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December 29, 2004

Advice No. 3446  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: 2004 Affiliate Transactions Compliance Plan**

**Purpose**

Southern California Gas Company (SoCalGas) hereby submits its 2004 Affiliate Transactions Compliance Plan (Compliance Plan) in accordance with Ordering Paragraph (OP) 2 of the California Public Utilities Commission's (Commission) Decision (D.) 97-12-088. The attached Compliance Plan, Attachment B, presents the most current information for SoCalGas regarding its affiliate transaction compliance efforts.

**Discussion**

The Commission's affiliate transaction rules (Rules) adopted by D.97-12-088 and modified by D.98-08-035, govern the relationship between California's natural gas local distribution companies and electric utilities and certain of their affiliates. For purposes of a gas utility, such as SoCalGas, the Commission's Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas, or the provision of services that relate to the use of gas, unless otherwise exempted from the Rules.

Both OP 2 and Section VI.A of Appendix A of D.97-12-088 required SoCalGas, as well as the other utilities who were respondents in the Affiliate Transaction OIR/OIL, to file by advice letter, no later than December 31, 1997, a Compliance Plan demonstrating that there are adequate procedures in place that will preclude the sharing of information as prohibited by the Rules. OP 2 also directed the respondent utilities to submit a revised Compliance Plan annually using the same advice letter process when there is a change to the utilities' existing Compliance Plans. Consequently, attached is SoCalGas' 2004 Compliance Plan. The significant changes to the Compliance Plan and the appendices thereto are described below.

**Compliance Plan**

The Compliance Plan was modified to reflect the Affiliate Compliance Department's transfer from Sempra Energy's Corporate Center to Sempra Energy's utilities, and a new affiliate compliance area in Sempra's Global Regulatory Affairs was created to serve the affiliate companies. Members of the Affiliate Advisory Team (in the Introduction section) and the two Shared Services tables (in Rule V.E., Corporate Support) have been updated to reflect organizational changes.

The disclaimer section (under Rule V.F., Corporate Identification and Advertising) has been re-written to focus on procedures. The segment on Employees (Rule V.G) was modified to indicate that the only officer position shared between the utilities, parent, and covered affiliates is the Secretary.

### Appendices

Appendix 3 – Shared Services - reflects the movement of the Affiliate Compliance Department from Sempra Energy's Corporate Center to Sempra Energy's utilities; the creation of the Corporate Compliance department; the reorganization of several areas (Regulatory Policy, Legislative Policy and Analysis, Federal Government Affairs, State Government Affairs, FERC Relations and Community Relations and Corporate Events) to the Legal Department; and the addition of FERC Regulatory Affairs and Regulatory Strategy groups in the Regulatory and Strategic Planning organization.

Appendix 4 - Corporate Governance Meetings - reflects the name change of the Project Review Committee to Management Committee; the addition of the "Disclosure Committee;" the deletion of the Electric & Gas Procurement Committee (EGPC); and appropriate personnel updates to other committees.

SoCalGas believes that all of the compliance actions set forth in the attached 2004 Compliance Plan are consistent with the Commission's Rules. SoCalGas is committed to upholding both the letter and spirit of the Rules, and respectfully requests that the Commission approve its 2004 Compliance Plan.

This filing will not result in an increase or decrease in any rate or charge, conflict with any schedules or rules, or cause the withdrawal of service.

### **Protest**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division - IMC Branch  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer ([jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)) and Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)) of the Energy Division. A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

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**Effective Date**

Pursuant to Rule VI.A of Appendix A of D.97-12-088, this Advice Letter shall be in effect between the date filed and a Commission determination of the Advice Letter. Therefore, SoCalGas requests that its 2004 Compliance Plan become effective December 29, 2004, which is the date filed.

**Notice**

In accordance with Section III-G of General Order 96-A, a copy of this advice letter is being sent to the parties listed in Attachment A, which includes the interested parties in R.97-04-011/I.97-04-012.

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**ATTACHMENT B**

**Advice No. 3446**

**Affiliate Transactions Compliance Plan**

**SOUTHERN CALIFORNIA GAS COMPANY'S (SOCALGAS)  
2004 AFFILIATE TRANSACTIONS COMPLIANCE PLAN  
IMPLEMENTING D.97-12-088 AND D.98-08-035  
GOVERNING TRANSACTIONS BETWEEN  
SOCALGAS AND ITS COVERED AFFILIATES**

12/29/04

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**SOUTHERN CALIFORNIA GAS COMPANY'S (SOCALGAS)  
2004 AFFILIATE TRANSACTIONS COMPLIANCE PLAN  
IMPLEMENTING D.97-12-088 AND D.98-08-035 GOVERNING TRANSACTIONS  
BETWEEN SOCALGAS AND ITS COVERED AFFILIATES**

**INTRODUCTION**

In accordance with Rule VI.A. of the Commission's Affiliate Transaction Rules (ATR) adopted in D.97-12-088, as amended by subsequent Commission decisions and orders,<sup>1</sup> and in conformance with Resolution G-3238, Southern California Gas Company (SoCalGas) hereby submits an amended compliance plan apprising the Commission of the current status of its compliance efforts and programs. This Compliance Plan supersedes SoCalGas' previous September 10, 2003 filing (Advice Letter No. 3290 / U 904 G).<sup>2</sup>

Filing this revised Compliance Plan and implementing the procedures and mechanisms delineated herein is not meant to constitute a waiver of any legal rights that SoCalGas might have to file for rehearing or judicial review of any Commission decision promulgating, interpreting, or applying the Rules. The Rules are described in language that is often susceptible to multiple interpretations and understandings of the Commission's intent. SoCalGas' Compliance Plan attempts to bring the company into compliance with reasonable interpretations of the Rules wherever vagueness or ambiguity prevails.

In sections A through C of this introduction to the revised Compliance Plan, SoCalGas summarizes several compliance mechanisms and guidelines that are central to SoCalGas' general affiliate compliance effort. Thereafter, the Compliance Plan presents a rule-by-rule listing and discussion of the procedures and mechanisms the Company has crafted to ensure compliance

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<sup>1</sup> D.97-12-088 was amended in D.98-08-035 where the affiliate transaction rules were modified. D.98-11-027 clarified Rule V.F.1's disclaimer requirement. D.98-12-075 added enforcement provisions to the affiliate transaction rules. D.99-04-069 granted limited exemption from the disclaimer requirements of Rule V.F.1. D.99-09-033 adopts a revised disclaimer for SDG&E and SoCalGas.

<sup>2</sup> Approved by letter from Energy Division, January 16, 2004



with the Rules. More detailed documentation regarding such matters as services that are being shared under Rule V.E. and other materials are attached as appendices.

#### **A. THE AFFILIATE COMPLIANCE DEPARTMENT**

The Affiliate Compliance Department (ACD) has been established as a Rule V.E. shared service at SoCalGas. The ACD ensures that Sempra Energy's California utilities -- SoCalGas and SDG&E -- and their covered affiliates implement the Rules diligently and systematically.

During 2004, the ACD was reorganized resulting in its move from the Corporate Center to the utility. Through benchmarking of best practices of other companies, it was found that in highly regulated and diversified global companies, the responsibility for the execution of compliance activities is best placed at the operational level. This provides the business units the ability to tailor the execution of compliance activities according to their specific regulatory climate and business model while operating within the overall policy and governance guidance of the parent company. The Affiliate Compliance Manager now reports to the Director, Tariffs & Regulatory Accounts.

The Director reports directly to the Vice President, Regulatory Affairs (CA & FERC) and works closely with the Senior Vice President, Regulatory and Strategic Planning, SDG&E and SoCalGas, who has been designated as an Affiliate Compliance Officer, as well as the Vice President, Corporate Compliance & Chief Compliance Officer, who serves on the Corporate Compliance Committee (see Appendix 4). This committee has oversight of this Compliance Plan and all compliance programs.

As part of ACD's reorganization process and due diligence with respect to these Rules, an Affiliate Compliance Policy Manager position was created to support Sempra's covered, non-utility businesses. This Corporate Center position is part of Sempra's Global Regulatory Affairs department and facilitates Sempra's overall compliance efforts by specifically focusing on SoCalGas' covered affiliates.

The ACD is currently staffed with a manager and three senior compliance analysts. The ACD provides education, direction, and oversight to SoCalGas and its covered affiliates on all matters

pertaining to understanding and implementing the Rules. The ACD also facilitates the timely documentation and reporting of affiliate transactions.

An Affiliate Advisory Team (AAT) provides guidance to the ACD as it performs its assigned duties to ensure compliance with the Rules. The current members of the AAT are:

|  |                    |
|--|--------------------|
| SVP, Regulatory and Strategic Planning, SDG&E/SoCalGas             | (William Reed)     |
| VP, Regulatory Affairs (CA & FERC), SDG&E/SoCalGas                 | (Lee Schavrien)    |
| VP, Corporate Compliance & Chief Compliance Officer, Sempra Energy | (Randall Peterson) |
| Assistant General Counsel, Sempra Energy                           | (David Follett)    |
| Assistant General Counsel, Sempra Energy                           | (Thomas Brill)     |
| Senior Counsel, Sempra Energy                                      | (David Gilmore)    |
| Director, Tariffs & Regulatory Accounts, SDG&E/SoCalGas            | (Steve Rahon)      |
| Affiliate Compliance Manager, SDG&E/SoCalGas                       | (Norma G. Jasso)   |

The ACD has established an administrative process that places initial compliance responsibility and implementation at the division or department level within the Sempra Energy utilities.

Designated individuals -- affiliate compliance coordinators -- are responsible for executing the compliance effort in their respective areas, and providing status to the ACD on an as needed basis. The affiliate compliance coordinators provide guidance and resolve daily affiliate compliance issues, as well as seek clarification of ambiguous rules from the ACD. The ACD, with advice and direction from AAT members, resolves policy issues and directs the enterprise-wide effort to comply with the Rules. Some of the tools utilized by the ACD include a 24-hour hotline, intranet and Internet web sites, and internal publications.

## **B. TRAINING AND COMMUNICATIONS**

An ongoing, comprehensive education and training program is the primary means for ensuring compliance with the Rules.

Training is administered to all non-union personnel, and recommended for all union personnel on an annual basis. Although not required by the Rules, training is also provided to all Sempra Energy Corporate Center employees as well as all affiliate employees working in the California market. Training is distributed using a web-based training format, with records of training

automatically tracked and recorded in a database. Additionally, employees have access to the most current Compliance Plan through the company's intranet site.

Non-union, newly hired employees from SoCalGas are expected to complete Affiliate Compliance Training within a month from employment. Employees access training through the intranet where electronic database tracking is maintained. All new employees are also given the Business Conduct Guidelines, which include a Summary Guide to Affiliate Transaction Rules.

Although not required by the Rules, newly hired employees from Sempra Energy and other Sempra business units are offered information about Affiliate Compliance Training and how to access it during the new hire orientation process. Employees access training through the intranet where electronic database tracking is maintained.

The ACD maintains an intranet web site where employees can access a variety of information regarding the Rules, including: a verbatim copy of the Rules, CPUC related decisions, SoCalGas' compliance plan, and other related information such as a listing of compliance coordinators, compliance-related procedures, forms, and training materials.

### **C. AFFILIATE COMPLIANCE GUIDELINES**

The Affiliate Compliance Guidelines (ACG) is an internal manual with policies and procedures covering CPUC and FERC rules governing affiliate transactions. The ACG are updated periodically and are available to employees on each business unit's intranet web site. Company employees may also request a printed copy by contacting the ACD, by calling the "Affiliate Hotline" or by e-mailing <AffiliateCompliance@SempraUtilities.com>. The ACG are provided annually to the CPUC as part of the company's filing of its Affiliate Transaction Report per Ordering Paragraph 2 of CPUC Rulemaking 92-08-008 and Appendix A of D.93-02-019.

## I.

### DEFINITIONS<sup>3</sup>

*Unless the context otherwise requires, the following definitions govern the construction of these Rules:*

I.A. *"Affiliate" means any person, corporation, utility, partnership, or other entity 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly, either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. For purposes of these Rules, "substantial control" includes, but is not limited to, the possession, directly or indirectly and whether acting alone or in conjunction with others, of the authority to direct or cause the direction of the management or policies of a company. A direct or indirect voting interest of 5% or more by the utility in an entity's company creates a rebuttable presumption of control.*

*For purposes of this Rule, "affiliate" shall include the utility's parent or holding company, or any company which directly or indirectly owns, controls, or holds the power to vote 10% or more of the outstanding voting securities of a utility (holding company), to the extent the holding company is engaged in the provision of products or services as set out in Rule II B. However, in its compliance plan filed pursuant to Rule VI, the utility shall demonstrate both the specific mechanism and procedures that the utility and holding company have in place to assure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules. Examples include but are not limited to specific mechanisms and procedures to assure the Commission that the utility will not use the holding company or another utility affiliate not covered by these Rules as a vehicle to (1) disseminate information transferred to them by the utility to an affiliate covered by these Rules in*

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<sup>3</sup> The Commission's Rules, which are italicized for ease of reference, are followed by SoCalGas' Procedures and Mechanisms for Ensuring Compliance, which are not italicized.

*contravention of these Rules, (2) provide services to its affiliates covered by these Rules in contravention of these Rules or (3) to transfer employees to its affiliates covered by these Rules in contravention of these Rules. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures to ensure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules.*

*Regulated subsidiaries of a utility, defined as subsidiaries of a utility, the revenues and expenses of which are subject to regulation by the Commission and are included by the Commission in establishing rates for the utility, are not included within the definition of affiliate. However, these Rules apply to all interactions any regulated subsidiary has with other affiliated entities covered by these rules.*

- I.B. “Commission” means the California Public Utilities Commission or its succeeding state regulatory body.*
- I.C. “Customer” means any person or corporation, as defined in Sections 204, 205 and 206 of the California Public Utilities Code, that is the ultimate consumer of goods and services.*
- I.D. “Customer Information” means non-public information and data specific to a utility customer which the utility acquired or developed in the course of its provision of utility services.*
- I.E. “FERC” means the Federal Energy Regulatory Commission.*
- I.F. “Fully Loaded Cost” means the direct cost of good or service plus all applicable indirect charges and overheads.*
- I.G. “Utility” means any public utility named as a respondent to Rulemaking 97-04-011/Investigation 97-04-012, and any other public utility subject to the jurisdiction of the*

*Commission as an Electric Corporation or Gas Corporation, as defined in California Public Utilities Code Sections 218 and 222, which the Commission by subsequent decision or order requires to comply with these Rules.*

### **Procedures and Mechanisms for Ensuring Compliance**

Sempra Energy, SoCalGas' parent company, does not provide products and services as defined in Rule II.B, and is therefore not an "affiliate" within the meaning of Rule I.A. The Sempra Energy Corporate Center provides virtually all of the corporate governance and some oversight being shared between regulated and unregulated affiliates pursuant to Rule V.E. All Sempra Energy Corporate Center officers and employees, as well as SoCalGas employees performing shared services have been trained in anti-conduit measures in order to prevent situations that could result in a circumvention or indirect violation of the Rules. The Anti-Conduit Procedures are part of the web-based training and requires employees to affirm the Anti-Conduit policy.

The Anti-Conduit measures are designed to prevent employees from doing indirectly what the Rules forbid being done directly. This includes actions that could: (1) provide a means for the transfer of confidential information from the utility to an affiliate, or vice versa, (2) create the opportunity for preferential treatment or unfair competitive advantage, (3) lead to customer confusion, and (4) create significant opportunities for cross-subsidization of affiliates.

## **II.**

### **APPLICABILITY OF RULES**

*II.A. These Rules shall apply to California public utility gas corporations and California public utility electrical corporations identified in Rule I.G.*

*II.B. For purposes of a combined gas and electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity, unless specifically exempted below. For purposes of an electric utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses electricity or the provision of services that relate to the use of electricity. For purposes*

*of a gas utility, these Rules apply to all utility transactions with affiliates engaging in the provision of a product that uses gas or the provision of services that relate to the use of gas.*

*II.C. These Rules apply to transactions between a Commission-regulated utility and another affiliated utility, unless specifically modified by the Commission in addressing a separate application to merge or otherwise conduct joint ventures related to regulated services.*

### **Procedures and Mechanisms for Ensuring Compliance**

These Rules apply to transactions between SoCalGas and its covered affiliates. The PE/Enova merger decision (D.98-03-073, *mimeo* at 107) largely exempted transactions between SoCalGas and SDG&E from the Rules in order to preserve the merger synergies. The Commission held that affiliate issues with respect to utility-to-utility transactions are to be governed by the rules set forth in the merger decision.

A current catalog of all affiliate companies is maintained on the SoCalGas Internet web site at [www.socalgas.com](http://www.socalgas.com). The listing provides the names of SoCalGas' affiliates, a brief description of the company's business, and an indication of whether the affiliate is or is not covered under the Rules. New affiliates which are formed as part of CPUC-funded utility R&D program activities are not considered covered affiliates as they do not engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity. As noted elsewhere herein, covered affiliates provide training to their employees to ensure compliance with the Commission's Rules. Employees of covered affiliates are encouraged to call Sempra's Global Regulatory Affairs department at the Corporate Center if they have any questions about the Commission's Rules and their applicability to any given situation.

*II.D. These rules do not apply to the exchange of operating information, including the disclosure of customer information to its FERC-regulated affiliate to the extent such information is required by the affiliate to schedule and confirm nominations for the interstate transportation of natural gas, between a utility and its FERC-regulated affiliate, to the extent that the affiliate operates an interstate natural gas pipeline.*

## **Procedures and Mechanisms for Ensuring Compliance**

Rule II.D. is currently inapplicable to SoCalGas. Of the FERC-regulated affiliates (covered by these Rules), none interconnect with the SoCalGas system.

In D.04-09-022, the Commission authorized the establishment of Otay Mesa as a common SDG&E/SoCalGas receipt point from an affiliate in Mexico. Although this affiliate, TGN, is not regulated by the FERC, when it delivers gas to SoCalGas there will be a need to exchange operating information in the same manner as would be done with any upstream interconnecting pipeline. Therefore, SoCalGas will exchange such information with TGN in accordance with this Rule.

*II.E. Existing Rules: Existing Commission rules for each utility and its parent holding company shall continue to apply except to the extent they conflict with these Rules. In such cases, these Rules shall supersede prior rules and guidelines, provided that nothing herein shall preclude (1) the Commission from adopting other utility-specific guidelines; or (2) a utility or its parent holding company from adopting other utility-specific guidelines, with advance Commission approval.*

## **Procedures and Mechanisms for Ensuring Compliance**

Rule II.E. requires no additional compliance action. The ACD includes in its training and internal guidelines prior affiliate rules that have not been superseded by these Rules.

*II.F. Civil Relief: These Rules shall not preclude or stay any form of civil relief, or rights or defenses thereto, that may be available under state or federal law.*

*II.G. Exemption (Advice Letter): A Commission-jurisdictional utility may be exempted from these Rules if it files an advice letter with the Commission requesting exemption. The utility shall file the advice letter within 30 days after the effective date of this decision adopting these Rules and shall serve it on all parties to this proceeding. In the advice letter filing, the utility shall:*



- II.G.1. Attest that no affiliate of the utility provides services as defined by Rule II B above; and*
- II.G.2. Attest that if an affiliate is subsequently created which provides services as defined by Rule II B above, then the utility shall:*
- II.G.2.a Notify the Commission, at least 30 days before the affiliate begins to provide services as defined by Rule II B above, that such an affiliate has been created; notification shall be accomplished by means of a letter to the Executive Director, served on all parties to this proceeding; and*
- II.G.2.b. Agree in this notice to comply with the Rules in their entirety.*
- II.H. Limited Exemption (Application): A California utility which is also a multi-state utility and subject to the jurisdiction of other state regulatory commissions, may file an application, served on all parties to this proceeding, requesting a limited exemption from these Rules or a part thereof, for transactions between the utility solely in its capacity serving its jurisdictional areas wholly outside of California, and its affiliates. The applicant has the burden of proof.*
- II.I. These Rules should be interpreted broadly, to effectuate our stated objectives of fostering competition and protecting consumer interests. If any provision of these Rules, or the application thereof to any person, company, or circumstance, is held invalid, the remainder of Rules, or the application of such provision to other persons, companies, or circumstances, shall not be affected thereby.*

### **Procedures and Mechanisms for Ensuring Compliance**

Rules II.F., G., H., and I. require no compliance action.

**III.**  
**NONDISCRIMINATION STANDARDS**

***III.A. No Preferential Treatment Regarding Services Provided By The Utility***

*Unless otherwise authorized by the Commission or the FERC, or permitted by these Rules, A Utility shall not:*

- III.A.1. represent that as a result of the affiliation with the utility, its affiliates or customers of its affiliates will receive any different treatment by the utility than the treatment the utility provides to other, unaffiliated companies or their customers; or*
  
- III.A.2. provide its affiliates, or customers of its affiliates, any preference (including but not limited to terms and conditions, pricing, or timing) over non-affiliated suppliers or their customers in the provision of services provided by the utility.*

**Procedures and Mechanisms for Ensuring Compliance**

A comprehensive education and training program has been implemented to establish in the SoCalGas and the Sempra Energy culture, the nondiscrimination and non-preferential treatment standards required by the Rules.

***III.B. Affiliate Transactions***

*Transactions between a utility and its affiliates shall be limited to tariffed products and services, the sale or purchase of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process, or as provided for in Sections V. D. and V. E. (joint purchases and corporate support) and Section VII (new products and services) below, provided the transactions provided for in Section VII comply with all of the other adopted Rules.*

## **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas' highly-competitive gas purchasing practices are in full harmony with the Commission's Affiliate Transaction Rules and ensure that SoCalGas' core ratepayers are not denied the opportunity to obtain the least costly gas supplies available in the marketplace.

The objectives of the SoCalGas Gas Acquisition Department in order of priority are to:

1. Provide reliable gas supplies to core customers.
2. Provide these supplies at the lowest possible cost using the assets allocated to the core.
3. Provide ratepayer and shareholder benefits under the Gas Cost Incentive Mechanism (GCIM).

Gas Acquisition follows standard modern industry practices in its gas trading procedures. Gas Acquisition uses the normal tools available to any entity (marketer, producer or utility) engaged in trading activity. These tools include physical trading, derivative trading, hub transactions, and interstate capacity transactions. Gas Acquisition traders are authorized to enter into transactions based on the authority delegated to them. They operate in compliance with Sempra Energy's Risk Management and Trading Policies and Procedures, with oversight from the Gas Acquisition Committee, Sempra's Energy Risk Management Oversight Committee (ERMOC), as well as the CPUC. The results of these transactions are measured against the GCIM benchmark in determining shareholder benefit, if any.

