Risk Assessment Mitigation Phase (RAMP-F)

Safety Culture, Organizational Structure, Executive and Utility Board Engagement, and Compensation Policies Related to Safety

November 27, 2019

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I. INTRODUCTION

This Chapter provides supplemental information regarding SDG&E's organizational structure, programs, culture and compensation as they relate to safety, as required by Decision (D.) 16-08-018.[1] The California Public Utilities Commission (Commission or CPUC) has stated that "[a]n effective safety culture is a prerequisite to a utility's positive safety performance record,"[2] and defines "safety culture" as follows:

> An organization's culture is the collective set of that organization's values, principles, beliefs, and norms, which are manifested in the planning, behaviors, and actions of all individuals leading and associated with the organization, and where the effectiveness of the culture is judged and measured by the organization's performance and results in the world (reality). Various governmental studies and federal agencies rely on this definition of organizational culture to define "safety culture." [3]

The Commission has further stated that, under the above definition, a positive safety culture includes "[a] clearly articulated set of principles and values with a clear expectation of full compliance," and "[e]ffective communication and continuous education and testing."[4] SDG&E fully agrees and has developed values, goals, and practices for a safety culture throughout its history, advancing its programs, policies, procedures, guidelines, and best practices to improve the safety of its operations.[5]

In addition to addressing safety as an integral component of all the risk assessments and mitigation activities outlined in each of the individual risk chapters of this RAMP Report, the

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[1] D.16-08-018 at 140-142. Additionally, the Commission stated "[t]he company's compensation policies related to safety also should be included in the RAMP filing." *Id*. at 141 (citation omitted). *See*, *also*, Investigation (I.) 19-06-014, Order Instituting Investigation (June 27, 2019) at 3.

[2] I.15-08-019, Order Instituting Investigation on the Commission's Own Motion Into Whether Pacific Gas and Electric Company and PG&E Corporation's Organizational Culture and Governance Prioritize Safety (August 27, 2015) at 4 (citation omitted).

[3] I.19-06-014 at 3.

[4] *Id.*

[5] *See, e.g.,* Application (A.) 17-10-007/-008 (cons.), Exhibit (Ex.) 03 (SCG/SDG&E Day/Flores/York Revised Direct) at DD-28.

Commission has instructed the utilities to include specific discussion in this filing regarding the following: [6]

- Safety organizational structure;

- Safety culture;

- Compensation policies related to safety;

- Executive and senior management engagement in the risk assessment, prioritization, mitigation, and budgeting process; and

- Utility board engagement and oversight over safety performance and expenditures.

This chapter addresses each of these topics in the following sections below.

II. BACKGROUND

Following issuance of D.16-08-018, SDG&E has described the elements of its safety culture in various proceedings. For example, various SDG&E witnesses in the test year (TY) 2019 general rate case (GRC) testified regarding safety culture, as it related to their respective subject matter area.[7] Testimony that was sponsored by approximately 50 witnesses, including by SDG&E's President and Chief Operating Officer,[8] demonstrated SDG&E's safety culture and safety management practices and based its GRC funding request on key safety and risk-informed RAMP risks and mitigations. SDG&E also provided TY 2019 GRC testimony and information regarding its governance, safety record, and safety culture,[9] pursuant to Commission direction in D.16-06-054.[10]

SDG&E's testimony chapters in the TY 2019 GRC proceeding outlined various safety programs and new and evolving initiatives to build safety management systems. Furthermore,

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[6] *See* D.16-08-018 at 140-142.

[7] *See* A.17-10-007.

[8] SDG&E's Chief Operating Officer, Caroline Winn, also currently serves as the Company's Chief Safety Officer.

[9] A.17-10-007/-008 (cons.), Ex. 03 (SCG/SDG&E Day/Flores/York Revised Direct) and Ex. 208 (SCG/SDG&E Robinson Direct).

[10] D.16-06-054 at 154.

following the formal release in July 2015 of American National Standards Institute (ANSI)/American Petroleum Institute Recommended Practice 1173 (API 1173), SDG&E voluntarily adopted and began to implement its foundational principles of safety management systems for its gas operations and is encouraging its pipeline construction contractors to also do the same.[11] As of fall 2019, SDG&E is also embarking to apply API 1173 principles to its electric operations. Details on this effort will be presented in SDG&E's next GRC application. Additionally, in 2017, SDG&E began the implementation of asset management practices pursuant to the internationally recognized standard ISO 55000, of which safety is a core element of decision-making.

III. SAFETY ORGANIZATIONAL STRUCTURE

This section provides an overview of how safety is incorporated into SDG&E's organizational structure.[12] Detailed descriptions of SDG&E's safety organization can be found within SDG&E's Employee, Contractor, and Customer and Public Safety chapters included in this RAMP Report.

SDG&E has dedicated teams embedded in the organization whose roles revolve around management of safety and other risks. Currently, SDG&E has four departments/organizations that work together to identify and monitor safety risks. These departments include SDG&E's:

- Safety Department,
- Asset Management Organization,
- Enterprise Risk Management (ERM) Organization, and
- Emergency Management Department.

These departments/organizations collaborate to address the Company's safety risks. For instance, SDG&E's ERM organization identifies safety risks through its on-going risk management processes. These risks are shared with the operating units and Company leadership,

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[11] Southern California Gas Company (SoCalGas) and SDG&E (collectively, the Utilities) own and operate an integrated natural gas system. The Utilities collaborate to develop policies and procedures that pertain to the engineering and operations management of the gas system operated in both the SoCalGas and SDG&E territory to maintain consistency.

[12] "RAMP filings should also cover the company's organizational structure as it relates to safety." D.16-08-018 at 141.

including leaders of each organization referenced above, through the ERR process. SDG&E's Asset Management department looks specifically at the health of assets and assets safety. Again, these findings are shared with the other three departments. Emergency Management, building upon and leveraging the work of the other three departments, develops policies, practices and processes to manage Potential Consequences, should a Risk Event occur. SDG&E's Safety department uses information gathered from these departments to develop policies and practices that are implemented throughout the entire Company. All four departments participate in meetings coordinated through ERM to ensure alignment of their efforts.

While these four departments/organizations currently collaborate and participate in joint meetings to align their efforts, SDG&E's endeavor to implement an enterprise-wide Safety Management System will further consolidate these groups and develop SDG&E's safety culture throughout all operations, gas, electric and support services, at all levels. In addition to these centralized functions that promote safety across the Company, SDG&E embeds safety practices into its operating groups. This is done in the form of safety procedures and policies that are driven across the Company.

A.   **Safety Department**

SDG&E's safety department is organized under SDG&E's Chief Safety Officer. SDG&E has a dedicated safety department comprising a director and managers who oversee the implementation of the company's various safety policies, trainings, and programs, including the Environmental & Safety Compliance Management Program (ESCMP), the Behavior Based Safety Programs, Stop the Job, Close Call/Near-Miss program, Incident Investigations, Safety Culture Assessments and Contractor Safety Programs. These programs are described within the Employee Safety Chapter of this RAMP Report (SDG&E-3).

SDG&E's Executive Safety Council is the governing body for all safety committees. Led by SDG&E's Chief Safety Officer and the Director of Safety, and consisting of various Company officers, the Executive Safety Council advances the Company's safety culture and addresses enterprise-wide safety strategy. These monthly meetings are held at various Company locations to allow top Company leadership to engage directly with SDG&E's front-line employees representing its labor and represented workforce. Executive Safety Council meetings

integrate front-line employee and supervisor dialogue sessions so that employees have an opportunity to share safety experiences with Company leadership. Additionally, SDG&E has numerous field and office site safety committees. These site-specific committees are actively engaged in safety awareness through education, promoting a healthy lifestyle, encouraging work-life balance, and always maintaining a safe work environment. To keep the committees connected, quarterly meetings are held with committee chairpersons and co-chairpersons. During these meetings safety updates are shared, training is provided, and action planning steps identified. The Executive Safety Council is the governing body for all of SDG&E's safety committees.

