

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 6, 2016

Advice Letter 5010-G

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

SUBJECT: Establishment of the Officer Compensation Memorandum Account Pursuant to Decision 16-06-054

Dear Mr. van der Leeden:

Advice Letter 5010-G is effective as of September 7, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



Ronald van der Leeden

Director

Regulatory Affairs

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

Tel: 213.244.2009

Fax: 213.244.4957

RvanderLeeden@semprautilities.com

August 8, 2016

Advice No. 5010

(U 904 G)

Public Utilities Commission of the State of California

**Subject: Establishment of the Officer Compensation Memorandum Account
Pursuant to Decision 16-06-054**

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval of modifications to its Preliminary Statement, Part VI, Memorandum Accounts, applicable throughout its service territory, as shown on Attachment A.

Purpose

This filing complies with Ordering Paragraph (OP) 9 of Decision (D.) 16-06-054, which grants authority to SoCalGas to establish the Officer Compensation Memorandum Account (OCMA).

Background

On October 8, 2015, California Assembly Bill (AB) 1266 was approved by the Governor, enacting Section 706 of the Public Utilities Code. Section 706 requires an electrical or gas corporation to file an application with the Commission to review "excess compensation"¹ paid to a utility officer within five years of a "triggering event,"² under a defined set of circumstances:

¹ "'Excess compensation' means any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of an electrical corporation or gas corporation that is in excess of one million dollars (\$1,000,000)." Cal. P. U. Code § 706(a)(1).

² "A 'triggering event' occurs if, after January 1, 2013, an electrical corporation or gas corporation violates a federal or state safety regulation with respect to the plant and facility of the utility and, as a proximate cause of that violation, ratepayers incur a financial responsibility in excess of five million dollars (\$5,000,000)." Cal. P. U. Code § 706(a)(2).

[Section 706] would prohibit an electrical corporation or gas corporation from recovering from ratepayers expenses for excess compensation, as defined, paid to an officer of the utility for a period of 5 years following a triggering event, as defined, unless the utility obtains the approval of the commission. The bill would provide that anytime within a 5-year period following a triggering event, and prior to paying or seeking recovery of excess compensation, the electrical corporation or gas corporation would be required to file an application with the commission containing specified information. The bill would require the commission, following a duly noticed public hearing in the proceeding to consider the application, to issue a written decision determining whether any expenses for excess compensation proposed to be paid by the corporation should be recovered in rates, or if previously authorized to be recovered in rates, should be refunded to ratepayers.

In order to implement the statute without violating the prohibition on retroactive ratemaking, Section 706 also requires the Commission to issue general rate case (GRC) decisions that require tracking of all authorized compensation paid to a utility officer:

In every decision on a general rate case, the commission shall require all authorized executive compensation to be placed in a balancing account, memorandum account, or other appropriate mechanism so that this section can be implemented without violating any prohibition on retroactive ratemaking.³

On June 23, 2016, the Commission issued D.16-06-054, in the matter of SoCalGas' GRC Application (A.) 14-11-004. D.16-06-054 ordered SoCalGas to establish the type of memorandum account requested by this Advice Letter, in order to "track all monies authorized in today's decision for the annual salaries, bonuses, benefits, and all other consideration of any value, set aside to be paid to the officers of the utility, and to track that against the salaries, bonuses, benefits, and all other consideration of any value, paid to its officers."⁴

D.16-06-054 also requires SoCalGas to define the term "'officers' of each company subject to Pub. Util. Code § 706, and the definitions and the scope of salaries, bonuses, benefits, and all other consideration of any value shall be subject to Commission approval."⁵ SoCalGas hereby defines the term "officer" as any executive officer, as defined by Rule 3b-7 of the Securities Exchange Act, who is among the officers appointed by the SoCalGas board of directors pursuant to the California Corporations Code, and who has compensation authorized in the GRC.⁶ Commission-authorized compensation as defined by statute and paid to individuals that serve as officers as defined here will be tracked in the OCMA.

³ Cal. P. U. Code § 706(f).

⁴ D.16-06-054, OP 9.a.

⁵ D.16-06-054 at 152.

⁶ D.16-06-054, OP 9.b; see also id. at 152.

Establishment of the OCMA

OP 9 of D.16-06-054 instructs SoCalGas to file a Tier 2 Advice Letter within 45 days of the effective date of this decision to establish an OCMA to track (1) the amount authorized for executive officer compensation during the GRC period and (2) the amount paid to executive officers. Pursuant to D.16-06-054, herein, SoCalGas is requesting Commission authority to establish the OCMA.

