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June 27, 2013

Advice No. 4509  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: 2013 Affiliate Transactions Compliance Plan**

**Purpose**

Southern California Gas Company (SoCalGas) hereby submits its 2013 Affiliate Transactions Compliance Plan (Compliance Plan) in accordance with Ordering Paragraph (OP) 2 of the California Public Utilities Commission's (Commission or CPUC) Decision (D.) 97-12-088, as modified by D.06-12-029. 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, as modified by D.06-12-029, govern the relationship between California's major energy utilities and their holding companies and non-regulated 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, except where also explicitly provided as applicable to the holding company and/or "non-covered affiliates."

Section VI.A of Appendix A of D.97-12-088, as modified by D.06-12-029, requires SoCalGas to file a Compliance Plan by Advice Letter no later than June 30, 2013. Consequently, attached is SoCalGas' 2013 Compliance Plan. The significant changes to the Compliance Plan and the appendices thereto are described below.

**Compliance Plan**

The Compliance Plan was modified from the version filed in Advice Letter 4380 dated June 28, 2012 as follows:

- 1) Update to the Introduction., noted Sempra U.S. Gas & Power's FERC & Regulatory Compliance group (oversees the activities of the covered affiliates) is now located within the Legal & Compliance area; clarified when Corporate Compliance Committee meets; changed frequency for Affiliate Compliance Coordinators' meetings. Identifies the Compliance Officer at SoCalGas as the Vice President – Accounting & Finance.

- 2) Rule II.B., Applicability of Rules, clarified the energy marketing affiliates' definition to indicate a company that "buy and/or sell" gas and/or electricity in the open market.
- 3) Rule III.B., Resource Procurement, "Delegation of Authority" for SoCalGas' traders is now specified in the Market Activity and Trading Policy for natural gas trades; and also, clarifies Gas Acquisition's responsibility for procuring gas on behalf of SoCalGas' and SDG&E's core customers.
- 4) Rule IV.C., Service Provider Information, SoCalGas no longer provides lists containing energy service providers – customers referred to SoCalGas website.
- 5) Rule V.C., Sharing of Plant, Facilities & Equipment Costs, clarifies the separation/accessibility of SDG&E's shared services and covered affiliates' employees within Sempra Energy's headquarters.
- 6) Rule V.F., Corporate Identification & Advertising, included "California Utilities" to show distinction between the California-regulated utilities and Sempra Energy's non-regulated gas utilities; and removed language that allowed SoCalGas to share R&D activities or subsidize costs, fees or payments with affiliates that were formed as part of CPUC-funded utility R&D program activities.
- 7) Rule V.G., Utility's Human Resource Advisor (HRA) is responsible for ensuring an anti-conduit form is completed for employee transferring from a covered affiliate to the utility; and indicates a title change for one of the shared officers.
- 8) Rule VI.B., New Affiliate Compliance Plans, states SoCalGas will inform the CPUC within two business days of the formation of any new affiliates; also, clarifies the confirmation/formation of any domestic entities (covered or non-covered) and the confirmation, formation, or registration of new foreign entities.
- 9) Rule VIII.C., Complaint Procedures & Remedies, SoCalGas' Vice President – Accounting & Finance is responsible for overseeing/resolving all complaints/remedies within the mandated time period(s).

Appendices were modified to reflect the following changes:

- Appendix 2 – Corporate Oversight & Governance Committees – reflects personnel changes.
- Appendix 3 – Listing of Covered and Non-covered Affiliates. Provides a current list as of June 1, 2013 of all covered and non-covered affiliates, their purposes/activities, and whether SoCalGas claims that Rule II.B makes the Rules applicable as required by Rule VI.A.

SoCalGas believes that all of the compliance actions set forth in the attached 2013 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 2013 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, which is July 17, 2013. 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

A copy of the protest should also be sent via e-mail to the attention of the Energy Division tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)). 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.

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](mailto:snewsom@semprautilities.com)

**Effective Date**

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to GO 96-B. Therefore, SoCalGas respectfully requests that its 2013 Compliance Plan become effective July 1, 2013.

**Notice**

A copy of this Advice Letter is being sent to the parties listed in Attachment A. 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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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 904-G)**

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) #: 4509

Subject of AL: 2013 Affiliate Transactions Compliance Plan

Keywords (choose from CPUC listing): Affiliates; Compliance

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

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

D97-12-088

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<sup>1</sup>: N/A

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

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 7/1/13

No. of tariff sheets: 0

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

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<sup>1</sup>: 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 Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
SNewsom@semprautilities.com  
Tariffs@socalgas.com

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4509**

**(See Attached Service List)**

**SOUTHERN CALIFORNIA GAS COMPANY'S  
2013 AFFILIATE TRANSACTIONS COMPLIANCE PLAN  
IMPLEMENTING D.97-12-088 AS MODIFIED BY D.06-12-029**

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**Appendices:**

1. SoCalGas and Sempra Energy Officer Verifications
2. Corporate Oversight and Governance Committees
3. Listing of Covered and Non-Covered Affiliates

**SOUTHERN CALIFORNIA GAS COMPANY’S  
2013 AFFILIATE TRANSACTIONS COMPLIANCE PLAN  
IMPLEMENTING D.97-12-088 AS MODIFIED BY D.06-12-029**

**INTRODUCTION**

In accordance with Rule VI.A of the California Public Utilities Commission’s (“CPUC”) Affiliate Transaction Rules (“Rules”) adopted in Decision (D.) 97-12-088, as amended by subsequent CPUC decisions and orders,<sup>1</sup> and in conformance with Resolution G-3238, Southern California Gas Company (“SoCalGas”) hereby submits a Compliance Plan apprising the CPUC of the current status of its compliance efforts and programs. This 2013 Compliance Plan (“Plan”) is effective as of July 1, 2013, and supersedes SoCalGas’ previous June 28, 2012 filing (Advice No. 4380).

Filing this 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, this Plan brings SoCalGas into compliance with reasonable interpretations wherever such vagueness or ambiguity prevails.

The Introduction to this Plan summarizes the compliance mechanisms and guidelines central to SoCalGas’ affiliate compliance effort. Thereafter, the Plan presents a rule-by-rule discussion of the procedures and mechanisms that SoCalGas has developed to ensure compliance with the Rules. Finally, Appendices 1-3 to this Plan provide SoCalGas’: (1) Officer Verifications; (2) Corporate Oversight & Governance Committees; and (3) Listing of Covered and Non-Covered Affiliates.

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<sup>1</sup> D.97-12-088 was amended in D.98-08-035 where the Affiliate Transaction Rules were modified. D.98-11-027 clarified Rule V.F.1’s disclaimer requirement. D.98-12-075 added enforcement provisions to the Affiliate Transaction Rules. D.99-04-069 granted limited exemption from the disclaimer requirements of Rule V.F.1. D.99-09-033 adopted a revised disclaimer for SDG&E and SoCalGas. D.02-02-046 extended the applicability of the revised disclaimer to all utilities covered by the Affiliate Transaction Rules. D.06-12-029 amended the Affiliate Transaction Rules by adopting the Affiliate Transaction Rules Applicable to Large California Energy Utilities.

## **A. AFFILIATE COMPLIANCE FUNCTION**

To execute diligent, thorough, and systematic implementation of the Rules throughout the company, Sempra Energy has affiliate compliance personnel assigned in both SoCalGas and San Diego Gas & Electric (“SDG&E”) (“the Utilities”), and at the covered affiliates. Each business unit President/CEO is the Chief Compliance Officer of their respective business units. Additionally, each business unit will report affiliate compliance issues to their respective business unit Board of Directors.

### **Sempra Energy**

Sempra Energy’s Executive Vice President and General Counsel oversee Sempra Energy’s key compliance resources and activities, including legal-compliance programs.

Sempra Energy’s management participates in various corporate oversight and governance committees to ensure sufficient oversight of the entire enterprise (refer to Appendix 2 for a listing of corporate oversight and governance committees). There is a Corporate Compliance Committee which ensures corporate compliance with legal and regulatory requirements and oversees corporate compliance and ethics programs. This Committee is comprised of Sempra Energy Executive Vice President & General Counsel, Sempra Energy Vice President – Corporate Compliance, Sempra Energy Senior Vice President – Human Resources, Diversity & Inclusion, Sempra Energy Vice President – Audit Services, SDG&E Chief Executive Officer, SoCalGas Chief Executive Officer, Sempra U.S. Gas & Power President and Chief Executive Officer, and the Sempra International President and Chief Executive Officer. The Corporate Compliance Committee meets as frequently as deemed appropriate by the Chair, but not less than once a year. Each business unit will address their compliance issues regularly at business unit board meetings. Affiliate Compliance at Sempra Energy Corporate Center is managed by the SDG&E Affiliate Compliance Department.

All Sempra Energy employees can access information on the Corporate Center Affiliate Compliance web site related to the Rules.

## SoCalGas

SoCalGas' Affiliate Compliance Department ("ACD") is responsible for managing SoCalGas' and Sempra Energy's compliance with the Rules. ACD provides education, direction, and oversight of all matters pertaining to the Rules. Additionally, ACD is responsible for timely filing of reports related to the Rules.

ACD resolves policy issues and directs the utility's compliance efforts on a day-to-day basis. Compliance policy matters may be brought to the Corporate Compliance Committee for final determination.

ACD provides guidance and/or interpretations and responds to inquiries related to the Rules, including providing assistance in the resolution of affiliate compliance issues received through Helplines, e-mail, internal publications, intranet and internet web sites to facilitate compliance efforts. The information available includes a verbatim copy of the Rules, CPUC decisions, SoCalGas' Compliance Plan, a listing of Affiliate Compliance Coordinators ("Coordinators"), and compliance-related procedures, forms, training materials, and recent filings. The Advice Letter containing SoCalGas' Plan is also posted on SoCalGas' intranet web site.

To facilitate affiliate compliance at the division or department level, SoCalGas has designated Coordinators to act as the first point of contact for compliance efforts within their division or department. These Coordinators also serve as liaisons by addressing compliance issues ACD related to their division or department and relaying ACD guidance to their groups. At least once a year, Coordinators representing SoCalGas meet with ACD staff to discuss areas of concern, share best practices, and gain further knowledge of compliance matters. As needed, Sempra Energy, SDG&E and SoCalGas will host joint Coordinators' meetings to address common affiliate compliance issues (e.g., CPUC-mandated audits).

The ACD personnel currently consist of two Regulatory Compliance Advisors. The ACD reports to the Manager – Accounting Systems & Compliance, who in turn, reports to the Vice President of Accounting & Finance. The Vice President - Accounting & Finance serves as the Compliance Officer for SoCalGas and reports to the CEO.

The SDG&E Affiliate Compliance Department personnel currently consist of: a Project Manager and an Affiliate Compliance Specialist. The SDG&E ACD reports to the SOX Compliance & Policy Manager, who reports to the Director - Financial Systems & Compliance, who in turn, reports directly to the Vice President - Controller & Chief Financial Officer. The Vice President – Controller & Chief Financial Officer serves as the Affiliate Compliance Officer for SDG&E and reports to the Senior VP – Financial Regulatory & Legislative Affairs.

### **Covered Affiliates Businesses**

In certain instances, compliance with the Rules requires the participation of the covered affiliate businesses. The covered affiliate, Sempra U.S. Gas & Power LLC's FERC & Regulatory Compliance Department, located within the Legal & Compliance area, is responsible for managing and coordinating the affiliate compliance efforts for the covered affiliate businesses. This department provides information and guidance to employees and contractors of the covered affiliate to facilitate compliance with the Rules.

All covered affiliate employees can access information related to the Rules on the SempraNet homepage.

## **B. AFFILIATE COMPLIANCE TRAINING**

Affiliate Compliance Training (“Training”) is administered annually to all SDG&E and SoCalGas non-represented personnel and is highly recommended annually for all represented personnel. Training for these employees is conducted using an online learning management system that automatically tracks and records training records in a database. Additionally, this online training is provided to all Sempra Energy Corporate Center employees and covered affiliate employees that have California market interactions.

Shortly after attending New Employee Orientation, all non-represented SDG&E and SoCalGas employees, as well as Sempra Energy Corporate Center and covered affiliates employees (if such employees have interactions with the California market), are sent an email directing them to a

link to complete affiliate compliance training. These have been highlighted and discussed during New Employee Orientation, along with a discussion of the CPUC and FERC Affiliate Compliance Rules. These employees (with the exceptions made for certain represented employees) are required to complete the Affiliate Compliance training within a specified time period. Sempra Energy's Code of Business Conduct (the "Code") is also provided which outlines our corporate standards for a compliant and ethical workplace. Finally, the Code provides direction in the event that ethical or compliance issues arise, and the reporting resources available to all employees. The Code includes a section on Regulatory Compliance that includes information on the Affiliate Transactions Rules.

