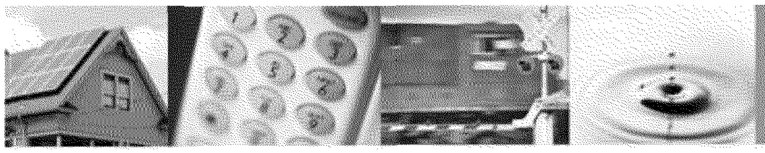
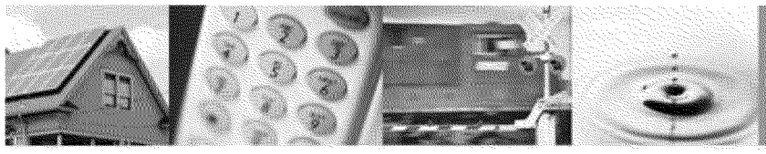


Safety and Enforcement Division

CALIFORNIA PUBLIC UTILITIES COMMISSION
SAFETY AND ENFORCEMENT DIVISION

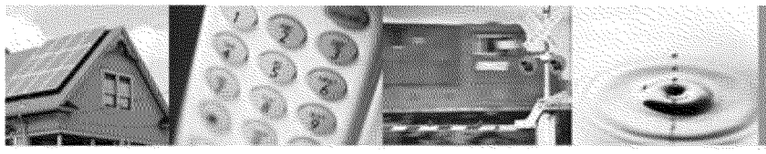
ALJ-274 Workshop

August 1, 2013



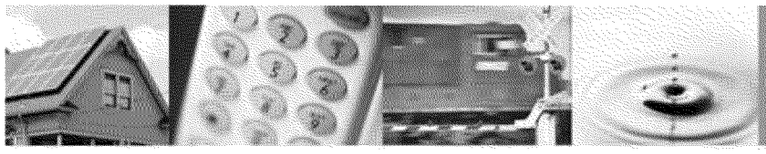
ALJ-274 Workshop

- Emergency Evacuation Instructions and Restroom Locations
- Opening Remarks and Introductions



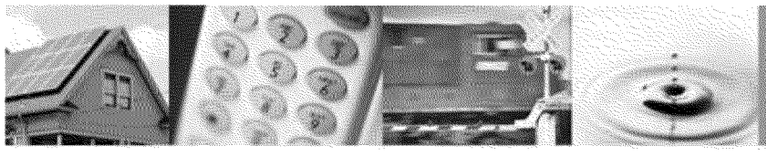
Workshop Overview

- Day 1: Defining a Reportable Violation
  - Understanding implementation of ALJ-274
  - Types of violations reported
  - Violations to be reported within 10 days
  - Identify violations that may be reported on an interval basis
  - Summary of self-reported violations



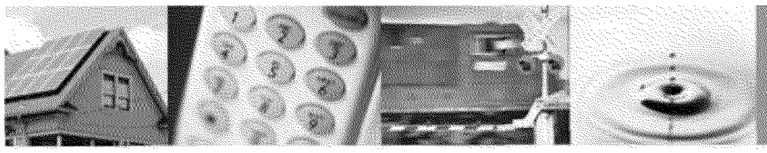
Workshop Overview

- Day 2: Overview of Enforcement Process
  - SED presentation on risk-based treatment of violations
  - Defining risk levels
  - Modifications to ALJ-274
  - Next steps



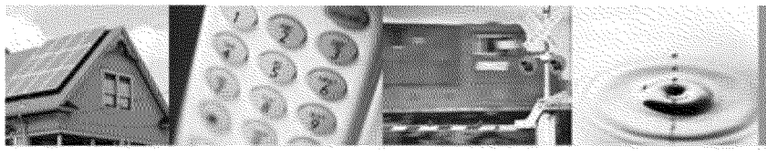
Violations can be identified through:

- Self-identified notifications from Utilities
- Audits and inspections
- GSRB Investigations
  - Complaints
  - Reportable Incidents
  - Issues raised by informants



Enforcement Tools

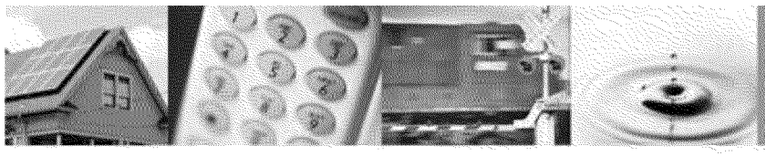
- Letters of Concern
- Citation Program
- Staff Resolution
- Adjudicatory Proceeding



Workshop Objective

- ALJ-274 requires Staff to convene a check-in workshop to consider how the program is working, continued implementation concerns, lessons-learned, and any necessary mid-course corrections.

- Elicit feedback on the gas citation program so that SED staff can further develop the citation process and apply a risk-based treatment of identified violations.



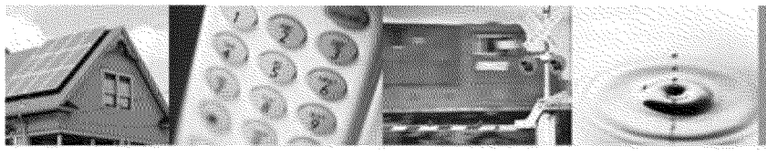
Utility and Stakeholder Input
Implementation of ALJ-274

- Utility Presentations

ALJ-274 Self-Reporting Requirement

Findings and Conclusion #20:

"It is reasonable to require the gas corporations to provide notice of any self-identified and self-corrected violations…to Commission Staff and to local authorities within ten calendar days of self-identification of the violation"



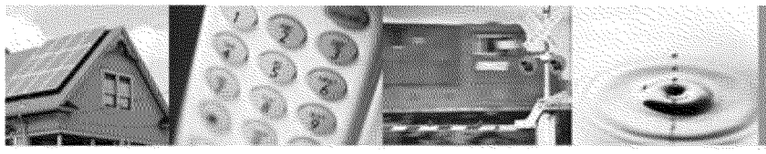
Discussion:
Self-Reporting Requirement

- What types of violations should be reported?
- Should utilities be required to report violations found as part of the QA/QC programs?

ALJ-274 Self-Reporting Requirement

Findings and Conclusion #20:

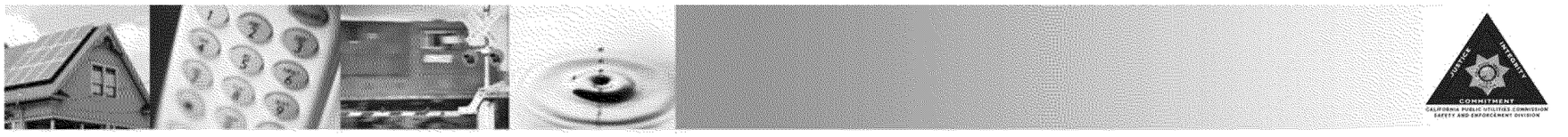
"It is reasonable to require the gas corporations to provide notice of any self-identified and self-corrected violations…to Commission Staff and to local authorities within ten calendar days of self-identification of the violation"



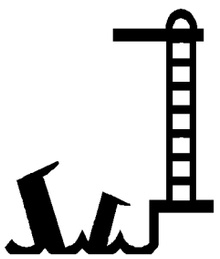
Discussion:
Reporting Timeframe

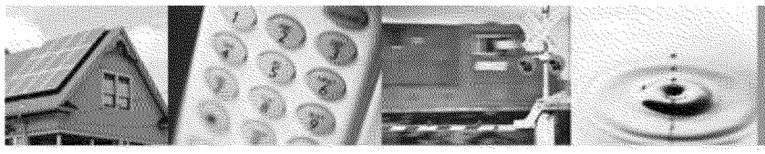
- What types of violations should be reported to the CPUC within 10 Days, as currently required by ALJ-274?

