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December 29, 2005

Advice No. 3571
(U 904 G)

Public Utilities Commission of the State of California

Subject: 2005 Affiliate Transactions Compliance Plan

Purpose

Southern California Gas Company (SoCalGas) hereby submits its 2005 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/OII, 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' 2005 Compliance Plan. The significant changes to the Compliance Plan and the appendices thereto are described below.

Compliance Plan

The Plan was modified to reflect the following:

- 1) The Affiliate Compliance Department's (ACD) transfer from SoCalGas' Regulatory Affairs to the Office of the (Utility) Controller;

- 2) Updated members of the Affiliate Advisory Team (AAT) in Section A;
- 3) Clarification of “covered” and “non-covered” affiliates and “energy marketing” affiliates in Section II.B;
- 4) Update to Section III.B lists the specific types of transactions that will be done with affiliates, and addresses new Risk Management Committee (RMC) oversight for utilities;
- 5) Update to Section IV.B (Non-Customer Specific Non-Public Information);
- 6) Update to the Shared Services Tables (Rule V.E.) to reflect organizational changes. Also, this year’s tables only include those organizations/departments that actually provide shared services, rather than listing all departments that are “approved” shared services;
- 7) The disclaimer section (Rule V.F.1) has been updated; and
- 8) Update to information indicating that the Corporate Secretary is the only officer position shared between the utilities, parent, and covered affiliates (Rule V.G).

Appendices were modified to reflect the following changes:

Appendix 3 – Shared Services - Reflects the movement of the Affiliate Compliance Department from Regulatory Affairs to the Office of the (Utility) Controller. Additionally, the Utility shared services tables identify only those departments/organizations that actually provide shared services.

Appendix 4 – Committees/Councils – only Corporate Center committees are included.

SoCalGas believes that all of the compliance actions set forth in the attached 2005 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 2005 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:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
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) and Honesto Gatchalian (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 2005 Compliance Plan become effective December 29, 2005, 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. Copies of the Compliance Plan have been provided to the Commission Staff. Other parties may request a copy of the Compliance Plan by contacting (213) 244-3387.

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Attachments

ATTACHMENT A

Advice No. 3571

(See Attached Service Lists)

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ATTACHMENT B

Advice No. 3571

2005 AFFILIATE TRANSACTIONS COMPLIANCE PLAN

**SOUTHERN CALIFORNIA GAS COMPANY'S (SOCALGAS)
2005 AFFILIATE TRANSACTIONS COMPLIANCE PLAN
IMPLEMENTING D.97-12-088 AND D.98-08-035
GOVERNING TRANSACTIONS BETWEEN
SOCALGAS AND ITS COVERED AFFILIATES**

12/29/2005

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**SOUTHERN CALIFORNIA GAS COMPANY'S (SOCALGAS)
2005 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 California Public Utilities Commission's (CPUC) Affiliate Transaction Rules (ATR) adopted in D.97-12-088, as amended by subsequent CPUC decisions and orders,¹ and in conformance with Resolution G-3238, Southern California Gas Company (SoCalGas) hereby submits an amended compliance plan apprising the CPUC of the current status of its compliance efforts and programs. This Compliance Plan supersedes SoCalGas' previous December 29, 2004 filing (Advice Letter No. 3446 / U 904 G).²

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 CPUC decision promulgating, interpreting, or applying the Rules. While the Rules are at times ambiguous and susceptible to multiple interpretations, SoCalGas' Compliance Plan brings the Company into compliance with reasonable interpretations wherever such 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 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.

¹ 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.

A. AFFILIATE COMPLIANCE FUNCTION

To facilitate diligent and systematic implementation of the Affiliate Transaction Rules throughout Sempra Energy, the affiliate compliance function is executed by personnel at all three Sempra Energy business units: Corporate Center; the non-utility businesses, and the utilities: SDG&E and SoCalGas.

Corporate Center

Sempra Energy's management participates in various corporate oversight & governance meetings to ensure sufficient oversight of the entire enterprise. In particular, the Corporate Compliance Committee ensures corporate compliance with legal and regulatory requirements, and monitors overall corporate compliance and ethics issues; the newly formed State and Federal Affiliate Compliance Council makes determinations as to critical compliance matters relating to the CPUC, Affiliate Transaction Rules, the Merger Remedial Measures, FERC Standards of Conduct, and FERC Order 2004 (Refer to Appendix 4 for listing of Corporate Oversight & Governance Meetings). The Vice President & Chief Compliance Officer of Sempra Energy oversees the company's key compliance resources and activities, including business-conduct, regulatory, legal, and compliance training programs.

Non-utility Businesses

An Affiliate Compliance Policy Manager is responsible for managing and coordinating affiliate compliance efforts for the non-utility businesses, specifically with SoCalGas' energy-related affiliates.

SDG&E / SoCalGas

The utilities' Affiliate Compliance Department (ACD) is responsible for managing the utilities' compliance with the Rules. The ACD provides education, direction, and oversight of all matters pertaining to training and implementation of the Rules. The ACD utilizes a hotline, e-mail, internal publications, intranet and Internet web sites to facilitate compliance efforts.

² Advice Letter No. 3446 is pending approval

Additionally, the ACD is responsible for timely documentation and reporting of affiliate transactions.

To facilitate affiliate compliance at the division or department level, the ACD established an administrative process, whereby “affiliate compliance coordinators” maintain responsibility for initial compliance efforts within their division or department. These Coordinators serve as liaisons between the ACD and their groups by relaying ACD guidance to their groups and raising/resolving compliance issues with the ACD concerning their division or department. Twice a year, coordinators representing Corporate Center, the non-utility businesses, SDG&E and SoCalGas meet together with ACD staff to discuss areas of concern, share best practices, and gain further knowledge of compliance matters.

The ACD currently consists of an Affiliate Compliance Manager and five Affiliate Compliance Advisors. The ACD reports to the Director of Compliance, who in turn, reports to the Vice President & Controller. The Vice President & Controller serves as the Affiliate Compliance Officer for SDG&E and SoCalGas.

An Affiliate Advisory Team (AAT), comprised of Corporate Center and utility personnel, and in consultation with the Law Department as appropriate, provides guidance on an as needed basis to the ACD as it performs its assigned duties. This group includes:

VP & Controller, SDG&E/SoCalGas	(Robert Schlax)
Senior Counsel, Sempra Energy	(David Gilmore)
Director - Compliance, SDG&E/SoCalGas	(Craig Gentes)
Director - Business Conduct, Sempra Energy	(Lisa Hubbard)

With advice and direction from AAT members, the ACD resolves policy issues and directs the utilities’ compliance efforts on a day to day basis. Critical compliance matters are brought forward to the State and Federal Affiliate Compliance Council for final determination.

B. TRAINING AND COMMUNICATIONS

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

Training is administered to all non-union personnel, and recommended for all union personnel annually. 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 learn about the affiliate companies in orientation and are told there are strict rules regarding interactions with the affiliates and they are expected to complete Affiliate Compliance Training. Employees receive a New Employee Orientation Participant Guide in which there is a job aid that explains how to access training through the intranet where electronic database tracking is maintained. All new employees are also given the Business Conduct Guidelines, which include a statement about compliance with Affiliate Transactions Rules.

