



2017 Update

Safety Action Plan and Regulatory Strategy

Implementation of the Safety Policy Statement

**Staff Recommendation for the Commission's Consideration
February 9, 2017**

Introduction

In 2015, the Commission adopted its first Safety Action Plan. This Safety Action Plan followed the Safety Policy Statement that the Commission adopted in 2014,¹ which clarified the Commission’s overall safety strategy. The purpose behind the Safety Policy Statement and the Safety Action Plans is to improve the agency’s safety record and safety culture as a whole and, by doing so, improve the safety record and safety culture of regulated industries as well. To the extent that the Commission’s roles in ratemaking, risk assessment, and statutory enforcement can sometimes conflict, the Safety Action Plans help the agency move toward a coherent set of organizational expectations.

The 2015 Safety Action Plan consisted of eight Action Items which were focused on improvements to the Commission’s Safety and Enforcement Division (SED). The Commission updated the Safety Action Plan in 2016, with nine new Action Items focused on improvements to the rest of the organization. As with the 2015 Safety Action Plan and the 2016 Safety Action Plan Update, this 2017 Safety Action Plan

Ultimately, we are striving to achieve a goal of zero accidents and injuries across all the utilities and businesses we regulate, and within our own workplace.

- CPUC Safety Policy Statement

Update and its associated action items are intended to fully integrate safety in all aspects of our work, and are based on the following four functional areas or safety management “pillars”:

- I. **Safety Policy:** Commission decision-making and development of rules and regulations
- II. **Safety Compliance and Enforcement:** Audit, investigation, and penalty assessment activities
- III. **Risk Management:** Risk assessment and risk mitigation strategies
- IV. **Safety Promotion:** Communication, collaboration and outreach, and the development of a proactive safety culture both within the Commission and in regulated entities.

2017 Action Plan

In this section, we recommend four Action Items to further improve the effectiveness of the Commission’s safety regulation. Our goal is to leverage our implementation of existing laws, rules, general orders, and regulations so as to continue the momentum of our ongoing safety activities and to instill a safety culture.

The four near-term action items are as follows:

1. Periodic Safety Rulemaking Updating Rules & Regulations (*Safety Policy*)
2. Utility Pole Management (*Safety Compliance & Enforcement*)
3. Implement a Staff Cybersecurity Group (*Risk Management*)
4. Safety Reporting System (*Safety Promotion & Risk Management*)

¹ The Safety Policy Statement, Safety Action Plans, and results are available at the following link:
<http://www.cpuc.ca.gov/general.aspx?id=7772>

Each Action Item has an assigned lead accountable for its completion.

Safety Policy Activities

Safety Policy activities include the Commission's decision-making responsibilities, such as creating and modifying General Orders, considering Applications by regulated entities, and otherwise providing direction to industry and Commission staff. Action Items from the 2016 Safety Action Plan were:

1. Utility Pole En Banc
2. Administrative Law Judge Training
3. Industry Division Staff Training

In 2017, the Commission will add a Periodic Safety Rulemaking Updating Rules and Metrics and a Utility Pole Management initiative.

Action Item 1 – Periodic Safety Rulemaking Updating Rules and Regulations

The 2015 Safety Action Plan created the annual Safety En Banc, which brings together utility executives and stakeholders for a day-long discussion of the challenges and opportunities of utility safety regulation and management in California. The En Bancs are geared for a high level discussion that should help to keep the topic of safety a priority for consumer advocates, utility executives, and regulators. We will continue to host annual Safety En Bancs, but in 2017 we will introduce a more formal and introspective review of already established safety rules and regulations.

The intent of this Rulemaking is to review rules and regulations that have already been established in past years and to gauge their effectiveness going forward. In some cases these already established rules may be revised while in other cases new rules and regulations may be proposed. The Commission will establish a periodic review of existing rules in each of the three areas under our jurisdiction - water, communications and energy.

Every 3-5 years the Commission will initiate a Rulemaking with a narrow focus of reviewing the policies in one specific industry. Since new rules were either just adopted and/or being proposed in the energy sector it would be premature to initiate a new Rulemaking. As such, we will begin with the water industry. The Commission is responsible for ensuring that California's investor-owned water utilities deliver clean, safe, and reliable water to their customers at reasonable rates. There are 108 investor-owned water utilities under the CPUC's jurisdiction providing water service to about 16 percent of California's residents.

- The Water Rulemaking will open in 2017
- The Communications Rulemaking will open in 2022
- The Energy Rulemaking will open in 2027*

*The rationale to hold the energy rulemaking ten years from now is because we are currently and have been updating rules and regulations in this area such as the S-MAP and RAMP proceedings and also the GO-95 Rulemaking.

