STATE OF CALIFORNIA

Edmund G. Brown Jr., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 2, 2012

Advice Letter 4364

Rasha Prince, Director
Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

Subject: 2011 PBR Safety Performance Filing

Dear Ms. Prince:

Advice Letter 4364 is effective June 1, 2012.

Sincerely,

Edward Randolph

Edward F. Randolph, Director
Energy Division

Southern California Gas Company
A Sempra Energy utility®

Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
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May 1, 2012

Advice No. 4364
(U 904 G)

Public Utilities Commission of the State of California

Subject: 2011 PBR Safety Performance Filing

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) its 2011 performance filing. This filing is made in compliance with Decision (D.) 08-07-046, and Preliminary Statement Part XI, Performance Based Regulation (PBR), in SoCalGas' General Rate Case (GRC) Application (A.) 06-12-010.

Background

On July 31, 2008, the Commission issued D.08-07-046 adopting, among other things, the Settlement Agreements regarding SoCalGas' revenue requirements for its Test Year 2008 GRC and post-test year ratemaking and incentive proposals. The GRC period covers a minimum of four years beginning January 1, 2008.

Pursuant to the adopted 2008 GRC decision and its adopted tariffs[1], SoCalGas is subject only to the performance incentive for employee safety[2].

Purpose

The purpose of this filing is to report the reward or penalty for the Employee Safety Performance Indicator and, consistent with previous filings, the results of the Core Pricing Flexibility Program and Noncore Competitive Load Growth Opportunity Program as adopted in D.97-07-054 and D.00-04-060, respectively, and continued in the 2008 GRC.

Employee Safety Performance Indicator
The reward or penalty for employee safety is determined based on the Federal Occupational Safety and Health Administration (OSHA) frequency standard, measuring the regulated utility's

[1] Advice No. 3890 was approved on October 6, 2008 and made effective January 1, 2008.
[2] Pursuant to the GRC decision, on August 29, 2008 SoCalGas sent a letter to the Executive Director of the Commission accepting only the performance incentive for employee safety. SoCalGas filed Advice No. 3900 to revise its PBR Preliminary Statement accordingly, which was approved on November 7, 2008 and made effective September 8, 2008.

OSHA recordable lost time and non-lost time injuries and illnesses against total utility working hours. For the year ending December 31, 2011, SoCalGas experienced 229 lost time and non-lost time incidents. The 229 total OSHA recordable incidents result in a frequency of 3.50.

Employee Safety	2011
Total OSHA Recordable Cases	229
x 100 employees at 2,000 hours / year	200,000
= Total OSHA Recordable Hours	45,800,000
/ Total utility year-to-date work hours	13,072,192
= Total OSHA Frequency	3.50

For 2011, the reward or penalty for the Employee Safety Performance Indicator is based on the following parameters:

Employee Safety	2011
Benchmark	5.65
Deadband	5.48 - 5.82
Penalty Liveband	5.83 - 7.03
Reward Liveband	4.27 - 5.47
Incentive Rate	$25,000/.01
Maximum Reward / Penalty	$3,000,000

For 2011, SoCalGas' performance for its Employee Safety Performance Indicator resulted in a $4,950,000 award, calculated as follows:

Employee Safety	2011
Benchmark	5.65
Results Achieved	3.50
Results better than Benchmark	2.15
Less Deadband	0.17
Units below Benchmark	1.98
Conversion Factor	0.01
Units of Change for Penalty	198
Incentive per Unit	$25,000
Reward	**$4,950,000**

In accordance with Preliminary Statement Part XI, PBR, the maximum reward is $3,000,000. However, in reviewing the OSHA Frequency Factor calculation, SoCalGas has identified unproductive hours that were included as productive hours in previous years' calculations, resulting in an overstatement of past rewards in 2008 and 2010, and an understatement of the penalty in 2009 totaling $175,000 as detailed in the table below. As a result, SoCalGas is reducing its 2011 reward by $175,000 to $2,825,000.