Although not required by the Rules, newly hired employees from Sempra Energy and other Sempra business units receive information about Affiliate Compliance Training 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 procedures covering CPUC and FERC rules governing affiliate transactions. The ACG are updated periodically and are available to all 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 Transactions Report per Ordering Paragraph 2 of CPUC Rulemaking 92-08-008 and Appendix A of D.93-02-019.

I.

DEFINITIONS³

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

³ 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.

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 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 much of the corporate governance and some oversight being shared between utility and affiliates pursuant to Rule V.E. All Sempra Energy 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 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 CPUC held that affiliate issues with respect to utility-to-utility transactions are to be governed by the rules set forth in the merger decision.

SoCalGas classifies as “covered” affiliates those that engage in the provision of gas and/or electricity; trade gas and/or electricity; offer products that use gas or electricity; or offer a service that relates to the use of gas and/or electricity. Affiliates that do not meet these criteria are classified as “non-covered” affiliates. They include but are not limited to holding companies, companies that offer temporary employment services, employee recruitment services, financial or consulting type services, and janitorial services; regardless of whether these affiliates offer their services to companies in the gas or electric industry.

Further, SoCalGas classifies those “covered” affiliates that actively broker commodity (gas and/or electricity) on a competitive basis as “energy marketing” affiliates. These affiliates presently buy **and** sell gas and/or electricity competitively in the open market. These include

companies that have market based authority granted by FERC. It does not include companies in the formation stage who have not yet engaged in buying **and** selling of the commodity.

A current catalog of all affiliate companies is maintained on the SoCalGas Internet web site at www.socalgas.com. The listing provides the name of each of SoCalGas's affiliates, a brief description of the company's business, and an indication of whether the affiliate is or is not covered under the Rules. The ACD's database of affiliates and the Corporate Secretary's database of companies are compared annually to ensure consistency and accurate reporting.

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 CPUC authorized the establishment of Otay Mesa as a common SoCalGas/SDG&E receipt point from an affiliate in Mexico. Although this affiliate, TGN, is not regulated by the FERC, when it delivers gas to the SDG&E/SoCalGas system there will be a need to exchange operating information in the same manner as would be done with any upstream interconnecting pipeline. Therefore, the gas operations group will exchange such information with TGN in accordance with this Rule and established Company protocols.

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

SoCalGas continues to comply with existing Commission rules that have not been superseded such as the annual affiliate transactions reporting requirements pursuant to D.93-02-019. If rules are modified or superseded, SoCalGas will update its training program and internal guidelines appropriately.

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 limits its transactions with affiliates to those listed in this rule.

1. Tariffed products and services – SoCalGas implements its tariffs in a nondiscriminatory fashion. Tariffed discretions are addressed in Rule III.B.3.
2. Open competitive bidding process – making the opportunity and process available to the market participants.
3. Shared services – as listed in this document under rules V.D. V.E. and Appendix 3.
4. Non-tariffed products and services – per rule VII and existing offerings in VII.F.

The SoCalGas Board of Directors approved the Risk Management policies under which SoCalGas' Gas Acquisition group must operate, which included establishing a new SoCalGas Risk Management Committee (RMC). The SoCalGas RMC establishes the risk management structure, roles, and authority around which Gas Acquisition can operate. The SoCalGas RMC monitors the Gas Acquisition department relative to the established risk management limits for its activities.

SoCalGas' highly-competitive gas purchasing practices are in full harmony with the CPUC'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. 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, Rocky Mountains, 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 knows 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 CPUC 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. All deals, daily or monthly, 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 shared services, non-tariffed products and services, competitive bids, and tariffed products and services, 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 within one hour of the transaction on SoCalGas’ electronic bulletin board (EBB) called Envoy and then automatically appears on SoCalGas' Affiliate Transactions Internet web site. 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>. 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 within one hour of the transaction and then automatically appears on SoCalGas' Affiliate Transactions Internet website. 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>. 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

The Affiliate Compliance Training Program makes it clear that utilities cannot discriminate between affiliates and competitors. Discounts offered to affiliates must be offered to other market participants. The Training instructs that if the utility offers products, services or information to one of its affiliates, it must do the same, on a non-discriminatory basis, for all similarly-situated market participants, or competitors. SoCalGas does not condition or otherwise tie the provision of any service provided by the utility or the availability of any discount, charge, fee, rebate, or waiver to the taking of any goods or services from its 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

The Affiliate Compliance Training Program specifically instructs that utility employees *cannot* provide leads to affiliates, solicit business on behalf of affiliates, acquire information for affiliates, share market/forecast or strategic reports, give customer information only to the affiliates, speak on behalf of affiliates or allow affiliates to speak on behalf of a utility. Although the training material does not specifically mention the prohibition against assigning customers, SoCalGas believes that the prohibition on providing leads is even more restrictive and adequately addresses Rule III.D.

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 within one hour of the transaction on the EBB. It automatically appears on SoCalGas' Affiliate Transactions Internet website. 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 EBB category. Interested parties will find the posted information by going to the company's Internet home page at <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>. 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. Non-customer specific, non-public utility information, that does not create an opportunity for competitive advantage, may be shared on a limited basis between the utility and covered affiliates in connection with the:

- Design and execution of shared corporate support services that are administrative in nature.
- Execution of shared corporate oversight and governance carried out through the development of company-wide policy or the design and performance of the company's internal controls. Internal controls provide Sempra Energy assurance regarding its compliance with policies, procedures, laws and regulations; safeguarding of assets; and reliability and integrity of financial information.

Guidance in the application of these limited exceptions to the general restriction regarding the sharing of non-public utility information is provided by the ACD in consultation with Sempra Energy's Chief Compliance Officer. Any non-public utility information that is required in connection with shared corporate oversight and governance that does not fit in either of the

above two classifications may not be shared with a covered affiliate unless such information is contemporaneously posted.

Sempra Energy corporate officers responsible for shared corporate oversight and governance may receive all information from the utility, covered and non-covered affiliates that is used for the purpose of providing such oversight and governance. Such information may be used only for that purpose and is subject to established anti-conduit measures.

When SoCalGas provides non-customer specific, non-public information (excluding information exchanged in order to provide Rule III.B. allowable services: tariffed, non-tariffed products and services, competitive bidding, shared corporate services and oversight and governance as limited above) to its energy 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>. 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

The Affiliate Compliance Training Program instructs that the utilities must obtain written authorization from suppliers before providing non-public information and data to affiliates or non-affiliated entities. 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.

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.
8330 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 CPUC 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 Generation and Sempra Energy Solutions (SES). Employees of the affiliates have access only to their offices on the 27th floor and to their computer room on the 17th floor, as well as the common (non-SoCalGas) floors. Office space at the Gas Company Tower includes secondary offices for SDG&E shared service employees. 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 majority of IT production processing 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. SoCalGas' affiliate, Sempra Global 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 methodology 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 hardware, 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.

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 does not purchase “pipe and equipment” for energy affiliates.