- Are there violations that could possibly be reported to the CPUC on an Interval Basis (e.g. monthly, quarterly)?



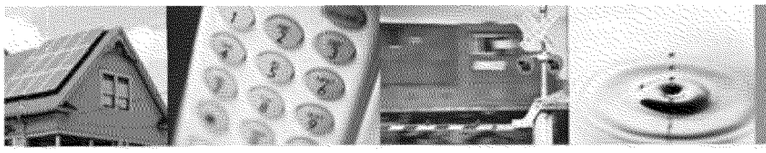
A Deep Dive into Risk Assessment





Topics to be covered:

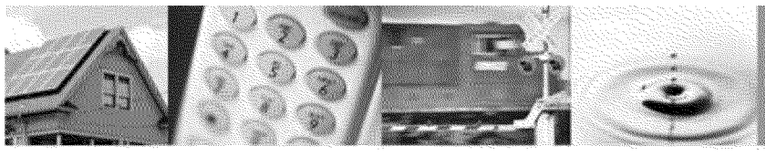
- **Statistics from ALJ-274 Self Reports**
- Background on Risk Assessment
- SED's Proposed Risk Assessment Approach for Evaluation of Identified Violations
- Answering Questions from the Agenda
- Answering Your Questions



STATISTICS

Total Number of Self Reports:

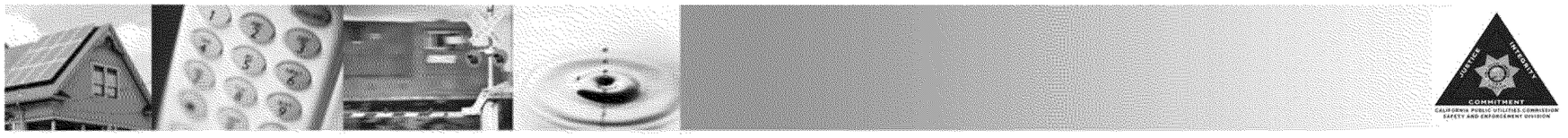
65



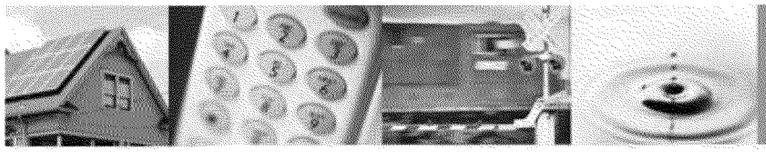
STATISTICS

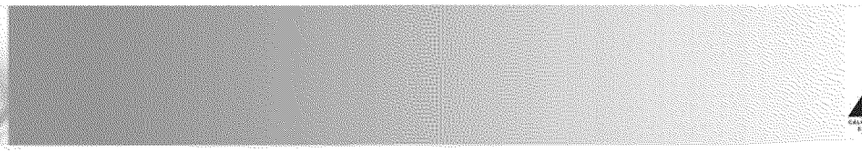
Total number of violations from the self reports:

617

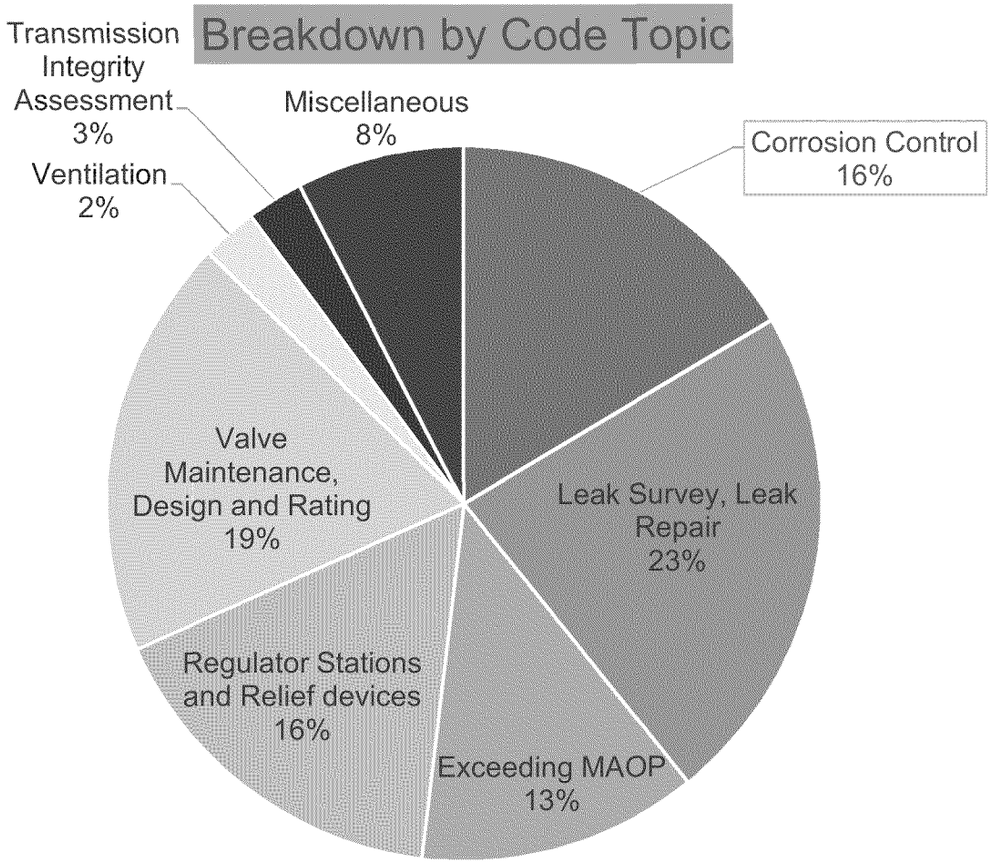


Code Topic	Applicable Part 192 Code Sections	Totals
Corrosion Control	13(c) + Work Procedures, 465, 467, 481	13
Leak Survey, Leak Repair	13(c) + Work Procedures, 706, 723, GO112E, 143.1	18
Exceeding MAOP	123, 201, 619, 621	10
Regulator Stations and Relief devices	13(c) + Work Procedures, 187, 199, 201, 739	13
Valve Maintenance, Design and Rating	13(c) + Work Procedures, 143, 145, 745, 747	15
Ventilation	187, 199	2
Transmission Integrity Assessment	921, 939	2
Odorization	625	1
Operator Qualification	805	1
Inactive Pipeline	727	1
PE Fusion	605 + Company Procedures	1
Steel Pipe Design	13(c) + Company procedures	1
Pressure Testing	507	1
	Total	79

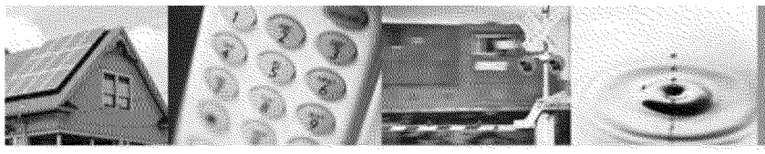




Breakdown by Code Topic



- Corrosion Control
- Leak Survey, Leak Repair
- Exceeding MAOP
- Regulator Stations and Relief devices
- Valve Maintenance, Design and Rating
- Ventilation
- Transmission Integrity Assessment
- Miscellaneous



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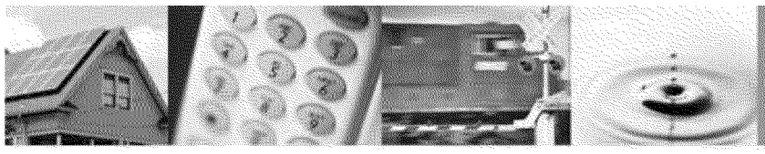
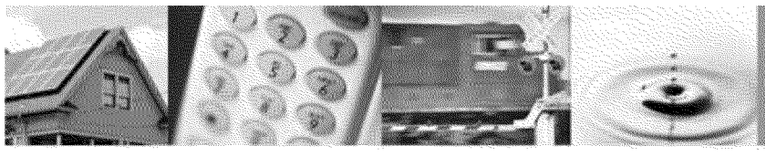
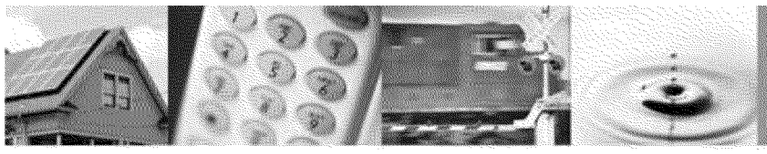


Definitions of Risk



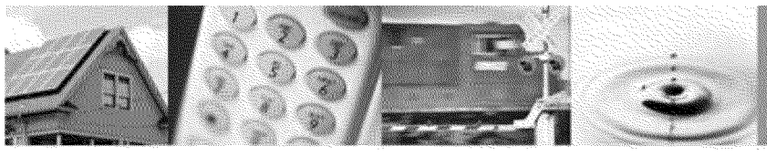
ASME B31.8S-2004

Risk: measure of potential loss in terms of both the incident probability (likelihood) of occurrence and the magnitude of the consequences.



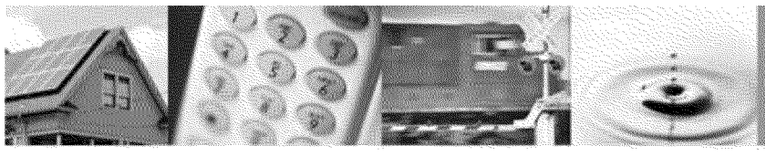
Definition from ISO Guide 73:2009 (From Cycla GRC Report)

Risk: The effect of uncertainty on objectives; often expressed in terms of a combination of the likelihood of occurrence of an event and associated event consequences.



DHS Definition (2010 Risk Lexicon)

- The potential for an unwanted outcome resulting from an incident, event, or occurrence, as determined by its likelihood and the associated consequences.

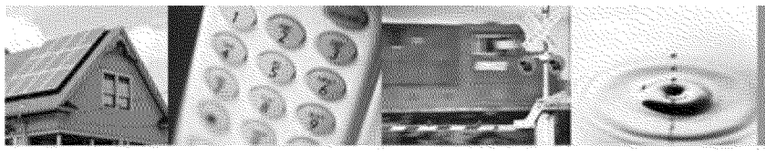


Risk = LOF X COF

Where,

LOF is the Likelihood of failure (aka, frequency, probability, etc.)

COF is the consequence of failure



Risk Assessment Approaches identified in ASME B31.8S-2004 (TIMP)

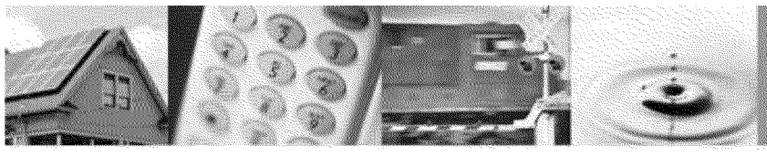
- Subject Matter Experts
- Relative Assessments
- Scenario Assessments
- Probabilistic Assessments

Risk assessment is used in two places in Part 192:

- The Transmission Integrity Management Rule (TIMP)

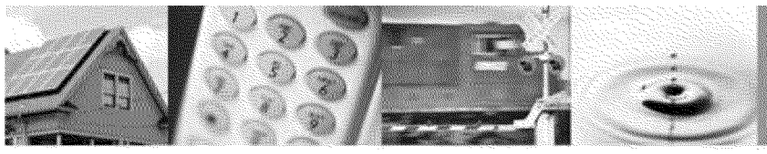
And,

- The Distribution Integrity Management Rule (DIMP)



The Purpose of Risk Assessment

- In the TIMP program, the main purpose of Risk Assessment is to estimate Risk on a segment by segment basis to prioritize Integrity assessments (i.e., physical testing).