Year	Reported OSHA Frequency	Reward/(Penalty) Approved	Unproductive Hours	OSHA Frequency excluding Unproductive Hours	Reward/(Penalty) Impact[3]
2010	4.73	$2,250,000	57,456	4.75	($50,000)
2009	6.17	($125,000)	52,268	6.19	($50,000)
2008	5.85	$200,000	52,190	5.88	($75,000)
				Total Impact	**($175,000)**

Upon approval of this advice letter by the Commission, SoCalGas will record the reward in its Rewards and Penalties Balancing Account for amortization in rates.

During 2011, SoCalGas provided continued focus in the following areas contributing to its Employee Safety success: (1) the Executive Safety Council provided leadership and critical directional decision-making for strategic safety initiatives and continued with its employee dialogue sessions to gain a deeper understanding of front-line safety issues and concerns; (2) statistical tracking of injuries and vehicle incident data to provide insight into preventive solutions; (3) performance of individual job observations to help define and reinforce safe behaviors; (4) employee and management involvement opportunities including safety committees and incident evaluation teams; (5) safety excellence awards designed to recognize and motivate frontline employees who demonstrate exceptional safety leadership; and (6) wellness through health fairs, health screenings, and stretching programs.

Pursuant to the 2008 GRC, SoCalGas is required to perform an annual internal audit to ensure the incentive mechanism for employee safety is implemented, operated, and calculated correctly and fairly. The internal audit report will disclose all audit findings and recommend any corrective actions. The employee safety award presented herein has been verified as a result of the audit, the details of which are provided in a separate letter to the Commission in accordance with the reporting requirements adopted in the 2008 GRC and incorporated in SoCalGas' Preliminary Statement Part XI, PBR[4]. The letter to the Commission will provide details of the internal audit and related findings.

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[3] The Reward/Penalty Impact is calculated as follows:
((Reported OSHA Frequency – OSHA Frequency excluding Unproductive Hours) / Conversion Factor) * Incentive Per Unit.

[4] Internal audit reports (both SoCalGas and SDG&E) were submitted on April 27, 2012 to the Director of the Energy Division, Director of the Consumer Protection and Safety Division, and the Director of the Division of Ratepayer Advocates. The internal audit reports are held confidential pursuant to the Commission's General Order 66-C and Public Utilities Code Section 583.

Core Pricing Flexibility Program
In D.97-07-054 and D.98-01-040, the Commission authorized a Core Pricing Flexibility program for SoCalGas as detailed in Section K.2 of Advice No. 2687-A. This program remained unchanged with the approval of the 2008 GRC proceeding. Under this arrangement, SoCalGas' shareholders are responsible for any reduction in core revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Core Fixed Cost Account to reflect this arrangement. The Core Pricing Flexibility program produced incremental net revenues in the amount of $479,366 for 2011.

Noncore Competitive Load Growth Opportunities Program
In D.00-04-060, the Commission authorized SoCalGas' revenue treatment for new negotiated contracts that are part of a California Red Team economic development effort and contracts where Rule No. 38 shareholder funding has been used. This program remained unchanged with the approval of the 2008 GRC proceeding. Under this arrangement, SoCalGas' shareholders are responsible for any reduction in noncore revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Noncore Fixed Cost Account to reflect this arrangement. The Noncore Competitive Load Growth Opportunities program produced incremental net revenues in the amount of $759,368 for 2011.

Protests

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 must be received within 20 days of the date of this Advice Letter which is May 21, 2011. 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
Attn: 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 the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should 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.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that this filing be approved June 1, 2012, which is 31 calendar days after the date filed.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A, which includes parties on the service list in A.10-12-006.

Rasha Prince
Director – Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

☐ ELC ☒ GAS

☐ PLC ☐ HEAT ☐ WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4364

Subject of AL: 2011 Safety Performance Filing

Keywords (choose from CPUC listing): PBR, GRC

AL filing type: ☐ Monthly ☐ Quarterly ☒ Annual ☐ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.08-07-046, D.05-03-023

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? ☐ Yes ☒ No

Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 6/1/12

No. of tariff sheets: 0

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
tariffs@socalgas.com

[1] Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4364

(See Attached Service Lists)