

SOUTHERN CALIFORNIA GAS COMPANY

Audit Report

AFFILIATE TRANSACTION RULES

January 1, 2020, through December 31, 2021



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

December 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

December 4, 2024

Rachel Peterson, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Dear Ms. Peterson:

The State Controller's Office, pursuant to an Interagency Agreement with the California Public Utilities Commission, audited Southern California Gas Company (Utility) for the period of January 1, 2020, through December 31, 2021. The objective of our audit was to determine whether the Utility complied with Affiliate Transaction Rules (ATRs) I. through IX.

Our audit found that the Utility:

- Did not fully comply with ATRs III. through VII. in certain instances, as described in Findings 1 through 8;
- Did not have certain controls in place to ensure compliance with ATRs III. through VII. , as described in Findings 1 through 8;
- Identified 14 instances of noncompliance with ATRs III. through VII., as described in Findings 1, 3, 4, 5, 7, and 8, but indicated that it is taking action to correct the deficiencies; and
- Applied corrective actions to two (or 40%) of five audit findings reported in the prior ATR audit report.

If you have any questions regarding this report, please contact Roochel Espilla, Chief, State Agency Audits Bureau, by telephone at (916) 323-5744, or by email at respilla@sco.ca.gov.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/ac

Attachment

Ms. Rachel Peterson

December 4, 2024

Page 2 of 2

Copy: Alice Busching Reynolds, President
California Public Utilities Commission
Matthew Baker, Commissioner
California Public Utilities Commission
Karen Douglas, Commissioner
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Darcie L. Houck, Commissioner
California Public Utilities Commission
John Reynolds, Commissioner
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Retail Choice Section, Energy Division
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Southern California Gas Company
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Southern California Gas Company

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Audit Report

Executive Summary

The State Controller's Office (SCO) audited Southern California Gas Company (Utility) for the period of January 1, 2020, through December 31, 2021. The objective of our audit was to determine whether the Utility complied with Affiliate Transaction Rules (ATRs) I. through IX. We completed our audit fieldwork on November 7, 2023.

Our audit found that the Utility:

- Did not fully comply with ATRs III. through VII. in certain instances, as described in Findings 1 through 8;
- Did not have certain controls in place to ensure compliance with ATRs III. through VII., as described in Findings 1 through 8;
- Identified 14 instances of noncompliance with ATRs III. through VII., as described in Findings 1, 3, 4, 5, 7, and 8, but indicated that it is taking action to correct the deficiencies; and
- Applied corrective actions to two (or 40%) of five audit findings reported in the prior ATR audit report.

Background

The California Public Utilities Commission (CPUC) is led by five Commissioners, who are appointed by the Governor of California. In the late 1980s and early 1990s, various energy utilities filed applications with the CPUC to reorganize under a holding company structure. The CPUC approved applications for several energy utilities under its authority. However, the Commissioners were concerned that energy companies would be able to manipulate prices and charge higher prices to some consumers through transactions with their unregulated affiliates. The Commissioners imposed rules governing transactions between the utilities and their affiliates to address these concerns; the rules are known as the ATRs. The ATRs are intended to ensure that utilities: (1) meet their public service obligations at the lowest reasonable cost; and (2) do not engage in preferential treatment of their affiliates.

Since inception of the ATRs in 1993, the Commissioners have periodically revised the ATRs in response to new or revised legislation. In 2005, the Commissioners issued Decision (D.) 06-12-029 in Rulemaking 05-10-030 in response to the Energy Policy Act of 2005, which repealed the Public Utility Holding Company Act of 1935. This decision reviewed existing regulations to determine whether changes or additions to the ATRs were required. The Commissioners made revisions to improve internal consistency and to delete outdated provisions concerning initial compliance with the original ATRs.

The ATRs applicable for the audit period are set forth in D. 06-12-029, Attachment 1, Appendix A-3. Each investor-owned utility must annually submit a Compliance Plan that describes the mechanisms and procedures in place enabling the investor-owned utilities to comply with the ATRs. Each investor-owned utility is also required to designate an Affiliate Compliance Manager to ensure that these mechanisms and procedures

conform to the ATRs. In addition, investor-owned utilities are required to submit annual affiliate transaction reports to disclose affiliate activities. Pursuant to ATR VI. C., the Commissioners require ATR audits to be performed biennially by independent auditors. The SCO conducted an ATR audit of the Utility for the period of January 1, 2016, through December 31, 2017, and issued a report on May 24, 2021. The report disclosed five findings.

Southern California Gas Company

The Utility is a CPUC-regulated public utility. The Utility provides natural gas to approximately 21.8 million consumers through approximately 5.9 million gas meters in Central and Southern California. The Utility's service area spans approximately 24,000 square miles, from Visalia to the Mexican border.

At the time of the issuance of the Utility's calendar year (CY) 2021 Compliance Plan, the Utility reported 187 affiliates, of which 111 were "covered" affiliates, meaning that these affiliates were subject to the ATRs.

The Utility was responsible for ensuring compliance with the ATRs during the audit period. The Utility has established policies, procedures, and processes for its business functions to ensure that affiliate interactions and business transactions are conducted in accordance with the ATRs.

Audit Authority

We conducted this audit at the request of the CPUC, in accordance with an interagency agreement between the SCO and the CPUC.

Objective, Scope, and Methodology

The objective of our audit was to determine whether the Utility complied with ATRs I. through IX. for CY 2020 and CY 2021. Specifically, we conducted this audit to determine whether the Utility:

- Complied with the ATRs;
- Had adequate controls in place to ensure compliance with the ATRs;
- Identified instances of noncompliance with the ATRs, and used effective methods to identify, assess, and correct deficiencies; and
- Applied corrective action to audit findings reported in the prior ATR audit report.

The audit period was January 1, 2020, through December 31, 2021.

To achieve our objective, we performed the following procedures.

General

- We gained an understanding of the Utility's policies and procedures in place during the audit period for each ATR to determine whether the Utility's internal controls were adequately designed.
- When applicable, we conducted walkthroughs to determine whether key internal controls were operating as designed.

- When applicable, we tested key internal controls to determine whether the Utility had adequate internal controls in place to ensure compliance with the ATRs.
- We requested a list of all instances of noncompliance identified by the Utility during the audit period, and determined the methods by which the Utility identified, assessed, and corrected the deficiencies it identified.
- We assessed the reliability of computer-processed data on ATR-related transactions by interviewing the Utility officials knowledgeable about the data; reviewing existing information about the data and the system that produced it; and tracing data to source documents, based on judgmental sampling. We determined that the data was sufficiently reliable for the purposes of this report.

ATR I. – Definitions

ATR I. provides key terms that the Utility must use to define its business and activities related to its affiliate transactions. We performed the following procedures to determine whether the Utility’s interpretation and application of these definitions was consistent with ATR I.:

- We reviewed training materials provided to Utility employees and affiliates to ensure that the definition of an “affiliate” is being properly conveyed.
- We ensured consistency between ATR I. “Definitions” and the definitions described in the ATR Compliance Plans and Annual Reports.
- We reviewed the Utility’s process for determining whether an entity is an affiliate as defined in ATR I.

ATR II. – Applicability

ATR II. provides criteria that describe which affiliates are covered by the rules. These rules apply to affiliates that engage in the provision of products that use gas or electricity, or services that relate to the use of gas or electricity, unless specifically exempt. We performed the following procedures to determine whether the Utility appropriately classified each affiliate based on its business activity:

- We reviewed training materials provided to Utility employees and affiliates to ensure that the Utility is providing guidance on which affiliates are considered covered affiliates under the ATRs.
- We reviewed documentation to support that 17 (77%) of 22 affiliates created in CY 2020 and CY 2021 were properly classified as affiliates covered, or not covered, in accordance with ATR II.
- We inquired with the Utility and confirmed that no affiliates were reclassified during the audit period.
- We reviewed procedures and mechanisms to ensure that the Utility’s holding company (Sempra Energy) is not used as a conduit to provide nonpublic utility information to covered affiliates.

ATR III. – Nondiscrimination***ATR III. A. – No Preferential Treatment Regarding Services Provided by the Utility***

ATR III. A. requires affiliates to be treated on a nondiscriminatory basis, just as non-affiliated companies would be treated. We performed the following procedures to determine whether any affiliates received preferential treatment from the Utility:

- We reviewed procedures and training materials to ensure that they convey the principle of non-discrimination.
- We reviewed the Customer Call Center (CCC) diagram, which shows the different employee functions and responsibilities, and explains how these functions and responsibilities prevent preferential treatment from occurring in communication between the Utility, customers, and affiliates.
- We reviewed the policies and procedures in place to verify that CCC employees were not instructed to recommend covered affiliates to customers.

ATR III. B. – Affiliate Transactions

ATR III. B. identifies transactions permitted between the Utility and its affiliates, including tariffed products and services; the sale of goods, property, products, or services made generally available by the Utility or affiliate to all market participants through an open, competitive bidding process; the provision of information made generally available by the Utility to all market participants; and Commissioner-approved resource procurement by the Utility, or as provided for in ATRs V. D. (Joint Purchases), V. E. (Corporate Support), and VII. (Utility Products and Services). We performed the following procedures to determine whether transactions between the Utility and its affiliates were permissible:

- We reviewed procedures and training materials to verify that the Utility policies and instructions to its employees regarding affiliate transactions were intended to limit transactions to those allowable under the ATRs.
- We reviewed a detailed transaction history report of all transactions between the Utility and its affiliates to ensure that the transactions were permitted by the ATRs.
- We reviewed procedures and training materials to ensure that resource procurement procedures were compliant with ATR III. B. 1.
- We reviewed all competitive bids for contracts, products, and services during the audit period between the Utility and its affiliates, and confirmed that no covered affiliates sent bids for contracts, products, or services.
- We reviewed the Utility's records and confirmed that the Utility's blind transactions were in compliance with ATR III. B. 1.
- We reviewed procedures and training materials to verify that the Utility's policies and instructions direct employees to provide access

- to Utility information or services, and unused gas capacity or supply, in a nondiscriminatory manner.
- We reviewed all notices of availability that were posted on the Utility's website to determine whether they were made contemporaneously available to all market participants.
 - We reviewed procedures and training materials to ensure that policies and instructions to Utility employees on offering discounts are compliant with ATR III. B. 3.
 - We reviewed all postings of discount offering on the Utility's website to determine whether they were made contemporaneously available to all market participants.
 - We reviewed procedures and training materials to verify that the Utility's policies are adequate to ensure that the Utility does not provide preferential treatment to affiliates when tariff provisions allow for discretion in their application.
 - We requested and reviewed a list of all tariffed services that the Utility provided its affiliates during the audit period, and confirmed that all services were standard tariff offerings requiring no discretion in their application.
 - We reviewed the Utility's website to determine whether any tariff deviations were posted. We found no evidence of any tariff deviations provided to an affiliate.
 - We reviewed procedures and training materials to verify that the Utility's policies are adequate to ensure that it processes requests for services in a nondiscriminatory manner.

ATR III. C. – Tying of Services Provided by a Utility Prohibited

ATR III. C. prohibits the Utility from tying the provision of services it provides to the taking of goods or services from its affiliates. We performed the following procedures to determine compliance with ATR III. C.:

- We reviewed procedures and training materials to ensure that the Utility's procedures prevent tying the provision of services it provides to the taking of goods or services from its affiliates.
- We reviewed a selection of marketing materials to determine whether the tying of goods or services from an affiliate was implied, offered, or provided. We found no evidence that the Utility engaged in tying of services.

ATR III. D. – No Assignment of Customers

ATR III. D. prohibits the Utility from assigning its current customers to its affiliates under any circumstances unless the same opportunity is also available to all competitors. We reviewed procedures and training materials to ensure that the Utility instructs its employees not to assign customers to its affiliates.

ATR III. E. – Business Development and Customer Relations

ATR III. E. identifies certain actions that the Utility must not engage in related to business development and customer relations. We performed the following procedures to determine whether the Utility provided business development or customer relations services to its affiliates:

- We reviewed procedures and training materials to verify that the Utility's policy is to refrain from engaging in business development and customer-relations activities with its affiliates.
- We identified affiliates that provided products and services to the Utility's customers, and reviewed marketing materials to determine whether there were any instances in which the Utility had provided assistance on business development and/or customer relations to its affiliates.

ATR III. F. – Affiliate Discount Reports

ATR III. F. states that if the Utility provides an affiliate with a discount, rebate, or other waiver of any charge or fee for products and services, the Utility must post a notice on its electronic bulletin board within 24 hours identifying the affiliate; the volume, value, and rate charged; the maximum rate; and the means by which non-affiliates can seek a similar offer. We reviewed the Utility's policies and procedures to verify that they ensure compliance with ATR III. F. We reviewed the Utility's website and verified that the Utility provided no special discounts to its affiliates during the audit period.

ATR IV. – Disclosure and Information

ATR IV. provides the requirements the Utility must follow in disclosing information, including customer, non-customer-specific, non-public, service provider, and supplier information. The rule also provides guidelines for affiliate-related advice or assistance, record-keeping, maintenance of affiliates' contracts and related bids, and Federal Energy Regulatory Commission reporting requirements. We performed the following procedures to determine whether the Utility: (1) provided customer information to its affiliates exclusively, or without consent; (2) made non-customer specific non-public information available to its affiliates contemporaneously with all other service providers; (3) included an affiliate on any service provider list made available by the Utility to its customers; (4) provided its customers advice or assistance with regard to its affiliates or other service providers; and (5) maintained appropriate affiliate transaction records:

- We reviewed an internal report provided by the Utility, and identified 627 line items for third-party entities that submitted Customer Information Service Requests (CISRs) to the CCC during the audit period. The report tracks CISRs by entity, and each entity can submit multiple CISRs at a time; therefore, the total number of CISRs submitted by these third parties is unknown.
- We determined whether CISRs provided to affiliates were processed in a nondiscriminatory manner, with prior written consent from the customer.

- We determined whether the Utility released customer information to covered affiliates prior to posting electronic notices on its website.
- We reviewed the Utility’s website for disclosure of instances in which non-customer specific non-public information was shared with affiliates.
- We reviewed the minutes for all 32 of the Utility’s Board meetings to determine whether affiliate representatives were present during potentially sensitive discussions, and to ensure that non-customer-specific, non-public information was not shared with affiliate representatives who were in attendance.
- We requested service provider lists that were distributed or made available to the public during the audit period in order to review them and determine whether any affiliates were listed.
- We inquired about the type of information that CCC representatives are permitted to release to customers.
- We requested written authorization for information provided to affiliates by unaffiliated suppliers.
- We confirmed that the Utility’s affiliates did not serve retail customers during the audit period.
- We noted any instances in which our requests for records for this audit were unsuccessful.
- We requested any existing contracts that were jointly negotiated by the Utility and affiliates in prior years but were still in effect during CY 2020 and CY 2021, and confirmed that no such contracts were in effect during the audit period.

ATR V. – Separation

ATR V. A. – Corporate Entities

ATR V. A. requires the Utility, its holding company, and its affiliates to be separate corporate entities. We performed the following procedures to ensure that the Utility, its holding company, and its affiliates are separate corporate entities:

- We reviewed the Utility’s CY 2020 and CY 2021 Annual Reports, its holding company’s CY 2020 and CY 2021 Form 10-K reports, and organization charts of covered affiliates to ensure that the Utility, its holding company, and its affiliates are separate corporate entities.
- We reviewed the Utility’s CY 2020 and CY 2021 Compliance Plans to ensure that proper procedures are in place to ensure compliance with this ATR.
- We reviewed all 22 newly created affiliates and requested the articles of formation for the affiliates created during CY 2020 and CY 2021.

ATR V. B. – Books and Records

ATR V. B. requires the Utility, its holding company, and its affiliates to maintain separate books and records in accordance with the Federal

Energy Regulatory Commission-established Uniform System of Accounts and with generally accepted accounting principles. We performed the following procedures to ensure that the Utility's records were consistent with reporting requirements:

- We reviewed the Utility's CY 2020 and CY 2021 Form 10-K report filings to determine whether books and records are kept in accordance with generally accepted accounting principles.
- We reviewed the Utility's CY 2020 and CY 2021 Annual Reports to determine whether books and records are kept in accordance with the Uniform System of Accounts.
- We verified that all accounting records of the Utility, its holding company, and its affiliates were open and available for review and analysis by the CPUC consistent with the requirements of Public Utilities Code (PUC) sections 314 and 701.

ATR V. C. – Sharing of Plant, Facilities, Equipment or Costs

ATR V. C. requires the Utility and its affiliates to maintain physical separation and prohibits the Utility from sharing office space, office equipment, services, and systems such as computers and information systems with its affiliates. We performed the following procedures to determine whether the Utility maintained distinct and unshared space and resources:

- We examined the Utility's office space located within the holding company's headquarters in San Diego, California and reviewed policies and procedures to ensure that the Utility and affiliate did not share office space and the Utility did not offer affiliate employees access to the Utility's facilities.
- We confirmed that affiliate representatives are treated as visitors and are required to be escorted by a Utility employee.
- We observed that visitors to the Utility's office space are greeted by an armed security guard, and are required to provide photo identification and sign a visitor's log before Utility employees are contacted to escort the visitors.
- We obtained a list of employees who transferred between the Utility and its affiliates during the audit period, and tested all five covered affiliate transfers (out of 16 affiliate transfers) to verify that the employees' physical and system access was terminated concurrent with the date of transfer; and that the Utility or affiliates that received the transferred employees did not grant access to the employees before their previous physical and system access was terminated, to prevent the transferred employees from having concurring access to the Utility's and the affiliates' locations and systems.
- We obtained a network diagram depicting logical separation of affiliate and Utility networks, and determined whether affiliate virtual private network tunnels are protected by firewalls to restrict access to Utility resources.

ATR V. D. – Joint Purchases

ATR V. D. prohibits joint purchases of traditional utility merchant products and services by the Utility and its affiliates. We performed the following procedures to determine whether the Utility engaged in joint purchases for these products and services with its affiliates:

- We gained an understanding of what type of joint purchases the Utility engages in with its affiliates.
- We inquired whether the Utility engaged in any joint purchases (whether energy or non-energy related) during the audit period. We reviewed a judgmental sample of 12 joint purchase transactions totaling \$22,233, from a population of 106 transactions totaling \$32,869.

ATR V. E. – Corporate Support

ATR V. E. identifies corporate support services that may and may not be shared between the Utility and its affiliates. We performed the following procedures to determine whether the Utility shared with its affiliates information about employee recruiting, engineering, hedging, financial derivatives, arbitrage services, gas and electric purchasing for resale, purchasing of gas transportation and storage capacity, purchasing of electric transmission, system operations, or marketing:

- We interviewed Utility employees in various shared support functions to assess their knowledge of the ATRs and ensure that restricted services were not provided to affiliates.
- We examined the Utility's list of permitted and non-permitted shared services identified in the "Corporate Support Services" section of the Utility's *Affiliate Compliance Guidelines* for CY 2019 (still in effect for CY 2020) and CY 2021.
- We examined the Utility's processes and procedures for intercompany billing and cost allocation methodologies.
- We documented the controls implemented by the Utility to ensure compliance with the accounting requirements of the ATRs, including, but not limited to, ensuring that approvals, authorizations, verifications, cost loaders, and fees were correctly developed and applied; and ensuring that applicable costs were appropriately allocated to affiliates.
- During the audit period, the Utility reported covered inter-affiliate monthly invoices of \$389,943 in CY 2020 and \$386,459 in CY 2021.
 - We reviewed a judgmental sample of eight inter-affiliate monthly invoices, totaling \$3,594. These invoices, issued in April and December 2020 and April and December 2021, consisted of seven covered affiliate invoices, totaling \$2,625, and one non-covered affiliate invoice, totaling \$969.
 - We verified that inter-affiliate monthly invoices were accurately produced in a timely manner.

ATR V. F. – Corporate Identification and Advertising

ATR V. F. prohibits shared advertising between the Utility and its affiliates, and provides guidelines for corporate identification. To determine whether the Utility and its affiliates shared advertising and corporate identification, we reviewed the Utility's marketing documents used during the audit period to ensure that:

- There was no representation of preferential treatment of affiliates;
- The Utility did not provide advertising space to its affiliates; and
- The Utility did not participate in joint advertising or joint marketing activities with its affiliates during the audit period.

