



METRIC PROGRAM UPDATE

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Approval Requested

AGENDA



- **METRIC PROGRAM ADMINISTRATION**
- **FY2020 ACCOUNTABILITY METRIC PROGRAM OVERVIEW**
- **PROPOSED ANNUAL METRIC MODIFICATIONS**
- **REQUEST FOR APPROVAL**

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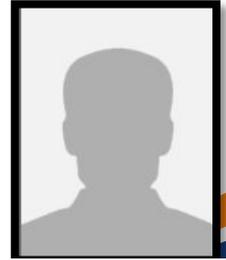
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OVERVIEW

FY2020 ACCOUNTABILITY METRICS

Strategic Driver	Annual Metric	Long-Term Metric
Customer Relationships	Residential Customer Satisfaction	Two-Year Average Customer Satisfaction Index
Employee Relationships	OSHA Severity Rate	Enterprise Readiness
Community	Environmental Compliance Issues (NOE & NOV)	Residential Management Reputation
Financial Integrity	Enterprise O&M	Senior Lien Bond Rating
Operational Excellence	SAIDI	Two-Year Average SAIDI
	Portfolio Commercial Availability	Two-Year Average SAIFI
		Two-Year Average Portfolio Commercial Availability

 Metric Modifications Proposed

METRIC MODIFICATIONS

RECOMMENDATIONS



- We recommend two modifications to the annual accountability metrics:

Modification Type	Impacted Annual Metric	FY2020 Annual Metric Recommendation
Metric Replacement	Safety Metric	Replace the Recordable Incident Rate (RIR) with OSHA Severity Rate
Metric Refinement	Environmental Compliance Metric	Refine the Notice of Violation -NOV Component Only

SUMMARY

FY2020 ACCOUNTABILITY METRICS

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	Portfolio Commercial Availability	Two-Year Average SAIFI
		Two-Year Average Portfolio Commercial Availability

REQUEST FOR APPROVAL



Ratify Accountability Metrics:

- Replace the Recordable Incident Rate (RIR) Metric with OSHA Severity Rate Metric
- Refine the Environmental Compliance Metric, specifically the Notices of Violation (NOV) component



Thank You

APPENDIX



SAFETY METRIC



CURRENT STATE

Use of Recordable Incident Rate (RIR):

- Employee safety is our highest priority
- Occupational Safety and Health Administration (OSHA) Metric
- Benchmark data available
- Tracks enterprise safety culture strategy effectiveness

Reason for Proposal:

- OSHA recommends organizations not align the RIR to any accountability performance plans; however, CPS Energy will continue tracking RIR as a Tier 1 Metric
- CPS Energy is recommending promoting the OSHA Severity Rate Metric
- This change will keep us aligned with leading electric utility practices and OSHA guidance while continuing to maintain a commitment to safety excellence

SAFETY METRIC



PROPOSAL

- In alignment with ScottMadden's recommendation, we propose replacing RIR with OSHA Severity Rate
- **OSHA Severity Rate** The severity rate describes the number of lost work days experienced per 100 workers. The actual number of lost work days times 200,000 (a standardized estimate of the hours worked by 100 employees) divided by the actual, total number of hours worked by all employees

OSHA Severity Rate

$$\frac{\text{Lost Work Days} \times 200,000^*}{\text{Total Production Hours}}$$

Further details on the recommendation are provided in an accompanying whitepaper

CURRENT STATE

Use of Environmental Compliance:

- Measures environmental Notices of Violation (NOV) and Notices of Enforcement (NOE) as issued by the Texas Commission on Environmental Quality (TCEQ) or other regulatory body
- The State of Texas uses an environmental compliance rating system based on severity and recognizes that some NOVs are minor/administrative

Reason for Proposal:

- These changes will improve the effectiveness and utility of the metric by:
 - Focusing on more severe categories of NOVs that impact human health, the environment, or the regulatory relationship
 - Provides consistent application of compliance in alignment with state regulatory agency

