



Diagnosing and Powering Up Your HazMat Compliance Program How Do You Get Started?

A Report for Utilities

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In a competitive and highly regulated utility industry, environmental health and safety (EH&S) professionals are asked to do more, efficiently, with reduced staffs. In the past few years, mergers and acquisitions have forced combined, downsized EH&S departments to stay at peak performance and manage increased responsibilities with fewer resources. This creates a tense atmosphere. Although employees perform to the best of their ability, they continue to feel the economic pressure.

A growing trend is that the utility companies that were forced by deregulation to divest their generation (hydro, coal, steam and nuclear) are now reacquiring these assets. Regulators originally believed that with more players in the generation market, the cost would be reduced for the consumer. Yet, with deregulation and competition came rolling blackouts and higher costs – a nightmare for all those involved. Public policymakers, struggle with how to encourage competition in the marketplace without incurring skyrocketing utility prices?

Other challenges facing utilities include aging infrastructures pressing against the boundaries of useful life, and multiple departments contending for the same limited dollars against a mass of financial pressure to justify expenditures.

At the same time, public utility commissions create continued political pressure to limit consumer price increases, and several agencies, including OSHA, DOT and the EPA, enforce regulations related to hazardous materials for the entire utility industry. Between October 2002 and September 2003, utility companies were handed an average of two citations per inspection related to OSHA's HazCom Standard.

In addition, the downsizing of utilities has caused a decentralization of operational functions. Where EH&S staffs once utilized their technical expertise to manage the daily information and data flow and ongoing reporting activities, these professionals are nearing retirement and their responsibilities are now handled at the plant level by individuals who may often lack the technical expertise or process understanding to oversee these EH&S activities.

Besides the challenges of personnel and compliance issues for an EH&S staff, utilities strive to focus on maintaining a safe working environment. Reduced training affects an entire company and can lead to an increase in workers' compensation claims, additional fines and other costs. These outcomes lead to a decrease in a company's profitability – an issue of concern to managers at all levels.

Moving In From the Outside

It can be difficult for management to gain an understanding of the technical day-to-day responsibilities and critical safety systems handled by EH&S departments. This can lead to a false sense of security as executives believe everything is operating smoothly, when systems are in fact tenuous at best. "A disruption or change in management or policy can create holes in the system – they're little time bombs," said Rich Warner, President, Rich Warner Associates & formerly with SCE.

If understanding the compliance challenges faced by the utility industry is the first step into diagnosing and powering up a hazmat compliance program, the next is to determine the areas where a company's compliance program may be falling short.

When responsibilities are reassigned due to shifts in management, it's not uncommon for personnel unfamiliar with the intricacies of compliance to become involved in its implementation. As new or untrained personnel attempt to get up to speed and manage data flow, unseen gaps in compliance may appear. With the complicated, dynamic and time-sensitive nature of compliance, it doesn't take long for a company to fall behind in training, filing of forms, fees and permits and other areas of hazmat concern.

Defusing those time bombs can mean more than just putting knowledgeable people in place. In fact, a gap in the process could shake the very foundation of a company's EH&S program. "There's the potential of life impacting exposures because a disruption in management occurs," said Warner. Such a gap may cause a domino effect and threaten a company's entire compliance program.

Outsourcing is one possible answer to identify management system gaps and combat the threats surrounding non-compliance. An outsourcing company can help utilities evaluate and, if needed, rebuild a solid compliance process. With outsourcing, experts in the field can assist a utility company in determining the status of their EH&S programs. They can then identify the most effective areas to apply EH&S resources and do so cost effectively.

Where to Start?

Performing a compliance assessment to determine the health of a company's EH&S program is an important first step. The analysis requires examining the company's facilities (properties and physical elements such as fuel lines, power lines, water and gas lines) to assess catastrophic vulnerabilities (spills, releases or explosions), major vulnerabilities (hazardous materials (hazmat) inventory, hazmat usage and storage and facility health and safety processes) and occupational risks (system processes, training, facility paperwork filings and regulatory reporting).