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

SoCalGas and Sempra Energy officer verifications regarding the adequacy of the specific mechanisms and procedures in place to ensure the utility follows the mandates of this Rule, and to ensure the utility is not utilizing joint corporate support services as a conduit to circumvent these Rules are found in Appendix 1.

Each Rule V.E. shared service is listed below and described in detail in Appendix 3. Most of the shared services described in Appendix 3 have already been recognized by the CPUC as a permissible shared service under Rule V.E., and all of these services meet the standards of Rule V.E. itself. The CPUC has acknowledged in D.98-08-035 that the list of permissible shared services presented in Rule V.E. was not exhaustive -- the CPUC now expressly recognizes

communications and public affairs as permissible shared services as long as these services do not become conduits to circumvent the Rules. 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.

SoCalGas understands Rule V.E to mean that the prohibited shared "hedging and financial derivatives and arbitrage services" referred to in Rule V.E above apply to hedging electric and gas commodities, and do not apply to the use of hedging and financial derivatives in support of the utility's long term financings. The Treasury and Finance shared service departments listed below may assist the utility with planning and arranging hedging and financial derivative use in support of the utility's long-term financing plan.

SDG&E and SoCalGas have established their own risk management capabilities and created a Risk Management Department that manages the energy risk activities of both SDG&E and SoCalGas. This new department performs all utility energy risk management related functions which were previously provided by the Corporate Center's Energy Risk Management group. Additionally, separate Risk Management Committees were formed to oversee the risk management activities at each of the utilities.

Rule V.E. explicitly recognizes that oversight and governance 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 oversight and governance 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 oversight and governance 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 oversight and governance 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 energy affiliates 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 CPUC as fully compliant with the requirements of Rule V.E.

**CORPORATE CENTER
SHARED SERVICE DEPARTMENTS**

Area	Departments
HUMAN RESOURCES	HR Business Partner My Info Services Corporate Diversity Affairs Compensation Services Executive Compensation & Benefits Executive & Organizational Development Corporate Security/Emergency Preparedness
FINANCE	Audit Services Treasurer <ul style="list-style-type: none"> • Cash Management • Finance • Risk Management and Insurance* • Pension and Trust Investments Corporate Taxes Controller <ul style="list-style-type: none"> • Corporate Financial Accounting • Financial Reporting • Corporate Planning (*Note: this department does not perform the Energy Risk Management function)
CORPORATE COMPLIANCE	Environmental & Safety Compliance Business Conduct
EXECUTIVE PROJECTS	Executive Projects
CORPORATE OVERSIGHT & GOVERNANCE	Corporate Center Officers
LEGAL	Corporate Secretary Litigation Law Regulatory/Legislative Policy Regulatory Law Environmental Law Labor Law Legal Administration Corporate & Commercial Law
GOVERNMENTAL / COMMUNITY AFFAIRS	Governmental & Community Affairs <ul style="list-style-type: none"> • Federal Government Affairs • State Government Affairs • Environmental & Safety Policy • FERC Relations • Community Relations & Corporate Events
COMMUNICATIONS & INVESTOR RELATIONS	Communications & Advertising Public Relations Investor Relations

**UTILITY
SHARED SERVICE DEPARTMENTS**

Area	Departments
SUPPLY MANAGEMENT & FLEET SERVICES	Supply Management Diverse Business Enterprises Fleet Services
ENVIRONMENTAL, SAFETY & FACILITIES	Real Estate & Facilities
INFORMATION TECHNOLOGY	Network Engineering & Operations Infrastructure Engineering & Operations Shared Software Development Services
ACCOUNTING / FINANCE	Financial Planning & Cost Management <ul style="list-style-type: none"> • Accounting Operations Controller <ul style="list-style-type: none"> • Claims Management
HUMAN RESOURCES	HR Services Organizational Effectiveness People Research

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 that mention SoCalGas in their materials or whose name include the word “Sempra” 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 exceptions:

The disclaimer requirement does not apply in certain limited instances as follows:

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. This is interpreted to include (i) communications with governmental entities in legal or regulatory proceedings, written communications with governmental bodies regarding actual or proposed legislation, and written communications to federal, state or municipal agencies which relate to an agency requirement or power (other than the power of the agency to buy products and services); (ii) legal documents, such as contracts and real property instruments; and (iii) communications with security holders and other members of the investment community, where, in each of the foregoing instances, the parties involved either know, or should have reason to know, the legal status and interrelationship of the utility and affiliates.
2. Annual reports to shareholders
3. Internal written communications between the holding company, the utilities, and any of the energy affiliates, 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 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.”

Press Releases:

Sempra Energy, SoCalGas, and its energy affiliates include the appropriate disclaimer on press releases whenever the requirement is triggered by one of the following: (1) Mention of a covered affiliate whose name includes the word “Sempra;” or (2) Mention of SoCalGas and a covered affiliate within the same press release. The removal of such disclaimer by the press at publication is not considered a violation.

Internet:

The appropriate disclaimer appears at the bottom of the home page of Sempra.com and Global Web sites just below the page “frame.” It is understood that the disclaimer’s placement on the home page of each site indicates that the disclaimer covers the entire site. Additionally, documents posted on the Web sites that mention the utility and affiliate include the disclaimer.

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).”

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.

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 utility 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 excuse themselves from the meeting. 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 does 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 affiliates which are formed as part of CPUC-funded utility R&D program activities.

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 officers, 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 officer that is shared among Sempra Energy, SoCalGas, and covered affiliates. Catherine C. Lee is the Corporate Secretary of Sempra Energy. She is Secretary of SDG&E and SoCalGas, plus Secretary or Asst. Secretary of several other 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 CPUC'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 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. Examples of these types of meetings are included in Appendix 4.

Periodically, meetings such as the "Leadership Group" 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).

SoCalGas interprets rule V.G. to apply to employees of SoCalGas and not to employees of a temporary third-party agency. Temporary agency employees are contracted and assigned

to either the utility or the affiliates, never both simultaneously. As an added measure, SoCalGas includes an Anti-conduit provision in all purchasing templates to address the issue of temporary agency personnel who perform work for both utility and affiliates.

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 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 is included in the Affiliate Compliance Guidelines.

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 provides a list of its “energy marketing affiliates” on its Internet website at 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 CPUC rules that govern the transfer pricing of goods and services, and procedures are already in place at SoCalGas. The CPUC 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) of direct labor costs 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 CPUC 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 web-site.

The list of affiliate companies is on the company's Internet home page at 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 2004, was completed and filed with the CPUC in accordance with this Rule. The audit for year 2003 was contracted by the CPUC and is expected to be completed by the beginning of 2006.

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 its annual report no later than June of the year following the report year.

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

The Affiliate Compliance Department is responsible for monitoring compliance with the Rules and SoCalGas' Compliance Plan. The Affiliate Compliance Manager is responsible for receiving, investigating, and attempting to resolve complaints. SoCalGas will follow the procedures delineated in Rule VIII.C.a through VIII.C.4 when a complaint is received and processed for resolution.

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

If a potential complainant seeks an informal meeting to discuss the complaint, SoCalGas will make reasonable efforts to arrange such meeting. If informal contact with SoCalGas is made by a potential complainant, SoCalGas will respond in writing within fifteen days.