- Statistics from ALJ-274 Self Reports
- Background on Risk Assessment
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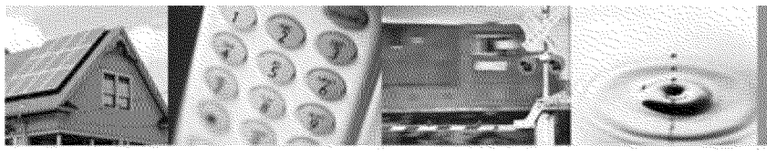
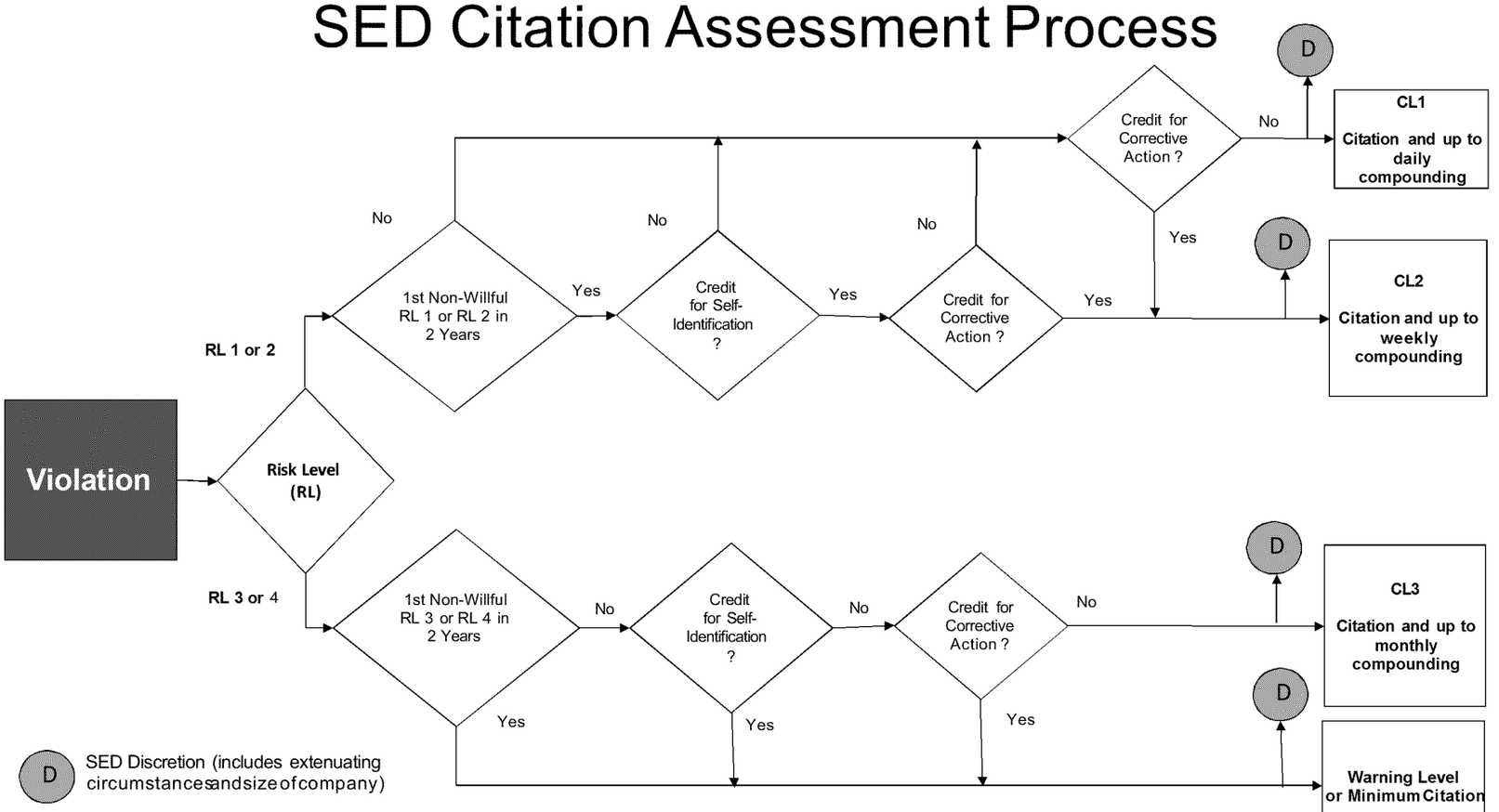


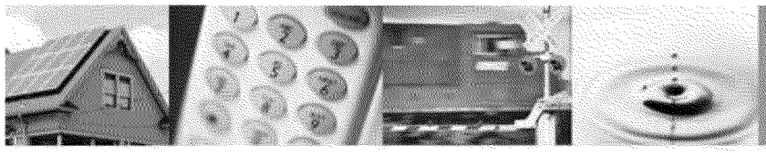
The Purpose of Risk Assessment in the ALJ-274 Program

- The purpose of the Risk Assessment is to estimate the Risk associated with identified violations, thus considering the potential as well as the actual consequences from those violations.

SED Citation Assessment Process



Note: See attached sheet for Definitions and Schedule of Fines.

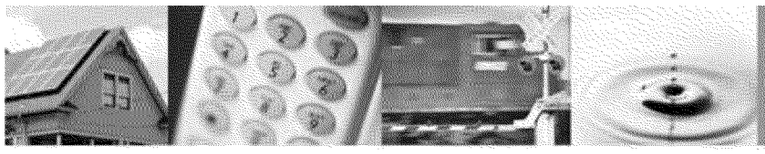


DRAFT Risk Matrix

Probability	Minor	Moderate	Significant	Serious
Highly Likely	RL2	RL2	RL1	RL1
Likely	RL4	RL3	RL2	RL1
Possible	RL4	RL3	RL3	RL2
Unlikely	RL4	RL4	RL4	RL2

Consequence

Probability	**Likelihood of a failure occurring from a violation**
Highly Likely	Almost with certainty
Likely	Need one other contributing factor to fail
Possible	Need more than one contributing factor to fail
Unlikely	Need an ideal condition or unique sequence of events to fail
Consequence	Effect of failure to life and property
Serious	Fatality or Injury requiring in-hospitalization
Significant	Minor injuries not requiring in-hospitalization, Property Damage > $50,000
Moderate	No injury, Property Damage < $50,000, Safety-related condition, Significant media event
Minor	No injury, Property damage < $5,000, Minor/local media event



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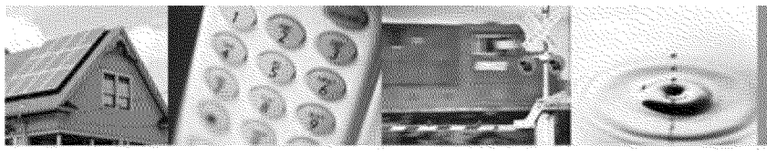
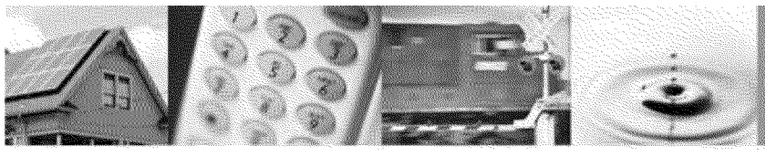


Agenda Questions—Root Cause Analysis

What is the role of Root Cause Analysis?

- **WHAT IS ROOT CAUSE ANALYSIS?**

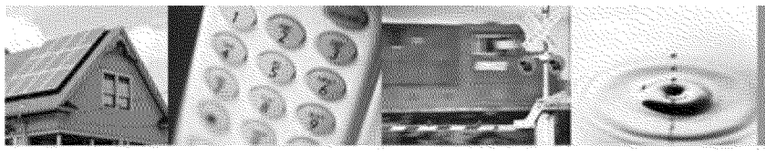
Root Cause Analysis (RCA) is a class of problem solving methods aimed at identifying the root causes of accidents, problems or failures. The practice of RCA is predicated on the belief that problems are best solved by finding and eliminating primary causes (root causes), as opposed to merely addressing the immediate and obvious symptoms.