ATR V. G. – Employees

ATR V. G. prohibits joint employment between the Utility and its affiliates. Additionally, it provides guidelines for employee movement between the Utility and its affiliates. We performed the following procedures to determine whether the Utility and its affiliates shared employees or complied with the provisions of ATR V. G. for all employee movement:

- We determined whether any employees served as board members or corporate officers for the holding company, the Utility, and/or an affiliate simultaneously.
- We confirmed that corporate officers from the Utility and the holding company are appropriately described in the CY 2020 and CY 2021 Compliance Plans, and ensured that the Utility does not share officers and directors as a conduit to circumvent any of the ATRs.
- We verified that the Utility appropriately notified the CPUC's Energy Division of any changes to its list of shared officers and directors within 30 days.
- We verified that the Utility reported all employee movements to or from affiliates in its Annual Reports.
- We reviewed records for all 16 employee transfers to verify that: (1) employees who transferred to an affiliate did not return to the Utility for a period of one year; (2) if an employee returned to the Utility, the employee was not retransferred, reassigned, or otherwise employed by an affiliate for two years; and (3) the Utility's holding company was not used as a conduit to circumvent the required transfer fees.
- We confirmed that the transfer fee of 25% of an employee's base annual compensation was properly recorded in the Affiliate Transfer Fee Memorandum Accounts' General Ledger balances for all 16 transferred employees.
- We reviewed the signed Adherence to Affiliate Transaction Communication Policies forms and the affiliate transfer process flows to ensure that transferring employees acknowledged the restrictions imposed by the ATRs.

- We inquired with Utility staff members and confirmed that the Utility did not engage in any Intercompany Service Requests, in order to determine whether the Utility approved and made temporary or intermittent assignments or rotations to its affiliates during the audit period.

ATR V. H. – Transfer of Goods and Services

ATR V. H. identifies types and values of transferred goods and services between the Utility and its affiliates. We performed the following procedures to determine whether the Utility and its affiliates complied with the provisions of ATR V. H. for transfers of goods and services:

- We inquired with Utility staff members and confirmed that ATRs V. H. 1., 2., 3., and 4. were not applicable during the audit period.
- For ATR V. H. 5., the Utility reported providing \$15,186,214 of goods and services to its affiliates in CY 2020 and \$19,124,368 of goods and services to its affiliates in CY 2021. Of the \$34,310,582 transferred during these two years, the Utility reported a total of \$288,013 (\$142,086 in CY 2020 and \$145,927 in CY 2021) in transfers from the Accounting and Finance Account. We reviewed a judgmental selection, totaling \$2,395, for CY 2020 and \$3,121 for CY 2021, of these transfers.
- For ATR V. H. 6., the Utility reported that its affiliates provided it with \$235,846,025 of goods and services in CY 2020 and \$219,133,823 of goods and services in CY 2021. We reviewed a judgmental selection totaling \$80,106,131 for CY 2020 and \$73,428,912 for CY 2021. These selected transfers of goods and services were recorded in the Outside Services Employed Account.
- We determined whether transfer prices complied with the provisions of ATR V. H.

ATR VI. – Regulatory Oversight

ATR VI. provides the requirements for Utility compliance with regulatory oversight. We performed the following procedures to determine whether the Utility complied with the regulatory oversight requirement:

- We reviewed the Utility's CY 2020 and CY 2021 Compliance Plans to ensure that they were filed annually by June 30.
- We observed the Utility's creation of a report listing all affiliates and all affiliate activity (i.e., current affiliates, newly formed, newly acquired, dissolved, sold, etc.) with dates of activity during CY 2020 and CY 2021, and compared the report to the CY 2020 and CY 2021 Compliance Plans for completeness.
- We examined the CY 2020 and CY 2021 Compliance Plans to ensure that the Utility demonstrated that it has proper procedures in place to ensure compliance with the ATRs.
- We observed the creation of a report from the Utility's Microsoft Excel database listing all affiliates formed or acquired during CY 2020 and CY 2021, and compared the report to the CY 2020 and CY 2021

- Compliance Plans to ensure that all new affiliates were included in the Compliance Plans and to confirm the population.
- We selected all 22 new affiliates and calculated the elapsed time between affiliate creation or acquisition and:
 - Notification to the CPUC of the new affiliate, to ensure that the CPUC was notified before the Advice Letter was received;
 - Posting of the new affiliate on the Utility's website, to ensure that the new affiliate was posted before the Advice Letter was received by the CPUC; and
 - Submission of the Advice Letter notifying the CPUC of the new affiliate, to ensure that the CPUC was notified within 60 days.
 - We examined the dates on the certificates of formation and the certificates of amendment for all 22 new affiliates to confirm creation and/or acquisition dates, in order to establish dates for our calculations and to compare them to the dates in the documentation provided to the CPUC.
 - We obtained and examined documentation for all 22 new affiliates from the Utility's website showing when the new affiliate notifications were posted.
 - We examined the Advice Letters to determine whether they state the affiliate's purpose or activities; whether the Utility claims that ATR II. B. makes these ATRs applicable, and whether the letters demonstrate to the Commissioners that adequate procedures are in place to ensure compliance with the ATRs.
 - We obtained and examined the transaction detail, journal entries, and invoice support for the audit charges from the previous audit to ensure that costs were at shareholder expense.
 - We discussed with Utility staff members any instances in which affiliate officers and/or employees were not made available to testify before the CPUC.
 - We discussed with CPUC representatives any instances in which affiliate officers and/or employees were not made available to testify before the CPUC.
 - We obtained officer certifications for CY 2020 and CY 2021 and confirmed that:
 - All key officers, as defined in ATR V. E., submitted certifications to the CPUC;
 - The executives' names and titles on the certifications match the names and titles reported in the holding company's CY 2020 and CY 2021 Form 10-K report filings with the Securities and Exchange Commission; and
 - The language within the certifications complies with the specific ATR VI. E. language.

ATR VII. – Utility Products and Services

ATR VII. provides the accounting and reporting requirements for additional approved products and services that the Utility may offer. We performed the following procedures to determine whether the Utility complied with the accounting and reporting requirements for these products and services:

- We requested that the Utility identify any new non-tariffed products and services (NTP&S) categories for the audit period.
- We reviewed CPUC correspondence and applicable Advice Letters to ensure that the NTP&S offered by the Utility meet the criteria of ATR VII. C.
- We inquired with the Utility and confirmed that it had no PUC section 851 applications during the audit period.
- We reviewed NTP&S Periodic Reports to ensure that the data required under ATR VII. H. was included.
- We traced the incremental costs and gross revenue to SAP Enterprise Resource Planning general ledger details to ensure accuracy of reporting.

ATR VIII. – Complaint Procedures and Remedies

ATR VIII. provides the requirements for resolving complaints regarding ATR violations, and requires specific compliance actions by the Utility in preventing, detecting, and disclosing violations. We performed the following procedures to determine whether the Utility complied with requirements for resolving and reporting instances of ATR violations:

- We requested copies of filed complaints.
- We inquired with the Utility's Affiliate Compliance Department (ACD) and confirmed that no complaints were filed during the audit period.
- We verified the types of policies, procedures, and processes in place for preventing, detecting, and reporting ATR violations.
- We examined all 13 of the Utility's self-reported ATR violations and its Responsive Action Plan to address future compliance.

ATR IX. – Protecting the Utility's Financial Health

ATR IX. requires the Utility to submit an annual report with financial data and projections on necessary capital annually by November 30. This rule also requires the Utility to obtain a non-consolidation opinion from an external consultant demonstrating that the Utility has appropriate provisions in place to protect its assets, should its holding company enter into Chapter 11 bankruptcy. We performed the following procedures to determine whether the Utility was in compliance with this rule:

- We examined the ATR IX. Annual Reports filed by the Utility to ensure that the reports included the requirements listed in ATR IX. A., and that they were filed by November 30.

- We verified that the Utility maintained a balanced capital structure consistent with CPUC D. 19-12-056 during the audit period.
- We determined whether there were any instances in which the Utility's equity ratio fell by 1% or more from its adopted capital structure and, if so, whether the Utility filed an application for a waiver.
- We determined whether the Utility obtained and filed a non-consolidation opinion, within three months of CPUC D. 06-12-029, demonstrating that provisions to separate the Utility's assets or operations from the company (known as "ring-fencing") are sufficient to prevent the Utility from being pulled into a bankruptcy of its holding company.
- If the current ring-fencing provisions were insufficient to obtain a non-consolidation opinion, we determined whether the Utility: (1) notified the Commissioners of its inability to obtain a non-consolidation opinion; (2) proposed and implemented, upon Commissioner approval, ring-fencing provisions that were sufficient to prevent the Utility from being pulled into a bankruptcy of its holding company; and (3) obtained a non-consolidation opinion.
- We determined whether any changes were made to the Utility's ring-fencing provisions. If any changes were made, we determined whether they were made within the required 30 days.

PUC section 583 requires the Utility to ensure the confidentiality of non-public information, such as ratepayers' protected personal information, and ensure that such information is available and disseminated only through the Utility's Affiliate Compliance Manager. All information requested by the SCO was approved by the Utility's ACD.

We limited our review of the Utility's internal controls to gaining an understanding of the internal controls design in order to develop appropriate auditing procedures, and limited testing of key internal controls related to ensuring ATR compliance.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

We found that the Utility did not fully comply with all of the ATRs, did not have certain controls in place to ensure compliance with the ATRs, and identified instances of noncompliance with the ATRs. We noted the following circumstances:

- We found instances of noncompliance with ATRs III. through VII. Refer to Findings 1 through 8 in the Findings and Recommendations section.
- We found internal control deficiencies in areas related to ATRs III. through VII. that make it possible for instances of noncompliance to

occur and/or go undetected. Refer to Findings 1 through 8 in the Findings and Recommendations section.

- The Utility identified 14 instances of noncompliance with ATRs III. through VII. We found that the methods by which the Utility identified and assessed the instances of noncompliance were effective. The Utility indicated that it is taking action to correct the deficiencies. Refer to Findings 1, 3, 4, 5, 7, and 8 in the Findings and Recommendations section.
- We found that the Utility resolved two (or 40%) of five audit findings reported in the prior ATR audit. Findings 3, 4, and 7 of this audit report resulted from the uncorrected findings. Refer to the Appendix.

Views of Responsible Officials

We issued a draft audit report on April 4, 2024. The Utility's representative responded by letter dated April 18, 2024. The Utility agreed with the audit results except for Findings 1, 2, 3, 5, and 7. This final audit report includes the Utility's response as attachment.

Restricted Use

This report is solely for the information and use of the Utility, the CPUC, and the SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

December 4, 2024

**Schedule—
Summary of Audit Results
January 1, 2020, through December 31, 2021**

Affiliate Transaction Rule	Section	Rule Description	Compliance	Finding	Reference
I – Definitions	A	“Affiliate”	Yes		
I – Definitions	B-H	[Various definitions]	No activity		
II – Applicability	A	[Applicability]	No activity		
II – Applicability	B	[Utility transactions with affiliates]	Yes		
II – Applicability	C	[No violating or circumventing the ATRs]	Yes		
II – Applicability	D-H	[Applicability coverage]	No activity		
III – Nondiscrimination	A	No Preferential Treatment Regarding Services Provided by the Utility	Yes		
III – Nondiscrimination	B	Affiliate Transactions	No activity		
III – Nondiscrimination	B.1	Resource Procurement	No activity		
III – Nondiscrimination	B.2	Provision of Supply, Capacity, Services or Information	No	<i>Non-public information was not contemporaneously shared with all market participants.</i>	Finding 1
III – Nondiscrimination	B.3	Offering of Discounts	No activity		
III – Nondiscrimination	B.4	Tariff Discretion	No activity		
III – Nondiscrimination	B.5	No Tariff Discretion	No activity		
III – Nondiscrimination	B.6	Processing Requests for Services Provided by the Utility	No activity		
III – Nondiscrimination	C	Tying of Services Provided by a Utility Prohibited	No activity		
III – Nondiscrimination	D	No Assignment of Customers	No activity		
III – Nondiscrimination	E	Business Development and Customer Relations	Yes		
III – Nondiscrimination	F	Affiliate Discount Reports	No activity		

Schedule (continued)

Affiliate Transaction Rule	Section	Rule Description	Compliance	Finding	Reference
IV – Disclosure and Information	A	Customer Information	Yes ¹	<i>Inadequate internal controls for Customer Information Service Requests.</i>	Finding 2
IV – Disclosure and Information	B	Non-Customer Specific Non-Public Information	No	<i>Non-public information shared with affiliates.</i>	Finding 3
IV – Disclosure and Information	C	Service Provider Information	Yes		
IV – Disclosure and Information	D	Supplier Information	No activity		
IV – Disclosure and Information	E	Affiliate-Related Advice or Assistance	Yes		
IV – Disclosure and Information	F	Record-Keeping	Yes		
IV – Disclosure and Information	G	Maintenance of Affiliate Contracts and Related Bids	No activity		
IV – Disclosure and Information	H	FERC [Federal Energy Regulatory Commission] Reporting Requirements	No activity		
V – Separation	A	Corporate Entities	Yes		
V – Separation	B	Books and Records	Yes		
V – Separation	C	Sharing of Plant, Facilities, Equipment or Costs	No	<i>Inadequate internal controls for employee physical and information system access.</i>	Finding 4
V – Separation	D	Joint Purchases	Yes		
V – Separation	E	Corporate Support	Yes		

¹ Although there is no instance of noncompliance, there is a lack of internal controls associated with this ATR.

Schedule (continued)

Affiliate Transaction Rule	Section	Rule Description	Compliance	Finding	Reference
V – Separation	F	Corporate Identification and Advertising	Yes		
V – Separation	F.1	[Advertising]	Yes		
V – Separation	F.2	[Different treatment]	Yes		
V – Separation	F.3	[No affiliate advertising space on utility billing envelopes]	Yes		
V – Separation	F.4	[No joint advertising or marketing]	Yes		
V – Separation	F.5	[No research and development subsidization]	Yes		
V – Separation	G.	Employees	No		
V – Separation	G.1	[No joint employees]	Yes		
V – Separation	G.2.a	[Tracking employee movement]	No	<i>Unreported employee transfers.</i>	Finding 5
V – Separation	G.2.b	[Transfer residency requirements]	Yes		
V – Separation	G.2.c	[Transfer payments]	Yes		
V – Separation	G.2.d	[No release of information by transfer employees]	No	<i>Incomplete documentation for exit interviews.</i>	Finding 6
V – Separation	G.2.e	[Loaned labor guidelines]	No activity		
V – Separation	H	Transfer of Goods and Services	Yes		
VI – Regulatory Oversight	A	Compliance Plans	No	<i>New affiliates not reported in a timely manner.</i>	Finding 7
VI – Regulatory Oversight	B	New Affiliate Compliance Plans	No	<i>New affiliates not reported in a timely manner.</i>	Finding 7
VI – Regulatory Oversight	C	Affiliate Audit	Yes		
VI – Regulatory Oversight	D	Witness Availability	Yes		
VI – Regulatory Oversight	E	Officer Certification	Yes		
VII – Utility Products and Services	A	General Rule	No activity		

Schedule (continued)

Affiliate Transaction Rule	Section	Rule Description	Compliance	Finding	Reference
VII – Utility Products and Services	B	Definitions	No activity		
VII – Utility Products and Services	C	Utility Products and Services	Yes		
VII – Utility Products and Services	D	Conditions Precedent to Offering New Products and Services	Yes		
VII – Utility Products and Services	D.1	[Allocating costs to prevent cross-subsidization]	Yes		
VII – Utility Products and Services	D.2	[Performance-based ratemaking mechanism]	Yes		
VII – Utility Products and Services	D.3	[Periodic reporting]	Yes		
VII – Utility Products and Services	D.4	[Periodic reporting]	Yes		
VII – Utility Products and Services	E	Requirement to File an Advice Letter	No activity		
VII – Utility Products and Services	F	Existing Offerings	No activity		
VII – Utility Products and Services	G	[Public Utilities Code] Section 851 Application	No activity		
VII – Utility Products and Services	H	Periodic Reporting of Nontariffed Products and Services	No	<i>Inadequate internal controls for reporting non-tariffed products and services.</i>	Finding 8
VII – Utility Products and Services	I	Offering of Nontariffed Products and Services to Affiliates	No activity		
VIII – Complaint Procedures and Remedies	A	[CPUC strictly enforces the ATRs]	No activity		
VIII – Complaint Procedures and Remedies	B	Standing	No activity		

Schedule (continued)

Affiliate Transaction Rule	Section	Rule Description	Compliance	Finding	Reference
VIII – Complaint Procedures and Remedies	C	Procedure	Yes		
VIII – Complaint Procedures and Remedies	D	Remedies	Yes		
IX – Protecting the Utility’s Financial Health	A	Information from Utility on Necessary Capital	Yes		
IX – Protecting the Utility’s Financial Health	B	Restrictions on Deviations from Authorized Capital Structure	Yes		
IX – Protecting the Utility’s Financial Health	C	Ring-Fencing	Yes		
IX – Protecting the Utility’s Financial Health	D	Changes to Ring-Fencing Provisions	Yes		

Findings and Recommendations

**FINDING 1—
Non-public
information was not
contemporaneously
shared with all
market participants**

The Utility’s internal controls did not operate effectively to ensure compliance with rules for sharing non-public information. During the audit period, the Utility discovered and disclosed to the CPUC one instance of noncompliance with ATR III. B. 2. The Utility described the instance in its September 11, 2020 disclosure to the CPUC as follows:

Southern California Gas Company [SoCalGas’] Affiliate Compliance Department was informed of an incident that occurred on September 9, 2020, regarding transmission of non-public information related to storage inventory amount at the Aliso Canyon storage field. The storage inventory amount of 32.5 BCF [billion cubic feet] as of September 7, 2020, was inadvertently shared with an employee within the Gas Acquisition Department.

Although the Utility’s internal controls were adequately designed to ensure compliance with ATR III. B. 2., we determined that the controls did not operate as designed in this instance.

ATR III. B. 2., “Provision of Supply, Capacity, Services or Information,” states:

Except as provided for in Rules V.D, V.E, and VII, a utility shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility’s affiliates.

The Utility’s CY 2020 and CY 2021 Compliance Plans state:

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

For transactions that are part of internal operations and integral to a permitted transaction with an affiliate, these items will not be posted on EBB. For example, if SoCalGas provides non-public right-of-way information to an affiliate pursuant to its Tariff Rule No. 34 – Provision of Utility Right-of-Way Information, this information would not be posted since this is a tariffed service and the information is integral to providing the service. If SoCalGas provides information regarding the capability of its gas transmission system to accept regasified LNG [liquid natural gas] volumes from its LNG affiliate in an “Interconnection Capacity Study” as required by its Tariff Rule No. 39, Section B – Access to the SoCalGas Pipeline System, it would not post this information, since this is a tariffed product and the information is an integral part of the product. In both examples, SoCalGas is treating its affiliate exactly the same as any unaffiliated third party requesting the tariffed product or service, since the information would not be posted if provided to an unaffiliated entity. This is consistent with Rule III.B.2 because the information provided to an affiliate pursuant to the tariff rules is provided on the same terms for all similarly situated market participants.

When postings are required, procedures are in place specifying the form and content of the information to be posted. Once the data is entered on the form, the information immediately posts to the appropriate category on SoCalGas' internet website.

Remedial Measure Number 3 of the Utility's CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states:

SoCalGas shall not, through a tariff provision or otherwise, give its marketing affiliates (including [San Diego Gas & Electric Company]) preference over non-affiliated shippers in matters relating to transportation including, but not limited to, scheduling, balancing, transportation, storage or curtailment priority.

Recommendation

We recommend that the Utility:

- Follow its policies and procedures related to ATR III. B. 2.; and
- Establish and implement additional security measures within its information systems to prevent non-public information from being shared with affiliates.

