Risk Assessment Mitigation Phase

(RAMP-F)

Safety Culture, Organizational Structure, Executive and Utility Board Engagement, and Compensation Policies Related to Safety

November 27, 2019

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I.   INTRODUCTION

This Chapter provides supplemental information regarding SoCalGas' organizational structure, programs, culture and compensation as they relate to safety, as required by D.16-08-018.[1] The Commission has stated that "[a]n effective safety culture is a prerequisite to a utility's positive safety performance record,"[2] and has defined "safety culture" as follows:

> An organization's culture is the 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."[3]

The Commission has further stated that, under the above definition, a positive safety culture includes "a clearly articulated set of principles and values with a clear expectation of full compliance," and "effective communication and continuous education and testing."[4] SoCalGas has a robust safety culture embedded in its values, goals, operations and practices, including advancing programs, policies, procedures, guidelines, and best practices, and engaging employees to improve the safety of our operations.[5]

II.   BACKGROUND

Following issuance of D.16-08-018, SoCalGas has described the elements of its safety culture in various proceedings. For example, numerous SoCalGas witnesses in the test year (TY) 2019 general rate case (GRC) testified regarding safety culture, as it related to the witness'

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[1] D.16-08-018 at 140-42 (Inclusion of Safety Culture and Organizational Structure in RAMP Filings). Additionally, the Commission stated, "[t]he company's compensation policies related to safety also should be included in the RAMP filing." *Id*. at 141. *See also*, I.19-06-014 at 3.

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

[3] I.19-06-014 at 3.

[4] *Id.*

[5] *See, e.g.,* A.17-10-008, Diana Day direct testimony (Exh. SCG-02-R) at DD-28.

subject matter area.[6] Testimony that was sponsored by approximately 50 witnesses, including by the President and Chief Operating Officer (COO) of SoCalGas, detailed the Company's safety culture and safety management practices and based the GRC funding requests on key safety and risk-informed RAMP risks and mitigations. SoCalGas also provided TY 2019 GRC testimony and information regarding their governance, safety record, and safety culture,[7] pursuant to Commission direction in D.16-06-054.[8]

SoCalGas' testimony chapters in the TY 2019 GRC proceeding outlined various safety programs as well as new and evolving initiatives to build safety management systems. Furthermore, as described in SoCalGas' response to the safety culture order instituting investigation (OII),[9] following the formal release in July 2015 of American National Standards Institute/American Petroleum Institute Recommended Practice 1173 (API 1173), SoCalGas voluntarily adopted and began to implement the foundational principles of safety management systems therein and is encouraging its pipeline construction contractors to also do the same.[10]

In addition to addressing safety as an integral component of all of the risk assessments and mitigations outlined in each of the chapters of this RAMP report, the Commission has instructed the utilities to include specific discussion in this filing regarding the following:[11]

- Safety culture and organizational structure;
- Compensation policies related to safety;
- Executive and senior management engagement in the risk assessment, prioritization, mitigation, and budgeting process; and

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[6]   *See generally* A.17-10-008 (witness direct testimony submitted and entered into the proceeding record) and Exh. SCG-250 Safety Policy Testimony of David Buczkowski and David Geier.

[7]   A.17-10-008, Exhs. SCG-02-R, SCG-30.

[8]   D.16-06-054 at 154.

[9]   Southern California Gas Company's Response to Order Instituting Investigation I.19-06-014 (July 29, 2019).

[10]   SoCalGas Response to I.19-06-014 at 3.

[11]   *See* D.16-08-018 at 140-42.

- Utility board engagement and oversight over safety performance and expenditures.

This chapter addresses each of these topics in the following sections.

III. SAFETY ORGANIZATIONAL STRUCTURE AND CULTURE

This section provides an overview of how safety is incorporated into the Company's organizational structure and is an integral part of its culture. Detailed descriptions of SoCalGas' safety organization can be found within the Employee, Contractor, and Customer and Public Safety Chapters included in this RAMP Report.

In SoCalGas' TY 2019 GRC proceeding, several executive witnesses testified to SoCalGas' longstanding commitment to operating a safe utility and enhancing the focus placed on the implementation of effective safety risk mitigations, including asset health and safety. For example, SoCalGas' then-Chief Operating Officer J. Bret Lane testified regarding "SoCalGas' deep-seated culture of employee/contractor, customer/public, and system safety," and how SoCalGas' TY 2019 GRC proposals would allow the company "to continue to invest to enhance safety and thereby mitigate risks that could impact our employees, customers, and/or system."[12] The following subsections further describe SoCalGas' safety organizational structure and culture.

A. Organizational Structure

SoCalGas' Chief Operating Officer also serves as the Company's Chief Safety Officer (CSO), with direct oversight of the operations of the Company. The CSO is supported by dedicated teams embedded within the organization whose primary roles are the management of safety and risks. These include SoCalGas' Enterprise Risk Management organization, Integrity Management organization, and Safety Management Systems organization. Each of these organizations is further described below.

In addition to these centralized functions that promote safety and risk management consistently across the Company, SoCalGas embeds safety into all of its functional areas. This is done in the form of safety processes and procedures, initiatives, and policies that are driven by

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[12] A.17-10-008, Exh. SCG-01-2R (Lane) at JBL-1.

various employees across the Company. SoCalGas utilizes a variety of engagement initiatives to bring management, front-line personnel, and contractors together in forums to discuss safety concerns from the perspective of those closest to the risks. These include the Executive Safety Council engagement, Employee Safety & Health Congresses, Safety Standdowns, local safety committees, safety culture surveys, the Safety (Management/Union) Leadership Team, the Contractor Safety Congress, and Stop the Job/Near Miss reporting tools.