Agenda Questions—Root Cause Analysis

- **WHAT IS ROOT A CAUSE?**

A Root Cause can be defined as the most basic reason, or reasons, for an accident, problem or failure, which if eliminated, would prevent recurrence. There is almost always more than one root cause and root causes are frequently found to be human errors (i.e. errors in the decision making process). For example, a design error is actually a human error.

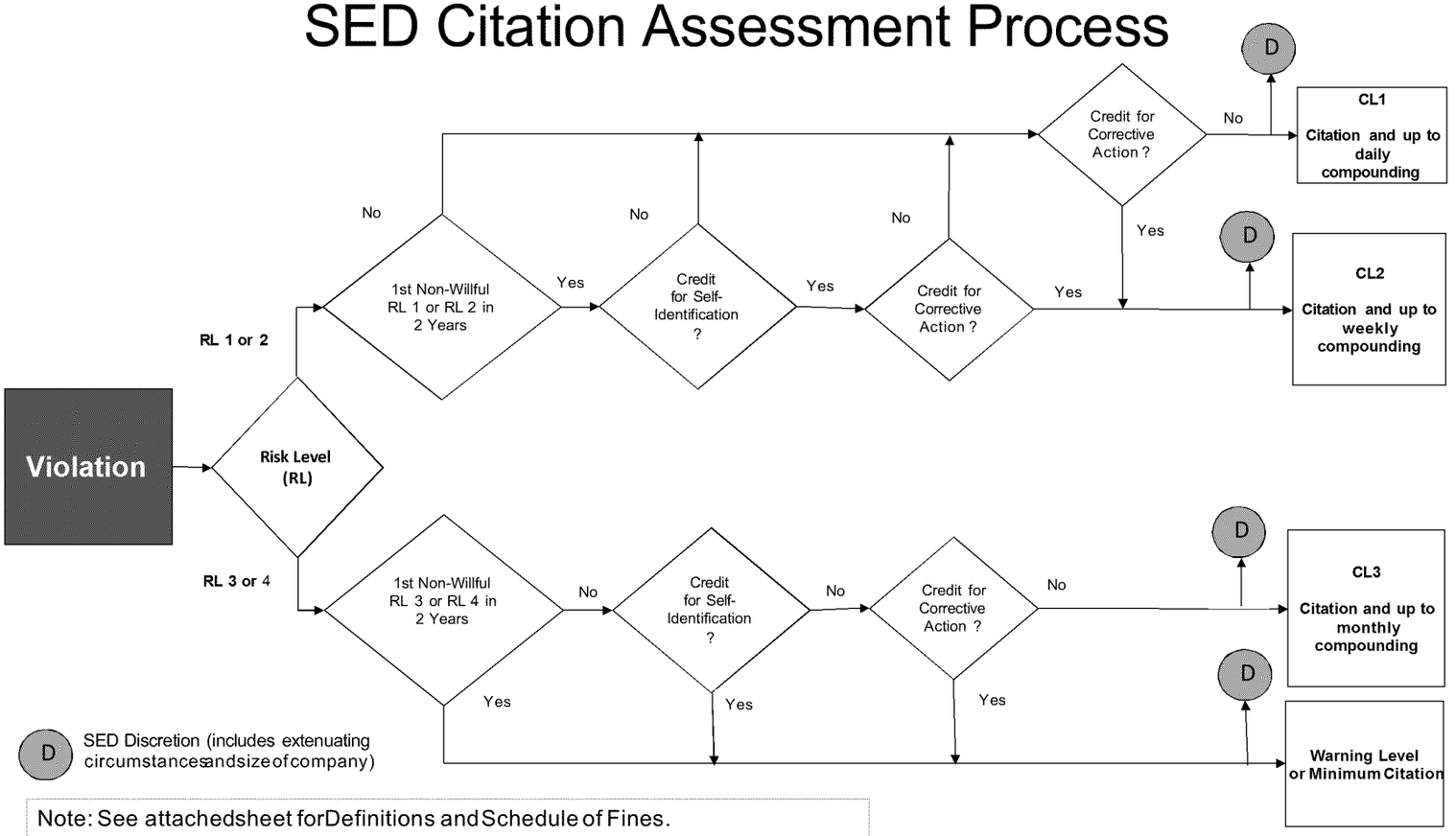


Agenda Questions—Root Cause Analysis

- **WHAT IS CORRECTIVE ACTION?**

Corrective Action is a necessary step in the Root Cause Analysis process which effectively eliminates the root cause(s) for the accident, failure, problem or violation. Corrective actions must always be tracked to closure to ensure that they have been performed.

SED Citation Assessment Process



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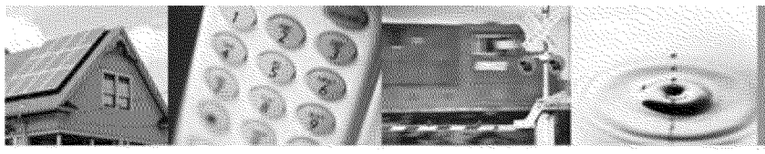
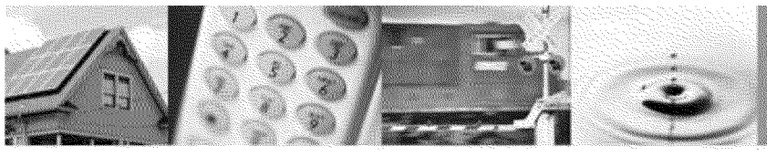


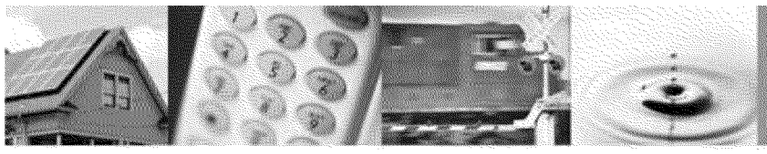
Agenda Questions—Low Consequence Events

- **How will the GSRB treat low consequence, high frequency events (e.g., accidents, failures, problems or violations) vs. high-consequence/low frequency events?**
  - Are the high frequency events a set of unique events, or is the same systemic issue happening repeatedly?
  - Are the low consequence, high frequency events (or violations) indicative of greater problems and issues to come? For example, failure to keep up to date with mapping changes may be a violation of a utilities procedures, and may result in a greater chance for dig-ins in the future.



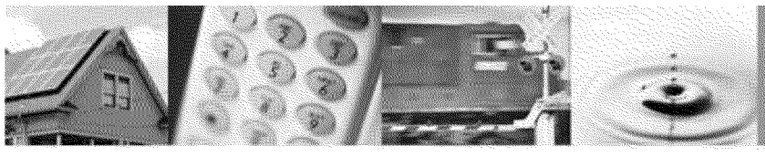
Agenda Questions—Low Consequence Events

- **How will the GSRB treat low consequence, high frequency events (e.g., accidents, failures, problems or violations) vs. high-consequence/low frequency events?**
  - Is there some type of compounding effect that could cause the low consequence, high frequency event to create a greater risk over time. For example, a Cathodic Protection Area that is repeatedly found not in compliance with the minimum -850mV over many years could increase the chance of corrosion leaks.
  - What were the actual consequences of the event?
  - Are the frequency of the events decreasing over time due to corrective actions from the utility?



