

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 6262G
As of March 19, 2024

Subject: Information-Only In Compliance with D.23-12-034, Costs Tracked in the Safety Culture Investigation Assessment Memorandum Account (SCIAMA) and Other Regulatory Accounts

Division Assigned: Energy

Date Filed: 02-12-2024

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Effective Date:	02-12-2024

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

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PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov



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February 12, 2024

Advice No. 6262-G
(U 904 G)

Public Utilities Commission of the State of California

Subject: Information-Only – In Compliance with D.23-12-034, Costs Tracked in the Safety Culture Investigation Assessment Memorandum Account (SCIAMA) and Other Regulatory Accounts

Purpose

In accordance with Decision (D.) 23-12-034,¹ Ordering Paragraph (OP) 9, Southern California Gas Company (SoCalGas) hereby submits to the Commission this advice letter to identify “(a) costs tracked to the Safety Culture Investigation Assessment Memorandum Account” (SCIAMA) and “(b) a list of the regulatory accounts in which SoCalGas is tracking costs associated with the activities in this proceeding: the activities in the filed Improvement Plan and in the revised Improvement Plan, the costs in each regulatory account, with descriptions of the accounts and sub-accounts.”²

Background

On June 27, 2019, the Commission issued an Order Instituting Investigation (I.) 19-06-014 (OII) to “determine whether the organizational culture and governance of Southern California Gas Company (SoCalGas) and its parent company, Sempra Energy, prioritize safety and adequately direct resources to promote accountability and achieve safety performance goals, standards and improvements.”³ For the first phase of the proceeding, the OII directed the production of a consultant’s report that evaluates SoCalGas’s and Sempra’s organizational culture, governance, policies, practices, and accountability metrics.⁴ SoCalGas was ordered to contract with the consultant and pay for the consultant’s services.⁵

¹ D.23-12-034 at 65 (Ordering Paragraph 9).

² Id.

³ Order Instituting Investigation (June 27, 2019) at 1.

⁴ Id.

⁵ Id. at 15 (OP 7).

On June 8, 2020, SoCalGas filed a motion to track the incremental costs associated with complying with the OII's requirement that SoCalGas pay the consultant.⁶ On July 14, 2020, ALJ Allen issued the Administrative Law Judge's Ruling Granting Motion to Establish Memorandum Account As Modified ("SCIAMA Ruling"). While granting SoCalGas's request to create the memorandum account, the SCIAMA Ruling did not grant SoCalGas's request to "track the incremental cost associated with complying with the OII,"⁷ noting that the scope of the request went beyond "just the cost of paying consultant invoices" and that, among other things, SoCalGas "has not shown that those costs are not recoverable (or previously recovered) in a general rate case."⁸ The SCIAMA Ruling reasoned further that there was "no basis to establish a memorandum account for the general costs of SoCalGas to participate in a Commission proceeding, particularly for an investigation into the safe operation of its system."⁹ Accordingly, for Phase 1, SoCalGas only recorded consultant costs in the SCIAMA.

On January 13, 2022, the Assigned Commissioner's Ruling Launching Phase Two Activities commenced Phase 2 of the proceeding, which "is expected to focus on constructive, forward-looking actions intended to improve safety outcomes in the future."¹⁰ The Assigned Commissioner's Scoping Memo and Ruling, and Statutory Deadline Extension dated April 27, 2022 ("Phase 2 Scoping Ruling") acknowledged SoCalGas's request to record the cost of Phase 2 activities in a memorandum account and interpreted "the ruling authorizing SoCalGas to track the cost of expert consultant invoices for the safety culture assessment in the memorandum account to encompass consultant expenses incurred in Phase 2 of this proceeding, and we clarify that SoCalGas is authorized to use the existing Safety Culture Investigation Assessment Memorandum Account to record the consultant invoices from 2EC or a successor consultant in Phase 2 of this proceeding."¹¹ Accordingly, for Phase 2, SoCalGas also only recorded consultant costs to the SCIAMA.

On December 20, 2023, the Commission issued D.23-12-034, which "adopts two out of the fifteen initiatives in the Improvement Plan, with some modifications, and directs SoCalGas and Sempra to revise the remainder of their plan to better align with the findings of the Assessment."¹² With respect to costs, D.23-12-034 orders: "Costs recorded to the Safety Culture Investigation Assessment Memorandum Account, and costs associated with this proceeding, including payment to the consultant, as well as costs of developing the Southern California Gas Company Safety Culture Improvement Plan (Improvement Plan), implementing the Sempra Safety Oversight and Initiatives (Sempra Plan) and implementing the Improvement Plan and Sempra Plan shall not be recovered from ratepayers."¹³

⁶ Motion of Southern California Gas Company to Establish the Safety Culture Investigation Assessment Memorandum Account to Track Costs ("Motion").

