BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Risk-Based Decision-Making Framework to Evaluate Safety and Reliability Improvements and Revise the General Rate Case Plan for Energy Utilities.	FILED PUBLIC UTILITIES COMMISSION NOVEMBER 14, 2013 SAN FRANCISCO, CALIFORNIA RULEMAKING 13-11-006

RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U904M) TO DATA REQUEST IN ATTCHMENT A OF ORDER INSTITUTING RULEMAKING 13-11-006

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December 20, 2013

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Pursuant to the Ordering Paragraph 5 of Order Instituting Rulemaking (OIR) 13-11-006, Southern California Gas Company ("SoCalGas") provides its response to the data request contained in Attachment A of the OIR.[1] SoCalGas' Response is included as Appendix 1 hereto.

Respectfully submitted,
SOUTHERN CALIFORNIA GAS COMPANY

By: */s/ KEITH W. MELVILLE*
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[1] The OIR at p. 12 refers to the set of questions in Attachment A as a data request to the respondent utilities.

APPENDIX 1

SoCalGas' Response to Questions in Attachment A of OIR 13-11-006

OIR ON THE COMMISSION'S OWN MOTION TO DEVELOP A RISK-BASED DECISION-MAKING FRAMEWORK TO EVALUATE SAFETY IMPROVEMENTS AND REVISE THE GENERAL RATE CASE PLAN FOR ENERGY UTILITIES (ISSUED ON NOVEMBER 14, 2013-R.13-11-006)
(DATA REQUEST ON NEW OIR)

Preface

The two California Sempra utilities, San Diego Gas & Electric (SDG&E) and Southern California Gas Company (SoCalGas), have been given to understand that an individual response from each utility is desired for the data request Attachment A questions to this OIR R.13-11-006.

It is worth noting that these two utilities have sought, and been granted, combined applications for their General Rate Cases since 2004. Since that time, the gas operations of the two utilities have progressively integrated such that many of the operations have become similar, with natural gas delivery and safety related policy direction primarily from SoCalGas. The responses to these data requests from the gas operations perspective will be often nearly identical for the two utilities, with minor differences where operations or facility differences yet exist; for example, SDG&E does not have any gas storage fields.

Many of the questions invite similar, or related, responses. In some cases, the reader is referred to a related response from another question.

SoCalGas takes an integrated approach to the identification and mitigation of risk in its operations, beginning with the design and construction of facilities and followed by continuous evaluation and improvement of operation and maintenance activities, public communication and awareness, emergency response, safety programs and practices, the implementation of new technologies, and a workplace that encourages continual open and informal discussion of safety-related issues.

SoCalGas' safety performance, which necessarily entails risk identification and mitigation, is regularly monitored and evaluated, and metrics developed and evaluated, as appropriate, to foster a culture of continuous improvement. Our goal is to continuously drive process improvements throughout our pipeline system and operations and stay abreast of industry best practices.

Accordingly, our data request responses set out below are necessarily a snapshot in time and SoCalGas would expect these response to change over time.

QUESTION 1:

Please provide a description of your risk management units/divisions, programs, functions, and process, including organization charts.

RESPONSE 1:

SDG&E and SoCalGas take similar approaches to risk management although they are not identical due to their business nature and environment. One of the key differences is that SoCalGas does not have a formal risk management department.

As the result of some recent organizational changes, the position of Vice President of Business Process Improvement and Enterprise Risk Management was created. This newly created VP position will oversee the enterprise risk management functions for both SDG&E and SoCalGas. While the supporting staff structure is still under development, SDG&E's current Director of Risk Management and Strategic Analysis (discussed in SDG&E's Data Request Response No. 1) will now report to the VP of Business Process Improvement and Enterprise Risk Management. It is also anticipated that there will be a staff position created at SoCalGas to support risk management activities, including support to SCG's newly created Risk Management Committee (discussed below).

Both SoCalGas and SDG&E actively manage their business risks and report their risk management activities to their respective Boards of Directors on an annual basis. They strongly believe that, ultimately, managing risk is the responsibility of every employee and we have created and re-enforced a risk culture that puts safety and reliability as a top priority.

At both companies, the oversight and governance responsibilities for risk management activity reside the Board of Directors. The Board is responsible for establishing the overall risk tolerance and approving the overarching

framework for risk management. This past year, SoCalGas formed a Risk Management Committee (RMC). This committee assists the SoCalGas' Board of Directors in fulfilling its risk management responsibility. The Committee reports to the Board of Directors regarding SoCalGas' risk profile and its risk management framework, including the significant policies and practices employed to manage SoCalGas' business, as well as the overall adequacy of the risk management function.[1]

The RMC's responsibilities include:

- Assessing and providing oversight to management relating to the identification and evaluation, of major strategic, operational, regulatory, informational and external risk inherent in the business of SoCalGas and the control processes with respect to such risks;

- Overseeing the risk management, compliance and control activities of SoCalGas, including the development and execution of management of strategies to mitigate risks;

- Overseeing the integrity of SoCalGas' systems of operational controls regarding legal and regulatory compliance; and

- Overseeing compliance with legal and regulatory requirements.

SoCalGas' president sets the tone for risk management and also participates in risk identification and assessment processes. This role contributes to and reviews and approves risk mitigation strategies; is responsible for alignment of strategic planning with risk management and building in risk monitoring; and has overall accountability for risk management within SoCalGas.

[1] Prior to the formation of the Risk Management Committee, SoCalGas' Senior Management Council (also referred to as the Senior Management Committee) was responsible for (1) establishing SoCalGas' risk management policy, (2) providing risk oversight and monitoring, and (3) being accountable for key risk areas. Established in 2009, the Risk Management Council consists of executive officers from all key areas of the business. The Board of Directors set the tone for the company and provided over-arching governance and risk oversight. SoCalGas' management was responsible for (1) implementing risk management procedures, (2) seeing that risk management measures are properly taken, and (3) identifying, monitoring, and continually re-evaluating key risks.

SoCalGas also includes as part of its regular Senior Management Team meetings a discussion of risk management issues during the roundtable discussion portion of the meeting.

As with SDG&E, the RMC's role is one of oversight. It is the Business Functional Area (BFA) that is responsible for designing, implementing and maintaining an effective risk program. Like SDG&E, SoCalGas assigns a Risk Owner (an executive) to each corporate level risk. The Risk Owner may also elect to identify within the BFA a Risk Manager to implement the mitigation/contingency plans needed to manage the risk.

The Risk Owner is responsible for managing the risks in the BFA, including

- Seeing that risk analysis is properly conducted.
- Reviewing the risk mitigation plan(s).
- Overseeing the development and implementation of mitigation plans.
- Overseeing that Contingency Plans are in place for residual risks.
- Increasing risk awareness throughout the organization.
- Assigning Risk Managers.

