

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

September 22,
2017

2. Department

California Public Utilities Commission

3. Organizational Placement (Division/Branch/Office Name)

Office of Enterprise Risk and Compliance (OERC)

4. CEA Position Title

Director of Enterprise Risk and Compliance

5. Summary of proposed position description and how it relates to the program's mission or purpose.
(2-3 sentences)

Under the general direction of the Executive Director, the Director of Enterprise Risk and Compliance will be responsible for leading the Commission's audits over three industry divisions: Water, Energy, and Telecommunication, and for overseeing all policies related to the transformation of the CPUC through Enterprise Risk Management by identifying, controlling, and mitigating risks within the CPUC's internal operations.

6. Reports to: (Class Title/Level)

Executive Director / Exempt

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- 1st
- 2nd
- 3rd
- 4th
- 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The Director will be responsible for the Commission's Enterprise Risk Management and Compliance Program which consists of two business units: the Utility Audit and Compliance Branch (UAFCB) and the Enterprise Risk and Compliance Office (ERCO). UAFCB and ERCO are housed within a single unit consolidating the Commission's auditing functions. The Program will have flexibility to reallocate resources between the two programs as necessary. The Director will audit, establish, and administer policies that direct all levels of the Commission including executive leadership on key risks facing the regulated utilities and the Commission, evaluate the capacity to mitigate and respond to those risks, and elevate risks to the Executive Director's office as necessary. The Director will collect risk data and direct the development of mitigation plans from all administration and program areas within the Commission. The Director will be responsible for establishing and managing a culture of risk awareness within the regulated utilities and the Commission executive team. The Director has the following specific responsibilities:

UAFCB: UAFCB is charged with auditing, accounting, financial, and advisory services to three industry divisions: Water, Energy, and Telecommunication. The Director will be the lead on establishing and implementing all policies related to UAFCB, manage the day to day operations of the UAFCB, provide training to internal audit and program audit groups and support those groups by working with them to develop and institutionalize training and documentation of audit practices and protocols and ensure that UAFCB is operating effectively and efficiently. The Director will also lead the Commission with conferring with utilities in regards to audits and their findings and monitor compliance with audit finding. In addition, the Director will manage all advisory services regarding these areas to the Commission and the Administrative Law Division as needed.

ERCO: The Director will develop and institutionalize Enterprise Risk Management practices at the CPUC, and develop an annual risk register and heat map, identify risk owners, and lead management in developing risk mitigation plans. The Director will direct management to ensure their understanding of how to establish and monitor risk mitigation controls that are established, and manage staff in risk monitoring and resolution of internal Commission operations. ERCO will report and be responsible for the development of a governance risk management strategy to identify, evaluate, mitigate, and monitor the CPUC's operational and strategic risk and risk management tools, practices, and policies. The Director will serve as the SLAA (State Leadership Accountability Act) Monitor and management lead on creating and administering the risk assessment for the SLAA annual reporting requirement.

Additionally, the Director will develop and the Commission's response to all external audits, tracking, and reporting progress on all outstanding action items to the Administration and Executive Director. With broad authority to commit, the Director will act as the liaison with control agencies regarding the Commission's compliance with state mandated audits performed by the Department of Finance's Office of State Audits and Evaluations, the Department of General Services, the Bureau of State Audits, the State Controller's Office, and the U.S. Department of Labor's audits.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description:

As the Commission's recognized leader in risk management and response, the Director will directly impact the regulated industries and the Commission's practices and operations in regards to risk management. The Director is critical to the development and execution of virtually all policies and operations throughout the organization.

With direct oversight of UAFCB, will be overseeing policies and operations responsible for auditing, accounting, financial, and advisory services to three industry divisions: Water, Energy, and Telecommunication, and directly impact the services and rates of all ratepayers and the health and safety of virtually all residents of California.

The Director will also manage ERCO by overseeing and creating directives and policies under general direction of the Commissioners, state legislation, audit standards, and operations best practices. In this role, the Director will oversee ERCO to develop and implement risk management policies internal to the Commission while utilizing these policies to identify and mitigate program and technical risks as risks jeopardize the Commission's ability to meet objectives and can have an impact on the services provided to utility customers, utility infrastructure, and public safety. The Director will be responsible for overseeing all risk management efforts throughout the Commission.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

The CPUC regulates privately owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies, and serves the public interest by protecting consumers and ensuring the provision of safe, reliable utility service, and infrastructure at just and reasonable rates with a commitment to environmental enhancement and a healthy California economy. This CEA position will provide continuity in leadership at the CPUC to regulate utility services, stimulate innovation, promote competitive markets, and ensure safety and reliability of California's infrastructure through establishing and overseeing policies to reinforce the initiatives identified above.

Following the 2010 natural gas explosion and fire in San Bruno and the 2015 gas leak in Aliso Canyon, the California Governor and Legislature turned twelve major pieces of legislation into law to improve CPUC transparency and gas, electric, bus, limousine, rail safety and security. The laws include: (1) Assembly Bill (AB) 56; (2) AB 578; (3) AB 861; (4) AB 1456; (5) Senate Bill (SB) 291; (6) SB 434; (7) SB 636; (8) SB 699; (9) SB 900; (10) SB 1064; (11) SB 1409; and (12) SB 541. Thus, as a consequence of these twelve laws, the CPUC manages major project and regulatory portfolios in various utility markets and has very dynamic and diverse program areas, spanning energy, safety, transportation, water, and telecommunication. As demand on the utility grid increases, utility infrastructure deteriorates, energy efficiency expectations are set, and public safety concerns grow, the risks involving these programs change requires consistent attention.

