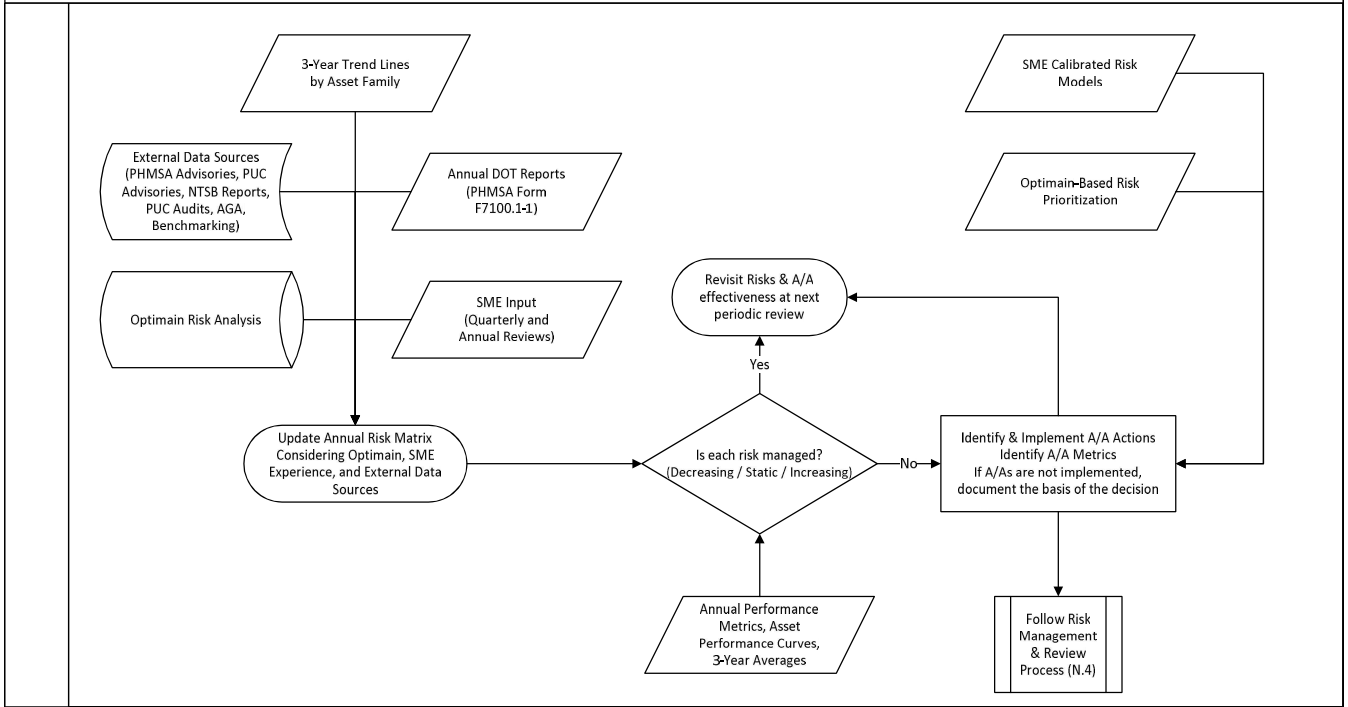


Process N.1 Annual Risk Review Process

Updated 4/27/2017



The SME Risk Model is based on industry-standard risk analysis. A total risk score is derived from SMEs careful and consistent assessment of each intersection of “Asset Group” (facility) and “Threat.” The SMEs, through the model, also consider and assign values to consequence factors for each asset group.

**8.3.3. SME Risk Model Operation**

Assigned SME’s shall refer to the following guidance when evaluating risks using the SME Risk Model for each of the three operating regions (UGI South, UGI Central, and UGI North):

Risk is the product of the likelihood of an event occurring and the consequence of the event, should it occur. For each facility type being analyzed, appropriate location, pressure and size information is collected from available data. The corresponding factors are combined to result in a total consequence factor to be used in the risk equation for each threat identified for the piping segment and is repeated for each piping segment. These risk scores can be grouped and summed to yield an indication of the relative quantity of risk posed by a given threat category.

**8.3.4. Risk Value**

Risk value is the overall value assigned to the facility asset group. It is expressed by the following formula.

$$\text{Total Risk Value} = (\text{Failure probability score} + \text{Incident probability score}) \times (1 + (\text{Consequence of failure score}))$$