The Risk Manager is responsible for carrying out daily activities and has the following duties:

- Utilizing risk analysis tools (i.e. risk registers, root-cause analysis, risk quantification methodology) to identify, track and measure the risks associated with the BFA;
- Implementing the organization's risk mitigation plan;
- Acting as the liaison between the organization and the Risk Management Department;
- Coordinating an annual review of Risk Mitigation and Contingency Plans and, if applicable, performing tabletop exercises with the team for awareness of individual responsibilities;
- Updating mitigation plans after deficiencies or changes are identified in the annual review;

- Coordinating with other BFAs to determine that plans are feasible and not in conflict with other business unit priorities;
- Helping coordinate the execution of the Contingency Plan in the event that a risk event occurs.

QUESTION 2:

How do you currently identify and characterize risk?

RESPONSE 2:

The risk management process/framework shown in Figure 2.1 is put into place at SDG&E to identify and characterize risk. SoCalGas has a similar process although, as discussed in Data Response No. 1, it does not have a formal Risk Management Department. This is the first year that SoCalGas has used the process discussed
below.[2]

[2] The process SoCalGas used previously was similar to but less formalized than the process described in this data response and did not result in the development of risk registry across business units or a risk gap score for key risks.

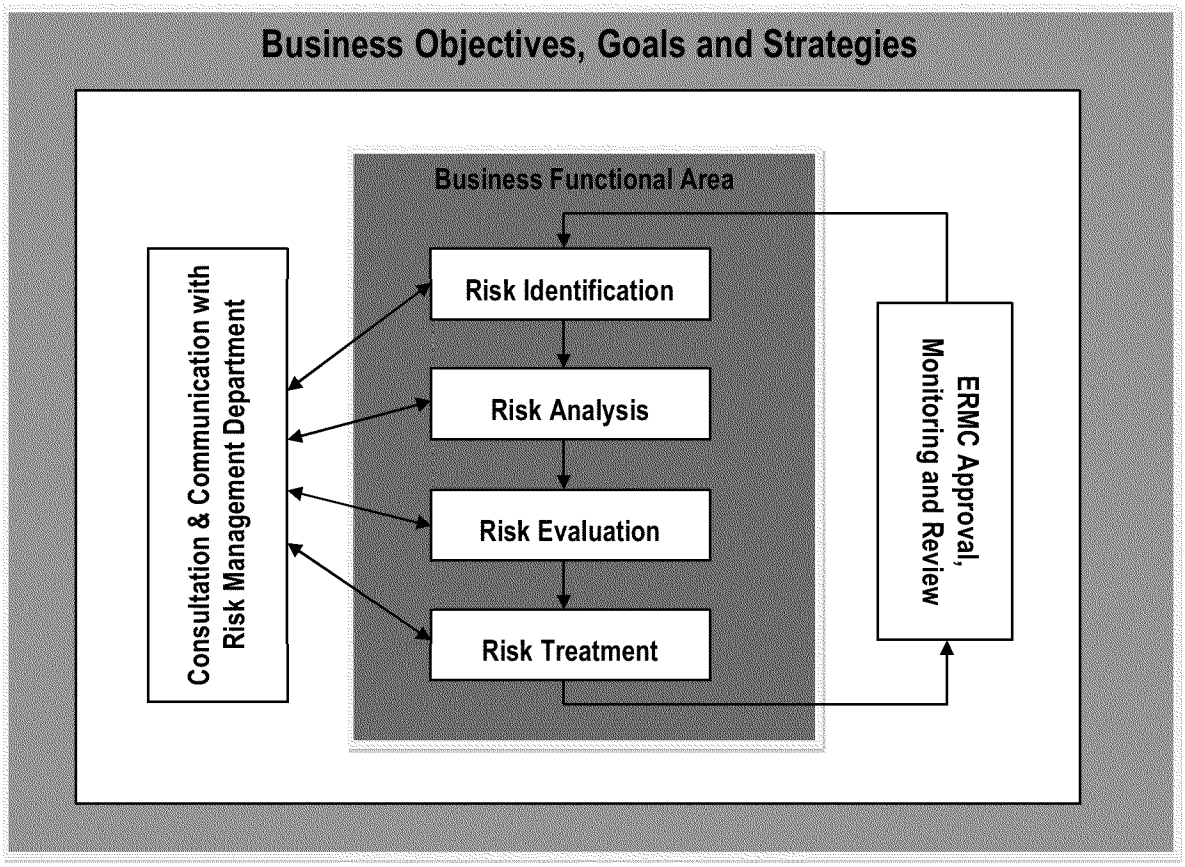

Figure 2.1 SDG&E ERM Process

Risk Identification Process

Risk identification starts with a review of the organization business objectives, goals and strategies. Once an organization (Company, a BFA or a project team) defines its objectives, goals and strategies, it generates and documents (typically in the form of a risk register) a comprehensive list of risks that might hinder the organization from achieving its objectives.

Depending on the nature of a risk, there are different approaches to generating this comprehensive risk register, including brainstorming sessions with stakeholders and/or subject matter experts, devising "what if" scenarios, interviewing key stakeholders at various levels of management and frontline employees.

The risk identification is a recurring process. SoCalGas intends to periodically review and update its risk registers based on industry trends, changes of business environment and/or strategy, etc.

Risk Analysis Process

The Risk Owners/Managers conduct the risk analysis. The risk analysis provides enough information about the risks so that appropriate decisions on risk treatment can be developed. The risk analysis involves identifying potential risk triggers/cause and the detectability of each risk cause. Risk analysis can be undertaken with varying degrees of detail depending on the nature of the risk and the information, data and resources available at the time.

Risk Evaluation Process

The evaluation of risks includes the assessment of the effectiveness of the existing controls (aka, Strength of Controls), the consequence and the likelihood of a risk and the calculation of a residual risk gap score. While the inputs to develop the risk gap score are inherently subjective, the evaluation results are directionally correct. The purpose of risk evaluation is to aid in deciding, in accordance with legal, regulatory and other requirements, which risks need mitigation/treatment and the priority for implementation.

Implement Risk Mitigation/Treatment/Contingency Plans

Risk Owners and Risk Managers are responsible for preparation, completion implementation and periodic updating of pertinent mitigation/treatment plans. The mitigation plans are intended to provide an overview of the risk, and outline the risk treatments being conducted and those individuals responsible for seeing that risk treatments are implemented and completed.

Risk treatment can include the following options:

- Removing the Risk Trigger/Cause;
- Sharing the risk with another party or parties (including contracts and insurance);
- Changing the likelihood and/or consequences;
- Retaining the risk by informed decision;
- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- Taking or increasing the risk in order to pursue an opportunity.

Risk mitigation/treatment involves a cyclical process of:

- Evaluating the current mitigation/treatment plan;
- Deciding whether the residual risk level is within the risk tolerance;
- If not, generating a new risk mitigation/treatment plan; and
- Assessing the effectiveness of the mitigation/treatment plan.

Risk contingency planning may involve a process of:

- Risk analysis (see above section on Risk Analysis);
- Prioritizing risks which may require contingency plans (taking into account likelihood and severity);
- Building scenarios of probable impacts for those risks identified as needing a contingency plan;
- Developing a contingency plan(s) for the most probable scenario(s); and,
- Updating plans for any significant changes.

QUESTION 3:

What are your top ten safety risks?