Utility's Response

SoCalGas objects to this finding. On September 11, 2020, prior to the commencement of this audit on July 15, 2022, SoCalGas submitted a self-report to the CPUC notifying it that non-public information related to the storage inventory amount at the Aliso Canyon storage field was inadvertently shared with a marketing function employee within SoCalGas. The information was not shared with an affiliate. Although SoCalGas referenced Affiliate Transaction Rule III.B.2 as the basis for its understanding that information should not be shared ahead of all market participants being informed on a contemporaneous basis, since no affiliate was involved, the applicable rules governing this disclosure are the Remedial Measures (as cited in the self-report letter). Affiliate Transaction Rule III.B is expressly applicable to "Affiliate Transactions," and the circumstances of this self-report do not involve an affiliate. Accordingly, there is no basis for a finding that SoCalGas's disclosure violated Affiliate Transaction Rule III.B.2. Moreover, SoCalGas posted the information on its electronic bulletin board, thereby meeting the objective of contemporaneous sharing of information with market participants.

SoCalGas is committed to mitigating the risk of inadvertent disclosure of information to its market function employees. SoCalGas identified the following controls to prevent the inadvertent sharing of non-public information to market function employees within SoCalGas in its self-report: "SoCalGas will provide remedial training to System Operator personnel who interface with Gas Acquisition and other market participants that operating information not posted on the EBB or public filings and reports is not to be disseminated individually to market participants including Gas Acquisition."

In addition to the controls outlined in SoCalGas's self-report, SoCalGas has several additional controls in place to prevent the inadvertent sharing of information. These controls include descriptive e-mail Microsoft Outlook suffixes for employees in SoCalGas's market function departments (such as Gas Acquisition) and SoCalGas's Operational Organizations privy to sensitive information. When e-mails are sent

between these groups, the sender must type the word [OVERRIDE] into the subject line. This provision requires any emails sent between these departments to be returned as undeliverable if the [OVERRIDE] designator is not entered in the subject line. If the email contains employees outside of these areas, the information will be sent successfully to those employees. SoCalGas will continue to review these controls to advance the prevention of inappropriate disclosure of non-public utility information to marketing employees within SoCalGas.

SCO Comment

Our finding remains unchanged. We recognize that the Utility acted appropriately by notifying the CPUC of the instance of noncompliance with ATR III. B. 2. However, the Utility’s internal controls failed to ensure compliance with ATR III B. 2. regarding sharing non-public information. In its disclosure to the CPUC on September 11, 2020, the Utility stated that “[p]er CPUC Affiliate Transaction Rule III.B.2, SoCalGas understands that this information should not be shared ahead of all market participants informed on a contemporaneous basis.”

FINDING 2— Inadequate internal controls for Customer Information Service Requests

The Utility’s internal controls were inadequately designed to ensure compliance when processing CISRs and maintaining the supporting documentation. We found the following deficiencies:

- The Utility lacked a centralized method or system to process submitted CISRs. During the audit period, CISRs were processed and customer information was released by approximately 10 departments. When we requested to review each department’s information, only one of the 10 departments that processed CISRs, the CCC, could provide a report of third-party requests for customer information submitted during the audit period (hereafter “Utility Tracking Report”). The provided report did not contain affiliates’ information. We could not determine whether CISRs were submitted by affiliates to the other nine departments during the audit period due to the lack of available information.
- The CCC report of third-party requests for customer information that was generated by Utility staff members during our internal control walkthrough at the San Dimas office on November 2, 2022, did not reconcile to the report that had been provided to us earlier.
- The Utility did not have a reliable electronic system for maintaining documentation to support CISRs. We noticed that the Utility Tracking Report reflected data entry errors; Customer of Record was entered as “Valentine Court III” instead of “Valentine Court II” and the number of authorized accounts was entered as five instead of 18. These errors prevented us from determining the accuracy of the CISRs retained for these customers of record.

We identified 627 instances in which third-party entities submitted CISRs to the CCC during the audit period; we reviewed a judgmental sample of 60 active and approved CISRs completed by customers and submitted by five third-party entities. We did not identify any instances of noncompliance based on the 60 CISRs that we reviewed; however, if not mitigated, the control deficiencies create a significant risk that CISRs will

not be processed accurately and supported with complete and reliable records.

ATR IV. A., “Customer Information,” states:

A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.

The Utility’s CY 2020 and CY 2021 Compliance Plans states:

SoCalGas requires authorization by written paper or electronic customer consent for the release of any customer-specific information, unless otherwise ordered by Commission [the CPUC’s five-member governing body] or other regulatory agency or allowed by a legal process. SoCalGas’ Credit & Collections department only shares customer information for normal business activities. This includes customer information shared with Experian to collect credit scores and collection agencies to support credit activities. Non-disclosure agreements are in place to [affirm] that the third party protects the customer information.

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

Procedures are in place specifying the form and content of the information to be posted on the website. ACD personnel use a form located on SoCalGas’ Affiliate Compliance intranet site to post this information. Once the data is entered into the form, the information immediately posts to the appropriate category on SoCalGas’ internet website.

Interested parties will find the posted information on SoCalGas’ internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility implement adequate internal controls to ensure compliance with ATR IV. A. Specifically, the Utility should improve current policies and procedures to ensure that the Utility:

- Processes CISRs accurately;
- Maintains complete and reliable supporting documentation for CISRs; and
- Can access records and generate CISR reports from all departments that receive and process CISRs.

Utility’s Response

SoCalGas objects to this finding. As indicated in response to questions from the auditors during the course of the audit, SoCalGas did not receive any customer information service requests (CISR’s) from affiliates during the audit period. Thus, no violation of Affiliate Transaction Rule IV.A occurred.

Auditors inspected a sample of Customer Information Service Requests (CISRs) related to disclosures not made to affiliates. SoCalGas reiterates that the results of the auditor’s testing from a sampling of these CISRs did not identify any instances of non-compliance by SoCalGas regarding Affiliate Transaction Rule IV.A. Further, the three “deficiencies” identified by the Finding do not identify instances where SoCalGas provided customer information to any affiliate.

Because there were no requests by affiliates for customer information during the compliance period audited, and no customer information was provided to an affiliate during the compliance period audited, the auditors did not have a basis for determining the controls for compliance with Affiliate Transaction Rule IV are inadequate. Nevertheless, SoCalGas agrees with the auditors that the CISR process for disclosure of information could be enhanced through implementation of the auditors’ recommendations. SoCalGas is therefore enhancing its policies and procedures for processing CISRs by taking the following actions:

- SoCalGas will implement a governance structure with single point accountability and ownership to support the overall SoCalGas CISR process.
- SoCalGas will update CISR Policies and Procedures to include all CISR process compliance requirements, process flows, and control activities in a common repository. This includes quality assurance reviews and reporting which will enable SoCalGas to more readily produce documentation to demonstrate the Company’s compliance with ATR IV.A and required record retention guidelines during future Affiliate Compliance audits.
- SoCalGas plans to implement a single repository site so all SoCalGas CISR/requests can be accessed for reporting and audit purposes.
- SoCalGas will provide training on governance, policy, and procedure changes.

SCOs Comment

Our finding remains unchanged. The Utility agreed that it can enhance its process for disclosing information by implementing our recommendation. However, it stated that we did not have a basis for determining the control deficiencies. We disagree with this statement. As described in the report, we reviewed a sample of 60 active and approved CISRs completed by customers and submitted by five third-party entities. Although we did not identify any instances of noncompliance based on the sample we reviewed, the Utility lacked adequate controls to ensure that CISRs will be processed accurately and supported with complete and reliable records.

FINDING 3— Non-public information shared with affiliates

The Utility’s internal controls did not operate effectively to ensure compliance with rules for disclosing non-customer-specific, non-public information. The Utility discovered and disclosed to the CPUC two instances of noncompliance with ATR IV. B. The Utility described the first instance in its May 28, 2021 disclosure to the CPUC as follows:

SoCalGas’ Affiliate Compliance Department was recently informed that Sempra LNG’s accounting department was granted access by a mutual vendor to view the 2020 1099 [tax] information for SoCalGas that displayed vendor names and amounts billed. Sempra LNG’s accounting

department was able to access and view SoCalGas' 1099 information via the vendor's portal. The contract with the vendor required them to treat data confidentially; however, this information was not segregated.

The Utility described the second instance in its January 11, 2022 disclosure to the CPUC as follows:

SoCalGas' Affiliate Compliance Department was recently informed [that] a SoCalGas employee inadvertently sent to a Sempra Infrastructure employee non-customer specific, non-public General Ledger (GL) financial transactions information from SoCalGas' Customer Information System (CIS). This information included daily transactions information from October 7th through October 20th, 2021, indicating total amounts deposited and net differences in which a small portion of the accounting financial transaction is used for balancing and reconciliation purposes.

The inadvertent communication did not contain any non-public customer specific information (i.e., customer bill accounts, service addresses, credit information, etc.); nor was this information shared considered market sensitive.

Although the Utility's internal controls were adequately designed to ensure compliance with ATR IV. B., we determined that the controls did not operate as designed in these two instances.

ATR IV. B., "Non-Customer Specific Non-Public Information," states:

A utility shall make non-customer specific non-public information, including but not limited to information about a utility's natural gas or electricity purchases, sales, or operations or about the utility's gas-related goods or services and electricity-related goods or services, available to the utility's affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V E The affiliate's use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use. Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under Public Utilities Code Sections 314 and 581.

The Utility's CY 2020 and CY 2021 Compliance Plans state:

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

Sempra Energy officers and employees responsible for shared corporate oversight [and/or] governance may receive all information from the utility and affiliates that is used for providing such oversight and governance. Such information may be used only for that purpose and is subject to established anti-conduit provisions.

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

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

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

Interested parties will find the posted information on SoCalGas' internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility:

- Follow its policies and procedures related to ATR IV. B.;
- Ensure that mutual vendors of the Utility and affiliates agree to abide by the ATRs and maintain the necessary ATR knowledge to ensure compliance; and
- Establish and implement additional security measures within its information systems to prevent non-public information from being shared with affiliates.

Utility's Response

The State Controller's Office referenced two instances of asserted non-compliance reported to the CPUC by SoCalGas before the compliance year 2020-2021 audit began. The two events referenced by the State Controller's Office were identified by SoCalGas in self-report letters filed on May 28, 2021, and January 11, 2022, respectively. Those letters identified the circumstances and related mitigation measures put into place by SoCalGas at the time the self-reports were made.

For the inadvertent disclosure by a vendor of non-public information to a utility affiliate (May 28, 2021, self-report), SoCalGas objects to the finding related to Rule IV.B. as this was not a violation by SoCalGas. The information was shared by a vendor inadvertently, not intentionally, and not by SoCalGas or its affiliated companies. SoCalGas reported this instance out of an abundance of caution and in the interest of being transparent. SoCalGas includes express language in its vendor contracts prohibiting disclosure of non-public information and vendors are required to certify that they understand and will comply upon contract execution. Note, SoCalGas does not share vendor information with its affiliates and is not provided vendors lists by its affiliates. Therefore, SoCalGas will not necessarily know which of its vendors are “mutual” vendors, as referenced in the auditors’ recommendation. Rather, SoCalGas includes this language for all vendor contracts, which presumably would include any contracts with mutual vendors of the utility and affiliates.

For the inadvertent disclosure by a SoCalGas employee of customer specific non-public information sent to a Sempra Infrastructure (SI) employee identified in the January 11, 2022, self-report, SoCalGas identified the following mitigative actions and controls to prevent the inadvertent sharing of non-public information in its self-report:

- SI employee deleted email communication.
- SoCalGas employee deleted SI’s email address from email cache; and,
- Supplemental Affiliate Compliance Training was conducted with the responsible utility group.

SoCalGas will continue to review the efficacy of its controls to prevent the inappropriate disclosure of non-public utility information to affiliates.

SCO Comment

Our finding remains unchanged. We recognize that the Utility acted appropriately by notifying the CPUC of the instances of noncompliance with ATR IV. B. As described in this report, in the first instance, the non-public information was shared to employees of an affiliate by a mutual vendor. Pursuant to ATR I. A., the Utility should demonstrate that it has specific mechanisms and procedures, including those that ensure that the Utility will not use contractors as a vehicle to disseminate information transferred to them by the Utility to covered affiliates. In the second instance, the Utility indicated that it is taking actions to correct the noted deficiencies.

FINDING 4— Inadequate internal controls for employee physical and information system access

The Utility’s internal controls were inadequately designed to ensure compliance with rules for physical and information system access after employee transfers. We found the following deficiencies in four of the five transfers that occurred during CY 2020 and CY 2021:

- The Utility failed to terminate physical and information system access on or before the transfer date for employee transfers between the Utility and covered affiliates.

- The Utility failed to ensure that affiliate access was terminated before Utility physical and information system access was granted to employees who transferred from covered affiliates to the Utility.

During the audit, the Utility discovered and disclosed to the CPUC two instances of noncompliance with ATR V. C. The Utility described an instance related to information system access in its February 10, 2023 disclosure to the CPUC as follows:

SoCalGas has identified a system limitation pertaining to the intercompany transfer process that resulted in certain employees' computer access being maintained after the transfer date for up to several days. The system was implemented in 2019, and the issue was discovered in 2022. In the most recent CPUC audit (conducted by the State Controller's Office) of the Affiliate Transaction Rules covering the years 2016 and 2017, there were findings related to employee transfers that were communicated as part of the final audit report in 2021. SoCalGas' response . . . referenced a new technology platform put into place in 2019 as a remediation for the delay in access termination as well as records retention. The limitation was discovered in this system, and hence impacted the effectiveness of this remediation.

The Utility described an instance related to physical access in its February 10, 2023 disclosure to the CPUC as follows:

Due to a delay in transfer notifications, updates to physical access permissions for certain employees who transferred from SoCalGas to covered affiliates and vice versa since the system implementation in 2019 were delayed, meaning they had access to SoCalGas and affiliate facilities during a window of time between transfer and the access update.

We selected all five employees who transferred between the Utility and covered affiliates to determine the Utility's compliance with ATR V. C. Of the five employees, one was a Utility employee who transferred to a covered affiliate; the other four were covered affiliate employees who transferred to the Utility. We reviewed supporting documentation to determine whether the employee's physical and information system access had been terminated on or before their transfer dates. For the four covered affiliate employees, we also reviewed supporting documentation to determine when they had been granted physical and information system access to the Utility. Our review noted the following instances of noncompliance for four of five employees:

- Employee 1 – In CY 2020, the Utility employee's physical and information system access to the Utility was terminated one day after the employee transferred to a covered affiliate.
- Employee 2 – In CY 2020, the covered affiliate employee's information system access to the Utility was granted two days before the employee's access to the covered affiliate's information system was terminated.
- Employee 4 – In CY 2020, the covered affiliate employee's physical access to the affiliate was terminated 53 days after the employee transferred to the Utility.

- Employee 5 – In CY 2021, the covered affiliate employee’s information system access to the Utility was granted two days before the employee’s access to the covered affiliate’s information system was terminated.

We found no evidence that the transferred employees accessed any non-public information subsequent to their transfer dates; however, Employee 4 was able to access a restricted area (the eleventh floor of the holding company’s headquarters) three times on July 28, 2020, three days after the employee’s transfer date. If not mitigated, the control deficiency creates a significant risk that non-public information will be accessed by unauthorized employees.

ATR V. C, “Sharing of Plant, Facilities, Equipment or Costs,” states:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or in the alternative, through the use of separate elevator banks and/or security-controlled access. This provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

The Utility’s CY 2020 Compliance Plan states:

Facilities Separation:

SoCalGas’ headquarter[s] is located at the Gas Company Tower in downtown Los Angeles. Access to the entire Gas Company Tower is card-key controlled. The required utility/affiliate separation (e.g., separate elevator banks, card-key controlled access) will be adhered to in accordance with the Rules. SDG&E [San Diego Gas and Electric] shared service personnel and Sempra Energy shared service personnel have workspace at the Gas Company Tower.

Information Technology:

The California utilities’ Data Centers house most of the Information Technology (“IT”) production processing operations. Consolidation of the SoCalGas and SDG&E IT systems is a “utility-to-utility” transaction that was approved and priced in the Merger Decision (D.98-03-073).

The California utilities’ Data Centers are stand-alone facilities specifically constructed and maintained to house computer technology services and related activities in a high security environment. These facilities are located regionally and out of state for service continuity and are completely segregated from other entities’ equipment and employees. They provide computer technology services for the utilities and Sempra Energy. They also provide support for permissibly shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

The California utilities may utilize applications hosted by outsourced services to provide some information technologies. Such outsourced

services applications are not shared with affiliates and are managed and controlled by the California utilities. Employees of the affiliates may not access such outsourced services applications except for permissible shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

To help promote compliance with the Rules for utility and affiliate separation, the California utilities and Sempra Energy information systems adhere to the following measures:

Physical Access:

Affiliate personnel are not allowed physical access to the data centers without escort nor are they allowed access to applications hosted by outsourced services. The covered affiliates operate their own independent IT organization, outsourced services applications and data center for affiliate information systems. Except for shared service Facilities Management staff, utility employees cannot access the covered affiliates' data center without escort or electronically access outsourced services applications.

Systems:

The utilities/Sempra Energy network maintains physical and logical security controls, which, in combination with employee training on the Rules, are designed to prevent access to non-sharable utility information and data systems, including outsourced services applications.

Utility employees are not permitted to access the covered affiliates' network or outsourced services applications. Likewise, the covered affiliates are not permitted to access the utility's Data Center network or outsourced services applications.

The utilities/Sempra Energy IT network is separated from the covered affiliates' network by security controls designed to physically and logically isolate the utilities/Sempra Energy from the covered affiliates' systems and information. Additionally, employees receive training on the Rules educating and raising awareness to prevent access to non-sharable systems and applications.

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

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

Internal guidelines are in place to manage the limited connectivity between the utilities/Sempra Energy IT network and the covered affiliates' network for access to allowable shared services. These guidelines are approved by representatives of SoCalGas' IT, covered affiliates' IT and

ACD. These Guidelines are subject to audit by the Sempra Energy Audit Services department.

The Utility's CY 2021 Compliance Plan states:

Facilities Separation:

SoCalGas' headquarters is located at the Gas Company Tower in downtown Los Angeles. Access to those floors within the Gas Company Tower that are occupied by SoCalGas employees are card-key controlled. The required utility/affiliate separation (e.g., separate elevator banks, card-key controlled access) are adhered to in accordance with the Rules. SDG&E shared service personnel and Sempra Energy shared service personnel have workspace at the Gas Company Tower.

Information Technology:

The California Utilities' Data Centers house most of the Information Technology ("IT") production processing operations. Consolidation of the SoCalGas and SDG&E IT systems is a "utility-to-utility" transaction that was approved and priced in the Merger Decision (D.98-03-073).

The data centers are stand-alone facilities specifically constructed and maintained to house computer technology services and related activities in a high security environment. These facilities are located regionally and out of state for service continuity and are completely segregated from other entities' equipment and employees. They provide computer technology services for the utilities and Sempra Energy. They also provide support for permissibly shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

The California Utilities may utilize applications hosted by outsourced services to provide some information technologies. Such outsourced services applications are not shared with affiliates and are managed and controlled by the California Utilities. Affiliate employees may not access such outsourced services applications except for permissible shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

To help promote compliance with the Rules for utility and affiliate separation, the California Utilities and Sempra Energy information systems adhere to the following measures:

Physical Access:

Affiliate personnel are not allowed physical access to the data centers without escort nor are they allowed access to applications hosted by outsourced services. The affiliates operate their own independent IT organization, outsourced services applications and data center for affiliate information systems. Except for shared service Facilities Management staff, utility employees cannot access the covered affiliates' data center without escort or electronically access outsourced services applications.

Systems:

The California Utilities/Sempra Energy network maintains physical and logical security controls, which, in combination with employee training on the Rules, are designed to prevent access to non-sharable utility information and data systems, including outsourced services applications.

California Utility employees are not permitted to access the affiliates' network or outsourced services applications. Likewise, the affiliates are not permitted to access the data center network or outsourced services applications.

The California Utilities/Sempra Energy IT network is separated from the affiliates' network by security controls designed to physically and logically isolate the California Utilities/ Sempra Energy from the affiliates' systems and information. Additionally, employees receive training on the Rules educating and raising awareness to prevent access to non-sharable systems and applications.

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

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

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

Section VI. B, "Transfer of Employee Process," of the Utility's CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states, in part:

... All [technology access] (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and SharePoint) must be terminated before the employee transfers to a Covered Affiliate company. ...