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

The Affiliate Compliance Guidelines ("ACG") are compiled in an internal manual that sets forth detailed procedures for compliance with the CPUC and FERC Affiliate Compliance Rules governing affiliate transactions. The ACG are updated periodically and are available to all employees on the Sempra Energy and ACD's utility web sites. The ACG are filed annually with the CPUC as part of SoCalGas' Affiliate Transactions Report per Ordering Paragraph 2 of CPUC Rulemaking 92-08-008 and Appendix A of D.93-02-019.

#### **I. DEFINITIONS<sup>2</sup>**

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

**I.A.** *"Affiliate" means any person, corporation, utility, partnership, or other entity five 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*

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<sup>2</sup> The Commission's Rules, which are italicized for ease of reference, are followed by SoCalGas' Procedures and Mechanisms for Ensuring Compliance, which are not italicized.

*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 five percent or more by the utility in an entity's company creates a rebuttable presumption of control.*

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

**I.H.** *“Resource Procurement” means the investment in and the production or acquisition of the energy facilities, supplies, and other energy products or services necessary for California public utility gas corporations and California public utility electrical corporations to meet their statutory obligation to serve their customers.*



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

Rule I.A through Rule I.H require no compliance action.

## **II.**

### **APPLICABILITY OF RULES**

- II.A. These Rules shall apply to California public utility gas corporations and California public utility electrical corporations, subject to regulation by the California Public Utilities Commission and with gross annual operating revenues in California of \$1 billion or more.*
- 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. However, regardless of the foregoing, where explicitly provided, these Rules also apply to a utility's parent holding company and to all of its affiliates, whether or not they engage in the provision of a product that uses gas or electricity or the provision of services that relate to the use of gas or electricity.*

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

These Rules apply only to transactions between SoCalGas and its **“covered” affiliates**, except where also explicitly provided as applicable to the holding company and/or **“non-covered affiliates.”** **Therefore, any reference to an “affiliate” in this Plan is intended to mean a “covered affiliate,” unless otherwise stated.**

SoCalGas classifies “covered” affiliates as those affiliates that engage in the marketing or provision of natural gas and/or electricity as follows: trading natural gas and/or electricity; offering products that use natural gas or electricity; or offering a service that relates to the use of natural gas and/or electricity. Further, SoCalGas classifies “covered” affiliates that actively broker commodities (natural gas and/or electricity) on a competitive basis as “energy marketing affiliates”<sup>3</sup>. Energy marketing affiliates actively broker gas and/or electricity on a competitive basis, meaning a company that buys and/or sells gas and/or electricity in the open market. This does not include a local distribution company that sells gas at retail under state-approved tariffs (e.g., Mobile Gas Service Corporation) or a company that buys and sells gas for operational reasons (e.g., Liberty Gas Storage LLC).

Affiliates that do not meet these criteria are classified as “non-covered” affiliates. Non-covered affiliates 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 natural gas or electric industry. Sempra Energy, the holding company for SoCalGas, does not provide products or services, as defined in Rule II.B, and is therefore classified as a “non-covered” affiliate.

A complete listing of SoCalGas’ covered and non-covered affiliates, as of June 1, 2013, is provided in Appendix 3 to this Plan. This listing is also maintained on the utility and Corporate Center web site. The listing provides the affiliate’s name, a brief description of the affiliate’s business, and indicates whether the affiliate is “covered” or “not covered” under the Rules as well as whether it is an “energy marketing affiliate.” No less than annually, ACD compares its affiliate listing to the Sempra Energy Corporate Secretary’s database of companies to ensure consistency and accurate reporting.

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<sup>3</sup> While Sempra USG&P does not actively broker gas and/or electricity on a competitive basis and therefore, is not an energy marketing affiliate, it has certain employees that may engage in an energy marketing function on behalf of other affiliates. For instance, these employees may engage in marketing activities on behalf of Sempra Generation, which is a power marketer that enters into the relevant contracts and which records the results of the resulting energy marketing transactions. SoCalGas will voluntarily treat Sempra USG&P as though it is an energy marketing affiliate under the Commission’s Affiliate Transaction Rules.

**II.C.** *No holding company or any utility affiliate, whether or not engaged 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, shall knowingly:*

- 1. direct or cause a utility to violate or circumvent these Rules, including but not limited to, the prohibitions against the utility providing preferential treatment, unfair competitive advantages or non-public information to its affiliates;*
- 2. aid or abet a utility's violation of these Rules; or*
- 3. be used as a conduit to provide non-public information to a utility's affiliate.*

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

Sempra Energy Corporate Center provides much of the corporate oversight and governance that is shared between the utility and affiliates pursuant to Rule V.E. These employees are responsible for safeguarding nonpublic utility information in their possession and must not share or transfer any information that is subject to the restrictions imposed by the anti-conduit provisions and the Rules.

Sempra Energy Corporate Center and the covered affiliate employees (if they have California market interactions), SDG&E, and SoCalGas employees complete training, which includes instructions on the anti-conduit provisions to prevent circumvention or direct or indirect violation of the Rules. As part of training, employees must affirm their understanding of the Rules and acknowledge that they must not: (1) provide a means for the transfer of confidential information from the utility to an affiliate, or vice versa; (2) create the opportunity for preferential treatment or unfair competitive advantage; or (3) create significant opportunities for cross-subsidization of affiliates by the Utilities.

**II.D.** *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**

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.

*II.E. 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. These Rules do not apply to transactions between an electric utility and an affiliate providing broadband over power lines (BPL).*

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

SoCalGas' FERC-regulated affiliates (covered by these Rules) do not interconnect with the SoCalGas system. In D.04-09-022, the CPUC authorized the establishment of Otay Mesa as a common SoCalGas/SDG&E natural gas receipt point from Transportadora de Gas Natural de Baja California, S. de R.L. de C.V. ("TGN"), an affiliate in Mexico. Receipts at Otay Mesa include natural gas sourced from the Energía Costa Azul ("ECA") LNG facility in Mexico, an affiliate of SoCalGas and SDG&E. Although neither TGN nor ECA is regulated by the FERC, deliveries of natural gas to the SoCalGas/SDG&E system requires the exchange of operating information in the same manner as would be done with any upstream interconnecting pipeline. Therefore, SoCalGas' gas operations group will exchange such information with TGN and ECA in accordance with this Rule and established SoCalGas/SDG&E protocols.

*II.F. 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 supersede the Commission's regulatory framework for broadband over power lines (BPL) adopted in D.06-04-070 nor 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 and internal guidelines appropriately.

**II.G.** *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.H.** *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.G and II.H 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:*

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*
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**

SoCalGas will not provide preferential treatment to its affiliates and will view its affiliates in a manner consistent with its unaffiliated companies and/or customers. The Sempra Energy and SoCalGas internal control environment, which includes the training program, reinforces 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; to the sale of goods, property, products or services made generally available by the utility or affiliate to all market participants through an open, competitive bidding process; to the provision of information made generally available by the utility to all market participants; to Commission-approved resource procurement by the utility, or as provided for in Rules V. D. (joint purchases), V. E. (corporate support); and VII (new products and services) below.*

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

For utility and affiliate transactions (non-resource procurement) covered by this Rule:

1. Tariffed products and services – SoCalGas implements its tariffs in a nondiscriminatory fashion. Tariffed discretions are addressed in Rule III.B.4.
2. Open competitive bidding process – SoCalGas makes the opportunity and process available to all market participants.
3. Information made generally available by SoCalGas to all market participants.
4. Shared services – as described under Rules V.D, V.E.
5. Non-tariffed products and services – see Rule VII and existing offerings in VII.F.

For commission-approved resource procurement covered by this Rule, see Rule III.B.1.

### ***III.B.1. Resource Procurement***

*No utility shall engage in resource procurement, as defined in these Rules, from an affiliate without prior approval from the Commission. Blind transactions between a utility and its affiliate, defined as those transactions in which neither party knows the identity of the counterparty until the transaction is consummated, are exempted from this Rule. A transaction shall be deemed to have prior Commission approval: (a) before the effective date of this Rule, if authorized by the Commission specifically or through the delegation of authority to Commission staff; or (b) after the effective date of this Rule, if authorized by the Commission generally or specifically or through the delegation of authority to Commission staff.*

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

SoCalGas' natural gas purchasing practices are compliant with the CPUC's Rules and ensure that SoCalGas' and SDG&E's core ratepayers are not denied the opportunity to obtain the lowest cost possible for natural gas supplies available in the highly-competitive marketplace<sup>4</sup>.

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

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

The Gas Acquisition department follows standard industry practices in its natural gas trading procedures. Gas Acquisition uses the tools available to any entity (marketer, producer or utility) engaged in trading activity. These tools include physical trading, derivative trading, secondary market transactions and interstate capacity transactions. Gas Acquisition traders are authorized

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<sup>4</sup> D.07-12-019 approved the consolidation of the natural gas supply portfolios for SDG&E's and SoCalGas' core customers into a single natural gas supply portfolio that is administered by SoCalGas' Gas Acquisition effective April 1, 2008.

to enter into transactions in accordance with the Utilities' Approval and Commitment Policy, the SoCalGas Market Activity and Credit Policy. The results of these transactions, excluding a certain percentage of "winter hedge transactions," are measured against the GCIM benchmark to determine the extent of any shareholder reward or penalty.

Each month, Gas Acquisition submits a GCIM report to the CPUC that computes in detail the GCIM results for that month. This report provides details of all transactions, including supplier names 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 1.15 Bcf of natural gas per day for the core market. Gas Acquisition buys most of its natural gas on a long-term or monthly basis from the San Juan Basin, Permian Basin, Rocky Mountains, Canadian and California border points. Natural gas is also purchased for storage injection primarily during the summer months to provide peak day reliability in the winter.

Gas Acquisition and SoCalGas policy expressly forbids preferential treatment to any supplier.

Natural 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 accepted by both parties. Payment is settled 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. <sup>5</sup>Operational Hub transactions for supplies to meet System Reliability requirements are overseen by the Energy Markets and Capacity Products department. Rule 41

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<sup>5</sup> D.07-12-019 referred to as the "Omnibus Decision," transferred the operation of SoCalGas' California Energy Hub, and obtaining minimum flow requirements associated with system reliability to the Utility System Operator. These functions for obtaining physical flowing of gas supplies are located in the Energy Markets and Capacity Products', Storage Products & Balancing group.



(Section 12) allows transactions with the Utility Gas Procurement Department as a “provider of last resort.” Otherwise transactions with affiliates must be done through an “Independent Party” as defined in Rule 41 (Section 11).

3. Secondary Market Transactions. Secondary Market Transactions by Gas Acquisition with affiliates are posted on the EBB System contemporaneously to provide other similarly-situated customers additional information in time to request a deal with comparable terms.

All transactions, daily or monthly, affiliated and unaffiliated are date stamped, which will allow any affiliate transactions to be compared with prior and subsequent transactions with unaffiliated parties. SoCalGas will respond in a timely manner to any Division of Ratepayer Advocates (“DRA”) requests for further information about any transaction.

### ***III.B.2. Provision of Supply, Capacity, Services or Information***

*Except as provided for in Rules V. D., V. E, and VII, 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.*

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

SoCalGas posts all publicly available operating information, services and unused capacity or supplies on its web site and/or EBB in compliance with CPUC guidance/requirements. When SoCalGas provides an affiliate supply, capacity, services, or information, it makes the offering available to all similarly situated market participants by posting it contemporaneously on the EBB.

For transactions that are part of internal operations and integral to a permitted transaction with an affiliate, these items will not be posted on EBB. For example, if SoCalGas provides nonpublic right-of-way information to an affiliate pursuant to its Rule No. 34, this information would not

be posted since this is a tariffed service and the information is integral to providing the service. Or, if SoCalGas provides information regarding the capability of its gas transmission system to accept regasified LNG volumes from its LNG affiliate in an “Interconnection Capability Study” as required by its Rule No. 39.B, it would not post this information since this is a tariffed product and the information is an integral part of the product. In both of these examples, SoCalGas is treating its affiliate exactly the same as any unaffiliated third party requesting the tariffed product or service, since the information would not be posted if provided to an unaffiliated entity. This is consistent with Rule III.B.2 because the information provided to an affiliate pursuant to the tariff rules is provided “on the same terms for all similarly situated market participants.”