RESPONSE 3:

SoCalGas' top priority is to protect the safety of employees, customers and the general public. In SoCalGas' response to Data Request No. 2, we set forth the process we use to identify and analyze risk, including safety risks.

Listed below are the current major safety risk areas, some of which have several elements that were identified as part of risk management process discussed in the preceding data request response.

- Public Safety
- Employee Safety
- Infrastructure Integrity
- Customer Data Privacy
- Environmental Risks
- Wildfires
- Cyber Security
- Systemwide Reliability
- Failure of Disaster Recovery
- Physical Sabotage or Terrorism

QUESTION 4:

How do you identify changes to address these risks? Are practices beyond compliance with current regulation considered?

RESPONSE 4:

The safety risk management process is an ongoing effort described in the response to question 1 and 2. SoCalGas takes an integrated approach to the identification and mitigation of risk in its operations, beginning with the design and construction of facilities and followed by continuous evaluation and improvement of operation and maintenance activities. Our safety performance is regularly monitored and evaluated, and metrics developed and evaluated, as appropriate, to foster a culture of continuous improvement. Our goal is to continuously drive process improvements throughout our pipeline system and operations and stay abreast of industry best practices.

Once a risk has been identified, the risk is evaluated and mitigation plans put in place. The responsible BFA propose changes as necessary to address changes in an identified risk area. Although one specific department may be responsible, generally teams are formed to address the aspects of the change or the new risk. Programs to mitigate the change are then developed/modified and submitted for approval by an appropriate oversight committee. For pipeline safety, SoCalGas and SDG&E have recently created a Pipeline Safety Oversight Committee (PSOC). This Committee will now have primary oversight responsibility over SoCalGas and SDG&E's pipeline safety programs and plans, including the utilities' Distribution Integrity Management Program (DIMP), Transmission Integrity Management Program (TIMP), Pipeline Safety Enhancement Program (PSEP), Public Awareness Plan (PAP), and the Natural Gas System Operator Safety Plans (Safety Plans) for both SoCalGas and SDG&E.

With respect to going beyond current regulations, as stated in Chapter 6 of the Utilities Safety Plan[3] the Utilities keep abreast of industry best practices and go beyond prescribed code minimums where appropriate. See Response 11 for additional details.

[3] The safety Plan was developed in accordance with PUC §961 and §963, and was approved by the CPUC in June 2013.

QUESTION 5:

Currently how do you decide on resource expenditures to address recognized risks? Who decides? How is inspection and record-keeping used in this process?

RESPONSE 5:

As with all work undertaken by the utility, the funding for activities to respond to risk elements as identified in the processes outlined in response to question 1 and 2 is done within the construct of the company's approved Revenue Requirement.

Periodically (in recent cases every four years) the SoCalGas and SDG&E each file a General Rate Case (GRC) application to establish the revenue requirement to provide natural gas service to our customers. Provided within the Application is the Base Year actual expenditures and high level forecasts of spending in the interim (2) years and Test Year. These estimates may be based on historical spending patterns, incremental activities from the base year, zero-based project specific calculations, or a combination of these methods. They are completed nearly 3 years prior to the commencement of the rate cycle, but provide general insight into the company's expectations of work requirements and are the foundation for the Post-Test Year revenue requirement calculations. To the extent previously identified or foreseen, embedded in this request may be funding to address and mitigate previously identified risk elements.

Most recently (TY2012 GRC) the Commission adopted a traditional non-balanced funding mechanism for projected Capital and O&M expenditures, as well as two-way balanced funding mechanisms for Transmission and Distribution Integrity Management Program (TIMP and DIMP, respectively) capital investments and expenses.[4] Within these two balanced programs the

[4] Effective January 1, 2012, Transmission Integrity Management Programs (TIMP) established pursuant to Subpart O (commencing with Section 192.901) of Part 192 of Title 49 of the United States Code, or related capital expenditures for the maintenance and repair of transmission pipelines, must be funded through a balanced account per Public Utilities Code section 969.

utilities have embedded work elements to address threats to the pipeline system. See also the Response to Question 7 for discussion of the TIMP and DIMP programs

The Commission may also review and approve funding for large Transmission, Distribution and Storage projects that are not recurring or routine in nature through a ratemaking process separate from the GRC.

During the annual budgeting process work elements are then prioritized based on most recent operations information, balancing system needs, compliance obligations, safety factors, and revenue requirements.

Generally early 3rd quarter of the year, the SoCalGas begins the O&M and Capital allocation process leading to organizational budgets. Initial broad estimates of spending are submitted by the field organizations as part of the Company's 5-Year planning process. This may include funding to address programs identified to mitigate various risks. Senior management convenes to review these inputs and establish an overall total O&M and capital expenditure levels consistent with commitment to safety, understanding of operational needs, compliance requirements and authorized revenues. Based on these guidelines, managers and/or directors from various departments convene for a focused assessment of spending requirements and determination of annual budget allocations to an organization and/or project. This review often takes into consideration more current information regarding the status of ongoing work elements, asset condition, compliance schedules, and/or maintenance records. The determination of the annual budget can include an informal open dialog forum where each participant can be expected to describe and articulate the underlying assumptions of their projected needs. Collectively then a budget is established, balancing work in progress, safety and compliance concerns, and overall funding guidelines. These results presented to senior management for their concurrence. This allocation then becomes the annual operational budget for each area.

Because of the more structured nature of the work and the prioritization efforts the budget development for the TIMP and DIMP programs are generally driven by regulated compliance requirements and/or program objectives. The development of these budgets will incorporate inspection information to validate its assumptions of work or to expand the scope of work.

But work elements are dynamic and fluid. The organizations must be responsive to changing operational needs due to changes in: regulatory and/or agency requirements, operational requirements, and/or conditions identified during maintenance, inspection and assessment activities. These situations

may drive the identification and re-prioritization the timing of operational work activities. Significant elements of change are raised by the organization to the attention of managers/directors and/or senior management. At that time the collective team will consider items for reprioritization and adjust spending expectations to accommodate the newly identified conditions. This again is often an informal and focused discussion session from which the senior management will balance work in progress, safety, compliance concerns and overall funding guidelines.

Thus, from the time the Revenue Requirement is established and through the rate case cycle, all levels of management are engaged working to balance the expenditures while meeting regulatory, safety and operational requirements and objectives.

QUESTION 6:

What is the role of executive management in making or accepting these decisions?

RESPONSE 6:

As described in response 5, executive management evaluates the decisions, (inputs) in developing O&M and capital expenditure levels consistent with commitment to safety, understanding of operational needs, compliance requirements and authorized revenues.

After evaluating the inputs/decisions, executive management then authorizes action on the inputs/decisions consistent with SoCalGas' continuous process to manage the safety, regulatory compliance and reliability of its gas delivery system. SoCalGas prioritizes its capital and operations and maintenance work to comply with laws and regulations and provide system integrity and reliability, and where appropriate exceed those requirements, in accordance with our commitment to safety:

> *Southern California Gas Company's longstanding commitment to safety focuses on three primary areas – employee safety, customer safety and public safety. This safety focus is embedded in what we do and is the foundation for who we are – from initial employee training, to the installation, operation and maintenance of our utility infrastructure, and to our commitment to provide safe and reliable service to our customers.*[5]

[5] Southern California Gas Company Natural Gas System Operator Safety Plan, Attachment A-Executive Summary at 1, filed June 29, 2012 in R.11-02-019.