1. Enterprise Risk Management Organization

The Enterprise Risk Management organization is composed of a Chief Risk Officer/vice president, directors, and risk managers whose roles are dedicated to implementing the risk management process across the Company. This includes the development of transparent, repeatable, and consistent processes that are quantitative and data-driven, facilitating an annual identification and evaluation of risk, as well as supporting operational areas across the Company in the assessment of their risks and development of associated risk mitigations. SoCalGas' Enterprise Risk Management organization oversees the development and refinement of the annual Enterprise Risk Registry process, as described in Chapter RAMP-B. This organization also supports functional areas across the Company in the assessment of risks and development of risk mitigations, including, for example, by creating risk registers for operating units.

2. Integrity Management Organization

SoCalGas' Integrity Management organization is comprised of dedicated directors, managers, and staff whose roles focus on the development and implementation of processes and procedures to manage transmission, distribution, and storage well integrity in compliance with regulatory requirements. This organization continues to advance the approach to data management, data governance and risk assessment in connection with the Company's transmission, distribution and storage assets. This organization enables SoCalGas to place the safe and effective management of the Company's pipeline assets at the center of the Company's operations.

3. Safety Management Systems Organization

In 2015, when the American Petroleum Institute Recommended Practice (API 1173) was published, SoCalGas began to review the potential benefits of this new system. SoCalGas

engaged with its peers, the American Gas Association (AGA) member companies, to better understanding how API 1173 could benefit SoCalGas with respect to the management of its pipeline safety risks. Subsequently, the Company took a more expansive view to other industries and how the principles of API 1173 could be applied beyond pipelines and into multiple assets and functions. From 2015 through 2018, SoCalGas took several key steps towards formally adopting the principles of API 1173, harmonizing them with the structures already in place, and enhancing and expanding the same. SoCalGas takes a broad, holistic view of safety management and plans to continue to benchmark its practices against those of its peer companies as well as best practices in other industries to adopt a more expansive view of Safety Management Systems (SMS).

Earlier this year, SoCalGas created a dedicated Safety Management Systems organization, reporting directly to the CSO. The Safety Management Systems organization was established to more clearly and transparently align employee safety, contractor safety, pipeline safety and compliance, quality management, and emergency management. The purpose of this new organization is to develop and implement a comprehensive set of safety management systems, incorporating the principles of API 1173 but expanding the scope of the system to address all aspects of safety relevant to the Company's business. This includes not only pipeline safety risks, but also occupational safety and health risks of its employees and contractors, customer safety risks, infrastructure safety risks, and public safety risks. The Safety Management Systems organization at SoCalGas is comprised of a team of directors, managers, supervisors, and subject matter experts who have the centralized authority, accountability, and responsibility for the full execution of the Company's SMS, including designing, developing, implementing, and continuously improving the Company's SMS across three primary categories: employee and contractor safety, public and customer safety, and system safety. The responsibilities include:

- Providing strategic guidance and establishing appropriate policies, standards, procedures and key performance indicators, as well as technology and data analytics tools and platforms and reporting capabilities, for various elements

of the Company's SMS to promote its consistent implementation and
effectiveness across organizations;

- Leading incident investigations and sharing lessons learned with stakeholders to demonstrate risk reduction and improvement;
- Leading the annual management review and safety assurance functions; and
- Collaborating with employees to provide safety and compliance support, emergency preparedness and response support, capabilities to benchmark against best practices, and to conduct periodic SMS conformance reviews to measure progress.

The Safety Management Systems organization includes the dedicated teams for strategy, technology and analytics, and continuous improvement. More particularly, the organization includes the Safety department, which holds a director, managers, and subject matter experts. These individuals oversee the implementation of the Company's various safety policies, trainings, and programs, including: the Environmental & Safety Compliance Management Program (ESCMP), the Behavior Based Safety programs, Industrial Hygiene programs, "Stop the Job," the Close Call/Near-Miss reporting program, Incident Investigations, Safety Culture Assessments, and Contractor Safety programs. These programs are described within the Employee Safety Chapter of this RAMP Report (Chapter SCG-2). This organization also oversees the Emergency Management team who coordinates safe, effective and risk-based emergency preparedness and response to safely and efficiently prepare for, respond to, and recover from an emergency or disaster. The Emergency Management team sustains quality assurance and improvement processes through strategic planning, training, simulation exercises, and a comprehensive After-Action Review and Improvement program. The Emergency Management team includes: 1) business resumption, 2) emergency preparedness and response operations, 3) information and technical services, and 4) operational field emergency readiness.

The Safety Management Systems organization is structured around the "PLAN-DO-CHECK-ACT" model and a robust Management of Change component and is expected to integrate over time the various existing safety management systems at the Company under one umbrella system called the Company's Safety Management Systems.