B. Asset Management Organization

SDG&E's Asset Management organization was created in 2017 to develop a strategic asset management capability for the company that aligns with the international standard of ISO 55000. The group comprises a dedicated team of director, managers and staff, who focuses on implementing the tenets of ISO 55000 across the organization to more optimally balance asset cost, asset risk (including safety), and asset performance. This program enables SDG&E to place the safe and effective management of the Company's physical assets at the heart of the Company's operations. This program and others are further described below and in the Electric Infrastructure Integrity chapter of this RAMP Report (SDG&E-4).

C. Enterprise Risk Management Organization

The Enterprise Risk Management Organization comprises a Chief Risk Officer, vice presidents, directors, and risk managers, whose roles are dedicated to implementing the risk management process and the integration of risk-informed decision-making across the Company. This includes the development of transparent, repeatable and consistent processes that are quantitative and data-driven, facilitating an annual identification and evaluation of risk, as well as supporting operational areas across the Company in the assessment of their risks and development of associated risk mitigations. SDG&E's Enterprise Risk Management Organization oversees the development of the annual risk registry process, as described in Chapter RAMP-B. Additionally, other efforts include the responsiveness to regulatory requirements such as accountability and S-MAP metric reporting.

D. Emergency Management Department

SDG&E's Emergency Management Department coordinates safe, effective and risk-based emergency preparedness to safely and efficiently prepare for, respond to, and recover from all threats and hazards. The Emergency Management Department sustains quality assurance and improvement processes through strategic planning, training, simulation exercises, and a comprehensive After-Action Review and Improvement program. The Emergency Management Department includes: 1) aviation services, 2) business resumption, 3) emergency preparedness and response operations, 4) information and technical services, and 5) operational field emergency readiness.

SDG&E responds to gas and electric emergencies as an important part of its normal business practices and has implemented and adapted a Utility Incident Command System (UICS) into those practices based on the National Incident Management System. Elements of SDG&E's UICS program include:

- Certification of 460 Emergency Operations Center responders in ICS 100 and 200;
- Training Operational Leadership in UICS roles and responsibilities;
- Annual Unified Command, gas and electric safety and response training with all First Responders in the SDG&E service territory;
- Development and deployment of Tactical Command Vehicles, and Command/Communications Trailers to support the UICS and Unified Command System on incidents and emergencies;
- Providing UICS Liaisons to Fire and Law Enforcement Unified Command Posts; and
- The effectiveness of all programs listed is measured through our AAR program (Quality Assurance and Improvement).

Each SDG&E operational area has emergency procedures that are specifically written for these types of incidents. These emergency response procedures are thoroughly practiced, and the personnel is well-trained to respond to and resolve routine gas and electric emergencies. When an emergency escalates, there is a need for an organized response with specific procedures and

designated personnel. This organized response, through the UICS, provides the required specialized decision-making, the communication capabilities and the additional resources needed to efficiently respond to and recover from an event.

IV. SAFETY CULTURE

Safety culture requires action and organizational focus by all employees. SDG&E takes both a "top-down" and "bottom-up" approach with respect to safety. SDG&E's safety efforts start at the top with appropriate safety governance. Governed by the Executive Safety Council and led by SDG&E's Chief Safety Officer, SDG&E has various safety committees to help inform and educate employees about safety issues throughout all levels of the Company and set meaningful and attainable safety goals throughout the organization. The safety committees also provide an opportunity to receive employee feedback on key safety issues. In addition to employee feedback gathered from safety committees, SDG&E also deploys Behavior Based Safety programs and grassroots safety culture change initiatives, for example, to identify and address at-risk behaviors. Company employees attend safety meetings, tailgates, and safety congresses, and are surveyed every two years to solicit their candid feedback.

SDG&E is continuing its efforts to implement an enterprise-wide Safety Management System (SMS) and plans to put forth its SMS proposal in the TY 2022 GRC. SDG&E's Gas Operations' SMS is guided by the API 1173 guidelines. While there is not currently an electric operations SMS similar to the well-vetted API 1173, SDG&E Electric Operations' culture largely aligns with the ten essential elements of API 1173 and is in the process of creating, a first in the electric industry, equivalent of API 1173 for electric utilities. Therefore, SDG&E is moving the enterprise (both gas and electric) towards the ten essential elements of API 1173. These include:

1. Leadership and Management Commitment;
2. Stakeholder Engagement;
3. Risk Management;
4. Operational Controls;
5. Incident Investigation, Evaluation, and Lessons Learned;
6. Safety Assurance;

7.   Management Review and Continuous Improvement;

8.   Emergency Preparedness and Response;

9.   Competence, Awareness, and Training; and

10.   Documentation and Record Keeping.

SDG&E's efforts as they relate to each of the above ten elements is discussed below. SDG&E's Gas Operations' SMS is guided by the API 1173 guidelines. Beginning fall 2019, SDG&E is embarking on an effort to adapt API 1173 principles and approaches to create an SMS to drive continuous improvement in electric operations. This is an innovative effort by SDG&E electric operations to adapt a broad-based API 1173 safety standard for use in an electric operations environment, as suggested by The Office of the Safety Advocate in SDG&E's TY 2019 GRC proceeding.[13] Using API 1173 as a general standard for operational safety for both gas and electric operations requires alignment of risk management (based on ISO 31000) asset management (based on ISO 55000, and emergency management (based on the Incident Command System) with traditional views of safety management (based on OSHA) to support development of a comprehensive and proactive safety program that produces ever-improving levels of work forces and public safety.

A.   **Leadership and Management Commitment**

In SDG&E's TY 2019 GRC proceeding, several executive witnesses testified to SDG&E's longstanding commitments to operating a safe utility and to aggressively enhancing the focus placed on the implementation of effective safety risk mitigations, including asset health and safety.[14] For example, SDG&E's Chief Safety Officer, Caroline Winn, testified: "At SDG&E, safety isn't a goal – it is part of the Company's DNA. Nothing is more important than keeping our employees, contractors and the public safe. We are making strategic investments in

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[13]   "The Utilities should develop a SMS framework to address electric and underground gas storage assets/operations, and present its proposal in the next GRC. The framework/s should leverage the API 1173 framework's emphasis on safety culture." A.17-10-007/-008 (cons.), Opening Brief of The Office of the Safety Advocate (September 21, 2018) at 15.

[14]   A.17-10-007/-008 (cons.), Ex. 03 (SCG/SDG&E Day/Flores/York Revised Direct) at DD-26.

culture, technology, system upgrades and community partnerships to enhance the safety of our customers and the communities we serve."[15]

SDG&E has processes, programs, and committees in place that solicit feedback on safety from employees on the management of risks and unsafe practices or incidents. To promote these principles throughout, and to foster a culture of continuous safety improvement, SDG&E continuously strives for a work environment where employees at all levels can raise pipeline and electric infrastructure, customer safety, and employee safety concerns and offer suggestions for improvement. SDG&E urges two-way formal and informal communication between the company and the public, employees and management, and contractors and the company, in order to identify and manage safety risks before incidents occur. The vision and emphasis on risk management begins at the top, with strong support for the risk management process. SDG&E has an open-door policy that promotes open communication between employees and their direct supervisors. In addition to these culture-based items, there are formal programs designed to compel employees to speak up if they see unsafe behaviors, such as "Stop the Job." SDG&E conducts a Safety Congress as well as safety meetings for field employees that provide safety training, share best practices and promote leadership and employee engagement. If an employee does not feel comfortable reporting unsafe behaviors and incidents through the above-mentioned avenues, there are anonymous means to do so including the Ethics & Compliance Hotline, employee engagement surveys, and National Safety Council Culture Survey.