In Decision 14-12-025 (2015-16), the PUC established a requirement that each of the four largest utilities it regulates use a risk based decision methodology. ERCO will assist in this process by evaluating the utilities' risk and mitigation planning. PUC strategic directives put emphasis on safety, regulatory compliance, establishing an enterprise wide risk assessment process, and oversight of the assessment process.

As utility infrastructure continues to deteriorate, the risk of catastrophic events grows. To prevent catastrophic events from occurring, the Commission must increase preventative safety measures, and create new and update existing policies, and as the general complexity of project portfolios and regulatory oversight increases throughout the Commission, the responsibility of the Commission has increased; the Director will work closely with the Executive Director and each of the Commission's programs to develop and implement related policies and manage risks.

The Director of ERCO will be responsible to gather all risks both internal and external and hold Divisions responsible for putting corrective actions in place to prevent incidents like San Bruno and Aliso Canyon. This tracking will allow for quarterly reporting to Executive Management to ensure all risks are being addressed adequately. In addition this process will ensure timely compliance with the required State Leadership Accountability Act required by the Department of Finance on bi-annual bases with quarterly updates on the progress of mitigation actions.

The Director of ERCO will be responsible to establish and administer policies that will track all regulatory and reporting compliance as mandated by the legislature and federal and state requirements. Currently, the CPUC has to respond to over 140 different reports to state and federal entities, which at times are not provided timely. This includes implementation of legislation and any and all regulatory mandates the commission will be held responsible to put in place. This approach will allow the CPUC to track the progress to ensure adequate resources are being utilized to ensure timely implementation.

The Director of ERCO will have broad authority to oversee and revise policies charged with coordinating all audit responses and track all audit outstanding findings by both internal and external entities to ensure adequate corrective action has taken place. Currently, the CPUC has over 20 outstanding audit findings from the State Auditor and action has been taken on over half of these findings. This has been accomplished by tracking the findings and actions and requesting quarterly updates from the Divisions.

The Director of ERCO will be responsible for the creation and implementation of policies that will establish of an ethics program within the CPUC which will establish a code of conduct for the CPUC , policy and procedure management structure, online training for staff and management regarding culture and compliance topics, an anonymous whistleblowing hotline and incident management system to enable the CPUC improve their reputation and restore faith in employees and keep CPUC active.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The Director will be responsible for all of the policy creation, implementation, and administration of policies related to the oversight and reporting of all risks affecting the internal operations of the Commission. This is an essential policy function because risks facing the Commission endanger the Commission's ability to carry out its core mission, goals, and objectives and adversely affects the utility programs the Commission oversees. In this function, the Director would be responsible for collecting information from all areas in the Commission that track and mitigate risks, and assess those risks to establish and apply policies that impact both the internal and external culture touched by the mission of the Commission. As such, the Director and their assigned staff would manage the Enterprise Risk Monitoring system, tracking tools, evaluation criteria, and mitigation status.

The Director will lead the Commission's policy development and implementation in regard's to auditing practices over the regulated industries through UAFCB that is responsible for auditing and providing oversight in relevant areas three industry divisions: Water, Energy, and Telecommunication.

In addition, the Director will oversee the development and implementation of internal Commission policies relating to:

- Ethics Training to ensure a culture centered on proper business ethics;
- State leadership Accountability Act (SLAA);
- Providing policy oversight to all risk management functions throughout the Commission;
- Ensuring compliance with and developing policies within regulations, legislative orders, Commission directives, and local and federal laws; and
- Managing the confluence of regulatory and legislative changes that occur frequently in its oversight areas.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The Director will be responsible for using the information, recommendations, and guidance from the Divisions, Commissioners, and other stakeholders, to formulate policy regarding risk management for the regulated industries and the Commission. The scope of the decision making authority is broad, sensitive, and impacts numerous stakeholders. The breadth of decision making authority spans all regulated industries and divisions and programs across the CPUC, including but not limited to public safety, consumer protection, and regulatory oversight over three industry divisions: water, energy and telecommunication.

Working closely with the Executive Director, the Director will be the principle decision maker regarding UAFCB's audits of regulated communities in the water, energy and telecommunications industries. The Director will represent the Commission on all discussions with the regulated industries regarding the scope, approach, findings, recommendations and monitoring of compliance of audits. These risk issues will impact the services and rates of all ratepayers and the health and safety of virtually all residents of California.

The Director will also participate in establishing executive level directive with several functions including but not limited to:

- Identify internal operations risks at the enterprise and division level;
- Formulate risk mitigation plans;
- Ensure that audit findings regarding audits concerning the Commission are appropriately addressed; and
- Implement procedures to ensure that the compliance programs throughout the organization are effective and efficient in identifying, preventing, detecting, and correcting noncompliance with applicable rules and regulations.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The Director will be developing new policies, and interpreting and implementing existing policies. In consultation with executive management, the CEA shall work with CPUC staff, Commissioners and external stakeholders to formulate new policies when required and interpret and implement existing policies. Existing and changing policy areas include ethics, internal audits, information security, operational recovery, and Utility Audit Finance and Compliance. New and sensitive policy are associated with the dynamic portfolios throughout the Commission.