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

SoCalGas takes regulatory compliance very seriously. Some of the measures taken to ensure that employees are knowledgeable of the Rules include the web-based training, Compliance Plans, and Guidelines available to employees through the company’s intranet.

Employees of Sempra Energy, SoCalGas, and its affiliates are directed to immediately notify the Affiliate Compliance Department of any potential violation(s) of applicable regulations and provisions of the CPUC, 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. Corrective action will be taken and 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 evaluate the nature of the violation and will notify the CPUC either through written communication or by means of notifying the external auditors, during the course of the audit, depending on the timing and 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.

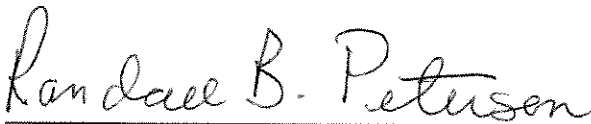


Robert M. Schlax
Affiliate Compliance Officer, SoCalGas

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 B. 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
Function:	Human Resources (HR)
Departments:	HR Business Partner My Info Services Corporate Diversity Affairs Compensation Services Executive Compensation & Benefits Executive & Organizational Development Corporate Security/Emergency Preparedness
Location(s):	HQ San Diego
Services Provided:	<p>Sempra Energy Human Resources (SEHR) develops and communicates policies and procedures for management of people resources and provides the following key shared corporate services:</p> <ul style="list-style-type: none"> • Provides staffing policies to meet competitive labor market conditions. • Analyzes current compensation and benefit market conditions and trends through surveys and other analytical work. • Provides incentive plan review and design to ensure market competitive compensation. • Conducts pay equity audits for regulatory compliance. • Designs and administers benefit plans (pension, 401k, medical, dental, life insurance, etc.) consistent with business unit direction and union agreements. • Manages benefits and other employee-related regulatory and compliance issues with State and Federal agencies such as the DOL, IRS, EEOC, OFCCP, DFEH, etc. • Prepares EEO and Affirmative Action Plans. Provides counseling and intervention in employee relations issues. Manages diversity awareness, anti-discrimination and anti-harassment programs. • Houses Chief Ethics Office role, as well as Chief HIPPA Compliance Officer. • Coordinates all HR-related audits with the Company's external auditors. • Manages the budgeting, tracking and invoice processing for all the benefit plans. • Provides succession planning and staffing recommendations for key leadership positions. • Provides development solutions for officers, directors and other key personnel. • 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. • Manages the Educational Reimbursement Plan. • Manages the HR/Payroll Information Systems (My Info Services). • Develops and maintains HR and Payroll-related IT systems. • Manages programs that enhance employee safety and security. • Coordinates the development of the Corporate Crisis Management Plan and

CORPORATE CENTER SHARED SERVICES

	<p>provides ongoing plan evaluation and compliance oversight.</p> <ul style="list-style-type: none"> • Manages Corporate Center’s emergency response, crisis management and business resumption plans. • Provides payroll management and support to ensure the accurate and timely issuance of employee earnings, the factual recording of 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.
<p>Anti-Conduit Measures:</p>	<p>Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. To ensure 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. Personnel records for non-regulated affiliates are physically separated from utility company records. Within the payroll function, employee duties are segregated by entity and division in order to maintain record integrity and ensure that information is not improperly transferred. Data security practices have been implemented, including multi-level passwords, “firewalls” and logical separation, to prevent inadvertent access to or transmission of confidential information.</p>
<p>Reason for Including:</p>	<p>The Commission has recognized Human Resources as a permissible shared service under Rule V.E., with the exception of employee recruiting.</p>

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Audit Services
Location(s):	HQ San Diego Gas Company Tower, Los Angeles
Services Provided:	The Audit Services Department performs financial, operational, and information technology audits for all Sempra Energy companies. Additionally, the Department renders assessments of business controls, performs risk evaluations, and executes various compliance audits, including affiliate compliance audits.
Anti-Conduit Measures:	Audit Services reports to the Audit Committee of the Sempra Energy Board of Directors, which approves the Annual Audit Plan. Audit Services has access to management, organizational activities, records, property, personnel, or scope of audits. Internal Audit conducts audits in accordance with the Institute of Internal Auditors <i>Standards for the Professional Practice of Internal Auditing</i> . Department employees are educated on maintaining the confidentiality of client-sensitive information. Additionally, Department employees adhere to applicable professional standards, including the <i>Code of Ethics of the Institute of Internal Auditors</i> . Access to audit information is password protected and restricted to authorized users. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	Sempra Energy’s Audit Services performs audit functions on behalf of Sempra Energy, as recognized by Rule V.E. By centralizing audit activities, Audit Services performs more efficiently, effectively, and in a consistent manner.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Treasurer <ul style="list-style-type: none"> • Cash Management
Location(s):	HQ San Diego
Services Provided:	The Cash Management Department is responsible for planning, implementing, administering short-term debt as well as managing Sempra Energy’s short-term investments. The Department aims 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.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit provisions of the Affiliate Transaction Rules. Funds, investments, and borrowing activities are segregated by entity and division to ensure that funds are not commingled or improperly transferred.
Reason for Including:	The Commission has recognized Financial Planning and Analysis as permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Treasurer <ul style="list-style-type: none"> • Finance
Location(s):	HQ San Diego
Services Provided:	The Finance Department provides support for long-term financing requirements to all Sempra Energy entities.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Financial Planning and Analysis as permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Treasurer <ul style="list-style-type: none"> • Risk Management and Insurance
Location(s):	HQ, San Diego
Services Provided:	Risk Management and Insurance (RMI) is responsible for designing, procuring, and administering insurance programs to manage the adverse consequences of large, accidental losses.
Anti-Conduit Measures:	RMI is physically separated from SDG&E, SoCalGas, and affiliates. Premium expense is charged to each subsidiary using established allocation methodologies. Although large insurance programs are negotiated at the Corporate Center level, any specialized insurance coverage procurement for the subsidiaries is handled on an individual and confidential basis. Department employees have completed comprehensive affiliate compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Department's primary function is insurance procurement. The Commission has recognized Insurance as a permissible shared service under Rule V.E. Sharing insurance among subsidiaries is a common business practice and allocation of premium expenses eliminates the possibility of cross-subsidization.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Treasurer <ul style="list-style-type: none"> • Pension & Trust Investments
Location(s):	HQ San Diego
Services Provided:	Pension & Trust Investments provides investment management services for long-term corporate, taxable and tax-exempt assets including, pensions, employee 401k savings, post-retirement medical benefits, other non-qualified retirement plans and nuclear plant decommissioning trusts.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures. The Department follows professional standards to preserve the confidential nature of personnel records.
Reason for Including:	The Department performs financial planning and analysis in conjunction with compensation and benefits functions. The Commission has recognized Financial Planning and Analysis as permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Corporate Taxes
Location(s):	HQ San Diego
Services Provided:	Corporate Tax provides enterprise-wide comprehensive tax services, including tax accounting, planning, research, and tax audit management.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. The utilities and affiliates are physically separated in accordance with anti-conduit measures. Employee duties are segregated by entity and division, unless the employee has oversight of multiple entities or direct responsibilities. The Department shares physical and electronic access to all tax data because it provides all tax services for the Corporation and its subsidiaries. Confidential data is maintained and stored in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Corporate Accounting as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Departments:	Controller <ul style="list-style-type: none"> • Corporate Financial Accounting • Financial Reporting
Location(s):	HQ San Diego
Services Provided:	Corporate Financial Accounting and Corporate Financial Reporting provide enterprise-wide accounting services and financial information to meet internal and external accounting and reporting requirements.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. Separate meetings are held with regulated and non-regulated business units to identify operational issues impacting accounting or needed disclosures.
Reason for Including:	The Commission has recognized Corporate Accounting as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Finance
Department:	Controller <ul style="list-style-type: none"> • Corporate Planning
Location(s):	HQ San Diego
Services Provided:	Corporate Planning (CP) coordinates the overall budgeting, planning, and reporting activities for all Sempra Energy companies, the Corporate Center, Sempra Management, and the Sempra Board of Directors. CP consolidates income statement, cash flow, and balance sheet estimates from business unit five-year plans and performs financial planning on the consolidated results. CP also administers Hyperion HFM, the Sempra Energy financial consolidation application.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit provisions of the Affiliate Transaction Rules. 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 containing budget information are segregated by business unit. The utilities and affiliates are physically separated in accordance with anti-conduit measures. The Hyperion HFM financial consolidation application has role security and entity access security.
Reason for Including:	The Commission has recognized Financial Planning and Analysis as permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Corporate Compliance
Department:	Environmental & Safety Compliance Business Conduct
Location(s):	HQ, San Diego
Services Provided:	The Corporate Compliance Division, located at the Corporate Center, is headed by the Chief Compliance Officer of Sempra Energy reporting to the Chief Operating Officer and to the audit committee of the board of directors. The Division provides oversight and monitoring of company-wide compliance plans to ensure execution of Sempra Energy’s compliance standards. The Division came into existence in 2004 and is comprised of two departments: (1) Environmental and Safety and (2) Business Conduct.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Corporate Oversight, Governance and Support Systems as permissible shared services under Rule V.E. The Division supports corporate oversight by providing the framework for assessing compliance risk and assuring that all business units meet compliance standards.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Executive Projects
Department:	Executive Projects
Location(s):	HQ, San Diego
Services Provided:	Executive Projects provides a centralized coordination point for research, analysis, and evaluation of projects of interest to senior management.
Anti-Conduit Measures:	The Department strengthens compliance with affiliate guidelines and promotes efficient corporate governance and administration by coordinating centralized research, analysis and evaluation of executive projects. Department employees have submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Corporate Oversight, Governance and Support Systems as permissible shared services under Rule V.E. Executive Projects supports the corporate governance by providing corporate oversight and exercising its fiduciary responsibility for all Sempra Energy companies (utility and non-utility).