B.   Stakeholder Engagement

SDG&E compels two-way formal and informal communication between the company and the public, employees and management, and contractors and the company. SDG&E's safety department regularly issues employee safety communications to provide employees with safety-related information in a timely manner regarding standards and safe work practices. These safety communications are a tool used to inform employees about safety hazards and exposures, hazard mitigation, rules, regulations, warnings, goals, and progress reports through an array of media. SDG&E communicates information through safety bulletins, emails, newsletters,

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[15]   A.17-10-007/-008 (cons.), Ex. 02 (SDG&E Winn Revised Direct) at CAW-1.

electronic bulletin boards (*e.g.,* digiboards), posted signage throughout the workplace, tailgate meetings and reports.

To continuously monitor, measure and improve the Companies' workplace safety culture, SDG&E regularly assesses itself through the National Safety Council (NSC) Foundation's Barometer Safety Culture Survey and the Employee Engagement Survey. As described by TY 2019 GRC witnesses Diana Day and Tashonda Taylor, the Safety Barometer Survey assesses overall safety climate health and identifies areas of opportunity to eliminate injuries and improve focus and commitment to safety.[16] SDG&E TY 2019 GRC witnesses David Buczkowski and David Geier sponsored joint safety policy testimony that provided the following reasons supporting SDG&E's position that the NSC Safety Barometer Survey is a leading practice approach to evaluating safety culture:

1. NSC's mission is safety – eliminating preventable deaths, through leadership, education and advocacy;

2. The NSC Safety Barometer Survey is led by third-party experts;

3. The practices included in the survey are the leading practices drawn from survey participants, allowing SDG&E to compare itself to almost 1,000 other Companies; and

4. The survey goes well beyond the utility industry and includes other industries.[17]

Through regular participation in the survey, SDG&E shares results, develops targets, implements plans, and measures progress, with the goal of increasing employee participation in, and contribution to, improvements in safety performance.

SDG&E began conducting safety culture assessments in 2013, using NSC's Safety Barometer Survey. The NSC Safety Barometer survey is an employee perception survey that engages employees and asks for their anonymous feedback on safety by measuring elements of safety excellence in the following areas:

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[16] A.17-10-007/-008 (cons.), Ex. 03 (SCG/SDG&E Day/Flores/York Revised Direct) and Ex. 362 (SDG&E Taylor Direct).

[17] A.17-10-007/-008 (cons.), Ex. 90 (SCG/SDG&E Buczkowski/Geier Rebuttal) at DLB/DLG-12.

- Organizational Climate – Items probe general conditions that interact with the safety program to affect its ultimate success, such as teamwork, morale, and employee turnover;

- Management Participation – Items describe ways in which top and middle management demonstrates their leadership and commitment to safety in the form of words, actions, organizational strategy, and personal engagement with safety;

- Supervisory Participation – Items consider six primary roles through which supervisors communicate their personal support for safety: leader, manager, controller, trainer, organizational representative, and advocate for workers;

- Safety Support Climate – Items ask employees across an organization for general beliefs, impressions, and observations about management's commitment and underlying values about safety;

- Employee Participation – Items specify selected actions and reactions that are critical to making a safety program work. Emphasis is given on personal engagement, responsibility, and compliance; and

- Safety Support Activities – Items probe the presence or quality of various safety program practices. This focuses on communications, training, inspection, maintenance, and emergency response.

NSC Barometer Survey gives the information and insight in the six critical areas of safety culture described above. Furthermore, NSC's rich database provides the ability to benchmark the results with hundreds of other companies who have conducted similar surveys with NSC and gives a comparative analysis of relative strengths and potential opportunities for organizational improvements and for individual work locations and departments.

SDG&E has now completed three cycles of the NSC Safety Barometer Survey (in 2013, 2016, and 2018) and, when compared to 580 other companies who have gone through similar surveys, the companies have ranked consistently high. In 2013 and 2018, SDG&E ranked above

the 90th percentile. In addition to ranking, the NSC survey tool has helped to identify safety areas of alignment and strength as well as opportunities for potential improvement.

SDG&E has found the NSC survey tool to be very valuable in identifying improvement opportunities in its safety programs and system of safety controls. SDG&E's Safety Department takes the lead in identifying and implementing improvement opportunities that have company-wide relevance and benefit. Management at each work location and business function use the survey results to identify potential improvement opportunities and work with their local management, safety committees, and employee base to create action plans and make needed improvements.

C. Risk Management

Effective risk management practices help to reinforce a strong and positive safety culture. SDG&E has undertaken a thoughtful and measured approach to the adoption of risk management structures and processes at all levels, to further the development of a risk-aware culture. As described in (then-Vice President, Enterprise Risk Management for SDG&E) Diana Day's testimony in the TY 2019 GRC, SDG&E's enterprise risk management organization facilitates the identification, analysis, evaluation and prioritization of risks, with an emphasis on safety, to ultimately inform the investment decision-making process, and works to integrate risk management with asset and investment management through the creation of governance structures, competencies, and tools.[18] The Enterprise Risk Management practices and processes are continuing to be used by SDG&E Electric and Gas Operations to identify safety risks, thus providing a critical element of SDG&E's SMS implementation efforts.

SDG&E's risk management framework is consistent with the Cycla Corporation 10-step Evaluation Method adopted in D.16-08-018. Risk identification, as defined by ISO 31000, is the process of finding, recognizing and describing risks. It includes the identification of risk sources, events, their causes and potential consequences. On an annual basis, SDG&E's Enterprise Risk Management Organization facilitates the enterprise risk identification process through interviews and meetings with risk owners and managers to review and discuss potential

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[18] A.17-10-007/-008 (cons.), Ex. 03 (SCG/SDG&E Day/Flores/York Revised Direct) at DD-2.

changes to the utilities' respective Enterprise Risk Registry. SDG&E continues to work on developing operating unit risk registries in different operating areas of the Utilities and refining the process. SDG&E is leveraging the operating unit risk registries to inform internal asset management strategies to continue the integration of risk and asset management. SDG&E's risk management framework is further discussed in Chapter RAMP-B.

D. Operational Controls

SDG&E describes its operational controls for human safety, pipeline infrastructure and electric infrastructure below. SDG&E's wildfire management efforts are an example of robust operational controls. SDG&E's implementation of Public Safety Power Shutoff (PSPS) events and resiliency efforts are critical operational controls with strong ties to both asset management and risk management.

1. Employee and Contractor Safety

Employee safety is a core value at SDG&E. SDG&E's safety-first culture focuses on its employees, customers, and the public, and is embedded in every aspect of the Company's work. SDG&E's Employee Safety risk mitigation programs are founded on proven employee-based programs, safety training, workforce education, and SDG&E's Illness & Injury Prevention Program (IIPP).