QUESTION 7:

What are the major elements in your approach to managing safety risk? Specify programs or practices your company has in place to manage safety.

RESPONSE 7:

Please see responses to Questions 1, 2 and 4.

Beyond the safety plan, standards, policies and programs, our business practice is to address safety issues as they are encountered. Once an issue is identified, Gas Engineering will review its policies and procedures to see how to best address it. This includes incorporating industry findings and possibly piloting solutions. Once the solution has been verified as a viable approach, it will be deployed and policies revised. SoCalGas also follows these procedures from its Safety Plan:

From Southern California Gas Company's Natural Gas System Operator Safety Plan Executive Summary filed June 29, 2012 in R.11-02-019. Pages 4-5

A. Safety Systems

Public Utilities Code Section 961 requires natural gas system operators to:

(1) Identify and minimize hazards and systemic risks; and

(2) Identify the safety-related systems that will be deployed to minimize hazards.

SoCalGas has numerous programs in place to try to identify and resolve potential problems before a safety-related incident occurs. These programs include extensive operating and maintenance plans,

public awareness plans, employee training programs, as well as the Transmission Integrity Management Program (TIMP), which provides assessments and improvements on transmission pipelines, and the Distribution Integrity Management Program (DIMP), which focuses on identifying potential threats to distribution lines and deploys measures designed to reduce the likelihood and consequences of pipeline failures.

These programs and plans are backed by a comprehensive set of Gas Standards for design, construction, operations and maintenance that are routinely reviewed and updated to reflect current regulations and best practices. In the area of integrity assessments, SoCalGas only uses approved methods. Where operationally feasible, our preferred assessment method for transmission pipelines is in-line inspections (commonly referred to as "smart pigging"). In-line inspections allow pipelines to be internally inspected with sophisticated smart pigging tools.

For Pipeline Infrastructure:

The following plans and programs are in place to identify and minimize hazards and systemic risks in the pipeline infrastructure, and promote public safety and property protection.

- Transmission Integrity Management Program (TIMP)
- Distribution Integrity Management Program (DIMP)
- Operation and Maintenance Plan / Gas Standards
- Pipeline Safety Enhancement Plan (PSEP)

TRANSMISSION INTEGRITY MANAGEMENT PROGRAM

TIMP is an ongoing program that was developed in accordance with the requirements of the Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA), specifically Title 49 Code of Federal Regulations Part 192, Subpart O - Gas Transmission Pipeline Integrity Management. The TIMP written plan describes how SoCalGas complies with the requirements of CFR 192 subpart O.

The written plan outlines the approach to implementing the requirements of the Rule and the referenced industry standards, including ASME B31.8S and NACE SP0502-2008. The document includes a description of each required Program element and identifies or references the procedures and processes for completing those requirements. The TIMP written plan has sixteen chapters that are the policy documents for compliance with the gas transmission pipeline integrity requirements. The TIMP is designed to provide assessments and integrity improvements on transmission pipelines by outlining responsible parties, timelines for each process element, lessons learned, and a best practices methodology. Processes are aimed at identifying threats through data gathering and routine testing, assessing materials integrity, and determining remediation, preventive and mitigation steps for those threats.

As part of this program, information concerning the pipeline infrastructure, operating environment and performance history is integrated into a broad evaluation of the pipeline and its environment. This information is analyzed for each pipeline segment being assessed and specific integrity-related work plans are developed.

SoCalGas employs the following pipeline integrity management activities to assess and evaluate pipelines in the system: in-line inspections, pressure testing, and direct assessment. Where operationally feasible, the preferred assessment method for transmission pipelines is in-line inspections. These evaluations address the efficacy of the systems in place to maintain the safe operation of the transmission pipeline including corrosion control and damage prevention programs.

DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM

DIMP is an ongoing program that was developed in accordance with the requirements of the DOT and PHMSA, specifically Title 49 Code of Federal Regulations Part 192, Subpart P – Distribution Pipeline Integrity Management. SoCalGas published its DIMP written plan in August 2011. The program's purpose is to improve pipeline safety by having operators identify and reduce pipeline integrity risks on distribution pipelines.

SoCalGas' DIMP focuses on potential threats and measures designed to reduce the likelihood and consequences of pipeline failures. Specifically, it addresses system knowledge; threats; evaluation and ranking of risk;

measures to address risks; performance measurement; results monitoring; effectiveness evaluation; periodic evaluation and improvement; and results reporting. SoCalGas' written DIMP plan has nine chapters and requires the integration of data from many sources for analysis and subsequent action based upon that analysis.

The DIMP includes certain activities SoCalGas has routinely performed in the past, and it requires the development of a more formal and structured approach toward the Company's traditional core regulatory pipeline integrity-related obligations.

New regulatory reporting requirements have also been added in Subpart P of our DIMP written plan that include the reporting of above-ground leak repairs, hazardous leaks resulting from mechanical fitting failure, the number of excavation tickets, the number of excess flow valves installed, and other safety performance information.

OPERATION AND MAINTENANCE PLAN

SoCalGas' Operation and Maintenance (O&M) plan is a compendium of over 140 policies that meet the requirements 49 CFR 192.605 "Procedural manual for operations, maintenance, and emergencies." Further, the documents referenced by the O&M plan identify and prescribe activities to minimize pipeline systemic risks and document its history. The O&M plan includes policies that address:

- Operating, maintaining, and repairing the pipeline and components;
- Controlling corrosion;
- Availability of construction records, maps, and operating history;
- Start up and shut down of the pipeline;
- Maintenance and operation of compressor stations;
- Review of procedures to determine effectiveness and adequacy;
- Safety procedures for excavation;
- Control room management; and;
- All other required topics.

The O&M plan is reviewed annually to verify that the referenced documents containing policies and procedures remain in compliance with the requirements of the relevant sections of 49 CFR regulations. The policies and procedures referenced are updated throughout the year in response to new information or regulations, technology, or other items that drive improvement to the policy.

Individual documents referenced by the O&M plan undergo full functional reviews at least every five years. Training programs are reviewed in the same timeframe as associated gas standards so employees are aware of and perform tasks according to the current requirements. To help employees remain knowledgeable of the applicable policies and procedures, including those related to safety, SoCalGas provides annual review training for its operating employees.

PIPELINE SAFETY ENHANCEMENT PLAN

SoCalGas submitted its Pipeline Safety Enhancement Plan (PSEP) with the Commission in August of 2011 in response to the Commission's directive that all gas corporations subject to the Commission's jurisdiction develop and implement a plan to replace or pressure test all transmission pipelines that have not been tested to modern standards. The Commission also required that gas corporations include in their safety enhancement plans proposals for automating shutoff valves. The primary PSEP elements include:

- A two-phased approach and prioritization process for the pressure testing or replacement of transmission pipeline segments that were not tested to modern standards.

