction phases of their design and build outs, as well as underground service lines
- Most Utility Operators have moved to National Vendors for their contract work, the Prime Contractor
- Using National Vendors, the Utility Operators are paying lower and lower rates each year, without the areas cost of living being considered
- Utility Operators use Contracts that pass all liability, responsibility, and accountability on to the Prime Contractor

Prime Contractor

- Prime Contractors are usually very large National companies performing work in multiple cities and states
- For most service installations, Prime Contractors are required to use employees
- For most construction related activity the Prime Contractor uses Sub Contractors
- Prime Contractors use Contracts that pass all liability, responsibility, and accountability on to the Sub Contractor

Sub Contractor

- Sub Contractors cover a wide range of construction capabilities
- Sub Contractors usually use Sub Contractors for the construction labor
- Then sometimes, that Sub gives the work to another Sub and even another Sub

Sub of a Sub of a Sub ...

- Herein lies the problem, where has the liability, responsibility, and accountability gone? It left with the rates for excavation work. You get what you pay for
- How do you hold someone accountable when you don't know who they are?
- How do you verify construction safety, training and knowledge of someone you don't know is working on behalf of your company
- These unknown Subs are excavating around our Utilities with no knowledge of how to do it safely, causing thousands of dollars and man hours to correct, and sometimes lives
- When one of these unknown Subs cause a gas line explosion, it isn't their name in the news, it's the Utility Operator