SDG&E's relies heavily on the use of contractors. As further detailed in the Contractor Safety Chapter of this RAMP Report (SDG&E-2), SDG&E standardizes its approach to contractor safety through its contractor oversight program. SDG&E uses both the Contractor Safety Program Standard G8308 for SDG&E and the Class 1 Contractor Safety Manual for contractors to hold all business units and Class 1 Contractors to the same requirements and/or standards. Business units such as Major Projects, Construction Services, and Vegetation Management also have field safety oversight of all construction work performed by Class 1 Contractors working for those respective groups. This oversight includes instituting safeguards to perform all contracted work in accordance with SDG&E standards, OSHA regulations, applicable laws, and Commission Orders such as G.O. 95 (Rules for Overhead Electric Line Construction), and G.O. 128 (Rules for Construction of Underground Electric Supply and Communications Systems). Further, SDG&E currently utilizes third-party administration tools

to ensure contractors comply with SDG&E's established safety and contractual requirements (*see* SDG&E-2-C3).

2. Pipeline Safety Management System (PSMS) – API RP 1173 Implementation

In 2017, SDG&E began its Pipeline Safety Management (PSMS) initiative to align the company's practices with American Petroleum Institute's Recommended Practice 1173 (API RP 1173) and reinforce the company's safety culture through the integration of business needs and gas operational risks in a systematic manner.

Safety Policy witnesses David Buczkowski and David Geier testified in SDG&E's TY 2019 GRC proceeding regarding the elements and varying maturity levels of the Safety Management System that had been implemented to date.[19] More specifically, SDG&E, in its implementation of API 1173 for its gas pipeline operations, has adopted a three-pronged approach based on the following:

      a.   Employee and Contractor Safety;

      b.   Customer and Public Safety; and

      c.   Safety of SDG&E's gas delivery systems.

Each of these categories is addressed in SDG&E's risk management policies, processes, and practices, as well as through day-to-day operations. Moreover, these areas are all reflected in the various risk chapters of this RAMP Report.

As discussed in Omar Rivera's testimony in SDG&E's TY 2019 GRC, API RP 1173 is a structured way to identify hazards and control risks while validating that the risk controls are effective.[20] This includes increased interdepartmental integration of all pipeline safety-related programs and risk management, development and monitoring of leading and lagging indicators, implementation of reporting and oversight processes, continuous program monitoring and improvement, enhanced incident investigation and lessons learned, safety culture evaluation, improved management of change and recordkeeping, enhanced emergency preparedness, and application of competence training.

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[19]   A.17-10-007/-008 (cons.), Ex. 90 (SCG/SDG&E Buczkowski/Geier Rebuttal).

[20]   A.17-10-007/-008 (cons.), Ex. 89 (SDG&E Rivera Rebuttal).

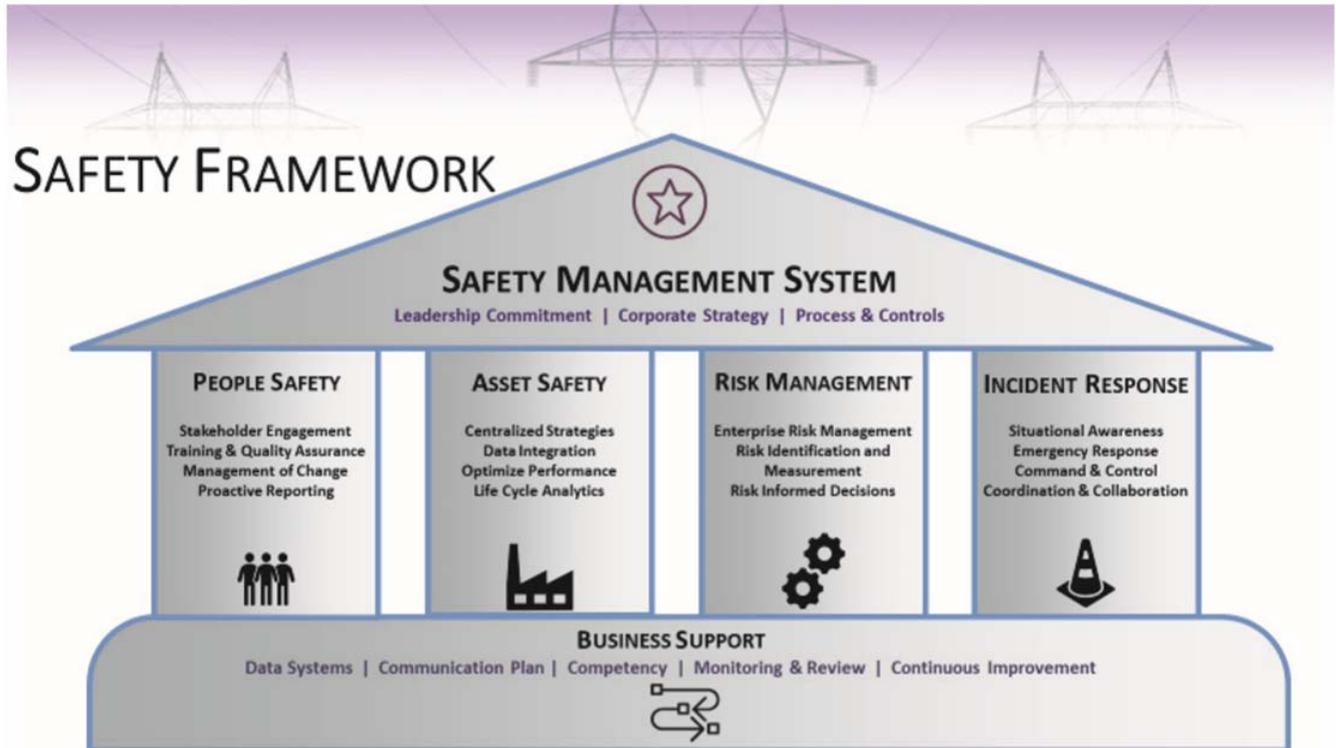### 3.   Asset Integrity Management (AIM) – ISO 55000 Implementation

In 2017, SDG&E began the implementation of its Asset Integrity Management (AIM) program, aligning asset management functions and strategies across SDG&E's electric system operations and implementing an integrated and comprehensive (across entire life cycles) asset management program in accordance with ISO 55000. As discussed in Will Speer's testimony in SDG&E's TY 2019 GRC, the benefits of applying ISO 55000 are three-fold:

1.   Establishing an internal structure supports SDG&E's optimal balancing of asset cost, asset risk, and asset performance, by making safe and effective management of its physical assets a core business function;

2.   Following ISO 55000 (a proven benchmark) will lead to greater internal consistency across asset groups and repeatable and transparent business and asset management processes; and

3.   Implementing the ISO 55000 framework will promote significant alignment across the organization and build "line of sight" to ensure employees at all levels fully understand their role in supporting the goals of the organization, at the top of which is safety.[21]

This asset management initiative is directly aligned with and is a critical extension of SDG&E's enterprise risk management program and is a key component of managing asset safety across the company. In fact, the ISO 55000 standard is structured in a very similar manner to API 1173, regarding the required tenets to achieve conformance, with both standards anchored on the "Plan-Do-Check-Act" process cycle. As outlined in Kenneth Deremer's rebuttal testimony in SDG&E's TY 2019 GRC, managing asset safety is a key pillar of SDG&E's overall enterprise safety system, demonstrated the chart below.

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[21]   A.17-10-007/-008 (cons.), Ex. 68 (SDG&E Speer Second Revised Direct) at WHS-63.