Figure 1: The "Plan-Do-Check-Act" Cycle[13]
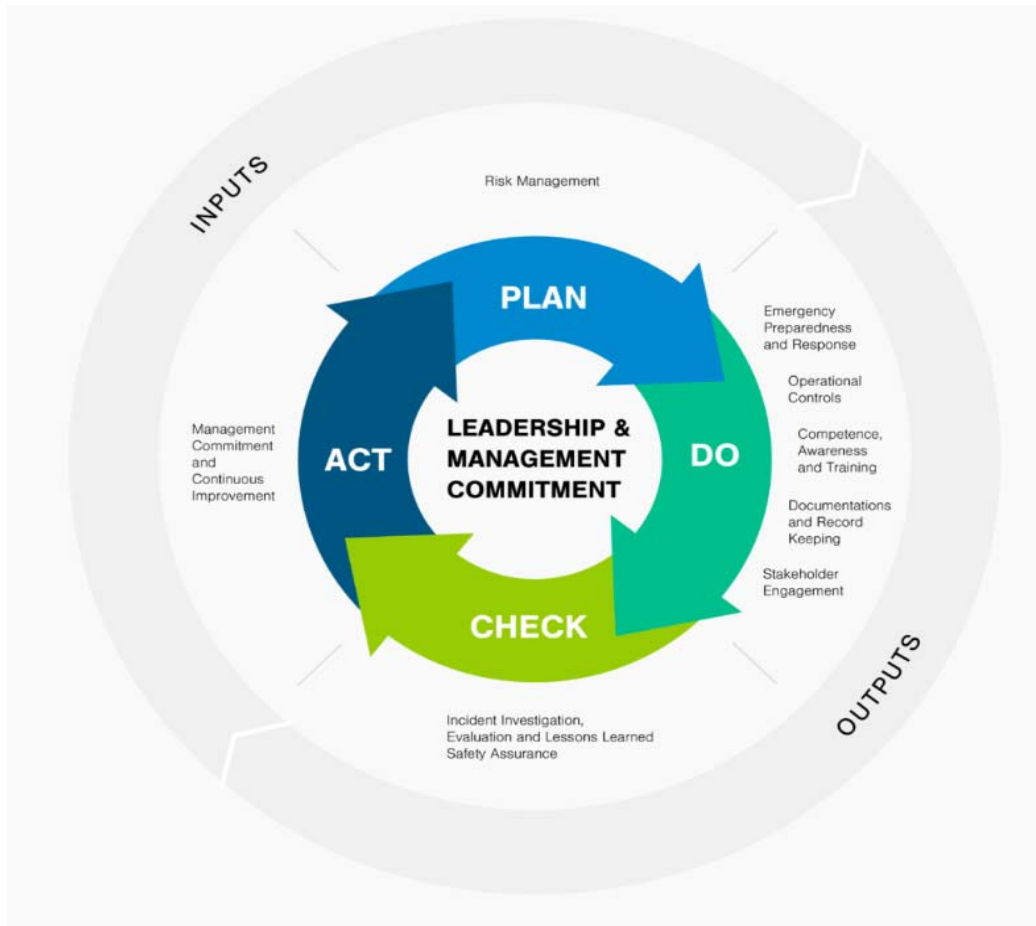
An SMS Executive Steering Committee was established and is led by SoCalGas' CSO and includes other SoCalGas executives representing company operating groups. The Executive Steering Committee has the responsibility to provide oversight, guidance, and direction to the Safety Management Systems organization for the development, implementation, ongoing maintenance, and continuous improvement of the Company's SMS. This committee also has the responsibility to establish high-level performance measures to help assess the effectiveness of the Company's SMS, and to conduct the annual management review of the Company's SMS.

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[13] Pipeline SMS, *Fact Sheet: RP 1173 Pipeline Safety Management Systems* (April 16, 2018), *available at* http://pipelinesms.org/fact-sheet-rp-1173-pipeline-safety-management-systems/.

4. Safety Management System Implementation

The Company's journey of formalizing its SMS began more than a decade ago, when it first implemented its Environmental & Safety Compliance Management Program (ESCMP) to enhance the management of its environmental and occupational health and safety risks. ESCMP is conceptually based on the International Standards Organization (ISO) 14001 Environmental Management Systems standard and includes safety components that are unique to SoCalGas. ESCMP addresses compliance requirements, awareness, goals, monitoring and verification related to all applicable environmental, health and safety laws, rules and regulations, and company standards. SoCalGas also has an annual ESCMP Certification process, which involves submittal of information into the database used to collect and record employee and facility compliance. In January of each year, ESCMP information is submitted into an online system for year-end approval and certification for the prior calendar year. ESCMP has been refined and improved, and has matured over the years, but is still in place across the enterprise.

In 2017 SoCalGas began its Pipeline Safety Management Systems (PSMS) initiative to align the Company's practices with American Petroleum Institute's Recommended Practice 1173 (API RP 1173) and reinforce the Company's safety culture through the integration of business needs and operational risks in a systematic manner.

Safety Policy witnesses David Buczkowski testified in SoCalGas' TY 2019 GRC proceeding regarding the elements and varying maturity levels of the PSMS that SoCalGas had implemented to date. More specifically, SoCalGas, in its implementation of API 1173 for gas pipeline operations, has adopted a three-pronged approach that requires vigilant attention to:

  a. Employee and Contractor Safety;

  b. Customer and Public Safety; and

  c. Safety of SoCalGas' gas delivery systems.[14]

Each of these categories is addressed in SoCalGas' risk management policies, processes, and practices, as well as through day-to-day operations. Moreover, these areas are all reflected in the various risk chapters of this RAMP Report.

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[14]   A.17-10-008, Exh. SCG-01-2R (Lane) at JBL-5.

As discussed in Omar Rivera's testimony in the TY 2019 GRC, API RP 1173 is a structured way to identify hazards and control risks while validating that the risk controls are effective. This includes increased interdepartmental integration of all pipeline safety-related programs and risk management, development and monitoring of leading and lagging indicators, implementation of reporting and oversight processes, continuous program monitoring and improvement, enhanced incident investigation and lessons learned, safety culture evaluation, improved management of change and recordkeeping, enhanced emergency preparedness, and application of competence training.