- Criteria for determining whether to pressure test or replace pipeline segments.

- A proposal for enhancing SoCalGas' valve infrastructure. This proposal includes installing additional remote control and automated shutoff valves, and installing supporting equipment and system features on transmission pipelines.

All testing, replacement, valve work and other infrastructure activities completed as part of the PSEP are to be completed in accordance with this Safety Plan. PSEP also offers proposals to enhance the pipeline system beyond measures required by the Commission through retrofitting pipelines with existing and emerging technologies to provide advance warning of potential pipeline failure and decrease the time to identify, investigate, prevent, remedy or manage the effects of such an event, and it includes alternatives that can be adopted by the Commission that are designed to reduce costs for customers.

QUESTION 8:

Do you currently have practices designed to support management of compliance, safety risk and/or quality?

RESPONSE 8:

Yes. SoCalGas uses and maintains a comprehensive set of policies and gas standards which govern operations and maintenance activities for the pipeline system. Our Safety Plan is our overarching policy on safety. It includes virtually all of the requirements, instructions and guidelines related to the management of compliance, safety risk and quality of the work performed on the pipeline system. Appendix A of SoCalGas' Safety Plan lists all of the Safety Policy documents used by the utility

QUESTION 9:

If yes, on what management directive, guidelines, standards or process design criteria have you based the design of these practices?

RESPONSE 9:

The programs, practices and policies of SoCalGas have been developed over many decades and were not all initiated by a specific management directive or guideline. Many were initially developed in response to specific regulatory requirements, but also as a result of best practices shared & developed in cooperation with other operators, new and more effective technology and the evolution of a shared commitment to continuous improvement.

Current executive management directives, guidelines & standards are best summarized in Sections 2-2 of the Safety Plan issued in December 2012.

> *2 SENIOR MANAGEMENT TEAM SAFETY PERFORMANCE STATEMENT*
>
> *At SoCalGas, the safety of our customers, employees, and communities has been and will be our top priority. This tradition of safety spans more than 140 years, and is the foundation for company programs, policies, procedures, guidelines, and best practices. Management's pipeline safety expectations can best be described by the following Commitment to Safety statement that every member of our Senior Management Team wholeheartedly endorses:*
>
> > *SoCalGas' longstanding commitment to safety focuses on three primary areas – employee safety, customer safety and public safety. This safety focus is embedded in what we do and is the foundation for who we are – from initial employee training, to the installation, operation and maintenance of our utility infrastructure, and to our commitment to provide safe and reliable service to our customers.*
> >
> > *-- SoCalGas' Commitment to Safety*

3 POLICY PRINCIPLES AND PERFORMANCE EXPECTATIONS

SoCalGas' safety-focused culture and supporting organizational structure allow the company to be proactive and accountable in the safe delivery of natural gas and supporting services. The company continuously strives for a work environment where employees at all levels can raise pipeline infrastructure, customer safety, and employee safety concerns and offer suggestions for improvement.

SoCalGas' safety performance will be regularly monitored and evaluated in accordance with all state and federal regulations. Additional performance metrics shall be developed and evaluated, as appropriate, to foster a culture of continuous safety improvement. These performance metrics shall be reviewed and communicated in accordance with the schedules identified in the specific policy, program, plan or other document incorporated as part of the Safety Plan. In addition, SoCalGas shall monitor the U.S. Department of Transportation (DOT) Pipeline and Hazardous Materials Safety Administration (PHMSA) website for new regulations and advisory bulletins and act upon any applicable regulations and bulletins in a timely manner, and verify that changes in regulations are reflected in policies, standards, procedures and employee training.

4 GOALS AND OBJECTIVES

SoCalGas takes an integrated approach to pipeline integrity and safety, beginning with the design and construction of facilities and followed by continuous evaluation and improvement of operation and maintenance activities, public communication and awareness, emergency response, safety programs and practices, the implementation of new technologies, and a workplace that encourages continual open and informal discussion of safety-related issues.
Our goal is to continuously drive process improvements throughout our pipeline system and operations, to meet state and federal safety regulations, and to stay abreast of industry best practices.

5 PROGRAM REVIEW AND MODIFICATIONS

All components of this Safety Plan must be reviewed and updated per their scheduled review period listed in the table below:

Document Type	*Review Cycle*
Safety Plan	*Annually (not to exceed 15 months)*
Gas Standards	*At least every 5 years*
TIMP *O&M* *Control Room Management*	*At least annually*
DIMP	*At least every 5 years*
Form Instructions	*Every 5 years*
Environmental	*Every 2 years*
Information Bulletins	*6 months*

If changes are needed, they shall be made as soon as practicable through the Request to Publish process, and not deferred until the next scheduled review.

This Safety Plan has been reviewed and approved by the officers of Southern California Gas Company. Their signatures are appended to the Executive Summary which prefaced the Safety Plan filed on June 29, 2012 and acknowledged their commitment to safety and affirmed the de facto implementation of the Safety Plan.

During the annual review of the Plan, I, the standing Engineering and Operations executive officer affirm that the Plan, as approved and implemented, continues to reflect the commitment of the Company's officers.

QUESTION 10:

How do you monitor trends in performance for your own management purposes (including but beyond regulatory reporting requirements)?

RESPONSE 10:

As part of the Safety Plan activities described in Question 9 above, reports are created and reviewed by staff and operating line organizations to monitor trends in performance for our own management purposes.

The Risk Assessment portion of TIMP includes provisions for annually running and reviewing the output of the risk model and determining if program changes are warranted based on those results. These changes include consideration to modify Inspection Intervals or Inspection Methods.

Through DIMP SoCalGas employs several layers of programs to address risk. These programs include both required activities based on 49 CFR Part 192 plus additional programs and activities SoCalGas have determined are prudent to further address and reduce identified risks to the pipeline system. The performance and effectiveness of these programs is monitored and reviewed annually.

Employee safety metrics are also monitored on an ongoing basis. As described in the response to Q12, SoCalGas monitors both leading and lagging safety indicators. Safety statistics and trends are tracked on an on-going basis. Annual goals are established and performance is monitored on both a year-to-date and 12-month moving basis. The most significant lagging indicators include First Aid Cases, OSHA Recordable Incidents, Lost Time Incidents and Controllable Motor Vehicle Incidents.

QUESTION 11:

How do you keep up with industry best practices? Which industry standards do you follow? What do you do with what you learn? Please provide examples.

RESPONSE 11:

As articulated in our Safety Plan, the Utilities have an active business process to identify, monitor and incorporate best practices as applicable. In addition, the Utilities participation in industry groups has been a two-way communication vehicle, where we not only obtain best practices but are called upon to share our practices because when compared to others, SoCalGas and SDG&E have been successful to stay on the forefront.