Figure 1: Safety Framework

Since 2017, the Asset Management organization has developed the Asset Integrity Management (AIM) Program to implement an asset management system, which is a systematic and coordinated activities and practices, for electric assets that includes *integrative approach* for governance, strategy, analytics and continuous improvement. Utilizing ISO 55000 asset management framework and requirements, the AIM Program has developed a policy, an integrated electric strategy and individual asset management plans, which serve as key foundational documents for reinforcing asset safety practices and implementing reliable management and operations of electric system assets. Because safety is the company's highest priority, the organization is incorporating a multi-attribute value framework for evaluating investments through a data-driven, quantitative risk- and safety-based lens. This value framework utilizes the company's strategic values and determines standardized value-based metrics to quantitatively compare projects, and thereby enhancing the company's ability to cross-prioritize across portfolio and optimize investment decisions. The initial development of this value framework will be applied to electric distribution assets and employ a phased approach to

implement to transmission other assets supporting the electric system infrastructure. Furthermore, SDG&E is developing an information system platform to enable data integration and perform asset risk analytics to manage risk-informed asset life-cycle planning, strategy development and prioritization. This system platform includes three components – an asset data integration platform, an asset performance management analytics tool, and an asset investment prioritization tool including the value framework. Consistent with the value framework, the initial development of this platform will be applied to electric distribution assets and then phased to other electric system assets.

To date, the Asset Management organization has achieved several milestones, all of which are ISO 55000 requirements:

- Development of organizational structure including executive steering committee, asset management governance, program leadership, asset class owners and managers, implementation and support leaders, and subject matter experts;

- Determination of asset classes and identification of critical asset types within each class based on risk assessments;

- Development of asset management policy, integrated electric strategy, and asset operational plans for electric distribution, transmission and substation operations;

- Initial compilation of asset-related operational and performance metrics for consistent and comprehensive reporting;

- Initial development of alternative replacement strategy analyses and asset health indices for certain critical assets;

- Assessment and design of information systems needed to support electric asset management;

  - Launch of development of information system solutions for data integration, asset performance analytics and portfolio optimization;

- Development of value framework utilizing company strategic values and determining value-based metrics for initial application to electric distribution assets;

- Development of high-level asset management processes and identification of sub-processes for integrated governance, strategy, analytics and performance evaluation; and

- Assessment and assignment of roles and responsibilities required for organizational development and implementation of the AIM program.

As stated above, as of fall 2019, SDG&E is in the process of applying the elements of API 1173 to its electric operations. It should be noted that any SMS development under API 1173 has only begun but the intent is to align fully with the above-described AIM program.

E.   Incident Investigation, Evaluation, and Lessons Learned

The SDG&E Injury and Illness Prevention Programs (IIPP) describe procedures and responsibilities for incident and injury reporting and the steps involved to conduct an incident evaluation. Employees are required to report all work-related incidents and injuries promptly to their supervisor. The incident evaluation process includes proper notification, visiting the incident scene, interviewing employee(s) and witnesses involved, examining the factors associated with the incident, determining the contributing factors of the incident, developing and implementing corrective actions to prevent reoccurrence and documenting findings and corrective actions using the incident evaluation form (or safety information management system). Through the incident evaluation process, SDG&E develops and communicates lessons learned from both internal and external incidents and investigations and makes recommendations for safety performance improvement, including changes to training, processes and procedures.

Every employee at SDG&E has the authority and is expected to "Stop the Job" or stop a task that they believe is unsafe or requires a pause for clarification regardless of level. This action is supported by management, the union, and employees throughout the company. SDG&E's "Near Miss" reporting program is a means to help raise awareness and provides the opportunity to help prevent future incidents by communicating the facts around events that had

the potential to result in injury, illness or damage, but did not. This program allows potential hazards to be investigated, mitigated, and communicated. Reporting near misses also reduces risk by promoting a safety culture that establishes opportunities to review safety systems and hazard control and to share lessons learned. SDG&E has a Close Call (or Near Miss) Reporting portal where employees can report an incident on-line. Additionally, this portal allows for employees to print the form and anonymously submit to their supervisor or the Safety Department. Further discussion on these programs can be found in the Employee Safety Chapter of this RAMP Report (SDG&E-3).

SDG&E has established a team to create a more comprehensive and robust investigation standard and reporting process. Applying this process uniformly across the Company will result in more consistent investigations and will allow lessons learned to be shared broadly. In addition, regular training is provided for those conducting incident investigations to confirm consistency and thorough investigations.

F.   Safety Assurance

Audits & Evaluations – Regularly scheduled internal audits are performed by Sempra Energy Audit Services who work directly with Company management to assist in assessing risks and evaluating business controls needed to enable SDG&E to achieve its objectives. Audit Services has full access to all levels of management, and to all organizational activities, records, property and personnel relevant to activities under review. Audit Services is authorized to select activities for audit, allocate resources, determine audit scope and apply techniques required to accomplish audit objectives. Audit Services is authorized to obtain the necessary direct access of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization. The scope of work conducted by Audit Services is to ascertain that Sempra Energy's processes and business controls, as designed and maintained by management, are adequate and functioning in a manner to help ensure compliance with policies, plans, procedures, laws, regulations and contracts; safeguarding of assets; effectiveness and efficiency of operations; and reliability and integrity of operating and financial information. Business controls are actions that increase the likelihood of achieving the above objectives. Management is responsible for taking ownership of, and being accountable for,

understanding, establishing, and maintaining effective business controls. Through this effort, Audit Services can effectively work with management to ensure the business controls are designed and functioning properly. These collective efforts provide a basis for Audit Services to provide an independent evaluation to management and the Board of Directors as to the adequacy of the Company's overall system of business control. Management will address any identified deficiencies by Audit Services and develop management corrective actions to resolve the findings. Management corrective actions are assigned a completion date and Audit Services reviews to ensure identified findings are resolved prior to closing out the audit.

Executive Safety Council Team Meeting Dialogs – The Executive Safety Council is the governing body for all safety committees. Led by SDG&E's Chief Safety Officer and Director - Safety, this is a roundtable with company officers to advance the company safety culture, address enterprise-wide safety strategy, and give employees an opportunity to share their safety experiences with company leadership. The Executive Safety Council represents SDG&E's labor and represented workforce.

Electric Safety Subcommittee – This committee brings management and electric front-line personnel together as a forum to discuss safety concerns from the perspective of those closest to the risks. The objectives are to make a lasting difference in reducing unnecessary risk, resolve division-wide safety issues/concerns and have front line employees bring information back to their respective workgroups.

Gas Safety Subcommittee – This committee brings represented employee representatives from each district and management together monthly to discuss concerns and address potential gas operations safety hazards. The objective is to reduce unnecessary risk, resolve gas safety issues/concerns, and communicate information back to frontline employees.

Field and Office Safety Committees (site-specific) – These committees (approx. 50) are actively engaged in safety awareness through education, promoting a healthy lifestyle, encouraging work-life balance and always maintaining a work environment. To keep the committees connected, quarterly meetings are held with committee chairpersons and co-chairpersons. During these meetings safety updates are shared, training is provided, and action

planning steps are identified. Like SDG&E's other safety committees, site committees roll up to the Executive Safety Council as the governing body.

Behavior Based Safety Program – SDG&E's Behavior Based Safety Program is a leading proactive approach to safety and health management, focusing on principles that recognize at-risk behaviors as a frequent cause of both minor and serious injuries. Behavior Based Safety is the "application of science of behavior change to real world safety problems." This process is a safety partnership between management and employees that continually focuses attention and actions on their, and others', daily safety behavior, to identify safe and at-risk behaviors (*i.e.*, leading indicators). Through a peer observation program, employees observe employees working using a critical behavior inventory checklist to track safety behaviors and have a dialog on safe and at-risk behaviors, then recommended behavioral safety changes. The purpose is to reduce recurrences of at-risk behaviors by modifying an individual's actions and/or behaviors through observation, feedback, and positive interventions aimed at developing safe work habits.