SoCalGas' SMS is based on the following seven Safety Values:

Leadership Commitment

- SoCalGas leadership is fully committed to safety as a core value. SoCalGas' Executive Leadership is responsible for overseeing reported safety concerns and promoting a strong, positive safety culture and an environment of trust that includes empowering employees to identify risks and to "Stop the Job."

Employee Engagement

- Employees are encouraged and expected to take ownership, to actively engage in safety practices, and to openly share and receive information with one another, our contractors, and our external stakeholders, to continuously enhance our safety practices.

Risk Management

- SoCalGas manages risk through a structured, data-driven approach that identifies threats and hazards, assesses and prioritizes risks, implements mitigation efforts, and engages in assessments and reviews to understand risk mitigation effectiveness.

Safety and Compliance Assurance

- SoCalGas maintains operational policies and procedures that document safety practices and standards and compliance with applicable regulations

and follows a "management of change" process to structure change when new policies and procedures are implemented.

Continuous Improvement

- SoCalGas strives to continuously improve and strengthen its safety performance and culture by setting clear and measurable goals, assessing safety performance through audits and self-assessments, inviting employee feedback, and applying lessons learned from incidents and near miss events. SoCalGas also shares safety best practices with peer gas utilities and best-in-class companies in other industries.

Emergency Preparedness & Response

- SoCalGas maintains readiness to promptly respond to emergency incidents and events through an Incident Command System that incorporates response planning, training and equipping of personnel and coordination with first responders and external stakeholders.

Competence, Awareness & Training

- SoCalGas is committed to providing employees the proper tools, resources, training, and oversight to promote safe operations. This includes training tailored to specific roles and educating employees on why our training, policies, and procedures are important to safety.

To appropriately embed these safety values within the entire organization, SoCalGas is formalizing two new anchor policies: (1) the SMS Policy, and (2) the SMS Responsibilities Policy. The SMS Policy formally establishes leadership commitment to SMS, and the SMS Responsibilities Policy formally establishes responsibilities at various levels of the Company to promote, support, develop, implement, and continuously improve SMS in an effective and efficient manner.

The Company's goal is to continually strengthen our safety culture by following the values of the SMS. To that end, SoCalGas is also formalizing (1) an internal Standard that clearly defines SoCalGas' Safety Management System, and (2) SoCalGas' first annual SMS Plan

that assesses how SoCalGas is adhering to safety values, policies, and standards, and how it plans to continue to implement SMS going forward.

The Company takes a broad, holistic view to safety management and plans to continue to benchmark its practices against those of its peer companies (such as AGA and Western Energy Institute member companies). As its SMS matures, SoCalGas expects to learn from benchmarking efforts and aspires to adopt and apply other industry frameworks as applicable to continue enhancing its SMS into the future.

5. Leadership Commitment

In the Company's TY 2019 GRC proceeding, several executive witnesses testified to the Company's longstanding commitment to operating a safe utility and enhancing the focus placed on the implementation of effective safety risk mitigations, including asset health and safety.[15] As noted above, then-Chief Operating Officer J. Bret Lane testified in the last GRC about "SoCalGas' deep-seated culture" of safety. The SoCalGas leadership's commitment to safety is evidenced in a number of ways.

The Company has established an Executive Safety Council chaired by the Company's Chief Safety Officer and the Company also has safety advisors, supervision, and various local safety committees to help inform, educate and engage employees about safety values, policies, programs and initiatives throughout the Company. Also, as discussed above, the SMS Executive Steering Committee has involvement from several executives to oversee and guide the implementation of SMS.

The leadership commitment is also advanced by the support for forums to raise concerns to leadership. The Company has processes, programs, and committees in place that welcome feedback on safety from employees on the management of risks and unsafe practices or incidents. To promote these principles and to foster a culture of continuous safety improvement, SoCalGas continuously strives for a work environment where employees at all levels can raise pipeline infrastructure, customer safety, and employee safety concerns and offer suggestions for improvement. SoCalGas has an open-door policy that promotes open communication between

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[15] A.17-10-008, Exh. SCG-02-R, Chapter 1 (Day) at DD-26.

employees and their direct supervisors. The Company also has Safety Congresses for contractors and employees, as well as safety meetings for field employees that provide safety training, share best practices, and promote leadership and employee engagement.

6. Employee and Stakeholder Engagement

SoCalGas encourages two-way formal and informal communication between the company and the public, employees and management, and contractors and the company. Safety is communicated daily by supervisors in the morning before the field crews leave for work. The Company's safety department regularly issues employee safety communications to provide supervisors with safety-related information in a timely manner regarding standards and safe work practices to be communicated and shared with their employees. These safety communications are a tool used to inform employees about safety hazards and exposures, hazard mitigation, rules, regulations, warnings, goals, and progress reports through an array of media. Safety is also communicated on a weekly basis among operations directors at the beginning of each week during a Monday morning safety call. During that call, they also review all incidents from the previous week and share best practices. SoCalGas communicates information through safety bulletins, emails, newsletters, electronic bulletin boards (*e.g.,* digiboards), posted signage throughout the workplace, tailgate meetings and reports.

