

# DCS COMPLIANCE PROGRAM

## Statement of Policy:

It is Distribution and Customer Service (DCS) policy to safely manage its activities in full compliance with commitments from all applicable:

- legal and regulatory requirements,
- PG&E Corporate Policies and Standard Practices, and
- DCS Policies and Standards.

## Overall Accountability:

The DCS Senior Vice President and General Manager is responsible for authorizing, issuing, and updating this policy and for monitoring its implementation.

DCS Officers are responsible for authorizing, issuing, and updating DCS Standards to implement this policy within their areas of responsibility.

## Definitions

*Applicable legal and regulatory requirements* are those laws and regulations that govern work performed by the company.

*Checklist* is a comprehensive review tool for a work process. The checklist identifies key commitments, functions, and activities of a work process.

*Commitment* is a statement of a requirement with which PG&E must comply. The source of a commitment may be external to PG&E (Rules, Tariffs, Government Code, Rates, etc.) or internal (Policies, Standards, Standard Practices, etc.).

*Compliance* is the act of fulfilling a stated commitment.

*Compliance Advisory Team* is an advisory team composed of selected DCS vice presidents and the DCS chief counsel that provides advice and guidance to the Operational Compliance Department and makes recommendations on DCS compliance issues to the Senior Vice President and General Manager. The team reviews compliance findings and their resolutions.

*Compliance Commitments Database* is the computerized repository of all DCS Compliance Commitments.

*Compliance Plan* is a document that formalizes all the activities an organization performs to assure and maintain compliance.

*Compliance Program* is a management system based on fundamental principles that focus energies on consistent and systematic compliance.

*Seven Elements* of an effective compliance program are the minimum attributes of an effective compliance program as defined in the Federal Sentencing Guidelines (see attachment).

*Work Instructions* are written documents that define methods for performing work processes or work activities. Work instructions can be standards, procedures, manuals, checklists, or other job aids.

# DCS COMPLIANCE PROGRAM

## Implementation

### 1. Compliance Accountability

- A. DCS Officers will ensure that activities for which they are responsible are performed in compliance with DCS commitments. Officers will:
  - develop a Compliance Plan, based on this policy and its attachment, that demonstrates their commitment to compliance and documents the methods and activities to be used to ensure compliance;
  - clearly delineate their organizations' responsibilities and accountabilities; and
  - provide the necessary resources to implement their Compliance Plans.
- B. Managers will ensure that all activities for which they are responsible are performed in compliance with DCS commitments. Managers will:
  - support the implementation of the Compliance Plan;
  - ensure employees receive sufficient training, procedures, and instructions so work processes are implemented in compliance with commitments;
  - maintain documented evidence to demonstrate compliance;
  - perform self-assessments in critical areas of their work processes;
  - monitor the effectiveness of work processes and Compliance Plans;
  - take appropriate and timely corrective actions for identified noncompliances;
  - provide support for developing work instructions;
  - provide technical experts for Operational Compliance Department (OCD) assessments; and
  - provide support for maintaining the Compliance Commitments Database.
- C. Functional Managers, for their assigned areas of responsibility, will:
  - provide standard methods for complying with work process commitments consistently within the Business Units;
  - develop and provide training, procedures, and instructions for work processes with compliance commitments;
  - provide assessments or assessment tools in critical areas of work processes, when requested;
  - coordinate and develop corrective actions for system-wide issues, when identified;
  - determine appropriate measures and monitoring systems (control reports, etc.) for core processes;
  - develop work instructions, process checklists, job aids, or other needed tools for system-wide use; and
  - facilitate core process improvements.

## DCS COMPLIANCE PROGRAM

D. Employees will perform their duties in a manner that ensures compliance with commitments. They have the freedom and responsibility to identify any noncompliance item of a DCS commitment to their management or, anonymously, to the PG&E Helpline without fear of reprisal.

E. Operational Compliance Department (OCD) will:

- independently assess and monitor DCS activities for compliance to commitments,
- develop training materials for the Compliance Policy,
- administer the Compliance Commitments Database, and
- assess and maintain the Compliance Policy.

F. The Compliance Advisory Team will oversee the implementation of the DCS Compliance Program and make recommendations to the Senior Vice President and General Manager on compliance issues.

### 2. **Training on the DCS Compliance Policy**

OCD will develop and maintain the training and communication material for this DCS Policy. Managers will ensure that their employees receive training on the DCS Compliance Policy. The objective of this training is to:

- demonstrate the importance of compliance in achieving DCS business results,
- provide a better understanding of the compliance program, and
- inform all DCS employees of their roles in an effective compliance program.

### 3. **Compliance Plan Development**

Each Officer will develop, document, and maintain a Compliance Plan for his or her organization. The Compliance Plan is an implementation document that provides an organization with the structure to prevent, detect, and correct noncompliance. The Compliance Plan should be periodically updated as the organization's needs change.

As a minimum, the Compliance Plan shall discuss the activities and methods to be used to ensure compliance. These activities and methods should be based on the seven elements of an effective compliance program (see attachment for explanation of the elements and description of how Compliance Plans should reflect the elements). OCD will develop a Compliance Plan template to provide assistance in Compliance Plan development.

### 4. **Compliance Commitments Database**

OCD will administer the Compliance Commitments Database. All managers will provide the needed information and resources to maintain the integrity of the database.