Management Field Observations – Field supervisors conduct documented observations with their employees to address at-risk behaviors and to attempt to modify an individual's actions and/or behaviors through these interactions. Supervisors provide quality feedback during these positive interventions aimed at developing safe work habits and improving safety culture.

Grassroots Safety Culture Change Teams - SDG&E's grassroots safety culture change initiative involves a safety culture journey that goes beyond the "3 E's" of engineering, enforcement and education. The emphasis is on building relationships, partnerships and trusts which impact strategic focus areas of the company including safety. This approach uses an "iceberg analysis" to identify cultural norms and assumptions that cannot be seen (below the waterline) that may undermine established policies and procedures, uses Behavior Based Safety observations and develops a culture action team to address at-risk behaviors.

Safety Congress and Leadership Awards – Held annually, the Safety Congress provides a forum for safety committee members, safety leaders and others to share and exchange information and ideas through networking and workshops. At this event, safety leaders are recognized for living by the company's safety vision, turning that vision into action, embracing the SDG&E safety culture and demonstrating safety leadership.

The National Safety Council (NSC) Barometer Survey – As noted above, the NSC Barometer Survey is used to assess the overall health of the safety climate and helps to identify areas of opportunity to eliminate injuries and improve focus and commitment to safety. The survey is administered to employees every other year. All organizations interpret their results using a three-step process to investigate, discuss, and understand where the improvement opportunities are. Organizational leaders work with their employees and decide where the attention is needed. After analysis, they identify and implement specific action-oriented strategies within their organization and carry out action plans to completion.

Environmental & Safety Compliance Management Program (ESCMP) – SDG&E's comprehensive health and safety risk management organization and framework establishes and carries out SDG&E's health and safety risk management policies, including SDG&E's ESCMP. ESCMP is an environmental, health and safety management program to plan, set priorities, inspect, educate, train, and monitor the effectiveness of environmental, health and safety activities in accordance with the internationally accepted standard, ISO 14001. ESCMP addresses compliance requirements, awareness, goals, monitoring and verification related to all applicable environmental, health and safety laws, rules and regulations, and company standards. SDG&E also has an annual ESCMP Certification process, which involves submittal of information into the database used to collect and record employee and facility compliance. In January of each year, ESCMP information is submitted into an online system for year-end approval and certification for the prior calendar year. ESCMP has been refined, improved and matured over the years and is still in place at SDG&E.

G.   Management Review and Continuous Improvement

As noted above, SDG&E's management review and continuous improvement efforts begin with the continuous assessment of risks identified through the ERM and Asset Management processes. The observations and information captured through the ERM and Asset Management work are used to develop the strategic risk mitigations. The mitigations are implemented though operating and functional units. The implementation status, results and lessons learned are captured though on-going managerial oversight throughout all layers of

management. The results of these oversight efforts are reviewed with the Executive Safety Council and SDG&E's leadership on a regular basis.

Management Review of Performance – Safety metrics provide a baseline for how well our organization is performing. Tracking both leading and lagging indicators and comparing historical results provides a baseline for continuous improvement and offers the ability to identify improvement opportunities. Common metrics (*e.g.,* OSHA, LTI, DART, CMVI and Near Miss incidents) are tracked and analyzed and recommendations for safety performance improvement are made, including training, tools, equipment, processes and procedures. SDG&E is also in the process of developing an electric operations SMS based on the principles and tenets of API 1173. This effort will codify the expectations and drive development and monitoring of proactive objectives. Robust review processes will be developed to maintain and continuously improve a strong SMS.

Continuous Improvement – As described above, management reviews results from a variety of safety metrics, including injuries, motor vehicle accidents, near miss incidents, safety observations, and is actively involved in evaluating risk and developing necessary action plans. Safety goals are set with continuous improvement in mind, by focusing on increasing current goals and developing new leading indicators. Safety observations and near miss reporting have increased to "best ever" levels. A new initiative, the Serious Injury and Fatality (SIF) Exposure Assessment Initiative, will focus on developing a SIF decision tree and decision logic, SIF exposure metrics and rates, identifying SIF precursors, using critical controls field verification check sheets, and strengthening corrective actions. Utilizing new technology in our fleet (vehicle telematics) to improve employee safety will provide data analytics in real-time on driver behavior, fleet utilization, geo-fencing and vehicle health.

SDG&E has a healthy safety culture that encourages continuous improvement based on feedback from the front lines and from findings from investigations of incidents and near misses. The work to develop an API 1173-based electric operations SMS will align risk and asset management approaches to enhance proactive continuous improvements through risk mitigation based on predictive analysis rather than on experience of incidents or near-misses.

H.   **Emergency Preparedness and Response**

SDG&E conducts public awareness efforts through education and outreach to enhance the safety of its customers and general public. These efforts are designed to engage with our customers and the public to inform them about our shared safety responsibilities. For example, SDG&E's Public Safety campaigns focus on informing and educating the public about the danger of downed power lines, pole contact from vehicles and the hazards associated with digging near gas lines. These campaigns include videos, TV and radio spots, newspaper ads, billboards and collateral geared toward a variety of scenarios used for different audiences. Of equal importance are outreach activities with local first responder agencies, county coordinators (emergency management), and other public officials that occur on a yearly basis, focusing on how SDG&E partners through planning, training, and exercises prior to emergency incident response. This includes alignment of Utility ICS and Unified Command goals and objectives, understanding protocols and procedures, establishing effective Liaisons and Gas and Electric Safety Zones and processes, and reviewing infrastructure location information, hazard awareness and prevention, leak recognition and response, emergency preparedness and communications, damage prevention and integrity management. In addition, SDG&E also partners with these stakeholders throughout the year on joint drills, exercises, tabletops, and preparedness fairs in order to enhance our coordination and response during emergencies. Target audiences include but are not limited to:

- The County Office of Emergency Services;
- All Fire Departments and personnel (firefighters to Chief Officers);
- All Local Agency Emergency Dispatch Centers/personnel; and
- All Law Enforcement Agencies.

Emergency Preparedness – SDG&E's PSPS program is an element of utility wildfire mitigation plans authorized by the CPUC to address the threat of wildfire and customer/public safety, as discussed in Chapter SDG&E-1. SDG&E's PSPS Communication plan consists of a public outreach and education campaign, implemented June through November. Communications will also include notifications for Public Safety Power Shutoff events. These

communications target customers, first responders, public officials and government, public safety partners, as well as the Access and Functional Needs community.

The SDG&E First Responder Outreach Program is beginning its 7th year of service to all First Responder agencies in San Diego County. This Outreach Program has expanded significantly since its inception, as described above, by increasing target audiences, as described above, establishing an Operational Field & Emergency Readiness (OFER) program, and strengthening relationships with key stakeholders internally and externally. The OFER program objective is to provide targeted training and contingency planning activities for the local first responder agencies, as well as improved scene management and the use of the UICS for SDG&E responders. Strategic partnerships with agency leadership allow for increased communication, awareness of gas and electric safety protocols and collaboration on mutual emergency preparedness to ensure employee and public safety. These objectives are accomplished through our previously described annual First Responder training and exercise programs, including the following meetings and collaborative outreach programs:

- Monthly briefings and input meetings with the San Diego County Fire Chief's Association on SDG&E response, planning, training and exercise programs;
- Quarterly briefings with the County Fire Training Officers' committee;
- Annual briefings with the San Diego Police and Sheriff's Association; and
- Regular meetings and collaborative efforts with the County Office of Emergency Services.