Recommendation

We recommend that the Utility implement policies and procedures to ensure that it terminates the physical and information-system access of Utility employees who transfer to covered affiliates on or before the employees' transfer dates; and that it verifies the termination of affiliate physical and information system access before granting Utility access to covered affiliate employees who transfer to the Utility.

FINDING 5— Unreported employee transfers

The Utility's internal controls were inadequate to ensure that all employee transfers between the Utility and its affiliates were reported in Schedule H of the Utility's Annual Report. As a result, two employees were not reported for CY 2020 and one employee was not reported for CY 2021. In addition, one employee, who should have been reported in CY 2020, was incorrectly reported in CY 2021.

The Utility discovered and disclosed to SCO auditors and the CPUC five instances of noncompliance with ATR V. G. 2. a. The Utility described the first two instances in its July 22, 2022 disclosure to the CPUC as follows:

On February 3, 2022, Southern California Gas Company (“SoCalGas”) sent the Energy Division a self-report letter to notify the division regarding an employee transfer that occurred in 2020. As detailed in that letter, a SoCalGas employee transferred to Oncor Electric Delivery Service, LLC (“Oncor”) on November 7, 2020, and the transfer fee was not initially billed as required by Rule V.G. 2. Also in that letter, SoCalGas disclosed that payment of the transfer fee was received from Sempra Corporate Center on November 12, 2021.

The letter also stated that SoCalGas would revise its 2020 Schedule H1 (“SoCalGas Employee Transfers to the Affiliates”), to report the transfer. . . . SoCalGas previously included the November 2020 Oncor employee transfer on the 2021 Schedule H1. Upon review, SoCalGas determined that the 2020 transfer should be reported on the 2020 Schedule H1, rather than the 2021 Schedule H1. The amended 2021 Schedule H1 has been updated accordingly (i.e., to remove the duplicate reporting of the employee transfer).

The Utility described the other three instances in its February 10, 2023 disclosure to the CPUC as follows:

SoCalGas discovered three employees who were transferred from Sempra to SoCalGas in 2020 and 2021 that were not reported on the Schedule H (Table 2) – “Corporate Center/ Affiliate Employees Transferred to SoCalGas.” The error occurred due to the employees having similar job titles and the mistaken belief that the job transfers were duplicate entries. . . .

We received a list of all employee transfers between the Utility and affiliates during the audit period, and compared the listed employees to those reported in the Utility’s CY 2020 and CY 2021 Annual Reports. We found the following instances of noncompliance:

Utility Employee Transfers to an Affiliate or Holding Company				
Employee Transfer	Calendar Year	Transfers Included in Listing	Transfers Included in Annual Report	Reporting Noncompliance
1	2020	2	1	One employee transferred to Oncor in November 2020 and was not reported in the CY 2020 Annual Report. This employee transfer was incorrectly reported in the CY 2021 Annual Report.
2	2021	2	3	One additional reported employee transferred to Oncor in November 2020 and was incorrectly reported in the CY 2021 Annual Report (see Employee Transfer 1).

Affiliate or Holding Company Employee Transfers to the Utility				
Employee Transfer	Calendar Year	Transfers Included in Listing	Transfers Included in the Annual Report	Reporting Noncompliance
3	2020	6	4	Two employee transfers were not reported in the CY 2020 Annual Report.
4	2021	6	5	One employee transfer was not reported in the CY 2021 Annual Report.

ATR V. G. 2. a. states:

A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our Affiliate Transaction Reporting Decision, D.93-02-016, 48 CPUC2d 163, 171-172 and 180 (Appendix A, Section I and Section II. H.).

The Utility's CY 2020 Compliance Plan states, in part:

SoCalGas tracks all employees who transfer between the utility, Sempra Energy and its operating companies as well as from Sempra Energy and the affiliates to SoCalGas and reports this information annually to the CPUC in its Affiliate Transactions Report. . . .

The Utility's CY 2021 Compliance Plan states, in part:

SoCalGas tracks all employee transfers between the utility, Sempra Energy and its operating companies as well as from Sempra Energy and the affiliates to SoCalGas and reports this information annually to the CPUC in its Affiliate Transactions Report. . . .

Section VI. A, "General," of the Utility's CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states, in part:

. . . Human Resources will provide the ACD with an annual list of employees who resigned/transferred from the utilities and then transferred to an affiliate or parent or transferred from the affiliate to one of the California utilities. This information will be filed annually with the CPUC by May 1, as part of the annual Affiliate Transactions Report (D.93-02-019).

Recommendation

We recommend that the Utility follow its *Affiliate Compliance Guidelines* and ensure that Human Resources communicates promptly with the ACD for all employee movement between the Utility and affiliates. In addition, we recommend that the ACD implement an annual reconciliation process for all employee transfers, and complete the reconciliation process before submitting the Annual Report.

Utility's Response

As explained below, the Audit Report incorrectly states that SoCalGas disclosed five instances of unreported employee transfers. SoCalGas disclosed four unreported employee transfers, not five. The discrepancy arises from the Report's listing of two instances of employee transfers from SoCalGas to Oncor. As detailed below, there was only one employee transfer from SoCalGas to Oncor, not two.

Utility to Oncor Employee Transfer

On February 3, 2022, before the State Controller's Office audit began, SoCalGas notified the CPUC that an employee was not listed on the Schedule H of the utility's Annual Report on Affiliate Transactions for CY2020. The draft Audit Report of the State Controller's Office includes the employee transfer discrepancy that was previously identified in that self-report and recommends an annual reconciliation to capture all employee transfers. The finding above included one transfer from SoCalGas to Oncor Electric Delivery Service, LLC ("Oncor"), which was included in the self-report. The employee's transfer took place in 2020 but was included in SoCalGas's Schedule H for 2021. In July 2022, SoCalGas submitted revised Schedule H filings for 2020 and 2021 which reflected the employee's transfer on the 2020 schedule and deleted the employee's name from the 2021 schedule.

In accordance with the mitigation plan SoCalGas provided in its self-report, SoCalGas has revised its exit interview process to identify all utility employees transferring to Oncor. In addition, upon discovery of the issue that led to the self-report, SoCalGas's Affiliate Compliance department implemented an annual reconciliation of all employee transfers prior to the submission of the Affiliate Transaction Report. SoCalGas has further built an automated process as an additional check to capture transfers to Oncor. This process, which includes an employee checklist, was put in place in 2022.

Sempra to Utility Employee Transfers

The remaining transfers listed in the finding pertain to three employees transferring from Sempra to SoCalGas. This reporting issue was discovered by SoCalGas during the audit and reported to the CPUC on February 10, 2023.

In accordance with the mitigation plan it provided in its February 10, 2023, self-report filing with the CPUC:

- SoCalGas has modified the process for the compilation and format of the Schedule H report. The previous format required significantly more manual processes. The new modifications were designed to limit the manual steps, thereby reducing the opportunities for human error.
- SoCalGas revised its 2020 and 2021 Schedule H (Table 2) – "Corporate Center/ Affiliate Employees Transferred to SoCalGas" to accurately report these employee transfers.

For the reasons stated above, SoCalGas believes the mitigation plan and the associated changes in procedures fully address the Report's Recommendation.

SCO Comment

Our finding remains unchanged. As described in this report, the Utility disclosed five instances of noncompliance with ATR V. G. 2. a. These instances of noncompliance involved a total of four employee transfers. One employee transfer was not reported for CY 2020 and incorrectly reported for CY 2021.

**FINDING 6—
Incomplete
documentation for
exit interviews**

The Utility did not fully complete the exit interview documentation to show that it had followed its policies and procedures to ensure compliance with the ATRs. The Utility failed to provide fully completed exit interview documentation for two of the 16 employees whose records we reviewed. The exit interview documentation was incomplete, as it lacked signatures from interviewer, employee, and supervisor. If completed, such documentation would support that the Utility followed its policies and procedures to ensure compliance with ATR V. G. 2. d. Without the completed exit interview documentation for these two employees, we could not confirm that the Utility consistently followed its policies and procedures to ensure compliance.

The discussion items informing employees of the ATRs and potential consequences of not complying with the ATRs, as well as the verification of removal of access to non-public information, are significant internal controls for preventing ATR violations. If the exit interviews do not take place, the topics that can deter transferring employees from acting as a conduit of non-public information are not discussed with the transferring employee and may not be understood by the employee.

We believe that the Utility's internal controls were adequately designed to ensure compliance with ATR V. G. 2. d. However, we were unable to determine whether the controls operated as designed because the Utility did not maintain complete documentation.

ATR V. G. 2. d. states:

Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

The Utility's CY 2020 Compliance Plan states, in part:

. . . SoCalGas' Human Resources (HR), Diversity & Inclusion department or the employee's departing manager conducts exit interviews with all employees who transfer from SoCalGas to Sempra Energy or an affiliate. During the exit interview, employees are required to sign a statement acknowledging that they will not use information gained at the utility to benefit the affiliate. The HR department or employee's departing manager/supervisor is responsible for ensuring the employee signs an anti-conduit form when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate. SoCalGas retains the assets that may not be transferred pursuant to the Rules. Assets permitted to be transferred are priced pursuant to the Rules.

SoCalGas' HR, Diversity & Inclusion department is responsible for ensuring that Affiliate Compliance Transfer forms and related asset inventories are documented. ACD follows up with HR to ensure that transfer forms are completed in a timely manner. A description of this process is included in the *Affiliate Compliance Guidelines* (ACGs).

The Utility's CY 2021 Compliance Plan states, in part:

. . . SoCalGas' Human Resources (HR) department or the employee's departing manager conducts exit interviews with all employee transfers from SoCalGas to Sempra Energy or an affiliate. During the exit interview, employees are required to acknowledge that they will not use

information gained at the utility to benefit the affiliate. The HR department or employee's departing manager/supervisor is responsible for informing the employee of the anti-conduit provisions when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate. SoCalGas retains the assets that cannot be transferred pursuant to the Rules. Assets permitted to be transferred are brought to the attention of SoCalGas affiliate compliance department who affirms items are priced pursuant to the Rules.

SoCalGas' [HR] department is responsible for ensuring that Affiliate Compliance Transfer forms and related asset inventories are documented and retained for recordkeeping purposes.

Section VI.B, "Transfer of Employee Process," of the Utility's CY 2019 *Affiliate Compliance Guidelines* states, in part:

The Human Resources, Diversity & Inclusion Department from the releasing entity shall coordinate the employee exit interview based on the guidelines outlined below.

The transferred employee's immediate supervisor or his/her designee or UHRA [Utility Human Resources Advisor] is responsible for conducting the face-to-face exit interview and completing the exit checklist, anti-conduit acknowledgement form, and asset inventory list to ensure [that] the employee is aware of the Affiliate Transaction Rules and that the employee does not take non-public information or trade secrets to an affiliate company.

Additionally, the UHRA Department is responsible for obtaining a signed copy of the Anti-Conduit form prior to or once an employee transfers from the affiliate to the utility.

SoCalGas' Human Resources, Diversity & Inclusion department is responsible for ensuring that exit interviews are documented. This documentation is maintained in a permanent file by the Human Resources, Diversity & Inclusion department and copies [are] sent to the ACD.

An employee who transfers to a new assignment may not take utility assets to the new assignment without prior approval from ACD. Any other material permitted to be taken by the employee to the affiliate/parent should be appropriately priced and billed to the affiliate/parent through Affiliate Billing & Costing. Please refer to Section VII, "Transfer of Goods, Services and Assets" for additional information regarding the guidelines for transferring goods and services.

The transferring employee must complete or cease working on his/her current work assignments **BEFORE** transferring to a Covered Affiliate. The employee is not allowed to return to complete unfinished work or assignments after the transfer has occurred. Exit interviews shall be conducted prior to the effective transfer date—any interviews performed subsequent to the transfer date must be brought to the attention of the utilities' ACD.

All IT accesses (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and SharePoint) must be terminated before the employee transfers to a Covered Affiliate company.

Mobile devices may be taken from one business unit to another based on the guidelines set forth in the Employee Transfer Procedures.

The following IT access must be terminated before an employee transfers between SDG&E's Energy Supply (formerly known as "Energy Procurement") and Electric Grid Operations and to/from SoCalGas' Gas Acquisition, for example, but not limited to: E-mail, mobile phones, thumb drives, instant messaging and SharePoint access.

Under no circumstances may a transferred utility company employee transmit, use, refer to, or exploit any information gained while employed at SoCalGas. In the event of inadvertent disclosure, the matter must be brought to the attention of the Human Resources, Diversity & Inclusion department and the utilities' ACD immediately. Willful disregard for this policy may result in disciplinary action up to and including termination of employment.

The employee transferring from an affiliate will sign an anti-conduit form acknowledging their understanding of the Affiliate Transaction Rules.

The transferring employee reads, signs, and dates the "Anti-Conduit Sign-off," certifying completion.

Section VI.B, "Transfer of Employee Process," of the Utility's CY 2021 *Affiliate Compliance Guidelines* states, in part:

The Human Resources Department from the releasing entity shall coordinate the employee exit interview based on the guidelines outlined below.

The transferred employee's immediate supervisor or his/her designee or UHRA [Utility Human Resources Advisor] is responsible for conducting the exit interview and completing the exit checklist, anti-conduit acknowledgement form, and asset inventory list to ensure [that] the employee is aware of the Affiliate Transaction Rules and that the employee does not take non-public information or trade secrets to an affiliate company.

Note: Additionally, the UHRA Department is responsible for obtaining a signed copy of the Anti-Conduit form prior to an employee's transfer from the affiliate to the utility.

SoCalGas' Human Resources department is responsible for ensuring that exit interviews are documented. This documentation is maintained in a permanent file by the Human Resources department.

An employee who transfers to a new assignment may not take utility assets to the new assignment without prior approval from ACD. Any other material permitted to be taken by the employee to the affiliate/parent should be appropriately priced and billed to the affiliate/parent through Affiliate Billing & Costing. Please refer to Section VII, "Transfer of Goods, Services and Assets" for additional information regarding the guidelines for transferring goods and services.

The transferring employee must complete or cease working on his/her current work assignments **BEFORE** transferring to a Covered Affiliate. The employee is not allowed to return to complete unfinished work or assignments after the transfer has occurred. Exit interviews shall be conducted prior to the effective transfer date.

All technology access (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and SharePoint) must be terminated before the employee transfers to a Covered Affiliate company.

Personally-Owned Devices may be taken from one business unit to another based on the guidelines set forth in the Employee Transfer Procedures.

The following IT access must be terminated before an employee transfers between SDG&E's Energy Supply and Electric Grid Operations and to/from SoCalGas' Gas Acquisition department, for example, but not limited to: E-mail, cellphone, thumb drives, instant messaging and SharePoint.

Under no circumstances may a transferred utility company employee transmit, use, refer to, or share any information gained while employed at SoCalGas. In the event of inadvertent disclosure, the matter must be brought to the attention of the SoCalGas' Human Resources department and the utilities' ACD immediately. Willful disregard for this policy may result in disciplinary action up to and including termination of employment.

The Utility's policy is to have a transferring employee complete an exit interview packet at least seven days prior to the employee's transfer to the Utility's holding company or to any of its affiliates (covered and non-covered). The packet includes an "Exit Interview Checklist and Sign-off" and an "Anti-Conduit Sign-off."

The "Exit Interview Checklist and Sign-off" form requires the UHRA to complete the following steps:

1. **Non-Disclosure**, Inform the transferring employee of their continuing obligations with respect to trade secrets and customer information and elicit their agreement to maintain them in confidence.
2. **...CAU Company Owned Assets**, For items requested to be taken by the employee, determine ownership of items. Note that no company-owned assets may be taken with an employee when transferring to a Covered Affiliate without the approval of the Affiliate Compliance Department. This includes, but not limited to, books, notes, papers, manuals, computer files, computers, cell phones, Smart Phones, pagers, etc. that were obtained/used through the course of the employee's employment. Any work product generated during the employee's term of employment is deemed to be the property of the employer and may not be taken by the employee. Any exceptions to this prohibition will be handled by the Affiliate Compliance Department (ACD) on a case-by-case basis. All items requested to be taken by the transferring employee shall be listed in **Special Condition Asset Transfer List** included in this procedure.
3. **Personally-Owned Devices (POD)** (including but not limited to cell phones, Smart Phones, tablets, thumb drives. etc.) used while conducting company business may be taken with the employee when transferring to a Covered Affiliate or to a Targeted Area based on the below guidelines. For additional information, please review the "Wireless Communication Device Policy."

Prior to transfer,

- i. The employee will remove/delete all company information from their devices. The POD will also be automatically disconnected from the utilities Active Sync and the Inbox Exchange networks so no further information can be received by the POD.;

- ii. The employee shall delete all voicemails pertaining to their prior position (this will be accomplished automatically by the IT Department for all wireless devices);
- iii. ACD receives, verifies, and retains documentation that the Active Synch and the Inbox Exchange has been removed from ALL transferring employees Personally-Owned Devices.
- iv. The employee shall record new message to inform contacts that they have moved to new position. (Example; “If your call is pertaining to (Title your former Position), please call John Doe at (858) 696-XXXX). As I am no longer working in this capacity; please do not leave a message on this cellphone pertaining to my former position. Thank you, Name of Person”);
- v. The employee may request approval from ACD if a 30-day delay in deletion of company information is required to facilitate a transition period, for transfers to a Non-Covered Affiliate or a non-targeted area. ACD will review and determine whether to approve the delay on a case-by-case basis. This delay request process is not available for transfers to the Covered Affiliates or the Targeted Areas.

Note: Non-Public Utility information received on personally-owned devices after the employees effective transfer date may be considered proprietary and shall not under any circumstances be accessed, manipulated or transferred in any manner. Any willful or inadvertent viewing of non-public utility information can potentially put the California Utility in violation of the Affiliate Transaction Rules. Any employee found to willfully violate the Wireless Communication Device Policy is subject to immediate termination of employment.

4. Ensure that no confidential information is taken to a Covered Affiliate (e.g. Sempra USG&P, Sempra International, Sempra LNG) unless done in accordance with the CPUC Affiliate Transactions Rules and FERC [Federal Energy Regulatory Commission] Standards of Conduct Rules. See Attachment A for Listing of Confidential Information.
5. Review policies regarding affiliate transactions (e.g. maintenance of correspondence between utilities and Affiliates, use of letterhead or other documents, necessity of identifying self as an employee of a different Sempra business unit in future written and oral communications, potential audits).
6. Collect access cards, keys, and ID badges to terminate current access. (See the Employee Transfer Matrix for specific transfer information for badges and system access requirements.)
7. Notify IT to remove the employee from e-mail distribution lists, network, instant messaging, and remote access.
8. For employees transferring among the following Targeted Areas within the CAu: Electric & Fuel Procurement; Electric Grid Operations Energy Supply & Dispatch; Gas Acquisition; Gas Control; Gas Scheduling and Storage Products & Balancing; **prior** to the transfer, request a change in the employees email address (i.e. JDoe@semprautilities.com to JDoe1@semprautilities.com), and the employee’s Microsoft Outlook suffix display (i.e. John Doe – E&FP to John Doe – Gas Acq).
9. Inform transferring employee that any violation of the affiliate rules

is strictly prohibited and will lead to remedial actions that can result in disciplinary action up to and including termination of employment.

The UHRA signs and dates the “Exit Interview Checklist and Sign-off,” certifying completion.

The “Anti-Conduit Sign-off” form requires the transferring employee to certify that he or she:

ANTI-CONDUIT SIGN-OFF

1. I know that a copy of the Affiliate Transaction Rules, Merger Decision, 25 Remedial Measures, FERC 717 Standards of Conduct, Market Based Rate Affiliate Restrictions (“Rules”) and the “Wireless Communication Device Policy” are available for reference on SempraNet or at my business unit’s Affiliate Compliance web page. I have reviewed and understand these Rules and/or Policy and will comply with the requirements set forth therein.
2. I understand that full compliance with these Rules is a condition of employment, and that failure to comply fully may result in serious disciplinary action, up to and including termination. I will report any violations of the Rules and/or Policy to my business unit’s Affiliate Compliance Department, my supervisor, my manager, or to the Ethics Helpline at (800) 241-5689. It is the Company’s obligation to ensure that any such concerns, raised in good faith, can be done so without retaliation and are appropriately investigated and resolved.
3. I understand that the Rules and/or Policy require that I not be a conduit of information to circumvent the Rules. The term “conduit” means: (1) providing a means for the transfer of confidential information from the utility to an affiliate, or vice versa, (2) directing or causing a utility to violate or circumvent the Rules, including but not limited to providing preferential treatment, unfair competitive advantages, or non-public information to its affiliates, (3) aiding or abetting the utility’s violation of these Rules, or (4) creating significant opportunities for cross-subsidization of affiliates by the utilities. I will refrain from actions that could constitute purposeful or inadvertent circumvention of the anti-conduit provisions of the Rules.
4. I understand that I must be alert to circumstances that could present potential conduit concerns, and must take care to ensure that confidential, commercially-sensitive information gleaned from assignments does not become commingled with future work product and thus transferred in contravention of the Rules. If I am in doubt about whether a new assignment will present a conduit concern, I will seek guidance from the appropriate compliance department.
5. I understand that I must not allow any confidential information, commercially-sensitive information, or non-public, non-customer specific utility or other business unit information that is being used or generated in the process of delivering services to be transferred from a utility to an affiliate or other business unit covered by the Rules (or vice versa) in contravention of the Rules.

If I am transferring from an affiliate to the CAu, I understand that I must not allow any non-public utility information I obtain in my new assignment to be inadvertently shared with anyone within my prior business unit or any employee who should not be the recipient of

such information. As a result of becoming a CAU employee, I am allowed to use my personally-owned device (POD) to perform work associated with my new assignment. I have read and understand the Corporate Center and CAU “Wireless Communication Device Policy.” At all times I will keep all non-public utility information I have within my possession under secured arrangements so that unauthorized California Utility and affiliate personnel will not be able to review or copy the documents. I will ensure at all times that the following CAU departments are not privy to receiving non-public utility information inappropriately: Electric Grid Operations, Energy & Fuel Procurement, Energy Supply & Dispatch, Gas Acquisition, Gas Control, Gas Scheduling and Storage Products & Balancing. I understand when I leave the California Utility that all company information is removed from my POD.

Recommendation

We recommend that the Utility fully complete all exit interview documentation to support that it followed its policies and procedures designed to ensure compliance with ATR V. G. 2. d.

FINDING 7— New affiliates not reported in a timely manner

The Utility’s internal controls failed to ensure that its new affiliates were reported in a timely manner, in accordance with ATR VI., resulting in two affiliates being omitted from the CY 2021 Compliance Plan and one new affiliate being reported 189 days after creation.

During the audit, the Utility discovered and disclosed to the SCO auditors and the CPUC one instance of noncompliance with ATR VI. B. The Utility described the instance in its August 4, 2022 disclosure to the CPUC as follows:

Per the Affiliate Transaction Rules, SoCalGas is bringing this matter to your attention. On March 4, 2022, Sempra notified SoCalGas of the formation of Ecogas Movil S.A.P.I. DE C.V., a Mexican affiliate. SoCalGas subsequently sent notification of the new entity to the CPUC on March 25, 2022.

Upon receiving the notification of the formation of this new entity on March 4, 2022, SoCalGas noted an earlier date of December 1, 2021 was reflected in the notice of entity formation provided by Sempra. Upon further research, SoCalGas determined that due to various legal processes in Mexico, finalization of entity formation can take longer than the 60-day notification period that is required by the CPUC. The March 4, 2022 notification of formation of the entity, Ecogas Movil S.A.P.I. DE C.V., listed December 1, 2021 as the date the entity filed for registration and sent its deed to the Notary as required by law in Mexico. Finalization of entity formation for Ecogas Movil S.A.P.I. DE C.V. occurred on March 4, 2022 and triggered the notice of entity formation provided to SoCalGas. Previously, the finalization process for formation of an entity in Mexico had not exceeded the CPUC’s 60-day requirement, but we are informed that this process could possibly exceed the CPUC’s reporting requirement period in the future.

SoCalGas has performed diligence to better understand the formation process of business entities in Mexico and how that country’s legal requirements differ from those in the United States. In addition, SoCalGas is now cognizant of an ambiguity in Rule VI.B’s use of the word “creation” as applied to the Mexican procedures for the formation of entities. As discussed above, the “creation” of Ecogas Movil S.A.P.I

DE C.V. could potentially be interpreted as December 1, 2021 (when it filed for registration) or as March 4, 2022 (when the registration process was complete). To address this potential ambiguity, SoCalGas is now notifying you of efforts undertaken to address future instances when an affiliate entity in Mexico is formed.

ATR VI. A. Instance of Noncompliance

We reviewed the list of affiliates reported in the CY 2020 and CY 2021 Compliance Plans and reconciled the reported affiliates to a list provided by the Utility. We noted that the CY 2021 Compliance Plan omitted two affiliates that should have been included.

ATR VI. B. Instances of Noncompliance

The Utility had 22 newly acquired or created affiliates during the audit period. We reviewed all 22 newly acquired or created affiliates and found the following instances of noncompliance:

- Two affiliates were created on June 26, 2020. However, they were not included in the CY 2021 Compliance Plan (ATR VI. A.).
- A third affiliate was created on December 1, 2021. However, the Utility did not file an Advice Letter until June 8, 2022, 189 days later, failing to provide notification within 60 days.

ATR VI., “Regulatory Oversight,” states, in part:

- A. **Compliance Plans:** No later than June 30, 2007, each utility shall file a compliance plan by advice letter with the Energy Division of the Commission. The compliance plans shall include:
1. A list of all affiliates of the utility, as defined in Rule I A of these Rules, and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate;
 2. A demonstration of the procedures in place to assure compliance with these Rules.

The utility’s compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter where there is some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

- B. **New Affiliate Compliance Plans:** Upon the creation of a new affiliate the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate’s purpose or activities, whether the utility claims that Rule II B makes these Rules applicable to the affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules. . . .

The Utility's CY 2020 and CY 2021 Compliance Plans state:

This Plan represents SoCalGas' compliance with this rule. Appendix 3 of this Plan provides a listing of SoCalGas' covered and non-covered affiliates, as of [June 26, 2020 in CY 2020 Compliance Plan and June 18, 2021 in the CY 2021 Compliance Plan], as required by this rule. . . .

SoCalGas [complies] with this rule as new covered and non-covered affiliates are created. Once the Sempra Energy Legal department notifies SoCalGas of the creation of a new affiliate, SoCalGas notifies the CPUC of: (1) the formation of any new U.S. domestic covered or noncovered affiliate; or (2) the confirmation of registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S.; and then post[s] this information on its internet website.

SoCalGas will submit an advice letter [to] the Energy Division within 60 calendar days of the confirmation of: (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S. The advice letter will provide the information required by this rule for the new covered or non-covered affiliate.

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

The list of affiliate companies is located on SoCalGas' internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility enhance its current policies and procedures related to ATR VI. A. and B. to ensure that:

- The Compliance Plans report all existing affiliates at the time of submission, in accordance with ATR VI. A.; and
- Upon creation or acquisition of a new affiliate, the Utility:
 - Immediately notifies the CPUC;
 - Immediately posts notice on its website; and
 - Files an Advice Letter with the CPUC within 60 days.

Utility's Response

The Audit Report identifies instances where SoCalGas failed to ensure that its new affiliates were reported in a timely manner. Those were (1) two affiliates being omitted from the CY 2021 Compliance Plan, and (2) one new affiliate being reported 189 days after its creation.

For the two affiliates not included on the CY 2021 Compliance Plan, the process for creating the listing of affiliates for the Compliance Plan has been clarified and documented in department procedures. Sempra's Corporate Governance team will provide a complete and current listing of all affiliates before the June 30th filing deadline. Any new affiliate

notifications that occur between the time the list is provided to SoCalGas by Sempra and the time the report is submitted by SoCalGas to the CPUC will be reviewed to verify the listing of affiliates included in the filing is current as of the date of filing.

For SoCalGas's self-report to the CPUC on August 4, 2022, regarding Ecogas Movil, S.A.P.I. de C.V. ("Ecogas"), which was self-reported prior to the Audit's formal entrance conference on August 24, 2022, SoCalGas objects to the finding for the following reasons. ATR Rule VI.B. requires notification of the "creation" of a new affiliate. The draft Audit Report of the State Controller's Office identifies the affiliate notification of the Sempra affiliate Ecogas Movil S.A.P.I. DE C.V. as an instance where SoCalGas failed to ensure that its new affiliates were reported in a timely manner. Specifically, Ecogas Movil S.A.P.I. DE C.V. is a Sempra affiliate created under Mexican law. As detailed in SoCalGas's self-report, creation of new entities in the United States differs from the process under which new entities are formed in Mexico. Under the Mexican procedures for the formation of entities, the filing for new entity formation and the finalization of entity formation can be separated by months. Ecogas Movil S.A.P.I. DE C.V. applied for formation on December 1, 2021. However, its formation was not finalized under Mexican law until March 4, 2022, and SoCalGas was not notified of its formation until that time, more than 60 days after it applied for formation. This timeframe did not present an issue in reporting under the ATR previously because the Mexican finalization process took less than 60 days to complete. SoCalGas identified this unusual set of circumstances, and in an abundance of caution, in the event the CPUC might construe formation as occurring upon the filing of an application rather than upon the finalization of an application, SoCalGas committed to adopt a conservative approach going forward and would report the formation of foreign entities within 60 days of the filing of an application.

Based on this instance and as described in SoCalGas's self-report, SoCalGas has enhanced its reporting process. Mexican affiliates will now notify Sempra upon application for formation of a new affiliate company with the government, regardless of notary or other administrative process status necessary to complete entity formation. This process enhancement is designed to meet what SoCalGas believes is the intent of the ATR, prompt reporting of the formation of new affiliates, even if the formal formation process has not yet been completed. This also fully addresses the recommendations in the draft audit report.

SCO Comment

Our finding remains unchanged. Although the Utility objected to the finding and implied that ATR VI. B's use of the word "creation"—as applied to the Mexican authorities' procedures for formation of entities—is ambiguous, the Utility's June 9, 2022 Advice Letter noted December 1, 2021, as the effective date of the affiliate entity creation. The Utility also stated in its August 4, 2022 notification to the CPUC that it had taken actions to ensure timely notification upon creation of a new affiliate.

**FINDING 8—
Inadequate
internal controls
for reporting non-
tariffed products
and services**

The Utility’s internal controls were inadequate to ensure compliance and accurately capture the amounts to be reported in its annual NTP&S reports.

During the audit, the Utility discovered and disclosed to SCO auditors and the CPUC three instances of noncompliance with ATR VII. H. The Utility described the instances in its October 9, 2023 disclosure to the CPUC as follows:

Southern California Gas Company (SoCalGas) is providing notification that it is amending its Non-Tariffed Products and Services (“NTP&S”) reports for 2020, 2021 and 2022 with correct entries in certain Categories of the reports. Specifically, the Utility is amending Category VIII.1 in the 2020 Report, Categories II.1 and II.2 in the 2021 Report and Categories II.1, II.2, and VIII.1 in the 2022 Report. . . .

. . . SoCalGas performed an additional internal review of the data contained in its 2020, 2021 and 2022 annual NTP&S Reports. Through this review, SoCalGas determined that the NTP&S Reports for 2021 and 2022 Categories II.1 and II.2 solely reflect incremental non-labor costs, rather than all incremental costs. This omission was inadvertent and due to the transition from a manual to an automated process to compile the data used for the report. SoCalGas began utilizing this automated software program to generate the calculations for Categories II.1 and II.2 in 2021. As the automated program does not fully capture all necessary expenses data specific to categories II.1 and II.2, these cost components must be added manually to provide the total fully loaded incremental costs. . . .

. . . Also, as part of this review, SoCalGas determined that the NTP&S Reports for 2020 and 2022 Category VIII.1 incorrectly reported the overhead costs for a specific type of account within Category VIII.1. Although the difference between the amount reported and the corrected amount is de minimis, SoCalGas revised its reports to reflect the accurate amounts. . . .

These corrected amounts are reflected on the revised NTP&S reports that SoCalGas submitted with this self-report.

The following table shows the transactions that were inadvertently omitted or misstated:

Year/Category	Fully Loaded Incremental Costs		
	As Reported	As Revised	Misstatement Difference
2021: Category II.1	\$590,166	\$958,210	\$368,044
2021: Category II.2	1,226,872	1,684,285	457,413
2020: Category VIII.1	2,099,879	2,099,920	41

ATR VII. H., “Periodic Reporting of Nontariffed Products and Services,” states:

Any utility offering nontariffed products and services shall file periodic reports with the Commission’s Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:

1. A description of each existing or new category of nontariffed products and services and the authority under which it is offered;

2. A description of the types and quantities of products and services contained within each category (so that, for example, “leases for agricultural nurseries at 15 sites” might be listed under the category “leases of land under utility transmission lines,” although the utility would not be required to provide the details regarding each individual lease);
3. The costs allocated to and revenues derived from each category;
4. Current information on the proportion of relevant utility assets used to offer each category of product and service.

The Utility’s CY 2020 and CY 2021 Compliance Plans state, “SoCalGas will file its annual report no later than June 30th of the year following the report year.”

Section VIII.C., “Non-Tariffed Products & Services Report,” of the Utility’s CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states:

[The utility companies’] Sundry Services group prepares a report on Non-Tariffed Products and Services (NTP&S) to be filed annually with the CPUC in June. This report includes the following information:

- A brief description of each existing or new category of non-tariffed products or services;
- Types and quantities of products and services contained within each category (so that, for example, “leases for agricultural nurseries at 15 sites” might be listed under the category “leases on land under utility transmission lines,” although the utility companies would not be required to provide the details regarding each individual lease);
- The costs allocated to and revenues derived from each product or service; and
- Proportion of relevant utility assets used to offer each product and service.

Recommendation

We recommend that the Utility establish and implement training, policies, and procedures to ensure that all departments involved with the reporting of NTP&S have the necessary knowledge, guidance, and skills to communicate, review, reconcile, and report accurate information on the NTP&S report.

**Appendix—
Summary of Prior Audit Findings
January 1, 2016, through December 31, 2017**

Prior Audit Finding	Current Status
<p>Finding 1— Non-public information shared with affiliates.</p> <p>During the audit period, the Utility [Southern California Gas Company] discovered and disclosed to the CPUC [California Public Utilities Commission] one instance of noncompliance with ATR [Affiliate Transaction Rule] III.E. and one instance of noncompliance with ATR IV.B.</p>	<p>Not resolved; see Finding 3</p> <p>The Utility discovered and disclosed to the CPUC two instances of noncompliance with ATR IV. B.</p>
<p>Finding 2— Employee physical and information- system access not terminated on transfer date.</p> <p>The Utility’s internal control policies and procedures failed to ensure that information-system and physical access for one employee transferring from a covered affiliate to the Utility during the audit period was terminated on or before the employee’s transfer date. In addition, not all documentation was retained to show that the Utility followed its internal control policies and procedures.</p>	<p>Not resolved; see Finding 4</p> <p>The Utility did not have adequate controls in place to ensure that employees’ physical and information system access was terminated on or before their transfer dates; concurring access to Utility and affiliates was therefore not prevented. One Utility employee’s physical and information system access to the Utility was terminated one day after the employee transferred to the covered affiliate. Three covered affiliate employees’ physical or information system access to the Utility was granted between two and 53 days before the employees’ access to the covered affiliate’s physical or information system was terminated.</p>

Appendix (continued)

Prior Audit Finding	Current Status
<p>Finding 3— Exit interview documentation not retained for three of five employees selected.</p> <p>The Utility failed to retain its exit interview documentation for three of five selected employees. Such exit documentation would support that the Utility followed its internal control policies and procedures to ensure compliance with ATR V.G.2.d. Without the exit documentation for these three employees, we could not confirm that the Utility consistently followed its internal control policies and procedures to ensure compliance.</p>	Resolved
<p>Finding 4— Untimely reporting of new affiliates.</p> <p>The Utility’s internal control policies and procedures failed to ensure that its new affiliates were reported in a timely manner, as required by ATR VI. This oversight led to a delay in posting notification of new affiliates on the Utility’s website, as well as delayed reporting of new affiliates to the CPUC and in the Utility’s CY [calendar year] 2016 and CY 2017 Compliance Plans.</p>	<p>Not resolved; see Finding 7</p> <p>The Utility’s controls failed to ensure that its new affiliates were reported in a timely manner, in accordance with ATR VI., resulting in two affiliates being omitted from the CY 2021 Compliance Plan and one new affiliate being reported 189 days after creation.</p>
<p>Finding 5— Officer Certifications submitted late.</p> <p>The Utility’s internal controls failed to ensure that the Utility’s Officer Certifications for CY 2016 were filed by March 31, 2017, in accordance with ATR VI.E.</p>	Resolved

**Attachment—
Southern California Gas Company's Response to Draft
Audit Report**



Brittany Ponce

Enterprise Compliance Manager

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Los Angeles, CA 90013

Tel: (562) 857-7177

April 18, 2024

Roochel Espilla
Chief, State Agency Audits Bureau,
Division of Audits
State Controller's Office
Post Office Box 942850
Sacramento, California 94250

Dear Mr. Espilla:

On April 4, 2024, the CPUC issued the Draft Findings and Observations of the State Controller's Office in connection with its audit of SoCalGas's compliance with the Commission's Affiliate Transaction Rules for Compliance Years (CY) 2020 and 2021. As permitted by the Commission, SoCalGas provides the attached response to the draft Findings and Observations as well as a revised version reflecting proposed corrections to be incorporated into the final Audit Report for CYs 2020 and 2021. These proposed corrections include a note to update the number of identified instances of noncompliance (as seen on page 15 of the draft audit report) based on corrections to some of the findings in the draft audit report.

SoCalGas is committed to compliance excellence and takes compliance with laws and regulations applicable to its business seriously. These regulations include the CPUC Affiliate Transaction Rules. Consistent with a culture of continuous improvement, SoCalGas regularly reviews its compliance practices and self-reports instances of control weaknesses as well as non-compliance with applicable rules along with a description of mitigation the Company has undertaken to eliminate or reduce future issues related to its findings. Several of the draft Audit Findings reflect the State Controller's Office confirmation of an event relayed to the Commission in a self-report filed prior to the audit for CYs 2020 and 2021. The Draft Audit Report does not, however, distinguish between self-reports of control weaknesses proactively identified by SoCalGas as compared to violations of the Affiliate Transaction Rules. In the attached responses, SoCalGas notes where the Finding relates to a self-report made to the Commission prior to the July 15, 2022, date when the State Controller's Office commenced its audit, but these comments do not necessarily reiterate all mitigation measures employed and implemented by the Company where they have been separately described in the self-report letter.

Please contact the undersigned at (562) 857-7177 if you have any questions or need additional information.

Sincerely,

DocuSigned by:
A handwritten signature in blue ink that reads "Brittany Ponce".
A9888F5EA7CD4D6...

Brittany Ponce
Enterprise Compliance Manager

CC:

Deana M. Ng, Chief Risk and Compliance Officer
Southern California Gas Company

Jill Tracy, Sr. Director of Enterprise Risk and Compliance
Southern California Gas Company

Brittany Ponce, Enterprise Compliance Manager
Southern California Gas Company

Affiliate Compliance Transaction Rules Audit for Compliance Years 2020 and 2021 Draft Findings & Observations -- SoCalGas Responses

Finding 1 – Non-public information was not contemporaneously shared with all market participants.

The Utility’s internal controls did not operate effectively to ensure compliance with rules for sharing non-public information. During the audit period, the Utility discovered and disclosed to the CPUC one instance of noncompliance with ATR III. B. 2. The Utility described the instance in its September 11, 2020 disclosure to the CPUC as follows:

Southern California Gas Company [SoCalGas’] Affiliate Compliance Department was informed of an incident that occurred on September 9, 2020, regarding transmission of non-public information related to storage inventory amount at the Aliso Canyon storage field. The storage inventory amount of 32.5 BCF [billion cubic feet] as of September 7, 2020, was inadvertently shared with an employee within the Gas Acquisition Department.

Although the Utility’s internal controls were adequately designed to ensure compliance with ATR III. B. 2., we determined that the controls did not operate as designed in this instance.