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 must be received within 20 days of the date of this Advice Letter, which is August 28, 2016. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

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

Effective Date

This filing is subject to Energy Division disposition and is classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this Advice Letter be approved September 7, 2016, which is thirty (30) calendar days after the date filed.

Notice

A copy of this Advice Letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A.14-11-004. Address change requests to the GO 96-B

should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director, Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 5010

Subject of AL: Establishment of the Officer Compensation Memorandum Account Pursuant to Decision 16-06-054

Keywords (choose from CPUC listing): Memorandum Account

AL filing type: Monthly Quarterly Annual One-Time Other

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

D.16-06-054

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 AL¹: N/A

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

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 9/7/16

No. of tariff sheets: 6

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: PS VI, Officer Compensation Memorandum Account (OCMA), and TOC's

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

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

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

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

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 5010

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 53019-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 2	Revised 52585-G* Original
Original 53020-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, OFFICER COMPENSATION MEMORANDUM ACCOUNT (OCMA), Sheet 1	
Original 53021-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, OFFICER COMPENSATION MEMORANDUM ACCOUNT (OCMA), Sheet 2	
Revised 53022-G	TABLE OF CONTENTS	Revised 52962-G
Revised 53023-G	TABLE OF CONTENTS	Revised 52773-G
Revised 53024-G	TABLE OF CONTENTS	Revised 52836-G

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS

Sheet 2

N

(Continued)

B. LISTING OF MEMORANDUM ACCOUNTS (Continued)

N

Pipeline Safety Enhancement Plan – Phase 2 Memorandum Account (PSEP-P2MA)
Officer Compensation Memorandum Account (OCMA)

L,N
N

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 5010
DECISION NO. 16-06-054

2H13

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 8, 2016
EFFECTIVE Sep 7, 2016

RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
OFFICER COMPENSATION MEMORANDUM ACCOUNT (OCMA)

Sheet 1

1. Purpose

The OCMA is created as a memorandum account and does not post to SoCalGas' financial statements. Pursuant to Decision (D.) 16-06-054, SoCalGas' 2016 General Rate Case (GRC), the purpose of the OCMA is to track (1) the amount authorized for compensation to executive officers of the utility and (2) the amount paid to executive officers of the utility. The OCMA is effective January 1, 2016 until closed at the direction of the Commission.

2. Applicability

See Disposition section.

3. Rates

See Disposition section.

4. Accounting Procedures

SoCalGas shall maintain this account by making monthly entries (or annual entries where applicable and monthly data is not available) as follows:

- a) A debit entry equal to the salaries, bonuses, benefits, and all other consideration of any value paid to its executive officers;
- b) A credit entry equal to the salaries, bonuses, benefits, and all other consideration of any value set aside to be paid to its executive officers as authorized in D.16-06-054; and
- c) An entry to reflect the disposition of the OCMA balance as authorized by the Commission when applicable in accordance with Section 5 below.

Salaries: Payroll data for Executive Officer base salaries.

Bonuses: Variable Pay/Incentive Compensation Plan (ICP).

Benefits: Employer portion of health and welfare premiums.

Other Consideration: Executive perquisites in payroll data and/or invoices, 401(k) company match, deferred compensation company match.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 5010
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ISSUED BY
Dan Skopec
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Aug 8, 2016
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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
OFFICER COMPENSATION MEMORANDUM ACCOUNT (OCMA)

Sheet 2

(Continued)

5. Disposition

The OCMA balance may be addressed in SoCalGas' next GRC or other appropriate Commission proceeding subject to the requirements of Public Utilities Code (PUC) Section 706, within 5 years following a "triggering event,"¹ to determine whether "excess compensation"² was paid to an executive officer and should be refunded or allowed to be recovered in rates.

¹ "A 'triggering event' occurs if, after January 1, 2013, an electrical corporation or gas corporation violates a federal or state safety regulation with respect to the plant and facility of the utility and, as a proximate cause of that violation, ratepayers incur a financial responsibility in excess of five million dollars (\$5,000,000)." Cal. P. U. Code § 706(a)(2).

² "'Excess compensation' means any annual salary, bonus, benefits, or other consideration of any value, paid to an officer of an electrical corporation or gas corporation that is in excess of one million dollars (\$1,000,000)." Cal. P. U. Code § 706(a)(1).

(TO BE INSERTED BY UTILITY)

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2C13

ISSUED BY

Dan Skopec
Vice President
Regulatory Affairs

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N
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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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