⁷ Administrative Law Judge's Ruling Granting Motion to Establish Memorandum Account as Modified ("SCIAMA Ruling") at 1.

⁸ Id. at 3.

⁹ Id.

¹⁰ Assigned Commissioner's Ruling Launching Phase Two Activities at 3.

¹¹ Assigned Commissioner's Scoping Memo and Ruling, and Statutory Deadline Extension at 11-12.

¹² D.23-012-34 at 54; see also id. at 2, 38, 54, 59 (Conclusion of Law 3).

¹³ Id. at 64-65 (Ordering Paragraph 8).

Costs Tracked in the SCIAMA

Consistent with the SCIAMA Ruling and the Phase 2 Scoping Ruling, SoCalGas recorded third-party consultant costs in the SCIAMA.¹⁴ The total expenses recorded to the SCIAMA were \$4.5 million, comprised of \$4.3 million in consultant costs and \$0.2 million in interest. Following issuance of D.23-12-034, SoCalGas closed the SCIAMA.

A breakdown of the costs recorded to the SCIAMA as of the date it was closed is identified below. They include Phase 1 Consultant Costs incurred by 2EC to conduct the assessment ordered in the OII; Phase 2 Consultant Costs incurred by Global Psychological Solutions, who was retained by SoCalGas at the direction of Safety Policy Division (SPD) to serve as a consultant to SPD; and Phase 2 Consultant Costs incurred by various external vendors retained by SoCalGas to assist in the development and implementation of its Safety Culture Improvement Plan (“Plan”). Because D.23-12-034 adopts Initiatives 1A and 1B of the Plan, consultant costs associated with the implementation of the Plan, as recorded to the SCIAMA, are disallowed from rate recovery. Costs associated with implementing initiatives that were not adopted as part of the Plan—approximately \$265,000 in consultant costs—were transferred out of the SCIAMA on the basis they are safety improvement activities separate from this proceeding. These costs are thus treated as other general costs outside of the instant proceeding.

Activity	Amount
Phase 1 CPUC-Directed Consultant Costs (2EC)	\$795,802
Phase 2 CPUC-Directed Consultant Costs (Global Psychological Solutions)	\$24,750
Phase 2 Consultant Costs (Plan Development and Implementation)	\$3,471,588
Total	\$4,292,140

Regulatory Accounts in Which SoCalGas Is Tracking Costs Associated with the Activities in this Proceeding

The SCIAMA is the only regulatory account in which SoCalGas was tracking costs associated with activities in this proceeding. As noted above, consistent with the SCIAMA Ruling, SoCalGas did not record non-consultant/labor costs associated with this proceeding in any regulatory account, and instead treated them as "the general costs of SoCalGas to participate in a Commission proceeding."¹⁵

¹⁴ Consistent with the SCIAMA Ruling, SoCalGas treated its other costs associated with I.19-06-014 as “general costs of SoCalGas to participate in a Commission proceeding” and thus were not tracked in the SCIAMA. SCIAMA Ruling at 3.

¹⁵ SCIAMA Ruling at 3.

General Rate Case (GRC) Attestation

Ordering Paragraph 12 of D.23-12-034 orders SoCalGas to “submit an attestation in its current General Rate Case (GRC) affirming that no costs associated with the Assessment and developing or implementing the Improvement Plan were included in its current GRC.”¹⁶ That attestation, attached hereto for ease of reference, identifies adjustments to remove certain costs requested in SoCalGas’s Test Year 2024 GRC in compliance with D.23-12-034. The adjustments include: (1) consultant/non-labor costs incurred for the 2EC assessment; and (2) incremental labor costs associated with supporting the 2EC Assessment.¹⁷

Protests

This is an information-only AL submittal. Pursuant to General Order (GO) 96-B Section 6.2, SoCalGas is not seeking relief through this AL and thus this AL is not subject to protest.

Effective Date

This submittal is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to General Order (GO) 96-B and OP 9 of D.23-12-034. Therefore, SoCalGas respectfully requests that this submittal be approved and made effective February 12, 2024, the date submitted.