SoCalGas conducts public awareness efforts through education and outreach to enhance the safety of its customers and the general public. These efforts are designed to engage with our customers and the public to inform them about our shared safety responsibilities. Of equal importance are outreach activities with local first responder agencies, county coordinators (emergency management), and other public officials which occur on a yearly basis, focusing on how we can partner during an emergency incident response, including a review of infrastructure location information, hazard awareness and prevention, leak recognition and response, emergency preparedness and communications, damage prevention and integrity management. In addition, the Company also partners with these stakeholders throughout the year on joint drills, exercises, tabletops, and preparedness fairs in order to enhance our coordination and response during emergencies. SoCalGas also attends California Independently Owned Utility (IOU) and Municipality annual meetings to discuss employee and contractor safety. This dedicated forum

is a utility benchmarking initiative addressing new regulations, legislation, best management practices, and other safety topics of interest.

To regularly engage more broadly with employees, the Company assesses and ranks itself relative to other similar companies through the Employee Engagement Survey and the National Safety Council (NSC) Safety Barometer Survey. As described by TY 2019 GRC witnesses Diana Day and Mary Gevorkian, the Safety Barometer Survey assesses overall safety climate health and identifies areas of opportunity to eliminate injuries and improve focus and commitment to safety.[16] David Buczkowski provided the following reasons for SoCalGas' belief that the NSC Safety Barometer Survey is a leading practice approach to evaluating safety culture:

1. NSC's mission is safety – eliminating preventable deaths, through leadership, education and advocacy;
2. The NSC Safety Barometer Survey is led by third-party experts;
3. The practices included in the survey are the leading practices drawn from survey participants, allowing SoCalGas to compare themselves to almost 1,000 other Companies; and
4. The survey goes well beyond the utility industry and includes other industries.[17]

Through regular participation in the surveys, the Company shares results, develops targets, implements plans, and measures progress, with the goal of increasing employee participation in, and contribution to, improvements in safety performance.

The Company began conducting safety culture assessments in 2013, using NSC's Safety Barometer Survey. The NSC Safety Barometer survey is an employee perception survey that engages employees and asks for their anonymous feedback on safety by measuring elements of safety excellence in the following areas:

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[16] A.17-07-008, Exhs. SCG-02, SCG-32.

[17] A.17-10-008, Exh. SCG-250 at DLB-12.

- Organizational Climate – Probes general conditions that interact with the safety program to affect its ultimate success, such as teamwork, morale, and employee turnover;

- Management Participation – Describes ways in which top and middle management demonstrates their leadership and commitment to safety in the form of words, actions, organizational strategy, and personal engagement with safety;

- Supervisory Participation – Considers six primary roles through which supervisors communicate their personal support for safety: leader, manager, controller, trainer, organizational representative, and advocate for workers;

- Safety Support Climate – Asks employees across an organization for general beliefs, impressions, and observations about management's commitment and underlying values about safety;

- Employee Participation – Specifies selected actions and reactions that are critical to making a safety program work. Emphasis is given on personal engagement, responsibility, and compliance; and

- Safety Support Activities – Probes the presence or quality of various safety program practices. This focuses on communications, training, inspection, maintenance, and emergency response.

The NSC Barometer Survey provides information and insight in the six critical areas of safety culture described above. Furthermore, NSC's rich database provides SoCalGas the ability to benchmark the results with hundreds of other companies who have conducted similar surveys with NSC and gives a comparative analysis of relative strengths and potential opportunities for organizational improvements as well as for individual work locations and departments.

SoCalGas has now completed three cycles of the NSC Safety Barometer Survey (in 2013, 2016, and 2018) and, when compared to 580 other companies who have gone through similar surveys, SoCalGas consistently ranked high. In all three cycles, SoCalGas ranked above the 90th percentile. More important than the ranking, the NSC survey tool has helped identify safety

areas of strength and alignment with other high performers, as well as opportunities for potential improvement.

As a result of NSC survey feedback from employees, both positive and constructive, the Company has made many improvements in recent years. For example, as a result of the 2013 NSC survey results, despite already having a "Stop the Job" policy, the Company worked with its union leadership and enhanced communication on that policy. The Company raised awareness about this policy to emphasize that if an employee does not feel safe or if they see another employee or contractor being unsafe, all employees, regardless of rank or title, are empowered to stop the work being performed to address the safety concern without fear of retribution. SoCalGas also enhance its communication to employees about the value and importance of learning from close calls. Subsequent NSC survey results demonstrated that employees now have more confidence to "Stop the Job" and report close calls, near misses, and unsafe conditions.

7. Risk Management

Effective risk management practices help to reinforce a strong and positive safety culture. SoCalGas has undertaken a thoughtful and measured approach to the adoption of risk management structures and processes at all levels, to further the development of a risk-aware culture. As described in (then-Vice President, Enterprise Risk Management for SoCalGas) Diana Day's testimony in the TY 2019 GRC, SoCalGas's Enterprise Risk Management organization 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.[18] The Enterprise Risk Management practices and processes are continuing to be used by SoCalGas different operational and functional departments to identify safety risks, thus providing a critical element of SoCalGas' SMS.

SoCalGas' risk management framework is consistent with the Cycla Corporation 10-step Evaluation Method adopted in D.16-08-018. Risk identification, as defined by ISO 31000, is the

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[18]   A.17-07-007, Exh. SCG-02, Diana Day Direct Testimony at DD-2.

process of finding, recognizing, and describing risks. It includes the identification of risk sources, events, their causes and potential consequences. On an annual basis, SoCalGas's Enterprise Risk Management Organization facilitates the enterprise risk identification process through interviews and meetings with risk owners and managers to review and discuss potential changes to the Company's Enterprise Risk Registry. SoCalGas has developed several operating unit risk registries in different operating areas of the Company, including but not limited to gas controls, high pressure gas system, medium pressure gas system, advance meters and customer services field, and continues to expand their use and refinement of the process. SoCalGas is leveraging the operating unit risk registries to inform internal asset management strategies and integrity management to continue the integration of risk and asset management. SoCalGas' risk management framework is further discussed in Chapter RAMP-B.