Some examples are as follows:

- AGA White Paper on use of ASV/RCV Technologies (contributed and co-authored)
- AGA White Paper on Sewer Lateral Cross Bores (contributed)
- ASME Technical Paper on *Geohazard Identification and Mapping Along Pipeline Right-of-Ways Using Space-Borne Synthetic Aperture Radar co-authored)*
- Landslide and subsidence hazard guidelines
- Effects of Non-typical Loading Conditions on Buried Pipelines
- Guidelines for the Seismic Design and Assessment of Natural Gas and Liquid Hydrocarbon Pipelines
- Static and Dynamic Analysis of Highly Tensioned Suspended Pipeline Spans
- Acceptance Criteria for Mild Ripples in Pipeline Field Bends
- Guidelines for the Design, Construction, Inspection and Maintenance of Cable Supported Pipeline Bridges

- Wrinkle Bend Integrity Study on Gas and Liquid Pipelines
- Effectiveness of Geosynthetic Fabric Interfaces in Reducing Soil Loads on Buried Pipelines
- Effects of Static and Cyclic Surface Loadings on the Performance of Welds in Pre-1970 Pipelines
- Automated Detection of Subsidence Ground Movement Using Satellite Remote Sensing
- Enhanced Model and Practice Guideline for Horizontal Directional Drilling
- Pipeline Integrity Management for Ground Movement Hazards
- *Presented at AGA 2012 Best Practices on Materials Management Tracking and Traceability*
- *Presented at AGA 2013 Best Practices on Public Awareness*

The following excerpt from the Safety Plan is provided below as a reminder of our process.

1 *EMERGING ISSUES AND CALIFORNIA PUBLIC UTILITIES CODE § 961 (d)(11)*

In D.12-04-010, the Commission identified the topic of emerging issues to meet the requirements California Public Utilities 961 (d)(11). This section requires that the safety plan include the following:

- *§ 961(d)(11) Any additional matter that the commission determines should be included in the plan.*

2 *SOCALGAS AND EMERGING ISSUES*

SoCalGas stays current on emerging issues within the industry through active participation in industry associations and open communication with legislative and regulatory groups. Chapter 6 of this Safety Plan identifies safety enhancement actions the industry has committed to and SoCalGas' targeted date of implementation.

SoCalGas is currently addressing the emerging issues of the grandfathering of provisions in 49 CFR Part 192 and the installation of remote-controlled and automatic shutoff valves as part of its Pipeline Safety Enhancement Plan included in Chapter 4 of this Safety Plan. Similarly, SoCalGas is addressing the replacement of pipe, including polyethylene made with Aldyl-A resin, as part of its DIMP.

3 COLLABORATION WITH THE CALIFORNIA PUBLIC UTILITIES COMMISSION

SoCalGas shall continue to work in collaboration with the Commission and other regulatory authorities, and stay abreast of industry best practices in order to address those emerging issues that pose hazards and not yet within this Safety Plan.

QUESTION 12:

What do you include in your assembly of data or information to support continuous learning related to safety performance (e.g., incidents, close calls, precursors or leading indicators, root causes of events)?

RESPONSE 12:

From an employee safety perspective, SoCalGas monitors both leading and lagging indicators of safety performance. Leading indicators include employee engagement and safety culture assessments, performance during behavior-based safety job observations, third party vehicle driving reports and close call/near miss reports. Lagging indicators include rates for First Aid Cases, OSHA Recordable Incidents, and Lost Time Incidents. Rates are also measured to assess injury severity, including DART, Days Away from Work due to Injury and Severity. Motor Vehicle Incident rates and Controllable Motor Vehicle Incident rates are also monitored. Weekly, monthly and quarterly performance reports recap performance and convey trends. Reviews of all incident and close call/near miss reports are conducted weekly. Monthly reporting includes a summary of each incident, contributing root causes and the corrective actions taken.

From a system integrity perspective, SoCalGas evaluates incidents - both internal and external (e.g. near misses, and root causes of events) – as part of its continuous improvement process. The results of the investigations are formalized in updates to practices, policies, and procedures. For example, SoCalGas developed a robust sewer lateral inspection program as a result of an incident in Minnesota and work Southwest Gas was initiating. As another example, SoCalGas discovered a problem with an abandoned pipeline at one of its regulator stations. As a follow-up to that incident, the utility reviewed and modified its procedures for sequencing and abandoning pipelines to prevent future problems. SoCalGas also evaluates damages to its pipeline to drive improvements to our field operations, DIMP and Public Awareness Program.

QUESTION 13:

How do you monitor the condition of the infrastructure to support decisions on accelerated inspection/testing, repair or replace? How do you make related decisions? How often are these practices reviewed?

RESPONSE 13:

The TIMP and DIMP programs each include provisions for reviewing data and identifying infrastructure for additional assessment and review, including inspections and testing. Results of the inspections are then used to determine if action is necessary, and if so, what the action will be (e.g. increased monitoring, repair, replacement).

QUESTION 14:

How do you track progress in meeting explicit or implied commitments, including those implied in rate case proceedings?

RESPONSE 14:

As was discussed in response to Question 5, the estimates provided in the GRC proceeding are completed nearly 3 years prior to work commencing and are an aggregate, general estimate of the capital needs in future years. System needs are dynamic and ever changing. The Utility continually monitors the system to address real time safety and reliability needs. (This was touched on in response to questions 5 and 10.) The utilities have not traditionally envisioned the GRC proceeding to be the single listing of capital work elements that would be required to be completed 4 years out. Therefore the only "tracking" to the GRC authorized levels is done at an aggregate spending level as we complete the annual budget process to assess the spending profiles and authorized Revenue Requirement.

The most recent GRC decision included a reporting requirement for pipeline safety work, and thus this work is being reviewed by all stakeholders. Thus the work that was forecasted, as discussed previously, but again the listing from the GRC is a forecast. The reality of unforeseen events and other intervening factors will require a more dynamic interplay of the work.

The utility additionally tracks on-going requirements from Decisions, Resolutions and Advice Letters in a "Regulatory Tracking System" to comply timely with Commission orders.

QUESTION 15:

How, if at all, do you communicate the status of and need for modification of these commitments?

RESPONSE 15:

The GRC estimates are guideposts to future spending requirements; but the utility must respond to real time conditions. Please refer to the response provided to Question 5 for a discussion on how the organization communicates and responds to changes in work elements and funding needs.

QUESTION 16:

How do you solicit and manage employee input to safety issues?

RESPONSE 16:

Employee input is solicited through several areas that include:

- Safety Committees
- Field Safety Advisors
- Local Supervision
- Executive Safety Council Dialogue Sessions

Additionally, from Southern California Gas Company's Natural Gas System Operator Safety Plan Executive Summary filed June 29, 2012 in R.11-02-019. Pages 12-14

IV. WORKFORCE PARTICIPATION

Public Utilities Code Section 961 provides as follows:

> *The commission and gas corporation shall provide opportunities for meaningful, substantial, and ongoing participation by the gas corporation workforce in the development and implementation of the plan, with the objective of developing an industry wide culture of safety that will minimize accidents, explosions, fires, and dangerous conditions for the protection of the public and the gas corporation workforce.*

To comply with these directives, we took the following actions in the development of the Safety Plan:

- *The company engaged management and non - management frontline employees; made pipeline safety presentations; and solicited feedback and ideas on the plan with the goal of gathering meaningful and substantial information to improve*

pipeline safety. The Safety Plan will be available to all employees and will be stored online and reviewed periodically under the direction of an executive who will be the designated "owner." Systems are being established to allow all employees the opportunity to comment on the Safety Plan and to make ongoing suggestions.