Each month Gas Acquisition submits a GCIM report to the CPUC which computes in detail the GCIM results for that month. This report provides details of all transactions, including supplier name and deal terms. An annual GCIM report and application are filed, and responses are provided to the CPUC in reply to detailed data requests.

Gas Acquisition purchases about 1 Bcf of supplies per day for the core market. Gas Acquisition buys most of its gas on a long-term or monthly basis in the San Juan Basin, Permian Basin, and California border points. Gas is also purchased for storage injection during the summer months to provide peak day reliability in the winter.

Gas Acquisition and Company policy expressly forbids preferential treatment to any supplier. Employee incentives are based on GCIM performance to ensure that the staff is focused on low cost supplies regardless of supplier.

Gas Acquisition's traders are provided incentives to uncover the most favorable transactions available in the market place for each and every transaction. Gas Acquisition applies the same or a higher level of scrutiny and price comparison to affiliate transactions than other transactions in establishing that a competitive price has been obtained.

Gas transactions with affiliates can be categorized as follows:

1. "Arm's length" deals through matching by brokers. SoCalGas and an affiliate can be matched by a broker. In this case neither SoCalGas nor the affiliate know the other party's identity until the deal is done. Payment is made between SoCalGas and the affiliate and the broker bills each party separately. The paper trail specifically identifies the transaction as a brokered deal. All brokers have been sent a letter stating that no preference is to be given to SoCalGas' affiliates.
2. Hub Transactions. Hub transactions with affiliates are posted on the Electronic Bulletin Board (EBB) defined in Rule 1 as SoCalGas' Envoy System within one hour of doing the deal in accordance with the Remedial Measures adopted by the Commission in the PE-Enova merger proceeding (D.98-03-073). This provides other similarly situated customers additional information in time to request a deal with the same terms.
3. Daily or monthly deals. All deals, affiliated and unaffiliated alike, are date stamped which will allow any affiliate transactions to be compared with prior and subsequent transactions with unaffiliated parties. SoCalGas will respond immediately to any ORA requests for further information about any transaction.

### ***III.B.1. Provision of Supply, Capacity, Services or Information***

*Except as provided for in Sections V. D., V. E, and VII, provided the transactions provided for in Section VII comply with all of the other adopted Rules, a utility*

*shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility's affiliates.*

### ***III.B.2. Offering of Discounts***

*Except when made generally available by the utility through an open, competitive bidding process, if a utility offers a discount or waives all or any part of any other charge or fee to its affiliates, or offers a discount or waiver for a transaction in which its affiliates are involved, the utility shall contemporaneously make such discount or waiver available to similarly situated market participants. The utilities should not use the "similarly situated" qualification to create such a unique discount arrangement with their affiliates such that no competitor could be considered similarly situated. All competitors serving the same market, as the utility's affiliates should be offered the same discount as the discount received by the affiliates. A utility shall document the cost differential underlying the discount to its affiliates in the affiliate discount report described in Rule III F 7 below.*

### **Procedures and Mechanisms for Ensuring Compliance**

With the exception of competitive bids, when SoCalGas provides supply, capacity, discounts, information, or services (outlined above) to its affiliates, it makes the information or services available to all similarly situated market participants. This information is posted on SoCalGas' electronic bulletin board (EBB) called Envoy<sup>sm</sup> and then automatically appears on SoCalGas' Affiliate Transactions Internet web site within one hour of the transaction. SoCalGas interprets contemporaneous to be within one hour. Procedures are in place specifying the form and content of the information to be posted. Employees authorized to post on the EBB post this information on the Affiliate Transactions category. Interested parties will find the posted information by going to the company's Internet home page at <[www.socalgas.com](http://www.socalgas.com)>. The path to the information from the home page is accessed by clicking on "**Regulatory,**" then "**Affiliate Transactions,**" where the

**“Discounts, Rebates, Tariff Deviations, or Fee Waivers”** or the **“Supply, Capacity, Services, or Information”** categories are found.

Uniform discounts given to all competitors are not considered to be reportable discounts. Vendor discounts given by suppliers to all market participants that are passed through to affiliates are also not subject to the disclosure rules.

***III.B.3. Tariff Discretion***

*If a tariff provision allows for discretion in its application, a utility shall apply that tariff provision in the same manner to its affiliates and other market participants and their respective customers.*

***III.B.4. No Tariff Discretion***

*If a utility has no discretion in the application of a tariff provision, the utility shall strictly enforce that tariff provision.*

***III.B.5. Processing Requests for Services Provided by the Utility***

*A utility shall process requests for similar services provided by the utility in the same manner and within the same time for its affiliates and for all other market participants and their respective customers.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas understands that the Rules are intended to ensure that SoCalGas implements its tariffs in a nondiscriminatory fashion. If a tariff provision allows for discretion in its application, then SoCalGas will apply that tariff provision in the same manner to its affiliates as it does to all other market participants and their respective customers. SoCalGas will strictly enforce tariff provisions when no discretion is permitted. Any tariff deviation given to an affiliate is posted on the EBB and then automatically appears on SoCalGas' Affiliate Transactions Internet website within one hour of the transaction. Procedures are in place specifying the form and content of the information to be posted on the web site. Employees authorized to post on the EBB post this information on the Affiliate Transaction category. Interested parties will find the posted information by going to the company's Internet home page at <[www.socalgas.com](http://www.socalgas.com)>. The path

to the information from the home page is accessed by clicking on “**Regulatory,**” then “**Affiliate Transactions,**” where the “**Discounts, Rebates, Tariff Deviations, or Fee Waivers**” category is found.

***III.C. Tying of Services Provided by a Utility Prohibited***

*A utility shall not condition or otherwise tie the provision of any services provided by the utility, nor the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas’ affiliate compliance training materials make it clear that utility products and services are not to be tied to the products and services offered by covered affiliates.

***III.D. No Assignments Of Customers***

*A utility shall not assign customers to which it currently provides services to any of its affiliates, whether by default, direct assignment, option or by any other means, unless that means is equally available to all competitors.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas does not assign customers to any service provider. The training instructs SoCalGas employees not to “assign” utility customers to affiliates. Indeed, the training materials go beyond the literal words of Rule III.D. by associating “no assignment” with “no leads,” i.e., do not attempt to indirectly “assign” customers to affiliates by providing leads to customers that have indicated an interest.

***III.E. Business Development and Customer Relations***

*Except as otherwise provided by these Rules, a utility shall not:*

- (1) provide leads to its affiliates;*
- (2) solicit business on behalf of its affiliates;*
- (3) acquire information on behalf of or to provide to its affiliates;*

- (4) share market analysis reports or any other types of proprietary or non-publicly available reports, including but not limited to market, forecast, planning or strategic reports, with its affiliates;*
- (5) request authorization from its customers to pass on customer information exclusively to its affiliates;*
- (6) give any appearance that the utility speaks on behalf of its affiliates or that the customer will receive preferential treatment as a consequence of conducting business with the affiliates; or*
- (7) give any appearance that the affiliate speaks on behalf of the utility.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas' training materials emphasize that customer leads are not to be provided to affiliates, that business is not to be solicited on their behalf, that no business information is to be acquired on behalf of affiliates, and that no market analysis reports or other proprietary information is to be shared with affiliates, except as otherwise permitted by these Rules. Furthermore, corporate policy prohibits release of customer information to any entity without the customer's explicit written consent. Employees are trained not to give any indication that they represent or speak on behalf of any company other than SoCalGas, or that an affiliate represents the utility.

### ***III.F. Affiliate Discount Reports***

*If a utility provides its affiliates a discount, rebate, or other waiver of any charge or fee associated with services provided by the utility, the utility shall, within 24 hours of the time at which the service provided by the utility is so provided, post a notice on its electronic bulletin board providing the following information:*

- 1. the name of the affiliate involved in the transaction;*
- 2. the rate charged;*
- 3. the maximum rate;*
- 4. the time period for which the discount or waiver applies;*
- 5. the quantities involved in the transaction;*
- 6. the delivery points involved in the transaction;*



7. *any conditions or requirements applicable to the discount or waiver; and a documentation of the cost differential underlying the discount as required in Rule III B 2 above; and*
8. *procedures by which a nonaffiliated entity may request a comparable offer.*

*A utility that provides an affiliate a discounted rate, rebate, or other waiver of a charge or fee associated with services provided by the utility shall maintain, for each billing period, the following information:*

9. *the name of the entity being provided services provided by the utility in the transaction;*
10. *the affiliate's role in the transaction (i.e., shipper, marketer, supplier, seller);*
11. *the duration of the discount or waiver;*
12. *the maximum rate;*
13. *the rate or fee actually charged during the billing period; and*
14. *the quantity of products or services scheduled at the discounted rate during the billing period for each delivery point.*

*All records maintained pursuant to this provision shall also conform to FERC rules where applicable.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will comply with requirements 1-14 of this Rule. If SoCalGas offers a discount, rebate, waives all or any part of a fee, or grants a tariff deviation for its affiliates, it maintains the records required by these Rules and posts this offering on the gas management system. It automatically appears on SoCalGas' Affiliate Transactions Internet website within one hour of the transaction. Procedures are in place specifying the form and content of the information to be posted on the web site. Employees authorized to post on the gas management system post this information on the Affiliate Transaction Electronic Bulletin Board (EBB) category. Interested parties will find the posted information by going to the company's Internet home page at <[www.socalgas.com](http://www.socalgas.com)>. The path to the information from the home page is accessed by clicking

on “**Regulatory,**” then “**Affiliate Transactions,**” where the “**Discounts, Rebates, Tariff Deviations, or Fee Waivers**” category is found.

## IV.

### DISCLOSURE AND INFORMATION

#### *IV.A. Customer Information*

*A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly nondiscriminatory basis, and only with prior affirmative customer written consent.*

#### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas obtains written customer consent for the release of all customer information. In order to make this information available on a nondiscriminatory basis, notice is posted when SoCalGas provides this information to its affiliate. This notice includes the name of the affiliate to receive the information, the type of data shared, the time period covered by the data, the date the data was provided, contact person at SoCalGas, and a general description of the type of data released. For confidentiality reasons, this notice does not include the name of the customer, nor the specific data released. This information is posted on SoCalGas’ Internet web site no later than the time of the transaction. Procedures are in place specifying the form and content of the information to be posted on the web site. Interested parties will find the posted information by going to the company’s Internet home page at <[www.socalgas.com](http://www.socalgas.com)>. The path to the information from the home page is accessed by clicking on “**Regulatory,**” then “**Affiliate Transactions,**” where the category “**Customer Information Provided to Affiliate(s)**” is found.

The form to post this information is available to authorized employees on SoCalGas’ Affiliate Compliance intranet site. Appropriate “posters” have been given authorization to access the system. Once the data is entered, the information is immediately posted to the appropriate category on SoCalGas’ Internet web site.

#### *IV.B. Non-Customer Specific Non-Public Information*

*A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about*

*the utility's gas-related goods or services, electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. Utilities are also permitted to exchange proprietary information on an exclusive basis with their affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V.E. below. The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas interprets this rule as permitting the exchange of public information between SoCalGas and its affiliates without incurring an obligation to post such information. When SoCalGas provides non-customer specific, non-public information (excluding information exchanged in order to provide corporate support services) to its affiliates, it will post this information on the SoCalGas Internet web site. This site will offer the information under the same terms and conditions as described in the preceding Rule. Procedures are in place specifying the form and content of the information to be posted on the web site. Interested parties will find the posted information by going to the company's Internet home page at <[www.socalgas.com](http://www.socalgas.com)>. The path to the information from the home page is accessed by clicking on "**Regulatory,**" then "**Affiliate Transactions,**" where the "**Non-Customer Specific, Non-Public Information**" category is found.

The form to post this information is available to authorized employees on SoCalGas' Affiliate Compliance intranet site. Appropriate "posters" have been given authorization to access the system. Once the data is entered, the information is immediately posted to the appropriate category on SoCalGas' Internet web site.

#### **IV.C. Service Provider Information**

*IV.C.1. Except upon request by a customer or as otherwise authorized by the Commission, or approved by another governmental body, a utility shall not provide its customers with any list of service providers, which includes or identifies the utility's affiliates, regardless of whether such list also includes or identifies the names of unaffiliated entities. A utility shall submit lists approved by other governmental bodies in the first semi-annual advice letter filing referenced in Rule IV.C.2 following such approval, but may provide customers with such lists pending action on the advice letter.*

*IV.C.2. If a customer requests information about any affiliated service provider, the utility shall provide a list of all providers of gas-related, electricity-related, or other utility-related goods and services operating in its service territory, including its affiliates. The Commission shall authorize, by semi-annual utility advice letter filing, and either the utility, the Commission, or a Commission-authorized third party provider shall maintain on file with the Commission a copy of the most updated lists of service providers which have been created to disseminate to a customer upon a customer's request. Any service provider may request that it be included on such list, and, barring Commission direction, the utility shall honor such request. Where maintenance of such list would be unduly burdensome due to the number of service providers, subject to Commission approval by advice letter filing, the utility shall direct the customer to a generally available listing of service providers (e.g., the Yellow Pages). In such cases, no list shall be provided. If there is no Commission-authorized list available, utilities may refer customers to a generally available listing of service providers (e.g., the Yellow Pages.) The list of service providers should make clear that the Commission does not guarantee the financial stability or service quality of the service providers listed by the act of approving this list.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will continue to file Advice Letters according to the specifications noted in Rule IV.C. SoCalGas intends to update the filing of these lists semi-annually, in accordance with Rule IV.C.2. SoCalGas uses a non-discriminatory process for suppliers to be included on the Service Provider list.

#### ***IV.D. Supplier Information***

*A utility may provide non-public information and data which has been received from unaffiliated suppliers to its affiliates or non-affiliated entities only if the utility first obtains written affirmative authorization to do so from the supplier. A utility shall not actively solicit the release of such information exclusively to its own affiliate in an effort to keep such information from other unaffiliated entities.*

### **Procedures and Mechanisms for Ensuring Compliance**

Affiliate requests for supplier information will be centrally processed through the shared services Supply Management Department at the utility. Supply Management maintains a log of all instances in which it provides supplier information to an affiliate. The log sets forth the affiliate, the supplier, the date the form is received, and indicates that the required written affirmative authorization was obtained from the supplier. This procedure has been incorporated in the company's training materials.

#### ***IV.E. Affiliate-Related Advice Or Assistance***

*Except as otherwise provided in these Rules, a utility shall not offer or provide customers advice or assistance with regard to its affiliates or other service providers.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas has trained its employees to refrain from providing advice or assistance regarding any service provider (including its affiliates), or any proposal of a service provider.

SoCalGas' primary interest is in meeting the needs of its customers. Resolution G-3238 recognizes SoCalGas' right to provide general technical advice not related to a specific service provider or proposal. SoCalGas will offer customers general technical advice that is not linked to a specific service provider or proposal and will, under Rule V.F.4.a, meet with customers when requested to "discuss technical and operational subjects regarding the utility's provision of transportation service to the customer."

#### ***IV.F. Record Keeping***

*A utility shall maintain contemporaneous records documenting all tariffed and nontariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions and all discounts. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. The utility shall make such records available for third party review upon 72 hours notice, or at a time mutually agreeable to the utility and third party.*

*If D.97-06-110 is applicable to the information the utility seeks to protect, the utility should follow the procedure set forth in D.97-06-110, except that the utility should serve the third party making the request in a manner that the third party receives the utility's D.97-096-110 requests for confidentiality within 24 hours of service.*

#### **Procedures and Mechanisms for Ensuring Compliance**

Records are maintained so that they can be released within three business days from the receipt of the request. Records are kept for at least three years as required by the Rule. It should be noted that the billing records referred to above are processed in aggregate, on a monthly billing cycle. SoCalGas' current accounting system does not process on a real-time basis. All requests from third parties for affiliate transaction information must be made to the Affiliate Compliance Manager, who will arrange for retrieval and presentation of the information within the time required. All requests pursuant to this Rule should be submitted in writing to:

Norma G. Jasso  
Affiliate Compliance Manager  
San Diego Gas & Electric Co.  
8326 Century Park Court, ML-CP32C  
San Diego, CA 92123-4150

***IV.G. Maintenance of Affiliate Contracts and Related Bids***

*A utility shall maintain a record of all contracts and related bids for the provision of work, products or services to and from the utility to its affiliates for no less than a period of three years, and longer if this Commission or another government agency so requires.*

**Procedures and Mechanisms for Ensuring Compliance**

Relevant records will be kept for at least three years by the department involved with the transaction.

***IV.H. FERC Reporting Requirements***

*To the extent that reporting rules imposed by the FERC require more detailed information or more expeditious reporting, nothing in these Rules shall be construed as modifying the FERC rules.*

**Procedures and Mechanisms for Ensuring Compliance**

No additional compliance action is required.

**V.**

**SEPARATION**

***V.A. Corporate Entities***

*A utility and its affiliates shall be separate corporate entities.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas' existing affiliates are separate corporate entities. Any future affiliates will also be organized as separate corporate entities.

***V.B. Books and Records***

*A utility and its affiliates shall keep separate books and records.*

*V.B.1. Utility books and records shall be kept in accordance with the applicable Uniform System of Accounts (“USOA”) and Generally Accepted Accounting Procedures (“GAAP”).*

*V.B.2. The books and records of affiliates shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Section 314.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas and its affiliates have separate books and records. SoCalGas follows and will continue to follow USOA and GAAP standards. The books and records of SoCalGas and its affiliates are open for examination by the Commission as required by Public Utilities Code Section 314(b).

### ***V.C. Sharing of Plant, Facilities, Equipment or Costs***

*A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Section V.E. of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or, in the alternative, through the use of separate elevator banks and/or security-controlled access. This provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).*

### **Procedures and Mechanisms for Ensuring Compliance**

#### **Facilities Separation:**

SoCalGas’ headquarters are at the Gas Company Tower, located in downtown Los Angeles. Access to the entire Gas Company Tower is card-key controlled. At the present time, two covered affiliates sublease office space in the Gas Company Tower from SoCalGas – Sempra Energy Resources (SER) and Sempra Energy Solutions (SES). Employees of the affiliates have



access only to their offices on the 27<sup>th</sup> floor and to their computer room on the 17<sup>th</sup> floor, as well as the common (non-SoCalGas) floors. Office space at SDG&E's headquarters located at the Century Park facility in San Diego has been designated for use by SoCalGas shared service employees. Joint officers who are primarily based out of the Gas Company Tower have secondary offices at Century Park to facilitate integrated management of the two utilities. No covered affiliate personnel share the Century Park facilities.

#### Computer System Separation:

Effective April 2002 and due to the utility reorganization, Sempra Energy transferred ownership of the data center and hardware assets in Rancho Bernardo (RB) to SDG&E. The RB data center is located 30 miles from Sempra's Headquarters Building and houses the IT operations. Consolidation of the SoCalGas and SDG&E systems is a "utility-to-utility" transaction that was approved and priced in the merger decision (D.98-03-073).

The SDG&E Data Center is a stand-alone facility specifically constructed and maintained to house computer technology services and related activities in a high security environment. The facility is owned and operated by the utilities to provide computer technology services for the utilities and Corporate Center. Sempra's unregulated organization, Sempra Energy Global Enterprises (SEGE), set up an independent IT organization and data center for computer systems located at the HQ building.

The SDG&E Data Center is operated consistent with the wide-spread practice of installing industry standard, best practices data center security hardware, software and procedures to allow multiple entities to use a facility like the Data Center without compromising each user's security (*see* Appendix 2). The Data Center provides support for permissible shared services (under Rule V.E.), such as employee timekeeping, payroll, materials management, and accounting functions.

To ensure compliance with the Rules for utility and affiliate separation, the Data Center maintains strict physical and electronic security measures. For shared services systems, the data center maintains security software, processes, and controls to ensure that affiliate employees can only input data and receive reports that relate to permissible shared services. Affiliate personnel are not allowed physical access to the Data Center. Appendix 2 describes the security measures

being used at the data center to ensure that utility and affiliate systems and information remain separate.

The e-mail systems of the covered affiliates have been separated from the e-mail systems serving the Sempra Energy utilities and Corporate Center. The affiliates and regulated utilities have completely separate e-mail system(s), including separate contracts and licenses, directories, server hardware and software, and desktop hardware and software. E-mail between the affiliates and the utilities use Internet addresses, which would be the same method used by any outside party sending e-mail to a utility employee.

#### ***V.D. Joint Purchases***

*To the extent not precluded by any other Rule, the utilities and their affiliates may make joint purchases of goods and services, but not those associated with the traditional utility merchant function. For purpose of these Rules, to the extent that a utility is engaged in the marketing of the commodity of electricity or natural gas to customers, as opposed to the marketing of transmission and distribution services, it is engaging in merchant functions. Examples of permissible joint purchases include joint purchases of office supplies and telephone services. Examples of joint purchases not permitted include gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, systems operations, and marketing. The utility must insure that all joint purchases are priced, reported, and conducted in a manner that permits clear identification of the utility and affiliate portions of such purchases, and in accordance with applicable Commission allocation and reporting rules.*

#### **Procedures and Mechanisms for Ensuring Compliance**

Procurement of products and services other than energy commodities and related products and services are located at the utility, which provides it as a Rule V.E. shared service to SoCalGas, SDG&E, and to covered and non-covered affiliates. Resolution G-3238 stated that Rule V.D. forbids the joint purchase of “pipe and equipment” by utilities and affiliates because it is “more closely associated with the ‘traditional utility merchant function’” (*mimeo* at 31).

The Supply Management department purchases “pipe and equipment” for the covered affiliates separately from the utilities. The Supply Management Department uses separate bid processes and purchase orders for the covered affiliates. The following “pipe and equipment” items are procured separately: transformers, pipe, wire, insulators, concrete, vehicles used in utility system O&M, special-ordered utility tools, specialized computers used for engineering and systems operations, and utility computer software.