Agenda Questions—High Consequence Events

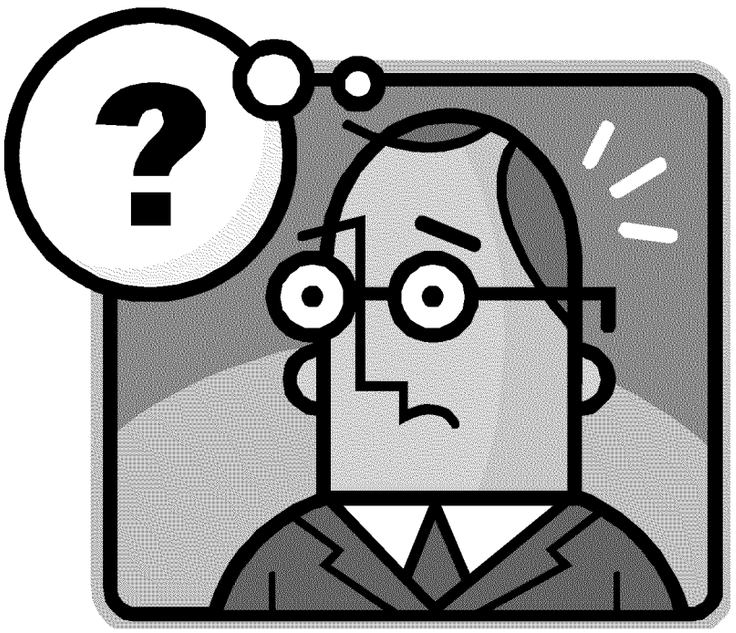
- **How will the GSRB treat low consequence, high frequency events (e.g., accidents, failures, problems or violations) vs. high-consequence/low frequency events?**
  - Could the event have been prevented?
  - Were there a set of unique circumstances that caused the event?
  - What corrective actions have been taken to reduce the low frequency event even further?

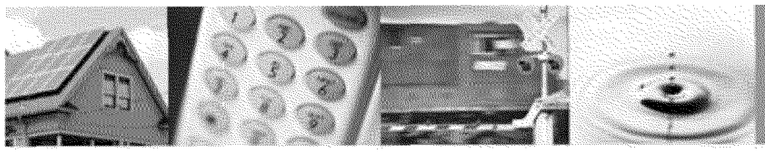


Agenda Questions

- How will trends, analysis, and failure to correct systemic issues be factored in?

QUESTIONS



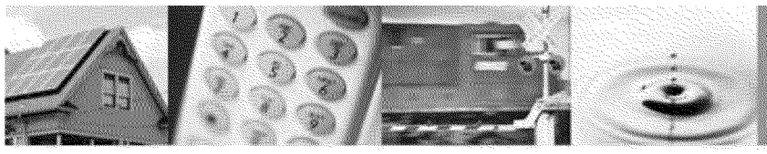


Safety and Enforcement Division

CALIFORNIA PUBLIC UTILITIES COMMISSION
SAFETY AND ENFORCEMENT DIVISION

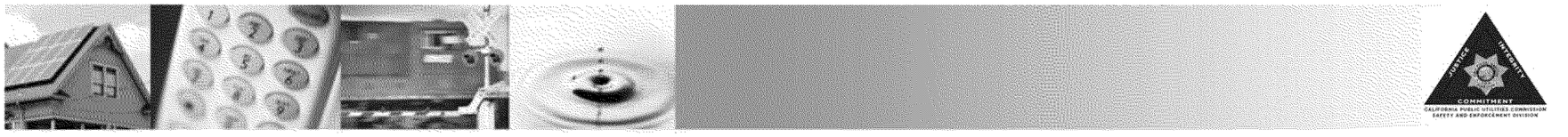
Workshop ALJ-274

August 2, 2013



SED Gas Citation Process

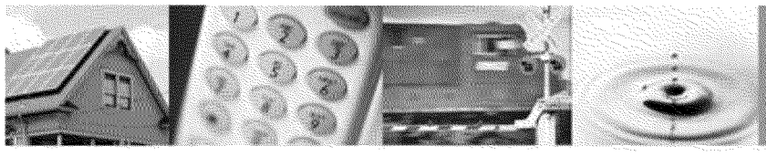
1. Review evidence of Violation
2. Analyze conditions of violation, contributing factors, etc.
3. Assign a Risk Level (RL)
4. Consider aggravating and mitigating factors
5. Notify utility of violation/citation



SED Gas Citation Process

- **RL1 Violations** are those that resulted in, or are highly likely to result in a failure, or the system failing when actually called on to prevent or mitigate a serious or significant safety event. This may also be the proper RL for fraud, deception, misleading Commission Staff, etc.

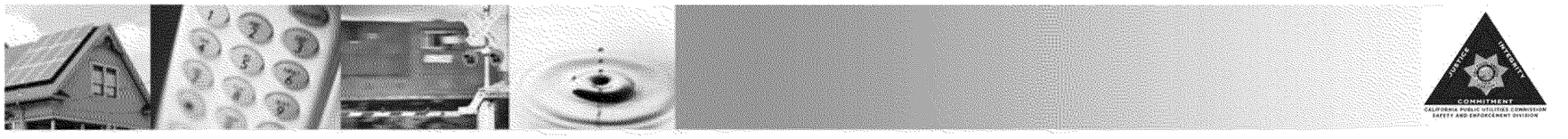
- **RL2 Violations** are those that resulted in, or are likely to result in a failure, or systems not being capable of preventing or mitigating a moderate, serious or significant safety consequences.



SED Gas Citation Process

- **RL 3 Violations** are those that resulted in, or could possibly result in a failure, or multiple systems not being capable of preventing or mitigating a moderate or significant safety consequences.

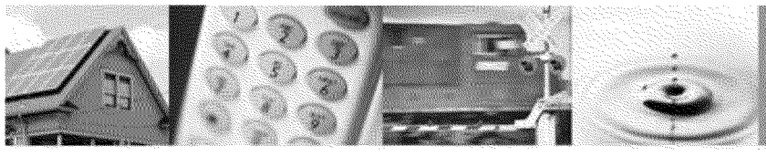
- **RL 4 Violations** are those that are less significant than a RL 3 violation. Generally these minor violations result in a Warning and Corrective Action but generally do not warrant enforcement action unless prior enforcement history and failure to prevent similar recurrence is evident.