8. Safety and Compliance Assurance

SoCalGas employs a number of mechanisms for reviewing and confirming that safety and compliance requirements are being met.

Operational Controls – SoCalGas clearly communicates its processes and documents how we operate safely. SoCalGas has a comprehensive set of operational controls executed through a framework of policies, training, documentation, and recordkeeping. This includes operational activities to maintain compliance with applicable local, state and federal laws and regulations, and is accomplished through dedicating resources and subject matter expertise in various disciplines with the intent to track, understand, and implement regulatory requirements through developing formalized company standards.

The policies dictate the standards, training, resources, and programs on how employees are to conduct their day-to-day tasks in a compliant and safe way. Compliance requirements that SoCalGas employees have to follow are prescribed in written company standards to facilitate compliance with regulatory requirements, bring about more efficient operations, and promote both employee and public safety. All standards are housed in a centralized SoCalGas Document Library for easy access by employees and are reviewed at a designated frequency to stay current with pertinent regulations and laws, and with changing business needs.

To further assist with effective implementation, the company standards are consolidated into Manuals or Plans or Programs for each distinct compliance discipline. For example, the three principal categories of regulatory requirements that SoCalGas has to comply with are the CPUC/DOT/PHMSA pipeline safety regulations, the federal and California OSHA for employee safety, and DOGGR for underground natural gas storage safety.

Specifically, the pipeline safety standards for operations and maintenance activities are consolidated into SoCalGas' Operations & Maintenance Plan, the employee safety standards are consolidated into SoCalGas' Injury & Illness Prevention Program, contractor safety requirements are consolidated into SoCalGas' Contractor Safety Manual, and underground storage safety standards are grouped into SoCalGas' SIMP Plan. These are in addition to related compliance programs, such as the TIMP, DIMP, and SIMP, as well as procedures for material specifications and traceability, design and purchase specifications, and construction, inspection and testing procedures, as needed. Operational controls also include a Management of Change (MOC) process, which is established locally within various programs. An effort is underway by the SMS organization to consolidate the various MOC processes into one electronic platform that is currently in developmental stage.

Audits & Evaluations – Regularly scheduled internal audits are performed by Sempra Energy Audit Services which works directly with Company management to assist in assessing risks and evaluating business controls needed to enable SoCalGas to achieve its objectives. Audit Services has full access to all levels of management, and to all organizational activities, records, property, and personnel relevant to activities under review. Audit Services is authorized to select activities for audit, allocate resources, determine audit scope, and apply techniques required to accomplish audit objectives. Audit Services is authorized to obtain the necessary direct access of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization. The scope of work conducted by Audit Services is to review: (1) that processes and business controls, as designed and maintained by management, are adequate and functioning in compliance with policies, plans, procedures, laws, regulations and contracts; (2) the safeguarding of assets; (3) the effectiveness and efficiency of operations; and (4) the reliability and integrity of operating and financial

information. Business controls are actions that increase the likelihood of achieving the above objectives. SoCalGas' management is responsible for taking ownership of, and being accountable for, understanding, establishing, and maintaining effective business controls. Through this effort, Audit Services can effectively work with management to determine whether business controls are designed and functioning properly. These collective efforts provide a basis for Audit Services to provide an independent evaluation to management and the Board of Directors as to the adequacy of the Company's overall system of business control. Management will address any identified deficiencies by Audit Services and develop management corrective actions to resolve the findings. Management corrective actions are assigned a completion date and Audit Services conducts reviews to determine if identified findings are resolved prior to closing out the audit.

Executive Safety Council Team Meeting Dialogues – The Executive Safety Council is the governing body for all safety committees. Led by SoCalGas's Chief Safety Officer and the directors of Safety Management Systems and Safety and Wellness, this is a roundtable with company officers to advance the company safety culture, address enterprise-wide safety strategy, and give employees an opportunity to share their safety experiences with company leadership. The Executive Safety Council represents SoCalGas' labor and represented workforce.

Gas Safety Subcommittee – This committee brings represented employee representatives from each district and management together monthly to discuss concerns and address potential gas operations safety hazards. The objective is to reduce unnecessary risk, resolve gas safety issues/concerns, and communicate information back to frontline employees.

Pipeline Safety Oversight Committee – This high-level internal committee comprising executives and directors that oversees pipeline safety programs and activities, including oversight over compliance activities and contractors. This committee meets periodically and reviews the progress made in the pipeline compliance activities and in the contractor safety area and provides direction on steps needed to be taken to continue to reduce the identified safety risks. This program serves as a proactive approach to have a senior level committee overseeing the development, implementation and growth of the contractor safety program to address the overall safety risk associated with hiring contractors and strengthening public trust.

Field and Office Safety Committees (site-specific) – These committees (approx. 50) are actively engaged in safety awareness through education, promoting a healthy lifestyle, encouraging work-life balance and always maintaining a safe work environment. To keep the committees connected, quarterly meetings are held with committee chairpersons and co-chairpersons. During these meetings safety updates are shared, training is provided, and action planning steps are identified. Like SoCalGas' other safety committees, site committees roll up to the Executive Safety Council as the governing body.