# DCS COMPLIANCE PROGRAM

## References

### A. Corporate Policy:

- E2.1, “Business Ethics, Employee Conduct, and Conflicts of Interests”
- E3.10, “Compliance with Laws and Legal Representation”
- E6.1, “Internal Controls”
- E8.1, “Employment”

### B. DCS Standards:

- C-SVP-S0002, “Resolving Compliance Findings”
- C-SVP-S0004, “Compliance Commitments Database Maintenance”

### C. PG&E Compliance & Ethics Helpline

- 1-888-231-2310

## Date Issued/Updated:

Effective Date: March 31, 1997

Review Date: March 31, 1998

Original signed by:

Robert J. Haywood  
Senior Vice President and General Manager, DCS

# DCS COMPLIANCE PROGRAM

## ATTACHMENT

The DCS Compliance Program is designed to effectively prevent, detect, and correct noncompliance with DCS commitments. The DCS Compliance Program documents and strengthens our long-standing commitment to full compliance.

The Federal Sentencing Guidelines provide seven standard elements that are considered essential for an effective compliance program. The seven elements are listed below with a short explanation followed by a description of how the Compliance Plans should reflect the seven elements.

### **1. High-level oversight and commitment**

The hallmark of an effective compliance program is management's level of commitment. Management must be committed to preventing, detecting, and correcting noncompliance. Management must also show an interest in ensuring that a Compliance Plan is being implemented and that the plan is being monitored for effectiveness.

Compliance Plans should describe any activities used to demonstrate management efforts to implement compliance. Activities could include discussing compliance expectations at meetings, in letters, or during visits to the work site.

### **2. Delegation of authority**

Take care when delegating authority for compliance in a work process. This can usually be addressed in the work documents for a specific work process.

Compliance Plans describe accountability for managing compliance. Accountability should be included in the work documents and as part of job descriptions. The Compliance Plan need only identify the responsibilities associated with managing compliance for various positions in the organization.

### **3. Establishing standards, procedures, or other documented work aids**

Standards, procedures, guidelines, checklists, or other job aids used when implementing compliance commitments must be identified and developed.

Compliance Plans should include discussions on how the organization has translated compliance commitments into written work instructions and the method(s) used to document compliance. If a need to write or revise work instructions has been identified, then include the schedule for accomplishing these activities.

### **4. Training and communication**

Managers are responsible for training their organizations on the compliance program and work process implementation. Training should include:

- the importance of compliance commitments,
- the correct methods to implement compliance commitments, and
- the tasks that make up the work process.

# DCS COMPLIANCE PROGRAM

## ATTACHMENT

### 4. Training and communication *(continued)*

Compliance Plans describe the training and communication activities that will be used to disseminate information about management expectations for compliance. Plans should include discussions about how an organization proposes to achieve compliance. Plans should also provide specific training strategies for teaching employees to perform work processes in compliance with DCS commitments.

### 5. Assessment and monitoring

#### *Assessment:*

There are three types of assessments.

- self
- checklist implementation
- independent

All DCS employees should perform self-assessments. Employees should take responsibility for the work they perform and ensure they are in compliance with applicable DCS commitments. Self-assessments do not need to be documented.

Managers, however, must perform more structured self-assessments to identify and correct any problems that might hinder compliance. Managers' self-assessments should focus on management systems. These self-assessments need to be suitably documented to help correct identified problems.

Checklists are tools used to evaluate the performance of a specific process. Checklists should be developed to focus on compliance areas and areas of business risks in a given work process. Checklist assessments can be implemented by the operating organizations or an independent group.

Independent assessments will be performed by OCD and the Internal Auditing Department.

#### *Monitoring:*

Managers are responsible for monitoring their ongoing activities. Monitoring should be built into the work process. The purpose of monitoring is to provide managers with timely feedback on the effectiveness of work processes and compliance. Managers should closely monitor work process implementation in areas that have relative importance to safety and compliance.

Compliance Plans describe the self-assessment plans and monitoring activities for specific organizations.

When planning self-assessments and monitoring activities, be sure to:

- perform an inventory of work processes,
- select strategic work processes for assessments and/or monitoring based on contribution to achieving DCS goals,

# DCS COMPLIANCE PROGRAM

## ATTACHMENT

### **5. Assessment and monitoring** *(continued)*

- schedule the resources needed to perform the assessments,
- schedule the resources needed to develop specific monitoring methods, and
- compare performance against appropriate measures developed by Functional Managers.

### **6. Performance Management**

Performance management acknowledges activities for meeting compliance and describes actions taken for identified noncompliances.

Compliance Plans describe the way an organization acknowledges both compliance achievements and compliance violations. Plans include recognition and incentive programs (e.g., Performance Management Process, PIP) and disciplinary actions (e.g., coaching, positive discipline) taken in accordance with company policies and standards.

### **7. Corrective Action**

All noncompliance is to be evaluated for corrective action. Evaluations should, as a minimum:

- determine the cause(s) of the noncompliance,
- assign accountability for resolution,
- set a schedule for implementing resolution,
- evaluate noncompliance for business–unit–wide concerns, and
- perform follow–up reviews to ensure actions are implemented and are appropriate to prevent recurrence.

Compliance Plans describe the organization’s processes for evaluating the root cause(s) of noncompliance and for implementing corrective action(s) to prevent future noncompliance.