***V.E. Corporate Support***

*As a general principle, a utility, its parent holding company, or a separate affiliate created solely to perform corporate support services may share with its affiliates joint corporate oversight, governance, support systems and personnel. Any shared support shall be priced, reported and conducted in accordance with the Separation and Information Standards set forth herein, as well as other applicable Commission pricing and reporting requirements.*

*As a general principle, such joint utilization shall not allow or provide a means for the transfer of confidential information from the utility to the affiliate, create the opportunity for preferential treatment or unfair competitive advantage, lead to customer confusion, or create significant opportunities for cross-subsidization of affiliates. In the compliance plan, a corporate officer from the utility and holding company shall verify the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this paragraph, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules.*

*Examples of services that may be shared include: payroll, taxes, shareholder services, insurance, financial reporting, financial planning and analysis, corporate accounting, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, and pension management.*

*Examples of services that may not be shared include: employee recruiting, engineering, hedging and financial derivatives and arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, and marketing.*

## **Procedures and Mechanisms for Ensuring Compliance**

Each Rule V.E. shared service is listed below and described in detail in Appendix 3. Sempra Energy has established “anti-conduit” procedures to ensure that delivery of Rule V.E. shared services do not become a means to circumvent the Rules. Appendix 1 includes the required SoCalGas and Sempra Energy officer verifications. Most of the shared services described in Appendix 3 have already been recognized by the Commission as a permissible shared service under Rule V.E., and all of these services meet the standards of Rule V.E. itself. The Commission has acknowledged in D.98-08-035 that the list of permissible shared services presented in Rule V.E. was not exhaustive – the Commission now expressly recognizes communications and public affairs as permissible shared services as long as these services do not become conduits to circumvent the Rules.

Rule V.E. explicitly recognizes that governance and oversight are permissible shared services, and in this plan the Sempra Energy utilities present considerable detail about how this function is being implemented consistent with the Rules and the anti-conduit measures set forth in Rule V.E. The board of directors of SoCalGas and its parent, Sempra Energy, must be confident that they, and the officers of these companies, have effective governance and oversight procedures and practices in place to enable the directors to discharge their fiduciary responsibilities as the representatives of the shareholders. Directors have a duty to make informed judgments, question officers, and avail themselves of all material information reasonably available. Most of the gathering of material information must be delegated to officers, who also must observe a high duty of care in discharging their delegated responsibilities.

There need not be any conflict between governance and oversight responsibilities of officers and directors, on the one hand, and compliance with the Rules on the other. The proposals put forth in this Plan are designed to harmonize both of these objectives without compromising either. The primary governance and oversight function is described in Appendix 3 under “Corporate Governance,” wherein the duties of the various governance committees are explained, along with the prophylactic measures that have been put in place to ensure that the Rules are not circumvented.

Properly structuring the Shared Services to ensure separation between utility and affiliate is a significant step in ensuring compliance with the Rules, but the Sempra Energy utilities are not relying upon structure alone. The ACD has developed and disseminated an affirmative set of “anti-conduit” principles which are accepted by each Shared Services employee as part of the web-based training process. Taken together, these actions are unprecedented and should be accepted by the Commission as fully compliant with the requirements of Rule V.E.

**CORPORATE CENTER  
SHARED SERVICE DEPARTMENTS**

| <b>Area</b>  | <b>Departments</b>   |
|--|--|
| <b>HUMAN RESOURCES</b>                             | HR Business Partner<br>My Info Services<br>Corporate Diversity Affairs<br>Compensation Services<br>Executive Compensation & Benefits<br>Human Capital Services<br>Executive & Organizational Development<br>Corporate Security/Emergency Preparedness  |
| <b>FINANCE</b>                                     | Audit Services<br>Treasurer -<br>Cash Management<br>Finance<br>Pension and Trust Investments<br>Energy Risk Management<br>Corporate Taxes<br>Controller -<br>Corporate Financial Accounting<br>Financial Reporting<br>Corporate Planning   |
| <b>CORPORATE COMPLIANCE</b>                        | Environmental & Safety Compliance<br>Business Conduct  |
| <b>EXECUTIVE PROJECTS</b>                          | Executive Projects   |
| <b>CORPORATE GOVERNANCE</b>                        | Chairman and CEO<br>President and COO<br>Corporate Center Vice Presidents<br>Group Presidents and Vice Presidents<br>(including executive assistants)  |
| <b>LEGAL</b>                                       | Corporate Secretary<br>Litigation Law<br>Legal Administration (San Diego)<br>Corporate & Commercial Law<br>Governmental/Community Affairs -<br>Federal Government Affairs<br>State Government Affairs<br>Legislative Policy and Analysis<br>FERC Relations<br>Community Relations & Corporate Events |
| <b>COMMUNICATIONS &amp;<br/>INVESTOR RELATIONS</b> | Communications & Advertising<br>Public Relations<br>Investor Relations   |

**UTILITY  
SHARED SERVICES DEPARTMENTS**

| Area                                       | Departments  |
|--|--|
| <b>BUSINESS SOLUTIONS</b>                  | Real Estate & Facilities<br>Supply Management<br>Environmental Solutions<br>Diverse Business Enterprises<br>Fleet Services<br>Safety & Emergency Services<br>Business Planning & Budgets   |
| <b>CUSTOMER SERVICES</b>                   | Customer Communications & Research   |
| <b>INFORMATION TECHNOLOGY</b>              | Network Engineering & Operations<br>Infrastructure Engineering & Operations<br>Shared Software Development Services  |
| <b>REGULATORY &amp; STRATEGIC PLANNING</b> | FERC Regulatory Affairs<br>Regulatory Affairs (CA & FERC) – including<br>Affiliate Compliance<br>Regulatory Strategy   |
| <b>EXTERNAL RELATIONS</b>                  | Community Relations<br>Communications<br>Regional Public Affairs<br>Legislative Analysis<br>Financial Planning & Cost Management -<br>Accounting Operations<br>Financial Systems<br>Controller –<br>Claims Management<br>Financial Accounting<br>Financial Policies and Controls<br>Accounts Payable |
| <b>HUMAN RESOURCES</b>                     | Business Partner<br>HR Services<br>Staffing<br>Organizational Effectiveness<br>People Research   |
| <b>LABOR RELATIONS</b>                     | Labor Relations (San Diego)<br>Labor Relations (SoCalGas)  |

## **V.F. Corporate Identification and Advertising**

*V.F.1. A utility shall not trade upon, promote, or advertise its affiliate's affiliation with the utility, nor allow the utility name or logo to be used by the affiliate or in any material circulated by the affiliate, unless it discloses in plain legible or audible language, on the first page or at the first point where the utility name or logo appears that:*

*V.F.1.a. the affiliate “is not the same company as [i.e. PG&E, Edison, the Gas Company, etc.], the utility”;*

*V.F.1.b. the affiliate is not regulated by the California Public Utilities Commission; and*

*V.F.1.c. “you do not have to buy [the affiliate’s] products in order to continue to receive quality regulated services from the utility.”*

*The application of the name/logo disclaimer is limited to the use of the name or logo in California.*

### **Procedures and Mechanisms for Ensuring Compliance**

In the event SoCalGas mentions in its materials, the name of a covered affiliate, SoCalGas will disclose the required language disclaimer as prescribed by the Rules.

Covered affiliates are required to use the following disclaimer on materials circulated in California:

#### **Energy affiliates will use...**

*[The affiliate] is not the same company as the utility, SoCalGas, and [the affiliate] is not regulated by the California Public Utilities Commission.*



**Energy marketing affiliates will use...**

*[The affiliate] is not the same company as the utility, SoCalGas, and the California Public Utilities Commission does not regulate the terms of [the affiliate's] products and services.*

***Disclaimer position and size:***

When the disclaimer is required, it will appear either on the first page of the communication, or at the first point the utility name or logo appears. The disclaimer will be sized and displayed commensurate with the “signature” (i.e., the logo or name identification), so that the disclaimer is no smaller than the larger of: (a) ½ the size of the type which first displays the name or logo, or (b) 6-point type, and is positioned so that the reader will naturally focus on the disclaimer as easily as the “signature.”

***Disclaimer exceptions:***

The disclaimer requirement does not apply in certain limited instances. These situations are limited to: (1) communications with governmental bodies, where the parties involved either know, or should have reason to know, the legal status and interrelationship of the utility and affiliates, and the communications are not related to product sales; (2) annual reports to shareholders; or (3) internal written communications between the holding company, the utilities, and any of the affiliates covered by the Affiliate Rules, provided that the internal communications are not also sent to third parties outside of the company, (4) building signage, (5) company vehicles, (6) employee uniforms, and (7) installed equipment on customer premises.

***Disclaimer on business cards:***

Due to the length of the disclaimer, business cards will include the full disclaimer on the back, and a summary disclaimer on the front. The summary reads: “The California Public Utilities Commission does not regulate this company (see back).”

***Disclaimer on promotional items:***

In situations in which the item’s small size or irregular shape (e.g., golf balls, golf tees) does not facilitate the printing of an appropriately sized disclaimer on its face, the disclaimer will be printed on a label on the item or on the packaging materials and positioned so that the statement is visible to the prospective customer before or at the same time the name or logo becomes

visible. With respect to other promotional items such as T-shirts, caps, tote bags, etc., the disclaiming statement will be printed on a label affixed to the item provided the disclaimer is positioned to be seen before or at the same time as the name or logo.

As a result of the utility reorganization, all utility employees utilize the e-mail domain name @SempraUtilities.com. Additionally, Directors and above who represent both SDG&E and SoCalGas externally may use a Utility Integration logo treatment. This treatment jointly displays the SDG&E and SoCalGas logos. “Sempra Energy utilities” is considered part of the logo treatment. Employees below director level may use the Utility Integration logo treatment subject to their Director’s approval.

*V.F.2. A utility, through action or words, shall not represent that, as a result of the affiliate’s affiliation with the utility, its affiliates will receive any different treatment than other service providers.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will neither claim to represent an affiliate, nor provide preferential treatment to its affiliate or its affiliate’s customers.

*V.F.3. A utility shall not offer or provide to its affiliates advertising space in utility billing envelopes or any other form of utility customer written communication unless it provides access to all other unaffiliated service providers on the same terms and conditions.*

### **Procedures and Mechanisms for Ensuring Compliance**

Billing envelope space or advertising space in other written communications, if offered to affiliates, will be made available to all competitors on a nondiscriminatory basis.

*V.F.4. A utility shall not participate in joint advertising or joint marketing with its affiliates. This prohibition means that utilities may not engage in activities which include, but are not limited to the following:*

*V.F.4.a. A utility shall not participate with its affiliates in joint sales calls, through joint call centers or otherwise, or joint proposals (including responses to requests for proposals (“RFPs”)) to existing or potential customers. At a customer’s unsolicited request, a utility may participate, on a nondiscriminatory basis, in non-sales meetings with its affiliates or any other market participant to discuss technical or operational subjects regarding the utility’s provision of transportation service to the customer;*

### **Procedures and Mechanisms for Ensuring Compliance**

Affiliate compliance training emphasizes that employees must not raise marketing issues in any customer technical meetings conducted in conjunction with any affiliate. Should marketing issues be raised at any such meeting, employees must explain the prohibition on joint marketing and on providing advice or assistance regarding any service provider. SoCalGas employees will not participate in the marketing aspect of any such meeting.

SoCalGas selectively uses its phone or customer service center to provide solicitation and marketing services, but does not provide these services to covered affiliates. Should this service be extended to covered affiliates, it will also be extended to similarly situated competitors on a nondiscriminatory basis in compliance with the terms and conditions of Rule III.B.1.

*V.F.4.b. Except as otherwise provided for by these Rules, a utility shall not participate in any joint activity with its affiliates. The term “joint activities” includes, but is not limited to, advertising, sales, marketing, communications and correspondence with any existing or potential customer;*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas interprets this Rule as permitting separately purchased advertisements and communications by the utility and affiliates in a publication or at a facility where communications are also solicited and accepted for non-affiliated parties. For instance,

advertising may be separately purchased by the utility and an affiliate in the same magazine or broadcast program as long as SoCalGas and the affiliate are not the only advertisers in that magazine or broadcast program.

Separate utility and affiliate sponsorship at a community/charitable event or industry conference is interpreted to be in compliance with the Rules if additional sponsors are also represented. These types of events are not considered marketing in nature. Frequently, the events entail the presence of employees, customers and elected officials. These sponsorships involve the opportunity for signage, listing in the event program, recognition from the podium, table recognition, etc. Separation between utility and affiliate employees is maintained.

*V.F.4.c. A utility shall not participate with its affiliates in trade shows, conferences, or other information or marketing events held in California.*

### **Procedures and Mechanisms for Ensuring Compliance**

Trade show exhibits at the same event are understood to be permissible as long as a booth, table, exhibit or advertisement sponsored by SoCalGas will not be contiguous with any such exhibits sponsored by an affiliate. In no case will the affiliate's affiliation with SoCalGas be promoted. SoCalGas promotional events within California that are open to all competitors on a nondiscriminatory basis will also be open to covered affiliates.

Participation in community/charitable events or non-industry conferences is interpreted to be in compliance with the Rules. These types of events are not considered marketing in nature. Separation between utility and affiliate employees is maintained.

*V.F.5. A utility shall not share or subsidize costs, fees, or payments with its affiliates associated with research and development activities or investment in advanced technology research.*

## **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will not share R&D activities with its non-regulated, energy affiliates, or subsidize costs, fees or payments with affiliates for such activities or investment. This does not apply to new affiliates which are formed as part of CPUC-funded utility R&D program activities.

SoCalGas R&D projects that are in need of additional capital may be non-discriminately made public to all similarly situated market participants including SoCalGas' affiliates through a competitive bidding process.

### ***V.G. Employees***

*Except as permitted in Section V E (corporate support), a utility and its affiliates shall not jointly employ the same employees. This Rule prohibiting joint employees also applies to Board Directors and corporate officers, except for the following circumstances: In instances when this Rule is applicable to holding companies, any board member or corporate officer may serve on the holding company and with either the utility or affiliate (but not both). Where the utility is a multi-state utility, is not a member of a holding company structure, and assumes the corporate governance functions for the affiliates, the prohibition against any board member or corporate officer of the utility also serving as a board member or corporate officer of an affiliate shall only apply to affiliates that operate within California. In the case of shared directors and officers, a corporate officer from the utility and holding company shall verify in the utility's compliance plan the adequacy of the specific mechanisms and procedures in place to ensure that the utility is not utilizing shared officers and directors as a conduit to circumvent any of these Rules. In its compliance plan required in Rule VI, the utility shall list all shared directors and officers between the utility and affiliates. No later than 30 days following a change to this list, the utility shall notify the Commission's Energy Division and the parties on the service list of R.97-04-011/I.97-04-012 of any change to this list.*

## **Procedures and Mechanisms for Ensuring Compliance**

Consistent with the exemptions permitted for shared services, the positions of General Counsel, Secretary, CFO, Controller, and Treasurer may be shared among Sempra Energy, SoCalGas, and covered affiliates. At present, the Secretary is the only position that is shared among Sempra Energy, SoCalGas, and covered affiliates. SoCalGas has developed anti-conduit procedures to implement this Rule to ensure that these officers and board members are not used as a conduit to

circumvent these Rules. SoCalGas will notify the Commission's Energy Division no later than 30 days following any change to directors and officers shared between SoCalGas and covered affiliates.

Sempra Energy's senior management continues to conduct meetings such as the Management Committee. Examples of these types of meetings are included in Appendix 4. These meetings allow Sempra's Senior Management to maintain adequate oversight of the entire enterprise, while preserving business unit autonomy and accountability. Employees refrain from discussing matters that would be inconsistent with the Rules, such as operational matters and customer-specific information.

Periodically, meetings such as the "Top 200" are held with upper management (director level and above employees) from all of Sempra's business units. The Affiliate Compliance Officer reminds participants of the Rules at the start of the meeting, and the agenda items are reviewed by the ACD prior to the meeting. These meetings permit high-level corporate culture discussions as long as the topics steer clear of operational issues. Strategic planning is not discussed, and non-public information is not exchanged unless it is made available to other third parties (i.e., posted).

*V.G.2. All employee movement between a utility and its affiliates shall be consistent with the following provisions:*

*V.G.2.a. A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D93-02-016, 48 CPUC 2d 163, 171-172 and 180 (Appendix A, Section I and Section II H.).*

*V.G.2.b. Once an employee of a utility becomes an employee of an affiliate, the employee may not return to the utility for a period of one year. This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period. In the event that such*

*employee returns to the utility, such employee cannot be retransferred, reassigned, or otherwise employed by the affiliate for a period of two years. Employees transferring from the utility to the affiliate are expressly prohibited from using information gained from the utility in a discriminatory or exclusive fashion, to the benefit of the affiliate or to the detriment of other unaffiliated service providers.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas understands rule V.G.2.b to mean when an affiliate goes “out of business” includes job losses resulting from reorganizations and downsizing.

*V.G.2.c. When an employee of a utility is transferred, assigned, or otherwise employed by the affiliate, the affiliate shall make a one-time payment to the utility in an amount equivalent to 25% of the employee's base annual compensation, unless the utility can demonstrate that some lesser percentage (equal to at least 15%) is appropriate for the class of employee included. In the limited case where a rank-and-file (non-executive) employee's position is eliminated as a result of electric industry restructuring, a utility may demonstrate that no fee or a lesser percentage than 15% is appropriate. The Board of Directors must vote to classify these employees as “impacted” by electric restructuring- and these employees must be transferred no later than December 31, 1998, except for the transfer of employees working at divested plants. In that instance, the Board of Directors must vote to classify these employees as “impacted” by the electric restructuring and these employees must be transferred no later than within 60 days after the end of the O&M contract with the new plant owners. All such fees paid to the utility shall be accounted for in a separate memorandum account to track them for future ratemaking treatment (i.e. credited to the Electric Revenue Adjustment Account or the Core and Non-core Gas Fixed Cost Accounts, or other ratemaking treatment, as appropriate), on an annual basis, or as otherwise*

*necessary to ensure that the utility's ratepayers receive the fees. This transfer payment provision will not apply to clerical workers. Nor will it apply to the initial transfer of employees to the utility's holding company to perform corporate support functions or to a separate affiliate performing corporate support functions, provided that the transfer is made during the initial implementation period of these rules or pursuant to a §851 application or other Commission proceeding. However, the rule will apply to any subsequent transfers or assignments between a utility and its affiliates of all covered employees at a later time.*

*V.G.2.d. Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will continue to track employee movement between the utility and its affiliates and report on that movement in its annual Affiliate Transactions Report. A distinct account has been established for recording all transfer fees credited pursuant to Rule V.G.2.c. These fees will be calculated and billed through the Affiliate Billing & Costing Department. In the first quarter of each year, Sempra Energy's Human Resource group will forward the ACD a summary of all utility employees hired by affiliates and all affiliate employees hired by the utility in the previous calendar year. SoCalGas has established policies and procedures to ensure consistent compliance with this Rule.

SoCalGas conducts exit interviews with employees transferring from SoCalGas to an energy affiliate. Exit interviews are one-on-one sessions between the employee transferring and her/his supervisor. In addition to conducting the exit interview, the supervisor conducts an "asset inventory" to review material that the employee wishes to take to the affiliate. Material that may not be transferred pursuant to the Rules is retained by SoCalGas, and material that may be taken by the employee to the affiliate is priced pursuant to the Rules. At the end of the exit interview, employees are asked to sign a statement acknowledging awareness of, and intended compliance



with, the prohibition of using certain kinds of information that have been gained from the utility to benefit the affiliate. The SoCalGas Human Resources department is responsible for ensuring that exit interviews and related asset inventories take place and are documented. Transferring employees are provided a copy of these documents and a verbatim copy of V.G. Rule. A description of this process and policy is included in the ACG.

*V.G.2.e. A utility shall not make temporary or intermittent assignments, or rotations to its energy marketing affiliates. Utility employees not involved in marketing may be used on a temporary basis (less than 30% of an employee's chargeable time in any calendar year) by affiliates not engaged in energy marketing only if:*

*V.G.2.e.i. All such use is documented, priced and reported in accordance with these Rules and existing Commission reporting requirements, except that when the affiliate obtains the services of a non-executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 10% of direct labor cost, or fair market values. When the affiliate obtains the services of an executive employee, compensation to the utility should be priced at a minimum of the greater of fully loaded cost plus 15% of direct labor cost, or fair market value.*

*V.G.2.e.ii. Utility needs for utility employees always take priority over any affiliate requests;*

*V.G.2.e.iii. No more than 5% of full time equivalent utility employees may be on loan at a given time;*

*V.G.2.e.iv. Utility employees agree, in writing, that they will abide by these Affiliate Transaction Rules; and*

*V.G.2.e.v. Affiliate use of utility employees must be conducted pursuant to a written agreement approved by appropriate utility and affiliate officers.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas has established a set of policies and procedures to ensure consistent compliance with this Rule. SoCalGas provides a list of its “energy marketing affiliates” on its Internet website at [www.socalgas.com](http://www.socalgas.com). A current listing of SoCalGas’ energy marketing affiliates is also included on its intranet website. SoCalGas defines “marketing employees” as any utility employee in a marketing, customer service or account management section who is actively engaged in marketing functions. This includes employees selling (approaching, presenting, or closing sales), developing marketing programs and services, non-technical consultative services regarding new utility products & services, market research, prospecting for new customers, or growing business with existing customers. The utility’s Human Resources Department will make a preliminary assessment according to the definition as to what constitutes a marketing employee, with final approval from the Vice President of Customer Services – Mass Markets, and/or Vice President of Customer Services – Major Markets, if necessary.

### ***V. H. Transfer of Goods and Services***

*To the extent that these Rules do not prohibit transfers of goods and services between a utility and its affiliates, and except for as provided by Rule V.G.2.e., all such transfers shall be subject to the following pricing provisions:*

- 1. Transfers from the utility to its affiliates of goods and services produced, purchased or developed for sale on the open market by the utility will be priced at fair market value.*
- 2. Transfers from an affiliate to the utility of goods and services produced, purchased or developed for sale on the open market by the affiliate shall be priced at no more than fair market value.*
- 3. For goods or services for which the price is regulated by a state or federal agency, that price shall be deemed to be the fair market value, except that in*

*cases where more than one state commission regulated the price of goods or services, this Commission's pricing provisions govern.*

4. *Goods and services produced, purchased or developed for sale on the open market by the utility will be provided to its affiliates and unaffiliated companies on a nondiscriminatory basis, except as otherwise required or permitted by these Rules or applicable law.*
5. *Transfers from the utility to its affiliates of goods and services not produced, purchased or developed for sale by the utility will be priced at fully loaded cost plus 5% of direct labor cost.*
6. *Transfers from an affiliate to the utility of goods and services not produced, purchased or developed for sale by the affiliate will be priced at the lower of fully loaded cost or fair market value.*

### **Procedures and Mechanisms for Ensuring Compliance**

These Rules are similar to existing Commission rules that govern the transfer pricing of goods and services, and procedures are already in place at SoCalGas. The Commission has previously reviewed these procedures without finding them to be inadequate or unreasonable. When the transfer of services involves the temporary loaning of utility employees (Rule V.G.2.e.i), we understand Rule V.H.5. to mean fully-loaded cost plus 10% (non-executives) or 15% (executives) for transfers from SoCalGas to affiliates, and fully loaded cost plus 5% for transfers from SoCalGas to the parent company and non-covered affiliates.