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Corporate Oversight & Governance
Department:	Corporate Center Officers
Location(s):	Various, including, but not limited to: <ul style="list-style-type: none"> • Sempra Energy - HQ, San Diego • Gas Company Tower, Los Angeles • SDG&E, San Diego
Services Provided:	Corporate Governance is responsible for ensuring that the Sempra Energy Board of Director’s fiduciary responsibilities are properly discharged. As a shared service under Rule V.E., Corporate Governance provides governance and oversight to ensure consistent and coordinated leadership of the enterprise-wide organization. The principal functions include: directing allocation of corporate resources to meet changing regulatory and market needs; setting Sempra Energy’s overall strategic direction; reporting to the Board of Directors; and ensuring efficiency and effectiveness of shared corporate support services.
Anti-Conduit Measures:	Corporate Center Officers have received comprehensive compliance training on non-discrimination requirements, information and disclosure requirements, and the required separation of regulated and unregulated subsidiaries. These Officers have also been trained on the potential risks of transferring inappropriate information while participating in corporate governance and oversight activities. The officers have signed certifications attesting to full compliance with the Affiliate Transaction Rules, and have established corporate institutions and practices to ensure compliance.
Reason for Including:	The Rules recognize 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. Sempra Energy corporate management must exercise proper governance and fiduciary responsibility over every Sempra Energy utility and non-utility company.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Legal
Department:	Corporate Secretary
Location(s):	HQ San Diego
Services Provided:	The Corporate Secretary coordinates notice of all board meetings, drafts board meetings minutes, and arranges for review and approval of the minutes. For SoCalGas and SDG&E, the Corporate Secretary maintains an annual calendar of scheduled board meetings, an annual calendar of recurring board meeting events, and coordinates development of the board meeting agendas. Other duties include certification of documents and regulatory filings and acting as the agent for service of legal process.
Anti-Conduit Measures:	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. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Legal Services as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Legal
Division or Department:	Litigation Law Regulatory/Legislative Policy Regulatory Law Environmental Law Labor Law Legal Administration Corporate & Commercial Law
Location(s):	HQ San Diego Gas Company Tower, Los Angeles San Francisco Sacramento Argentina Mexico United Kingdom
Services Provided:	<p>The Law Department provides all legal support for the Sempra Energy Companies and represents them in legal matters. The Law Department 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. The Law Department is also responsible for developing and coordinating policy positions, in compliance with all applicable affiliate transaction rules, on regulatory and external affairs issues.</p> <p>The Law Department is headed by a General Counsel, who is ultimately responsible for legal services provided to Sempra Energy and all of its affiliates.</p>
Anti-Conduit Measures:	<p>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. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. All Policy discussions are conducted in full compliance with all applicable affiliate transaction rules and in a manner that ensures that no non-public market and/or customer information is transferred directly or indirectly in violation of the affiliate transaction rules.</p>
Reason for Including:	The Commission has recognized Legal Services as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Governmental/Community Affairs
Department:	Governmental & Community Affairs ♦ Federal Government Affairs (FGA)
Location(s):	Sempra Energy - Washington D.C.
Services Provided:	Federal Government Affairs (FGA) serves as the point of contact for all issues and business strategies that come before and/or require assistance from the Congress, Federal Agencies, or the Administration.
Anti-Conduit Measures:	FGA does not have access to any proprietary information. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Lobbying as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Governmental/Community Affairs
Department:	Governmental & Community Affairs <ul style="list-style-type: none"> ◆ State Governmental Affairs (SGA)
Location(s):	Sempra Energy – Sacramento
Services Provided:	State Governmental Affairs (SGA) maintains communications with state elected officials, legislators, and key state agencies and departments. SGA focuses on legislation and regulations that will impact the company and works with collateral organizations to build alliances that benefit Sempra Energy.
Anti-Conduit Measures:	SGA does not have access to any proprietary information. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Lobbying as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Governmental/Community Affairs
Department:	Governmental & Community Affairs ♦ Environmental & Safety Policy
Location(s):	Sempra Energy – HQ, San Diego
Services Provided:	Legislative Policy & Analysis (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 states where Sempra companies have business interests. LP&A analyzes and provides periodic reports to Sempra Companies on political, legislative, social and other external trends impacting pertinent industries or issues. LP&A manages political contributions and lobbying reports for the Company.
Anti-Conduit Measures:	LP&A does not have access to customer-specific, marketing, or financial data. Department employees have completed the comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Regulatory and Public Affairs, including legislative activities, as permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Governmental/Community Affairs
Department:	Governmental & Community Affairs ♦ FERC Relations
Location(s):	Sempra Energy – Washington, D.C.
Services Provided:	The FERC Relations Department, located in Washington, D.C., 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 impact the Company and works with collateral organizations to build alliances that benefit Sempra Energy.
Anti-Conduit Measures:	The Washington, D.C. office has no access to proprietary information. Department employees have completed the comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit provisions of the Affiliate Transaction Rules.
Reason for Including:	The Commission has recognized Lobbying as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Governmental/Community Affairs
Department:	Governmental & Community Affairs ♦ Community Relations & Corporate Events
Location(s):	HQ, San Diego Gas Tower, Los Angeles
Services Provided:	<p>Community Relations & Corporate Events coordinates community relations by involving Sempra Energy companies in matters important to the well-being of customers and neighborhoods. Community Relations' functions include:</p> <ul style="list-style-type: none"> • Managing the corporate charitable contributions budget, employee volunteerism and employee giving programs; • Developing contributions policies and community outreach plans; • Sponsoring programs, projects and events in communities where Sempra Energy operates; • Identifying opportunities for executive and employee involvement in local community affairs; • Managing company and employee memberships; and • Representing the company to external organizations and leaders. <p>Corporate Events' functions include managing and coordinating meetings and events for the Sempra companies, such as the Annual Meeting of Shareholders as well as various department meetings, conferences, and offsite meetings.</p>
Anti-Conduit Measures:	Community Relations & Corporate Events has no access to customer-specific, marketing, or financial data. Department employees have completed the comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Public Affairs as a permissible Rule V.E. shared service.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Communications & Investor Relations
Department:	Communications & Advertising
Location(s):	Sempra Energy - HQ, San Diego
Services Provided:	The Communications & Advertising Department is responsible for oversight, policy and governance of communications, advertising, branding and Web presence for the Corporation and its subsidiaries. The Department manages Sempra.com and SempraNet as well as the brand image for the Corporation. Additionally, the Department oversees brand management at the subsidiaries by providing oversight for employee communications across the Corporation and producing all publications and multimedia presentations.
Anti-Conduit Measures:	Department employees have completed the comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules
Reason for Including:	The Commission has recognized Corporate Communications as a permissible shared service under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Communications & Investor Relations
Department:	Public Relations
Location(s):	Sempra Energy - HQ, San Diego
Services Provided:	The Public Relations Department builds and maintains a positive image of Sempra Energy and its business units in the media. Public Relations employees are responsible for educating and influencing key external audiences about 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.
Anti-Conduit Measures:	Public Relations produces press materials for the affiliates separately from those produced for the utilities. Public Relations employees are trained to prevent customer or media confusion about which Sempra Energy family of companies is the subject of the media focus. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules
Reason for Including:	The Commission has recognized Corporate Communications and Public Affairs as a permissible shared services under Rule V.E.