Behavior Based Safety Program – SoCalGas's Behavior Based Safety Program is a leading proactive approach to safety and health management, focusing on principles that recognize at-risk behaviors as a frequent cause of both minor and serious injuries. Behavior Based Safety is the "application of science of behavior change to real world safety problems." This process is a safety partnership between management and employees that continually focuses attention and actions on daily safety behavior, to identify safe and at-risk behaviors. Through a job observation program, supervisors observe employees working using a critical behavior inventory checklist to track safety behaviors and have a dialog on safe and at-risk behaviors, then recommended behavioral safety changes. Field supervisors conduct documented observations with their employees to address at-risk behaviors and to attempt to modify an individual's actions and/or behaviors through these interactions. Supervisors provide quality feedback during these positive interventions aimed at developing safe work habits and improving safety culture. The purpose is to reduce recurrences of at-risk behaviors by modifying an individual's actions and/or behaviors through observation, feedback, and positive interventions aimed at developing safe work habits.

Safety Congress and Leadership Awards – Held annually, the Safety Congress provides a forum for safety committee members, safety leaders and others to share and exchange information and ideas through networking and workshops. At this event, safety leaders are recognized for living by the company's safety vision, turning that vision into action, embracing the SoCalGas safety culture and demonstrating safety leadership.

The National Safety Council (NSC) Barometer Survey – As noted above, the NSC Barometer Survey is used to assess the overall health of the safety climate and helps to identify

areas of opportunity to eliminate injuries and improve focus and commitment to safety. The survey is administered to employees every other year. All organizations interpret their results using a three-step process to investigate, discuss, and understand where the improvement opportunities are. Organizational leaders work with their employees and decide where the attention is needed. After analysis, they identify and implement specific action-oriented strategies within their organization and carry out action plans to completion.

Environmental & Safety Compliance Management Program (ESCMP) – SoCalGas's comprehensive health and safety risk management organization and framework establishes and carries out SoCalGas's health and safety risk management policies, including SoCalGas's ESCMP. ESCMP 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 conceptually based on the internationally accepted standard, ISO 14001. ESCMP addresses compliance requirements, awareness, goals, monitoring and verification related to all applicable environmental, health and safety laws, rules and regulations, and company standards. SoCalGas also has an annual ESCMP Certification process, which involves submittal of information into the database used to collect and record employee and facility compliance. In January of each year, ESCMP information is submitted into an online system for year-end approval and certification for the prior calendar year. ESCMP has been refined, improved and matured over the years and is still in place at SoCalGas.

9. Management Review and Continuous Improvement

As noted above, SoCalGas's management review and continuous improvement efforts begin with the continuous assessment of risks identified through the Enterprise Risk Registry and the operating unit risk registries. The observations and information captured through the ERR are used to develop the strategic risk mitigations. The mitigations are implemented though operating and functional units. The implementation status, results and lessons learned are captured though on-going managerial oversight throughout all layers of management. The results of these oversight efforts are reviewed with the SoCalGas's leadership on a regular basis.

Management Review of Performance – Safety metrics provide a baseline for how well our organization is performing. Tracking both leading and lagging indicators and comparing

historical results provides a baseline for continuous improvement and offers the ability to identify improvement opportunities. Common metrics (*e.g.,* Occupational Safety and Health Administration (OSHA) reportables such as Lost Time Injury (LTI), Days Away, Restricted, or Transferred (DART), Controllable Motor Vehicle Incident (CMVI), and Near Miss incident rates) are tracked and analyzed and recommendations for safety performance improvement are made, including training, tools, equipment, processes and procedures.

Continuous Improvement – As described above, management reviews results from a variety of safety metrics, including injuries, motor vehicle accidents, near miss incidents, safety observations, and is actively involved in evaluating risk and developing necessary action plans. Safety goals are set with continuous improvement in mind, by focusing on increasing current goals and developing new leading indicators. The SoCalGas Injury and Illness Prevention Programs (IIPP) describe procedures and responsibilities for incident and injury reporting and the steps involved to conduct an incident evaluation. Employees are required to report all work-related incidents and injuries promptly to their supervisor. The incident evaluation process includes proper notification, visiting the incident scene, interviewing employee(s) and witnesses involved, examining the factors associated with the incident, determining the contributing factors of the incident, developing and implementing corrective actions to prevent reoccurrence and documenting findings and corrective actions using the incident evaluation form (or safety information management system). Through the incident evaluation process, SoCalGas develops and communicates lessons learned from both internal and external incidents and investigations and makes recommendations for safety performance improvement, including changes to training, processes and procedures. This program allows potential hazards to be investigated, mitigated, and communicated. Reporting near misses also reduces risk by promoting a safety culture that establishes opportunities to review safety systems and hazard control and to share lessons learned. SoCalGas has a Close Call (or Near Miss) Reporting portal where employees can report an incident on-line. Additionally, this portal allows for employees to print the form and anonymously submit to their supervisor or the Safety Department. Further discussion on these programs can be found in the Employee Safety Chapter of this RAMP Report (SCG-3).

Records Management – For safety and compliance purposes, SoCalGas has implemented various recordkeeping controls for its system in accordance with applicable rules and regulations. SoCalGas' records management policies include, but are not limited to, processes and systems containing records, definition and identification of records, organizational records (both paper and electronic) and document retention and disposal policy. The goal of records management policies and practices is to provide consistent responsibilities for records management, and to require the assignment of specific accountability for oversight and administration of records management. SoCalGas also has record coordinators across the company. These record coordinators manage records and related issues and are based within each of their respective business areas. The purpose is to give each operational area day-to-day control over records for which it has responsibility and knowledge. While not their primary job function, the record coordinators work closely with Financial Systems to promote and support the Company's records policies and procedures. In effect, this means that the management of operational asset records is decentralized. Sempra Energy's Audit Services group performs periodic audits to verify compliance with policies related to records management and retention. SoCalGas management will address any identified deficiencies by Audit Services and develop management corrective actions to resolve the findings. Historically, these audits have occurred approximately every three years. Lastly, SoCalGas uses physical storage space, both on-site and off-site, for records. SoCalGas manages the records storage so that it complies with SoCalGas' policies related to retention and disposal.