## **VI.**

### **REGULATORY OVERSIGHT**

#### ***VI.A. Compliance Plans***

*No later than December 31, 1997, each utility shall file a compliance plan demonstrating to the Commission that there are adequate procedures in place that will preclude the sharing of information with its affiliates that is prohibited by these Rules. The utility should file its compliance plan as an advice letter with the Commission's Energy Division and serve it on the parties to this proceeding. The utilities compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter served on all parties to this proceeding where there is some change in*

*the compliance plan (i.e., when a new affiliate has been created, or the utility has changed the compliance plan for any other reason).*

### **Procedures and Mechanisms for Ensuring Compliance**

This Compliance Plan represents SoCalGas' compliance with this Rule.

#### ***VI.B. New Affiliate Compliance Plans***

*Upon the creation of a new affiliate which is addressed by these Rules, the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission, served on the parties to this proceeding. The advice letter shall demonstrate how the utility will implement these Rules with respect to the new affiliate.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will comply with this Rule as new affiliates covered by these Rules are created.

SoCalGas will notify the Commission immediately of (1) any newly formed U.S. domestic covered affiliate, (2) the confirmation of registration with foreign governmental authorities for covered affiliates located outside the U.S., and then (3) post this information on its Internet website.

The list of affiliate companies is on the company's Internet home page at [www.socalgas.com](http://www.socalgas.com). It is accessed by clicking "**Regulatory**" then selecting the **Affiliate Transactions** link where the "**List of SoCalGas's Affiliate**" category is found. SoCalGas will file an advice letter with the Energy Division within 60 days of the creation of (1) any new U.S. domestic covered affiliate, (2) the confirmation of registration with foreign governmental authorities for covered affiliates located outside the U.S. This advice letter will provide detailed information regarding new affiliates, as well as any resulting changes to this compliance plan.

#### ***VI.C. Affiliate Audit***

*No later than December 31, 1998, and every year thereafter, the utility shall have audits performed by independent auditors that cover the calendar year which ends on December 31,*

*and that verify that the utility is in compliance with the Rules set forth herein. The utilities shall file the independent auditor's report with the Commission's Energy Division beginning no later than May 1, 1999, and serve it on all parties to this proceeding. The audits shall be at shareholder expense.*

#### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will continue to arrange annual audits with independent auditors and file the audits as described in this Rule. The cost of the audits has been and will continue to be charged to shareholders. The last audit conducted, covering the calendar year 2002, was completed and filed with the Commission in accordance with this Rule. The audit for the year 2003 was contracted by the CPUC and is expected to be complete in the second half of 2005.

#### ***VI.D. Witness Availability***

*Affiliate officers and employees shall be made available to testify before the Commission as necessary or required, without subpoena, consistent with the provisions of Public Utilities Code Section 314.*

#### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas and its affiliates will comply with Code Section 314.

## **VII**

### **UTILITY PRODUCTS AND SERVICES**

#### ***VII.A. General Rule***

*Except as provided for in these Rules, new products and services shall be offered through affiliates.*

#### ***VII.B. Definitions***

*The following definitions apply for the purposes of this section (Section VII) of these Rules:*

*VII.B.1. "Category" refers to a factually similar group of products and services that use the same type of utility assets or capacity. For example, "leases of land under*

*utility transmission lines” or “use of a utility repair shop for third party equipment repair” would each constitute a separate product or service category.*

*VII.B.2. “Existing” products and services are those which a utility is offering on the effective date of these Rules.*

*VII.B.3. “Products” include use of property, both real and intellectual, other than those uses authorized under General Order 69-C.*

*VII.B.4. “Tariff” or “tariffed” refers to rates, terms and conditions of services as approved by this Commission or the Federal Energy Regulatory Commission (FERC), whether by traditional tariff, approved contract or other such approval process as the Commission or the FERC may deem appropriate.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas’ nontariffed products and services meet the criteria set forth in Rules VII.A and B.

#### ***VII.C. Utility Products and Services***

*Except as provided in these Rules, a utility shall not offer nontariffed products and services. In no event shall a utility offer natural gas or electricity commodity service on a nontariffed basis. A utility may only offer for sale the following products and services:*

*VII.C.1 Existing products and services offered by the utility pursuant to tariff;*

*VII.C.2 Unbundled versions of existing utility products and services, with the unbundled versions being offered on a tariffed basis;*

*VII.C.3 New products and services that are offered on a tariffed basis; and*

*VII.C.4 Products and services which are offered on a nontariffed basis and which meet the following conditions:*

- VII.C.4.a. the nontariffed product or service utilizes a portion of a utility asset or capacity;*
- VII.C.4.b. such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;*
- VII.C.4.c. the involved portion of such asset or capacity may be used to offer the product or service on a nontariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;*
- VII.C.4.d. the products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers, and no undue diversion of utility management attention; and*
- VII.C.4.e. the utility's offering of such nontariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.*

### **Procedures and Mechanisms for Ensuring Compliance**

Nontariffed products and services offered by SoCalGas meet the criteria set forth in Rule VII.C.

### ***VII.D. Conditions Precedent to Offering New Products and Services***

*This Rule does not represent an endorsement by the Commission of any particular nontariffed utility product or service. A utility may offer new nontariffed products and services only if the Commission has adopted and the utility has established:*

- VII.D.1. A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a nontariffed basis;*

- VII.D.2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.*
- VII.D.3. Periodic reporting requirements regarding pertinent information related to nontariffed products and services; and*
- VII.D.4. Periodic auditing of the costs allocated to and the revenues derived from nontariffed products and services.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas has accounting procedures and standards in place that track costs and revenues of each product and service and prevent cross-subsidization between tariffed and nontariffed services. Periodic reporting of nontariffed products and services takes place annually. Internal audits of costs allocated to and revenue from nontariffed products and services take place every other year.

### ***VII.E. Requirement to File an Advice Letter***

*Prior to offering a new category of nontariffed products or services as set forth in Section VII.C above, a utility shall file an advice letter in compliance with the following provisions of this paragraph.*

*VII.E.1. The advice letter shall:*

*VII.E.1.a. demonstrate compliance with these rules;*



- VII.E.1.b. address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;*
- VII.E.1.c. demonstrate that the utility has not received competition transition charge (CTC) recovery in the Transition Cost Proceeding, A.96-08-001, or other related CTC Commission proceeding, for the portion of the utility asset dedicated to the non-utility venture; and*
- VII.E.1.d. address the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market.*
- VII.E.1.e. be served on the service list of Rulemaking 97-04-011/Investigation 97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.*
- VII.E.2. For categories of nontariffed products or services targeted and offered to less than 1% of the number of customers in the utility's customer base, in the absence of a protest alleging non-compliance with these Rules or any law, regulation, decision, or Commission policy, or allegations of harm, the utility may commence offering the product or service 30 days after submission of the advice letter. For categories of nontariffed products or services targeted and offered to 1% or more of the number of customers in the utility's customer base, the utility may commence offering the product or service after the Commission approves the advice letter through the normal advice letter process.*

*VII.E.3. A protest of an advice letter filed in accordance with this paragraph shall include:*

*VII.E.3.a. An explanation of the specific Rules, or any law, regulation, decision, or Commission policy the utility will allegedly violate by offering the proposed product or service, with reasonable factual detail; or*

*VII.E.3.b. An explanation of the specific harm the protestant will allegedly suffer.*

*VII.E.4. If such a protest is filed, the utility may file a motion to dismiss the protest within 5 working days if it believes the protestant has failed to provide the minimum grounds for protest required above. The protestant has 5 working days to respond to the motion.*

*VII.E.5. The intention of the Commission is to make its best reasonable efforts to rule on such a motion to dismiss promptly. Absent a ruling granting a motion to dismiss, the utility shall begin offering that category of products and services only after Commission approval through the normal advice letter process.*

### **Procedures and Mechanisms for Ensuring Compliance**

If SoCalGas considers a new category of nontariffed product and service, it will file an advice letter with the provision described in Rule VII.E.

### ***VII.F. Existing Offerings***

*Unless and until further Commission order to the contrary as a result of the advice letter filing or otherwise, a utility that is offering tariffed or nontariffed products and services, as of the effective date of this decision, may continue to offer such products and services, provided that the utility complies with the cost allocation and reporting requirements in this rule. No later than January 30, 1998, each utility shall submit an advice letter describing the existing products and services (both tariffed and nontariffed) currently being offered by the utility and the number*

*of the Commission decision or advice letter approving this offering, if any, and requesting authorization or continuing authorization for the utility's continued provision of this product or service in compliance with the criteria set forth in Rule VII. This requirement applies to both existing products and services explicitly approved and not explicitly approved by the Commission.*

### **Procedures and Mechanisms for Ensuring Compliance**

As required by Rule VII.F., SoCalGas submitted Advice Letter No. 2669 describing the existing products and services as of January 30, 1998.

#### ***VII.G. Section 851 Application***

*A utility must continue to comply fully with the provisions of Public Utilities Code Section 851 when necessary or useful utility property is sold, leased, assigned, mortgaged, disposed of, or otherwise encumbered as part of a nontariffed product or service offering by the utility. If an application pursuant to Section 851 is submitted, the utility need not file a separate advice letter, but shall include in the application those items which would otherwise appear in the advice letter as required in this Rule.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will continue to file Public Utilities Code Section 851 applications as required under that statute.

#### ***VII.H. Periodic Reporting of Nontariffed Products and Services***

*Any utility offering nontariffed products and services shall file periodic reports with the Commission's Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:*

- VII.H.1. A description of each existing or new category of nontariffed products and services and the authority under which it is offered;*

*VII.H.2. A description of the types and quantities of products and services contained within each category (so that, for example, “leases for agricultural nurseries at 15 sites” might be listed under the category “leases of land under utility transmission lines,” although the utility would not be required to provide the details regarding each individual lease);*

*VII.H.3. The costs allocated to and revenues derived from each category; and*

*VII.H.4. Current information on the proportion of relevant utility assets used to offer each category of product and service.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will file reports as required by this Rule.

***VII.I. Offering of Nontariffed Products and Services to Affiliates***

*Nontariffed products and services which are allowed by this Rule may be offered to utility affiliates only in compliance with all other provisions of these Affiliate Rules. Similarly, this Rule does not prohibit affiliate transactions which are otherwise allowed by all other provisions of these Affiliate Rules.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas makes nontariffed products and services available to affiliates on the same terms and conditions as offered to others.

**VIII.**

**COMPLAINT PROCEDURES AND REMEDIES**

***VIII.A. The Commission Shall Strictly Enforce These Rules***

*Each act or failure to act by a utility in violation of these rules may be considered a separate occurrence.*

*VIII.B.1. Any person or corporation as defined in Sections 204, 205, and 206 of the California Public Utilities Code may complain to the Commission or to a utility in writing, setting forth any act or thing done or omitted to be done by any utility or affiliate in violation or claimed violation of any rule set forth in this document.*

*VIII.B.2. “Whistleblower complaints” will be accepted and the confidentiality of complainant will be maintained until conclusion of an investigation or indefinitely, if so requested by the whistleblower. When a whistleblower requests anonymity, the Commission will continue to pursue the complaint only where it has elected to convert it into a Commission-initiated investigation. Regardless of the complainant’s status, the defendant shall file a timely answer to the complaint.*

*VIII.C.1. All complaints shall be filed as formal complaints with the Commission and complainants shall provide a copy to the utility’s designated officer (as described below) on the same day that the complaint is filed.*

### **Procedures and Mechanisms for Ensuring Compliance**

No specific compliance action is required under Rules VIII.A through VIII.C.1.

*VIII.C.2. Each utility shall designate an Affiliate Compliance Manager who is responsible for compliance with these affiliate rules and the utility’s compliance plan adopted pursuant to these rules. Such officer shall also be responsible for receiving, investigating, and attempting to resolve complaints. The Affiliate Compliance Manager may, however, delegate responsibilities to other officers and employees.*

*VIII.C.2.a. The utility shall investigate and attempt to resolve the complaint. The resolution process shall include a meet-and-confer session with the complainant. A Commission staff member may, upon request by the utility or the complainant, participate in such meet-*

*and-confer sessions and shall participate in the case of a whistleblower complaint.*

*A party filing a complaint may seek a temporary restraining order at the time the formal complaint is filed. The defendant utility and other interested parties may file responses to a request for a temporary restraining order within 10 days of the filing of the request. An assigned commissioner or administrative law judge may shorten the period for responses, where appropriate. An assigned commissioner or administrative law judge, or the Commission shall act on the request for a temporary restraining order within 30 days. The request may be granted when: (1) the moving party is reasonably likely to prevail on the merits, and (2) a temporary restraining order relief is necessary to avoid irreparable injury, will not substantially harm other parties, and is consistent with the public interest.*

*A notice of temporary restraining order issued by an assigned commissioner or administrative law judge will only stay in effect until the end of the day of the next regularly-scheduled Commission meeting at which the Commission can issue a temporary restraining order or a preliminary injunction. If the Commission declines to issue a temporary restraining order or a preliminary injunction, the notice of temporary restraining order will be immediately lifted. Whether or not a temporary restraining order or a preliminary injunction is issued, the underlying complaint may still move forward.*

*VIII.C.2.b. The utility shall prepare and preserve a report on each complaint, all relevant dates, companies, customers and employees involved, and if applicable, the resolution reached, the date of the resolution and any actions taken to prevent further violations from occurring. The report*

*shall be provided to the Commission and all parties within four weeks of the date the complaint was filed. In addition, to providing hard copies, the utility shall also provide electronic copies to the Commission and to any party providing an e-mail address.*

*VIII.C.2.c. Each utility shall file annually with the Commission a report detailing the nature and status of all complaints.*

*VIII.C.2.d. The Commission may, notwithstanding any resolution reached by the utility and the complainant, convert a complaint to an investigation and determine whether the utility violated these rules, and impose any appropriate penalties under Section VIII.D or any other remedies provided by the Commission's rules or the Public Utilities Code.*

*VIII.C.3. The utility will inform the Commission's Energy Division and Consumer Services Division of the results of this dispute resolution process. If the dispute is resolved, the utility shall inform the Commission staff of the actions taken to resolve the complaint and the date the complaint was resolved.*

*VIII.C.4. If the utility and the complainant cannot reach a resolution of the complaint, the utility will so inform the Commission's Energy Division. It will also file an answer to the complaint within 30 days of the issuance by the Commission's Docket Office of instructions to answer the original complaint. Within 10 business days of notice of failure to resolve the complaint, Energy Division staff will meet and confer with the utility and the complainant and propose actions to resolve the complaint. Under the circumstances where the complainant and the utility cannot resolve the complaint, the Commission shall strive to resolve the complaint within 180 days of the date the instructions to answer are served on the utility.*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will comply with the Rules. The Affiliate Compliance Department is responsible for monitoring compliance with the Rules and investigating complaints.

VIII.C.5. *The Commission shall maintain on its web page a public log of all new, pending and resolved complaints. The Commission shall update the log at least once every week. The log shall specify, at a minimum, the date the complaint was received, the specific allegations contained in the complaint, the date the complaint was resolved and the manner in which it was resolved, and a description of any similar complaints, including the resolution of such similar complaints.*

### **Procedures and Mechanisms for Ensuring Compliance**

No additional compliance action required.

VIII.C.6.a. *Prior to filing a formal complaint, a potential complainant may contact the responsible utility officer and/or the Energy Division to inform them of the possible violation of the affiliate rules. If the potential complainant seeks an informal meeting with the utility to discuss the complaint, the utility shall make reasonable efforts to arrange such a meeting. Upon mutual agreement, Energy Division staff and interested parties may attend any such meeting.*

VIII.C.6.b. *If a potential complainant makes an informal contact with a utility regarding an alleged violation of the affiliate transaction rules, the utility officer in charge of affiliate compliance shall respond in writing to the potential complainant within 15 business days. The response would state whether or not the issues raised by the potential complainant require further investigation. (The potential complainant does not have to rely on the responses in deciding whether to file a formal complaint.)*

### **Procedures and Mechanisms for Ensuring Compliance**

SoCalGas will comply with the Rules.



*VIII.D.1. When enforcing these rules or any order of the Commission regarding these rules, the Commission may do any or all of the following:*

*VIII.D.1.a. Order a utility to stop doing something that violates these rules;*

*VIII.D.1.b. Prospectively limit or restrict the amount, percentage, or value of transactions entered into between the utility and its affiliate(s);*

*VIII.D.1.c. Assess fines or other penalties;*

*VIII.D.1.d. Prohibit the utility from allowing its affiliate(s) to utilize the name and logo of the utility, either on a temporary or a permanent basis;*

*VIII.D.1.e. Apply any other remedy available to the Commission.*

*VIII.D.2. Any public utility which violates a provision of these rules is subject to a fine of not less than five hundred dollars (\$500), nor more than \$20,000 for each offense. The remainder of this subsection distills the principles that the Commission has historically relied upon in assessing fines and restates them in a manner that will form the analytical foundation for future decisions in which fines are assessed. Before discussing those principles, reparations are distinguished.*

*VIII.D.2.a. Reparations are not fines and conceptually should not be included in setting the amount of a fine. Reparations are refunds of excessive or discriminatory amounts collected by a public utility. PU Code §734. The purpose is to return funds to the victim which were unlawfully collected by the public utility. Accordingly, the statute requires that all reparation amounts are paid to the victims. Unclaimed reparations generally escheat to the state, Code of Civil Procedure §1519.5, unless equitable or*

*other authority directs otherwise, e.g., Public Utilities Code §394.9.*

*VIII.D.2.b. The purpose of a fine is to go beyond restitution to the victim and to effectively deter further violations by this perpetrator or others. For this reason, fines are paid to the State of California, rather than to victims.*

*Effective deterrence creates an incentive for public utilities to avoid violations. Deterrence is particularly important against violations which could result in public harm, and particularly against those where severe consequences could result. To capture these ideas, the two general factors used by the Commission in setting fines are: (1) severity of the offense and (2) conduct of the utility. These help guide the Commission in setting fines which are proportionate to the violation.*

*VIII.D.2.b.i. The severity of the offense includes several considerations. Economic harm reflects the amount of expense which was imposed upon the victims, as well as any unlawful benefits gained by the public utility. Generally, the greater of these two amounts will be used in establishing the fine. In comparison, violations which caused actual physical harm to people or property are generally considered the most severe, with violations that threatened such harm closely following.*

*The fact that the economic harm may be difficult to quantify does not itself diminish the severity or the need for sanctions. For example, the Commission has recognized that deprivation of choice of service providers, while not necessarily imposing quantifiable economic harm,*

*diminishes the competitive marketplace such that some form of sanction is warranted.*

*Many potential penalty cases before the Commission do not involve any harm to consumers but are instead violations of reporting or compliance requirements. In these cases, the harm may not be to consumers but rather to the integrity of the regulatory processes. For example, compliance with Commission directives is required of all California Public Utilities:*

*“Every public utility shall obey and comply with every order, decision, direction, or rule made or prescribed by the Commission in the matters specified in this part, or any other matter in any way relating to or affecting its business as a public utility, and shall do everything necessary or proper to secure compliance therewith by all of its officers, agents, and employees.” Public Utilities Code §702.*

*Such compliance is absolutely necessary to the proper functioning of the regulatory process. For this reason, disregarding a statutory or Commission directive, regardless of the effects on the public, will be accorded a high level of severity.*

*The number of the violations is a factor in determining the severity. A series of temporally distinct violations can suggest an on-going compliance deficiency which the public utility should have addressed after the first instance. Similarly, a widespread violation which affects a large number of consumers is a more severe offense than one which is limited in scope. For a “continuing offense,” PU Code §2108 counts each day as a separate offense.*

## **Procedures and Mechanisms for Ensuring Compliance**

No specific compliance action required for Rules VIII.D.1 through VIII.D.2.b.i.

*VIII.D.2.b.ii. This factor recognizes the important role of the public utility's conduct in (1) preventing the violation, (2) detecting the violation, and (3) disclosing and rectifying the violation. The public utility is responsible for the acts of all its officers, agents, and employees:*

*“In construing and enforcing the provisions of this part relating to penalties, the act, omission, or failure of any officer, agent or employee of any public utility, acting within the scope of his [or her] official duties or employment, shall in every case be the act, omission, or failure of such public utility.” Public Utilities Code §2109.*

*VIII.D.2.b.ii.(1) Prior to a violation occurring, prudent practice requires that all public utilities take reasonable steps to ensure compliance with Commission directives. This includes becoming familiar with applicable laws and regulations, and most critically, the utility regularly reviewing its own operations to ensure full compliance. In evaluating the utility's advance efforts to ensure compliance, the Commission will consider the utility's past record of compliance with Commission directives.*

*VIII.D.2.b.ii.(2) The Commission expects public utilities to monitor diligently their activities. Where utilities have for whatever reason failed to meet this standard, the Commission will continue to hold the utility responsible for its actions. Deliberate as opposed to inadvertent wrong-doing will be considered an aggravating factor. The Commission will also look at the management's*

*conduct during the period in which the violation occurred to ascertain particularly the level and extent of involvement in or tolerance of the offense by management personnel. The Commission will closely scrutinize any attempts by management to attribute wrong-doing to rogue employees. Managers will be considered, absent clear evidence to the contrary, to have condoned day-to-day actions by employees and agents under their supervision.*

*VIII.D.2.b.ii.(3) When a public utility is aware that a violation has occurred, the Commission expects the public utility to promptly bring it to the attention of the Commission. The precise timetable that constitutes “prompt” will vary based on the nature of the violation. Violations which physically endanger the public must be immediately corrected and thereafter reported to the Commission staff. Reporting violations should be remedied at the earliest administratively feasible time.*

*Prompt reporting of violations furthers the public interest by allowing for expeditious correction. For this reason, steps taken by a public utility to promptly and cooperatively report and correct violations may be considered in assessing any penalty.*

### **Procedures and Mechanisms for Ensuring Compliance**

It shall be the responsibility of all employees of Sempra Energy, SoCalGas, and its affiliates to immediately notify the Affiliate Compliance Department of any potential violation(s) of applicable regulations and provisions of the California Public Utilities Commission, or of any applicable federal, state and local laws. Employees are instructed through training materials to

notify the Affiliate Compliance Department by way of the Affiliate Compliance Hotline or through e-mail to report potential violations or weaknesses in internal controls.