CORPORATE CENTER SHARED SERVICES

	Description
Function:	Communications & Investor Relations
Department:	Investor Relations
Location(s):	HQ San Diego
Services Provided:	The Investor Relations Department maintains the fair value of Sempra Energy’s publicly traded securities by communicating Sempra Energy’s goals and strategies, and 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.
Anti-Conduit Measures:	Shareholder Services has access to shareholder data, addresses, and holdings, but does not distribute this data, except to individual shareholders. The Department’s system is password protected and utilized only by employees responsible for answering shareholder inquiries. Employees will only release information to shareholders after verifying their Social Security Number. All other information provided by Investor Relations is public. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Shareholder Services as a permissible shared service under Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Supply Management & Fleet Services
Department:	Supply Management
Location(s):	Century Park, San Diego Gas Company Tower, Los Angeles
Services Provided:	The Supply Management Department provides supply management strategy, policy, processes, technology and services to support the Corporation in procuring goods and services.
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures. Each business unit is ratably charged for usage and directly billed for specifically identified costs. Written supplier authorizations are obtained and entered into a log when an affiliate requests supplier information.
Reason for Including:	A centralized procurement function for non-commodity products and services qualifies as a support service under Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Supply Management & Fleet Services
Department:	Diverse Business Enterprises
Location(s):	Century Park, San Diego Gas Company Tower, Los Angeles
Services Provided:	Diverse Business Enterprises (DBE) secures 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.
Anti-Conduit Measures:	Department employees have completed the comprehensive compliance training and have submitted a certification that they will comply with the Anti-Conduit provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measure.
Reason for Including:	A centralized DBE function for non-commodity products and services qualifies as a Support Service under Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Supply Management & Fleet Services
Department:	Fleet Services
Location(s):	Miramar, San Diego Monterey Park, Los Angeles
Services Provided:	The Fleet Services Department consists of vehicle design, acquisition, maintenance, servicing, dispatch, financial and physical management, registration, and disposition services for a fleet of over 7000 units. A small number of vehicles have been assigned to the Corporate Center.
Anti-Conduit Measures:	The Fleet Services Department reports to the Supply Management & Fleet Services Organization. All non-administrative personnel are represented union employees who do not have access to confidential utility information. All supervisory and management personnel have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. Non-regulated company employees are <i>not</i> allowed to use vehicles with the utility logo.
Reason for Including:	A centralized procurement function for non-commodity products and services qualifies as a support service under Rule V.E. Providing fleet services as a shared service is the most cost-effective approach to meeting Sempra Energy's transportation needs.

UTILITY SHARED SERVICES

	Description
Function:	Environmental, Safety & Facilities
Department:	Real Estate & Facilities
Location(s):	Scripps Ranch and Century Park, San Diego Gas Company Tower, Los Angeles Numerous bases and other sites across the company
Services Provided:	The Real Estate and Facilities Department 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 has six primary functions: Strategic Planning (capital planning and employee space management); Corporate Real Estate (property acquisition and lease administration); Capital Programs (capital project planning, budgeting, and employee moves, additions and changes); Facility Operations (building repairs, general maintenance, janitorial and trash services, and special projects); Land Right of Way (acquisition and management of SCG property rights); and Land Services (acquisition and management of SDG&E property rights, land records management, and survey and mapping services).
Anti-Conduit Measures:	Department employees that work with confidential utility or affiliate information are responsible for maintaining such confidentiality. In general, this information is locked in office drawers or overhead locking cabinets within the employee's office space. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules.
Reason for Including:	The Real Estate and Facilities function for Sempra Energy, once part of the Corporate Center, is now managed by SDG&E and administered as a shared service. The Department provides oversight and support services as well as financial planning and analysis, in accordance with Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Information Technology
Departments:	Network Engineering & Operations Infrastructure Engineering & Operations Shared Software Development Services
Location(s):	Sempra Energy HQ, San Diego SDG&E, San Diego; SoCalGas, Los Angeles Rancho Bernardo; Monterey Park Telecommunications Control Center (TCC), San Diego
Services Provided:	<p>Information Technology provides flexible, scaleable, and cost effective network, telecommunications, and infrastructure-related services, and software development for allowable shared services.</p> <p>The Network / Telecommunications Engineering & Operations Department provides the following services: routers, servers, hubs, microwave equipment, connectors, wire and fiber optic cables. The Department provides centralized monitoring, problem resolution and operational control for Voice, Data, Microwave, Fiber, Voice Radio, Data Radio Systems, and Carrier Services.</p> <p>The Infrastructure Engineering and Operations Department provides the following services: infrastructure and related services, such as 7x24x365 data center operations located at Rancho Bernardo, storage management, server management, security, and middleware.</p> <p>The Shared Software Development Services Department 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.</p>
Anti-Conduit Measures:	Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. Performing network, telecommunications, infrastructure and software development functions as corporate support does not allow affiliates to gain access to utility systems or information or assistance with application development.
Reason for Including:	By performing information technology activities as Corporate Support, permissible under Rules V.C. and V.E., the Corporation improves efficiency by establishing common technology strategies and compatible solutions. This standard environment also enables scope economies.