ENVIRONMENTAL COMPLIANCE



PROPOSAL

Current Definition	Proposed Definition
<p>The total number of written environmental notices of violation (NOVs) or notices of enforcement (NOEs) issued to CPS Energy, in all three TCEQ categories:</p> <p>Category A: Major Category B: Moderate Category C: Minor</p>	<p>The total number of written environmental Category A or B notices of violation (NOVs) or any notices of enforcement (NOEs) issued to CPS Energy, in two TCEQ categories:</p> <p>Category A: Major Category B: Moderate</p> <p>NOTE: "Category C: Minor" will be tracked in a Tier 2 Environmental Compliance NOV Metric</p>

Further details on the recommendation are provided in an accompanying whitepaper

OSHA LAW BLOG EXCERPT



“According to OSHA, employers must not use incentive programs in a way that penalizes workers for reporting work-related injuries or illness.” (OSHA Law Blog). See additional detail of the OSHA Rule below.

OSHA Final Rule – Improve Tracking of Workplace Injuries and Illnesses

“On August 14, 2014, OSHA issued a Supplemental Notice of Proposed Rulemaking “to ensure that employers, employees, and the public have access to the most accurate data possible about injuries and illnesses in workplaces so that they can take the most appropriate steps to protect worker safety and health.” The final rule became effective August 10, 2016 and includes three new provisions in § 1904.35. First, the final rule amends paragraphs (a)(2) and (b)(1)(iii) to require employers to inform employees of their right to report work-related injuries and illnesses free from retaliation. Second, paragraph (b)(1)(i) of the final rule clarifies that the reporting method already implicitly required by this section must be reasonable and not deter or discourage employees from reporting. And third, paragraph (b)(1)(iv) of the final rule prohibits employers from retaliating against employees for reporting work-related injuries or illnesses under section 1904.35 consistent with the existing prohibition contained in section 11(c) of the OSH Act.

A further focus on the third new provision is the linking of incentive plans as a form of “retaliatory effort.” In recent years, a number of government reports have raised concerns about the effect of incentive programs on injury and illness reporting. A 2012 GAO study found that rate-based incentive programs, which reward workers for achieving low rates of reported injury and illnesses, may discourage reporting. Other, more positive incentive programs, which reward workers for activities like recommending safety improvements, did not have the same effect. A previous GAO study had also highlighted incentive programs as a cause of underreporting of work-related injuries and illnesses. A 2008 House Report listed examples of problematic incentive programs and found that “depending on how an incentive program is structured, reluctance to lose the bonus or peer pressure from other crew members whose prizes are also threatened reduces the reporting of injuries and illnesses in the job, rather than reducing the actual number of workplace injuries and illnesses.”

TCEQ'S ENFORCEMENT CATEGORIES

The TCEQ's 50-page Enforcement Initiation Criteria (EIC) document thoroughly and specifically describes the various types of violations, categorizing them based on severity (potential and actual harm to human health and the environment). Violations have been divided into three categories: A, B, and C. In general, the following is a high level description of the different severity levels of violations:

Category A violation (Major) requires automatic initiation of formal enforcement action when documented during an investigation and results in an NOE. Violations in this category typically include harmful releases to the environment whether intentional or not. The NOE letter will be sent automatically, and a fine is assessed.

Category B violation (Moderate) triggers a Notice of Violation (NOV) at the first occurrence. Violations in this category typically include failure to monitor or test in accordance with the rules. Category B violations can be elevated to a Category A (NOE) if the violation is not corrected by an established NOV deadline or if the violation is considered a repeat violation.

Category C violation (Minor) includes violations that are typically more clerical in nature such as incomplete reports, late submittals, incorrect calculations, and improper notifications. If the violation is a repeat, a Category C can be elevated to a Category B and even a Category A.

Area of Concern (AOC) is a Category C violation that meets the following four criteria: 1. is a Category C violation, 2. violation does not involve potential harm or impact, 3. violation is corrected in 14 days, and 4. violation is not a repeat violation. This is usually only used by the Regional office during inspections for administrative issues and is NOT considered a Notice of Violation (NOV). It does not get counted in a company's Compliance History.