Safety rules applicable to water companies under the Commission’s jurisdiction include water quality, and emergency preparedness. For example, General Order 103-A contains rules concerning water and wastewater service, e.g., construction standards and water quality; and Public Utilities Code Section 768.6 requires the Commission to establish standards for emergency preparedness plans for water companies and electrical corporations.

In addition, the Commission has worked closely with the Department of Public Health to ensure that customers receive safe water for human consumption, even to the point of cross-training some personnel. The Water Division is evaluating the budgets and the processes of the water utilities to determine what additional testing and/or upgraded procedures would be beneficial to customers.

Furthermore, the Commission evaluates water system budgets, including pipe upgrades and replacement programs, in General Rate Cases. Water systems are composed of long-lived infrastructure including large “mains” that transport water under pressure. Pipe bursts are rare but consequential events that result in hazards to the public, and they result in the loss of valuable water. The Water Division is evaluating whether improved testing and infrastructure replacement projects to replace water mains on a shorter time schedule can result in cost-effective safety improvements.

The purpose of the Rulemaking is to only review the existing rules and whether they should be updated. The Rulemaking will not be a venue to highlight one specific utility or a specific incident. Its intent will be to ensure that rules and metrics are up to date.

- *The Policy and Planning Division Director, working closely with the Water Division, is the lead responsible for ensuring that an Order Instituting Rulemaking is presented to the Commissioners by third quarter 2017.*

Safety Compliance and Enforcement Activities

Safety Compliance and Enforcement activities include actions and mechanisms to ensure adherence to safety rules and policies, as well as specifications for identifying and correcting violations of those rules. The Commission staff performs numerous audits and investigations each year, which lead to enforcement actions ranging from staff citations to formal Commission adjudicatory proceedings. The Safety Compliance and Enforcement action items from the 2015 and 2016 Safety Action Plans were:

1. Implementing Enforcement Case Tracking and Program Performance Reporting
2. Developing an Enforcement Policy and Delegating Authority to Staff
3. Reorganization of the Safety and Enforcement Division

Action Item 2 – Utility Pole Management

In recent years, California has experienced blackouts and wildfires associated with utility poles, including the 2007 Fire Siege, sparked by downed electrical lines, and the extended blackout associated with the 2011 windstorm. The Commission has taken significant steps toward improving utility pole safety, including: (1) authorizing staff to issue citations to communications companies for violations of General Order 95, dealing with overhead line construction, and other applicable General Orders and rules, thus

providing a more streamlined resolution process than is possible in a full investigation; (2) extending utility pole right-of-way rules to commercial mobile radio service providers; (3) amending General Order 95; and (4) holding a day-long Utility Pole En Banc during which utility executives and stakeholders addressed safety issues specific to utility poles.

In reflection of utility poles' essential role in safety, reliability, and competition, the Commission will undertake a series of initiatives related to Utility Pole Management, including but not limited to: a rulemaking examining coordination between pole owners and attachers; a census of existing poles and attachments; the creation of a shared repository of information on utility poles and attachments; and the creation of a mobile app allowing users to document and report utility pole issues from their smartphones.

- *The Safety and Enforcement Division Director, with assistance from the Legal, Energy, and Communications Divisions, is the lead responsible for ensuring that an Order Instituting Rulemaking is presented to the Commissioners by second quarter 2017. The Director of the Information Technology Services Branch is the lead responsible for the creation of a mobile app.*

Risk Management Activities

Risk management is a forward-looking activity with the purpose of identifying issues before they arise and implementing mitigating strategies. Risk management action items from the 2016 Safety Action Plan include:

1. Staff Reports on Safety-Related Expenditures
2. Safety Review in General Rate Cases

In 2017, the Commission will add the development of a Staff Cybersecurity Group and an exploration of a Safety Reporting System for California utility companies.

Action Item 3 – Implement a Staff Cybersecurity Group

In 2016, the Commission entered into a Memorandum of Understanding (MOU) with the California Governor's Office of Emergency Services (Cal OES) to coordinate agency efforts in assuring the safety and reliability of utility systems from cyber security threats. This level of coordination requires the Commission to focus not just on physical security and system resiliency/safety of the utility system, but also on cyber threats, because, as reliance on digital technology in utility systems continues to increase, the cyber security of network assets is more critical than ever.

The Commission does not have any staff working on cybersecurity. Therefore, in order to comply with its obligations under the Cal OES MOU, the Commission has submitted a Budget Change Proposal seeking approval for the addition of four permanent positions to enable the Commission to: (1) properly assess utility requests for funds; (2) coordinate with Cal OES on cyber threats, and; (3) evaluate existing and proposed cybersecurity frameworks, best practices, and what additional measures could be

implemented by utilities in order to assure protection of utility infrastructure from cyber threats and attacks.