Upon notification of an alleged violation, the Affiliate Compliance Manager, or any employee designated by the Affiliate Compliance Manager, will immediately begin an investigation into the alleged violation and notify the Affiliate Compliance Officer of the investigation. The Affiliate Compliance Officer will be kept apprised of the investigation until a resolution is reached. The investigation shall consist of gathering all relevant facts and data concerning the event(s) in question and the review of those facts and data to determine whether, and to what extent, a violation has occurred. Steps to prevent further violations will be implemented. Facts gathered in conjunction with the investigation will be maintained by the Affiliate Compliance Department. SoCalGas will report violations as warranted depending on the severity of the offense as outlined in the Rules.

*VIII.D.2.b.iii. Effective deterrence also requires that the Commission recognize the financial resources of the public utility in setting a fine which balances the need for deterrence with the constitutional limitations on excessive fines. Some California utilities are among the largest corporations in the United States and others are extremely modest, one-person operations. What is accounting rounding error to one company is annual revenue to another. The Commission intends to adjust fine levels to achieve the objective of deterrence, without becoming excessive, based on each utility's financial resources.*

*VIII.D.2.b.iv. Setting a fine at a level which effectively deters further unlawful conduct by the subject utility and others requires that the Commission specifically tailor the package of sanctions, including any fine, to the unique facts of the case. The Commission will review facts which tend to mitigate the degree of wrongdoing as well as any facts*

*which exacerbate the wrongdoing. In all cases, the harm will be evaluated from the perspective of the public interest.*

*VIII.D.2.b.v. The Commission adjudicates a wide range of cases which involve sanctions, many of which are cases of first impression. As such, the outcomes of cases are not usually directly comparable. In future decisions which impose sanctions the parties and, in turn, the Commission will be expected to explicitly address those previously issued decisions which involve the most reasonably comparable factual circumstances and explain any substantial differences in outcome.*

### **Procedures and Mechanisms for Ensuring Compliance**

No specific compliance action required for Rules VIII.D.1 through VIII.D.2.b.i.

# **Appendix 1**

## **Officer Verifications**



## OFFICER VERIFICATION

In order to comply with the requirements set forth in D.97-12-088, I make the following verifications:

1. Pursuant to Rule 1.A., I verify that the mechanisms and procedures described in SoCalGas' revised Affiliate Compliance Plan are adequate to ensure that the utility is not utilizing the holding company or any of its affiliates not covered by these Rules as a conduit to circumvent any of these Rules.
2. Pursuant to Rule V.E., I verify that the mechanisms and procedures described in SoCalGas' revised Affiliate Compliance Plan, specifically the mechanisms and procedures for Rule V.E. and the measures set forth by the Anti-Conduit procedures, are adequate to ensure that SoCalGas follows the mandate of Rule V.E. and to ensure that SoCalGas is not utilizing joint corporate support services as a conduit to circumvent these Rules.
3. Pursuant to rule V.G.1., I verify that the mechanisms and procedures described in SoCalGas' revised Compliance Plan, specifically the mechanisms and procedures for Rules V.E. and V.G. and the measures set forth by the Anti-Conduit procedures, are adequate to ensure that SoCalGas is not utilizing shared officers and directors as a conduit to circumvent any of these Rules.

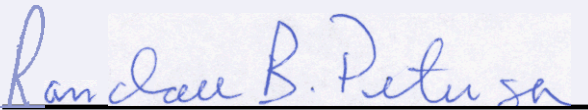


William L. Reed  
Affiliate Compliance Officer, SoCalGas

## OFFICER VERIFICATION

In order to comply with the requirements set forth in D.97-12-088, I make the following verifications on behalf of Sempra Energy:

1. Pursuant to Rule 1.A., I verify that the mechanisms and procedures described in SoCalGas' revised Affiliate Compliance Plan are adequate to ensure that the holding company or any of its affiliates not covered by these Rules do not serve as conduits to circumvent any of these Rules.
2. Pursuant to Rule V.E., I verify that the mechanisms and procedures described in SoCalGas' revised Affiliate Compliance Plan, specifically the mechanisms and procedures for Rule V.E. and the measures set forth by the Anti-Conduit procedures, are adequate to ensure that joint corporate support services at the corporate center do not serve as conduits to circumvent these Rules.
3. Pursuant to rule V.G.1., I verify that the mechanisms and procedures described in SoCalGas' revised Compliance Plan, specifically the mechanisms and procedures for Rules V.E. and V.G. and the measures set forth in the Anti-Conduit procedures, are adequate to ensure that shared officers and directors at the corporate center do not serve as conduits to circumvent any of these Rules.



Randall Peterson  
Chief Compliance Officer, Sempra Energy

# **Appendix 2**

## **Information Technology Security Measures**

## **Information Technology (IT) Security Measures**

To enforce, monitor, and administer security and limited access to the computers and information systems, a set of automated and manual tools and processes are used. The three major parts of computer access security are: 1) information security administration, 2) data center physical security, and 3) information security systems and procedures.

These components are described below:

### **1) Information Security Administration**

Within IT, the Information Protection and Production Control groups are responsible for protecting the computer and information systems from unauthorized access by managing and monitoring the computer and information security administration process. These groups are responsible for enforcing both company security policies and applicable regulatory rules. These policies and rules are enforced by using Human Resources employee data, computer security software, and security administration procedures governing user access requests and approvals. This team of highly trained professionals is dedicated to enforcing computer and information security and separation.

Internal audits are performed to insure strict adherence to computer and information systems security standards. These audits are developed and performed by the Sempra Energy Audit Services Department, which is not part of the IT organization. The audits review for compliance with affiliate separation and access rules and test to ensure that affiliate employees cannot access unauthorized utility computers, information systems, or data. The following information security administrative controls help prevent unauthorized electronic access to or the sharing of computers, information systems, or computer applications among affiliates and utilities at both the data center and within distributed systems:

**Individual Employee Identifications and Passwords** – Industry standard security software is used to read individual employee log-on identifications and passwords to approve or deny access to the computers, the applications running on the computers and the specific data stored and processed by the applications. The identifications and passwords are verified by the computer security system and also by the application that the employee is accessing. The security system and the applications maintain tables of user identifications and passwords, along with Access Control Lists that are checked by the computer systems to allow or deny access.

**Basic Access Rule is to Deny Access by Default:** The basic security policy for all Sempra Energy computers and information systems is to deny access by default. This means that access is granted only when an employee provides the system with a valid Logon ID and password that has previously been issued after completion of an established approval process and the proper system validation lists have been updated.

**Security Handling of Terminated and Transferred Employees -** Weekly termination reports and affiliate employee transfers are provided by HR to local security administrators, PC support specialists, server administrators and other key personnel. These reports are used to remove access for the terminated and transferred employees.

**Special Security Handling of Affiliate Employee Access -** In order to provide access to affiliate employees, matching firewall rules are implemented on both the SEU and affiliate perimeter networks. These rules include only the basic information required to permit/deny access based on the following three items:

- **Source IP address** – For affiliate users, this is typically a subnet (i.e. range of individual IP addresses) on the affiliate network. For Sempra Energy Trading users, this is typically the same IP address for anyone coming from the SET network.
- **Destination IP address** – Typically refers to a server on the Sempra Energy utility computer network
- **Port address** – Typically refers to the communication port(s) used by the application which will be accessed by an affiliate employee.

Additionally, before any firewall rules are implemented related to affiliate employee access to the utility computer network, approval for the specific firewall request is obtained by Sempra Energy utility Firewall Administration Team Lead from the Affiliate Compliance department.

## **2) Data Center Physical Security**

This facility has a high level of building security, which allows access only to authorized Sempra Energy corporate center and utility employees. Internally, the data center has additional room-level security, which restricts physical access to the computers and computer equipment to allow entry only to authorized Sempra Energy and Sempra Utilities operations employees. Affiliate employees are not authorized access to this facility.

## **3) Information Security Systems and Procedures**

SEU's internal network (aka intranet) is separate from its energy affiliate intranets, and access to SEU's intranet is controlled by the use of firewalls to prevent unauthorized access. Firewalls are specialized security hardware and software designed to isolate networks that require different security policy enforcement mechanisms. In addition to this industry standard approach to network security, the following approach to securing access to SEU's internal network provides additional levels of protection:

**Remote Access Security Software** – Remote access to the corporate network is secured using two-factor authentication with SecurID and Remote Authentication Dial In User Service (RADIUS) and Virtual Private Networking (VPN) using Internet Protocol Security (IPSec), which requires the use of two-factor authentication. These are industry standard remote user authentication methods. There are separate remote access services for corporate center/utility employees and unregulated affiliate employees. Physical and logical network controls for both of these remote access services are designed to prevent unregulated affiliate employees from accessing utility computer resources.

**Application Security** - Application systems, such as time keeping, also use Logon ID's and passwords to control access to the application, data, and functions within the application. Local application security administrators within the organizations that have responsibility for each application have the ability to grant, deny or remove access to the application, and to limit access to specific data and functions based on company policy and affiliate compliance rules.

**ACF2 Security Software** – The mainframe computer resources within the data center use ACF2 MVS industry standard security software supplied by Computer Associates International Inc. The ACF2 software allows Sempra Energy to isolate data center computers and information systems and data resources so that they cannot be accessed without proper authorization.

# **Appendix 3**

## **Shared Services Descriptions**



## CORPORATE CENTER SHARED SERVICES

|                           | Description   |
|---------------------------|---|
| <b>Function:</b>          | Human Resources (HR)  |
| <b>Departments:</b>       | HR Business Partner<br>My Info Services<br>Corporate Diversity Affairs<br>Compensation Services<br>Executive Compensation & Benefits<br>Human Capital Services<br>Executive & Organizational Development<br>Corporate Security/Emergency Preparedness   |
| <b>Location(s):</b>       | HQ San Diego  |
| <b>Services Provided:</b> | <p>Sempra Energy Human Resources (SEHR) develops and communicates policies and procedures for management of people resources and provides certain key services.</p> <ul style="list-style-type: none"> <li>• Provides staffing policies to meet competitive labor market conditions.</li> <li>• Analyzes current compensation and benefit market conditions and trends through surveys and other analytical work.</li> <li>• Designs and administers benefit plans (pension, 401k, medical, dental, life insurance, etc.) consistent with business unit direction and union agreements.</li> <li>• Manages benefits and other employee related regulatory and compliance issues with State and Federal agencies such as the Department of Labor, EEOC, OFCCP, DFEH.</li> <li>• Prepares EEO and Affirmative Action Plans. Provides counseling and intervention in employee relations issues. Manages diversity awareness, anti-discrimination and anti-harassment programs.</li> <li>• Houses Chief Ethics Office role.</li> <li>• Provides succession planning for key leadership positions and development solutions for officers, directors and other key personnel.</li> <li>• Provides training and organizational development solutions for employees and managers within Corporate Center and Global Enterprises. Provides finance and industry-related training on a corporate-wide basis.</li> <li>• Manages the Educational Reimbursement Plan.</li> <li>• Manages the HR Information Systems.</li> <li>• Develops and maintains HR and Payroll-related IT systems.</li> <li>• Manages programs that enhance employee safety and security.</li> <li>• Coordinates the development of the Corporate Crisis Management Plan and provides ongoing plan evaluation and compliance oversight.</li> <li>• Manages Corporate Center’s emergency response, crisis management and business resumption plans.</li> <li>• Provides payroll management and support to ensure the accurate and timely issuance of employee earnings, the factual recording of</li> </ul> |

## CORPORATE CENTER SHARED SERVICES

|                               |   |
|-------------------------------|---|
|                               | expenses and liabilities in the company’s general ledger, and the prompt and proper reporting and payment of amounts due to all governmental agencies and other third parties.  |
| <b>How Services are Used:</b> | Business units, working through the HR Business Partner, use SEHR to interpret regulations and policy, complete critical benefit and other employee related regulatory filings; design compensation plans; design and administer benefit plans; maintain computer-based employment records and provide information services regularly and on-demand; provide compliance and certain other training and development; meet corporate security requirements; and plan, organize, and execute payroll and related operations. Regulated affiliates do not recruit jointly with the unregulated affiliates.  |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation from utilities and affiliates are the primary anti-conduit tools for ensuring direct and indirect compliance with the Rules. Confidential information and documents are maintained in secured files with access restricted to authorized personnel. Professional standards are followed to preserve the confidential nature of personnel and pay records. The personnel records for non-regulated affiliates are physically separated from utility company records. Within the payroll function, segregation of employee duties by entity and division ensures that record integrity is maintained, and that no improper transfer of information occurs. Data security practices have been implemented, including multi-level passwords, “firewalls”, and logical separation, to prevent inadvertent access to, or transmission of, confidential information. |
| <b>Reason for Including:</b>  | The Commission has recognized that human resources, save for employee recruiting, is a permissible shared service under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Finance   |
| <b>Department:</b>            | Audit Services  |
| <b>Location(s):</b>           | HQ San Diego<br>Gas Company Tower, Los Angeles  |
| <b>Services Provided:</b>     | Corporate Audit Services performs financial, operational, and information technology audits for all Sempra Energy companies. Additionally, they render assessments of business controls, perform risk evaluations, and execute various compliance audits, including affiliate compliance audits.  |
| <b>How Services are Used:</b> | Audit Services provides independent, value-added audit and consulting services for all Sempra Energy activities. Audit Services provides oversight of all regulated and unregulated business units and Corporate Center shared services.  |
| <b>Anti-Conduit Measures:</b> | Audit Services functionally reports to the Audit Committee of the Board of Directors of Sempra Energy and is vested with free and unfettered access to all levels of management, and to all organization activities, records, property and personnel. The annual audit plan is approved by the Audit Committee. Audit Services is authorized to select activities for audit, allocate resources, determine audit scope, and apply techniques without administrative restriction. Internal Audit performs audits in accordance with the Institute of Internal Auditors <i>Standards for the Professional Practice of Internal Auditing</i> and the staff is educated on the importance of maintaining the confidentiality of client sensitive information. The audit staff has been trained on the affiliate transaction rules, and performs affiliate compliance audits. The professional staff adheres to applicable professional standards, including the <i>Code of Ethics of the Institute of Internal Auditors</i> . Because of the sensitive nature of audit information and for audit administration purposes, access is only available to authorized users and is password protected. All department employees, as part of the affiliate compliance training are required to read and acknowledge their understanding of the rules and the anti-conduit procedures. |
| <b>Reason for Including:</b>  | Sempra Energy's Audit Services performs many governance and oversight functions on behalf of Sempra Energy. Audit Services activities are performed more efficiently and effectively by centralizing this activity and performing audits for all Sempra Energy companies in a consistent manner.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Finance  |
| <b>Department:</b>            | Treasurer <ul style="list-style-type: none"> <li>• Cash Management</li> </ul>  |
| <b>Location(s):</b>           | HQ San Diego   |
| <b>Services Provided:</b>     | Cash management is responsible for planning, implementing and administering short-term debt, and for managing Sempra Energy’s short-term investments. The objective is to provide for safety of principal and adequate liquidity, while attaining the highest reasonable return on investment. The department discharges these responsibilities by engaging in short-term investing and borrowing, electric funds transfers, bank negotiations, and bank balance reporting.  |
| <b>How Services are Used:</b> | <p><u>Non-CPUC regulated Affiliates</u> -- excess cash is concentrated to meet short-term cash needs, cash transfers, borrowings and investments.</p> <p><u>Regulated Utilities</u> -- surplus cash is placed in short term investments in each utility’s separate investment accounts.</p> <p>Centralized cash management for Sempra Energy and its affiliates helps to create consistent cash management standards and policies that comply with regulations, provides greater efficiency, and ensures tighter internal controls to facilitate proper corporate governance and oversight. The larger volume of transactions resulting from concentration of these services helps to strengthen Sempra Energy’s overall relationships with banks, thereby ensuring better service and lower pricing for all companies, including SDG&amp;E and SCG.</p> |
| <b>Anti-Conduit Measures:</b> | Compliance training of employees with the anti-conduit acknowledgement, and physical separation from utilities and affiliates are used by Cash Management to ensure direct and indirect compliance with the affiliate rules. Segregation of funds, investments and borrowing activities by entity and division ensures that funds are not commingled and that no improper transfers of funds occur.  |
| <b>Reason for Including:</b>  | The Commission has recognized financial planning and analysis as shared services under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Finance  |
| <b>Department:</b>            | Treasurer <ul style="list-style-type: none"> <li>• Finance</li> </ul>  |
| <b>Location(s):</b>           | HQ San Diego   |
| <b>Services Provided:</b>     | The Finance Department provides support for debt and equity financing requirements to all Sempra Energy entities.  |
| <b>How Services are Used:</b> | The Finance department assesses the financing requirements of the Sempra Energy companies, evaluates financing alternatives, and develops efficient financing plans for the organization. The department possesses a broad knowledge of capital markets and economics. |
| <b>Anti-Conduit Measures:</b> | Finance department personnel have been through affiliate compliance training, which includes an acknowledgement of their understanding of the rules and the anti-conduit procedures.   |
| <b>Reason for Including:</b>  | Financial planning and analysis has been recognized by the Commission as permissible shared services under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Finance   |
| <b>Department:</b>            | Treasurer <ul style="list-style-type: none"> <li>• Pension &amp; Trust Investments</li> </ul>   |
| <b>Location(s):</b>           | HQ San Diego  |
| <b>Services Provided:</b>     | Provides investment management services for long-term corporate taxable and tax-exempt assets including, pension, employee 401k savings, post-retirement medical benefits, other non-qualified retirement plans and nuclear plant decommissioning trusts.   |
| <b>How Services are Used:</b> | The Pension & Trust Investments department develops and implements investment strategy for all of Sempra Energy's long-term investment pools. The group develops and recommends investment goals and asset allocation policies, creates and implements underlying portfolio structures for plan assets and evaluates plan liabilities and funding strategy. This area is also responsible for recommending, overseeing, and reviewing outside investment managers, trustees, and other advisors for the pension plan and 401(k) trusts. This area tracks long-term investment performance of trust assets against pre-determined goals. Finally, in conjunction with Human Resources, the group develops actuarial assumptions used for funding purposes, liability measurement, financial reporting, and SEC disclosure. |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement, physical separation from utilities and affiliates are the primary anti-conduit tools for ensuring direct and indirect compliance with the Rules. Professional standards are followed to preserve the confidential nature of personnel records.   |
| <b>Reason for Including:</b>  | This department performs financial planning and analysis in conjunction with compensation and benefits functions which are expressly permitted under Rule V.C.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Finance  |
| <b>Department:</b>            | Energy Risk Management   |
| <b>Location(s):</b>           | Sempra Energy - HQ, San Diego  |
| <b>Services Provided:</b>     | The Vice President, Energy Risk Management develops and promulgates energy risk management and trading policies, guidelines, controls, and reporting practices which must be followed by all Sempra Energy subsidiaries engaged in any form of energy risk management and trading. Effective energy risk management and trading policies will be developed, promulgated, monitored, and enforced to establish a prudent risk/reward relationship for the corporation.  |
| <b>How Services are Used:</b> | Developing enterprise-wide energy risk management and trading policies is performed by establishing a process to enable senior corporate management to develop: risk management and trading objectives; risk appetite parameters; a shared risk vocabulary; clear roles, responsibilities, authorities, and trading parameters and limits; clearly-defined benchmarks of success; compensation and hiring practices to ensure the proper skill sets; “best practice” tools and controls to identify, measure, and manage risk; effective allocation of risk capital; and a shared understanding of how energy risk management supports the corporation’s business objectives and strategies.   |
| <b>Anti-Conduit Measures:</b> | The VP, Energy Risk Management works under the direction of the Sempra Energy Risk Management Oversight Committee, which consists only of the following Sempra Energy officers: Chairman-CEO; Vice Chairman, Group President - Unregulated Business Units (not present when Regulated Business Unit matters are being discussed); Vice Chairman, Group President - Regulated Business Units (not present when Unregulated Business Unit matters are being discussed); CFO; Controller; General Counsel; and Treasurer. Neither the committee nor the VP, Energy Risk Management has trading authority, knowledge, or involvement of any kind with specific trades or transactions. Consolidated, summary level reporting from those business units conducting risk management activities are reviewed to ensure that these activities are in compliance with the enterprise-wide risk management policies. These officers have all received comprehensive training regarding preserving the confidentiality of all sensitive information they receive during their risk management oversight activities. They do not use the information to influence specific physical or financial energy commodity positions taken by any Sempra Energy subsidiaries. |
| <b>Reason for Including:</b>  | Management’s fiduciary responsibilities under California corporate law require that strict and effective oversight policies be in place to ensure protection of the corporation’s cash flows and asset valuation. The Commission has recognized that enterprise-wide energy risk management  |

## **CORPORATE CENTER SHARED SERVICES**

|  |   |
|--|---|
|  | <p>policies may be developed and promulgated as a corporate shared service, but has directed that individual, company-specific energy risk management activities, such as “hedging and financial derivatives and arbitrage services”, not be commingled with the shared policy development and oversight function. The Commission has also directed that certain, specified risk management and trading information may only be reported to the VP, Energy Risk Management after a 7-day delay. The energy risk management policy development and oversight function described here conforms to both of these directives.</p> |
|--|---|



## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Finance  |
| <b>Department:</b>            | Corporate Taxes  |
| <b>Location(s):</b>           | HQ San Diego   |
| <b>Services Provided:</b>     | Corporate Tax provides enterprise-wide comprehensive tax services, including tax accounting, planning, research, and tax audit management.   |
| <b>How Services are Used:</b> | Tax Services is used for planning, organizing, executing operations, coordinating use of resources, and controlling and reporting outcomes.  |
| <b>Anti-Conduit Measures:</b> | Compliance training of employees which includes an anti-conduit acknowledgement and physical separation from utilities and affiliates are used by the finance area to ensure compliance with the affiliate rules. In many instances, a segregation of employee duties by entity and division exists but in other instances we have individuals with multiple entity oversight or direct responsibilities. As a corporate shared service organization we work together to provide all tax services for the corporation and its subsidiaries. As a result, we share access to all tax department data electronically and physically. We rarely, if ever, have any information or data that is of the type that is prohibited from sharing such as customer data, daily or future distribution data, etc. If we did have such data it would not be shared or stored in an open environment in accordance with the above referenced policies. Whenever we have an issue that might create an appearance of an affiliate compliance issue, we assign separate employees to groups that will represent the utility on the one hand, and an affiliate on the other hand, so that we have independent tax advisors on each side. |
| <b>Reason for Including:</b>  | The Commission has recognized that corporate accounting is a permissible shared service under Rule V.E.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Finance   |
| <b>Departments:</b>           | Controller <ul style="list-style-type: none"> <li>• Corporate Financial Accounting</li> <li>• Financial Reporting</li> </ul>  |
| <b>Location(s):</b>           | HQ San Diego  |
| <b>Services Provided:</b>     | The Corporate Financial Accounting and Corporate Financial Reporting Departments provide enterprise-wide accounting services and financial information to meet internal and external accounting and reporting requirements. |
| <b>How Services are Used:</b> | These finance functions are used for planning, organizing, executing operations, coordinating use of resources, and controlling and reporting outcomes.   |
| <b>Anti-Conduit Measures:</b> | Compliance training of all employees which includes an anti-conduit acknowledgement are used by the accounting areas to ensure compliance with the affiliate rules.   |
| <b>Reason for Including:</b>  | The Commission has recognized that corporate accounting is a permissible shared service under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Finance   |
| <b>Department:</b>            | Controller <ul style="list-style-type: none"> <li>• Corporate Planning</li> </ul>   |
| <b>Location(s):</b>           | HQ San Diego  |
| <b>Services Provided:</b>     | Corporate Planning (CP) performs budgeting, planning, and reporting services for all Sempra Energy companies and the Corporate Center, Sempra Management, and the Sempra Board of Directors. CP performs financial and strategic planning, and capital use evaluation. CP also administers Hyperion HFM, the Sempra Energy financial consolidation application.   |
| <b>How Services are Used:</b> | CP coordinates the detail budgeting process at the Corporate Center and incorporates this process into the budgeting for each business unit. CP prepares consolidated Sempra Energy budgets and financial plans. It provides monthly performance review reports that assess variances to the budgets and overall corporate plan to the Sempra Energy Board of Directors and Sempra Management. CP coordinates budget planning meetings to facilitate preparation of budgets and plans. CP maintains the Hyperion HFM financial consolidation application.   |
| <b>Anti-Conduit Measures:</b> | Budget planning meetings are held in three segments: (1) open discussion for all participants; (2) regulated business unit discussion; and (3) non-regulated business unit discussion. Documents that contain budget information are segregated by business units. Comprehensive affiliate compliance training of all CP employees, use of anti-conduit acknowledgement within the training, separate handling of budget information for each business unit, and physical separation between the utilities and affiliates are the primary anti-conduit practices use by CP to ensure that the budgeting process is not used to circumvent the affiliate rules. The Hyperion HFM financial consolidation application has role security and entity access security. |
| <b>Reason for Including:</b>  | The Commission has recognized that financial planning and analysis are permissible shared services under Rule V.E.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Corporate Compliance   |
| <b>Department:</b>            | Environmental & Safety Compliance<br>Business Conduct  |
| <b>Location(s):</b>           | HQ, San Diego  |
| <b>Services Provided:</b>     | The Corporate Compliance Division within the corporate center is headed by the Chief Compliance Officer of Sempra Energy. The division is a shared-services function providing oversight and monitoring of company-wide compliance plans in order to ensure that Sempra Energy's compliance standards are executed as expected. The division came into existence in 2004 and is comprised of two departments: (1) Environmental and Safety and (2) Business Conduct.   |
| <b>How Services are Used:</b> | <p>The Environmental &amp; Safety department is responsible for oversight and monitoring of business unit environmental and safety compliance plans, including managing the corporate environmental and safety audit program, conducting waste disposal vendor reviews and addressing environmental and safety compliance risks that have company-wide impact.</p> <p>The Business Conduct department is responsible for assessing compliance risk, implementing and coordinating compliance plans, programs and policies, and overseeing compliance education and communication programs. This department will also manage reporting tools, such as the Business Conduct helpline, to provide ongoing assurance that compliance plans, policies and ethical standards are being executed as expected.</p> |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement is the primary anti-conduit tool used to ensure direct and indirect compliance with the Rules.   |
| <b>Reason for Including:</b>  | This department provides the framework for assessing compliance risk and assuring compliance standards are met across all business units.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Executive Projects  |
| <b>Department:</b>            | Executive Projects  |
| <b>Location(s):</b>           | HQ, San Diego   |
| <b>Services Provided:</b>     | Executive Projects provides a centralized coordination point for research, analysis, and evaluation of projects of interest to senior management.   |
| <b>How Services are Used:</b> | Supports the chief operating officer by conducting research, analysis, and evaluation of projects of interest to the corporate officers and board of directors. Interacts with other shared service departments and senior management personnel to support corporate governance functions.  |
| <b>Anti-Conduit Measures:</b> | Centralized coordination of the research, analysis and evaluation of executive projects strengthens compliance with affiliate guidelines and promotes efficient corporate governance and administration. Affiliate rules training which includes an anti-conduit acknowledgement is the primary compliance control measures in place.   |
| <b>Reason for Including:</b>  | The Commission has recognized that corporate oversight, governance and support systems are permissible shared services under Rule V.E. Executive Projects supports the corporate governance function in fulfilling its obligation to provide corporate oversight and exercise its fiduciary responsibility for all Sempra Energy companies (utility and non-utility). The anti-conduit procedures and mechanisms that are being applied to the Executive Projects functions have been crafted to enable the company to discharge its fiduciary duties without compromising compliance with the Rules. |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Corporate Governance   |
| <b>Department:</b>            | Chairman and CEO<br>President and COO<br>Corporate Center Vice Presidents<br>Group Presidents and Vice Presidents<br>(includes executive assistants)   |
| <b>Location(s):</b>           | Various, including, but not limited to: <ul style="list-style-type: none"> <li>• Sempra Energy - HQ, San Diego</li> <li>• Gas Company Tower, Los Angeles</li> <li>• SDG&amp;E, San Diego</li> </ul>  |
| <b>Services Provided:</b>     | Responsible to the Sempra Energy Board of Directors for ensuring that the Board’s fiduciary responsibilities under California corporate law are properly discharged. Provides, as a shared service under Rule V.E., corporate governance and oversight, thereby ensuring consistent and coordinated leadership to the enterprise-wide organization. The principal corporate governance and oversight functions include directing the allocation of corporate resources to meet changing regulatory and market needs, setting Sempra Energy’s overall strategic direction, providing direct linkage and reporting to the Board of Directors, and ensuring that shared corporate support services are performed efficiently and effectively.   |
| <b>How Services are Used:</b> | <p>Corporate governance and oversight is a broad function that cannot be confined entirely to specific means, committees, or institutions. Corporate directors/officers must be provided with all material information necessary for them to perform their fiduciary duties. The directors/officers are dependent upon the Chairman/CEO and President/COO to establish a framework to ensure that necessary and material information is captured in the governance and oversight process. The Chairman/CEO and President/COO attend meetings and direct activities to whatever extent necessary to enable the Board of Directors to perform its fiduciary duties. These activities are being conducted in a manner that is entirely consistent with the Rules, and will not be allowed to become a means for circumventing the Rules.</p> <p>Sempra Energy's senior management conducts meetings such as the Project Review Committee, the Corporate Compliance Committee and the Energy Risk Management Oversight Committee outlined in Appendix 4. These meetings allow Sempra Energy’s Senior Management to maintain adequate oversight of the entire enterprise, while preserving business unit autonomy and accountability. Employees refrain from discussing matters that would be inconsistent with the Rules, such as operational matters and customer-specific information.</p> |
| <b>Anti-Conduit Measures:</b> | The Chairman, President, Corporate Center Vice President, Group Presidents and Vice Presidents as well as their executive assistants and the   |

## CORPORATE CENTER SHARED SERVICES

|                              |   |
|------------------------------|---|
|                              | <p>manager of executive projects have received extensive affiliate compliance training and are knowledgeable about the Rules' requirements, especially those requirements that pertain to non-discrimination, information and disclosure, and separation between regulated and unregulated subsidiaries. In particular, these senior officers have been sensitized to the risks of becoming a conduit for the transfer of inappropriate information while participating in corporate governance and oversight activities. The officers know the Rules, have signed attestations promising full compliance, and have put in place corporate institutions and practices to ensure that compliance is forthcoming.</p> |
| <b>Reason for Including:</b> | <p>Sempra Energy corporate management must exercise proper governance and fiduciary responsibility over every Sempra Energy utility and non-utility company. The Rules recognize this proposition by permitting corporate governance and oversight as a shared service under Rule V.E., requiring only that these functions be conducted in a manner not to circumvent the Rules. The anti-conduit procedures and mechanisms that are being applied to the governance and oversight function under the Office of the Chairman have been carefully crafted to enable the company to discharge its fiduciary duties without compromising compliance with the Rules.</p>   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Legal  |
| <b>Department:</b>            | Corporate Secretary  |
| <b>Location(s):</b>           | HQ San Diego   |
| <b>Services Provided:</b>     | The Corporate Secretary coordinates notice of all board meetings, drafts the minutes of all the board meetings and arranges for review and approval of these minutes. In addition, for SoCalGas and SDG&E the Corporate Secretary maintains an annual calendar of scheduled board meetings, an annual calendar of recurring events that take place at these meetings and coordinates the development of the agendas for these meetings. Other duties on behalf of the Sempra companies include certification of documents and regulatory filings, and as the agent for service of legal process. |
| <b>How Services are Used:</b> | The Corporate Secretary ensures that board meetings comply with corporate guidelines as set by the corporate by-laws.  |
| <b>Anti-Conduit Measures:</b> | Department guidelines have been developed on the use of password protected electronic files, locking desks and file cabinets, and use of sealed confidential envelopes for all non-public sensitive information. All employees receive affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.  |
| <b>Reason for Including:</b>  | The Commission has recognized that legal services are a permissible shared service under Rule V.E. The Commission has also recognized that corporate oversight and governance as well as regulatory affairs are permissible shared services under Rule V.E.  |



## CORPORATE CENTER SHARED SERVICES

|                                | Description   |
|--------------------------------|---|
| <b>Function:</b>               | Legal   |
| <b>Division or Department:</b> | Litigation Law<br>Legal Administration (San Diego)<br>Corporate & Commercial Law  |
| <b>Location(s):</b>            | HQ San Diego<br>Gas Company Tower, Los Angeles<br>San Francisco<br>Sacramento<br>Argentina<br>Mexico<br>United Kingdom  |
| <b>Services Provided:</b>      | <p>The Law group is the source of all legal support for the Sempra Energy companies, and represents them in their legal matters. It is responsible for the delivery, quality and cost of all legal services to all Sempra Energy companies as well as development of regulatory policies. The Law Department, in consultation with internal clients, selects, retains, and supervises outside counsel.</p> <p>The Law Department is headed by a General Counsel who has ultimate responsibility for legal services for Sempra Energy and all of its affiliates.</p> |
| <b>How Services are Used:</b>  | The legal group represents all Sempra Energy companies in their legal matters. Regulatory Policy is developed by soliciting comments on regulatory issues from the various business units and corporate center departments within Sempra Energy. The Regulatory Policy group coordinates regulatory and legislative strategies, monitors selected regulatory proceedings, and develops corporate regulatory and legislative policy proposals.   |
| <b>Anti-Conduit Measures:</b>  | Department guidelines have been developed on the use of password protected electronic files, locking desks and file cabinets, and use of sealed confidential envelopes for all non-public sensitive information. All employees receive affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.   |
| <b>Reason for Including:</b>   | The Commission has recognized that legal services are a permissible shared service under Rule V.E. The Commission has also recognized that corporate oversight and governance as well as regulatory affairs are permissible shared services under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Legal  |
| <b>Department:</b>            | Governmental/Community Affairs<br>♦ Federal Government Affairs (FGA)   |
| <b>Location(s):</b>           | Sempra Energy - Washington D.C.  |
| <b>Services Provided:</b>     | FGA serves as the centralized point of contact for all issues and business strategies, which come before and/or need assistance from the Congress, Federal Agencies, or the Administration.  |
| <b>How Services are Used:</b> | Reviews legislation in Congress and rule makings initiated by federal agencies, and oversees Sempra Energy-initiated legislation, policies, and strategies to attain Sempra Energy’s federal goals. Sempra Energy’s congressional objectives are developed in consultation with the Corporate Center and appropriate business units.                     |
| <b>Anti-Conduit Measures:</b> | FGA does not have access to any proprietary information, such as customer data, marketing plans, and financial calculations, and thus cannot act as a means for the transfer of confidential information from the utility to the affiliate. All employees acknowledge their understanding of the anti-conduit procedures during the compliance training. |
| <b>Reason for Including:</b>  | Lobbying is a function that the Commission has recognized as a permissible shared service under Rule V.E.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Legal  |
| <b>Department:</b>            | Governmental/Community Affairs<br><ul style="list-style-type: none"> <li>◆ State Governmental Affairs (SGA)</li> </ul>   |
| <b>Location(s):</b>           | Sempra Energy – Sacramento   |
| <b>Services Provided:</b>     | SGA maintains communications with state elected officials, legislators, and key state agencies and departments. SGA focuses on legislation and regulations that will have an impact on the company and works with collateral organizations to build alliances that benefit Sempra Energy.  |
| <b>How Services are Used:</b> | SGA reviews legislation and certain rule makings at the state level, and oversees Sempra Energy’s response to state-initiated legislation and rules. The Sacramento office also initiates legislation, assists with the development of policy and implementation strategies, and provides legislative advocacy for the Sempra Energy utilities and affiliates. |
| <b>Anti-Conduit Measures:</b> | SGA does not have access to any proprietary information, such as customer data, marketing plans, and financial calculations, so SGA cannot act as a means for providing confidential utility information to the affiliates. All employees are required to acknowledge their understanding of the anti-conduit procedures during compliance training.           |
| <b>Reason for Including:</b>  | Lobbying is a function that the Commission has recognized as a permissible shared service under Rule V.E.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Legal   |
| <b>Department:</b>            | Governmental/Community Affairs<br>♦ Legislative Policy & Analysis   |
| <b>Location(s):</b>           | Sempra Energy – HQ, San Diego   |
| <b>Services Provided:</b>     | LP&A works in concert with the legislative offices in Washington D.C., Sacramento, and elsewhere to identify key issues and provide coordinated policy positions on legislation to advocates in Sacramento, Washington, D.C., and other states where the Sempra companies have business interests. Analyze and provide periodic reports to the Sempra companies on political, legislative, social and other external trends that may impact industries or issues in which the Sempra companies are involved. Manage political contributions and lobbying reports for the company. |
| <b>How Services are Used:</b> | LP&A solicits comments on legislation from the various business units and corporate center departments within Sempra Energy. The department coordinates input, and assists in developing legislative strategies at all levels of government; conveys information on critical issues affecting the energy industry; responds to and manages requests for political contributions; and monitors political and governmental affairs activities worldwide.  |
| <b>Anti-Conduit Measures:</b> | The LP&A group does not have access to customer-specific, marketing, or financial data. Comprehensive compliance training which includes an anti-conduit acknowledgement and physical separation from the utilities and affiliates are the primary anti-conduit tools used to ensure direct and indirect compliance with the Rules.   |
| <b>Reason for Including:</b>  | The Commission has recognized regulatory and public affairs, such as legislative activities, as permissible shared services under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Legal  |
| <b>Department:</b>            | Governmental/Community Affairs<br>♦ FERC Relations   |
| <b>Location(s):</b>           | Sempra Energy – Washington, D.C.   |
| <b>Services Provided:</b>     | Sempra Energy’s Washington, D.C. office maintains communications with Federal regulatory and elected officials, legislators, and key Federal agencies and departments. The Washington, D.C. office focuses on regulatory issues that will have an impact on the company and works with collateral organizations to build alliances that benefit Sempra Energy.   |
| <b>How Services are Used:</b> | Sempra’s Washington, D.C. office reviews current and proposed regulations and certain rule makings at the Federal level, and coordinates Sempra Energy’s response to these regulations and rules.  |
| <b>Anti-Conduit Measures:</b> | The Washington, D.C. office does not have access to any proprietary information, such as customer data, marketing plans, and financial calculations, so the Washington, D.C. office cannot act as a means for providing confidential utility information to the affiliates. All employees are required to acknowledge their understanding of the rules and anti-conduit procedures during the compliance training. |
| <b>Reason for Including:</b>  | Lobbying is a function that the Commission has recognized as a permissible shared service under Rule V.E.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Legal  |
| <b>Department:</b>            | Governmental/Community Affairs<br>♦ Community Relations & Corporate Events   |
| <b>Location(s):</b>           | HQ, San Diego<br>Gas Tower, Los Angeles  |
| <b>Services Provided:</b>     | <p>Community Relations’ role is to coordinate community involvement by getting the Sempra Energy companies involved in matters important to the well-being of customers and neighborhoods. Functions performed by Community Relations include:</p> <ul style="list-style-type: none"> <li>• managing the corporate charitable contributions budget, employee volunteerism and employee giving programs;</li> <li>• developing contributions policies and community outreach plans;</li> <li>• sponsoring programs, projects and events in communities where we operate;</li> <li>• identifying opportunities for executive and employee involvement in local community affairs;</li> <li>• managing company and employee memberships; and</li> <li>• representing the company to external organizations and leaders.</li> </ul> <p>Corporate Events’ role is to manage and coordinate meetings and events for the Sempra companies, such as the Annual Meeting of Shareholders, and various department meetings, conferences and offsites.</p> |
| <b>How Services are Used:</b> | Implementation and coordination of the corporate community relations’ function helps to make employees of all Sempra Energy companies more aware of the opportunities to enhance the communities in which we work and live. Charitable contributions checks and the involvement of executives and other personnel in community organizations or activities are two primary “outputs” of this function.   |
| <b>Anti-Conduit Measures:</b> | The Community Relations and Corporate Events do not share proprietary information or engage in any joint marketing/advertising on behalf of the utility and any affiliate covered by the Rules.  |
| <b>Reason for Including:</b>  | The Commission has recognized public affairs as a permissible Rule V.E. shared service.  |

## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Communications & Investor Relations   |
| <b>Department:</b>            | Communications & Advertising  |
| <b>Location(s):</b>           | Sempra Energy - HQ, San Diego   |
| <b>Services Provided:</b>     | Communications & Advertising is responsible for oversight, policy and governance for communications, advertising, branding and web presence for the corporation and its subsidiaries, including: managing Sempra.com and Sempra.Net, managing the brand image for the corporation, overseeing brand management at the subsidiaries, providing oversight for employee communications across the corporation, producing all publications and multimedia presentations.      |
| <b>How Services are Used:</b> | Communications & Advertising come (generally) from three sources: <ol style="list-style-type: none"> <li>1. business plans and activities</li> <li>2. regulatory and legal issues that affect advertising, the web, the corporate image or all employees</li> <li>3. external incidents or activities with high visibility in the communities in which the corporation is active</li> <li>4. employee venue for interaction and communication among co-workers</li> </ol> |
| <b>Anti-Conduit Measures:</b> | All department employees have completed affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.  |
| <b>Reason for Including:</b>  | The Commission has recognized that corporate communications is a permissible shared service under Rule V.E.   |

## CORPORATE CENTER SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Communications & Investor Relations  |
| <b>Department:</b>            | Public Relations   |
| <b>Location(s):</b>           | Sempra Energy - HQ, San Diego  |
| <b>Services Provided:</b>     | The Public Relations group helps build and maintain a positive image in the media for Sempra Energy and its business units. Public Relations personnel are responsible for educating and influencing key external audiences on issues of importance to the company by developing and implementing effective media and financial communications programs. Public Relations prepares the corporate Annual Report, and responds to local issues and activities. Public Relations also provides communications support during emergencies. |
| <b>How Services are Used:</b> | The Public Relations department works closely with the other corporate communications departments to ensure that communication efforts are consistent, integrated, and proactive. Employees located at the Corporate Center in San Diego provide public relations support in the service territories of SDG&E and SoCalGas, and for Sempra Energy’s other affiliates. There is a 24-hour on-call team to handle after-hours incidents and media queries for the two utilities.   |
| <b>Anti-Conduit Measures:</b> | Press materials for the affiliates are created separately from the work done on behalf of the utilities. Public Relations personnel are trained to avoid customer or media confusion about which part of the Sempra Energy family of companies is the subject of media focus. All department employees have received affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.  |
| <b>Reason for Including:</b>  | Corporate communications and public affairs are functions that the Commission has recognized as a permissible shared services under Rule V.E.  |



