ORA DATA REQUEST
ORA-SCG-DR-047-TXB
SOCALGAS 2016 GRC – A.14-11-004
SOCALGAS RESPONSE
DATE RECEIVED: JANUARY 23, 2015
DATE RESPONDED: FEBRUARY 10, 2015

Exhibit Reference: SCG-02 and workpapers

Subject: Risk Management & Policy

Please provide the following:

1. Referring to pp. DD-10 and DD-11 please provide a current (2014) organization chart for SoCalGas' Enterprise Risk Management program, including job titles and the number of FTEs for each position.

SoCalGas Response:

ERM is a shared service organization with the Vice President, Directors and Managers supporting both SDG&E and SoCalGas. Analyst positions are generally utility specific. The attached file, ORA-SCG-DR-047 Q1 ERM Organization Chart.pdf, is the current organization chart for the ERM group which shows 9 FTEs:

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2. Referring to question 1 above, please provide a forecast (2016) organization chart for SoCalGas' Enterprise Risk Management program, including job titles and the number of FTEs for each position.

SoCalGas Response:

The attached file, ORA-SCG-DR-047 Q2 2016 Proposed ERM Organization Chart.pdf, is the forecasted (2016) organization chart, which shows a forecasted 15 FTEs. As noted in Q1 above, ERM is a shared service organization with the Vice President, Directors and Managers supporting both SDG&E and SoCalGas.

3. Page DD-4, lns. 16-17 states "[e]ach utility has implemented an investment management process that is used to prioritize investments that address risk mitigation actions." Please provide documentation of SoCalGas' investment management process.

SoCalGas Response:

The SoCalGas capital investment management process is described in the testimony of Mr. Garry Yee, Exhibit SCG-26, beginning at page GGY-2, an excerpt of which follows:

Generally, early during the third quarter of the year, SoCalGas begins the capital planning process leading to organizational budgets. For non-balanced base capital, SoCalGas Executive Finance Committee ("EFC") establishes a total annual capital expenditure target consistent with our authorized GRC funding for that period. From this total allocation, funding is prioritized based on continuous input from operations.

- **Step 1** - Initial capital allocations begin with inputs from Functional Capital Committees ("FCCs") that are organized by the nature and type of capital investment or function: Gas Operations, Customer Services, Information Technology, and Facilities/Environmental/Other. These teams of managers and subject matter experts perform a high level assessment of the capital requirements for serving customers to ensure that infrastructure is maintained and developed to provide safe, reliable service with the highest risk mitigation at the lowest attainable cost. Each FCC elicits broad input for developing each function's capital plan, and formulates a prioritized grouping of annual spending requirements.
- **Step 2** - The capital requirements as identified by the FCCs are provided to the Capital Planning Committee ("CPC"), a cross-functional team of Directors representing each operational area with capital requests. The CPC reviews the FCC submissions, cross-prioritizes projects among the FCCs and establishes a final ranking for proposed capital work. Projects determined to address safety, compliance or reliability issues receive the highest priority for funding.
- **Step 3 -** The CPC presents its recommendations for capital spending consistent within each functional area and consistent with the overall funding target to the EFC, which reviews the recommendations and either approves the proposed capital funding allocations or requests changes.

Response to Question 3 (Continued)

Once the capital allocations are approved, the individual operating organization is chartered to manage its respective capital needs within the allotted capital. The real-time prioritization of work within the context of the budget allocations is completed by the front-line and project managers on an ongoing and continuous basis. Regulatory compliance deadlines, customer scheduling requirements, and overall infrastructure condition are all factors taken into consideration as work elements are prioritized. Before starting a project or making any commitments, the project manager must secure specific project approval signatures in accordance with SoCalGas' Internal Order process and the Sempra Energy Utilities' approval and commitment policy.

4. Page DD-4, lns. 17-20, states "SDG&E formalized its approach to ERM by establishing a comprehensive risk management policy and guidelines, with defined, substantive roles and responsibilities established throughout the organization and transparent repeatable processes to support assessment of risk-reduction impact of projects." (a) Does this mean that SoCalGas has not established a comprehensive risk management policy and guidelines? (b) If not, please explain why not.