UTILITY SHARED SERVICES

	Description
Function:	Accounting
Departments:	Financial Planning & Cost Management <ul style="list-style-type: none"> • Accounting Operations
Location(s):	HQ, San Diego
Services Provided:	The Accounting Operations Department consists of Affiliate Billing & Costing and Cost Accounting. Affiliate Billing & Costing performs cost accounting studies that support the allocation of overheads to internal costs and costs billed for services rendered to Sempra Energy - Corporate Center and affiliates. Cost Accounting analyzes O&M and Capital Projects for proper accounting and also performs depreciation calculations on company assets.
Anti-Conduit Measures:	Segregation of employee duties by entity and division ensures that record integrity is maintained and prevents improper transfer of information. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Accounting as a permissible shared service under Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Finance
Departments:	Controller <ul style="list-style-type: none"> • Claims Management
Location(s):	Plaza Building, San Diego Century Park, San Diego Gas Tower Building, Los Angeles
Services Provided:	The Claims Management Department administers all Sempra Energy casualty and property damage claims.
Anti-Conduit Measures:	Segregation of employee duties by entity and division ensures that record integrity is maintained and prevents improper transfer of information. Department employees have completed comprehensive compliance training and submitted a certification that they will comply with the Anti-Conduit Provisions of the Affiliate Transaction Rules. In addition, the utilities and the affiliates are physically separated in accordance with anti-conduit measures.
Reason for Including:	The Commission has recognized Accounting and Financial Planning and Analysis as permissible shared services under Rule V.E.

UTILITY SHARED SERVICES

	Description
Function:	Human Resources
Department(s):	HR Services Organizational Effectiveness People Research
Location(s):	Sempra Energy Headquarters, San Diego Century Park, San Diego Gas Company Tower, Los Angeles Numerous locations throughout southern California
Services Provided:	The Human Resources Department (HR) develops and communicates corporate-wide policies and procedures for broad and strategic management of people resources. HR provides governance and compliance guidance, analysis of current compensation market conditions and trends, development of employee competency profiles, and general learning resources. HR is responsible for reviewing employee transfers and temporary assignments in accordance with the Affiliate Transaction Rules. At the operational level, the respective Utility Human Resources VP directs strategic and tactical business, solely for the utilities. HR provides educational resources, external recruiting, internal staffing, employee relations, and management guidance within the utility structure.
Anti-Conduit Measures:	Comprehensive compliance training of all employees, including an anti-conduit acknowledgement, and the physical separation of utilities and affiliates are the primary anti-conduit tools used to ensure 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.
Reason for Including:	The Commission has recognized Human Resources as a permissible shared service, with the exception of employee recruiting.

Appendix 4

Corporate Oversight & Governance Meetings

Sempra Energy Corporate Oversight & Governance Meetings

Sempra Energy’s Management participates in various recurring Corporate Oversight & Governance meetings to ensure sufficient oversight of the entire enterprise, while preserving business unit autonomy accountability. These meetings are all conducted consistent with applicable state and federal affiliate transaction rules and other relevant guidelines.

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
Management Committee	<ul style="list-style-type: none"> • Chairman & CEO (Sempra Energy) • President & COO (Sempra Energy) • Group President (Sempra Global) • Chairman & CEO (SDG&E/SoCalGas) • Executive VP & General Counsel (Sempra Energy) • Executive VP & CFO (Sempra Energy) <p>(Chair: Chairman & 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"> • Formation of new companies • Major regulatory filings • Standstill agreements • Non-compete agreements • Personal service contracts with former employees • Consulting contracts in excess of \$500,000 	<p>Weekly</p>

Sempra Energy Corporate Oversight & Governance Meetings

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
Corporate Compliance Committee	<ul style="list-style-type: none"> • Executive VP and General Counsel (Sempra Energy) • VP & Chief Compliance Officer (Sempra Energy) • SVP - Human Resources (Sempra Energy) • Executive VP & CFO (Sempra Energy) • SVP & Controller (Sempra Energy) • VP - Audit Services (Sempra Energy) • President and COO (SDG&E/SoCalGas) • Chief Financial Officer (Sempra Global) • SVP - External Relations and CFO (SDG&E/SoCalGas) • VP - Global Regulatory Affairs and Administration (Sempra Energy) • VP- Environmental Safety & Facilities (SDG&E/SoCalGas) • Group President (Sempra Global) • Chief Executive Officer (Sempra Commodities) • General Counsel (Sempra Commodities) • President (Sempra Generation) • President (Sempra Pipelines and Storage) • President (Sempra LNG) • VP & Controller (SDG&E/SoCalGas) <p>(Chair: Executive VP and General Counsel; Vice-Chair: VP and Chief Compliance Officer)</p>	<p>Ensures corporate compliance with legal and regulatory requirements, and monitors overall corporate compliance and ethics issues.</p>	<p>Quarterly</p>
Pension and Benefits	<ul style="list-style-type: none"> • Chairman & CEO (SDG&E/SoCalGas) • Group President (Sempra Global) • President & COO (Sempra Energy) • Executive VP & CFO (Sempra Energy) • SVP, Human Resources (Sempra Energy) • SVP & Controller (Sempra Energy) • VP & Treasurer (Sempra Energy) • Executive VP & General Counsel (Sempra Energy) • VP – Corp. Tax & Ch. Tax Csl. (Sempra Energy) 	<p>To exercise named fiduciary and settlor authority and responsibility over the Sempra Energy Pension and Employee Welfare Plans. To exercise settlor duties only over the Sempra Energy Employee Savings Plan.</p>	<p>Quarterly</p>

