

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



August 19, 2019

**Advice Letter 5487-G**

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

**SUBJECT: Exemption to Rule V.G.2.b. Employee Residency Requirements of the  
Affiliate Transaction Rules**

Dear Mr. van der Leeden:

Advice Letter 5487-G is effective as of August 15, 2019 per Resolution G-3556 Ordering Paragraph.

Sincerely,

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

Edward Randolph  
Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division



**Ronald van der Leeden**  
Director  
Regulatory Affairs

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June 28, 2019

Advice No. 5487  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Exemption to Rule V.G.2.b. Employee Residency Requirements of the Affiliate Transaction Rules**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission or CPUC) an exemption of the employee residency requirements of Affiliate Transaction Rule V.G.2.b. (Rule) for four employees.

**Purpose**

The purpose of this submittal is to request an exemption by the Commission of the following employee residency requirements in Rule V.G.2.b. Exigent circumstances justify the Rule's inapplicability in this specific situation, and as contemplated by the Rule where the affiliate is going out of business:

Once an employee of a utility becomes 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.

**Background**

Decision (D.) 97-12-088, as subsequently modified by various decisions, adopted the rules governing the relationship between California's natural gas local distribution companies and electric utilities and certain of their affiliates. For purposes of a gas utility such as SoCalGas, 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, unless otherwise exempted by the rules.

Rule V.G.2. pertains to all employee movement between a utility and its affiliates, including the employee residency requirements in Rule V.G.2.b. as follows:

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.

In February 2018, SoCalGas was contacted by its affiliate, Sempra Energy International (Sempra International) on behalf of its subsidiary, Chilquinta Energia, S.A. (Chilquinta), regarding SoCalGas' experience in implementing its Advanced Meter Infrastructure (AMI) program and project management assistance for Chilquinta's potential AMI program. Chilquinta is a utility operating in Chile in the business of the generation, transmission, and distribution of electricity to industrial, commercial, and residential customers.

In April 2018, project management assistance using four SoCalGas employees to assist with Chilquinta's potential AMI program was provided via an approved Loaned Labor Agreement in accordance with the provisions in Rule 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:

In October 2018, the Chilean Energy Ministry (CEM) approved the mandatory deployment of a smart meter program for all distribution companies in Chile, including Chilquinta, with 2020 as the target for deployment. Chilquinta determined that the restrictions outlined in the Loaned Labor Agreement (i.e., less than 30% of an employee's chargeable time in any calendar year) would not be adequate to meet the CEM mandate. Therefore, Sempra International subsequently offered the four SoCalGas employees positions to continue work on its Chilean subsidiary's AMI implementation. Consistent with the provisions in Rule V.G.2., two SoCalGas employees transferred to Chilquinta's AMI project on November 3, 2018, and the other two employees transferred on December 29, 2018.

On February 25, 2019, Sempra Energy International announced its decision to sell all of its South America businesses, including Chilquinta. The process to sell started in March and the expectation is to complete the sale before the end of 2019.

In April 2019, the CEM introduced significant changes to the smart meter program, which included a two-year delay to the project time line and pending modifications to the AMI requirements and technical specifications. Due to the significant changes, Chilquinta suspended most of its AMI program activities and modified its capital budget by removing all AMI expenditures for 2019.

Chilquinta has projected that the AMI program activities will resume in late 2020, which is beyond the anticipated sale date of the affiliate.

SoCalGas has a strong need for all four individuals and, were it not for the one-year residency requirement, would immediately return them to employment.

### **Basis for Exemption of Employee Residency Requirements in Rule V.G.2.b.**

The transfer of the four SoCalGas employees to Sempra International to work on Chilquinta's AMI implementation was based on the October 2018 CEM mandatory deployment of the smart meter program for all distribution companies in Chile with 2020 as the target for deployment. The subsequent April 2019 CEM two-year delay and pending modifications to the deployment of the smart meter program resulted in Chilquinta suspending most of its AMI program activities and modifying its capital budget by removing all AMI expenditures for 2019, including for the four employees' positions. The AMI department for Chilquinta has essentially ceased operations and has been shelved. Due to the pending sale of the affiliate during the one-year residency requirement period combined with the two-year AMI program delay beyond the sale date resulting in elimination of the four newly created positions from Chilquinta's budget, SoCalGas requests the exemption of the Employee Residency Requirements in Rule V.G.2.b. based on the following:

- The exemption, as outlined in Rule V.G.2.b. (*"This Rule is inapplicable if the affiliate to which the employee transfers goes out of business during the one-year period,"*) applies due to the regulatory changes in the CEM's mandates, which for these four employees is analogous to an entity going out of business during the one-year period. Those changes essentially closed Chilquinta's AMI implementation. Due to the significant delay in the AMI project, Chilquinta has no need for these four employees in 2019; and by late 2020, when the CEM is expected to complete its regulatory modifications of the program and resume deployment, Sempra International's sale of Chilquinta will be completed.
- After the sale, except for SoCalGas, there are no Sempra affiliates currently planning, implementing and/or maintaining an AMI program.
- The four employees accepted these positions in good faith. It was neither within the employees' nor Chilquinta's control that the CEM changed its implementation plans so drastically.
- The purpose of the Rule's one-year residency requirement is to minimize the potential for sharing non-public utility information. In this situation, this is not a risk. Since the entities are in totally different markets and geographic locations,

Chilquinta would not gain an unfair competitive advantage over other market participants.

- The employees were not energy marketing employees, whether during their previous positions at SoCalGas or at Chilquinta. Their titles are: Manager of AMI Strategy & Implementation Support, Program Management Office (PMO) Manager, Technology Manager, and Supply Chain Manager.
- Chilquinta hired these employees for their skills and their experience of having implemented an AMI program from plan to implementation, and not for any specific utility information.
- In accordance with Affiliate Rule V.G.2.c., the affiliate did pay the transfer fee. This fee will not be returned to the affiliate, even considering these changes and the potential that the employees may return to the utility in less than a year. Therefore, ratepayers' costs are not negatively impacted.
- Additionally, one of the employees has unfortunately developed health complications that would limit the ability to travel and work internationally. Thus, temporary travel back and forth to the United States to visit family during the remaining months of the one-year requirement would no longer be possible. However, it will not prohibit the employee from working in a routine, full-time position at SoCalGas.

SoCalGas is committed to complying with the Affiliate Transaction Rules, and its requested exemption of the one-year residency requirement is submitted out of fairness to the four employees who transferred to the affiliate in good faith.

This is a unique situation, therefore, SoCalGas is respectfully requesting an exemption of Rule V.G.2.b. (i.e., the one-year residency requirement) for these four employees.

Based on current operational needs, we have identified positions at SoCalGas that would utilize the employees' skills set and experience. Of the four, two of the employees could return immediately to their former positions and address an immediate need. For the other two employees, their prior positions have been filled or eliminated, but there are several open positions at their level of experience or appropriate promotional opportunities that are well suited to their skills and experience. Several of the employees are strong candidates for senior leadership positions. If the exemption is granted, the four employees would be able to resume work at SoCalGas with minimal interruption or difficulties.

### **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 July 18, 2019. The address for mailing or delivering a protest to the Commission is given below.

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 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: Ray B. Ortiz  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No.: (213) 244-4957  
E-mail: [ROrtiz@SempraUtilities.com](mailto:ROrtiz@SempraUtilities.com)

### **Effective Date**

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.3(1), this advice letter is designated as a Tier 3, and as such, requires a Resolution to be issued by the Commission. SoCalGas respectfully requests that this submittal be approved by the Commission at the earliest opportunity.

### **Notice**

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list. Address change requests to the GO 96-B service list should be directed via e-mail to [tariffs@socalgas.com](mailto:tariffs@socalgas.com) or call 213-244-2837.

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Ronald van der Leeden  
Director- Regulatory Affairs



# ADVICE LETTER SUMMARY

## ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC       GAS       WATER  
 PLC       HEAT

Contact Person:

Phone #:  
E-mail:  
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

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

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type:  Monthly     Quarterly     Annual     One-Time     Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested?  Yes     No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required?  Yes     No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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

Tariff schedules affected:

Service affected and changes proposed<sup>1</sup>:

Pending advice letters that revise the same tariff sheets:

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

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

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email:

Name:  
Title:  
Utility Name:  
Address:  
City:  
State: Zip:  
Telephone (xxx) xxx-xxxx:  
Facsimile (xxx) xxx-xxxx:  
Email: