



California Public Utilities Commission

Public Discussion on Pacific Gas and Electric

Forums on Governance, Management, and Safety Culture

April 15, 2019 | 9:00 a.m. – 4:15 p.m.





Safety Announcement

Safety is our number one priority

Please listen to the emergency
evacuation instructions for this
location





Welcome & Commissioner Remarks





Agenda

9:00 – 1:15 p.m.	MORNING
9:00 – 9:15 a.m.	Safety Announcement & Welcome from Commissioners
9:15 – 9:45 a.m.	Presentation on Corporate Safety
9:45 – 10:10 a.m.	Presentation on the Findings of the Phase 1 Northstar Report
10:10 – 10:20 a.m.	Break
10:20 – 11:45 a.m.	Panel on the Impact of Corporate Governance on Corporate Culture, including Safety Culture
11:45 – 12:15 p.m.	Questions from Public
12:15 – 1:15 p.m.	Lunch Break





1:15 – 4:05 p.m	AFTERNOON
1:15 – 2:10 p.m.	Panel on Corporate Leadership from the Ground Up
2:10 – 2:30 p.m.	Questions from Public
2:30 – 2:50 p.m.	PG&E Board of Directors Selection Process and Purpose
2:50 – 3:20 p.m.	Questions from Commissioners
3:20 – 3:50 p.m.	Public Comment
3:50 – 4:05 p.m.	Commissioner Closing Remarks





Presentation on Corporate Safety

Professor Dave Hofmann
University of North Carolina



Organizational Safety Culture

David A. Hofmann, Ph.D.

McColl Distinguished Professor & Sr. Associate Dean

Kenan-Flagler Business School

University of North Carolina at Chapel Hill

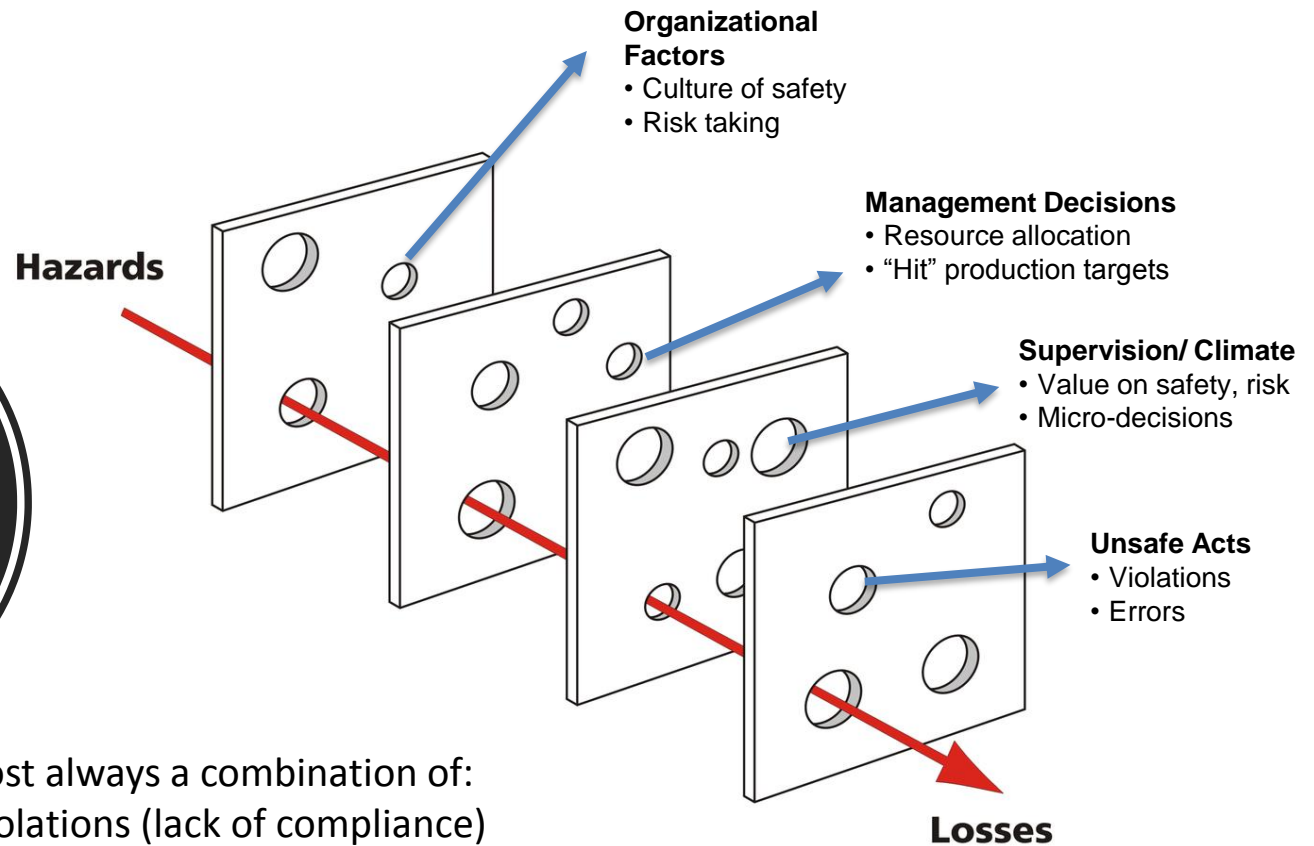
Organizational failures

Organizational culture & climate

Complexity of middle management decision making

Conclusions and questions

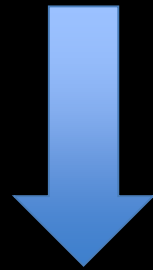
**Virtually All
Organizational
/ Operational
Failures**



Almost always a combination of:

- Violations (lack of compliance)
- Human error
- Management decision making
- Broader system influences (time pressure, business frame)

Deep Layer of Culture
(Assumptions, Values)



