

OSA-SEU DATA REQUEST-002
SOCALGAS- SDG&E 2019 GRC – A.17-11-007/8
DATE RECEIVED: MARCH 2, 2018
DATE RESPONDED: MARCH 29, 2018

1. Provide an overview, including graphics if possible, of the safety governance framework employed by the Companies

Utilities Response 1:

Responsive Information Provided in Accordance with D.16-08-018:

The Commission's *Interim Decision Adopting the Multi-Attribute Approach (Or Utility-Equivalent Features) and Directing Utilities to Take Steps Toward a More Uniform Risk Management Framework*, D.16-08-018 (the "Interim S-MAP Decision"), adopted a Safety and Enforcement Division (SED) recommendation to include the following "safety culture and organizational structure" information in their Risk Assessment Mitigation Plan (RAMP) report, described as follows:

The SED Staff Report recommended that RAMP filings should show whether the utilities' executive and senior management are sufficiently engaged in the risk assessment, prioritization, mitigation, and budgeting process and how they are engaged. Further, SED recommended, RAMP filings should also inform the Commission of the utility board's level of engagement and oversight over its safety performance and expenditures. The company's compensation policies related to safety also should be included in the RAMP filing.

RAMP filings should also cover the company's organizational structure as it relates to safety. Each utility should analyze its successes and failures at improving its safety culture and describe its path forward toward a deep and pervasive safety culture.

Beyond this, the Commission in other proceedings has expressed its interest in ensuring that executive and senior management are not only engaged in the risk management process, but that these executives also have a defined stake in the safety outcomes of utility operations.

D.16-08-018 at 141 (internal citations omitted). SoCalGas and SDG&E accordingly provided responsive information within their respective RAMP Reports, available at <https://www.sdge.com/regulatory-filing/20016/risk-assessment-and-mitigation-phase-report-sdge-socalgas> (see, e.g., the following RAMP Chapters: RAMP-B (Risk Management Framework), RAMP-C (Safety Culture), SCG-2 and SDG&E-3 (Employee, Contractor, and Public Safety), and SDG&E-17 and SCG-7 Workforce Planning)).

Responsive Information Provided in GRC Testimony:

Additionally, the Companies have provided an extensive amount of detailed information regarding the above-described "safety culture and organizational structure" topics within their Test Year (TY) 2019 GRC testimony chapters, as summarized below:

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Risk Management Framework and Processes

The revised Risk Management and Policy testimony of Diana Day (Exhibit SCG-02-R/SDG&E-02-R, Chapter 1) describes how the Companies have a long history of prioritizing safety and managing risks in their electric and gas operations, and have built and refined their risk management organization and program in light of the Commission’s still-developing plans for a statewide risk-informed GRC framework. Ms. Day explains: “My risk management organization generally facilitates the identification, analysis, evaluation, and prioritization of risks, with an emphasis on safety, to ultimately inform the investment decision-making process, and works to integrate risk management with asset and investment management through the creation of governance structures, competencies, and tools.” (At DD-2.)

The Companies’ risk framework is modeled after ISO 31000, an internationally recognized risk management standard. This framework consists of an enterprise risk management governance structure, which addresses the roles of employees at various levels ranging up to the Companies’ Board of Directors, as well as risk processes and tools. (*See discussion beginning at DD-8.*)

The Enterprise Risk Management organization facilitates and advises on risk management efforts company-wide, but does not “own” the risks, as Ms. Day explains:

Each of the Companies’ identified enterprise-level risks, which are in our enterprise risk registry, *has one or more risk owner(s), a member of the senior management team who is ultimately responsible and accountable for the risk, and one or more risk manager(s), who is responsible for ongoing risk assessments and overseeing implementation of risk plans.* My testimony describes the risk framework through which the various risk owners and managers identified and assessed their key risks and incorporated activities to mitigate those risks through the operations witness areas in these TY 2019 GRC applications. In addition, the Companies’ risk management practices are integrated with asset and investment management.

(at DD-2, emphasis added.) Thus, the Companies’ senior management team is engaged and accountable for identifying, managing, and mitigating enterprise risks, using the “bottom-up” and “top-down” risk management process described at DD-8 – DD-11 and shown in Figure DD-1 below. This six-step process “aims to provide consistent, transparent, and repeatable results” (at DD-8-DD-9).

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Figure DD-1: Risk Management Process:



Strategic Planning Trajectory Integrating Risk, Asset and Investment Management

Ms. Day’s testimony provided a summary of the Companies’ progress thus far to develop their risk, asset, and investment management programs, overall integration of the three, and future commitments to continue developing repeatable, consistent, and transparent processes, at pp. DD-20 – DD-28. *See also the discussion of “Maturity and Progress of Risk, Asset, and Investment Management Processes”* at DD-19 – 20, and Appendices C and D, SoCalGas’ and SDG&E’s third-party maturity assessment reports.

Additional discussion of the Companies’ asset management processes is provided in the testimony of Gas System Integrity witness Omar Rivera (Exhibits SCG-05-R and SDG&E-05) and Electric Distribution – O&M witness William Speer (Exhibit SDG&E-15-R). A summary of the Companies’ investment processes is provided in the Rate Base testimony of Patrick Moersen (Exhibit SCG-35-R) and R. Craig Gentes (Exhibit SDG&E-33-R).

Senior Management and Board Engagement and Oversight

The Board of Directors at SoCalGas and SDG&E comprise employee-officers with extensive and diverse backgrounds (*see* SDG&E-44/SCG-45, at JKY-B-11 – JKY-B-7), who are aware of and actively engaged in safety and compliance issues through their various roles at the company, including participation in the ISO 31000-modeled risk management framework and processes described above, as well as the activities described below:

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SoCalGas

- The SoCalGas Executive Safety Council, chaired by the COO and comprising key HR, Safety and operations executives, actively seeks employee engagement and feedback on safety issues and performance from front line employees and supervision.
- The SoCalGas executive team is made aware of safety and compliance issues through the Pipeline Safety Oversight Committee. The Committee is structured to review issues, identify solutions and resolution, and track follow up.

SDG&E

- The SDG&E Executive Safety Council, chaired by the COO and comprising key HR, Safety and operations executives, actively seeks employee engagement and feedback on safety issues and performance from front line employees and supervision.
- The SDG&E executive team is made aware of gas-related safety and compliance issues through the Pipeline Safety Oversight Committee. The Committee is structured to review issues, identify solutions and resolution, and track follow up.

Ms. Day's testimony (*passim* and at Appendix E) provides an overview of executive engagement in risk management (including safety risks) engagement and communications at both Companies, including:

- The Companies' six-step process used to identify, analyze, evaluate, mitigate and monitor risk. (See Figure DD-1 above.)
- The annual development of an enterprise level risk registry, which facilitates top-down and bottom-up risk discussion in each organization:
 - Subject matter experts and risk managers from throughout the organization provide insight on the risk drivers, impacts and mitigants for risks that are being assessed.
 - The risk owners and senior management team at each utility discuss the enterprise level risks throughout the organization and mitigants for those risks.
 - Risk owners and risk managers then have the opportunity to ensure that mitigations for top risks are transparent in the business process, and are prioritized in decision making.
- On an annual basis, the Vice President of Enterprise Risk Management & Compliance provides the Boards of SoCalGas and SDG&E with a risk update which focuses on key enterprise-level risks and associated mitigants.

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- As Ms. Day explains (at Appendix E, DD-E-6):
SoCalGas and SDG&E have processes, programs, and committees in place that welcome feedback on safety from employees on the management of risks and unsafe practices or incidents. The vision and emphasis on risk management begins at the top, with strong support for the risk management process. The companies have an open-door policy that promotes open communication between employees and their direct supervisors. In addition to these culture-based items, there are formal programs designed to encourage employees to speak up if they see unsafe behaviors, such as Stop the Job. Each company also has a Safety Congress as well as safety meetings for field employees that provide safety training, share best practices and promote leadership and employee engagement. If an employee does not feel comfortable reporting unsafe behaviors and incidents through the above-mentioned avenues, there are anonymous means including the Ethics hotline, employee engagement surveys, and National Safety Council Culture Survey.