## CORPORATE CENTER SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Communications & Investor Relations   |
| <b>Department:</b>            | Investor Relations  |
| <b>Location(s):</b>           | HQ San Diego  |
| <b>Services Provided:</b>     | Investor Relations works to maintain fair value of Sempra Energy’s publicly traded securities by communicating Sempra Energy’s goals and strategies, and by identifying trends or events that may affect the value of the securities. The department holds meetings with shareholders, security analysts, and others to establish and maintain the credibility of the Company’s senior management.  |
| <b>How Services are Used:</b> | Investor Relations primarily serves the holding company, Sempra Energy, but benefits all subsidiary companies by minimizing the cost of capital. The department communicates the corporate message and results to the financial community and investors; coordinates mailings to shareholders, including dividend checks; communicates financial results; and responds to shareholder inquiries.  |
| <b>Anti-Conduit Measures:</b> | Shareholder Services has access to shareholder data, addresses, and holdings, but does not distribute this data to anyone but individual shareholders. The system is password protected and is only used by the employees answering shareholder inquiries. Release of information to shareholders is only provided after their social security number has been verified. Other information provided by Investor Relations is public. Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation from the utilities and affiliates are the primary anti-conduit tools used to ensure direct and indirect compliance with the Rules. |
| <b>Reason for Including:</b>  | The Commission has recognized that shareholder services is a permissible shared service under Rule V.E.   |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Business Solutions  |
| <b>Department:</b>            | Real Estate & Facilities  |
| <b>Location(s):</b>           | Scripps Ranch and Century Park, San Diego<br>Gas Company Tower, Los Angeles<br>Numerous bases and other sites across the company  |
| <b>Services Provided:</b>     | Real Estate and Facilities manages business unit real estate and facility assets, including buildings, real properties, land rights, lease interests and common plant capital for facilities-related improvements and projects. The department provides land planning and acquisition services, acquisition of easements and fee-owned properties, real estate documents, land surveying services, asset use analysis, office move services, and daily operations and maintenance of facility structures, equipment, and backup UPS systems and generators.   |
| <b>How Services are Used:</b> | The Real Estate and Facilities function plans, acquires, and maintains real estate assets for all of Sempra's companies. It analyzes space portfolio needs, develops, reviews, and manages facility site plans, floor plans, and office occupancy information, and implements facility construction projects. It acquires, manages, and maintains office, land, and telecom leases. Land Planning and Acquisition support the development of utility infrastructure projects. It also provides title documents, easement records, deeds, survey maps and records, parcel maps, vegetation and topographic maps, leases, and licenses associated with both of the above described services. Facility Operations manages the daily operation of most sites, including general site maintenance, janitorial services, and utility consumption. |
| <b>Anti-Conduit Measures:</b> | All confidential utility or affiliate information is the responsibility of the individual working with that data. In general, this type of information would be locked in office drawers or overhead locking cabinets within the office space of the individual performing the work. All department employees are required to acknowledge their understanding of the rules and anti-conduit procedures.   |
| <b>Reason for Including:</b>  | The Real Estate and Facilities function for Sempra Energy, once part of the corporate center, is now managed through SDG&E and administered by each of the utilities as a shared service. The REF function provides services for both utilities, corporate center, and all of the unregulated business units.   |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Business Solutions  |
| <b>Department:</b>            | Supply Management   |
| <b>Location(s):</b>           | 225 Broadway, San Diego<br>Gas Company Tower, Los Angeles   |
| <b>Services Provided:</b>     | The Procurement department provides supply management strategy, policy, processes, technology and services to support the enterprise in procuring goods and services.   |
| <b>How Services are Used:</b> | A centralized requisition and ordering facility is used to locate, procure and process materials, supplies and contract services for the parent company, utilities, and affiliates. Energy commodities and related products and services are not procured by this department as a shared service. Pipe and equipment for the utilities are procured on separate purchase orders from the affiliates.  |
| <b>Anti-Conduit Measures:</b> | Separation of duties and centralized control over purchasing policies and practices strengthens affiliate compliance results and promotes efficient corporate governance and administration. Compliance training of employees which includes an anti-conduit acknowledgement, physical separation from utilities and affiliates are the primary affiliate transaction compliance controls. Each business unit is ratably charged for usage and directly billed for specifically identified costs. Written supplier authorizations are maintained and affiliate requests for supplier information is entered into a log. Economic benefits are derived from centralizing purchasing power, economies of scale, and group centered compliance administration. |
| <b>Reason for Including:</b>  | A centralized procurement function for non-commodity products and services qualifies as a support service under Rule V.E. because the Commission has recognized that many products and services may be procured jointly by affiliates and utilities. Products and services that are not allowed to be bought jointly will be segregated and bought separately.  |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Business Solutions  |
| <b>Department:</b>            | Environmental Solutions   |
| <b>Location(s):</b>           | HQ San Diego<br>Miramar, San Diego<br>Gas Company Tower, Los Angeles  |
| <b>Services Provided:</b>     | This area provides policy direction and operational guidance for ensuring compliance with environmental laws and regulations. Services provided by Environmental Services include air, water quality, natural resources, hazardous waste licensing and permitting, and the preparation and delivery of compliance training material. In addition, Environmental Services provides site assessment and mitigation services for the clean up of contaminated company facilities. It also renders legislative and regulatory analysis related to environmental issues.   |
| <b>How Services are Used:</b> | This department interacts with transmission, distribution, customer services, legal, real estate and facilities, procurement, regulatory affairs, accounting and the ACD. Business units use the department to acquire and manage regulatory permits and entitlements, develop environmental policy and programs, develop compliance training material, publish regulatory reports and filings, establish measurement standards and protocols, plan for and mitigate hazardous materials problems, and resolve day-to-day environmental compliance issues.  |
| <b>Anti-Conduit Measures:</b> | Various environmental databases are used to ensure compliance with laws and regulations. Except for project specific information, most of this information is public. All confidential utility or affiliate information is maintained in a secure environment not accessible by affiliate personnel or utility personnel outside of Environmental Solutions. Department guidelines have been developed on the use of password protected electronic files, locking desks and file cabinets, and use of sealed confidential envelopes for all non-public sensitive information. All employees are required to receive which includes an acknowledgement regarding their understanding of the rules and compliance with the anti-conduit procedures. |
| <b>Reason for Including:</b>  | Sempra Energy strives to achieve a level of uniformity across corporate organizations in the many man-made and natural environments that are affected by its operations. This department provides the framework for assuring consistent day-to-day environmental and safety compliance across a multitude of environmental regulatory agencies.   |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Business Solutions  |
| <b>Department:</b>            | Diverse Business Enterprises  |
| <b>Location(s):</b>           | 225 Broadway, San Diego<br>Gas Company Tower, Los Angeles   |
| <b>Services Provided:</b>     | Diverse Business Enterprises (DBE) supports the needs of both utilities in securing contractual relationships with women, minority, and service disabled veteran business enterprises (WMDVBE). This is in compliance with the CPUC general order 156. The order states that the Commission will establish a procedure for gas, electric, and telephone utilities to submit annual detailed and verifiable plans for increasing (WMDVBE) procurement in all categories. |
| <b>How Services are Used:</b> | The DBE team works with the vice presidents, directors and managers of each department to identify and utilize DBE firms as value added contract suppliers. Also each member of the senior management team is responsible for setting goals of inclusion for DBE contracts in the goods and services that are contracted with the majority supplier community.  |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement, physical separation from utilities and affiliates are the primary anti-conduit tools for ensuring direct and in direct compliance with the Rules.  |
| <b>Reason for Including:</b>  | A centralized DBE function for non-commodity products and services qualifies as a support service under Rule V.E. because the Commission has recognized that many products and services may be jointly procured by affiliates and utilities. Products and services not allowed to be purchased jointly will be segregated and bought separately.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Business Solutions   |
| <b>Department:</b>            | Fleet Services   |
| <b>Location(s):</b>           | Miramar, San Diego<br>Monterey Park, Los Angeles   |
| <b>Services Provided:</b>     | The Fleet Services function consists of vehicle design, acquisition, maintenance, servicing, dispatch, financial and physical management, registration, and disposition services for a fleet of over 7200 units. A small number of vehicles have been assigned to the Corporate Center.  |
| <b>How Services are Used:</b> | This area inspects, maintains, assigns, dispatches, and accounts for usage of all pool vehicles. Vehicles are made available on an as needed basis and are the most cost-effective means of meeting the transportation needs of Sempra employees. Usage and costs are identified and directly assigned to the Business Unit.   |
| <b>Anti-Conduit Measures:</b> | The Fleet Services Department reports to the Business Solutions organization. All non-administrative personnel are represented by union employees who do not have access to confidential utility information. All supervisory and management personnel are provided Affiliate Transaction Rules compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures. Non-regulated company employees are <i>not</i> allowed to use vehicles with the utility logo. |
| <b>Reason for Including:</b>  | Providing fleet services to Sempra Energy's companies as a shared service is the most cost-effective approach to meeting Sempra Energy's transportation needs. Since no additional costs are involved and all actual costs are captured in a separate clearing account (cleared on a monthly basis), this results in no subsidy from the utility.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Business Solutions   |
| <b>Department:</b>            | Safety & Emergency Services  |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Company Tower, Los Angeles  |
| <b>Services Provided:</b>     | Promoting compliance with safe and healthy work practices; communicating with employees on safety and health issues; identifying and evaluating work hazards; investigating occupational injuries and illnesses; recommending corrective actions to abate unsafe or unhealthy conditions, work practices, and procedures; providing safety training, programs, and policies; and maintaining OSHA records for the company. Also monitors EMF research studies and provides customer EMF measurements. Provide emergency response and recovery evaluation services, including plan and procedural consultation, emergency plan and procedural audits. Provide emergency exercise design, implementation and follow-up report writing services. Provide compliance comparisons and audit services. |
| <b>How Services are Used:</b> | This department provides safety policy and procedure and supports all operating departments in implementing their safety and emergency plans.  |
| <b>Anti-Conduit Measures:</b> | The department does not publish marketing or customer sensitive information. All department employees have completed affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.  |
| <b>Reason for Including:</b>  | Providing safety, health, and emergency services to Sempra Energy utilities as a shared service is the most reasonable approach to meeting Sempra Energy utilities' safety related needs.  |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Business Solutions  |
| <b>Department:</b>            | Business Planning & Budgets   |
| <b>Location(s):</b>           | Century Park<br>Playa Del Rey   |
| <b>Services Provided:</b>     | Provides business planning and budgeting services to Business Solutions departments and coordination with utility business planning. Although involvement with unregulated affiliates is limited, Business Planning may provide support to Business Solutions departments for assistance in service agreements with unregulated affiliates or evaluation of specific service initiatives. |
| <b>How Services are Used:</b> | Assists in the development of departmental budgets, cost of service preparation, performance reporting and evaluation of various departmental initiatives for client services.  |
| <b>Anti-Conduit Measures:</b> | All employees receive affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures.  |
| <b>Reason for Including:</b>  | The Commission has recognized that financial planning and analysis is a permissible shared service under Rule V.E.  |



## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Customer Services   |
| <b>Department:</b>            | Customer Communications & Research  |
| <b>Location(s):</b>           | Gas Tower, Los Angeles<br>Century Park, San Diego   |
| <b>Services Provided:</b>     | The department supports San Diego Gas & Electric and Southern California Gas Company in providing integrated customer communications and research services. These services are designed to ensure that customers are effectively informed about product and service offerings as well as issues or topics of interest. Department functional areas include: Customer Communications, Creative Services, Internet/Intranet, Brand Identity Management and Research. Customer Communications consists of developing and implementing direct mail, collateral, customer newsletters, bill enclosures, and major media communications such as television, radio, newspaper, magazine, and out-of-home. The research area provides qualitative and quantitative research services including customer satisfaction measurement, general opinion measurement, advertising effectiveness studies, focus groups and online secondary research, etc. The Internet and Intranet (Web) area includes development and maintenance of each utility's internet site, internal corporate intranet sites and various internal department intranet sites. Responsibilities for the Web area include development of web strategies, the management of the "look and feel" and overall functionality of the various sites as well as tactics such as electronic newsletters and e-mails. Creative Services provides graphic and printing services. Brand Identity Management includes the stewardship and implementation of the Design Architecture Guidelines/Standards to ensure that appropriate colors, fonts and logos are used in the various communications materials. |
| <b>How Services are Used:</b> | The department uses a variety of internal and external resources including research firms, advertising agencies, printers, web designers, design firms, etc. to create and implement customer communications, field and analyze research, and develop web sites. All of these functional areas provide consulting and management services to internal utility clients. Centralization of these areas helps to facilitate consistent communications, methodologies, best practices, process improvements and cost efficiencies.  |
| <b>Anti-Conduit Measures:</b> | Rigorous guidelines and measures have been put in place for each functional area. All personnel are physically housed at utility facilities. All department employees have been trained in affiliate compliance matters, and have acknowledged their understanding of the anti-conduit procedures.  |
| <b>Reason for Including:</b>  | This department ensures efficient technical support and expertise in the various communications specialty areas. Working in an integrated fashion with research and communications in one department ensures that customer feedback is incorporated into the creation of all forms of communication.  |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Information Technology  |
| <b>Departments:</b>           | Network Engineering & Operations<br>Infrastructure Engineering & Operations<br>Shared Software Development Services   |
| <b>Location(s):</b>           | Sempra Energy HQ, San Diego<br>SDG&E, San Diego; SoCalGas, Los Angeles<br>Rancho Bernardo; Monterey Park<br>Telecommunications Control Center (TCC), San Diego  |
| <b>Services Provided:</b>     | Provides flexible, scaleable, and cost effective Network, Telecommunications, and Infrastructure related services. Provides software development for commission allowed shared services. Network / Telecommunications Engineering & Operations services include routers, servers, hubs, microwave equipment, connectors, wire and fiber optic cables. Provides centralized monitoring, problem resolution, and operational control for Voice, Data, Microwave, Fiber, Voice Radio, Data Radio systems, and Carrier services. Infrastructure Engineering and Operations services include flexible, scaleable, and cost effective infrastructure and related services such as 7x24x365 data center operations located at Rancho Bernardo, storage management, server management, security, and middleware. Shared Software Development Services provides business application software development, enhancement, maintenance and system support for business processes such as financial accounting, accounts payable, purchasing, supply management, and other corporate shared service functions. |
| <b>How Services are Used:</b> | The Sempra Energy regulated and unregulated affiliates use Network / Infrastructure Engineering & Operations to design, develop, and maintain network and infrastructure services to meet their operations needs. Shared Software Development Services are used to meet and support the commission allowed shared services within the company.  |
| <b>Anti-Conduit Measures:</b> | All employees are required to receive affiliate compliance training which includes an anti-conduit acknowledgement regarding their understanding of the rules and compliance procedures. Performing Network, Telecommunications, Infrastructure and Software Development functions as corporate support does not permit affiliates to gain access to utility systems or utility information nor assistance with application development.  |
| <b>Reason for Including:</b>  | Performing these activities as corporate support permits the corporation to increase efficiencies by establishing common Information Technology strategies and compatible technology solutions. This is accomplished by providing a standard environment which also enables scope economies permitted by V.C. and V.E.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Regulatory & Strategic Planning  |
| <b>Department:</b>            | FERC Regulatory Affairs  |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Company Tower, Los Angeles<br>San Francisco   |
| <b>Services Provided:</b>     | The FERC Regulatory Affairs Department provides regulatory analysis, policy formation, advocacy and interpretation of rules handed down by the Federal Energy Regulatory Commission and the organizations, such as the California Independent System Operator (CAISO), through which the FERC ensures open and non-discriminatory access to jurisdictional natural gas pipelines and electric transmission networks. This group manages, for SDG&E and SoCalGas, federal regulatory cases, administers federal tariffs, analyzes the effect on the company's business of existing or proposed federal regulation, and manages the relationship between the Sempra Energy regulated utilities and their federal regulators. In addition, the group is responsible for identifying, and coordinating responses to, federal regulatory initiatives and directives that may have consequences for any of Sempra Energy's corporate center shared-services organizations. |
| <b>How Services are Used:</b> | FERC Regulatory Affairs Department provides coordinated analysis of emerging federal policy, and federal regulatory and ratemaking issues to the Sempra Energy regulated utilities. The Department provides witness support and testimony before federal regulatory commissions, ensures compliance with various federal regulatory requirements, and provides advocacy on federal matters that may affect the business interests of the Sempra Energy regulated utilities. Through participation in the Sempra Energy Electricity Market Design (EMD) project, the FERC Regulatory Affairs Department provides to Sempra Energy corporate officials analysis of, recommendations for, and public advocacy relating to, wholesale electric market design policy matters.   |
| <b>Anti-Conduit Measures:</b> | Corporate guidelines have been developed on the use of all non-public sensitive information. All employees receive affiliate compliance training which includes the anti-conduit acknowledgement. This department's participation in the EMD project is subject to written guidelines specifying that FERC Regulatory Affairs Department personnel may only share and discuss with personnel from Sempra Energy's unregulated affiliates electric wholesale market design matters that are of a policy nature and have no direct commercial consequences for any Sempra Energy affiliate.  |
| <b>Reason for Including:</b>  | The Commission has recognized regulatory affairs as a permissible Rule V.E. shared service. The Strategic Planning function is not a shared service.   |

## UTILITY SHARED SERVICES

|                                | Description   |
|--------------------------------|---|
| <b>Function:</b>               | Regulatory & Strategic Planning   |
| <b>Division or Department:</b> | Regulatory Affairs (CA and FERC) <ul style="list-style-type: none"> <li>◆ California Regulatory Affairs</li> <li>◆ Cost of Service</li> <li>◆ Regulatory Affairs (SF)</li> <li>◆ Tariffs &amp; Regulatory Accounts <ul style="list-style-type: none"> <li>○ Affiliate Compliance</li> </ul> </li> </ul>   |
| <b>Location(s):</b>            | Century Park, San Diego<br>Plaza Building, San Diego<br>Gas Company Tower, Los Angeles<br>San Francisco   |
| <b>Services Provided:</b>      | CA Regulatory Affairs division provides case management, advocacy, regulatory compliance, and regulatory accounts services. CA Regulatory Affairs manages regulatory cases, administers tariffs, establishes policy and provides training, support, and monitoring of affiliate transaction issues and requirements, manages regulatory accounts, and manages the relationship between the company and its energy regulators.   |
| <b>How Services are Used:</b>  | CA Regulatory Affairs provides case management and advocacy of regulatory proceedings before the CPUC. Second, CA Regulatory Affairs manages the regulatory accounts and related ratemaking issues. Lastly, the division provides witnesses and witness support before state and federal regulatory commissions, and manages various regulatory compliance issues.  |
| <b>Anti-Conduit Measures:</b>  | Corporate guidelines have been developed on the use of password protected electronic files, locking desks and file cabinets, and use of sealed confidential envelopes for all non-public sensitive information. All employees receive affiliate compliance training and are required to acknowledge their understanding of the rules and anti-conduit procedures. The ACD establishes and enforces anti-conduit measures applicable to the Corporate Center and Sempra Energy's regulated and unregulated affiliates. All ACD employees have been trained on the rules and have understanding of the anti-conduit procedures. |
| <b>Reason for Including:</b>   | The Commission has recognized that regulatory affairs is a permissible shared service under Rule V.E. Affiliate Compliance is responsible for facilitating compliance with state and federal affiliate transaction-type rules such as the CPUC's Affiliate Transaction Rules and the FERC Codes of Conduct. The Strategic Planning function is not a shared service.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Regulatory & Strategic Planning  |
| <b>Department:</b>            | Regulatory Strategy  |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Company Tower, Los Angeles<br>San Francisco   |
| <b>Services Provided:</b>     | Regulatory Strategy provides key policy input and analytical support to regulatory case teams that manage the individual proceedings at both the state and federal levels. Regulatory Strategy also develops gas and electric rates, provides demand and sales forecasts, and prepares economic forecasts and analyses that support regulatory proceedings as well as other Company planning activities. |
| <b>How Services are Used:</b> | Regulatory Strategy provides coordinated analysis of emerging policy, regulatory, and ratemaking issues to Sempra Energy companies. The department also provides witness support before state and federal regulatory commissions, and manages various regulatory compliance issues.  |
| <b>Anti-Conduit Measures:</b> | Corporate guidelines have been developed on the use of password protected electronic files, locking desks and file cabinets, and use of sealed confidential envelopes for all non-public sensitive information. All employees receive affiliate compliance training and are required to acknowledge their understanding of the rules and anti-conduit procedures.  |
| <b>Reason for Including:</b>  | The Commission has recognized that regulatory affairs is a permissible shared service under Rule V.E. The Strategic Planning function is not a shared service.   |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | External Relations   |
| <b>Department:</b>            | Community Relations (CR)   |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Company Tower, Los Angeles  |
| <b>Services Provided:</b>     | <p>CR’s role is to build alliances and partnerships with customers, communities and other stakeholders, which provide collective benefits and further our mutual interests. Functions performed by CR include:</p> <ul style="list-style-type: none"> <li>• managing the charitable contributions budget, employee volunteerism and employee giving programs;</li> <li>• developing contributions policies and community outreach plans;</li> <li>• identifying opportunities for executive and employee involvement in local community affairs;</li> <li>• managing company and employee memberships; and</li> <li>• representing the company to external organizations and leaders.</li> </ul> |
| <b>How Services are Used:</b> | Implementation and coordination of community relations function helps to make employees more aware of the opportunities to enhance the communities in which we work and live. Charitable contributions checks and the involvement of executives and other personnel in community organizations or activities are two primary “outputs” of this function.   |
| <b>Anti-Conduit Measures:</b> | CR does not share proprietary information or engage in any joint marketing/advertising with any affiliate covered by the Rules.  |
| <b>Reason for Including:</b>  | The Commission has recognized public affairs as a permissible Rule V.E. shared service.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | External Relations   |
| <b>Department:</b>            | Communications   |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Tower, Los Angeles  |
| <b>Services Provided:</b>     | The Communications Department provides strategic and tactical support to San Diego Gas and Electric (SDG&E) and Southern California Gas Company (SoCalGas) through coordinated external and internal communications issues management, to ensure that the utilities' messages on a broad variety of topics are consistent to internal and all external audiences alike, primarily to the news and utility employees.   |
| <b>How Services are Used:</b> | <p>Internal communications come (generally) from four sources:</p> <ol style="list-style-type: none"> <li>1. business plans and activities;</li> <li>2. regulatory and legal issues that affect all employees;</li> <li>3. external incidents or activities with high visibility in the community; and</li> <li>4. employee venue for interaction and communication among co-workers.</li> </ol> <p>Media Relations is a key aspect of the utilities' external communications efforts and helps build and maintain a positive image in the news media for the Sempra Energy utilities. Media Relations works closely with the other communications departments at the utilities, as well as the Corporate Center, to ensure that communication efforts are consistent, integrated, and proactive. Media Relations personnel are responsible for educating key external audiences on issues of importance to the company by developing and implementing effective media strategies and programs and responding to local issues and activities. There is a 24-hour on-call team to handle after-hours incidents and media inquiries for the two utilities.</p> |
| <b>Anti-Conduit Measures:</b> | The department does not publish marketing or customer-sensitive information. Press materials for the affiliates are created separately from the work done on behalf of the utilities. Media Relations personnel are trained to avoid customer or media confusion about which part of the Sempra Energy family of companies is the subject of media focus. All department employees have completed affiliate compliance training and are required to acknowledge their understanding of the rules and anti-conduit procedures.  |
| <b>Reason for Including:</b>  | Corporate Communications is a function that the Commission has recognized as a permissible shared service under Rule V.E.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | External Relations   |
| <b>Department:</b>            | Regional Public Affairs  |
| <b>Location(s):</b>           | HQ, San Diego<br>Gas Company Tower, Los Angeles<br>Ventura, Anaheim and Chatsworth   |
| <b>Services Provided:</b>     | The mission is to provide effective communication to regional and local elective officials, governmental officials, and civic leaders regarding energy issues impacting the customers in governmental entities throughout the region served by SDG&E and SoCalGas.   |
| <b>How Services are Used:</b> | The department representatives provide timely information to county supervisors, city council members, government officials, air quality regulatory agencies, members of Congress, California legislators and civic leaders. They develop strategies to implement solutions to customers concerns and energy issues that impact the region. They provide policy guidance on governmental and air quality, prepare testimony, analysis and draft legislation, monitor the legislative process, and address energy issues. |
| <b>Anti-Conduit Measures:</b> | Neither area has access to customer-specific data, marketing plans, or proprietary information. Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation from the utilities and the affiliates are the primary anti-conduit tools used to ensure direct and indirect compliance with the Rules.   |
| <b>Reason for Including:</b>  | The Commission has recognized that public affairs is a permissible shared service under Rule V.E.  |



## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | External Relations  |
| <b>Department:</b>            | Legislative Analysis  |
| <b>Location(s):</b>           | SDG&E, San Diego<br>Gas Company Tower, Los Angeles  |
| <b>Services Provided:</b>     | Legislative Analysis is organized so that it works with the regulatory, law and legislative departments of Sempra Energy - corporate to ensure consistency in regulatory and legislative policies across the Sempra companies. The Legislative Analysis group provides necessary input to corporate management to resolve policy issues. It currently provides services to utility operations but could potentially support the other business units by modifying the operating approach to ensure proper separation. |
| <b>How Services are Used:</b> | The department develops strategies to implement solutions to customers concerns and energy issues that impact the region. It analyzes state and federal legislation, provides business unit specific policy guidance on legislative issues, prepares testimony, analysis, and drafts legislation, monitors the legislative process, and addresses all energy issues and other major issues that could impact the business unit.   |
| <b>Anti-Conduit Measures:</b> | This area does not have access to customer-specific data, marketing plans, or proprietary information. Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation between the utilities and the affiliates are the primary anti-conduit tools used to ensure direct and indirect compliance with the Rules.  |
| <b>Reason for Including:</b>  | The Commission has recognized that regulatory and public affairs are permissible shared services under Rule V.E.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | External Relations   |
| <b>Departments:</b>           | Financial Planning & Cost Management <ul style="list-style-type: none"> <li>• Accounting Operations</li> <li>• Financial Systems</li> </ul>  |
| <b>Location(s):</b>           | HQ San Diego   |
| <b>Services Provided:</b>     | <p>Within Accounting Operations is the Affiliate Billing &amp; Costing section, which performs billing services to bill the corporate center and affiliates for services rendered by the utilities. Financial Systems provides assistance to users of the Accounting and Budgeting Systems to get information into and out of these systems, assists in the maintenance of these systems and coordinates the enterprise-wide system side of the monthly closing process so that the required financial information is obtained efficiently and effectively. Additionally, Financial Systems provides project management services when Sempra Energy utilities pursue large business or system process changes related to either capturing or reporting financial data.</p> |
| <b>How Services are Used:</b> | These accounting and finance functions are used for establishing and ensuring consistent application of policies and procedures, executing operations, coordinating use of resources, implementing internal controls, mitigating risk, and insuring the quality and integrity of the financial records of the utilities.   |
| <b>Anti-Conduit Measures:</b> | Compliance training of employees which includes an anti-conduit acknowledgement, and physical separation from utilities and affiliates are used by the accounting and finance areas to ensure compliance with the affiliate rules. Segregation of employee duties by entity and division ensures that record integrity is maintained, and that no improper transfer of information occurs.   |
| <b>Reason for Including:</b>  | The Commission has recognized that accounting and financial planning and analysis are permissible shared services under Rule V.E.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | External Relations   |
| <b>Departments:</b>           | Controller <ul style="list-style-type: none"> <li>• Claims Management</li> <li>• Financial Accounting</li> <li>• Financial Policies and Controls</li> <li>• Accounts Payable</li> </ul>  |
| <b>Location(s):</b>           | Plaza Building, San Diego<br>Century Park, San Diego<br>Gas Tower Building, Los Angeles  |
| <b>Services Provided:</b>     | Controller's organization consists of Accounts Payable processing, Claims processing, Financial Accounting and Financial Policies and Controls. The Accounts Payable process is provided for Sempra Energy utilities and Sempra corporate center. Claims processes all Sempra Energy casualty and company property damage claims. Financial Accounting provides financial and regulatory information to meet internal and external reporting requirements of the utilities. Financial Policies and Controls manages the SOX 404 compliance effort and the policy and business control efforts for the utilities. |
| <b>How Services are Used:</b> | These controller's functions are used for establishing and ensuring consistent application of policies and procedures, executing operations, coordinating use of resources, implementing internal controls, mitigating risk, and insuring the quality and integrity of the financial records of the utilities.   |
| <b>Anti-Conduit Measures:</b> | Compliance training of employees, which includes an anti-conduit acknowledgement and physical separation from utilities and affiliates are used by the accounting areas to ensure compliance with the affiliate rules. Segregation of employee duties by entity and division ensures that record integrity is maintained, and that no improper transfer of information occurs.   |
| <b>Reason for Including:</b>  | The Commission has recognized that accounting and financial planning and analysis are permissible shared services under Rule V.E.  |

## UTILITY SHARED SERVICES

|                               | Description   |
|-------------------------------|---|
| <b>Function:</b>              | Human Resources   |
| <b>Department(s):</b>         | Business Partner<br>HR Services<br>Staffing<br>Organizational Effectiveness<br>People Research  |
| <b>Location(s):</b>           | Sempra Energy Headquarters, San Diego<br>Century Park, San Diego<br>Gas Company Tower, Los Angeles<br>Numerous locations throughout southern California   |
| <b>Services Provided:</b>     | Human Relations (HR) develops and communicates corporate-wide policies and procedures for broad and strategic management of people resources. It provides governance and compliance guidance, analyzes current compensation market conditions and trends, and develops employee competency profiles and their relevant general learning resources. HR is responsible for reviewing employee transfers and temporary assignments for compliance with the affiliate transaction rules. The applicable Utility Human Resources VP directs the strategic and tactical business of Human Resources at the operational level, limited to the utility organizations. HR provides specific educational resources, external recruiting, internal staffing, employee relations, other HR services and management guidance within the utility structure. |
| <b>How Services Are Used:</b> | Business units, working through the applicable HR VP, use HR to manage personnel issues, interpret regulations and policy, determine compensation requirements, maintain employment records, provide training, and meet corporate security requirements. The California regulated utilities do not recruit jointly with any affiliate.  |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation from utilities and affiliates are the primary anti-conduit tools for ensuring direct and indirect compliance with the Rules. Confidential information and documents are maintained in secured files with access restricted to authorized personnel. Professional standards are followed to preserve the confidential nature of personnel records. The records for non-regulated affiliates are physically separated from utility company records. Data security practices have been implemented, including multi-level passwords, “firewalls”, and logical separation, to prevent inadvertent access to, or transmission of, confidential information.  |
| <b>Reason for Including:</b>  | The Commission has recognized that human resources, save for employee recruiting, is a permissible shared service.  |

## UTILITY SHARED SERVICES

|                               | Description  |
|-------------------------------|--|
| <b>Function:</b>              | Labor Relations  |
| <b>Department(s):</b>         | Labor Relations (San Diego)<br>Labor Relation (LA)   |
| <b>Location(s):</b>           | Century Park, San Diego<br>Gas Company Tower, Los Angeles<br>Numerous locations throughout southern California   |
| <b>Services Provided:</b>     | Labor Relations (LR) develops and communicates corporate-wide policies and procedures for broad and strategic management on labor relations. It provides governance and compliance guidance and analyzes current market conditions and trends. The LR VP directs the strategic and tactical business of Labor Relations at the operational level, limited to the utility organizations. LR provides specific educational labor relations guidance within the utility structure.  |
| <b>How Services Are Used:</b> | Business units, working through the LR VP, use LR to manage personnel issues, interpret regulations and policy, determine compensation requirements, maintain employment records and provide training.   |
| <b>Anti-Conduit Measures:</b> | Comprehensive compliance training of all employees which includes an anti-conduit acknowledgement and physical separation from utilities and affiliates are the primary anti-conduit tools for ensuring direct and indirect compliance with the Rules. Confidential information and documents are maintained in secured files with access restricted to authorized personnel. Professional standards are followed to preserve the confidential nature of personnel records. The records for non-regulated affiliates are physically separated from utility company records. Data security practices have been implemented, including multi-level passwords, “firewalls”, and logical separation, to prevent inadvertent access to, or transmission of, confidential information. |
| <b>Reason for Including:</b>  | The Commission has recognized that human resources such as labor relations is a permissible shared service.  |

# **Appendix 4**

## **Corporate Governance Meetings**

## Sempra Energy Corporate Governance Meetings

| COMMITTEE  | MEMBERS   | PURPOSE  | FREQUENCY        |
|--|---|--|------------------|
| <b>Sempra Energy Corporate Center Committees/Executive Councils:</b> |   |  |                  |
| <b>Management Committee</b>  | <ul style="list-style-type: none"> <li>• Chairman &amp; CEO (Sempra Energy)</li> <li>• President &amp; COO (Sempra Energy)</li> <li>• Group President, Sempra Energy Global Enterprises (Sempra Energy)*</li> <li>• Chairman &amp; CEO, SDG&amp;E/SoCalGas (Sempra Energy)*</li> <li>• EVP &amp; General Counsel (Sempra Energy)</li> <li>• EVP &amp; CFO (Sempra Energy)</li> <li>• Corporate Secretary (Sempra Energy)</li> </ul> <p>(Chair: Chairman &amp; CEO)</p>  | <p>The review, approval and documentation of transactions that require approval by the CEO. These matters include transactions in excess of \$10 million, commitments outside the normal course of business or commitments with important policy implications. In addition, the Management Committee also reviews:</p> <ul style="list-style-type: none"> <li>• Formation of new companies</li> <li>• Major regulatory filings</li> <li>• Standstill agreements</li> <li>• Non-compete agreements</li> <li>• Personal service contracts with former employees</li> <li>• Consulting contracts in excess of \$500,000</li> </ul> <p>*Group President , Sempra Energy Global Enterprises does not attend regulated discussions; Chairman &amp; CEO, SDG&amp;E/SoCalGas does not attend non-regulated discussions</p> | <p>Weekly</p>    |
| <b>Corporate Compliance Committee</b>                                | <ul style="list-style-type: none"> <li>• EVP &amp; General Counsel (Sempra Energy)</li> <li>• VP Corporate Compliance &amp; Chief Compliance Officer (Sempra Energy)</li> <li>• Group President, Sempra Energy Global Enterprises (Sempra Energy)</li> <li>• President &amp; COO, SDG&amp;E/SoCalGas (SDG&amp;E/SoCalGas)</li> <li>• SVP, Human Resources (Sempra Energy)</li> <li>• SVP &amp; Controller (Sempra Energy)</li> <li>• VP, Audit Services (Sempra Energy)</li> <li>• CFO (Sempra Energy Global Enterprises)</li> <li>• EVP &amp; CFO (Sempra Energy)</li> <li>• SVP External Relations &amp; CFO (SDG&amp;E/SoCalGas)</li> <li>• Corporate Secretary (Sempra Energy)</li> </ul> | <p>Ensures corporate compliance with legal and regulatory requirements, and monitors overall corporate compliance and ethical issues.</p>  | <p>Quarterly</p> |

## Sempra Energy Corporate Governance Meetings

| COMMITTEE   | MEMBERS   | PURPOSE  | FREQUENCY        |
|---|---|--|------------------|
|   | <ul style="list-style-type: none"> <li>• President, Sempra Energy International (Sempra Energy International)</li> <li>• General Counsel, Sempra Energy Trading (Sempra Energy Trading)</li> </ul> <p>(Chair: EVP &amp; General Counsel)</p>  |  |                  |
| <b>Energy Risk Management Oversight Committee (ERMOC)</b> | <ul style="list-style-type: none"> <li>• Chairman &amp; CEO (Sempra Energy)</li> <li>• President &amp; COO (Sempra Energy)</li> <li>• SVP &amp; Controller (Sempra Energy)</li> <li>• Group President, Sempra Energy Global Enterprises (Sempra Energy)*</li> <li>• Chairman &amp; CEO, SDG&amp;E/SoCalGas (Sempra Energy)*</li> <li>• EVP &amp; General Counsel (Sempra Energy)</li> <li>• VP &amp; Treasurer (Sempra Energy)</li> <li>• VP, Energy Risk Management (Sempra Energy)</li> <li>• EVP &amp; CFO (Sempra Energy)</li> <li>• CFO, Sempra Energy Global Enterprises (Sempra Energy Global Enterprises)</li> <li>• SVP, External Relations &amp; CFO (SDG&amp;E/SoCalGas)</li> </ul> <p>(Chair: VP, Energy Risk Management)</p> | <p>Analytical platform supporting enterprise-wide energy risk management activities.</p> <p>*Group President, Sempra Energy Global Enterprises does not attend regulated discussions; Chairman &amp; CEO, SDG&amp;E/SoCalGas does not attend non-regulated discussions</p> | <p>Quarterly</p> |
| <b>Pension and Benefits</b>                               | <ul style="list-style-type: none"> <li>• Chairman &amp; CEO, SDG&amp;E/SoCalGas (Sempra Energy)</li> <li>• Group President, Sempra Energy Global Enterprises (Sempra Energy)</li> <li>• President &amp; COO (Sempra Energy)</li> <li>• EVP &amp; CFO (Sempra Energy)</li> <li>• SVP, Human Resources (Sempra Energy)</li> <li>• SVP &amp; Controller (Sempra Energy)</li> <li>• VP &amp; Treasurer (Sempra Energy)</li> <li>• EVP &amp; General Counsel (Sempra Energy)</li> <li>• VP, Corporate Tax (Sempra Energy)</li> </ul> <p>(Chair: EVP &amp; CFO)</p>   | <p>As defined and chartered</p>  | <p>Quarterly</p> |
| <b>External Affairs Executive Council</b>                 | <ul style="list-style-type: none"> <li>♦ Executive VP &amp; General Counsel (Sempra Energy)</li> <li>♦ VP, Governmental &amp; Community Affairs (Sempra Energy)</li> <li>♦ SVP, External Relations &amp; CFO (SDG&amp;E/SoCalGas)</li> <li>♦ SVP, Regulatory &amp; Strategic Planning (SDG&amp;E/SoCalGas)</li> </ul>   | <p>The Council meets to review significant regulatory and legislative issues of corporate-wide significance. The Council also focuses on long-term public policy issues of corporate-wide</p>  | <p>Weekly</p>    |



## Sempra Energy Corporate Governance Meetings

| COMMITTEE   | MEMBERS   | PURPOSE  | FREQUENCY |
|---|---|--|-----------|
|   | <ul style="list-style-type: none"> <li>◆ VP, Global Regulatory Affairs &amp; Administration (Sempra Energy)</li> <li>◆ VP &amp; Associate General Counsel, Litigation (Sempra Energy)</li> <li>◆ VP &amp; Associate General Counsel, Corporate &amp; Commercial Law (Sempra Energy)</li> <li>◆ Assistant General Counsel, Regulatory Policy (Sempra Energy)</li> </ul> <p>(Chair: Executive VP &amp; General Counsel)</p>   | significance.  |           |
| <b>Environmental &amp; Safety Executive Council</b> | <ul style="list-style-type: none"> <li>● Executive VP &amp; General Counsel (Sempra Energy)</li> <li>● VP – Chief Compliance Officer (Sempra Energy)</li> <li>● SVP, Business Solutions (SDG&amp;E/SoCalGas)</li> <li>● VP &amp; Associate General Counsel - SDG&amp;E/SoCalGas (Sempra Energy)</li> <li>● VP, Global Regulatory Affairs &amp; Administration (Sempra Energy)</li> <li>● Director, Environmental Solutions (SDG&amp;E/SoCalGas)</li> <li>● Director, Safety &amp; Emergency Services (SDG&amp;E/SoCalGas)</li> <li>● Director, Licensing and Permitting (Sempra Energy Resources)</li> <li>● Director, Environmental &amp; Safety (Sempra Energy)</li> </ul> <p>(Chair: Executive VP &amp; General Counsel)</p> | <p>The Council meets to review compliance by the Corporate Center and the Business Units with the Corporation's environmental and safety policies and standards of conduct.</p> <p>The Council also focuses on long-term strategic issues relating to the environment and safety as they may affect Sempra Energy.</p> | Quarterly |
| <b>Controller Council</b>                           | <ul style="list-style-type: none"> <li>● VP &amp; Controller (SDG&amp;E/SoCalGas)</li> <li>● SVP &amp; Controller (Sempra Energy)</li> <li>● VP &amp; Controller (Sempra Energy Global Enterprises)</li> <li>● VP, Audit Services (Sempra Energy)</li> <li>● VP &amp; Controller (Sempra Energy Trading )</li> <li>● Financial Planning &amp; Cost Management VP (SDG&amp;E/SoCalGas)</li> <li>● Assistant Controller - Financial Reporting (Sempra Energy)</li> <li>● Director, Corporate Planning (Sempra Energy)</li> <li>● Director, Corporate Financial Accounting (Sempra Energy)</li> <li>● Director, Corporate Tax (Sempra Energy)</li> </ul> <p>(Chair: SVP &amp; Controller)</p>                                      | The Council meets to review recent accounting rule changes (e.g., SEC, FASB, FERC), and internal accounting policies.  | Quarterly |
| <b>Disclosure Committee</b>                         | <ul style="list-style-type: none"> <li>● Chairman &amp; CEO (Sempra Energy)</li> </ul>  | To review and approve all filings of Sempra Energy   | Quarterly |

## Sempra Energy Corporate Governance Meetings

| COMMITTEE   | MEMBERS   | PURPOSE  | FREQUENCY     |
|---|---|--|---------------|
|   | <ul style="list-style-type: none"> <li>• President &amp; COO (Sempra Energy)</li> <li>• EVP &amp; General Counsel (Sempra Energy)</li> <li>• EVP &amp; CFO (Sempra Energy)</li> <li>• Chairman &amp; CEO, SDG&amp;E/SoCalGas (Sempra Energy)</li> <li>• Group President, Sempra Energy Global Enterprises (Sempra Energy)</li> <li>• SVP &amp; Controller (Sempra Energy)</li> <li>• SVP External Relations &amp; CFO (SDG&amp;E/SoCalGas)</li> <li>• VP Audit Services (Sempra Energy)</li> <li>• VP Human Capital Services &amp; Chief Compliance Officer (Sempra Energy)</li> <li>• VP Communications &amp; Investor Relations (Sempra Energy)</li> <li>• VP Corporate Tax (Sempra Energy)</li> <li>• Chief Corporate Counsel (Sempra Energy)</li> <li>• Assistant Controller - Financial Reporting (Sempra Energy)</li> <li>• Corporate Secretary (Sempra Energy)</li> </ul> <p>(Chair: SVP &amp; Controller)</p> | <p>and its subsidiaries with the Securities &amp; Exchange Commission, and filings with other federal or state agencies requiring officer certifications. The purpose of the review is to insure that all appropriate and necessary disclosures are made about the company's operations and financial condition.</p>   |               |
| <p><b>Sempra Energy Utility Councils/ Committees:</b></p> |   |  |               |
| <p><b>Regulatory/External Affairs Team (REAT)</b></p>     | <ul style="list-style-type: none"> <li>• SVP, Regulatory &amp; Strategic Planning (SDG&amp;E/SoCalGas)</li> <li>• SVP, External Relations &amp; CFO (SDG&amp;E/SoCalGas)</li> <li>• VP, Regulatory Affairs (SDG&amp;E/SoCalGas)</li> <li>• VP &amp; Associate General Counsel - SDG&amp;E/SoCalGas (Sempra Energy)</li> <li>• Assistant General Counsel, Regulatory Law - SDG&amp;E/SoCalGas (Sempra Energy)</li> <li>• Regional VP, Regulatory Affairs (SDG&amp;E/SoCalGas)</li> <li>• Regional VP, Public Affairs (SDG&amp;E/SoCalGas)</li> </ul> <p>(Co-Chairs: SVP, Regulatory and Strategic Planning &amp; SVP, External Relations and CFO)</p>  | <p>The objective of REAT is to positively affect regulation, legislation and other external actions impacting SDG&amp;E/SoCalGas.</p> <p>The REAT's role will be to ensure that the optimum amount of attention, resources, communication and coordination will be devoted to issues and activities impacting the SDG&amp;E/SoCalGas from a regulatory and external affairs perspective.</p> <p>Functions and Activities</p> <ul style="list-style-type: none"> <li>• Develop/recommend policy positions on key regulatory and legislative issues and activities</li> <li>• Monitor and track key regulatory and legislative issues and activities</li> <li>• Initiate broad-based external company initiatives</li> </ul> | <p>Weekly</p> |

## Sempra Energy Corporate Governance Meetings

| COMMITTEE                        | MEMBERS   | PURPOSE  | FREQUENCY |
|----------------------------------|---|--|-----------|
|                                  |   | <ul style="list-style-type: none"> <li>• Coordinate policy development with the Corporate Center</li> <li>• The co-chairs of the REAT will represent SDG&amp;E/SoCalGas on the Sempra Energy External Affairs Executive Council</li> <li>• Keep senior management informed of key regulatory and external affairs issues impacting SDG&amp;E/SoCalGas</li> </ul> |           |
| <b>Gas Acquisition Committee</b> | <ul style="list-style-type: none"> <li>• Chairman &amp; CEO (SDG&amp;E/SoCalGas)</li> <li>• President &amp; COO (SDG&amp;E/SoCalGas)</li> <li>• SVP, Customer Services (SDG&amp;E/SoCalGas)</li> <li>• VP, Regulatory Affairs (SDG&amp;E/SoCalGas)</li> <li>• VP &amp; Controller (SDG&amp;E/SoCalGas)</li> <li>• VP &amp; Assoc General Counsel (Sempra Energy)</li> <li>• VP - Gas Acquisition (SDG&amp;E/SoCalGas)</li> <li>• SVP, Gas Transmission (SDG&amp;E/SoCalGas)</li> </ul> <p>(Chair: VP - Gas Acquisition)</p> | Review and discuss current and planned gas acquisition activities.   | Monthly   |