Espoused policies, priorities,
practices

Zohar & Hofmann, 2012

Gap: Espoused vs. Enacted



Enacted Priorities

Managers
implementation

Discretion

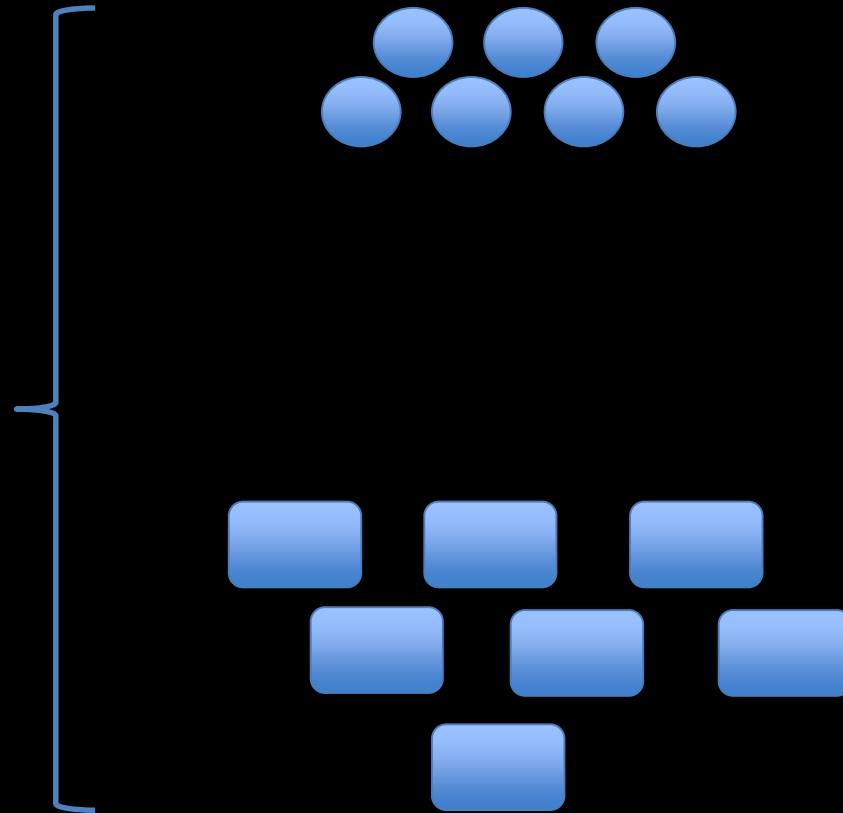
Competing
priorities

Zohar & Hofmann, 2012



Zohar & Luria, 2005

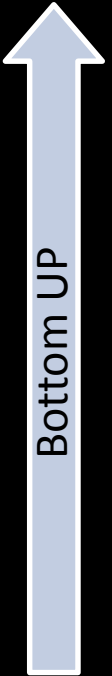
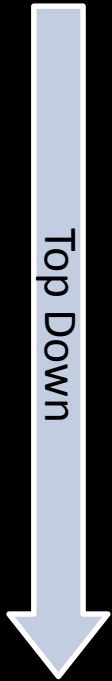
Stronger commitment
from Sr. Management
reduces perceived /
actual discretion in
other levels of the
organization

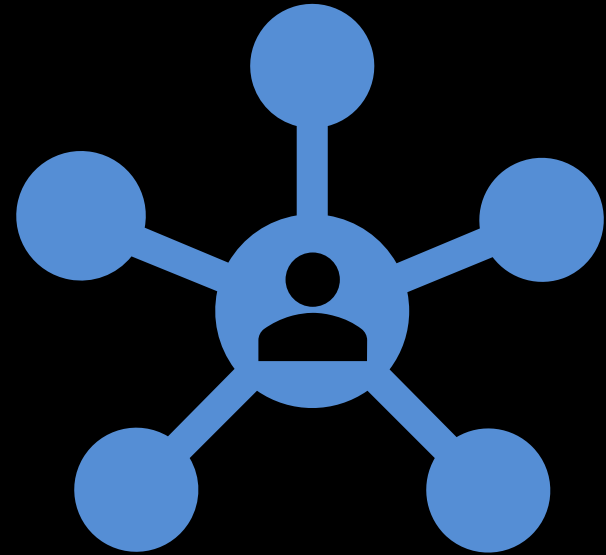
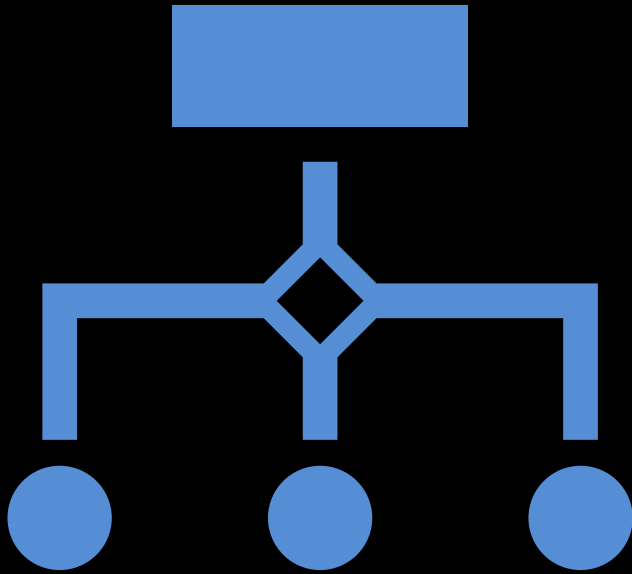


Zohar & Luria, 2005

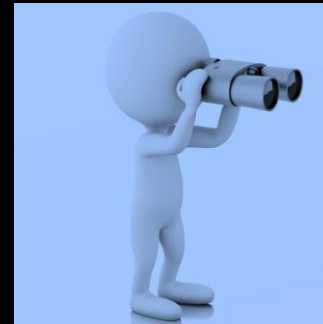
Leadership  **Strong Priority
of Safety
Throughout**  **Ownership
& Voice**

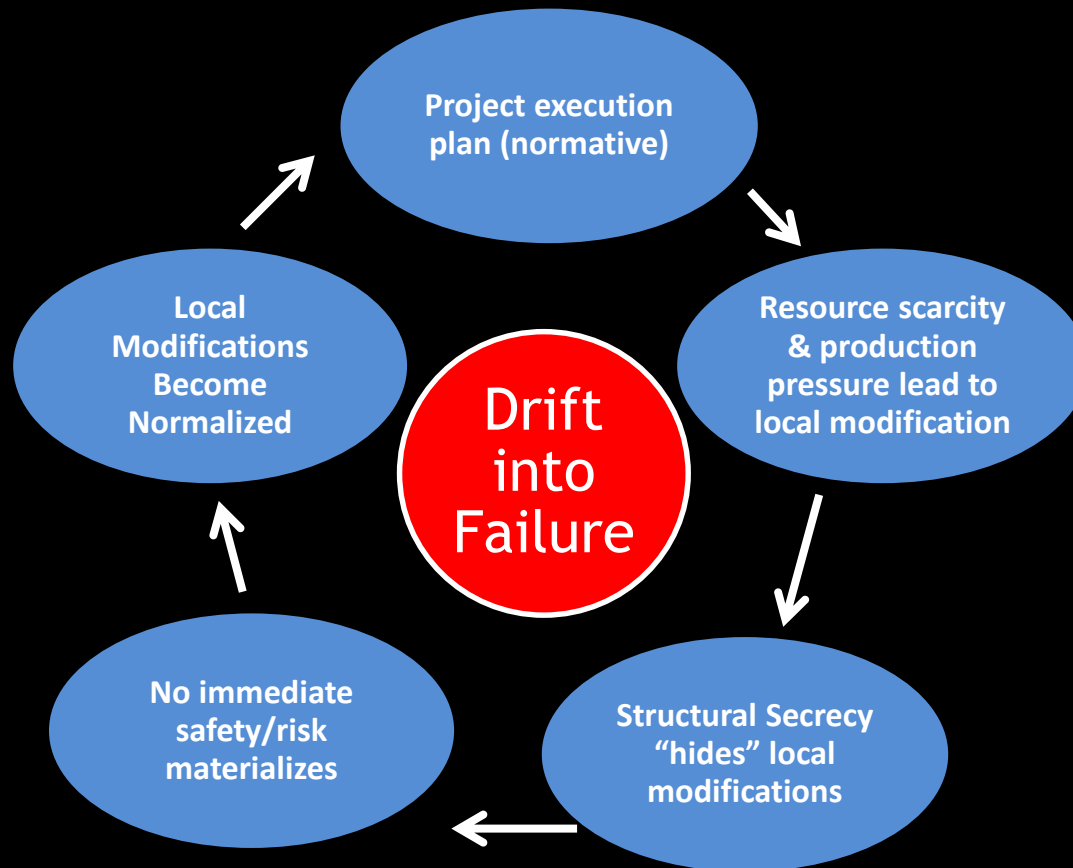
Hofmann & Morgeson, 1999;
Hofmann, Morgeson, & Gerras, 2003