Sempra Energy Board of Directors

- The Sempra Board is made aware of and actively engaged in safety and compliance issues through committees, as well as regular Board meetings and reports. Periodic updates regarding safety are also made to the Environmental, Health & Safety Committee (EHS&T Committee) of the Sempra Board of Directors. *See* Ms. Day's testimony (Exhibit SCG-02-R/SDG&E-02-R, Chapter 1) at Appendix E for a discussion of Sempra Board engagement on safety.

Safety Organizational Structure and Culture

SoCalGas

- The SoCalGas Safety organization reports to the Chief Human Resources and Administrative Officer who in turn reports to the SoCalGas CEO. A description of the Safety department and its responsibilities is contained in the prepared testimony of Mary Gevorkian, Exhibit SCG-32, at 25-26.
- For an overview of the SoCalGas safety culture and other safety governance activities, please refer to the revised testimony of J. Bret Lane, Exhibit SCG-01-R.

SDG&E

- The SDG&E Safety organization reports to the Chief Human Resources and Administrative Officer who in turn reports to SDG&E President. A description of the Safety department and its responsibilities is contained in the prepared testimony of Tashonda Taylor, Exhibit SDG&E-30, at 13-8.
- For an overview of the SDG&E safety culture and other safety governance activities, please refer to the prepared testimony of Caroline Winn, Exhibit SDG&E-01.

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Ms. Day’s testimony (at DD-28 – DD-30) provides an overview of how risk management informs a strong safety culture at both Companies. As Ms. Day testifies:

Safety is a core value of the Companies. We treat safety as a way of life. Core values are those behaviors that define a company culture, and the Commission has stated that “An effective safety culture is a prerequisite to a utility’s positive safety performance record.”¹ The Commission defines “Safety Culture” as follows:²

[T]he collective set of that organization’s values, principles, beliefs, and norms, which are manifested in the planning, behaviors, and actions of all individuals leading and associated with the organization, and where the effectiveness of the culture is judged and measured by the organization’s performance and results in the world (reality). Various governmental studies and federal agencies rely on this definition of organizational culture to define “safety culture.”

SDG&E and SoCalGas’ leadership hold regular safety meetings at many levels, including Executive Safety Council meetings, which have been in place for well over a decade, and annual Contractor Safety Summits, which have included hundreds of participants, representatives from other California utilities and the Safety and Enforcement Division of the CPUC. Our executive management, and specifically the Companies’ Executive Safety Councils, is committed to and accountable for the development and maintenance of safety culture. The Companies put safety first and have an aspirational goal to have zero safety incidents for every task, every job, every day. This is aligned with the Commission’s overarching safety mission: “Ultimately we are striving to achieve a goal of zero accidents and injuries across all the utilities and businesses we regulate, and within our own workplace.”³ SoCalGas and SDG&E have developed their shared attitudes, values, goals, and practices for a safety culture throughout their history as a compilation of the Companies’ experiences, programs, policies, procedures, guidelines, and best practices, to improve the safety of its service and performance.

(at DD-28.) Safety culture at both utilities includes:

- The Companies’ Environmental & Safety Compliance Management Program (ESCMP), which is an environmental, health and safety management system to plan, set priorities, inspect, educate, train, and monitor the effectiveness of environmental, health and safety activities.

¹ I.15-08-019 (Order Instituting Investigation of Pacific Gas and Electric Company’s Safety Culture, August 27, 2015), at 4.

² Id.

³ Safety Policy Statement of the California Public Utilities Commission, http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Safety/VisionZero4Final621014_5_2.pdf.

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- SoCalGas and SDG&E both regularly assess their safety culture through the National Safety Council Barometer Safety Culture Survey, which measures the overall health of the Companies' safety climate and identifies areas of opportunity to eliminate injuries and improve focus and commitment to safety. The Companies share results, develop targets, implement plans and measure progress through routine surveys.