- *The Deputy Executive Director of Operations, working closely with the Director of the Policy and Planning Division, will take the lead in seeking approval for a Staff Cybersecurity Group by second quarter 2017.*

Safety Promotion Activities

The Safety Promotion functional area of safety management includes communication on safety issues with the public, collaboration with other agencies and organizations and outreach to safety experts to exchange lessons learned and best practices. The Safety Promotion Action Items from the 2016 Safety Action Plan were:

1. Safety Intervenor Workshop
2. Advanced Safety Seminar
3. Building Strong Safety Capacity through Collaboration and Coordination with Other State Agencies.

Action Item 4 - Safety Reporting System

The aviation industry employs a safety reporting system, administered by NASA, to collect information on safety incidents and situations that may be precursors to larger events. This safety reporting system, the ASRS, is voluntary, confidential, non-punitive, and independent. NASA reports on data collected by the ASRS to the airline industry, airline unions and the FAA so they can act on the information submitted to identify and communicate systemic deficiencies in order to lessen the likelihood of aviation accidents. Aviation industry and FAA responses to ASRS data are not enforcement actions; rather they are informed responses that prevent precursor events from becoming larger safety hazards or incidents.

The success of the ASRS shows the benefits of having a third party, independent of the regulated entities and the regulator itself, analyzing safety performance and making recommendations. Therefore, inspired by the success of the ASRS, staff will examine options for incorporating independent, third party analysis into the Commission's safety regulation.

Staff will explore the potential applicability of an ASRS-like safety reporting system for California utilities. Staff's recommendation will consider such topics as: whether to initiate a safety reporting system pilot in California; the industries and entities to be covered by the pilot; the entity that could serve as the independent third party data collector; and how a safety reporting system pilot could be structured to ensure that it is voluntary, confidential, non-punitive, and independent, similar to the airline safety reporting system.

- *The Director of the Office of Safety Advocates is the lead responsible for making recommendations to the Commission by fourth quarter 2017.*

Additionally, the Commission will hold another Safety En Banc in 2017, as required by the original 2015 Safety Action Plan. In addition, staff will continue to convene to discuss cross-cutting safety issues pursuant to the Advanced Safety Seminar created in the 2016 Safety Action Plan, and the Policy and Planning Division continues to host public events as part of the Thought Leaders Series instituted in 2008. We will re-evaluate whether additional safety promotion activities are required in the future.

Additional Safety-Related Activities

In addition to the Action Items described in this Safety Action Plan Update, the Commission is undertaking a number of safety-related activities pursuant to the Strategic Planning Initiative.² The Strategic Planning Initiative is an agency-wide strategic planning process designed to align the organization around clear expectations set by the Commissioners. The Commission is developing a set of Action Items for deployment in January 2017, including, e.g., Action Items for: Safety (SD-02), Reliability and Resiliency (SD-03), and Risk Management (SD-15), as well as non-safety issues such as Climate Change (SD-08) and Rates and Affordability (SD-04).³ Commissioners and Senior Management are directing the Strategic Planning Initiative, which is moving forward independent of the Safety Action Plans.

In addition, a new safety-focused division has been created within the Commission. This new division, the Office of Safety Advocates, will advocate for the continuous and cost-effective improvement of safety management and safety performance at California's utilities.⁴

Next Steps

After the adoption of this 2017 Safety Action Plan Update, the Commissioners delegate to the Executive Director authority to revise the plan as appropriate. The Executive Director will work with the Divisions identified in the work plan to ensure timely completion of all action items. The Executive Director will also provide updates on the Action Plan and associated activities at Commission voting meetings.

This update to the Safety Action Plan is guided by the four pillars that should define this Commission's regulation of safety. As stated in the introduction, these four pillars are as follows:

- I. **Safety Policy:** Commission decision-making and development of rules and regulations
- II. **Safety Compliance and Enforcement:** Audit, investigation and penalty assessment activities
- III. **Risk Management:** Risk assessment and risk mitigation strategies
- IV. **Safety Promotion:** Communication, collaboration and outreach and the development of a proactive safety culture both within the Commission and in regulated entities.

² Additional information about the Strategic Planning Initiative may be found here:

<http://www.cpuc.ca.gov/strategicplanninginitiative/>

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http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Transparency/Strategic_Planning_Initiative/CPUCSDGP%2007142016.pdf

⁴ <http://www.cpuc.ca.gov/safetyadvocates/>