Environmental experts will perform a comprehensive and unbiased evaluation of the company's risk due to EH&S vulnerabilities and offer a set of prioritized recommendations to help the company minimize its risk and become healthy and compliant. "The number one objective is to rule out a catastrophic event," said Warner. A failure of any size in these systems could lead to a catastrophic loss.

At the same time, a company may conduct an onsite inventory assessment to identify the specific amounts of hazardous materials in a certain location. The inventory becomes the foundation upon which other critical data is managed and that data is turned into knowledge on the hazards present in the facilities. This knowledge, when applied on a geographical, functional and hierarchal level within your organization, helps you make better business decisions. The value of your organization is also increased, by reducing risk, cost and liability. A good hazmat inventory helps your bottom line and the basics are easy to understand and implement. This is a cost-effective function to outsource because many utilities lack the in-house staff to commit to cataloging and maintaining an accurate hazardous materials inventory list.

In a 2003 study conducted by 3E Company, involving 300 companies with more than 1 million products and 10,000 separate site inventories, startling inaccuracies were found in the chemical inventories. Thirty-three percent (33%) of the products listed on the inventory did not exist in the actual workplace. Fifty percent (50%) of the items listed on the average hazmat inventory have no associated supporting data, such as an MSDS, quantities, storage locations and container data. Of the items with supporting information, fifty percent (50%) of the information is out-of-date. In essence, the average company is making decisions related to the use, storage, transport, disposal and reporting of chemical and other hazardous materials with only twenty-five percent (25%) of the information they need. 3E also compared inventories from different locations, sites or departments within the same organization. Only twelve percent (12%) of the items listed on the inventories were the same from site to site, inventory to inventory. The accuracy of the inventory has cascading affects within an organization, from specific EH&S responsibilities, to employee well being, management decision-making and corporate responsibility. If even ten percent (10%) of the inventory is inaccurate, the accuracy of reporting, training and overall organization risk level can be way off.

After a compliance assessment, a company can intelligently determine which functions to keep in-house and which priorities can be cost-effectively outsourced. 3E is an example of a company providing outsourcing services for utility companies. 3E offers 24-7-365 Poison, Spill, Emergency Response and Transportation hotline services, giving customers immediate access to specialists for guidance in dealing with hazmat incidents. These services bring immediate relief to a utility's overtaxed EH&S program. 3E also provides online training for a customer's employees to use as it builds a world-class training program. 3E's Waste service offers direct guidance on how to cost-effectively dispose of hazmat. And 3E's Regulatory Reporting assists a utility with their immediate reporting needs to ensure compliance with the law prior to streamlining the reporting process.

An Outsourcing Success Story

Richard Warner served as an industrial hygiene manager for Southern California Edison (SCE) and has more than 25 years in the utilities industry. He has also worked as a consultant and industrial hygienist with California's Occupational Safety and Health Administration (OSHA) and is a Certified Industrial Hygienist (CIH), Certified Safety Professional (CSP) and Registered Environmental Assessor (REA).

While at SCE, Warner found that the process to enter, maintain and update an MSDS to be extremely tedious. An internal audit of SCE's HazCom program confirmed the problem. Warner turned to 3E to manage their MSDS compliance program. 3E relieved SCE of the daily MSDS maintenance responsibilities and reduced its costs. Eventually, SCE reached sustainability of its MSDS compliance issues and expanded their outsourced services to include:

- Identifying and managing an accurate chemical inventory
- Providing 24-7-365 emergency response listed on transportation manifests
- Reviewing of updates to an MSDS for changes that might be critical to an employee required to work with a chemical

Warner sought a company with compliance expertise, strong customer service and an ability to provide better value for the dollar. “If a company doesn’t have an in-house auditing staff, it’s especially valuable to bring in an outsourcing company to analyze the situation, determine where the utility company is coming up short, and present viable options,” he said.

“3E worked with us every step of the way,” said Warner. “They were responsive to our needs and made everyone feel that 3E was part of our team. They always had new ideas and suggestions for streamlining the process and becoming more productive with limited staff.”

Failing to comply with environmental regulations can lead to big fines – negative publicity and big headaches – for utility companies. World-class companies, like SCE, make EH&S compliance a high priority to protect their stakeholders and their brand. A thorough compliance assessment is a great first step in the process.