- *SoCalGas solicited safety related suggestions via a survey of all operations employees. We received more than 400 questionnaire responses with suggestions ranging from tools and training to public awareness and pipeline design. The employee surveys were logged and recorded and the company is in the process of analyzing responses and planning follow - up activities. Two follow - up focus groups were held with employees to receive clarification and additional input. We intend to schedule additional focus groups to further clarify the input we received and to make certain that we are addressing any issues or concerns they have related to our commitment to safety. We also plan to use these sessions to refine the direction for future pipeline safety improvements.*

- *We sent information to all of our pipeline contractors asking them for their input and suggestions. As with employee comments, we intend to follow up on comments received from our pipeline contractors to make certain we are addressing any issues or concerns they have related to our commitment to safety.*

- *In addition to presentations to operations employees, an email was sent to all other company employees with company email addresses (Human Resources, Accounting, etc.) explaining the Safety Plan development process and soliciting their suggestions.*

- *In all presentations and e - mails, employees were informed that anyone who perceives a breach of safety requirements may inform the Commission of the breach, and that the Commission will keep the identity of the employee confidential. It included the address of the Director of the Commission's Consumer Safety and Protection Division and instructed employees to designate "Safety Breach Notification*

from Gas System Operator Employee– Confidentiality Requested" to seek confidential treatment.

- *A summary of the pipeline safety suggestion process, including how to provide ongoing suggestions to Operations Staff and the Commission is posted on all Operations organization bulletin boards. That posting also directs employees to an Operations SharePoint site where the Safety Plan and the suggestion process are included.*

QUESTION 17 :

How do you follow-up on this input (e.g., make decisions to address issue, decide on how to address the issue, communicate to the originator the decisions and timeframe on which to expect closure)?

RESPONSE 17:

When input is received, it is promptly assigned to the responsible staff member for thorough investigation and resolution. The target timeframe for initially reviewing and assigning a suggestion is as soon as possible no longer than 5 business days. During investigations, employees are often contacted for additional clarification and to determine the appropriate follow-up actions. This follow-up may simply include discussions with the employee who submitted the input to explain how the company is currently meeting or exceeding the objective of their suggestion. The follow-up could also entail the re-training of field personnel or the revision of training materials, best practices and/or gas standards. SoCalGas strives to determine disposition of all investigations as quickly as possible; however, the ultimate goal is to complete a thorough investigation which could mean that an issue will not find closure for several weeks as enhancements are planned and implemented. With that said, most suggestions will find closure in less than two weeks. The basis for accepting or rejecting a suggestion will be the extent to which the suggestion improves the safety of the pipeline, and assists us in meeting all regulatory requirements and industry best practices while maintaining optimal operating efficiencies for our customers. *(from SoCalGas Amended Safety Plan 06/28/13)*

QUESTION 18:

Do you have an internal safety and/or compliance audit function? If so, how are the results from these audits translated into decisions and action? How are actions monitored? Please provide examples.

RESPONSE 18:

To monitor and maintain compliance with all applicable environmental and employee health and safety laws and regulations, SoCalGas maintains a comprehensive compliance management system called the Environmental & Safety Compliance Management Program (ESCMP). ESCMP includes periodic assessment of facility conditions and operations and incorporates a formal compliance policy defining expectations and responsibilities. An ESCMP certification is conducted at year-end to confirm compliance with the Injury and Illness Prevention Program, safety and environmental laws and regulations, and company policies and procedures. The certification process includes line-management and officer sign-off confirming any necessary corrective actions have been completed.

Site managers, with the support of the Safety department staff, conduct assessments of Company facilities and operations using audit checklists that include applicable safety-related regulatory requirements and company policies and procedures. Should an assessment identify areas, actions or activities that are not compliant with regulatory requirements or company policies and procedures, corrective action plans are developed and monitored until resolved. Results of assessments, including any identified compliance issue and the corresponding corrective action(s) are managed via the Safety Information Management System (SIMS). Quarterly reports on the status of open corrective actions are prepared via SIMS and distributed to company leadership to ensure compliance issues are addressed in a timely manner. The assessments occasionally result in changes to company policy or training practices or enhancements to business controls.

Sempra Energy, the parent company of SoCalGas, has an independent internal audit function (Audit Services) that conducts internal audits of its business subsidiaries at regular intervals. These audits include environmental

health and safety compliance audits. The results of these audits are documented and any business control issues or compliance findings are identified, including any necessary corrective actions. If identified, corrective actions are monitored to closure, and results are reported to the Audit Committee of the Sempra Energy Board of Directors. Enhancements are periodically made to the business controls surrounding safety compliance as a result of these audits. For example, a recent audit of the SoCalGas telecommunications facilities resulted in an improvement to controls pertaining to the availability of Safety Data Sheets for hazardous materials used at the telecommunications sites.

QUESTION 19:

Have you ever commissioned independent (including outside) safety and/or compliance audits? How are results translated to action and the results monitored? Please provide examples.

RESPONSE 19:

The Commission's Safety and Enforcement Division (SED) routinely performs safety and compliance audits. During the audits the CPUC will provide input, ideas and observations on ways to improve and enhance the Company's approach. Often, these ideas are discussed with the responsible company representative for the audited area, and changes are implemented during the CPUC audit. Other changes may require training or system changes. When these circumstances exist, a Company project is developed, and the project is executed.

For example, as part of SED's audit of SoCalGas' Public Awareness Program, SED observed that the Company's methodology to determine which languages other than English should be required for communication was not part of its Public Awareness Program policy. SED recommended that the methodology be included as part of the policy. The Company agreed with the recommendation and added the additional details of the methodology although it is not required by Code to be in the plan. This action was implemented promptly as it only required a policy change and no additional training or systems changes.

The CPUC also audits the Company for compliance and identifies violations. While SoCalGas does not always agree with the Commission's conclusion that a violation has occurred, it responds to the CPUC's findings and works with the Commission to close the items identified. An example of a non-compliance item would be a late inspection of corrosion control equipment. The Company would complete the inspection, verify it was in working order, and report the results to the CPUC.

The Company has hired consultants with specific expertise to review programs and make recommendations to improve and/or enhance programs and policies. This process is collaborative with changes and improvements being made after review and analysis of the consultant's recommendations. It is the responsibility of the organization utilizing the consultants to implement the enhancements identified through this process.

QUESTION 20:

What are you doing to promote and assure an appropriate safety culture? Have you documented what an appropriate safety culture should include?

RESPONSE 20:

Safety is embedded in our culture. It starts with the formalized training that employees receive when they begin their career. It is emphasized on the job, and then re-emphasized during the training they receive as they advance to new jobs. Completing work safely is interwoven into all parts of their training.