Further details about these programs can be found in SDG&E's Customer & Public Safety Chapter of this RAMP Report (SDG&E-5).

Response Plans – SDG&E developed and maintains an Emergency Operations Center (EOC) for use during significant emergencies to allow Company employees to efficiently collaborate and take appropriate action for the response and mitigation of that emergency. During an EOC activation, over 50 subject matter experts may be brought into the EOC, from across the Company, to provide strategic direction, coordination and to facilitate all aspects of the emergency response through event duration. When activated, some basic responsibilities of the EOC include:

- Acquire and allocate critical resources;

- Consistent and aligned internal and external communications;

- Manage crisis information;

- Strategic and policy-level decision-making; and

- Provide centralized coordination of all aspects of the emergency.

The EOC is the hub from which all incident management, response, and communication is coordinated and/or directed. As such, the EOC serves a critical support function to ensure that SDG&E can respond effectively and efficiently to any hazard it may encounter, thereby protecting the safety of its employees, stakeholders, customers, the public, contractors, and any other resources or individuals in its service territory. After Action Reviews (AAR) are core to our Continuous Quality Assurance and Improvement process in Emergency Management. Following an incident or an emergency, AAR's are developed and facilitated to identify the following:

- What went well;

- What needs improvement; and

- Specific Action Items toward improvement (these are entered into a data base and tracked to completion).

I.   Competence, Awareness, and Training

SDG&E's employees and contractors receive extensive training because we believe safety starts with proactive upstream measures to prevent a safety incident from occurring. Front-line employees are trained in behavior-based safety programs, such as Stop the Job, which is a program that empowers anyone to stop the job at any time, without fear of retaliation, if they see a condition that might be unsafe. Further details about SDG&E's training programs can be found in the Employee Safety Chapter (SDG&E-3).

J.   Documentation and Record Keeping

For safety and compliance purposes, SDG&E has implemented various recordkeeping controls for its system in accordance with, for example, the following CPUC regulations:

- General Order (GO) 95 – Rules For Overhead Electric Line Construction

- Rule 80.1 defines the record keeping requirement for the required inspection of joint-use poles.
- GO 128 – Rules For Construction of Underground Electric Supply and Communication Systems
  - Rule 17.7 provides requirements and responsibility for records pertaining to the location of underground facilities.
- GO 165 – Inspection Requirements For Electric Distribution and Transmission Facilities
  - Section III and Section IV provide the records management requirements for the inspection and maintenance of electrical assets for distribution and transmission facilities, respectively. Additionally, Section III.D requires submittal of an annual report identifying the asset inspection work completed.
- GO 166 – Standards for Operation, Reliability, and Safety During Emergencies and Disasters
  - Standard 11 requires annual reporting reflecting compliance with the G.O. and any modifications to the emergency plan.
- GO 174 – Rules for Electric Utility Substations
  - Section III provides requirements for substation inspection program records and reporting requirements.

There are also many CPUC decisions (*e.g*., D.16-01-008) and additional requirements around data and records management resulting from various CPUC directives and laws (*e.g*., AB 1650). In addition to the existing rules, SDG&E must also comply with new or developing records management rules.

SDG&E's records management policies include, but are not limited to, processes and systems containing records, definition and identification of records, organizational records (both paper and electronic) and document retention and disposal policy. The goal of records management policies and practices is to provide consistent responsibilities for records management, and to require the assignment of specific accountability for oversight and administration of records management.

SDG&E also has record coordinators across the company. These record coordinators manage records and related issues and are based within each of their respective business areas.

The purpose is to give each operational area day-to-day control over records for which it has responsibility and knowledge. While not their primary job function, the record coordinators work closely with Financial Systems to promote and support the Company's records policies and procedures. In effect, this means that the management of operational asset records is decentralized. Sempra Energy's Audit Services group performs periodic audits to verify compliance with policies related to records management and retention. Historically, these audits have occurred approximately every three years. Lastly, SDG&E uses physical storage space, both on-site and off-site, for records. SDG&E manages the records storage so that it complies with SDG&E's policies related to retention and disposal.

V.   COMPENSATION POLICIES RELATED TO SAFETY

SDG&E's strong safety culture is demonstrated through use of compensation metrics and key performance indicators to drive improved safety performance. As the Commission stated in D.16-06-054, "[o]ne of the leading indicators of a safety culture is whether the governance of a company utilizes any compensation, benefits or incentive to promote safety and hold employees accountable for the company's safety record."[22] Benefit programs that promote employee health and welfare also contribute to SDG&E's safety performance and culture.

In her TY 2019 GRC testimony, Compensation and Benefits witness Debbie Robinson explained how SDG&E's compensation and benefits programs are designed to focus employees on safety, and that SDG&E has increased emphasis on employee and operational safety measures in their variable pay plans, commonly referred to as the Incentive Compensation Plans (ICP), thus bolstering their already strong safety culture and safety performance.[23] Ms. Robinson testified that SDG&E has increased the weighting of the employee and operational safety measures in their variable pay plans since the TY 2016 GRC, such that safety measures comprised 70% of the company performance component by the time the TY 2019 GRC was submitted.[24] Providing even stronger alignment between SDG&E's safety programs and the ICP

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[22]   D.16-06-054 at 153.

[23]   A.17-10-007/-008 (cons.), Ex. 208 (SCG/SDG&E Robinson Direct) at DSR-10.

[24]   *Id.* at DSR-11.

helps to strengthen the Company's safety culture and signal to employees that safety is the number-one priority.

Figure 2, below, taken from Ms. Robinson's TY 2019 GRC testimony,[25] shows that, as of the TY 2019 GRC, the ICP weighting for performance measures related to safety more than tripled since 2015:

Figure 2: ICP Weighting Comparisons, 2015 to 2017
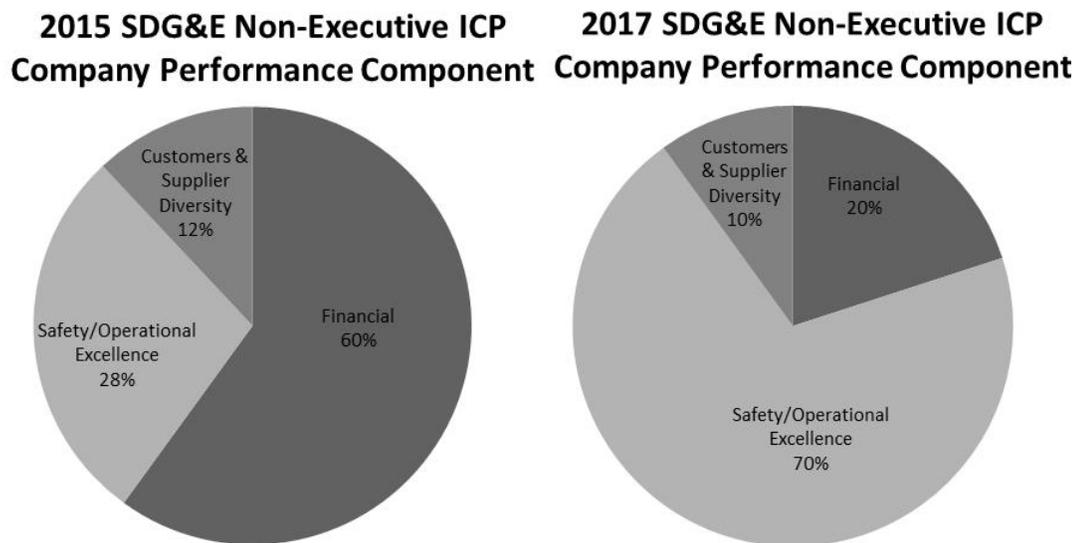
VI. EXECUTIVE AND SENIOR MANAGEMENT ENGAGEMENT IN THE RISK ASSESSMENT, PRIORITIZATION, MITIGATION AND BUDGETING PROCESS

