

### Statement of Policy

It is Utility Operations' (UO) policy always to work safely and to comply with all applicable:

- Legal and regulatory requirements.
- Utility policies and utility standard practices.
- PG&E Corporation's Corporate Policy Handbook, *Standards for Personal Conduct and Business Decisions*.
- UO policies and standards.

### Overall Accountability

The Senior Vice President and Chief of Utility Operations is responsible for authorizing, issuing, and updating this policy and for monitoring its implementation.

UO officers are responsible for authorizing, issuing, and updating UO 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 Pacific Gas and Electric Company.

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

**Compliance plan** is a **document** that formalizes the activities that an organization plans to perform to ensure and maintain compliance.

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

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

**Functional directors** have systemwide responsibility for a specific function (e.g., Vegetation Management, Electric Distribution, Call Centers, etc.) These directors are responsible for development of UO standards for their functional areas.

**Seven key elements** of an effective compliance program are the minimum attributes of an effective compliance program as outlined in the Federal Sentencing Guidelines (see Pages 5 to 7).

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

### Implementation

1. UO officers are responsible for developing, documenting, and maintaining compliance plans for the organizations they lead. The purpose of a compliance plan is to prevent, detect, and correct noncompliance. The compliance plan will include the components listed below:
  - Documentation that defines and describes the methods and activities each organization is undertaking to ensure compliance.
  - Clearly assigned responsibilities and accountabilities for compliance within the UO officer's organization.The UO officer is responsible for ensuring that the compliance plan is updated as necessary.
  
2. Directors will ensure that all activities for which they are responsible are performed to comply with applicable requirements. This includes the following responsibilities:
  - Establish procedures and provide sufficient training and information so that employees can work in compliance with established standards.
  - Maintain documented evidence to demonstrate compliance.
  - Perform self-assessments in critical areas of their work processes.
  - Monitor the effectiveness of work processes.
  - Implement identified best practices where appropriate.
  - Take appropriate and timely corrective actions for identified noncompliance.
  - Provide support for developing work instructions.
  - Support the compliance plan.
  
3. Functional directors have the following responsibilities for their assigned areas:
  - Develop and provide standards, procedures, guidelines, work instructions, process checklists, job aids, or other needed tools. These tools will ensure systemwide consistency and compliance. The activities and work methods developed should be based on the seven key elements of an effective compliance program (see Pages 4 to 7 for explanation of the elements).
  - Develop and implement effective assessment, measurement, and monitoring tools (control reports, etc.) to ensure systemwide compliance.
  - Coordinate and develop corrective actions for systemwide potential noncompliance, when identified.
  - Identify and share best practices and facilitate process improvements.

4. Managers, superintendents, and supervisors ensure that the organizations they lead perform work in compliance with this policy and ensure that these activities are properly documented. These leaders are responsible for the following:
  - Schedule training to support completion of work according to prescribed standards.
  - Provide direct and timely feedback to workers concerning work quality and timeliness.
  - Assess the work performed to ensure that compliance is maintained.
  - Take appropriate action as issues are identified.
  - Implement best practices in the organization.
  
5. All UO employees will perform their duties in a manner that ensures compliance with established standards, work practices, and procedures. They have the freedom and responsibility to identify any noncompliance item to their management or, anonymously, to the PG&E Compliance and Ethics Helpline without fear of reprisal.

### References

1. Utility Policies
  - Business Ethics, Employee Conduct, and Conflicts of Interests
  - "Compliance With Laws and Legal Representation," 5/10/96 (Legal Compliance and Representation)
  - "Employment," 5/10/97
  - "Internal Controls," 2/20/98
  
2. PG&E Manual
  - *Electric and Gas Service Requirements*
  
3. UO Standards
  - D-S0002, "Resolving Compliance Quality Assurance (QA) Findings," 6/8/98
  - 57433, "Tariff Compliance - Uniform Tariff Application," 7/01
  
4. PG&E Compliance and Ethics Helpline  
1-888-231-2310

## UO COMPLIANCE PROGRAM

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### Date Issued/Updated

Effective Date: May 2003

Review Date: May 2005

Signed:

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James K. Randolph  
Senior Vice President and Chief of Utility Operations

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### Seven Key Elements

The UO compliance program is designed to effectively prevent, detect, and correct noncompliance with UO commitments. The UO compliance program documents and strengthens UO's long-standing commitment to full compliance.

The Federal Sentencing Guidelines provide seven key 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 ensure that a compliance plan is being implemented and that the plan is being monitored for effectiveness.

Compliance plans should describe activities used to ensure compliance with established standards.

#### 2. Delegation of Authority

Delegation of authority for compliance in a work process is outlined specifically in standards or work procedures.

Directors are accountable for managing compliance. Accountability is included as part of job descriptions and performance expectations.

#### 3. Establishing Standards, Procedures, or Other Documented Work Aids

Standards, procedures, guidelines, checklists, and other job aids are the methods the organization uses to translate compliance commitments into written work instructions, and include method(s) used to document compliance. Standards, procedures, and work processes are reviewed regularly.

#### 4. Training and Communication

Standards, procedures, and work processes describe the training and communication activities that will be used to disseminate compliance requirements. Standards should also provide specific training strategies for teaching employees to perform work processes in compliance with UO commitments, if necessary.

### 5. Assessment and Monitoring

*Assessment:* There are three types of assessments:

- Self
- Controls checklist implementation
- Independent

All UO employees should perform self-assessments. Employees take responsibility for the work they perform and ensure that they comply with applicable UO commitments. Self-assessments do not need to be documented.

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

Controls checklists are tools used to evaluate the performance of a specific process. Checklists may 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 functional departments, by the Compliance team in Tariffs and Compliance in Rates and Account Services, and by the Internal Auditing department.

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

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

- Identify compliance requirements related to work processes for which the department is responsible.
- Select strategic work processes for assessments and/or monitoring based on contribution to achieving UO goals.
- Schedule the resources needed to perform the assessments.
- Schedule the resources needed to develop specific monitoring methods.
- Compare performance against industry and systemwide standard measures.

**6. Performance Management**

Performance management is used by organizations to take note of achievements and violations through performance reviews and disciplinary action as appropriate.

**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.
- Perform follow-up reviews to ensure that actions are implemented and are appropriate to prevent recurrence.