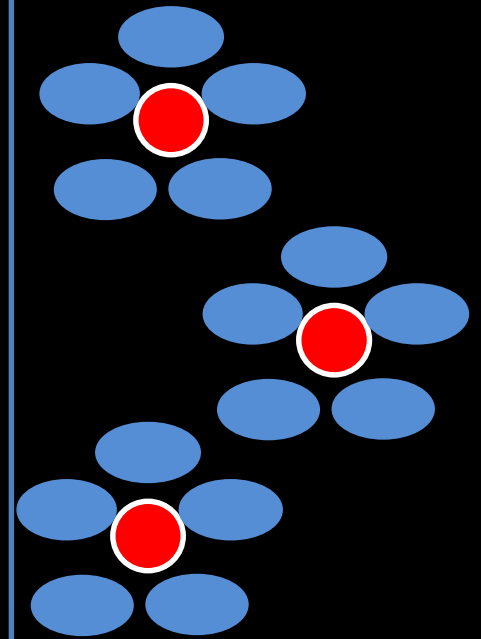
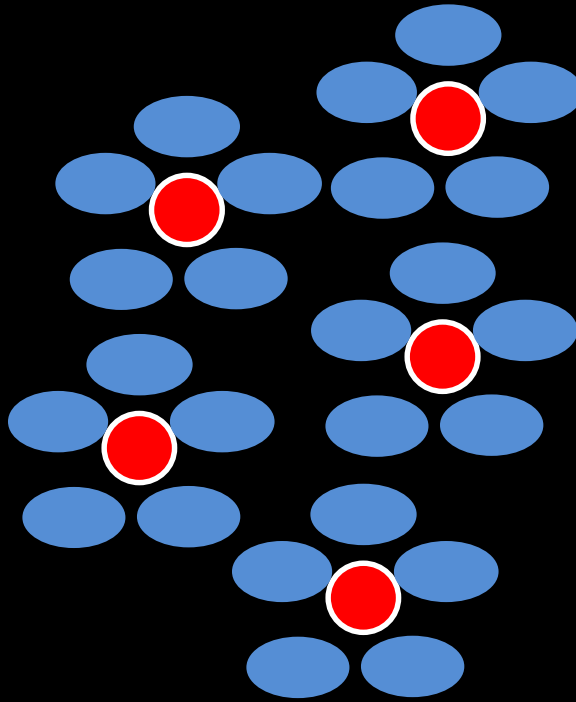
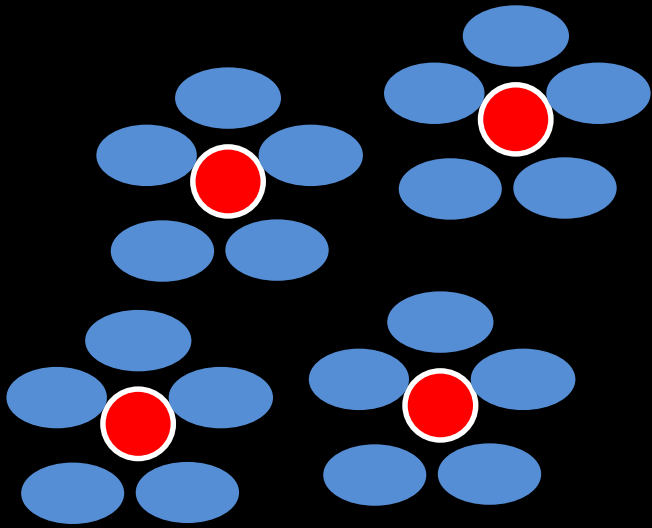