When postings are required, procedures are in place specifying the form and content of the information to be posted. Once an authorized employee posts this information on the EBB, it automatically appears in the appropriate category on SoCalGas’ internet web site.

Interested parties will find the posted information on SoCalGas’ internet home page at <[www.socalgas.com](http://www.socalgas.com)>. From the home page, the information is accessed by selecting the “**Regulatory**” link, then selecting the “**Affiliate Rules**” link, and then scrolling to the bottom of the page, where the “**Supply, Capacity, Services, or Information**” category is found.

### ***III.B.3. 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**

When SoCalGas offers a discount or waiver to its affiliates, it makes the offering available to all similarly situated market participants by posting it contemporaneously on the EBB. SoCalGas considers uniform discounts provided to all competitors as well as vendor discounts provided by suppliers to all market participants that are passed through to affiliates as not required to be posted.

Procedures are in place specifying the form and content of the information to be posted. Once an authorized employee posts this information on the EBB, it automatically appears in the appropriate category on SoCalGas' internet web site.

Interested parties will find the posted information on SoCalGas' internet home page at <[www.socalgas.com](http://www.socalgas.com)>. From the home page, the information is accessed by selecting the **“Regulatory”** link, then selecting the **“Affiliate Rules”** link, and then scrolling to the bottom of the page, where the **“Discounts, Rebates, Tariff Deviations, or Fee Waivers”** category is found.

### ***III.B.4. 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.5. 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.6. 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 manner. In the event a tariff provision allows for discretion in its application, 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 discretion is not permitted. Any tariff deviation provided to an affiliate is posted on the EBB by authorized employees.

Procedures are in place specifying the form and content of the information to be posted. Once posted on the EBB, the information appears in the appropriate category on SoCalGas' internet web site.

Interested parties will find the posted information on SoCalGas' internet home page at <[www.socalgas.com](http://www.socalgas.com)>. From the home page, the information is accessed by selecting the **“Regulatory”** link, then selecting the **“Affiliate Rules”** link, and then scrolling to the bottom of the page, 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, or the availability of discounts of rates or other charges or fees, rebates, or waivers of terms and conditions of any services provided by the utility, to the taking of any goods or services from its affiliates.*

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

SoCalGas will comply with Rule III.C's requirements. Training specifically addresses that SoCalGas must 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 affiliate's goods or services.

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

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

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

SoCalGas will comply with Rule III.D's requirements. Training specifically addresses that SoCalGas must not refer or assign customers to affiliates.

### ***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 the 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 will comply with Rule III.E's requirements. Training specifically addresses that:

- Customer leads are not to be provided to affiliates;
- Business is not to be solicited on affiliates' behalf;
- No business information is to be acquired on behalf of affiliates;

- No market analysis reports or other proprietary information is to be shared with affiliates, except as otherwise permitted by these Rules; and
- Employees must not give any indication that they represent or speak on behalf of any affiliate, or that an affiliate represents the utility.

Furthermore, corporate policy prohibits the release of customer specific information to any entity without the customer's explicit written consent or as otherwise permissible or required by law (for example, in circumstances pursuant to subpoena or as part of a regulatory program).

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

*If a utility provides its affiliates a discount, rebate, or other waiver of any charge or fee associated with products or services provided by the utility, the utility shall, within 24 hours of the time at which the product or 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 provides its affiliates a discount, rebate, or waives all or any part of a fee, SoCalGas maintains the records required by this Rule and posts the required information on the EBB within one business day.

Procedures are in place specifying the form and content of the information to be posted on the web site. Authorized employees post this information to the “**Affiliate Transactions**” category on the EBB. Once posted, the information will automatically appear in the appropriate category on SoCalGas’ internet web site.

Interested parties will find the posted information on SoCalGas’ internet home page at <[www.socalgas.com](http://www.socalgas.com)>. From the home page, the information is accessed by selecting the “**Regulatory**” link, then selecting the “**Affiliate Rules**” link, and then scrolling to the bottom of the page, 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 requires authorization by written paper or electronic customer consent for the release of any customer specific information<sup>6</sup> unless allowed by an order of the Commission or other regulatory agency or allowed by a legal process.

Notice is posted contemporaneously when SoCalGas provides customer specific information to its affiliate unless such information is automatically provided in the normal course of business to entities acting on behalf of customers as either their Agent, Energy Service Provider or Contracted Marketer. This notice includes: the name of the affiliate to receive the information; a description of the information; the time period covered; the date the information is given; and the contact person at SoCalGas. For confidentiality reasons, this notice does not include the name of the customer or the specific information released.

Procedures are in place specifying the form and content of the information to be posted on the web site. Employees work with the Affiliate Compliance Department who utilize a form located on SoCalGas' Affiliate Compliance intranet site to post this information. Once the data is entered into the form, the information immediately posts to the appropriate category on SoCalGas' internet web site.

Interested parties will find the posted information on SoCalGas' internet home page at <[www.socalgas.com](http://www.socalgas.com)>. From the home page, the information is accessed by selecting the

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<sup>6</sup> See **California Civil Code Section 1633.1 et seq.** – Authorizing the use of electronic transactions/signatures to satisfy laws requiring records to be in writing.



“**Regulatory**” link, then selecting the “**Affiliate Rules**” link, and then scrolling to the bottom of the page, where the “**Customer Information Provided to Affiliate(s)**” category is found.

#### **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 and 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. A utility is also permitted to exchange proprietary information on an exclusive basis with its 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. Nothing in this Rule is intended to limit the Commission's right to information under the Public Utilities Code Sections 314 and 581.*

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

Non-customer specific, nonpublic utility information may be shared on an exclusive basis with affiliates, subject to their obligation to not act as a conduit to other affiliates, if the information is: (1) necessary to perform shared corporate support or corporate oversight or governance and where such information is only used for that limited purpose; and (2) does not create an opportunity for an unfair competitive advantage. Any nonpublic utility information that does not meet the above criteria cannot be shared with an affiliate unless such information is contemporaneously posted.

To reduce the risk of sharing non-public utility information, ACD has implemented the following descriptive Microsoft Outlook display name suffixes for employees in certain areas of SDG&E and SoCalGas from receiving such information:

- Electric & Fuel Procurement – E&FP
- Energy Supply & Dispatch – Mktg Affil-E&FP
- Gas Acquisition – Gas Acq
- Gas Control – Gas Cntrl
- Gas Scheduling – Gas Schdlg
- Electric Grid Operations – Elec Transmission
- Storage Products and Balancing – Storage Prdcts

Sempra Energy Corporate Center officers and employees responsible for shared corporate oversight or governance may receive all information from the utility and 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 provisions.

When SoCalGas provides non-customer specific, non-public information to its affiliates that does not meet the above exception criteria, SoCalGas will post this information contemporaneously on SoCalGas' internet web site. This site offers the information under the same terms and conditions as described in the preceding Rule.

As noted in the procedures for Rule III.B, transactions that are part of internal operations and integral to a permitted transaction with an affiliate, these items need not be posted. For example, if SoCalGas provides nonpublic right-of-way information to an affiliate pursuant to its Rule No. 34, this information would not be posted since this is a tariffed service and the information is integral to providing the service. Or, if SoCalGas provides nonpublic information regarding the capability of its gas transmission system to accept regasified LNG volumes from its LNG affiliate in an "Interconnection Capacity Study" as required by its Rule No. 39.B, it would not post this information since this is a tariffed product and the information is an integral part of the product. In both of these examples, SoCalGas is treating its affiliate exactly the same as any unaffiliated third party requesting the tariffed product or service. This is consistent with Rule III.B.2 since the information is provided to an affiliate pursuant to the tariff rules "on the same terms for all similarly-situated market participants."

If postings are required, procedures are in place specifying the form and content of the information to be posted on the web site. Authorized employees use a form located on SoCalGas' Affiliate Compliance intranet site to post this information. Once the data is entered, the information immediately posts to the appropriate category on SoCalGas' internet web site.

Interested parties will find the posted information on SoCalGas' internet home page at <www.socalgas.com>. From the home page, the information is accessed by clicking on **“Regulatory,”** then clicking on the **“Affiliate Rules”** link located in the “Related Information” column at the right of the page, where the **“Non-Customer Specific, Non-Public Information”** category is found.

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

*Except upon request by a customer or as otherwise authorized by the Commission, or 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.*

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

SoCalGas uses a non-discriminatory process for suppliers to be included on the service provider list, which is included on SoCalGas' internet web site.

#### ***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 Supply Management Department trains its contracting agents to first obtain written authorization from an unaffiliated supplier before providing nonpublic information and data received from the supplier to the utility's affiliates or nonaffiliated entities.

Affiliate requests for supplier information are centrally processed by Supply Management through use of Supplier Disclosure Forms. Supplier Disclosure Forms are not required to disclose contract data for allowable shared goods and services.

Supply Management maintains a log of all instances in which it provides supplier information to an affiliate for *non*-shared goods and services. The log lists the affiliate name, the supplier, the date that 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 will comply with Rule IV.E's requirements. SoCalGas employees are trained 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 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 non-tariffed transactions with its affiliates, including but not limited to, all waivers of tariff or contract provisions, all discounts and all negotiations of any sort between the utility and its affiliates whether or not they are consummated. A utility shall maintain such records for a minimum of three years and longer if this Commission or another government agency so requires. For consummated transactions, the utility shall make such final transaction documents 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.97-06-110 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 calendar days from the receipt of the request. Records are kept for at least three years as required by the Rules. Utility officers and directors are required to maintain sufficient documentation to support intercompany transactions with affiliates, not limited to the following records: electronic calendars, meeting summaries, manual telephone logs and e-mail correspondence.

It should be noted that the billing records are processed in aggregate, on a monthly billing cycle. SoCalGas' current accounting system does not process billings to affiliates on a real-time basis. All requests from third parties for affiliate transaction information must be made to the Manager – Accounting Systems & Compliance, who will, for all reasonable requests arrange for retrieval and presentation of the information within the time required. All requests pursuant to this Rule should be submitted in writing to:

Ramon Gonzales  
Manager – Accounting Systems & Compliance

Southern California Gas Company 555 West 5<sup>th</sup> Street ML – GT15B1  
Los Angeles, CA 90013

***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 between the utility and 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 retained for three years or in accordance with the official retention cycle as established by Sempra Energy’s Records Management Policy, whichever is longer, 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, its parent holding company, and its affiliates shall be separate corporate entities.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas, Sempra Energy, and its affiliates are separate entities.

**V.B. Books and Records**

*A utility, its parent holding company, 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 a utility’s parent holding company and affiliates shall be open for examination by the Commission and its staff consistent with the provisions of Public Utilities Code Sections 314 and 701, the conditions in the Commission’s orders authorizing the utilities’ holding companies and/or mergers and these Rules.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas, Sempra Energy, and its affiliates maintain separate accounting books and records. SoCalGas follows and will continue to follow USOA and GAAP standards. The accounting books and records of SoCalGas, Sempra Energy, and its affiliates are open for examination by the CPUC pursuant to Public Utilities Code Sections 314(b) and 701.

**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 Rule 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 located at the Gas Company Tower in downtown Los Angeles. Access to the entire Gas Company Tower is card-key controlled. At the present time, no affiliate personnel occupy office space in the Gas Company Tower. SDG&E shared service personnel and Sempra Energy Corporate Center shared service personnel have workspace at the Gas Company Tower.

SDG&E shared service facilities personnel occupy separate suites (restricted card access) in Sempra Energy's Headquarters ("HQ") building and are located on a separate floor away from all covered affiliate employees. All building operations support areas accessed by maintenance personnel and porters to support these daily building operations and functions remain in locked areas of the HQ building and are card-key controlled. Access throughout the entire HQ facility is card-key controlled to support and maintain continuous separation between the shared service facilities personnel and all other building tenants.

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### **Information Technology:**

The SDG&E Data Center houses the majority of Information Technology ("IT") production processing operations. Consolidation of the SoCalGas and SDG&E IT 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 utility-operated facility provides computer technology services for the Utilities and Corporate Center. The SDG&E 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 Utility/Corporate Center information systems adhere to the following measures:



**Office Space:**

Affiliate personnel are not allowed physical access to the SDG&E Data Center without escort. The covered affiliates operate their own independent IT organization and data center for affiliate information systems. The covered affiliates' Data Center is located at Sempra Energy's Headquarters building. With the exception of shared service Facilities Management staff, utility employees cannot access the covered affiliates' Data Center without escort.

**Shared Services:**

The Utility/Corporate Center network maintains physical and logical security controls to ensure that affiliates can only view, input and export permissible information.

Utility employees do not have access to the covered affiliates' network. Likewise, covered affiliates do not have access to the utility's network.

**Systems:**

The Utility/Corporate Center IT network is separated from the covered affiliates' network by security controls designed to physically and logically isolate the Utility/Corporate Center and the covered affiliates' systems and information.

Utility employees do not have access to the covered affiliates' network. Likewise, covered affiliates do not have access to the utility's network.

The Utilities and the covered affiliates each maintain their own systems including separate contracts and licenses, directories, server hardware and software, and desktop hardware and software. Communications systems such as e-mail, directories and collaboration tools are also separated. Certain permissibly shared, corporate-wide infrastructure systems served under a single Master Agreement can also be used for all Sempra Energy companies.

Utility and the covered affiliates' IT organizations may communicate intermittently in the administration of technology issues associated with company-wide oversight and governance activities (e.g., training, IT employee development initiatives, etc.).

Internal guidelines are in place to manage the limited connectivity between the Utility/Corporate Center network and the covered affiliates' network for access to allowable shared services. These guidelines are approved by representatives of SoCalGas' IT, covered affiliates' IT and ACD and are subject to audit by the Sempra Energy Audit Services Department.

**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**

The Utilities' Supply Management Department procures products and services (other than those associated with the traditional utility merchant function) as a Rule V.E shared service for SoCalGas, SDG&E, and affiliates. Resolution G-3238 stated that Rule V.D forbids the joint purchase of "pipe and equipment" by the Utilities and affiliates because it is "more closely associated with the 'traditional utility merchant function'" (*mimeo* at 31). Supply Management

trains its contracting agents that they may not jointly procure goods and services associated with the traditional utility merchant function.

**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, as further specified below. 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.*

*However, if a utility and its parent holding company share any key officers after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized. For purposes of this Rule, key officers are the Chair of the entire corporate enterprise, the President at the utility and at its holding company parent, the chief executive officer at each, the chief financial officer at each, and the chief regulatory officer at each, or in*

*each case, any and all officers whose responsibilities are the functional equivalent of the foregoing.*

*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. However, if a utility and its parent holding company share any key officers (as defined in the preceding paragraph) after 180 days following the effective date of the decision adopting these Rule modifications, then the following services shall no longer be shared: regulatory affairs, lobbying, and all legal services except those necessary to the provision of shared services still authorized.*

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

Properly structuring the shared services to ensure separation between the Utilities and affiliates is a significant step in ensuring compliance with the Rules, however, the Utilities do not rely upon structure alone. Each shared services employee must affirm their understanding of the Rules and acknowledge that they will comply with the anti-conduit provisions as part of annual training. Taken together, these actions demonstrate full compliance with the requirements of Rule V.E

Officer Verifications attest to the adequacy of the procedures and mechanisms in place to ensure that SoCalGas and Sempra Energy follow the Rules, and that SoCalGas and Sempra Energy are not utilizing joint corporate support services as a conduit to circumvent the Rules. These verifications for SoCalGas and Sempra Energy are included in Appendix 1.

The board of directors and officers of SoCalGas and its holding company, Sempra Energy, must be confident that effective oversight and governance procedures are in place to enable the directors to discharge their legal obligations and fiduciary responsibilities as representatives of the shareholders. Directors have a duty to make informed judgments, question officers, and avail themselves of all material information reasonably available. Officers are regularly requested to gather material information and they must observe a high duty of care in discharging their

delegated responsibilities. Appendix 2 provides a listing of meetings held to facilitate these oversight and governance objectives.

For purposes of this Rule, SoCalGas considers that shared services include, but are not limited to: 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. The CPUC acknowledged in D.98-08-035 that the list of permissible shared services presented in Rule V.E is not exhaustive. Communications and public affairs, for instance, may also be shared. SoCalGas and Sempra Energy do not share any key officers as defined by the Commission. Each of the key officer positions at SoCalGas and Sempra Energy are held by different individuals. Therefore, these companies may share regulatory affairs, lobbying, and legal services.

SoCalGas understands Rule V.E's prohibition on shared "hedging and financial derivatives and arbitrage services," to apply to employees engaged in hedging electric and natural gas commodities, and not to the use of hedging and financial derivatives in support of SoCalGas' long term financings. The Sempra Energy Treasury and Finance shared service departments may assist SoCalGas with planning and arranging hedging and financial derivative use in support of SoCalGas' long-term financings. They also engage in corporate oversight of SoCalGas' risk management function and set corporate risk-management policies.

Some of the key areas currently being shared between each utility, Sempra Energy, and affiliates include, Audit Services, Controller and Corporate Taxes, Corporate Relations, Corporate Security, Finance, Legal, Human Resources, Information Technology, Investor Relations, Risk Analysis & Management, Supply Management<sup>7</sup>, and Treasury.<sup>8</sup> SoCalGas and SDG&E also provide certain shared services to each other, such as legal services.

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<sup>7</sup> This area provides support in procuring goods and services (other than those associated with the traditional merchant function).

<sup>8</sup> This is not an exhaustive list of all shared services. The services listed do change from time to time but are still permissible under Rule V.E.

Services that are currently shared with affiliates are charged to affiliates via an allocation at month-end. Allowable shared services that are not currently shared will be direct-charged to affiliates on an as-needed basis.

#### ***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**

If SoCalGas mentions the name of an affiliate in its materials, SoCalGas will disclose the required disclaimer language as prescribed by the Rules.

The use of the “Sempra” name or logo by any covered affiliate for communications in California or those that could reasonably be expected to migrate to California would require the following disclaimer on such materials in accordance with D. 02-02-046:

### **Affiliates will use...**

*[The affiliate] is not the same company as the California Utilities, San Diego Gas & Electric (SDG&E) or Southern California Gas Company (SoCalGas), and [The affiliate] is not regulated by the California Public Utilities Commission.*

Examples of communication items that may have the disclaimer:

- Brochures
- Business cards
- Community-based events (e.g. trade shows – seek assistance from the Utilities’ Affiliate Compliance department)
- External emails (see special notation below)\*
- Internet
- Newspaper/Television advertisements
- Videos

\*Note: If an employee creates their own automatic signature on their email using the name “Sempra” in that signature and is likely to do business in California, the disclaimer statement above is added.

To the extent material such as business cards or brochures may contain the name of more than one affiliate, the primary affiliate’s name will be utilized in the disclaimer text.

### ***Disclaimer Exceptions:***

D.98-11-027 provided that 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/statistical/financial reports to shareholders; and
3. Internal written communications between the holding company, the Utilities, and any of the affiliates, provided that the internal communications are not also sent to third parties outside of the company.

In D.99-04-069, the Commission approved limited exemptions from the disclaimer requirement with regard to:

1. Building signage;
2. Company vehicles;
3. Employee uniforms; and
4. 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 that the utility name or logo appears. In accordance with the requirements set forth in D.98-11-027, 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 affiliates include the appropriate disclaimer on press releases or educational information provided to the public whenever the requirement is triggered by one of the following: (1) mention of an affiliate whose name includes the word “Sempra;” or (2) mention of SoCalGas and an affiliate within the same press release or educational information. However, providing general information about Sempra Energy and its business projects without mentioning an affiliate, does not trigger the use of the disclaimer. 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 pages of the Sempra.com and applicable Sempra 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 these web sites that mention the utility and an affiliate will 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 Distributed in California:***

When an item’s small size or irregular shape (e.g., golf balls, golf tees, caps) does not facilitate printing an appropriately sized disclaimer on its face, the disclaimer will be inserted or applied by using stickers on the item or the packaging and positioned so that the statement is visible to the prospective customer before or at the same time the name or logo becomes visible.

*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 affiliates or its affiliates’ 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**

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.

*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 from non-affiliated parties. For instance, advertising may be separately purchased by SoCalGas 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.

Additionally, a shared services group may jointly purchase advertising time and space for the entire organization. These costs are directly allocated to the affiliate using the advertising time or space to prevent cross-subsidization.

Sempra Energy may include information on SDG&E, SoCalGas and its affiliates in its communications when the principal purpose of the communication is to inform and educate the public, including investors, about Sempra Energy's businesses and operations and does not promote or market specific products or services nor solicit other business.

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 must be maintained between utility and affiliate employees.

*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 affiliates.

Participation by both utility and affiliate employees at non-industry conferences, such as accounting or legal professional conferences is interpreted to be in compliance with the Rules. These types of events are not considered "marketing" in nature.

Similarly, participation by both utility and affiliate employees in community service or charitable events that are open to the public, such as community clean-up events or charity walks is interpreted to be in compliance with the Rules, as these events are also not considered "marketing" in nature.

*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 or subsidize costs, fees or payments with affiliates for such activities or investments.

#### **V.G.1. Employees**

*Except as permitted in Rule 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) to the extent consistent with Rule V.E (corporate support). 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 describe and verify in the utility's compliance plan required by Rule VI 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, 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**

SoCalGas interprets Rule V.G to apply to employees of SoCalGas, and not to consultants/contractors or employees of temporary third-party agencies. SoCalGas includes an

anti-conduit provisions in all contracting templates to address consultants/contractors or temporary third-party agency personnel who perform work for both the utility and its affiliates.

SoCalGas, SDG&E and Sempra Energy have programs for entry- and junior-level positions in the Finance and Accounting divisions. . The intent of the Utilities' (Management Accounting Rotation Program (MARP) and Sempra Energy's Financial Leadership Program (FLP) is to provide an entry into the workforce through a rotation program that is designed to strengthen the professional competency of potential candidates for junior and mid-level professional positions and improve diversity hiring and promotions. SoCalGas, SDG&E and Sempra Energy representatives for each of these programs may participate in the same career events to explain their individual programs. There is no covered affiliate involved in recruiting under the MARP or FLP; however, participants in either program may support a covered affiliate.

Consistent with the exemptions permitted in D.98-08-035 (modified D.97-12-088) and later confirmed in Resolution G-3238 of the CPUC Rules, the positions of: General Counsel, Secretary/Assistant Secretary, Chief Financial Officer, Controller, and Treasurer may be shared among SoCalGas, SDG&E, Sempra Energy and other affiliates of Sempra Energy. The CPUC permits the sharing of Officers and/or Directors in the above positions.

At present, we have two permissible shared officers. Randall L. Clark is Vice President – Corporate Responsibility and Corporate Secretary of Sempra Energy and Vice President and Secretary of multiple other affiliates. He is also Assistant Secretary of SoCalGas and SDG&E. Jennifer F. Jett is Assistant Secretary of Sempra Energy and Assistant Secretary of multiple other affiliates. She is also Corporate Secretary of SoCalGas and SDG&E. The Chief Financial Officer, Controller and Treasurer positions currently are not shared among SoCalGas, SDG&E, Sempra Energy and the affiliates

At present, we have two permissible shared directors. Javade Chaudhri is Executive Vice President & General Counsel of Sempra Energy and Joseph A. Householder is Executive Vice President & Chief Financial Officer of Sempra Energy. They are also directors and/or managers of several of the affiliates, and both are on the Board of Directors of SoCalGas and SDG&E.

SoCalGas has anti-conduit provisions in place 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 and the parties on the service list of R.97-04-011/I.97-04-012 no later than 30 calendar days following any change to directors and officers shared between Sempra Energy, SoCalGas and other affiliates.

Sempra Energy's senior management continues to conduct meetings to maintain adequate oversight of the Sempra Energy family of companies, 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. A listing of various corporate oversight and governance committees is included in Appendix 2.

Periodically, group meetings are held among members of leadership teams from specific areas or departments within Sempra Energy and its business units. These meetings permit high-level discussions regarding publicly available financial information, corporate strategy and business-unit specific information. Nonpublic utility information is not exchanged. At the start of such group meetings, participants are reminded by an officer that all portions of the meeting, including social exchanges must be conducted in accordance with state and federal affiliate compliance rules. A copy of the Affiliate Rules Information Sharing Guidelines is provided to meeting participants.