(at DD-29.) Throughout both SoCalGas' and SDG&E's TY 2019 GRC testimony presentations, operational witnesses provide testimony regarding how each organization contributes to driving safety culture through their respective operations.

Compensation Policies Related to Safety

The direct testimony of Debbie Robinson (SDG&E-28/SCG-30) describes how the Companies' compensation programs are designed to focus employees on safety priorities through the use of compensation metrics and key performance indicators to drive improved safety performance. Ms. Robinson testifies that both SoCalGas and SDG&E have increased the weighting of their safety measures in variable pay plans over the past two years, such that safety measures now comprise 70% of the company performance component (*see, e.g.*, discussions at pp. DSR-10 – DSR-15). Benefit programs that promote employee health and welfare also contribute to SoCalGas and SDG&E's safety performance and culture (*see, e.g.*, discussions at pp. DSR-36 – DSR-39).

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2. For the Companies' Board of Directors:

- a.** Provide a list of the skills/qualifications used to select the members.
- b.** Provide a brief summary on the current members and their credentials related to safety and utility operations.
- c.** Identify if there are any independent members.
- d.** Describe how safety information and performance is communicated to the members.
- e.** Provide meeting minutes for the past 12 months.

Utilities' Response 2:

- a.** Please see the Direct Compliance Testimony of Jamie York, Appendix B (Exhibit SCG-45/SDG&E-44). The Board of Directors at SoCalGas and SDG&E comprise employee-officers with extensive and diverse backgrounds (*see* SDG&E-44/SCG-45, at JKY-B-11 – JKY-B-7), who are aware of and actively engaged in safety and compliance issues through their various roles at the company, as summarized above in response to Question 1. Please note that since Ms. York's direct testimony was submitted on October 6, 2017, Steven Davis, who was a member of the Board of Directors of SoCalGas and SDG&E, has retired.
- b.** Please see the Direct Compliance Testimony of Jamie York, Appendix B (Exhibit SCG-45/SDG&E-44).
- c.** There are no independent directors on the utilities' Boards of Directors. Sempra Energy's Board of Directors has 12 independent members. The Sempra Board's Environmental, Health, Safety and Technology Committee (the EHS&T Committee) consists entirely of members that are independent directors of Sempra Energy.
- d.** Please see the Companies' response to Question 1, above.
- e.** SoCalGas and SDG&E object to this request pursuant to Rule 10.1 of the Commission's Rules of Practice and Procedure on the grounds that it seeks the production of information, specifically minutes from Board meetings, that is neither relevant to the subject matter involved in the pending proceeding nor is likely reasonably calculated to lead to the discovery of admissible evidence, and on grounds that the burden and intrusiveness of the discovery outweighs the likelihood that the information sought will lead to the discovery of admissible evidence. SoCalGas/SDG&E objects to the extent the request seeks information protected by the attorney-client privilege, the attorney work product doctrine, or any other applicable privilege or evidentiary doctrine.

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No information protected by such privileges or evidentiary doctrines will be knowingly disclosed and exceeds the scope of permissible discovery under Rule 10.1 of the Commission's Rules of Practice and Procedure. Notwithstanding the companies' objections, please provide an explanation for why Board meeting minutes are requested and if possible, identify more precisely, what type of information OSA is seeking so that SoCalGas and SDG&E can explore mutually-agreeable and acceptable alternatives to production.

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3. For the Companies' Board of Directors and Senior Executive Management:

- a.** Explain what system safety or other safety training is required, if any, for each level of leadership, and its required frequency. Please provide a copy of the material or course content used in the training if available.

- b.** For each level of leadership, explain what their interactions are with employees, such as visits to field locations and offices, describe the frequency of these interactions, and whether these are considered routine leadership duties.

Utilities Response 3:

For purposes of this response, SoCalGas and SDG&E respond to the utilities' Boards of Directors and assume the term "Senior Executive Management" includes all executives with the title of Vice President or higher.