Sempra Energy Corporate Oversight & Governance Meetings

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
	(Chair: Executive VP & CFO)		
External Affairs Executive Policy Council	<ul style="list-style-type: none"> ◆ Executive VP & General Counsel (Sempra Energy) ◆ VP - Governmental & Community Affairs (Sempra Energy) ◆ SVP - External Relations & CFO (SDG&E/SoCalGas) ◆ SVP - Regulatory & Strategic Planning (SDG&E/SoCalGas) ◆ VP - Global Regulatory Affairs & Administration (Sempra Energy) ◆ Assist. Gen. Csl., Regulatory Policy (Sempra Energy) <p>(Chair: Executive VP & General Counsel)</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 significance.	Weekly
Environmental & Safety Executive Council	<ul style="list-style-type: none"> • Executive VP & General Counsel (Sempra Energy) • VP & Chief Compliance Officer (Sempra Energy) • VP- Environmental Safety & Facilities (SDG&E/SoCalGas) • VP - Governmental & Community Affairs (Sempra Energy) • VP - Global Regulatory Affairs & Administration (Sempra Energy) • Asst. General Counsel (Sempra Energy) • Director, Environmental & Safety (Sempra Energy) • Director – Legislative Policy & Analysis (Sempra Energy) • Director - Environmental Solutions (SDG&E/SoCalGas) • Director - Safety & Emergency Services (SDG&E/SoCalGas) • Director - Licensing and Permitting (Sempra Generation) 	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. The Council also focuses on long-term strategic issues relating to the environment and safety as they may affect Sempra Energy.	Quarterly

Sempra Energy Corporate Oversight & Governance Meetings

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
	(Chair: VP & Chief Compliance Officer, Sempra Energy)		
Controller Council	<ul style="list-style-type: none"> • SVP & Controller (Sempra Energy) • VP & Controller (SDG&E/SoCalGas) • VP & Controller (Sempra Global) • VP - Audit Services (Sempra Energy) • VP & Controller (Sempra Commodities) • VP - Financial Planning & Cost Mgmt. (SDG&E/SoCalGas) • Controller (Sempra Generation and Sempra Pipelines & Storage) • Assist. Controller - Financial Reporting (Sempra Energy) • Director - Corporate Planning (Sempra Energy) • Director - Corporate Financial Accounting (Sempra Energy) • Asst. Chief Tax Counsel (Sempra Energy) <p>(Chair: SVP & Controller)</p>	The Council meets to review recent accounting rule changes (e.g., SEC, FASB, FERC), and internal accounting policies.	Quarterly
Disclosure Committee	<ul style="list-style-type: none"> • Chairman & CEO (Sempra Energy) • President & COO (Sempra Energy) • Executive VP & General Counsel (Sempra Energy) • Executive VP & CFO (Sempra Energy) • Chairman & CEO (SDG&E/SoCalGas) • Group President (Sempra Global) • SVP & Controller (Sempra Energy) • SVP - External Relations & CFO (SDG&E/SoCalGas) • VP - Audit Services (Sempra Energy) • VP & Chief Compliance Officer (Sempra Energy) • Chief Financial Officer (Sempra Global) • VP - Communications & Investor Relations (Sempra Energy) • VP - Corporate Tax & Chief Tax Csl. (Sempra 	To review and approve all filings of Sempra Energy and its subsidiaries with the Securities & 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.	Quarterly

Sempra Energy Corporate Oversight & Governance Meetings

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
	Energy) <ul style="list-style-type: none"> • Chief Corporate Counsel (Sempra Energy) • Assistant Controller - Financial Reporting (Sempra Energy) • Corporate Secretary (Sempra Energy) (Chair: SVP & Controller)		
Savings Plan Fiduciary Committee	<ul style="list-style-type: none"> • VP - Human Resources (SDG&E/SoCalGas) • SVP - Gas Transmission (SoCalGas/SDG&E) • VP - Construction / Engr. (Sempra Global (LNG)) • VP - Budgets & Planning (Sempra Global (LNG)) • Secretary (Sr. Counsel, Sempra Energy) • V.P.- Environment, Safety & Facilities (SDG&E/SoCalGas) (Chair: VP – Human Resources)	To exercise authority and responsibility over investments under the Sempra Energy Savings Plan and Sempra Energy Employee Stock Ownership Plan.	Quarterly (tentative)
State and Federal Affiliate Compliance Council	<ul style="list-style-type: none"> • VP & Chief Compliance Officer (Sempra Energy) • VP & Controller (SDG&E/SoCalGas) • VP Global Regulatory Affairs (Sempra Energy) • Director- Business Conduct (Sempra Energy) • Director- Compliance (SDG&E/SoCalGas) • Director-Federal Regulatory Affairs (Sempra Global) • Assistant General Counsel (Sempra Energy) • Sr. Counsel (Sempra Energy) • Sr. Counsel (Sempra Energy) • VP-Audit Services (Sempra Energy) (Chair: VP & Chief Compliance Officer)	To support enterprise-wide compliance efforts, including those related to the CPUC, Affiliate Transaction Rules, the Merger Remedial Measures, FERC Standards of Conduct, and FERC Order 2004. This Committee makes determinations as to critical compliance matters affecting Sempra Energy.	Monthly

Sempra Energy
Corporate Oversight & Governance Meetings

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
Human Resources Advisory Group	<ul style="list-style-type: none"> • SVP - Human Resources (Sempra Energy) • VP & Chief Compliance Officer (Sempra Energy) • Director – Compensation Services (Sempra Energy) • Chief Employment Counsel (Sempra Energy) • Director – Exec. Compensation & Benefits (Sempra Energy) • Director – Exec. & Organizational Development (Sempra Energy) • Director – MyInfo Services (Sempra Energy) • HR Business Partner (Sempra Energy) • Director – Corp. Diversity Affairs (Sempra Energy) • Director – Corporate Security (Sempra Energy) • Director – Communications & Advertising (SDG&E/SoCalGas) • VP – Human Resources (SDG&E/SoCalGas) • People Research Manager (SDG&E/SoCalGas) • Director – Labor Relations (SDG&E/SoCalGas) • Director – Organization Effectiveness (SDG&E/SoCalGas) • Manager – Human Resources Services (SDG&E/SoCalGas) • Manager – Staffing (SDG&E/SoCalGas) • HR Business Partner (SDG&E/SoCalGas) • VP – Human Resources (Sempra Global) • Director - Human Resources (Sempra Generation) • Compensation Manager (Sempra Global) • Director – Human Resources (SES/S-LNG) <p>(Chair: SVP - Human Resources)</p>	<p>The Human Resources Advisory Group meets to discuss compliance with labor/equal employment opportunity laws and regulations and to review Human Resource policies, shared payroll and benefit processes and company-wide employee development programs.</p>	<p>Quarterly</p>

**Sempra Energy
Corporate Oversight & Governance Meetings**

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
Sempra Energy SOX Steering Committee	<ul style="list-style-type: none"> • Executive VP & CFO (Sempra Energy) • SVP & Controller (Sempra Energy) • SVP External Relations & CFO (SDG&E/SoCalGas) • CFO Global Enterprises (Sempra Global) • VP & Controller (SDG&E/SoCalGas) • VP & CFO (Sempra Energy Trading) • VP Audit Services (Sempra Energy) • VP & Controller (Sempra Global) • Asst Controller - Financial Reporting (Sempra Energy) • Director – Compliance (SDG&E/SoCalGas) • SOX Coordinator ((Sempra Energy Trading) • Manager Global Accounting (Sempra Global) • Sarbanes-Oxley Manager (Sempra Energy) <p>(Chair: SVP & Controller)</p>	To oversee and monitor the annual SOX compliance efforts of Sempra Energy.	Quarterly