Notice

A copy of this Advice Letter is being sent to SoCalGas’s General Order (GO) 96-B service list and the Commission’s service list in I.19-06-014. Address change requests to the GO 96-B service list should be directed via e-mail to Tariffs@socalgas.com or call 213-244-2424. For changes to all other service lists, please contact the Commission’s Process Office at 415-703-2021 or via e-mail at Process_office@cpuc.ca.gov.

/s/ Joseph Mock
Joseph Mock
Director – Regulatory Affairs

Attachments

¹⁶ D.23-12-034 at 65 (Ordering Paragraph 12).

¹⁷ Consistent with the ruling authorizing the SCIAMA, SoCalGas’s internal labor costs were not tracked in the SCIAMA. Accordingly, SoCalGas identified and adjusted categories of incremental labor that supported SoCalGas’s participation in the Safety Culture OII.



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 proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss 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

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:

ATTESTATION

1. I am the Chief Safety Officer of Southern California Gas Company (SoCalGas). I am providing this attestation consistent with California Public Utilities Commission (CPUC or Commission) Decision (D.) 23-12-034 (Decision) that was issued in the Safety Culture Order Instituting Investigation, I.19-06-014 (Safety Culture OII).
2. Ordering Paragraph 12 of the Decision provides “Southern California Gas Company shall submit an attestation in its current General Rate Case (GRC) affirming that no costs associated with the Assessment and developing or implementing the Improvement Plan were included in its current GRC.”¹ SoCalGas interprets the direction related to the “current” GRC to be the Test Year 2024 GRC, Application (“A.”) 22-05-015, and “included” to mean impacts to the Test Year 2024 GRC request.
3. In order to comply with D.23-12-034, SoCalGas undertook a review to determine whether "costs associated with the Assessment and developing or implementing the Improvement Plan were included in its current GRC."² Consistent with the ruling authorizing the Safety Culture Improvement Assessment Memorandum Account (SCIAMA) and subsequent Assigned Commissioner’s Scoping Memo and Ruling, and Statutory Deadline Extension dated April 27, 2022,³ consultant costs were recorded to the SCIAMA, but labor was not. Therefore, SoCalGas reviewed both consultant/non-labor costs recorded to the SCIAMA as well as labor costs not recorded to the SCIAMA to identify the costs to be removed.
4. Based on this review, SoCalGas identified certain costs incurred for the Evolving Energy Consortium (2EC) assessment in the amount of \$425,746 that were included under the People & Culture GRC witness area as historical consultant costs, and thus informed SoCalGas’s 2024 GRC request. These costs were identified by reviewing costs recorded to the SCIAMA. Accordingly, the costs proposed to be adjusted in the People & Culture GRC witness area is \$425,746 in operations and maintenance (O&M) expenses.
5. Further, SoCalGas identified \$419,454 in labor costs that were associated with supporting the 2EC assessment. These are labor costs associated with the Regulatory Affairs department created to support the Safety Culture OII (among other activities). Accordingly, the costs proposed to be adjusted in the Administrative & General GRC witness area is \$419,454 in O&M expenses.
6. No capital costs were identified.

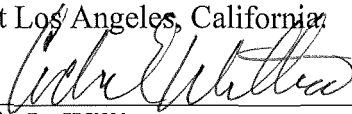
¹ D.23-12-034 at 65 (Ordering Paragraph 12).

² Id.

³ Assigned Commissioner’s Scoping Memo and Ruling, and Statutory Deadline Extension at 11-12 (“...the ruling authorizing SoCalGas to track the cost of expert consultant invoices for the safety culture assessment in the memorandum account [is interpreted] to encompass consultant expenses incurred in Phase 2 of this proceeding, and we clarify that SoCalGas is authorized to use the existing Safety Culture Investigation Assessment Memorandum Account to record the consultant invoices from 2EC or a successor consultant in Phase 2 of this proceeding”).

7. Based on our review, \$845,200 in O&M expenses (the sum of items in #4 and #5 above) should be removed from SoCalGas's Test Year 2024 GRC request in compliance with D.23-12-034.
8. Based upon my information and belief, with the removal of \$845,200 in Test Year 2024, "no costs associated with the Assessment and developing or implementing the Improvement Plan" will be included in the Test Year 2024 GRC request.

Executed on February 12, 2024, at Los Angeles, California



Cedric L. Williams
Chief Safety Officer
Southern California Gas Company