Prioritize



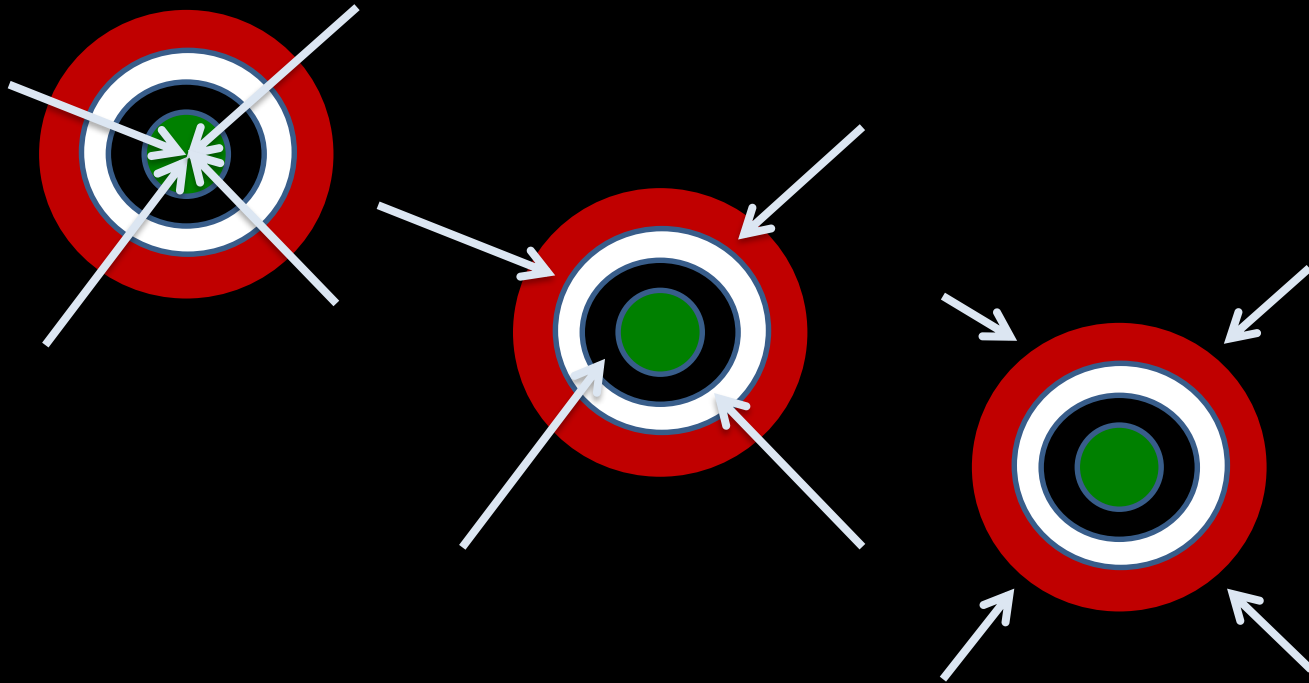


Adapted from: Dekker (2011).
Drifting into failure. Ashgate



Adapted from: Dekker (2011).
Drifting into failure. Ashgate

Drifting into Failure



How do you

Keep potential harm front and center

Keep more tangible targets from overwhelming ambiguous “dynamic non-event” targets

Build a culture of true learning and not superstitious learning

Conclusions

- We know
 - Critical role of safety culture/climate
 - It is top-down and bottom-up process
 - Foundations are leadership and safety priority
 - Large scale failures are system failures
 - Occupational safety is not process safety
- Mindful of decisions made in the middle and potential drift

Questions?

Contact:

dhofmann@unc.edu

919-962-7731



Presentation on the Findings of the NorthStar Update Report



GOVERNANCE AND MANAGEMENT FORUM

INVESTIGATION 15-08-019

PG&E'S SAFETY CULTURE

PRESENTATION

APRIL 15, 2019



NORTHSTAR CONSULTING GROUP

TOPICS

- **Scope of NorthStar's Review**
- **PG&E's System/Service Territory**
- **Review Activities**
- **Key Findings and Conclusions**
 - **Initial Assessment**
 - **First Update**
- **NorthStar Consulting Group**



SCOPE OF NORTHSTAR'S REVIEW

NorthStar was asked to review PG&E's safety culture considering the following questions posed by the Commission in I. 15-08-019:

- **Do PG&E's organizational failures cited by the NTSB continue?**
- **Is PG&E realizing improvement with sufficient speed or does PG&E's progress suffer from impediments within the control of the company?**
- **Are the improvements PG&E has made (i.e., organizational changes) as widespread and deep as are necessary for a long-lasting and sustainable safety culture?**

AND

- **Why are the traditional tools of enforcement not working to prevent safety incidents and promote a high-functioning safety culture?**
- **What additional actions can the Commission take to realize a high-functioning safety culture at PG&E?**

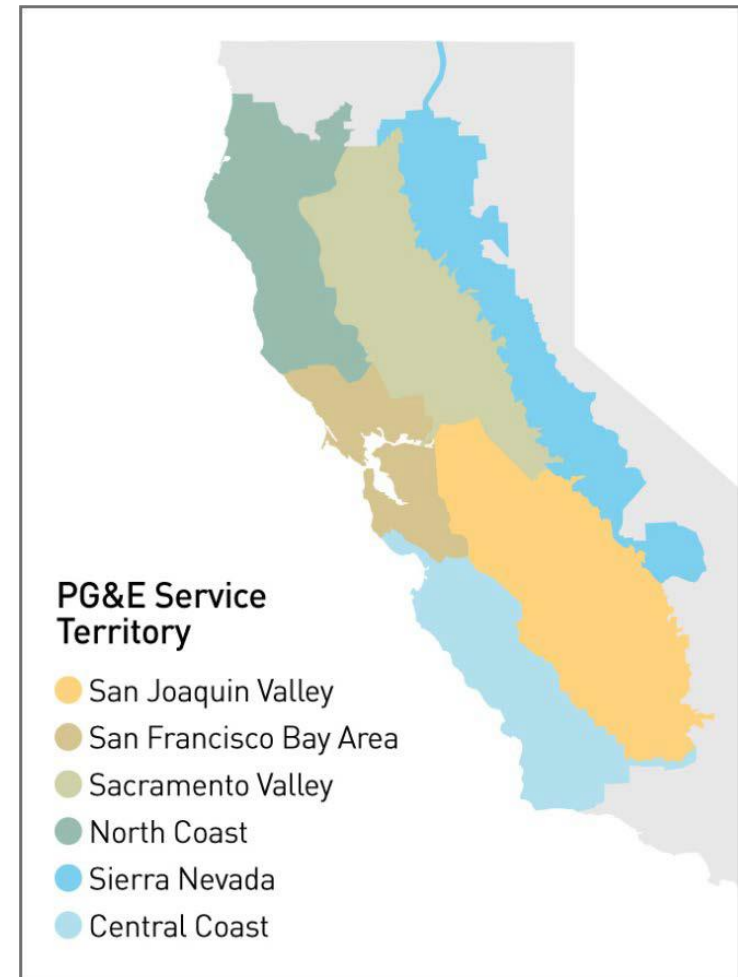
Upon completion of the initial report, NorthStar was asked to assess PG&E's implementation of selected, critical recommendations.



PG&E'S SYSTEM/SERVICE TERRITORY

PG&E provides natural gas and electric service to approximately 16 million people throughout a 70,000-square-mile service area in northern and central California

- **70,000 square-mile service area**
- **5.4 million electric customer accounts**
 - 106,681 miles of distribution lines
 - 18,466 miles of transmission lines
- **4.3 million natural gas customer accounts**
 - 42,141 miles of distribution pipeline
 - 6,438 miles of transmission pipeline
- **Nuclear, fossil, solar and hydro power**
- **24,000 employees**



REVIEW ACTIVITIES

- **Reviewed response to over 1,000 information requests**
- **Conducted over 300 interviews with:**
 - **Executive Management**
 - **The Board of Directors (BOD)**
 - **Representatives from all three unions (IBEW, ESC and SEIU)**
 - **PG&E safety program SMEs**
 - **PG&E management and operations personnel within the Lines of Business (LOB) and Corporate Safety at all levels**
 - **Contractor personnel (during site visits and meeting)**
- **Attended BOD and Committee meetings**
- **Observed senior executive field visits**
- **Observed PG&E and contractor construction and maintenance crews**