In addition, periodic informal gatherings are held at each Sempra Energy business unit to keep employees abreast of significant initiatives throughout the Company. These meetings address information that is in the public domain, packaged in a condensed format. Non-public utility information is not discussed in these gatherings and participants are reminded not to discuss company-specific, nonpublic utility information while in attendance.

*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 tracks all employees who transfer between the utility, Sempra Energy and its affiliates and reports this information annually to the Commission in its Affiliate Transactions Report.

SoCalGas complies with Rule V.G.2.b's "residency" requirements.

*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. 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 tracks all employees who transfer between the utility, Sempra Energy and its affiliates and monitors that transfer fees are paid in accordance with this Rule. SoCalGas has established a distinct account for recording all transfer fees pursuant to Rule V.G.2.c.

SoCalGas conducts exit interviews with all employees that transfer from SoCalGas to Sempra Energy or an affiliate. During the exit interview, employees are required to sign a statement acknowledging that they will not use certain information gained at the utility to benefit the affiliate. The California Utilities' HR department is responsible for ensuring the employee signs an anti-conduit form when transferring from a covered affiliate to the utility. In addition to the exit interview, an "asset inventory" is conducted to review material that the employee requests to



take to the affiliate. SoCalGas retains the assets that may not be transferred pursuant to the Rules. Assets permitted to be transferred are priced pursuant to the Rules.

The SoCalGas Human Resources Department is responsible for ensuring that exit interviews and related asset inventories take place and are documented. ACD follows up with HR to ensure exit interview forms are completed. Transferring employees are provided a copy of these documents. A description of this process is included in the Affiliate Compliance Guidelines (ACG).

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

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

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

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

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

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

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

SoCalGas complies with this Rule when loaning employees on a temporary basis to affiliates not engaged in energy marketing. SoCalGas does not make temporary or intermittent assignments or rotations to its energy marketing affiliates. SoCalGas maintains a list of its “energy marketing affiliates” on the ACD’s intranet web site and SoCalGas’ internet web site at <www.socalgas.com>. SoCalGas defines a “marketing employee” 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.

### **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% on fully loaded labor.*
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**

When transferring goods and services, between SoCalGas and an affiliate, SoCalGas will follow the pricing provisions in Rule V.H.

## **VI.**

### **REGULATORY OVERSIGHT**

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

*No later than June 30, 2007, each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plan shall include:*

1. *A list of all affiliates of the utility, as defined in Rule I A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II.B makes these Rules applicable to the affiliate;*
2. *A demonstration of the procedures in place to assure compliance with these Rules.*

*The utility's 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 where there is some change in the compliance plan (i.e., where there has been a change in the purpose or activities of an affiliate, 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 Plan represents SoCalGas' compliance with this Rule. Appendix 3 to this Plan provides a listing of SoCalGas' covered and non-covered affiliates, as of June 1, 2013 as required by this Rule.

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

*Upon the creation of a new affiliate, 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. The advice letter shall state the affiliate's purpose or activities, whether the utility claims that Rule II.B makes these Rules applicable to the affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules.*

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

SoCalGas will comply with this Rule as new covered and non-covered affiliates are created. Within two business days of notification to SoCalGas, SoCalGas will notify the CPUC of the confirmation of: (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the confirmation of registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S.; and then post this information on its internet web site.

SoCalGas will file an advice letter with the Energy Division within 60 calendar days of the confirmation of : (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the registration with foreign governmental authorities for covered or non-covered affiliates

located outside the U.S. The advice letter will provide the information required by this Rule for the new covered or non-covered affiliate.

The ACD will conduct an annual review of all affiliate business descriptions to assess each affiliate's designation as "non-covered," "covered," and/or "energy marketing." Under this process, the ACD will provide each affiliate's business description to designated affiliate contact personnel to confirm whether the business description remains applicable or whether it has changed. Based upon these responses, the ACD will evaluate whether an affiliate should be reclassified, and then notify the CPUC in accordance with this Rule.

The list of affiliate companies is located on SoCalGas' internet home page at <[www.socalgas.com](http://www.socalgas.com)>. It is accessed by selecting the "**Regulatory**" link, then selecting the "**Affiliate Rules**" link, and then scrolling to the bottom of the page, where the "**List of SoCalGas' Affiliates**" category is found.

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

*The Commission's Energy Division shall have audits performed biennially by independent auditors. The audits shall cover the last two calendar years which ends on December 31, and shall verify that the utility is in compliance with the Rules set forth herein. The Energy Division shall post the audit reports on the Commissioner's Web site. The audits shall be at shareholder expense.*

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

SoCalGas will comply with Rule VI.C's requirements upon notification from the Commission's Energy Division of commencement for the audit. The cost of the audits has been and will continue to be charged to shareholders. The last audit conducted, covering the calendar year 2006, was completed and filed on April 27, 2007 with the CPUC.

#### ***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 Sections 314 and 701, the conditions in the Commission’s orders authorizing the utilities’ holding companies and/or mergers and these Rules.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas and its affiliates will comply with Code Sections 314 and 701.

**VI.E. Officer Certification**

*No later than March 31 of each year, the key officers of a utility and its parent holding company, as defined in Rule V.E (corporate support), shall certify to the Energy Division of the Commission in writing under penalty of perjury that each has personally complied with these Rules during the prior calendar year. The certification shall state:*

*I, [name], hold the office of [title] at [name of utility or holding company], and occupied this position from January 1, [year] to December 31, [year].*

*I hereby certify that I have reviewed the Affiliate Transaction Rules Applicable to Large California Energy Utilities of the California Public Utilities Commission and I am familiar with the provisions therein. I further certify that for the above period, I followed the Rules and am not aware of any violations of them, other than the following: [list or state “none”].*

*I swear/affirm these representations under penalty of perjury of the laws of the State of California.*

\_\_\_\_\_ [Signature]

*Executed at \_\_\_\_\_ [City], County of \_\_\_\_\_, on \_\_\_\_\_ [Date]*

**Procedures and Mechanisms for Ensuring Compliance**

No later than March 31<sup>st</sup> of each year, the key officers of SoCalGas and Sempra Energy, as defined in Rule V.E, file written certifications with the Energy Division of the Commission. The certifications included the following clarification:

“This certificate is based upon information and belief and does not include violations, if any, already reported to the Commission and/or publicly posted during the reporting period consistent with the Utilities’ CPUC affiliate compliance plans. This certificate also excludes audits or

investigations, if any, still in progress at the end of the reporting period. If violations are ultimately found, they will be posted and/or reported consistent with the Utilities' CPUC affiliate compliance plans.”

## **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 Rule VII:*

*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' non-tariffed 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 non-tariffed products and services. In no event shall a utility offer natural gas or electricity commodity service on a non-tariffed 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 non-tariffed basis and which meet the following conditions:*

*VII.C.4.a. the non-tariffed 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 non-tariffed 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 non-tariffed product or service does not violate any law, regulation, or Commission policy regarding anticompetitive practices.*

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

Non-tariffed 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 non-tariffed utility product or service. A utility may offer new non-tariffed 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 non-tariffed 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 non-tariffed products and services; and*

*VII.D.4. Periodic auditing of the costs allocated to and the revenues derived from non-tariffed 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 to prevent cross-subsidization between tariffed and non-tariffed services. A report of non-tariffed products and services, covering the prior year, is filed annually with the CPUC no later than June. Periodic internal audits for the costs allocated to and revenues derived from non-tariffed products and services are performed by the Sempra Energy Audit Services department.

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

*Prior to offering a new category of non-tariffed products or services as set forth in Rule 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. 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.d. be served on the service list of R.97-04-011/I.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 non-tariffed products or services targeted and offered to less than one percent 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 non-tariffed products or services targeted and offered to one percent 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 non-tariffed product and service, it will file an advice letter with the provisions 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 non-tariffed 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 non-tariffed) 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 non-tariffed 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 Non-tariffed Products and Services***

*Any utility offering non-tariffed 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 non-tariffed 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 Non-tariffed Products and Services to Affiliates***

*Non-tariffed 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 non-tariffed 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**

ACD is responsible for monitoring compliance with the Rules and SoCalGas' Compliance Plan. The Affiliate Compliance Officer (SoCalGas VP - Accounting & Finance) is responsible for compliance with the Rules and SoCalGas' Compliance Plan. The Affiliate Compliance Officer delegates to the Manager – Accounting Systems & Compliance responsibility for receiving, investigating, and attempting to resolve complaints. SoCalGas will follow the procedures delineated in Rule VIII.C.2 through VIII.C.4 when a complaint is received and processed for resolution.

*VIII.C.5. The Commission shall maintain on its Web site 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 is 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 15 calendar 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 is 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 utilizes web-based training, the Affiliate Compliance Guidelines (ACG), SoCalGas' Compliance Plan, and Sempra Energy's Code of Business Conduct, which are all available to employees on SoCalGas' intranet, to ensure that employees are knowledgeable of the Rules.

Training directs employees to contact ACD, the Affiliate Compliance Helpline, the Ethics Helpline or their Affiliate Compliance Coordinator to report any potential violation of the Rules. They also allow the employee to report potential weaknesses in internal controls. The Ethics Helpline allows for the reporting of an issue with or without identifying the source. Affiliate transactions issues reported to the Ethics Helpline are forwarded to the Manager - Accounting Systems & Compliance. It is the Company's obligation to ensure that any such concerns, raised in good faith, can be done so without retaliation and are appropriately investigated and resolved.

Upon notification of an alleged violation, the Manager - Accounting Systems & Compliance, or any employee designated by the Manager - Accounting Systems & Compliance, will immediately begin an investigation into the alleged violation and notify the Affiliate Compliance Officer and the Law Department 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 reviewing 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.

ACD will maintain records of facts gathered in conjunction with the investigation. SoCalGas will evaluate the nature of the violation and will notify the CPUC either through written communication or by 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 is required for Rules VIII.D.2.b.iii through VIII.D.2.b.v.

**IX.**  
**PROTECTING THE UTILITY'S FINANCIAL HEALTH**

***IX.A. Information from Utility on Necessary Capital.***

*Each utility shall provide to the Commission on the last business day of November of each year a report with the following information:*

- 1. the utility's estimate of investment capital needed to build or acquire long-term assets (i.e. greater than one year), such as operating assets and utility infrastructure, over each of the next five years;*
- 2. the utility's estimate of capital needed to meet resource procurement goals over each of the next five years;*
- 3. the utility's policies concerning dividends, stock repurchase and retention of capital for each year;*
- 4. the names of individuals involved in deciding corporate policies for the utility's dividends, stock repurchase and retention of capital;*
- 5. the process by which corporate policies concerning dividends, stock repurchase and retention of capital are implemented; and*
- 6. how the utility expects or intends to meet its investment capital needs.*

**Procedures and Mechanisms for Ensuring Compliance**

SoCalGas initiates a long term planning process in the third quarter of each calendar year. The planning process yields projections of investment capital requirements to meet long term infrastructure and procurement needs, the methods and policies used to meet these needs, and the approximate implementation period for such policies. SoCalGas will file a report with the information required by 1-6 above on an annual basis no later than the last business day of November.

***IX.B. Restrictions on Deviations from Authorized Capital Structure.***

*A utility shall maintain a balanced capital structure consistent with that determined to be reasonable by the Commission in its most recent decision on the utility's capital structure. The utility's equity shall be retained such that the Commission's adopted*

*capital structure shall be maintained on average over the period the capital structure is in effect for rulemaking purposes. Provided, however, that a utility shall file an application for a waiver, on a case by case basis and in a timely manner, of this Rule if an adverse financial event at the utility reduces the utility's equity ratio by one percent or more. In order to assure that regulatory staff has adequate time to review and assess the application and to permit the consideration of all relevant facts, the utility shall not be considered in violation of this Rule during the period the waiver is pending resolution. Nothing in this provision creates a presumption of either reasonableness or unreasonableness of the utility's actions which may have caused the adverse financial event.*

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

SoCalGas will maintain a balanced capital structure in accordance with the provisions set forth in this Rule.

#### ***IX.C. Ring-Fencing.***

*Within three months of the effective date of the decision adopting this amendment to the Rules, a utility shall obtain a non-consolidation opinion that demonstrates that the ring-fencing around the utility is sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company. The utility shall promptly provide the opinion to the Commission. If the current ring-fencing provisions are insufficient to obtain a non-consolidation opinion, the utility shall promptly undertake the following actions:*

- 1. notify the Commission of the inability to obtain a non-consolidation opinion;*
- 2. propose and implement, upon Commission approval, such ring-fencing provisions that are sufficient to prevent the utility from being pulled into bankruptcy of its parent holding company; and then*
- 3. obtain a non-consolidation opinion.*

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

On March 14, 2007, Sempra Energy filed with the Commission a non-consolidation opinion, on behalf of SoCalGas, demonstrating that the ring-fencing around the utility is sufficient to prevent

the utility from being pulled into bankruptcy of its parent holding company. No additional compliance action is required.