In her TY 2019 GRC testimony, SDG&E's risk management policy witness Diana Day testified that SDG&E's executive management, and specifically the Company's Executive Safety Council, are "committed to and accountable for the development and maintenance of safety culture."[26] Diana Day further testified that SDG&E's leadership holds regular safety meetings at many levels, including Executive Safety Council meetings, which have been in place for over a decade, annual Safety Summits, and annual Contractor Safety Summits, which have included

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[25] *Id.*

[26] A.17-10-007/-008 (cons.), Ex. 03 (SCG/SDG&E Day/Flores/York Revised Direct) at DD-28.

hundreds of participants, representatives from other California utilities and the Safety and Enforcement Division of the CPUC.[27] SDG&E's Executive Safety Council, consisting of top company leadership, meets quarterly to engage directly with front-line employees and supervisors, including especially SDG&E's labor and represented workforce, to listen and reinforce key safety tenets and have an open dialogue on safety issues, performance and culture.

Appendix E to Diana Day's direct TY 2019 GRC testimony described how SDG&E's risk management framework and the annual development and updating of the enterprise risk registry provides a structured way for the organization to reflect on different types of risk and the strategies to control or mitigate those risks, as both a "bottom up" and a "top down" process.[28] Subject matter experts and risk managers from throughout the organization provide insight on risk drivers, impacts, and mitigants for risks that are being assessed. Risk owners and the senior management team at each utility then discuss enterprise level risks and mitigants for those risks. Risk owners and risk managers then have the opportunity to ensure that mitigations for top risks are transparent in the business process and are prioritized in decision making.

The Enterprise Risk Registry is a communication tool that is shared amongst the management team and with employees. On an annual basis, the Vice President of Enterprise Risk Management & Compliance provides the SDG&E Board with a risk update that focuses on key enterprise-level risks and associated mitigants. The Sempra Energy Board of Directors also receives periodic risk updates based on the written reports and management presentations from its operating subsidiaries, including SDG&E. Training and education regarding management of risks is an ongoing endeavor. Senior executives continue to be involved in at least three executive risk sessions each year to review top risks identified for the utilities, ranking and prioritization of the risks, and funding for the mitigations.

The involvement of leadership in the planning process was described in the TY 2019 GRC testimony, as follows:

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[27]   *Id.*

[28]   *Id.* at DD-E-5.

For non-balanced base capital, the Executive Finance Committee (EFC) establishes a total annual capital expenditure target consistent with our authorized GRC funding for that period. From this total allocation, funding is prioritized based on risk-informed priorities and continuous input from operations.

- Step 1 – Initial capital allocations begin with input from Functional Capital Committees (FCCs), which are organized by the nature and type of capital investment or function. These teams of managers and subject matter experts perform a high-level assessment of the capital requirements for serving customers to ensure that infrastructure is maintained and developed to provide safe, reliable service with the highest risk mitigation at the lowest attainable cost. Each FCC elicits broad input for developing each function's capital plan and formulates a prioritized grouping of annual spending requirements.

- Step 2 – The capital requirements identified by the FCCs are provided to the Capital Planning Committee (CPC), a cross-functional team of directors representing each operational area with capital requests. The CPC reviews the FCC submissions, cross-prioritizes projects among the FCCs, and establishes a final ranking for proposed capital work. Projects determined to have the highest ratings on key priority metrics will receive the highest priority for funding. These key priority metrics include: safety, cost effectiveness, reliability, security, environmental, and customer experience.

- Step 3 – The CPC presents its recommendations for capital spending consistent within each functional area and consistent with the overall funding target to the EFC, which reviews the recommendations and either approves the proposed capital funding allocations or requests changes.[29]

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[29] A.17-10-007/-008 (cons.), Ex. 379 (SDG&E Gentes Second Revised) at RCG-3 – RCG-4.

Once the capital allocations are approved, the individual operating organization is chartered to manage its respective capital needs within the allotted capital. The real-time prioritization of work within the context of the budget allocations is completed by the front-line and project managers on an ongoing and continuous basis. Regulatory compliance deadlines, customer scheduling requirements, and overall infrastructure condition are all factors taken into consideration as work elements are prioritized. Progress on existing capital projects is monitored and reviewed on a monthly basis by the CPC and EFC, and any new projects stemming from incremental Commission directives or changing business needs are evaluated and assessed throughout the year to determine whether current capital allocation should be reprioritized. Before starting a project or making any commitments, the project manager must secure specific project approval signatures in accordance with the Company's Internal Order process and approval and commitment policies.

VII. UTILITY BOARD ENGAGEMENT AND OVERSIGHT OVER SAFETY PERFORMANCE EXPENDITURES

SDG&E's Board of Directors determines safety performance measures and targets to be included in each year's ICP and review and approve the results. The Board meets on a quarterly basis where meetings begin with a safety briefing and include a regular review of year-to-date safety performance as well as current safety and risk-related topics. As a part of their oversight roles, the Board may exercise discretion to reduce or eliminate any payout for employee and/or contractor safety measures in the event of a work-related fatality or serious injury.

A. SDG&E's Board of Directors Safety Committee and the Community Wildfire Safety Advisory Council

Governor Newsom signed Assembly Bill (AB) 1054 into law on July 12, 2019. AB 1054 contains numerous statutory provisions and amendments designed to enhance the mitigation and prevention of catastrophic wildfires – including wildfires linked to utility equipment – in California. AB 1054 added Section 8389 to the Public Utilities Code. Section 8389(e) establishes the requirements for annual safety certifications and, *inter alia,* requires electrical corporations to establish a safety committee of its board of directors. SDG&E established its Safety Committee in July 2019 and received its initial safety certification from the Commission via a letter from the Executive Director dated July 26, 2019.

SDG&E's Safety Committee advises and assists SDG&E's Board of Directors in the oversight of safely providing electric and natural gas services to customers.[30] Per the Safety Committee Charter, the duties and responsibilities of the Committee include reviewing and monitoring:

> (a)(i) the Company's safety culture, goals, and risks; (ii) significant safety-related incidents involving employees, contractors, or members of the public; and (iii) the measures to prevent, mitigate or respond to safety-related incidents; and (iv) periodic reports on safety audits.[31]

In addition, SDG&E recently established the Community Wildfire Safety Advisory Council, comprising independent community members who possess extensive public safety and wildfire experience, to advise the Safety Committee. The Community Advisory Council held their first meeting on September 10, 2019 and will meet two to four times per year. Both the Safety Committee and the Community Wildfire Safety Advisory Council are intended to provide additional safety oversight to SDG&E.

VIII. CONCLUSION

SDG&E endeavors to continually improve processes and procedures that further develop our strong safety culture and enhance employee, contractor, customer and public safety. As further demonstrated throughout the chapters of this RAMP Report, SDG&E is making strategic investments in culture, technology, system upgrades and community partnerships to enhance the safety of our employees, contractors, customers and the communities we serve and plans to propose new SMS projects and programs in its TY 2022 GRC. SDG&E is focused on developing these practices and initiatives to improve safety and strengthen a cultural awareness that nothing is more important than keeping our employees, contractors and the public safe.

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[30] *See* Advice Letter 3461-E, filed November 5, 2019 and pending approval, at Attachment B, Revised Safety Committee Charter (adopted July 17, 2019).

[31] *Id.* at Attachment B, p. 3.