SED Gas Citation Process

- **The Key Word is Discretion**

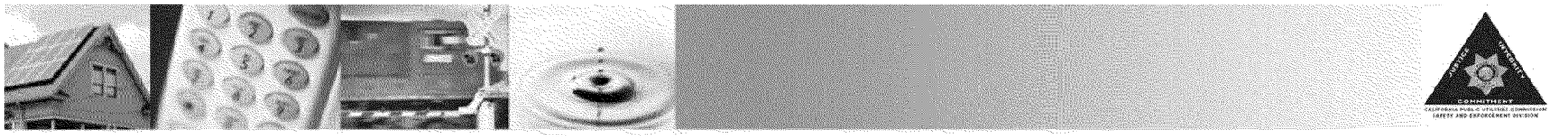
  SED will use discretion to determine whether the total fine amount should be increased or decreased based on the aggravating/mitigating factors, amount of time from violation to discovery, and extenuating circumstances such as the size of the company.



SED Gas Citation Process

General Considerations

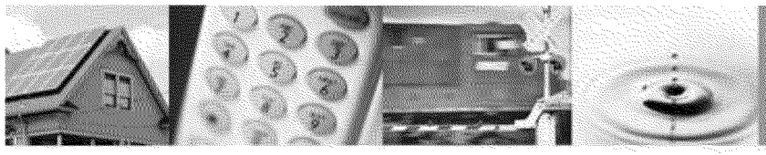
- Number and Scope of violations
- Degree of wrongdoing
  - Deliberate or Inadvertent
  - Repeat violator / violation
  - Actual v. Potential effect on Safety
- Actions to prevent and remedy
  - Cooperation with Commission Staff
  - Voluntarily Actions to prevent and rectify
- Severity of Violation
  - Physical, Economic, Regulatory Process
- Financial Resources of Utility
- Prior Enforcement History
- The Role of Precedent



SED Gas Citation Process

Aggravating/Mitigating Factors Determining Total Amount of Fine

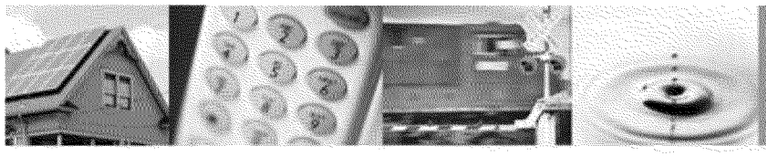
- Utility Reported Violation?
  - Good QA/QC/inspection programs are essential.
- Willful Violation?
  - Willful violations involve either a deliberate violation of Commission requirements or deliberately falsifying information, or careless disregard of Commission requirements or of the completeness and accuracy of information provided.



SED Gas Citation Process

Aggravating/Mitigating Factors Determining Total Amount of Fine (cont'd)

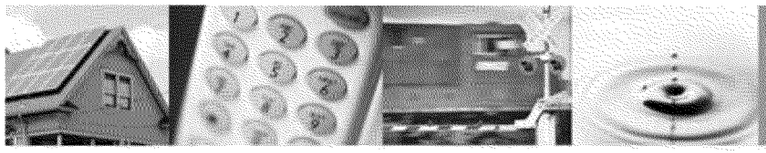
- Repetitive Violation?
  - Repetitive Violation is one that could reasonably be expected to have been prevented by a utility's corrective action for the same, or a similar, previous violation or a previous SED audit finding that occurred within the past 2 years of the current violation, or that occurred within the period covered by the last two audits, whichever period is longer.
- Utility Missed Opportunity to Identify Violation? Why?
  - Does the company have an adequate QA/QC program to identify violations?



SED Gas Citation Process

Aggravating/Mitigating Factors Determining Total Amount of Fine (cont'd)

- Truthful, Accurate and Complete Information and/or Report to the CPUC?
  - Honest mistake or Intentional?
  - How significant was the erroneous information?
  - Did the Commission rely on the information before the utility corrected it?
  - Was the error due to careless disregard?
  - How quickly was the error reported to the Commission?
- Are the Corrective Actions Prompt and Comprehensive?
  - Return of structure, system or component to operability
  - Determination of Root Cause of the violation
  - Determination of Corrective Actions to prevent the violation from recurring
  - Tracking Corrective Actions to completion.

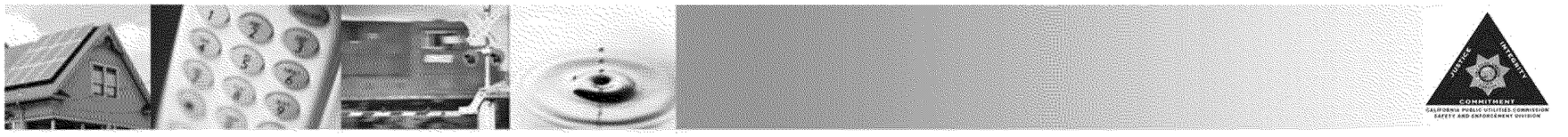


DRAFT Risk Matrix

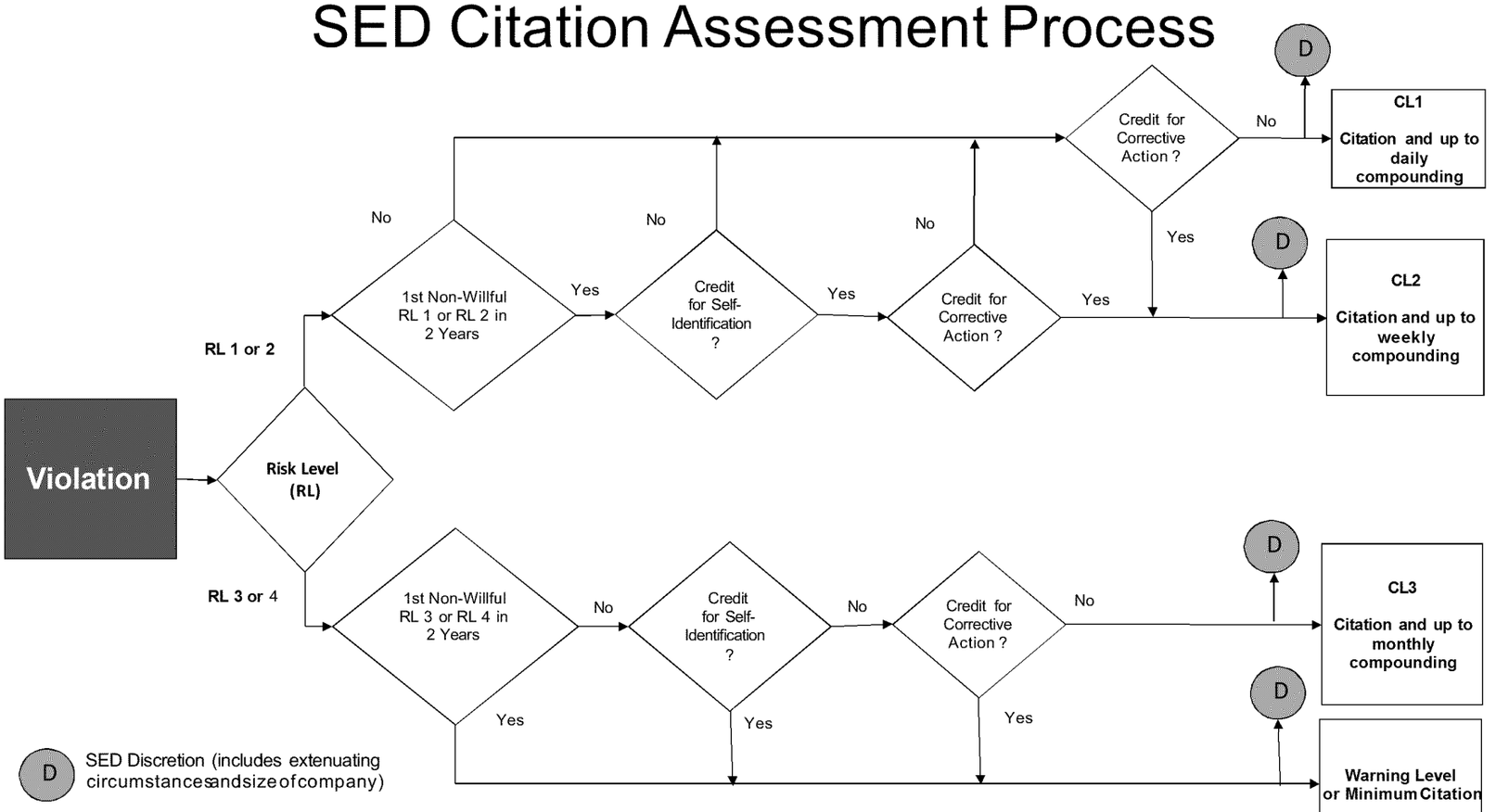
Probability	Minor	Moderate	Significant	Serious
Highly Likely	RL2	RL2	RL1	RL1
Likely	RL4	RL3	RL2	RL1
Possible	RL4	RL3	RL3	RL2
Unlikely	RL4	RL4	RL4	RL2