***IX.D. Changes to Ring-Fencing Provisions.***

*A utility shall notify the Commission of any changes made to its ring-fencing provisions within 30 days.*

**Procedures and Mechanisms for Ensuring Compliance**

If material changes are made to SoCalGas' ring fencing provisions, SoCalGas will notify the Commission within 30 calendar days in accordance with this Rule.

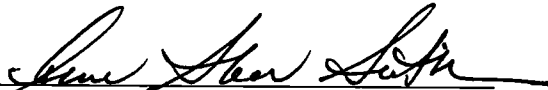
## **Appendix 1**

### **SoCalGas and Sempra Energy Officer Verifications**

## OFFICER VERIFICATION

In order to comply with the requirements set forth in D.97-12-088, as modified by D.06-12-029, I make the following verifications:

1. Pursuant to Rule 1.A., I verify that the procedures and mechanisms 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 a conduit to circumvent any of these Rules.
2. Pursuant to Rule V.E., I verify that the procedures and mechanisms described in SoCalGas' revised Affiliate Compliance Plan, specifically the procedures and mechanisms for Rule V.E. and the measures set forth by the Anti-Conduit provisions, 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 procedures and mechanisms described in SoCalGas' revised Affiliate Compliance Plan, specifically the procedures and mechanisms for Rules V.E. and V.G. and the measures set forth by the Anti-Conduit provisions, are adequate to ensure that SoCalGas is not utilizing shared officers and directors as a conduit to circumvent any of these Rules.

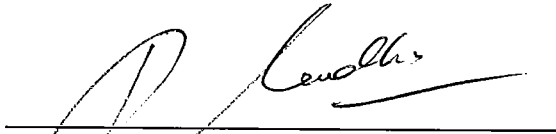


André Shen Smith  
Chief Executive Officer  
Southern California Gas Company

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3. Pursuant to Rule V.G.1., I verify that the procedures and mechanisms described in SoCalGas revised Affiliate Compliance Plan, specifically the procedures and mechanisms for Rules V.E. and V.G. and the measures set forth by the Anti-Conduit provisions are adequate to ensure that SoCalGas is not utilizing shared officers and directors as a conduit to circumvent any of these Rules.




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Javade Chaudhri  
Executive Vice President & General Counsel  
Sempra Energy

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In order to comply with the requirements set forth in D.97-12-088, as modified by D.06-12-029, I make the following verifications:

1. Pursuant to Rule 1.A., I verify that the procedures and mechanisms 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 procedures and mechanisms described in SoCalGas' revised Affiliate Compliance Plan, specifically the procedures and mechanisms for Rule V.E. and the measures set forth by the Anti-Conduit provisions, 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 procedures and mechanisms described in SoCalGas' revised Affiliate Compliance Plan, specifically the procedures and mechanisms for Rules V.E. and V.G. and the measures set forth by the Anti-Conduit provisions, are adequate to ensure that SoCalGas is not utilizing shared officers and directors as a conduit to circumvent any of these Rules.

  
\_\_\_\_\_  
Cheryl A. Shepherd  
Vice President, Accounting & Finance  
Southern California Gas Company



## **Appendix 2**

### **Corporate Oversight and Governance Committees**

## Sempra Energy Corporate Oversight & Governance Committees

Sempra Energy’s management and management of certain of its subsidiaries participate in various recurring corporate oversight and governance related committees to help ensure sufficient oversight of the Sempra Energy family of companies, while preserving business unit autonomy and accountability. The committee meetings are all conducted consistently with applicable state and federal affiliate transaction rules and other relevant guidelines.

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
<b>Compliance Committee</b>	<ul style="list-style-type: none"> <li>• EVP, General Counsel and Chief Compliance Officer (Sempra Energy (“<i>Sempra</i>”))</li> <li>• SVP – HR, Diversity &amp; Inclusion and Chief Ethics Officer (Sempra)</li> <li>• CEO and Chief Compliance Officer (Sempra U.S. Gas &amp; Power (“<i>USG&amp;P</i>”))</li> <li>• Chief Counsel (USG&amp;P)</li> <li>• CEO and Chief Compliance Officer (Sempra International (“<i>SI</i>”))</li> <li>• Chief Counsel (SI)</li> <li>• CEO and Chief Compliance Officer (San Diego Gas &amp; Electric Company (“<i>SDG&amp;E</i>”))</li> <li>• VP and General Counsel (SDG&amp;E)</li> <li>• CEO and Chief Compliance Officer (Southern California Gas Company (“<i>SoCalGas</i>”))</li> <li>• VP and General Counsel (SoCalGas)</li> <li>• VP – Corporate Compliance (Sempra)</li> <li>• VP – Audit Services (Sempra)</li> <li>• Associate General Counsel (Sempra)</li> </ul> <p><b>Chair:</b> EVP, General Counsel and Chief Compliance Officer (Sempra) <b>Vice-Chair:</b> VP – Corporate Compliance (Sempra)</p>	Helps ensure corporate compliance with applicable federal, state, local and international laws and regulations and provides a forum for review of corporate compliance and ethics issues.	As frequently as deemed appropriate by the Chair, but not less than once a year
<b>Pension and Benefits Committee</b>	<ul style="list-style-type: none"> <li>• CFO (Sempra)</li> <li>• Most senior Human Resources officer (Sempra)</li> <li>• Treasurer (Sempra)</li> <li>• Controller (Sempra)</li> <li>• CEO (SoCalGas)</li> <li>• Such other officers as may be appointed by the Sempra Compensation Committee, currently:               <ul style="list-style-type: none"> <li>• Randall L. Clark, VP – Corporate Responsibility and Corporate Secretary (Sempra)</li> <li>• Dennis V. Arriola, President (SoCalGas)</li> </ul> </li> </ul> <p><b>Chair:</b> CFO (Sempra)</p>	As delegated by the Compensation Committee of the Sempra Energy Board of Directors, administers and exercises fiduciary and settlor authority and responsibility over retirement, pension and welfare plans of Sempra Energy and its subsidiaries. Exercises only settlor duties, not fiduciary duties, over savings plans of Sempra Energy and its subsidiaries.	No less frequently than semi-annually

## Sempra Energy Corporate Oversight & Governance Committees

COMMITTEE	MEMBERS	PURPOSE	FREQUENCY
<b>Benefits Committee (subcommittee of the Pension and Benefits Committee)</b>	<ul style="list-style-type: none"> <li>• Most senior Human Resources officer (Sempra)</li> <li>• VP – HR, Diversity and Inclusion (SDG&amp;E)</li> <li>• VP – HR, Diversity and Inclusion (SoCalGas)</li> <li>• Chair may appoint two director-level employees from any Sempra Global business unit or Corporate Center, currently:               <ul style="list-style-type: none"> <li>• Len J. Dasho, Director – HR (Sempra LNG)</li> <li>• Robert W. Duffield, Director – HR (USG&amp;P)</li> </ul> </li> </ul> <p><b>Chair:</b> Most senior Human Resources officer (Sempra)</p>	As delegated by the Pension and Benefits Committee, exercises primary fiduciary and administrative responsibility over claims brought under the retirement, pension and health and welfare plans of Sempra Energy and its subsidiaries.	No less frequently than semi-annually
<b>Plan Funding Committee</b>	<ul style="list-style-type: none"> <li>• CFO (Sempra)</li> <li>• Most senior Human Resources officer (Sempra)</li> <li>• Treasurer (Sempra)</li> <li>• Controller (Sempra)</li> <li>• CEO (SoCalGas)</li> <li>• Such other officers as may be appointed by the Sempra Compensation Committee, currently:               <ul style="list-style-type: none"> <li>• Randall L. Clark, VP – Corporate Responsibility and Corporate Secretary (Sempra)</li> <li>• Dennis V. Arriola, President (SoCalGas)</li> </ul> </li> </ul> <p><b>Chair:</b> CFO (Sempra)</p>	As delegated by the Compensation Committee, establishes a funding policy and method for pension plans, savings plans and retiree health plans of Sempra Energy and its subsidiaries; approves the amount and timing of contributions to define benefit plans and defined contribution plans.	No less frequently than semi-annually
<b>Disclosure Committee</b>	<ul style="list-style-type: none"> <li>• Chairman (Sempra)</li> <li>• CEO (Sempra)</li> <li>• President (Sempra)</li> <li>• EVP and General Counsel (Sempra)</li> <li>• EVP and CFO (Sempra)</li> <li>• Controller and CAO (Sempra) (<b>Chair</b>)</li> <li>• SVP – Corporate Development (Sempra)</li> <li>• VP and Treasurer (Sempra)</li> <li>• VP – Audit Services (Sempra)</li> <li>• VP – Investor Relations (Sempra)</li> <li>• Chief Corporate Counsel (Sempra)</li> <li>• Director, Financial Reporting (Sempra)</li> <li>• Corporate Secretary (Sempra)</li> <li>• CEO (SoCalGas)</li> <li>• CEO (SDG&amp;E)</li> <li>• VP, Controller and CFO (SDG&amp;E and SoCalGas)</li> <li>• SVP – Finance, Regulatory and Legislative Affairs (SDG&amp;E and SoCalGas)</li> <li>• CEO (USG&amp;P)</li> <li>• VP and Controller (USG&amp;P)</li> <li>• CEO (SI)</li> <li>• Controller (SI)</li> <li>• Assistant Controller (Sempra)</li> </ul> <p><b>Chair:</b> Controller and CAO (Sempra)</p>	Reviews and approves all filings of Sempra Energy and its subsidiaries with the Securities & Exchange Commission and other federal or state agencies requiring officer certifications. The purpose of the review is to ensure that all appropriate and necessary disclosures are made about the entity’s operations and financial condition.	Quarterly (in connection with each Form 10-K, Form 10-Q and otherwise as requested by Chair)

## Sempra Energy Corporate Oversight & Governance Committees

<p><b>*Savings Plan Fiduciary Committee</b></p> <p>* Committee members appointed by name, not title.</p>	<ul style="list-style-type: none"> <li>• Jimmie I. Cho (SoCalGas)</li> <li>• Scott D. Drury (SDG&amp;E)</li> <li>• Bruce A. Folkmann (USG&amp;P)</li> <li>• William B. Keller (Sempra LNG)</li> <li>• J. Bret Lane (SDG&amp;E and SoCalGas)</li> <li>• Dale Kelly-Cochrane (Sempra LNG)</li> <li>• Cheryl A. Shepherd (SoCalGas)</li> <li>• Hal D. Snyder (SoCalGas)</li> </ul> <p><b>Chair:</b> William B. Keller (Sempra LNG)</p>	<p>As delegated by the Compensation Committee, exercises authority and fiduciary responsibility over investments for all qualified savings plans maintained by Sempra Energy and its subsidiaries and Sempra Energy's Employee Stock Ownership Plan.</p>	<p>No less frequently than semi-annually</p>
<p><b>*Sempra Energy SOX Steering Committee</b></p> <p>* Committee members appointed by name, not title.</p>	<ul style="list-style-type: none"> <li>• Trevor Mihalik, Controller &amp; CAO (Sempra) (Chair)</li> <li>• Joe Householder, EVP and CFO (Sempra)</li> <li>• Virginia Oliver, Director, Financial Reporting, (Sempra)</li> <li>• Bruce Folkmann, VP and Controller (USG&amp;P)</li> <li>• Bob Schlax, VP, Controller and CFO (SDG&amp;E)</li> <li>• Patti Wagner, VP, Audit Services (Sempra)</li> <li>• Amy Chiu – VP, Information Technology (SDG&amp;E and SoCalGas)</li> <li>• John Dill, Controller (SI)</li> <li>• Randy Rose, Senior Director - Corporate Tax (Sempra)</li> <li>• David Sarkaria, Director, Compensation and Benefits (Sempra)</li> <li>• Patty McMahon, SOX Compliance and Policies Manager (Sempra Corporate and Global)</li> <li>• Steve Yevchak, Director, Financial Services and Business Controls (SDG&amp;E)</li> <li>• Jack Guidi, SOX Compliance &amp; Policy Manager (SDG&amp;E)</li> <li>• Ramon Gonzales, Manager – Accounting Systems &amp; Compliance (SoCalGas)</li> </ul> <p><b>Chair:</b> Trevor Mihalik, Controller &amp; CAO (Sempra)</p>	<p>Oversees and monitors the annual SOX compliance efforts of Sempra Energy.</p>	<p>Quarterly</p>