SoCalGas Response:

SoCalGas does not have a separate ERM risk management policy nor separate ERM guidelines. Since the Risk Management organization is a shared function between SoCalGas and SDG&E, the same framework and guidelines employed by SDG&E are essentially utilized by SoCalGas.

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5. Page DD-11, lns. 18-19 states "[t]he majority of the non-labor increase is to fund the hiring of third-party consultants skilled in developing and upgrading risk management processes, systems and tools." (a) Please provide copies of the Requests for Bid or Proposal for SoCalGas' third-party consultants. (b) Were the consulting contacts put out to competitive bidding, or were they sole-source contracts?

SoCalGas Response:

Inasmuch as ERM is a shared service organization as described in Question 4 above, SDG&E has contracted (on behalf of both SDG&E and SoCalGas with costs to be shared between the two) with two firms, Davies Consulting and McKinsey & Company, to advise on organization and functioning of its Enterprise Risk Management group. These firms are engaged under sole-source contracts, the specific terms of these contracts are confidential and would require consent of these other parties prior to disclosure.

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6. Referring to SCG-02 workpapers, p. 3, please provide recorded 2014 incurred costs, 2013$, in the same format as presented on p. 3. Please include recorded 2014 FTEs.

SoCalGas Response:

2014 financial information will not be available until after SoCalGas makes its 10-K filing with the SEC in early 2015.

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7. SDG&E-02, p. DD-10, ln. 5; SCG-02, p. DD-10, ln. 5 and SDG&E-02-WP, p. 3 all refer to 9 FTEs. SCG-02-WP, p. 3 refers to 5 FTEs. (a) Please explain why SoCalGas' workpapers has a different number of FTEs. (b) Is Sempra proposing that both SDG&E and SoCalGas will each have 9 FTEs in TY 2016 for its Enterprise Risk Management program?

SoCalGas Response:

The FTEs shown in both sets of workpapers will ultimately be shared between the two utilities, the proportionate sharing will be determined by the scope of work (gas or electric issues), the quantity of work (SoCalGas having a larger service territory and proportionately more risk-related projects) and the breadth of issues (SoCalGas also has a Gas Storage function, gas compressor stations and a much longer gas transmission network) that will be experienced by each. The FTEs being forecasted are at this time estimates of the labor that will be required under the ERM and new regulatory requirements.

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8. Referring to page DD-10, ln. 7, please provide a current duty statement for the Director position.

SoCalGas Response:

The Director position is responsible for, but is not limited to:

- Ensures comprehensive strategic direction and operational roadmap for prioritizing and mitigating operational risk within SDG&E and SoCal Gas;
- Enhance SoCal Gas' and SDG&E's asset management processes and systems;
- Works in partnership with all operational groups to identify, prioritize and mitigate operational risk;
- Assesses the funding requirements to mitigate operational risks;
- Ensure both companies satisfy all requirements associated with operational risk resulting from the Risk OIR Final Decision.

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9. Referring to page DD-11, ln. 7, please provide a current duty statement for the Manager position.

SoCalGas Response:

The Manager position is responsible for, but is not limited to:

- Develop and implement business processes and controls that mitigate risk, including management plans and risk issue elevation and resolution;
- Measure risk and analyze trends to recommend areas of high priority;
- Drive the Integration of processes across risk management, investment management, and asset management;
- Develop and manage strategies for risk management across the enterprise, including risk identification, stakeholder participation and acceptance;
- Work closely with regulatory, legal, finance, and operations to communicate information regarding business risks within the organization;
- Drive governance of risk management across both SDG&E and SoCalGas to ensure business processes are transparent, consistent and repeatable;
- Work with stakeholders and key leaders to develop a governance framework across both organizations;
- Present findings and recommendations to senior management;
- Provide input to regulatory proceedings regarding risk mitigation;
- Review testimony; may be required to act as a witness for regulatory proceedings.