Consequence

Probability	Likelihood of a failure occurring from a violation
Highly Likely	Almost with certainty
Likely	Need one other contributing factor to fail
Possible	Need more than one contributing factor to fail
Unlikely	Need an ideal condition or unique sequence of events to fail
Consequence	Effect of failure to life and property
Serious	Fatality or Injury requiring in-hospitalization
Significant	Minor injuries not requiring in-hospitalization, Property Damage > $50,000
Moderate	No injury, Property Damage < $50,000, Safety-related condition, Significant media event
Minor	No injury, Property damage < $5,000, Minor/local media event

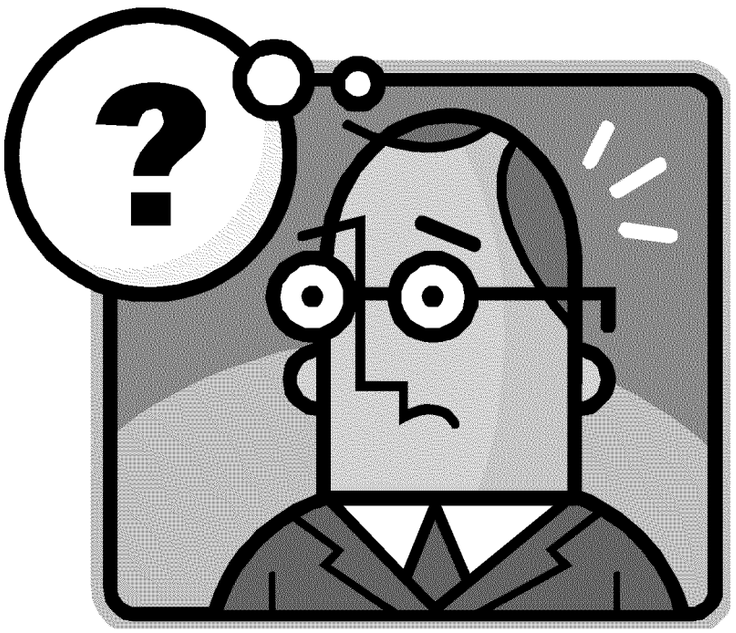


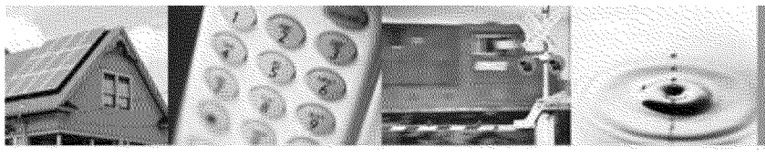
SED Citation Assessment Process



Note: See attached sheet for Definitions and Schedule of Fines.

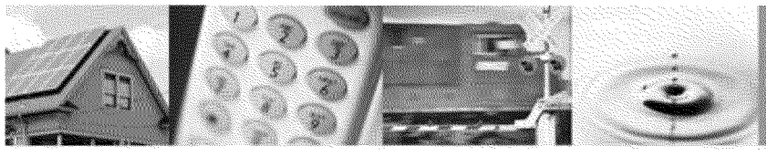
QUESTIONS





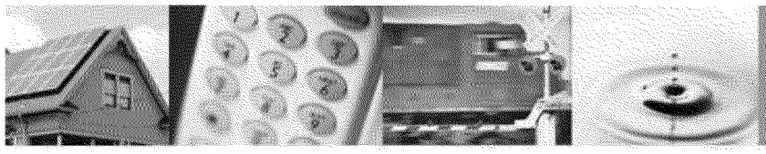
Appeal Process

- Respondent must submit a Notice of Appeal within **10 calendar days** from the date the service of citation to the Director of SED
- The appeal must also be served to the CPUC Executive Director, the Chief ALJ, the General Counsel, and the Director of DRA.
- An ALJ is assigned to set the matter for hearing
- The ALJ has 60 days after the appeal is submitted to issue a draft resolution
- The draft resolution is placed on the first available agenda
- Parties may file comments on the draft resolution

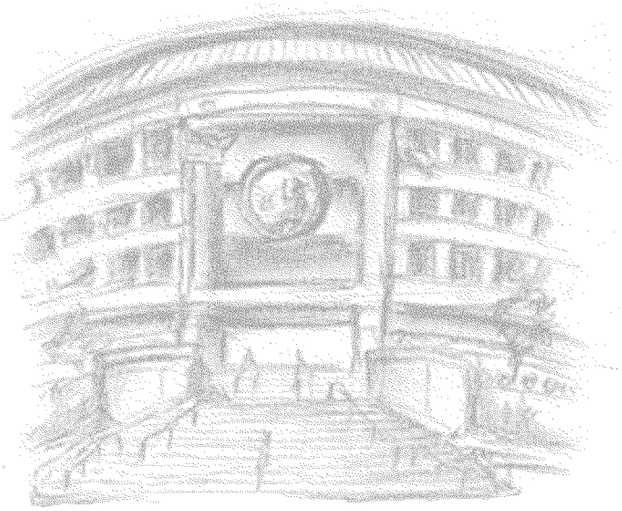


Next Steps and Closing Comments

- What Corrections, Modifications or Clarifications are Needed for ALJ-274?
- What Issues Need Follow-Up Discussions
- Written Comments
- Next Steps



Thank You!



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