## **Appendix 3**

### **Listing of Covered and Non-Covered Affiliates**

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
1369202 Alberta ULC	Holding company.	Non Covered
Auwahi Holdings, LLC	Holding company.	Non Covered
Auwahi Wind Energy LLC	Develop, own and operate a wind power generation in Hawaii.	Covered - Energy Marketing Affiliate
Auwahi Wind, LLC	Holding company.	Non Covered
Bay Gas Storage Company, Ltd.	Operation of facilities for storage and transmission of natural gas	Covered
Califia Company	Computer leasing services, owns farmland in Arizona. Inactive	Non Covered
Cameron Interstate Pipeline, LLC	Construct, maintain and operate a natural gas pipeline in Louisiana. Previously Cameron Pipeline, LLC	Covered
Cameron LNG Holdings, LLC	This company will eventually be jointly owned by Sempra LNG Holdings II, LLC and its co-developers in connection with the Cameron LNG liquefaction project and will own Cameron LNG LLC.	Non Covered
Cameron LNG, LLC	Developing and constructing a liquefied gas storage project located in Hackberry, LA. Operation of an LNG storage facility.	Covered
CamPipe Corp.	Holding company.	Non Covered
Camuzzi Gas del Sur S.A.	Gas distribution services	Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Camuzzi Gas Pampeana S.A.	Natural gas distribution company that distributes gas to customers in Central and Southern Argentina.	Covered
Casablanca Generacion S.A.	Generate, transport, transform, purchase supply and/or sell electric energy or any kind of energy	Covered - Energy Marketing Affiliate
Catoctin Power, LLC	Inactive. Operating company	Non Covered
Cedar Creek II Holdings LLC	Holding company.	Non Covered
Cedar Creek II Wind Energy, LLC	Holding company.	Non Covered
Cedar Creek II, LLC	Develop, own, finance, construct operate and maintain wind energy generation facility in Colorado	Covered - Energy Marketing Affiliate
Chilquinta Energia, S.A.	Generation, transmission and distribution of electricity to industrial, commercial and residential customers in Chile.	Covered
Compañía Electrica Del Litoral S.A.	Produces, acquires, transports, distributes and sells electric energy in Chile.	Covered - Energy Marketing Affiliate
Controladora Sierra Juarez, S. de R.L. de C.V.	To act as Holding company, promote, incorporate, organize, exploit and participate in the capital stock and patrimony of corporations, associations or other entities, commercial or civil, domestic or foreign.	Non Covered
Copper Mountain Energy, LLC	Develop, own and operate a natural gas-fired power generation facility in Boulder City, Nevada	Covered - Energy Marketing Affiliate
Copper Mountain Power, LLC	Holding company.	Non Covered
Copper Mountain Solar 1, LLC	Develop, own, and operate a solar power generation facility in Nevada.	Covered - Energy Marketing Affiliate

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Copper Mountain Solar 2 Holdings, LLC	Holding company.	Non Covered
Copper Mountain Solar 2 Sempra Holdings, LLC	Holding company.	Non Covered
Copper Mountain Solar 2, LLC	Develop, own, and operate a solar power generation facility in Nevada.	Covered - Energy Marketing Affiliate
Copper Mountain Solar 3, LLC	Develop, own and operate a solar power generation facility in Nevada	Covered - Energy Marketing Affiliate
Copper Mountain Solar 4, LLC	Develop, own and operate a solar power generation facility in Nevada	Covered - Energy Marketing Affiliate
CS Sur S.A.	Inactive	Non Covered
Ductos y Energeticos del Sureste, S. de R.L. de C.V	Holding company.	Non Covered
Ecogas Mexico, S. de R.L. de C.V.	Operates gas distribution companies with franchises in Chihuahua, Torreon/Durango (La Laguna) and Mexicali	Covered
ELETRANS S.A.	Construction, operation and maintenance of transmission or electricity transportation assets. The exploitation, development and commercialization of its own or third party's electric systems destined to the transmission and transformation of electricity.	Covered
Empresa de Distribucion Electrica de Canete S.A.	Electric power distribution. To distribute, transmit, generate, transport, transform, buy, supply or sell electric energy in Peru.	Covered - Energy Marketing Affiliate
Energia Costa Azul, S. de R.L. de C.V.	Own and operates an LNG storage facility in Baja California, Mexico	Covered



**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Energia de Casablanca S.A.	Distribute, transmit, generate, transport, transform, buy, supply or sell electric energy or energy of any nature in Chile.	Covered - Energy Marketing Affiliate
Energia Sierra Juarez Holding, S. de R.L. de C.V.	Holding company.	Non Covered
Energia Sierra Juarez II U.S., LLC	Sell power in the U.S. from an ESJ wind power generation facility.	Covered - Energy Marketing Affiliate
Energia Sierra Juarez III U.S., LLC	Sell power in the U.S. from an ESJ wind power generation facility.	Covered - Energy Marketing Affiliate
Energia Sierra Juarez U.S. Holdings, LLC	Holding company.	Non Covered
Energia Sierra Juarez U.S. Transmission, LLC	The company will develop, own and operate generation - tie power line facilities from the U.S. - Mexico border to a point of interconnection in the U.S.	Covered
Energia Sierra Juarez U.S., LLC	Sell power in the U.S. from an ESJ wind power generation facility.	Covered - Energy Marketing Affiliate
Energia Sierra Juarez, S. de R.L. de C.V.	Wind power project development	Covered
Energy Business International S.R.L.	Holding company.	Non Covered
EnergySouth, Inc.	Holding company.	Non Covered
Enova Corporation	Holding company for San Diego Gas & Electric	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
ESJ Global Services, S. de R.L. de C.V.	Operation and Maintenance Services.	Covered
ESJ Turbinas, S. de R.L. de C.V.	Wind power project development	Non Covered
ESJ Trubinas II, S. de R.L. de C.V. ("ESJTII")	Wind power project development	Non Covered
Flat Ridge 2 Wind Energy LLC	Develop, own, finance, construct, operate and maintain wind energy project in Kansas	Covered - Energy Marketing Affiliate
Flat Ridge 2 Wind Holdings LLC	Holding company.	Non Covered
Flat Ridge 2 Wind, LLC	Holding company for wind power project development in Kansas.	Non Covered
Fowler II Holdings, LLC	Holding company.	Non Covered
Fowler Ridge II Wind Farm LLC	In addition to other permissible activities, the Company is authorized to develop, own, finance, construct and operate a wind energy generation facility located in Benton, IN.	Covered - Energy Marketing Affiliate
Fowler Ridge II Wind, LLC	Holding company.	Non Covered
Gasoducto de Aguaprieta, S. de R.L. de C.V.	Transportation and compression of natural gas.	Covered
Gasoducto del Sur S.A.	Transport, store and distribute natural gas and petroleum products.	Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Gasoducto Rosarito, S. de R.L. de C.V.	Transportation and compression of natural gas.	Covered
Gasoductos de Chihuahua, S. de R.L. de C.V.	Holding, Transportation and compression of natural gas.	Covered
Gasoductos de Tamaulipas, S. de R.L. de C.V.	Transportation of Natural Gas.	Covered
Gasoductos del Noreste, S. de R.L. de C.V.	Transportation of Natural Gas.	Covered
Gasoductos del Sureste, S. de R.L. de C.V.	Transportation of Ethane	Covered
Gasoductos Servicios, S. de R.L. de C.V.	Employee services company for PEMEX JV	Non Covered
Generadora Electrica Sauce Los Andes S.A.	Production, acquisition, transportation and distribution of electricity and building and acquiring power stations and substations in Chile	Covered - Energy Marketing Affiliate
Granite Fox Power, LLC	Inactive. Operating company	Covered
Infraestructura Energetica Nova, S.A. de C.V. (IENOVA)	Holding company.	Non Covered
Inmobiliaria de Litoral S.A.	Building rental service and real estate investments in Chile.	Non Covered
Inmobiliaria Luz Del Sur S.A.	Sell, purchase, lease and construction of real properties in Peru.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Inversiones en Servicios Eléctricos S.R.L.	Holding company.	Non Covered
LA Storage, LLC	Formed to own and operate gas storage facility.	Covered
Liberty Gas Storage LLC	Developing a natural gas storage facility in Louisiana.	Covered
Liberty Pilot, LLC	Inactive. Financing special purpose entity	Non Covered
Linaga Limited	Holding company.	Non Covered
Luz del Sur S.A.A.	Distributes electricity to customers in Peru. In addition the company may develop any other activity related or derived from the use, operation and/or disposal of its infrastructure, resources, assets as well as activities related to its main corporate purpose.	Covered
Luzlinares S.A.	Distribute, transmit, generate, transport, transform, purchase, supply and sell electric energy in Chile.	Covered - Energy Marketing Affiliate
Luzparral S.A.	To distribute, transmit, generate, transport, buy supply or sell electric energy.	Covered - Energy Marketing Affiliate
Mehoopany Wind Energy LLC	Develop, own, finance, construct operate and maintain wind energy generation facility in Pennsylvania	Covered - Energy Marketing Affiliate
Mehoopany Wind Holdings LLC	Holding company.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Mehoopany Wind, LLC.	Holding company for wind power project development in Pennsylvania.	Non Covered
Mesquite Power Operations, LLC	Conduct operating and maintenance activities and hold permits for the Mesquite Generating Station.	Covered
Mesquite Power, LLC	Develop, own and operate a natural gas-fired power generation facility in Arizona.	Covered - Energy Marketing Affiliate
Mesquite Solar 1 Holdings, LLC	Holding company.	Non Covered
Mesquite Solar 1 Sempra Holdings, LLC	Holding company.	Non Covered
Mesquite Solar 1, LLC	The business purpose and character of the Company shall be limited to (a) developing, constructing, financing, owning, operating and managing a 150-MW utility-scale photovoltaic (PV) electricity generation facility and associated infrastructure on a 700-acre project site located in Maricopa County, Arizona and (b) engaging in any other activity directly or indirectly necessary or advisable for accomplishment of the foregoing purposes.	Covered - Energy Marketing Affiliate
Mesquite Solar Development, LLC	Inactive operating company [the business purpose that had been contemplated is instead being fulfilled by SEP II, LLC]	Non Covered
MGS Marketing Services, Inc.	Inactive. Natural gas marketing services	Non Covered
Mississippi Hub Acquisition Company, LLC	Acquisition and development of gas storage facility and related pipelines	Covered
Mississippi Hub, LLC	Operation of 7 ( c ) storage facility and related pipelines	Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Mobile Gas Service Corporation	Acquisition, accumulation, storage and distribution of natural gas and/or artificial gas and/or by products thereof	Covered
MS Hub Bond Company, LLC	Financing special purpose entity	Non Covered
NanoProducts Corporation	Inactive (all assets sold Jan. 2008 but we still own percentage of company) - formerly did research and development of advanced hydrogen reformation systems as well as the engineering, manufacturing and distribution of nano-scale powders for catalysts and other applications.	Non Covered
Northeast Express Pipeline LLC	Inactive. Pipeline project development.	Non Covered
Oahu Solar 1, LLC	Operating Company	Covered
Oahu Wind 1, LLC	Operating Company	Covered
Ontario-Quinta S.R.L.	Holding company for Luz del Sur S.A.A.	Non Covered
P&S Project I, LLC	Holding company.	Non Covered
P&S Project II, LLC	Inactive-pipeline project development	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Pacific Diversified Capital Company	Inactive. Formerly conducted real estate financing and investments. One of such investments was Rio Blanco property in Colorado which generates oil development profits.	Non Covered
Pacific Enterprises	Holding company.	Non Covered
Pacific Enterprises Energy Management Services	Holding company.	Non Covered
Pacific Enterprises International	International gas development Holding company.	Non Covered
Pacific Enterprises Leasing Company	Leasing of commercial and industrial equipment.	Non Covered
Pacific Enterprises Oil Company (USA)	Inactive. Operating company	Non Covered
Pacific Enterprises Oil Company (Western)	Exploration and production of oil and gas. A wholly-owned subsidiary of PEOC, and owns the oil rights to certain shallow zones in the Aliso Canyon storage field.	Covered
Pacific Enterprises Oil Company LLC	Holding company	Non Covered
Pacific Interstate Company	Holding company. Inactive	Non Covered
Pacific Lighting Corporation	Name Holding company (Inactive)	Non Covered
Pacific Lighting Gas Development Company	Name Holding company (Inactive).	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? (Covered/Non Covered)</b>
Palomar Energy, LLC	Inactive. Operating company	Non Covered
Pay'n Save Drug Stores, Incorporated	Inactive. Operating company	Non Covered
PE International Canada, S. de R.L. de C.V.	Holding company.	Non Covered
PEOC Santa Fe Springs, LLC	Hold property rights in Santa Fe Springs, California.	Non Covered
Peruvian Opportunity Company S.A.C.	Holding company.	Non Covered
Peruvian Services Company II S.R.L.	Holding company.	Non Covered
Peruvian Services Company S.R.L.	General Investment	Non Covered
Port Arthur LNG Holdings, LLC	Holding company.	Non Covered
Port Arthur LNG, LLC	Developing a marine receipt terminal and associated facilities for LNG and petroleum products be located near Port Arthur, Texas	Covered
Port Arthur Pipeline Holdings, LLC	Holding company.	Non Covered
Port Arthur Pipeline, LLC	Inactive. Formed to construct and operate a natural gas pipeline	Non Covered