ATR III. B. 2., “Provision of Supply, Capacity, Services or Information,” states:

Except as provided for in Rules V.D, V.E, and VII, a utility shall provide access to utility information, services, and unused capacity or supply on the same terms for all similarly situated market participants. If a utility provides supply, capacity, services, or information to its affiliate(s), it shall contemporaneously make the offering available to all similarly situated market participants, which include all competitors serving the same market as the utility’s affiliates.

The Utility’s CY 2020 and CY 2021 Compliance Plans state:

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

For transactions that are part of internal operations and integral to a permitted transaction with an affiliate, these items will not be posted on EBB. For example, if SoCalGas provides non-public right-of-way information to an affiliate pursuant to its Tariff Rule No. 34 – Provision of Utility Right-of-Way Information, this information would not be posted since this is a tariffed service and the information is integral to providing the service. If SoCalGas provides information regarding the capability of its gas transmission system to accept regasified LNG [liquid natural gas] volumes from its LNG affiliate in an “Interconnection Capacity Study” as required by its Tariff Rule No. 39, Section B – Access to the SoCalGas Pipeline System, it would not post this information, since this is a tariffed product and the information is an integral part of the product. In both examples, SoCalGas is treating its affiliate exactly the same as any unaffiliated third party requesting the tariffed product or service, since the information would not be posted if provided to an unaffiliated entity. This is consistent with Rule III.B.2 because the information provided to an affiliate pursuant to the tariff rules is provided on the same terms for all similarly situated market participants.

When postings are required, procedures are in place specifying the form and content of the information to be posted. Once the data is entered on the form, the information immediately posts to the appropriate category on SoCalGas’ internet website.

Remedial Measure Number 3 of the Utility’s CY 2019 and CY 2021 *Compliance Guidelines* states:

SoCalGas shall not, through a tariff provision or otherwise, give its marketing affiliates (including [San Diego Gas & Electric Company]) preference over non-affiliated shippers in matters relating to transportation including, but not limited to, scheduling, balancing, transportation, storage or curtailment priority.

Recommendation

We recommend that the Utility:

- Follow its policies and procedures related to ATR III. B. 2.; and
- Establish and implement additional security measures within its information systems to prevent non-public information from being shared with market function employees of the utilities.

SoCalGas Response –

SoCalGas objects to this finding. On September 11, 2020, prior to the commencement of this audit on July 15, 2022, SoCalGas submitted a self-report to the CPUC notifying it that non-public information related to the storage inventory amount at the Aliso Canyon storage field was inadvertently shared with a marketing function employee within SoCalGas. The information was not shared with an affiliate. Although SoCalGas referenced Affiliate Transaction Rule III.B.2 as the basis for its understanding that information should not be shared ahead of all market participants being informed on a contemporaneous basis, since no affiliate was involved, the applicable rules governing this disclosure are the Remedial Measures (as cited in the self-report letter). Affiliate Transaction Rule III.B is expressly applicable to “Affiliate Transactions,” and

the circumstances of this self-report do not involve an affiliate. Accordingly, there is no basis for a finding that SoCalGas's disclosure violated Affiliate Transaction Rule III.B.2. Moreover, SoCalGas posted the information on its electronic bulletin board, thereby meeting the objective of contemporaneous sharing of information with market participants.

SoCalGas is committed to mitigating the risk of inadvertent disclosure of information to its market function employees. SoCalGas identified the following controls to prevent the inadvertent sharing of non-public information to market function employees within SoCalGas in its self-report: "SoCalGas will provide remedial training to System Operator personnel who interface with Gas Acquisition and other market participants that operating information not posted on the EBB or public filings and reports is not to be disseminated individually to market participants including Gas Acquisition."

In addition to the controls outlined in SoCalGas's self-report, SoCalGas has several additional controls in place to prevent the inadvertent sharing of information. These controls include descriptive e-mail Microsoft Outlook suffixes for employees in SoCalGas's market function departments (such as Gas Acquisition) and SoCalGas's Operational Organizations privy to sensitive information. When e-mails are sent between these groups, the sender must type the word [OVERRIDE] into the subject line. This provision requires any emails sent between these departments to be returned as undeliverable if the [OVERRIDE] designator is not entered in the subject line. If the email contains employees outside of these areas, the information will be sent successfully to those employees. SoCalGas will continue to review these controls to advance the prevention of inappropriate disclosure of non-public utility information to marketing employees within SoCalGas.

Finding 2 – Inadequate internal controls for Customer Information Service Requests

The Utility's internal controls were inadequately designed ~~to ensure compliance~~ when processing CISRs and maintaining the supporting documentation. We found the following deficiencies:

- The Utility lacked a centralized method or system to process submitted CISRs. During the audit period, CISRs were processed and customer information was released by approximately 10 departments. When we requested to review each department's information, only one of the 10 departments that processed CISRs, the CCC, could provide a report of third-party requests for customer information submitted during the audit period (hereafter "Utility Tracking Report"). The provided report did not contain affiliates' information. We could not determine whether CISRs were submitted by affiliates to the other nine departments during the audit period due to the lack of available information.
- The CCC report of third-party requests for customer information that was generated by Utility staff members during our internal control walkthrough at the San Dimas office on November 2, 2022, did not reconcile to the report that had been provided to us earlier.

- The Utility did not have a reliable electronic system for maintaining documentation to support CISRs. We noticed that the Utility Tracking Report reflected data entry errors; Customer of Record was entered as “Valentine Court III” instead of “Valentine Court II” and the number of authorized accounts was entered as five instead of 18. These errors prevented us from determining the accuracy of the CISRs retained for these customers of record.

We identified 627 instances in which third-party entities submitted CISRs to the CCC during the audit period; we reviewed a judgmental sample of 60 active and approved CISRs completed by customers and submitted by five third-party entities. We did not identify any instances of noncompliance based on the 60 CISRs that we reviewed; however, if not mitigated, the control deficiencies create a significant risk that CISRs will not be processed accurately and supported with complete and reliable records.

ATR IV. A., “Customer Information,” states:

A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent.

The Utility’s CY 2020 and CY 2021 Compliance Plans state:

SoCalGas requires authorization by written paper or electronic customer consent for the release of any customer-specific information, unless otherwise ordered by Commission [the CPUC’s five-member governing body] or other regulatory agency or allowed by a legal process.

SoCalGas’ Credit & Collections department only shares customer information for normal business activities. This includes customer information shared with Experian to collect credit scores and collection agencies to support credit activities. Non-disclosure agreements are in place to [affirm] that the third party protects the customer information.

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

Procedures are in place specifying the form and content of the information to be posted on the website. ACD personnel use a form located on SoCalGas’ Affiliate Compliance intranet site to post this information. Once the data is entered into the form, the information immediately posts to the appropriate category on SoCalGas’ internet website.

Interested parties will find the posted information on SoCalGas’ internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility implement adequate internal controls to ensure compliance with ATR IV. A. Specifically, the Utility should improve current policies and procedures to ensure that the Utility:

- Processes CISRs accurately;
- Maintains complete and reliable supporting documentation for CISRs; and
- Can access records and generate CISR reports from all departments that receive and process CISRs.

SoCalGas Response –

SoCalGas objects to this finding. As indicated in response to questions from the auditors during the course of the audit, SoCalGas did not receive any customer information service requests (CISR's) from affiliates during the audit period. Thus, no violation of Affiliate Transaction Rule IV.A occurred.

Auditors inspected a sample of Customer Information Service Requests (CISRs) related to disclosures not made to affiliates. SoCalGas reiterates that the results of the auditor's testing from a sampling of these CISRs did not identify any instances of non-compliance by SoCalGas regarding Affiliate Transaction Rule IV.A. Further, the three "deficiencies" identified by the Finding do not identify instances where SoCalGas provided customer information to any affiliate.

Because there were no requests by affiliates for customer information during the compliance period audited, and no customer information was provided to an affiliate during the compliance period audited, the auditors did not have a basis for determining the controls for compliance with Affiliate Transaction Rule IV are inadequate. Nevertheless, SoCalGas agrees with the auditors that the CISR process for disclosure of information could be enhanced through implementation of the auditors' recommendations. SoCalGas is therefore enhancing its policies and procedures for processing CISRs by taking the following actions:

- SoCalGas will implement a governance structure with single point accountability and ownership to support the overall SoCalGas CISR process.
- SoCalGas will update CISR Policies and Procedures to include all CISR process compliance requirements, process flows, and control activities in a common repository. This includes quality assurance reviews and reporting which will enable SoCalGas to more readily produce documentation to demonstrate the Company's compliance with ATR IV.A and required record retention guidelines during future Affiliate Compliance audits.
- SoCalGas plans to implement a single repository site so all SoCalGas CISR/requests can be accessed for reporting and audit purposes.
- SoCalGas will provide training on governance, policy, and procedure changes.

Finding 3 – Non-public information shared with affiliates

The Utility’s internal controls did not operate effectively to ensure compliance with rules for disclosing non-customer-specific, nonpublic information. The Utility discovered and disclosed to the CPUC two instances of noncompliance with ATR IV. B. The Utility described the first instance in its May 28, 2021 disclosure to the CPUC as follows:

SoCalGas’ Affiliate Compliance Department was recently informed that Sempra LNG’s accounting department was granted access by a mutual vendor to view the 2020 1099 [tax] information for SoCalGas that displayed vendor names and amounts billed. Sempra LNG’s accounting department was able to access and view SoCalGas’ 1099 information via the vendor’s portal. The contract with the vendor required them to treat data confidentially; however, this information was not segregated.

The Utility described the second instance in its January 11, 2022 disclosure to the CPUC as follows:

SoCalGas’ Affiliate Compliance Department was recently informed [that] a SoCalGas employee inadvertently sent to a Sempra Infrastructure employee non-customer specific, non-public General Ledger (GL) financial transactions information from SoCalGas’ Customer Information System (CIS). This information included daily transactions information from October 7th through October 20th, 2021, indicating total amounts deposited and net differences in which a small portion of the accounting financial transaction is used for balancing and reconciliation purposes.

The inadvertent communication did not contain any non-public customer specific information (i.e., customer bill accounts, service addresses, credit information, etc.); nor was this information shared considered market sensitive.

Although the Utility’s internal controls were adequately designed to ensure compliance with ATR IV. B., we determined that the controls did not operate as designed in these two instances.

ATR IV. B., “Non-Customer Specific Non-Public Information,” states:

A utility shall make non-customer specific non-public information, including but not limited to information about a utility’s natural gas or electricity purchases, sales, or operations or about the utility’s gas-related goods or services and electricity-related goods or services, available to the utility’s affiliates only if the utility makes that information contemporaneously available to all other service providers on the same terms and conditions, and keeps the information open to public inspection. Unless otherwise provided by these Rules, a utility continues to be bound by all Commission-adopted pricing and reporting guidelines for such transactions. A utility is also permitted to exchange proprietary information on an exclusive basis with its affiliates, provided the utility follows all Commission-adopted pricing and reporting guidelines for such transactions, and it is necessary to exchange this information in the provision of the corporate support services permitted by Rule V E The affiliate’s use of such proprietary information is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use.

Nothing in this Rule precludes the exchange of information pursuant to D.97-10-031. Nothing in this Rule is intended to limit the Commission's right to information under Public Utilities Code Sections 314 and 581.

The Utility's CY 2020 and CY 2021 Compliance Plans state:

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

Sempra Energy officers and employees responsible for shared corporate oversight [and/or] governance may receive all information from the utility and affiliates that is used for providing such oversight and governance. Such information may be used only for that purpose and is subject to established anti-conduit provisions.

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

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

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

Interested parties will find the posted information on SoCalGas' internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility:

- Follow its policies and procedures related to ATR IV. B.;
- Ensure that mutual vendors of the Utility and affiliates agree to abide by the ATRs and maintain the necessary ATR knowledge to ensure compliance; and
- Establish and implement additional security measures within its information systems to prevent non-public information from being shared with affiliates.

SoCalGas Response –

The State Controller’s Office referenced two instances of asserted non-compliance reported to the CPUC by SoCalGas before the compliance year 2020-2021 audit began. The two events referenced by the State Controller’s Office were identified by SoCalGas in self-report letters filed on May 28, 2021, and January 11, 2022, respectively. Those letters identified the circumstances and related mitigation measures put into place by SoCalGas at the time the self-reports were made.

For the inadvertent disclosure by a vendor of non-public information to a utility affiliate (May 28, 2021 self-report), SoCalGas objects to the finding related to Rule IV.B. as this was not a violation by SoCalGas. The information was shared by a vendor inadvertently, not intentionally, and not by SoCalGas or its affiliated companies. SoCalGas reported this instance out of an abundance of caution and in the interest of being transparent. SoCalGas includes express language in its vendor contracts prohibiting disclosure of non-public information and vendors are required to certify that they understand and will comply upon contract execution. Note, SoCalGas does not share vendor information with its affiliates and is not provided vendors lists by its affiliates. Therefore, SoCalGas will not necessarily know which of its vendors are “mutual” vendors, as referenced in the auditors’ recommendation. Rather, SoCalGas includes this language for all vendor contracts, which presumably would include any contracts with mutual vendors of the utility and affiliates.

For the inadvertent disclosure by a SoCalGas employee of customer specific non-public information sent to a Sempra Infrastructure (SI) employee identified in the January 11, 2022, self-report, SoCalGas identified the following mitigative actions and controls to prevent the inadvertent sharing of non-public information in its self-report:

- SI employee deleted email communication.
- SoCalGas employee deleted SI’s email address from email cache; and,
- Supplemental Affiliate Compliance Training was conducted with the responsible utility group.

SoCalGas will continue to review the efficacy of its controls to prevent the inappropriate disclosure of non-public utility information to affiliates.

Finding 4 – Inadequate internal controls for employee physical and information system access

The Utility's internal controls were inadequately designed to ensure compliance with rules for physical and information system access after employee transfers. We found the following deficiencies in four of the five transfers that occurred during CY 2020 and CY 2021:

- The Utility failed to terminate physical and information system access on or before the transfer date for employee transfers between the Utility and covered affiliates.
- The Utility failed to ensure that affiliate access was terminated before Utility physical and information system access was granted to employees who transferred from covered affiliates to the Utility.

During the audit, the Utility discovered and disclosed to the CPUC two instances of noncompliance with ATR V. C. The Utility described an instance related to information system access in its February 10, 2023 disclosure to the CPUC as follows:

SoCalGas has identified a system limitation pertaining to the intercompany transfer process that resulted in certain employees' computer access being maintained after the transfer date for up to several days. The system was implemented in 2019, and the issue was discovered in 2022. In the most recent CPUC audit (conducted by the State Controller's Office) of the Affiliate Transaction Rules covering the years 2016 and 2017, there were findings related to employee transfers that were communicated as part of the final audit report in 2021. SoCalGas' response . . . referenced a new technology platform put into place in 2019 as a remediation for the delay in access termination as well as records retention. The limitation was discovered in this system, and hence impacted the effectiveness of this remediation.

The Utility described an instance related to physical access in its February 10, 2023 disclosure to the CPUC as follows:

Due to a delay in transfer notifications, updates to physical access permissions for certain employees who transferred from SoCalGas to covered affiliates and vice versa since the system implementation in 2019 were delayed, meaning they had access to SoCalGas and affiliate facilities during a window of time between transfer and the access update.

We selected all five employees who transferred between the Utility and covered affiliates to determine the Utility's compliance with ATR V. C. Of the five employees, one was a Utility employee who transferred to a covered affiliate; the other four were covered affiliate employees who transferred to the Utility. We reviewed supporting documentation to determine whether the employee's physical and information system access had been terminated on or before their transfer dates. For the four covered affiliate employees, we also reviewed supporting documentation to determine when they had been granted physical and information system access to the Utility. Our review noted the following instances of noncompliance for four of five employees:

- Employee 1 – In CY 2020, the Utility employee’s physical and information system access to the Utility was terminated one day after the employee transferred to a covered affiliate.
- Employee 2 – In CY 2020, the covered affiliate employee’s information system access to the Utility was granted two days before the employee’s access to the covered affiliate’s information system was terminated.
- Employee 4 – In CY 2020, the covered affiliate employee’s physical access to the affiliate was terminated 53 days after the employee transferred to the Utility.
- Employee 5 – In CY 2021, the covered affiliate employee’s information system access to the Utility was granted two days before the employee’s access to the covered affiliate’s information system was terminated

We found no evidence that the transferred employees accessed any non-public information subsequent to their transfer dates; however, Employee 4 was able to access a restricted area (the eleventh floor of the holding company’s headquarters) three times on July 28, 2020, three days after the employee’s transfer date. If not mitigated, the control deficiency creates a significant risk that non-public information will be accessed by unauthorized employees.

ATR V. C, “Sharing of Plant, Facilities, Equipment or Costs,” states:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules. Physical separation required by this rule shall be accomplished preferably by having office space in a separate building, or in the alternative, through the use of separate elevator banks and/or security-controlled access. This provision does not preclude a utility from offering a joint service provided this service is authorized by the Commission and is available to all non-affiliated service providers on the same terms and conditions (e.g., joint billing services pursuant to D.97-05-039).

The Utility's CY 2020 Compliance Plan states:

Facilities Separation:

SoCalGas' headquarter[s] is located at the Gas Company Tower in downtown Los Angeles. Access to the entire Gas Company Tower is card-key controlled. The required utility/affiliate separation (e.g., separate elevator banks, card-key controlled access) will be adhered to in accordance with the Rules. SDG&E [San Diego Gas and Electric] shared service personnel and Sempra Energy shared service personnel have workspace at the Gas Company Tower.

Information Technology:

The California utilities' Data Centers house most of the Information Technology ("IT") production processing operations. Consolidation of the SoCalGas and SDG&E IT systems is a "utility-to-utility" transaction that was approved and priced in the Merger Decision (D.98-03-073).

The California utilities' Data Centers are stand-alone facilities specifically constructed and maintained to house computer technology services and related activities in a high security environment. These facilities are located regionally and out of state for service continuity and are completely segregated from other entities' equipment and employees. They provide computer technology services for the utilities and Sempra Energy. They also provide support for permissibly shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

The California utilities may utilize applications hosted by outsourced services to provide some information technologies. Such outsourced services applications are not shared with affiliates and are managed and controlled by the California utilities. Employees of the affiliates may not access such outsourced services applications except for permissible shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

To help promote compliance with the Rules for utility and affiliate separation, the California utilities and Sempra Energy information systems adhere to the following measures:

Physical Access:

Affiliate personnel are not allowed physical access to the data centers without escort nor are they allowed access to applications hosted by outsourced services. The covered affiliates operate their own independent IT organization, outsourced services applications and data center for affiliate information systems. Except for shared service Facilities Management staff, utility employees cannot access the

covered affiliates' data center without escort or electronically access outsourced services applications.

Systems:

The utilities/Sempra Energy network maintains physical and logical security controls, which, in combination with employee training on the Rules, are designed to prevent access to non- sharable utility information and data systems, including outsourced services applications.

Utility employees are not permitted to access the covered affiliates' network or outsourced services applications. Likewise, the covered affiliates are not permitted to access the utility's Data Center network or outsourced services applications.

The utilities/Sempra Energy IT network is separated from the covered affiliates' network by security controls designed to physically and logically isolate the utilities/Sempra Energy from the covered affiliates' systems and information. Additionally, employees receive training on the Rules educating and raising awareness to prevent access to non-sharable systems and applications. The utilities and the covered affiliates each maintain their own systems including separate contracts and licenses, directories, server hardware and software, and desktop hardware and software. Communications systems such as e-mail, directories and collaboration tools are also separated. Certain permissibly shared, corporate-wide infrastructure systems served under a single master agreement can also be used for all Sempra Energy operating companies.

The utilities and the covered affiliates' IT organizations may communicate intermittently in the administration of technology issues associated with company-wide oversight and governance activities (e.g., training, IT employee development initiatives, etc.). Internal guidelines are in place to manage the limited connectivity between the utilities/Sempra Energy IT network and the covered affiliates' network for access to allowable shared services. These guidelines are approved by representatives of SoCalGas' IT, covered affiliates' IT and ACD. These Guidelines are subject to audit by the Sempra Energy Audit Services department.