Once on the job, SoCalGas conducts frequent, and in many cases daily, meetings with its employees who work in the field to discuss health and safety. SoCalGas maintains training programs, produces written and electronic communications, and has a system for employees to report hazards, close calls and "near miss" safety incidents. Job observations are also performed where employees' safe behaviors are reinforced and where employees receive coaching in how to eliminate or improve behaviors that could jeopardize their safety or that of others. SoCalGas has a broad program that incorporates employee involvement in furthering its safety culture.

SoCalGas has approximately 500 employees who serve on its local safety committees. Membership on these committees rotates among the workforce. Safety committee members work on projects to reduce hazards and prevent injuries. The committee members meet regularly with employees to share the results of their work. Safety committee members participate in events (annual Safety Congresses and Safety Summits) where they are trained in different safety-related topics and where "best practices" are shared. Safety committee members are trained in many different topics, including root cause analysis, which is applied during incident investigations.

At SoCalGas, management and employees are committed to the protection of the health and safety of one another, our customers and the general public. We focus on achieving an industry-leading pipeline safety and integrity program. The people who work at SoCalGas are proud of our long history of safe operations and reliable natural gas service. We do business every day with integrity, accountability, initiative and respect.

This past year, SoCalGas requested the National Safety Council – an independent, nonprofit organization that has been an advocate of public safety for over 100 years[6] – administer a survey to measure employee perceptions about our safety culture and practices. A total of 6,238 employees at SoCalGas took part in the survey.

After compiling the survey results, the National Safety Council concluded that the safety culture at SoCalGas is "world-class" and stands in the top 7% of the 580 companies that have taken the NSC survey. While this result is not surprising to the people who work at SoCalGas, it is reassuring to hear it confirmed by an impartial third party.

According to the National Safety Council, SoCalGas scored high in all six areas of safety excellence covered by the survey. The areas included:

Organizational Climate – The general conditions that interact with the safety program to affect its ultimate success such as teamwork, morale, and employee turnover (SoCalGas scored in the top 7%);

Management Participation – The ways in which top and middle management demonstrate their leadership and commitment to safety in the form of words, actions, organizational strategy, and personal engagement with safety (SoCalGas scored in the top 7%);

Supervisory Participation – The six primary roles through which supervisors communicate their personal support for safety: leader, manager, controller, trainer, organizational representative, and advocate for workers (SoCalGas scored in the top 8%);

Safety Support Climate – The general beliefs, impressions, and observations about management's commitment and underlying values with regard to safety (SoCalGas scored in the top 10%);

Safety Support Activities – The presence or quality of various safety program practices. This area focuses on communications, training, inspection; maintenance, and emergency response (SoCalGas scored in the top 13%); and

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[6] NCS' mission is "to save lives by preventing injuries and deaths at work, in homes and communities and on the road through leadership, research, education and advocacy." *See* www.NSC.org, for more information.

Employee Participation – The actions and reactions that are critical to making a safety program work. Emphasis is placed upon personal engagement, responsibility, and compliance (SoCalGas scored in the top 19%).

The responses employees provided to the National Security Council survey demonstrate our employees' continuing focus on safety and their initiative to provide strong safety leadership. While the results have been labeled "World Class," we are committed to continuous improvement. An important benefit to conducting the survey is that it has enabled us to identify a few meaningful and actionable improvement opportunities that may help us to further improve our safety performance. We intend to use the survey information to continue to enhance our culture and strengthen all aspects of our safety excellence.

QUESTION 21:

What criteria should be used by the Commission to evaluate whether a utility has produced an adequate risk-informed GRC filing?

RESPONSE 21:

This question also appears within the body of the OIR in Section 4.2, and indeed the answer would seem to be the eventual outcome of this proceeding. SoCalGas agrees that Commission should consider the linkage between the utilities' obligations for safety, security and reliability and appropriate funding levels, and that those funding levels should be commensurate with both the regulatory and public expectations regarding safe and reliable delivery of service.

With regard to criteria to evaluate the adequacy of a utility's GRC filing, the Commission should take a broad approach to risk assessment and risk management; not limited to the narrow "what is included in the GRC filing". Because GRCs take a very long time to process, they may not reflect rapidly developing or most current information; nor do they encompass all utility operations, investments, and processes. Furthermore it would be redundant to require information already reported elsewhere into the GRC process that serves to "bulk up" the risk-related information in that proceeding. In this context, the Commission should recognize that utilities already provide risk-related information in a variety of formats and recurring reports. For example, SoCalGas provides an annual report ("Attachment 3", also known as the semi-annual 'Gas Transmission and Distribution and Gas Storage Safety Report') with extensive information regarding pipeline safety. The GRC proceedings are informed by, and reflect these reports, mandates, staffing levels, and plans; they request funding that is (on a forecast basis) necessary to implement these plans, comply with the General Orders, and to safely maintain and operate the utility systems in a

manner compliant with law and regulation. In short, the Commission should recognize that the GRC process does not "stand alone" in isolation from other proceedings, regulations and orders. The criteria used to evaluate whether the GRC filing is adequately risk-informed should take into account the larger regulatory and legal environment.

The perspective of risk assessment as it relates to revenue requirements also implies that there may be some 'acceptable level' of risk, and indeed invites quantifiable definitions of risk, safety, reliability and security. These are necessary so that the utilities may have objective standards to work from, and to incentivize behavior toward the Commission's expectations. SoCalGas proposes that as an outcome of this OIR the Commission look to adopt RCP criteria that may already exist in comparable industries that present comparable risk profiles (airlines, rail, NASA, NERC) rather than start from whole cloth, and permit the utilities a period of GRC cycles to adopt and adjust to that new RCP criteria. Because the utilities are normally in-process of a GRC at any given time, changes to the RCP should be applicable to future filings and not applied to current or past proceedings for which new RCP criteria has not yet been adopted.

The Commission should also ask itself whether or not it is logical to assume that "adequately risk informed" is the most useful metric for GRC proceedings, which are forecast-oriented and primarily focused on future rate setting. It is possible that a more workable approach would be to evaluate safety plans, reliability metrics, and minimum standards independently, without bundling them into the already complex and time-consuming ratemaking process. And without objective definitions of such terms as 'adequacy' and 'risk', there will be inevitable disagreement that the utilities have produced either an 'adequate' showing, or that particular perspectives (public, worker, intervenor, ratepayer) were sufficiently considered.

Furthermore, whether or not the utility has "produced" an adequately risk-informed GRC is only the first input; what is more important is the output – in other words whether or not the GRC process produces an adequately risk-informed decision and the funding necessary to run an

adequately risk-informed utility system. Because the focus of a GRC is revenue requirement, and many parties are intensely focused on rates, intervenors sometimes oppose safety related funding, and those recommendations are sometimes adopted.

SoCalGas anticipates that in the course of this OIR the Commission will likely conduct one or more workshops which, in combination with the responses provided here, will serve to provide the Commission with the perspectives and material it will require to craft the risk-informed framework it desires for the Rate Case Plan. In order for that framework to be effective, risk-assessment criteria will need to be objectively, clearly and precisely defined.