**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Rabley Holdings, Inc.	Land Holding company	Non Covered
RBS Sempra Commodities Coöperatief W.A.	Holding company.	Non Covered
RBS Sempra Commodities Holdings I B.V.	Holding company.	Non Covered
RBS Sempra Commodities LLP	Holding company.	Non Covered
RBS Sempra Energy Trading Mexico, S. de R.L. de C.V.	Operating company (Inactive)	Non Covered
RBS Sempra Products Limited	Holding company.	Non Covered
Rockies Express Pipeline, LLC (Merged into Entrega Gas Pipeline, LLC on 4/1/06) surviving entity's name is REX	Acquire own develop and operate the Rockies Pipeline project and the Entrega Gas project	Covered
SEBCP, Inc.	Holding company.	Non Covered
SECMP, LLC	Holding company.	Non Covered
SECP, LLC	Holding company.	Non Covered
SEI Storage Corp.	Holding company.	Non Covered
SEMCO HOLDCO, S. de R.L. de C.V.	To act as Holding company, promote, incorporate, organize, exploit and participate in the capital stock and patrimony of corporations, associations or other entities, commercial or civil, domestic or foreign.	Non Covered
Sempra	Inactive - name Holding company.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Alaska Holding Corp.	Holding company.	Non Covered
Sempra Alaska, LLC	Project development in Alaska.	Covered
Sempra Americas Bermuda Ltd	Holding company.	Non Covered
Sempra Cayman Americas Ltd.	Holding company.	Non Covered
Sempra Chile S.A.	Holding company.	Non Covered
Sempra Chilean Equity II Ltd.	Holding company.	Non Covered
Sempra Chilean Equity III Ltd.	Holding company.	Non Covered
Sempra Chilean Equity, Ltd	Holding company.	Non Covered
Sempra Commodities, Inc.	Holding company.	Non Covered
Sempra Compression Mexico, S. de R.L. de C.V.	Distribution, transportation, storage and commercialization of Natural Gas	Covered
Sempra Corporation	Inactive. Name Holding company	Non Covered
Sempra Desert Sunlight Holdings, LLC	Inactive. Holding company	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Ecogas Holdings, LLC	Holding company.	Non Covered
Sempra Employee Giving Network	Encourage, organize and facilitate the support of community based charitable organization and activities on the part of the employees of Sempra Energy, its subsidiaries and affiliates.	Non Covered
Sempra Energy	Holding company.	Non Covered
Sempra Energy (Denmark-1) ApS	Holding company.	Non Covered
Sempra Energy Capital Trust I	Inactive. Registered Business Trust acting as Financing vehicle.	Non Covered
Sempra Energy Capital Trust II	Inactive. Registered Business Trust acting as Financing vehicle.	Non Covered
Sempra Energy Capital Trust III	Inactive. Registered Business Trust acting as Financing vehicle.	Non Covered
Sempra Energy Elk Hills Power Corp.	Holding company (Inactive)	Non Covered
Sempra Energy Enterprises	Holding company.	Non Covered
Sempra Energy Foundation	To operate exclusively for charitable purposes within the meaning of 501(c)(3) of the Internal Revenue Code (the "Code"), including making grants to individuals and non-profit organizations or by making program-related investments as defined in Section 4944(c) of the Code.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Energy Holdings III B.V.	Holding company.	Non Covered
Sempra Energy Holdings IX B.V.	Holding company.	Non Covered
Sempra Energy Holdings V B.V.	Holding company.	Non Covered
Sempra Energy Holdings VI B.V.	Holding company.	Non Covered
Sempra Energy Holdings VIII B.V.	Holding company.	Non Covered
Sempra Energy Holdings XI B.V.	Holding company.	Non Covered
Sempra Energy International	Holding company.	Non Covered
Sempra Energy International (Cayman) CEP	Holding company.	Non Covered
Sempra Energy International (Espana), LLC	Holding company.	Non Covered
Sempra Energy International (Espana), Sociedad Limitada Unipersonal	Purpose is to acquire, hold, manage and transfer securities and stock in entities. Owns investments in South America, including gas and electricity distribution entities in Chile, Peru and Argentina.	Non Covered
Sempra Energy International Argentina	Holding company	Non Covered
Sempra Energy International Holdings N.V. ("BV1")	Holding company.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Energy Name Co.	Inactive - name Holding company.	Non Covered
Sempra Energy Partners, LLC	Holding company. Inactive	Non Covered
Sempra Energy Power I	Holding company.	Non Covered
Sempra Energy Sales, LLC	Inactive- Entity only holds amounts supporting guarantee that is to be settled in connection with disposition of sister business unit. Thereafter, it will be dissolved. Prior activities included marketing, sales and management services of electricity and natural gas to commercial and industrial customers.	Covered
Sempra Energy Trading (Calgary) ULC	Inactive- formerly a wholesale trading company that participated in marketing and trading of commodities related to natural gas, power, crude oil and other associated commodities. Operating company effective 10/11/2011 and currently in liquidation.	Covered
Sempra Energy Trading (Canada) ULC	Inactive - formerly an agent in Canada to introduce energy trading business to Sempra Energy Trading. Operating Company effective 10/1/2011 and currently in liquidation	Covered
Sempra Energy Trading LLC	Wholesale trading company that participates in marketing and trading of energy products, including natural gas, power, crude oil and associated commodities. Operating company currently in wind down.	Covered - Energy Marketing Affiliate
Sempra Finance and Consulting Group, LLC	Service company that provides business and financial analysis and consulting for Sempra Energy and its subsidiaries.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Financial	Holding company effective 1/1/12	Non Covered
Sempra Gasoductos Holding, S. de R.L. de C.V.	Holding company.	Non Covered
Sempra Gasoductos Mexico, S. de R.L. de C.V.	Holding company.	Non Covered
Sempra Generation	Holding company. Acquires, develops and operates power plants for the wholesale market throughout North America. Previously Sempra Energy Resources	Covered - Energy Marketing Affiliate
Sempra Global	Holding company.	Non Covered
Sempra Global Services, Inc.	Service Company that provides engineering, construction and other services for Sempra Global and its subsidiaries.	Non Covered
Sempra International, LLC	principal business unit subsidiary and services entity	Covered
Sempra LNG	Holding company.	Non Covered
Sempra LNG GP, LLC	Holding company.	Non Covered
Sempra LNG Holdings I, LLC	Holding company.	Non Covered
Sempra LNG Holdings II, LLC	Holding company.	Non Covered
Sempra LNG Holdings LP	Holding company.	Non Covered
Sempra LNG International, LLC	To contract for the acquisition and shipping of LNG cargos.	Covered - Energy Marketing Affiliate

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra LNG Marketing Mexico, S. de R.L. de C.V.	Holds LNG terminal capacity, pipeline capacity and CFE supply contracts. Buys and sells LNG and natural gas	Covered - Energy Marketing Affiliate
Sempra LNG Marketing, LLC	Sempra LNG Marketing Corp. was created for the purposes of holding capacity contracts with LNG terminals and pipelines in US and Mexico	Covered - Energy Marketing Affiliate
Sempra Management, S. de R.L. de C.V.	Provides technical, consulting and administrative services in connection with natural gas transportation entities.	Non Covered
Sempra Midstream Services, Inc.	Asset optimization, gas commodity purchase and sales, and related services	Covered - Energy Marketing Affiliate
Sempra Midstream, Inc.	Natural gas storage and related pipelines and services	Covered
Sempra Oil Trading (Suisse) Sarl	Financing and Holding company	Non Covered
Sempra Pipelines & Storage Corp.	Holding company.	Non Covered
Sempra Renewables Services, LLC	Services company that provides construction management, operations/maintenance management, project administration and other services for certain affiliates of Sempra Global	Covered
Sempra Rockies Marketing, LLC	Holds capacity on the Rockies Express Pipeline.	Covered - Energy Marketing Affiliate
Sempra Sahara LNG Holdings Limited	Holding company.	Non Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Sempra Section 42, LLC	Holding company.	Non Covered
Sempra Services Company, S. de R.L. de C.V.	Provides technical, consulting and administrative services to Sempra Energy Mexico. It is the direct employer of all employees working in SEM's operations.	Non Covered
Sempra Servicios Energeticos, S. de R.L. de C.V.	Holding company.	Non Covered
Sempra Servicios Mexico, S. de R.L. de C.V.	Employee services company for Pipelines	Non Covered
Sempra U.S. Gas & Power LLC	Principal business unit subsidiary and services company.	Covered
SEP II, LLC	Holding company and hold property rights and water rights in Arizona.	Non Covered
SEPE, LLC	Holding company.	Non Covered
Servicios DGN de Chihuahua, S.A. de C.V.	Employee services company for pipelines and Ecogas	Non Covered
Servicios Energia Costa Azul S. de R. L. de C.V.	Employee services company for ECA	Non Covered
Servicios ESJ, S. de R.L. de C.V.	Wind Power Project Development – Employee service company for Energía Sierra Juárez Project.	Non Covered
Servicios Termoelectrica de Mexicali S. de R.L. de C.V.	Employee services company for TDM & ESJ	Non Covered
SETOP I, LLC	Holding company.	Non Covered



**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
SETOP II, LLC	Holding company.	Non Covered
SETOP III, LLC	Holding company.	Non Covered
SETOP IV, LLC	Holding company.	Non Covered
SGS Antelope Valley Development, LLC	Develop, own and operate a solar power generation facility in California	Covered - Energy Marketing Affiliate
SGS Calipatria Development, LLC	Hold property rights and develop solar power generation facilities in California [inactive].	Covered
Sodigas Pampeana S.A.	Holding company.	Non Covered
Sodigas Sur S.A.	Holding company.	Non Covered
Southern Gas Transmission Company	Operation of intrastate natural gas pipeline.	Covered
TDF, S. de R.L. de C.V.	Transportation and Storage of LP Gas	Covered
TecnoRed S.A.	Provides construction and infrastructure services related to electric distribution activities of Chilquinta Energia and other unaffiliated third-parties.	Covered
Tecsur S.A.	Engage in the preparation and execution of studies, projects, works and service activities in Peru related to energy, mining, industry and construction as well as the commercialization of materials and equipment in relation to such sectors.	Covered

**Listing of Covered and Non Covered Affiliates  
as of 6/25/2013**

<b>Company Name</b>	<b>Purpose / Activity</b>	<b>Is Rule II.B fully applicable? Covered/Non Covered)</b>
Termoelectrica de Mexicali, S. de R.L. de C.V.	Owns and operates combined cycle power plant (TDM).	Covered - Energy Marketing Affiliate
Termoelectrica U.S., LLC	Owns power lines that connect from the US border to a US substation	Covered - Energy Marketing Affiliate
TOP Project, LP	Inactive. Operating Company	Covered
Transportadora de Gas Natural de Baja California, S. de R.L. de C.V.	Maintenance and operation of natural gas pipeline and compression in northern Mexico	Covered
Transportadora del Norte SH, S. de R.L. de C.V.	Holding company and Storage of LP Gas	Covered
Willmut Gas & Oil Company	Natural gas and distribution company serving Hattiesburg, Mississippi	Covered