The Utility's CY 2021 Compliance Plan states:

Facilities Separation:

SoCalGas' headquarters is located at the Gas Company Tower in downtown Los Angeles. Access to those floors within the Gas Company Tower that are occupied by SoCalGas employees are card-key controlled. The required utility/affiliate separation (e.g., separate elevator banks, card-key controlled access) are adhered to in accordance with the Rules. SDG&E shared service personnel and Sempra Energy shared service personnel have workspace at the Gas Company Tower.

Information Technology:

The California Utilities' Data Centers house most of the Information Technology ("IT") production processing operations. Consolidation of the SoCalGas and SDG&E IT systems is a "utility-to-utility" transaction that was approved and priced in the Merger Decision (D.98-03-073).

The data centers are stand-alone facilities specifically constructed and maintained to house computer technology services and related activities in a high security environment. These facilities are located regionally and out of state for service continuity and are completely segregated from other entities' equipment and employees. They provide computer technology services for the utilities and Sempra Energy. They also provide support for permissibly shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

The California Utilities may utilize applications hosted by outsourced services to provide some information technologies. Such outsourced services applications are not shared with affiliates and are managed and controlled by the California Utilities. Affiliate employees may not access such outsourced services applications except for permissible shared services (Rule V.E.), such as employee timekeeping, payroll, materials management and accounting functions.

To help promote compliance with the Rules for utility and affiliate separation, the California Utilities and Sempra Energy information systems adhere to the following measures:

Physical Access:

Affiliate personnel are not allowed physical access to the data centers without escort nor are they allowed access to applications hosted by outsourced services. The affiliates operate their own independent IT organization, outsourced services applications and data center for affiliate information systems. Except for shared service Facilities Management staff, utility employees cannot access the covered affiliates' data center without escort or electronically access outsourced services applications.

Systems:

The California Utilities/Sempra Energy network maintains physical and logical security controls, which, in combination with employee training on the Rules, are designed to prevent access to non-sharable utility information and data systems, including outsourced services applications.

California Utility employees are not permitted to access the affiliates' network or outsourced services applications. Likewise, the affiliates are not permitted to access the data center network or outsourced services applications.

The California Utilities/Sempra Energy IT network is separated from the affiliates' network by security controls designed to physically and logically isolate the California Utilities/ Sempra Energy from the affiliates' systems and information. Additionally, employees receive training on the Rules educating and raising awareness to prevent access to non- sharable systems and applications.

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

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

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

Section VI. B, "Transfer of Employee Process," of the Utility's CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states, in part:

... All [technology access] (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and SharePoint) must be terminated before the employee transfers to a Covered Affiliate company. . . .

Recommendation

We recommend that the Utility implement policies and procedures to ensure that it terminates the physical and information-system access of Utility employees who transfer to covered affiliates on or before the employees' transfer dates; and that it verifies the termination of affiliate physical and information system access before granting Utility access to covered affiliate employees who transfer to the Utility.

SoCalGas's Response –

The Audit Report recommends that SoCalGas implement policies and procedures to ensure that "it terminates the physical and information-system access of Utility employees who transfer to covered affiliates on or before the employees' transfer dates" and "that it verifies the termination

of affiliate physical and information system access before granting Utility access to covered affiliate employees who transfer to the Utility.”

As acknowledged above, while the audit was pending, SoCalGas disclosed to the SCO auditors and the CPUC that it discovered deficiencies in some of the controls related to the employee transfer process and physical and information system access. That self-report, made on February 10, 2023, identified several new controls being implemented regarding employee transfers to and from SoCalGas and its affiliates, including additional advanced notifications to the appropriate IT and Corporate Security departments. SoCalGas and affiliate department procedures have been updated to reflect these requirements. Further, SoCalGas has tested these controls since implementation and has confirmed their effectiveness in the termination of required system and physical access prior to employee transfer. SoCalGas believes these controls and the associated changes in procedures fully address the Report’s Recommendation.

Finding 5 – Unreported employee transfers

The Utility’s internal controls were inadequate to ensure that all employee transfers between the Utility and its affiliates were reported in Schedule H of the Utility’s Annual Report. As a result, two employees were not reported for CY 2020 and one employee was not reported for CY 2021. In addition, one employee, who should have been reported in CY 2020, was incorrectly reported in CY 2021.

The Utility discovered and disclosed to SCO auditors and the CPUC four instances of noncompliance with ATR V. G. 2. a. The Utility described the first two instances in its July 22, 2022 disclosure to the CPUC as follows:

On February 3, 2022, Southern California Gas Company (“SoCalGas”) sent the Energy Division a self-report letter to notify the division regarding an employee transfer that occurred in 2020. As detailed in that letter, a SoCalGas employee transferred to Oncor Electric Delivery Service, LLC (“Oncor”) on November 7, 2020, and the transfer fee was not initially billed as required by Rule V.G. 2. Also in that letter, SoCalGas disclosed that payment of the transfer fee was received from Sempra Corporate Center on November 12, 2021.

The letter also stated that SoCalGas would revise its 2020 Schedule H1 (“SoCalGas Employee Transfers to the Affiliates”), to report the transfer.

. . . SoCalGas previously included the November 2020 Oncor employee transfer on the 2021 Schedule H1. Upon review, SoCalGas determined that the 2020 transfer should be reported on the 2020 Schedule H1, rather than the 2021 Schedule H1. The amended 2021 Schedule H1 has been updated accordingly (i.e., to remove the duplicate reporting of the employee transfer).

The Utility described the other three instances in its February 10, 2023 disclosure to the CPUC as follows:

SoCalGas discovered three employees who were transferred from Sempra to SoCalGas in 2020 and 2021 that were not reported on the Schedule H (Table 2) – “Corporate Center/ Affiliate Employees Transferred to SoCalGas.” The error occurred due to the employees having similar job titles and the mistaken belief that the job transfers were duplicate entries. . . .

We received a list of all employee transfers between the Utility and affiliates during the audit period, and compared the listed employees to those reported in the Utility’s CY 2020 and CY 2021 Annual Reports. We found the following instances of noncompliance:

Utility Employee Transfers to an Affiliate or Holding Company				
Employee Transfer	Calendar Year	Transfers Included in Listing	Transfers Included in Annual Report	Reporting Noncompliance
1	2020	2	1	One employee transferred to Oncor in November 2020 and was not reported in the CY 2020 Annual Report. This employee transfer was incorrectly reported in the CY 2021 Annual Report.

Affiliate or Holding Company Employee Transfers to the Utility				
Employee Transfer	Calendar Year	Transfers Included in Listing	Transfers Included in the Annual Report	Reporting Noncompliance
2	2020	6	4	Two employee transfers were not reported in the CY 2020 Annual Report.
3	2021	6	5	One employee transfer was not reported in the CY 2021 Annual Report.

ATR V. G. 2. a. states:

A utility shall track and report to the Commission all employee movement between the utility and affiliates. The utility shall report this information annually pursuant to our

Affiliate Transaction Reporting Decision, D.93-02-016, 48 CPUC2d 163, 171-172 and 180 (Appendix A, Section I and Section II. H.).

The Utility's CY 2020 Compliance Plan states, in part:

SoCalGas tracks all employees who transfer between the utility, Sempra Energy and its operating companies as well as from Sempra Energy and the affiliates to SoCalGas and reports this information annually to the CPUC in its Affiliate Transactions Report. . . .

The Utility's CY 2021 Compliance Plan states, in part:

SoCalGas tracks all employee transfers between the utility, Sempra Energy and its operating companies as well as from Sempra Energy and the affiliates to SoCalGas and reports this information annually to the CPUC in its Affiliate Transactions Report. . . .

Section VI. A, "General," of the Utility's CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states, in part:

. . . Human Resources will provide the ACD with an annual list of employees who resigned/transferred from the utilities and then transferred to an affiliate or parent or transferred from the affiliate to one of the California utilities. This information will be filed annually with the CPUC by May 1, as part of the annual Affiliate Transactions Report (D.93-02-019).

Recommendation

We recommend that the Utility follow its Affiliate Compliance Guidelines and ensure that Human Resources communicates promptly with the ACD for all employee movement between the Utility and affiliates. In addition, we recommend that the ACD implement an annual reconciliation process for all employee transfers, and complete the reconciliation process before submitting the Annual Report.

SoCalGas Response –

As explained below, the Audit Report incorrectly states that SoCalGas disclosed five instances of unreported employee transfers. SoCalGas disclosed four unreported employee transfers, not five. The discrepancy arises from the Report's listing of two instances of employee transfers from SoCalGas to Oncor. As detailed below, there was only one employee transfer from SoCalGas to Oncor, not two.

Utility to Oncor Employee Transfer

On February 3, 2022, before the State Controller’s Office audit began, SoCalGas notified the CPUC that an employee was not listed on the Schedule H of the utility’s Annual Report on Affiliate Transactions for CY2020. The draft Audit Report of the State Controller’s Office includes the employee transfer discrepancy that was previously identified in that self-report and recommends an annual reconciliation to capture all employee transfers. The finding above included one transfer from SoCalGas to Oncor Electric Delivery Service, LLC (“Oncor”), which was included in the self-report. The employee’s transfer took place in 2020 but was included in SoCalGas’s Schedule H for 2021. In July 2022, SoCalGas submitted revised Schedule H filings for 2020 and 2021 which reflected the employee’s transfer on the 2020 schedule and deleted the employee’s name from the 2021 schedule.

In accordance with the mitigation plan SoCalGas provided in its self-report, SoCalGas has revised its exit interview process to identify all utility employees transferring to Oncor. In addition, upon discovery of the issue that led to the self-report, SoCalGas’s Affiliate Compliance department implemented an annual reconciliation of all employee transfers prior to the submission of the Affiliate Transaction Report. SoCalGas has further built an automated process as an additional check to capture transfers to Oncor. This process, which includes an employee checklist, was put in place in 2022.

Sempra to Utility Employee Transfers

The remaining transfers listed in the finding pertain to three employees transferring from Sempra to SoCalGas. This reporting issue was discovered by SoCalGas during the audit and reported to the CPUC on February 10, 2023.

In accordance with the mitigation plan it provided in its February 10, 2023, self-report filing with the CPUC:

- SoCalGas has modified the process for the compilation and format of the Schedule H report. The previous format required significantly more manual processes. The new modifications were designed to limit the manual steps, thereby reducing the opportunities for human error.
- SoCalGas revised its 2020 and 2021 Schedule H (Table 2) – “Corporate Center/ Affiliate Employees Transferred to SoCalGas” to accurately report these employee transfers.

For the reasons stated above, SoCalGas believes the mitigation plan and the associated changes in procedures fully address the Report’s Recommendation.

Finding 6 – Incomplete documentation for exit interviews

The Utility did not fully complete the exit interview documentation to show that it had followed its policies and procedures to ensure compliance with the ATRs. The Utility failed to provide fully completed exit interview documentation for two of the 16 employees whose records we reviewed. The exit interview documentation was incomplete, as it lacked signatures from interviewer,

employee, and supervisor. If completed, such documentation would support that the Utility followed its policies and procedures to ensure compliance with ATR V. G. 2. d. Without the completed exit interview documentation for these two employees, we could not confirm that the Utility consistently followed its policies and procedures to ensure compliance.

The discussion items informing employees of the ATRs and potential consequences of not complying with the ATRs, as well as the verification of removal of access to non-public information, are significant internal controls for preventing ATR violations. If the exit interviews do not take place, the topics that can deter transferring employees from acting as a conduit of non-public information are not discussed with the transferring employee and may not be understood by the employee.

We believe that the Utility's internal controls were adequately designed to ensure compliance with ATR V. G. 2. d. However, we were unable to determine whether the controls operated as designed because the Utility did not maintain complete documentation.

ATR V. G. 2. d. states:

Any utility employee hired by an affiliate shall not remove or otherwise provide information to the affiliate which the affiliate would otherwise be precluded from having pursuant to these Rules.

The Utility's CY 2020 Compliance Plan states, in part:

. . . SoCalGas' Human Resources (HR), Diversity & Inclusion department or the employee's departing manager conducts exit interviews with all employees who transfer from SoCalGas to Sempra Energy or an affiliate. During the exit interview, employees are required to sign a statement acknowledging that they will not use information gained at the utility to benefit the affiliate. The HR department or employee's departing manager/supervisor is responsible for ensuring the employee signs an anti-conduit form when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate. SoCalGas retains the assets that may not be transferred pursuant to the Rules. Assets permitted to be transferred are priced pursuant to the Rules.

SoCalGas' HR, Diversity & Inclusion department is responsible for ensuring that Affiliate Compliance Transfer forms and related asset inventories are documented. ACD follows up with HR to ensure that transfer forms are completed in a timely manner. A description of this process is included in the *Affiliate Compliance Guidelines* (ACGs).

The Utility's CY 2021 Compliance Plan states, in part:

. . . SoCalGas' Human Resources (HR) department or the employee's departing manager conducts exit interviews with all employee transfers from SoCalGas to Sempra Energy or an affiliate. During the exit interview, employees are required to acknowledge that they will not use information gained at the utility to benefit the

affiliate. The HR department or employee's departing manager/supervisor is responsible for informing the employee of the anti-conduit provisions when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate. SoCalGas retains the assets that cannot be transferred pursuant to the Rules. Assets permitted to be transferred are brought to the attention of SoCalGas affiliate compliance department who affirms items are priced pursuant to the Rules.

SoCalGas' [HR] department is responsible for ensuring that Affiliate Compliance Transfer forms and related asset inventories are documented and retained for recordkeeping purposes.

Section VI.B, "Transfer of Employee Process," of the Utility's CY 2019 *Affiliate Compliance Guidelines* states, in part:

The Human Resources, Diversity & Inclusion Department from the releasing entity shall coordinate the employee exit interview based on the guidelines outlined below.

The transferred employee's immediate supervisor or his/her designee or UHRA [Utility Human Resources Advisor] is responsible for conducting the face-to-face exit interview and completing the exit checklist, anti-conduit acknowledgement form, and asset inventory list to ensure [that] the employee is aware of the Affiliate Transaction Rules and that the employee does not take non-public information or trade secrets to an affiliate company.

Additionally, the UHRA Department is responsible for obtaining a signed copy of the Anti-Conduit form prior to or once an employee transfers from the affiliate to the utility.

SoCalGas' Human Resources, Diversity & Inclusion department is responsible for ensuring that exit interviews are documented. This documentation is maintained in a permanent file by the Human Resources, Diversity & Inclusion department and copies [are] sent to the ACD.

An employee who transfers to a new assignment may not take utility assets to the new assignment without prior approval from ACD. Any other material permitted to be taken by the employee to the affiliate/parent should be appropriately priced and billed to the affiliate/parent through Affiliate Billing & Costing. Please refer to Section VII, "Transfer of Goods, Services and Assets" for additional information regarding the guidelines for transferring goods and services. The transferring employee must complete or cease working on his/her current work assignments **BEFORE** transferring to a Covered Affiliate. The employee is not allowed to return to complete unfinished work or assignments after the transfer has occurred. Exit interviews shall be conducted prior to the effective transfer date—any interviews performed subsequent to the transfer date must be brought to the attention of the utilities' ACD.

All IT accesses (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and

SharePoint) must be terminated before the employee transfers to a Covered Affiliate company.

Mobile devices may be taken from one business unit to another based on the guidelines set forth in the Employee Transfer Procedures.

The following IT access must be terminated before an employee transfers between SDG&E's Energy Supply (formerly known as "Energy Procurement") and Electric Grid Operations and to/from SoCalGas' Gas Acquisition, for example, but not limited to: E-mail, mobile phones, thumb drives, instant messaging and SharePoint access.

Under no circumstances may a transferred utility company employee transmit, use, refer to, or exploit any information gained while employed at SoCalGas. In the event of inadvertent disclosure, the matter must be brought to the attention of the Human Resources, Diversity & Inclusion department and the utilities' ACD immediately. Willful disregard for this policy may result in disciplinary action up to and including termination of employment.

The employee transferring from an affiliate will sign an anti-conduit form acknowledging their understanding of the Affiliate Transaction Rules.

The transferring employee reads, signs, and dates the "Anti-Conduit Sign-off," certifying completion.

Section VI.B, "Transfer of Employee Process," of the Utility's CY 2021

Affiliate Compliance Guidelines states, in part:

The Human Resources Department from the releasing entity shall coordinate the employee exit interview based on the guidelines outlined below.

The transferred employee's immediate supervisor or his/her designee or UHRA [Utility Human Resources Advisor] is responsible for conducting the exit interview and completing the exit checklist, anti-conduit acknowledgement form, and asset inventory list to ensure [that] the employee is aware of the Affiliate Transaction Rules and that the employee does not take non-public information or trade secrets to an affiliate company.

Note: Additionally, the UHRA Department is responsible for obtaining a signed copy of the Anti-Conduit form prior to an employee's transfer from the affiliate to the utility.

SoCalGas' Human Resources department is responsible for ensuring that exit interviews are documented. This documentation is maintained in a permanent file by the Human Resources department.

An employee who transfers to a new assignment may not take utility assets to the new assignment without prior approval from ACD. Any other material permitted to be taken by the employee to the affiliate/parent should be appropriately priced and billed to the affiliate/parent through Affiliate Billing & Costing. Please refer to Section VII, "Transfer of Goods, Services and Assets" for additional information regarding the guidelines for transferring goods and services.

The transferring employee must complete or cease working on his/her current work assignments **BEFORE** transferring to a Covered Affiliate. The employee is not allowed to return to complete unfinished work or assignments after the transfer has occurred. Exit interviews shall be conducted prior to the effective transfer date.

All technology access (Systems/Networks/Applications, E-mail, Card Access Key, Secure ID, Cell phone/Smart phone, and Instant Messaging access and SharePoint) must be terminated before the employee transfers to a Covered Affiliate company.

Personally-Owned Devices may be taken from one business unit to another based on the guidelines set forth in the Employee Transfer Procedures.

The following IT access must be terminated before an employee transfers between SDG&E's Energy Supply and Electric Grid Operations and to/from SoCalGas' Gas Acquisition department, for example, but not limited to: E-mail, cellphone, thumb drives, instant messaging and SharePoint.

Under no circumstances may a transferred utility company employee transmit, use, refer to, or share any information gained while employed at SoCalGas. In the event of inadvertent disclosure, the matter must be brought to the attention of the SoCalGas' Human Resources department and the utilities' ACD immediately. Willful disregard for this policy may result in disciplinary action up to and including termination of employment.

The Utility's policy is to have a transferring employee complete an exit interview packet at least seven days prior to the employee's transfer to the Utility's holding company or to any of its affiliates (covered and non-covered). The packet includes an "Exit Interview Checklist and Sign-off" and an "Anti-Conduit Sign-off."

The "Exit Interview Checklist and Sign-off" form requires the UHRA to complete the following steps:

1. **Non-Disclosure**, Inform the transferring employee of their continuing obligations with respect to trade secrets and customer information and elicit their agreement to maintain them in confidence.
2. **....CA Company Owned Assets**, For items requested to be taken by the employee, determine ownership of items. Note that no company-owned assets may be taken with an employee when transferring to a Covered Affiliate without the approval of the Affiliate Compliance Department. This includes, but not limited to, books, notes, papers, manuals, computer files, computers, cell phones, Smart Phones, pagers, etc. that were obtained/used through the course of the employee's employment. Any work product generated during the employee's term of employment is deemed to be the property of the employer and may not be taken by the employee. Any exceptions to this prohibition will be handled by the Affiliate Compliance Department (ACD) on a case-by-case basis. All items requested to be taken by the transferring employee shall be listed in **Special Condition Asset Transfer List** included in this procedure.
3. **Personally-Owned Devices (POD)** (including but not limited to cell phones, Smart

Phones, tablets, thumb drives. etc.) used while conducting company business may be taken with the employee when transferring to a Covered Affiliate or to a Targeted Area based on the below guidelines. For additional information, please review the “Wireless Communication Device Policy.

Prior to transfer,

- i. The employee will remove/delete all company information from their devices. The POD will also be automatically disconnected from the utilities Active Sync and the Inbox Exchange networks so no further information can be received by the POD.;
- ii. The employee shall delete all voicemails pertaining to their prior position (this will be accomplished automatically by the IT Department for all wireless devices);
- iii. ACD receives, verifies, and retains documentation that the Active Synch and the Inbox Exchange has been removed from ALL transferring employees Personally-Owned Devices.
- iv. The employee shall record new message to inform contacts that they have moved to new position. (Example; “If your call is pertaining to (Title your former Position), please call John Doe at (858) 696-XXXX). As I am no longer working in this capacity; please do not leave a message on this cellphone pertaining to my former position. Thank you, Name of Person”);
- v. The employee may request approval from ACD if a 30-day delay in deletion of company information is required to facilitate a transition period, for transfers to a Non-Covered Affiliate or a non-targeted area. ACD will review and determine whether to approve the delay on a case-by-case basis. This delay request process is not available for transfers to the Covered Affiliates or the Targeted Areas.

Note: Non-Public Utility information received on personally- owned devices after the employees effective transfer date may be considered proprietary and shall not under any circumstances be accessed, manipulated or transferred in any manner. Any willful or inadvertent viewing of non-public utility information can potentially put the California Utility in violation of the Affiliate Transaction Rules. Any employee found to willfully violate the Wireless Communication Device Policy is subject to immediate termination of employment.

4. Ensure that no confidential information is taken to a Covered Affiliate (e.g. Sempra USG&P, Sempra International, Sempra LNG) unless done in accordance with the CPUC Affiliate Transactions Rules and FERC [Federal Energy Regulatory Commission] Standards of Conduct Rules. See Attachment A for Listing of Confidential Information.
5. Review policies regarding affiliate transactions (e.g. maintenance of correspondence between utilities and Affiliates, use of letterhead or other documents, necessity of identifying self as an employee of a different Sempra business unit in future written and oral communications, potential audits).
6. Collect access cards, keys, and ID badges to terminate current access. (See the

Employee Transfer Matrix for specific transfer information for badges and system access requirements.)

7. Notify IT to remove the employee from e-mail distribution lists, network, instant messaging, and remote access.
8. For employees transferring among the following Targeted Areas within the CAU: Electric & Fuel Procurement; Electric Grid Operations Energy Supply & Dispatch; Gas Acquisition; Gas Control; Gas Scheduling and Storage Products & Balancing; **prior** to the transfer, request a change in the employees email address (i.e. JDoe@semprautilities.com to JDoe1@semprautilities.com), and the employee's Microsoft Outlook suffix display (i.e. John Doe – E&FP to John Doe – Gas Acq).
9. Inform transferring employee that any violation of the affiliate rules is strictly prohibited and will lead to remedial actions that can result in disciplinary action up to and including termination of employment.

The UHRA signs and dates the “Exit Interview Checklist and Sign-off,” certifying completion.

The “Anti-Conduit Sign-off” form requires the transferring employee to certify that he or she:

ANTI-CONDUIT SIGN-OFF

1. I know that a copy of the Affiliate Transaction Rules, Merger Decision, 25 Remedial Measures, FERC 717 Standards of Conduct, Market Based Rate Affiliate Restrictions (“Rules”) and the “Wireless Communication Device Policy” are available for reference on SempraNet or at my business unit’s Affiliate Compliance web page. I have reviewed and understand these Rules and/or Policy and will comply with the requirements set forth therein.
2. I understand that full compliance with these Rules is a condition of employment, and that failure to comply fully may result in serious disciplinary action, up to and including termination. I will report any violations of the Rules and/or Policy to my business unit’s Affiliate Compliance Department, my supervisor, my manager, or to the Ethics Helpline at (800) 241-5689. It is the Company’s obligation to ensure that any such concerns, raised in good faith, can be done so without retaliation and are appropriately investigated and resolved.
3. I understand that the Rules and/or Policy require that I not be a conduit of information to circumvent the Rules. The term “conduit” means: (1) providing a means for the transfer of confidential information from the utility to an affiliate, or vice versa, (2) directing or causing a utility to violate or circumvent the Rules, including but not limited to providing preferential treatment, unfair competitive advantages, or non-public information to its affiliates, (3) aiding or abetting the utility’s violation of these Rules, or (4) creating significant opportunities for cross-subsidization of affiliates by the utilities. I will refrain from actions that could constitute purposeful or inadvertent circumvention of the anti-conduit provisions of the Rules.
4. I understand that I must be alert to circumstances that could present potential conduit concerns, and must take care to ensure that confidential, commercially-sensitive information gleaned from assignments does not become commingled with future work

product and thus transferred in contravention of the Rules. If I am in doubt about whether a new assignment will present a conduit concern, I will seek guidance from the appropriate compliance department.

5. I understand that I must not allow any confidential information, commercially-sensitive information, or non-public, non-customer specific utility or other business unit information that is being used or generated in the process of delivering services to be transferred from a utility to an affiliate or other business unit covered by the Rules (or vice versa) in contravention of the Rules.

If I am transferring from an affiliate to the CAU, I understand that I must not allow any non-public utility information I obtain in my new assignment to be inadvertently shared with anyone within my prior business unit or any employee who should not be the recipient of such information. As a result of becoming a CAU employee, I am allowed to use my personally-owned device (POD) to perform work associated with my new assignment. I have read and understand the Corporate Center and CAU “Wireless Communication Device Policy.” At all times I will keep all non-public utility information I have within my possession under secured arrangements so that unauthorized California Utility and affiliate personnel will not be able to review or copy the documents. I will ensure at all times that the following CAU departments are not privy to receiving non- public utility information inappropriately: Electric Grid Operations, Energy & Fuel Procurement, Energy Supply & Dispatch, Gas Acquisition, Gas Control, Gas Scheduling and Storage Products & Balancing. I understand when I leave the California Utility that all company information is removed from my POD.

Recommendation

We recommend that the Utility fully complete all exit interview documentation to support that it followed its policies and procedures designed to ensure compliance with ATR V. G. 2. d.

SoCalGas Response –

SoCalGas’s internal employee exit checklists were prepared and retained by SoCalGas. However, as the finding notes, signatures on the employee exit checklists were missing for employees with ID#’s 1 and 11. During the time that these two employee exit checklists were prepared, the COVID-19 pandemic was in full effect and in compliance with State, local and SoCalGas COVID-19 stay-at-home orders and restrictions, none of the individuals who were identified to sign the employee exit checklists were present in SoCalGas facilities. During this time, electronic signatures were obtained through email approvals and/or through the signing and scanning in lieu of original signatures, then manually transferring the documentation from an individual’s files to a shared drive.

For employee ID#1, SoCalGas obtained the employee’s acknowledgement of the employee exit checklist and supervisor’s approval through email confirmation. SoCalGas provided this documentation for employee ID #1 to the SCO auditors. Those electronic versions of signatures or approvals were retained by SoCalGas to demonstrate compliance with its policies and

procedures when employees were not physically present in SoCalGas facilities due to the COVID-19 stay-at-home orders. For employee ID #11, the electronic approvals were not able to be located.

A new electronic process was implemented by all Sempra companies beginning in August of 2022. This new process requires an electronic exit checklist to be completed with the employee before their transfer date, with their acknowledgement as a required field to serve as their signature. The electronic exit checklists, along with employee acknowledgement, are stored within the online application. All information is documented and saved in the online application in accordance with required record retention schedules.

Finding 7 – New affiliates not reported in a timely manner

The Utility's internal controls failed to ensure that its new affiliates were reported in a timely manner, in accordance with ATR VI., resulting in two affiliates being omitted from the CY 2021 Compliance Plan and one new affiliate being reported 189 days after creation.

Prior to the Audit's formal entrance conference on August 24, 2022, the Utility discovered and disclosed to the SCO auditors and the CPUC one instance of noncompliance with ATR VI. B. The Utility described the instance in its August 4, 2022 disclosure to the CPUC as follows:

Per the Affiliate Transaction Rules, SoCalGas is bringing this matter to your attention. On March 4, 2022, Sempra notified SoCalGas of the formation of Ecogas Movil S.A.P.I. DE C.V., a Mexican affiliate. SoCalGas subsequently sent notification of the new entity to the CPUC on March 25, 2022.

Upon receiving the notification of the formation of this new entity on March 4, 2022, SoCalGas noted an earlier date of December 1, 2021 was reflected in the notice of entity formation provided by Sempra. Upon further research, SoCalGas determined that due to various legal processes in Mexico, finalization of entity formation can take longer than the 60-day notification period that is required by the CPUC. The March 4, 2022 notification of formation of the entity, Ecogas Movil S.A.P.I. DE C.V., listed December 1, 2021 as the date the entity filed for registration and sent its deed to the Notary as required by law in Mexico. Finalization of entity formation for Ecogas Movil S.A.P.I. DE C.V. occurred on March 4, 2022 and triggered the notice of entity formation provided to SoCalGas. Previously, the finalization process for formation of an entity in Mexico had not exceeded the CPUC's 60-day requirement, but we are informed that this process could possibly exceed the CPUC's reporting requirement period in the future.

SoCalGas has performed diligence to better understand the formation process of business entities in Mexico and how that country's legal requirements differ from those in the United States. In addition, SoCalGas is now cognizant of an ambiguity in Rule VI.B's use of the word "creation" as applied to the Mexican procedures for the formation of entities. As discussed above, the "creation" of Ecogas Movil S.A.P.I. DE C.V. could

potentially be interpreted as December 1, 2021 (when it filed for registration) or as March 4, 2022 (when the registration process was complete). To address this potential ambiguity, SoCalGas is now notifying you of efforts undertaken to address future instances when an affiliate entity in Mexico is formed.

ATR VI. A. Instance of Noncompliance

We reviewed the list of affiliates reported in the CY 2020 and CY 2021 Compliance Plans and reconciled the reported affiliates to a list provided by the Utility. We noted that the CY 2021 Compliance Plan omitted two affiliates that should have been included.

ATR VI. B. Instances of Noncompliance

The Utility had 22 newly acquired or created affiliates during the audit period. We reviewed all 22 newly acquired or created affiliates and found the following instances of noncompliance:

- Two affiliates were created on June 26, 2020. However, they were not included in the CY 2021 Compliance Plan (ATR VI. A.).
- A third affiliate was created on December 1, 2021. However, the Utility did not file an Advice Letter until June 8, 2022, 189 days later, failing to provide notification within 60 days.

ATR VI., “Regulatory Oversight,” states, in part:

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

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

The utility’s compliance plan shall be in effect between the filing and a Commission determination of the advice letter. A utility shall file a compliance plan annually thereafter by advice letter where there is some change in the compliance plan (i.e., when there has been a change in the purpose or activities of an affiliate, a new affiliate has been created, or the utility has changed the compliance plan for any other reason).

B. **New Affiliate Compliance Plans:** Upon the creation of a new affiliate the utility shall immediately notify the Commission of the creation of the new affiliate, as well as posting notice on its electronic bulletin board. No later than 60 days after the creation of this affiliate, the utility shall file an advice letter with the Energy Division of the Commission. The advice letter shall state the affiliate’s purpose or activities, whether the utility claims that Rule II B makes these Rules applicable to the affiliate, and shall include a demonstration to the Commission that there are adequate procedures in place that will ensure compliance with these Rules. . . .

The Utility's CY 2020 and CY 2021 Compliance Plans state:

This Plan represents SoCalGas' compliance with this rule. Appendix 3 of this Plan provides a listing of SoCalGas' covered and non-covered affiliates, as of [June 26, 2020 in CY 2020 Compliance Plan and June 18, 2021 in the CY 2021 Compliance Plan], as required by this rule. . . .

SoCalGas [complies] with this rule as new covered and non-covered affiliates are created. Once the Sempra Energy Legal department notifies SoCalGas of the creation of a new affiliate, SoCalGas notifies the CPUC of: (1) the formation of any new U.S. domestic covered or noncovered affiliate; or (2) the confirmation of registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S.; and then post[s] this information on its internet website.

SoCalGas will submit an advice letter [to] the Energy Division within 60 calendar days of the confirmation of: (1) the formation of any new U.S. domestic covered or non-covered affiliate; or (2) the registration with foreign governmental authorities for covered or non-covered affiliates located outside the U.S. The advice letter will provide the information required by this rule for the new covered or non-covered affiliate.

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

The list of affiliate companies is located on SoCalGas' internet home page at <www.socalgas.com>.

Recommendation

We recommend that the Utility enhance its current policies and procedures related to ATR VI. A. and B. to ensure that:

- The Compliance Plans report all existing affiliates at the time of submission, in accordance with ATR VI. A.; and
- Upon creation or acquisition of a new affiliate, the Utility:
 - Immediately notifies the CPUC;
 - Immediately posts notice on its website; and
 - Files an Advice Letter with the CPUC within 60 days.

SoCalGas Response –

The Audit Report identifies instances where SoCalGas failed to ensure that its new affiliates were reported in a timely manner. Those were (1) two affiliates being omitted from the CY 2021 Compliance Plan, and (2) one new affiliate being reported 189 days after its creation.

For the two affiliates not included on the CY 2021 Compliance Plan, the process for creating the listing of affiliates for the Compliance Plan has been clarified and documented in department procedures. Sempra's Corporate Governance team will provide a complete and current listing of all affiliates before the June 30th filing deadline. Any new affiliate notifications that occur between the time the list is provided to SoCalGas by Sempra and the time the report is submitted by SoCalGas to the CPUC will be reviewed to verify the listing of affiliates included in the filing is current as of the date of filing.

For SoCalGas's self-report to the CPUC on August 4, 2022, regarding Ecogas Movil, S.A.P.I. de C.V. ("Ecogas"), which was self-reported prior to the Audit's formal entrance conference on August 24, 2022, SoCalGas objects to the finding for the following reasons. ATR Rule VI.B. requires notification of the "creation" of a new affiliate. The draft Audit Report of the State Controller's Office identifies the affiliate notification of the Sempra affiliate Ecogas Movil S.A.P.I. DE C.V. as an instance where SoCalGas failed to ensure that its new affiliates were reported in a timely manner. Specifically, Ecogas Movil S.A.P.I. DE C.V. is a Sempra affiliate created under Mexican law. As detailed in SoCalGas's self-report, creation of new entities in the United States differs from the process under which new entities are formed in Mexico. Under the Mexican procedures for the formation of entities, the filing for new entity formation and the finalization of entity formation can be separated by months. Ecogas Movil S.A.P.I. DE C.V. applied for formation on December 1, 2021. However, its formation was not finalized under Mexican law until March 4, 2022, and SoCalGas was not notified of its formation until that time, more than 60 days after it applied for formation. This timeframe did not present an issue in reporting under the ATR previously because the Mexican finalization process took less than 60 days to complete. SoCalGas identified this unusual set of circumstances, and in an abundance of caution, in the event the CPUC might construe formation as occurring upon the filing of an application rather than upon the finalization of an application, SoCalGas committed to adopt a conservative approach going forward and would report the formation of foreign entities within 60 days of the filing of an application.

Based on this instance and as described in SoCalGas's self-report, SoCalGas has enhanced its reporting process. Mexican affiliates will now notify Sempra upon application for formation of a new affiliate company with the government, regardless of notary or other administrative process status necessary to complete entity formation. This process enhancement is designed to meet what SoCalGas believes is the intent of the ATR, prompt reporting of the formation of new affiliates, even if the formal formation process has not yet been completed. This also fully addresses the recommendations in the draft audit report.

Finding 8 – Inadequate internal controls for reporting non-tariffed products and services

The Utility’s internal controls were inadequate to ensure compliance and accurately capture the amounts to be reported in its annual NTP&S reports.

During the audit, the Utility discovered and disclosed to SCO auditors and the CPUC three instances of noncompliance with ATR VII. H. The Utility described the instances in its October 9, 2023 disclosure to the CPUC as follows:

Southern California Gas Company (SoCalGas) is providing notification that it is amending its Non-Tariffed Products and Services (“NTP&S”) reports for 2020, 2021 and 2022 with correct entries in certain Categories of the reports. Specifically, the Utility is amending Category VIII.1 in the 2020 Report, Categories II.1 and II.2 in the 2021 Report and Categories II.1, II.2, and VIII.1 in the 2022 Report. . . .

. . . SoCalGas performed an additional internal review of the data contained in its 2020, 2021 and 2022 annual NTP&S Reports. Through this review, SoCalGas determined that the NTP&S Reports for 2021 and 2022 Categories II.1 and II.2 solely reflect incremental non-labor costs, rather than all incremental costs. This omission was inadvertent and due to the transition from a manual to an automated process to compile the data used for the report. SoCalGas began utilizing this automated software program to generate the calculations for Categories II.1 and II.2 in 2021. As the automated program does not fully capture all necessary expenses data specific to categories II.1 and II.2, these cost components must be added manually to provide the total fully loaded incremental costs. . . .

. . . Also, as part of this review, SoCalGas determined that the NTP&S Reports for 2020 and 2022 Category VIII.1 incorrectly reported the overhead costs for a specific type of account within Category VIII.1. Although the difference between the amount reported and the corrected amount is de minimis, SoCalGas revised its reports to reflect the accurate amounts. . . .

These corrected amounts are reflected on the revised NTP&S reports that SoCalGas submitted with this self-report.

The following table shows the transactions that were inadvertently omitted or misstated:

Year/Category	As Reported	As Revised	Fully Loaded Incremental Costs	
			Misstatement Difference	
2021: Category II.1	\$590,166	\$958,210	\$368,044	
2021: Category II.2	1,226,872	1,684,285	457,413	
2020: Category VIII.1	2,099,879	2,099,920	41	

ATR VII. H., “Periodic Reporting of Nontariffed Products and Services,” states:

Any utility offering nontariffed products and services shall file periodic reports with the Commission’s Energy Division twice annually for the first two years following the effective date of these Rules, then annually thereafter unless otherwise directed by the Commission. The utility shall serve periodic reports on the service list of this proceeding. The periodic reports shall contain the following information:

1. A description of each existing or new category of nontariffed products and services and the authority under which it is offered;
2. A description of the types and quantities of products and services contained within each category (so that, for example, “leases for agricultural nurseries at 15 sites” might be listed under the category “leases of land under utility transmission lines,” although the utility would not be required to provide the details regarding each individual lease);
3. The costs allocated to and revenues derived from each category;
4. Current information on the proportion of relevant utility assets used to offer each category of product and service.

The Utility’s CY 2020 and CY 2021 Compliance Plans state, “SoCalGas will file its annual report no later than June 30th of the year following the report year.”

Section VIII.C., “Non-Tariffed Products & Services Report,” of the Utility’s CY 2019 and CY 2021 *Affiliate Compliance Guidelines* states:

[The utility companies’] Sundry Services group prepares a report on Non-Tariffed Products and Services (NTP&S) to be filed annually with the CPUC in June. This report includes the following information:

- A brief description of each existing or new category of non-tariffed products or services;
- Types and quantities of products and services contained within each category (so that, for example, “leases for agricultural nurseries at 15 sites” might be listed under the category “leases on land under utility transmission lines,” although the utility companies would not be required to provide the details regarding each individual lease);
- The costs allocated to and revenues derived from each product or service; and
- Proportion of relevant utility assets used to offer each product and service.

Recommendation

We recommend that the Utility establish and implement training, policies, and procedures to ensure that all departments involved with the reporting of NTP&S have the necessary knowledge, guidance, and skills to communicate, review, reconcile, and report accurate information on the NTP&S report.

SoCalGas Response –

On October 9th, 2023, after performing an additional internal review of the data contained in its Non-Tariff Products & Services (NTP&S) reports for 2020-2022, SoCalGas notified the CPUC that it had submitted amendments to the Non-Tariffed Products and Services (NTP&S) Reports for the year's audited, with corrected entries in certain Categories of the reports. In that notification, SoCalGas identified mitigating actions and controls to advance compliance with Rule VII.H.

In addition to the mitigating actions and controls outlined in SoCalGas's self-report, and based in part on the recommendation, SoCalGas is enhancing its Non-Tariffed Products and Services (NTP&S) Reporting Guidelines that will be implemented and communicated to all necessary stakeholders prior to this year's filing. The purpose of these guidelines is to provide a standardized and consistent approach in reporting miscellaneous revenues and fully loaded incremental costs as reported in SoCalGas's Non-Tariffed Products & Services report and filing. These guidelines include the process and stakeholder roles and responsibilities for compliance with the Affiliate Transaction Rule's VII.D and VII.H. Annual refresher training and review of the guidelines will also be provided to all NTP&S stakeholders at the commencement of the reporting and filing process.

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