- a.** Please see the Direct Compliance Testimony of Jamie York, Appendix B (Exhibit SCG-45/SDG&E-44), for discussion of qualifications and experience. The Board of Directors at SoCalGas and SDG&E comprise employee-officers with extensive and diverse backgrounds (*see* SDG&E-44/SCG-45, at JKY-B-11 – JKY-B-7), who are aware of and actively engaged in safety and compliance issues through their various roles at the company, as summarized above in response to Question 1. While there is no special system safety or safety training for Senior Executive Management or members of the utilities' Boards of Directors, executives and Board members have significant safety experience, formal training as a result of prior jobs at the companies, and a tremendous degree of on-the-job or incident-specific training, consistent with each Board member's experience. *See* the Human Resources, Disability and Workers Compensation and Safety testimony chapters of Tashonda Taylor (SDG&E-30) and Mary Gevorkian (SCG-32), which provide additional information regarding SoCalGas' and SDG&E's training programs, as well as the Companies' RAMP Reports chapters regarding Workforce Planning (SCG-7/SDG&E-17) and Employee, Contractor and Public Safety (SCG-2/SDG&E-17), which show the extensive and voluminous amount of safety training provided throughout the workforce at each utility.

See the response to Question 1, the Revised Direct Risk Management Policy Testimony of Diana Day (SCG-02/SDG&E-02-R), at Section V and Appendix E, and the safety culture testimony found in the revised testimony of J. Bret Lane, Exhibit SCG-01-R, prepared testimony of Caroline Winn, Exhibit SDG&E-01, prepared testimony of Mary Gevorkian, Exhibit SCG-32, and in the prepared testimony of Tashonda Taylor, Exhibit SDG&E-30. Executives at the utilities interact with employees at all levels, from informal base visits to regular organized 'chats' with executives where any employee can attend to raise questions or concerns. Executives consider interacting with employees at all levels a routine part of their job. The frequency and nature of field or office visits varies greatly depending on the roles and responsibilities of each executive (e.g., the Senior Vice President of Gas Engineering and District Operations will meet with field

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employees for different reasons than the Vice President of Customer Service or Gas Acquisition might).

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4. Explain if the Companies have or plan to have an officer who is designated as accountable for their *ultimate* (public, employee, and environment) safety management? If so, identify:

- a. the person, their title, general duties and responsibilities, where they fit in the Company's organizational structure; and
- b. if they have *final authority and control* over all human and financial resources required to establish and maintain safety management initiatives, programs, and systems required to meet the company's safety objectives, goals, and requirements.

Utilities Response 4:

- a. At SoCalGas and SDG&E, safety is everyone's responsibility. Each employee is individually accountable with respect to safety; all officers are ultimately responsible for their respective business units/organizations, and the Chief Operating Officers are ultimately responsible for safety management of their respective companies. See the above response to question 1 regarding Safety Culture, as well as the description of the "Risk Owner" concept and the "bottom-up" and "top-down" Risk Management Process.
- b. The phrase "final authority and control" in this context are difficult to understand given the realities of how companies operate. While the COOs of each utility have meaningful and significant authority to implement any and all safety management initiatives, programs, and systems required to meet the respective safety objectives, goals, and requirements, guidance and control also exists with the respective Chief Executives, utility Boards of Directors, and Sempra's Board and Chief Executive Officer. Please see the above discussion in response to Question 1 regarding the Companies' risk management framework and processes, and the strategic planning trajectory integrating risk, asset and investment management.

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5. Describe how safety performance is reported and safety information communicated to senior management, including CEO and COO.

Utilities Response 5:

Safety performance and information is reported to senior management via multiple methods, such as during one of the many safety meetings held at the companies, as a portion of a non-safety meeting where safety discuss might arise, via distribution of safety performance documents and statistics, informally, during small group meetings with employees, through one of the various employee reporting tools (e.g., the Helpline or an employee survey), via informal communications, in a safety-focused committee meeting (e.g., Pipeline Safety Oversight Committee), or via distribution of a formal safety filing with a government agency.

See also, the Revised Direct Testimony of Diana Day, (SCG-02/SDG&E-02-R, Chapter 1), Appendix E.