REVIEW ACTIVITIES

- **Conducted site/facility visits to:**
 - **Diablo Canyon**
 - **San Ramon, Livermore and Tracy Training Centers**
 - **Wildfire Safety Operations Center**
 - **Gas Control Center**
 - **Feather River Power Houses and Control Center**
 - **Clayton (Lower Lake) Fire Base Camp**
 - **Numerous Field Offices/Service Centers: San Francisco, Daly City, Oakland, Hayward, Sonoma, Chico, San Luis Obispo, Santa Maria, Pismo Beach, Fresno, Auburn, King City, Monterey, Salinas, Antioch, Manteca, Stockton, Needles, Hinkley, Oakport and Modesto**
- **Attended numerous internal meetings, including:**
 - **Enterprise Safety Committee**
 - **LOB Safety Councils**
 - **Enterprise and LOB Risk and Compliance Committees**
 - **Officer and Director Safety Summit**



KEY FINDINGS - INITIAL REVIEW

(MAY 2017)

- **Essentially operating as two utilities**
- **Safety organization suffered from turnover, lack of safety credentials, and organizational placement**
- **Safety push from corporate with limited input from field resources evidence in initiatives and training**
- **Lack of clarity of roles and responsibilities between corporate and the LOBs**
- **Lack of a coordinated comprehensive safety strategy**
- **Numerous initiatives aimed at solving the problem without sufficient analytics**
- **Insufficient focus on supervisory requirements and supervisor time in the field**
- **Cultural differences between the LOBs, between districts/offices and between crews**
- **Stronger focus on safety improvements in gas operations as a result of San Bruno**
- **Positive shift from disciplinary focus and blame to speak up culture and learning from incidents**



KEY FINDINGS – FIRST UPDATE

(MARCH 2019)

- **Corporate Safety elevated within the organization, and reporting to the Safety and Nuclear Oversight Committee of the Board**
- **Continued evolution of the speak up culture and learning from incidents**
- **Improvements in the corporate safety organization resources**
- **Development of a One PG&E Occupational Health and Safety Strategy providing increased consistency**
 - **Greater analytics but still numerous initiatives**
 - **Primarily employee and contractor safety**
- **Continued corporate push with limited input from field**
- **Insufficient focus on supervisory requirements and supervisor time in the field**
- **Increased structure in safety reporting at the Board and executive levels**
- **Ongoing cultural differences between the LOBs, between districts/offices and between crews**



NORTHSTAR CONSULTING GROUP

- **Full service management consulting firm founded in CA in 1999**
- **Specializes in the utility industry**
 - **Gas, electric and water**
 - **Commissions and utilities (investor-owned, public and municipal utilities)**
- **All aspects of utility operations**
 - **Field operations**
 - **Customer operations**
 - **Executive management and corporate governance**
 - **Finance and budgeting**
 - **Strategic planning and enterprise risk management**
 - **Performance management**
 - **System planning**
 - **Project and work management**
 - **Safety**





Impact of Governance on Corporate Culture, including Safety Culture

Moderator: **Carla Peterman**, Commissioner, Commission on Catastrophic Wildfire Cost and Recovery

Panelists

Ken Bertsch, Executive Director of the Council of Institutional Investors

Kenneth Feinberg, Former Director of Executive Compensation, Department of the Treasury

Susan “Suz” Mac Cormac, Partner, Morrison & Foerster

Lynn Paine, Professor and Senior Associate Dean, Harvard Business School





Questions from the Public





Lunch Break





Corporate Leadership from the Ground Up

Moderator: **JB Tengco**, West Coast Director, BlueGreen Alliance

Panelists

Tom Dalzell, Business Manager, International Brotherhood of Electrical Workers (IBEW) 1245

Alyssa Giachino, Senior Research and Policy Manager, United Auto Workers

David Hofmann, Professor, University of North Carolina





Questions from the Public





PG&E Board of Directors Selection Process and Purpose

Richard Kelly
PG&E





Questions from Commissioners





Public Comment





Commissioner Closing Remarks

