

October 19, 1998

To: Board of Directors (Engineering and Operations Committee)--Information

From: General Manager _____

Submitted by: Roberta L. Soltz _____
Director of Environmental Compliance

Subject: Division Benchmarking Project

RECOMMENDATION(S)

For information only.

EXECUTIVE SUMMARY

Environmental Compliance Division is working with Operations and Engineering divisions to implement a “best practices” model which may result in significant improvements in both efficiency and effectiveness of health, safety and environmental management. The business model is derived from a best practices survey of top performers in both the public and private sectors. The model reflects several dimensions of change for Metropolitan including a smaller, corporate Environmental Compliance Division, a change management project, a regulatory footprint team and redelegation of some resources to Operations Division along with specific and direct accountability for certain health, safety and environmental standards. An implementation strategy is being developed and is expected to be adopted in January, 1999. Issues are anticipated in skill assessment and retraining, accountability and metrics, as well as in equity and compensation. Although challenges exist, none appear to be insurmountable at the present time.

DETAILED REPORT

Environmental Compliance Division contracted with ERM, a consulting firm, to identify the most effective and efficient health, safety and environmental management practices among the top public and private organizations that were comparable, in that particular business function, to Metropolitan. The purpose of this study was to determine which of these “best practices” could be adopted with similar success at Metropolitan.

ERM identified 25 top performers (Attachment 1), and described an overall management philosophy among them that a less centralized management structure in which line staff have direct and specific accountability for certain health, safety and environmental performance standards is more efficient and effective than the centralized approach in place at Metropolitan today. Whereas the centralized approach is preferred for initiating a comprehensive compliance program with much to be accomplished in little time as was the case for Metropolitan when the Division was formed early in 1991, nearly all top performers have transitioned to an accountability

and metrics-based monitoring and reporting system as organizational performance approached desired standards. These transitions were compelling and successful because they strengthened accountability in the field, provided incentives to reduce regulatory complexity and offered the same or better performance with fewer people. A key component of this shift is delegating many day-to-day responsibilities to the field along with related accountabilities for specific performance standards.

The business model currently proposed for Metropolitan has several dimensions including a smaller, corporate Division with accountability for policy, reporting and program development; the formation of a Regulatory Impact Team/Council and a Change Management Project to reduce environmental, safety and health complexity; and redelegation of several people and many transactional duties from Environmental Compliance to Operations Division along with specific accountability for certain workforce health and safety, and environmental compliance metrics. An implementation strategy is being developed now in cooperation with Operations and Engineering divisions, and is expected to be adopted in a few months. Issues will include skills assessment and retraining; accountability and metrics; and, equity and compensation. Although a number of challenges are anticipated, none appear to be “show-stoppers” at the present time.

RLS/bmn

Attachment 9-11A

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Companies participating in Study

Lockheed

United Technologies

Duke

Apple

Chlorox

P&G

Basic American Foods

Dreyers

Johnson & Johnson

IBM

Motorola

Hewlett Packard

Calpine

Kodak

Baxter

Chevron

Merck

Roche

Bell Atlantic

PG&E

EBMUD

US West

Arizona Public Service

Dupont

SB Communications