10. Emergency Preparedness and Response

SoCalGas conducts public awareness efforts through education and outreach to enhance the safety of its customers and general public. These efforts are designed to engage with our customers and the public to inform them about our shared safety responsibilities. For example, SoCalGas's Public Safety campaigns focus on informing and educating the public about the danger of digging, planting or doing demolition work that could impact underground pipelines. The outreach campaign focuses on encouraging anyone planning such work to call 811 before digging so that the Company can identify pipelines and pipe material before work occurs. Of equal importance are outreach activities with local first responder agencies, county coordinators

(emergency management), and other public officials which occur on a yearly basis, focusing on how we can partner during an emergency incident response, including a review of infrastructure location information, hazard awareness and prevention, leak recognition and response, emergency preparedness and communications, damage prevention and integrity management. In addition, we also partner with these stakeholders throughout the year on joint drills, exercises, tabletops, and preparedness fairs to enhance our coordination and response during emergencies. SoCalGas has also established liaisons with appropriate fire, police, and other public officials across its service territory, which includes over 100 fire agencies. Recently, SoCalGas deployed emergency response services to northern and southern California following weather-related events, and also sent assistance to the Boston area following a pipeline overpressure occurrence.

SoCalGas developed and maintains an Emergency Operations Center (EOC) for use during significant emergencies to allow Company employees to efficiently collaborate and take appropriate action for the response and mitigation of that emergency. During an EOC activation, over 50 subject matter experts may be brought into the EOC, from across the Company, to provide strategic direction, coordination and to facilitate all aspects of the emergency response through event duration. When activated, some basic responsibilities of the EOC include:

- Acquire and allocate critical resources;
- Consistent and aligned internal and external Communications;
- Manage crisis information;
- Strategic and policy-level decision-making; and
- Provide centralized coordination of all aspects of the emergency.

The EOC is the hub from which all incident management, response, and communication is coordinated and/or directed. As such, the EOC serves a critical support function to allow SoCalGas to respond effectively and efficiently to any hazard it may encounter, thereby protecting the safety of its employees, stakeholders, customers, the public, contractors, and any other resources or individuals in its service territory. After Action Reviews (AAR) are core to our Continuous Quality Assurance and Improvement process in Emergency Management.

Following an incident or an emergency, AAR's are developed and facilitated to identify the following:

- What went well;
- What needs improvement; and
- Specific Action Items toward improvement (these are entered into a data base and tracked to completion).

11. Competence, Awareness and Training

SoCalGas' employees and contractors receive extensive training because we believe safety starts with proactive upstream measures to prevent a safety incident from occurring. Front-line employees are trained on behavior-based safety program, such as "Stop the Job." A strong safety culture requires the right people at the right job with the right skills. The Human Resources function, with support from various operating organizations and the Safety Management Systems organization at SoCalGas, supports the safety culture by attracting, developing, training, and retaining employees who have the skills and abilities to perform their jobs safely. To achieve the accountability of enhancing the safety culture, the SMS organization, various operating organizations, and the Human Resources function are responsible for performance management, organizational effectiveness and safety. SoCalGas develops training plans by job classification that include courses required to perform certain work, meet company objectives, and satisfy required compliance training. Training plans are maintained in SoCalGas' Learning Management System (cornerstone) and accessed by supervisors and employees through the MyInfo application. Each department is responsible for maintaining training plans and ensuring employees complete initial and periodic refresher training requirements. Further details about SoCalGas' training programs and competence assessment can be found in the Employee Safety Chapter of this RAMP Report (SCG- 2).

IV. COMPENSATION POLICIES RELATED TO SAFETY

SoCalGas' strong safety culture is demonstrated through use of compensation metrics and key performance indicators to drive improved safety performance. As the Commission stated in D.16-06-054:

> One of the leading indicators of a safety culture is whether the governance of a company utilizes any compensation, benefits or incentive to promote safety and hold employees accountable for the company's safety record.[19]

Benefit programs that promote employee health and welfare also contribute to SoCalGas' safety performance and culture.

In her TY 2019 GRC testimony, Compensation and Benefits witness Debbie Robinson explained how SoCalGas' compensation and benefits programs are designed to focus employees on safety, and SoCalGas' increased emphasis on employee and operational safety measures in their variable pay plans, commonly referred to as the Incentive Compensation Plans (ICP), thus bolstering their already strong safety culture and safety performance.[20] Ms. Robinson testified that SoCalGas has increased the weighting of the employee and operational safety measures in their variable pay plans since the TY 2016 GRC, such that safety and operational excellence measures comprised 70% of the Company performance component by the time the TY 2019 GRC was submitted, which is an increase from the 20% reflected in the 2015 ICP plan, which was reflected in TY 2016 GRC.[21] Providing even stronger alignment between SoCalGas' safety programs and the ICP helps to strengthen the Company's safety culture and signals to employees that safety is the number-one priority.

Figure 2, below, taken from Ms. Robinson's TY 2019 GRC Testimony,[22] shows that as of the TY 2019 GRC, the ICP weighting for performance measures related to safety more than tripled since 2015:
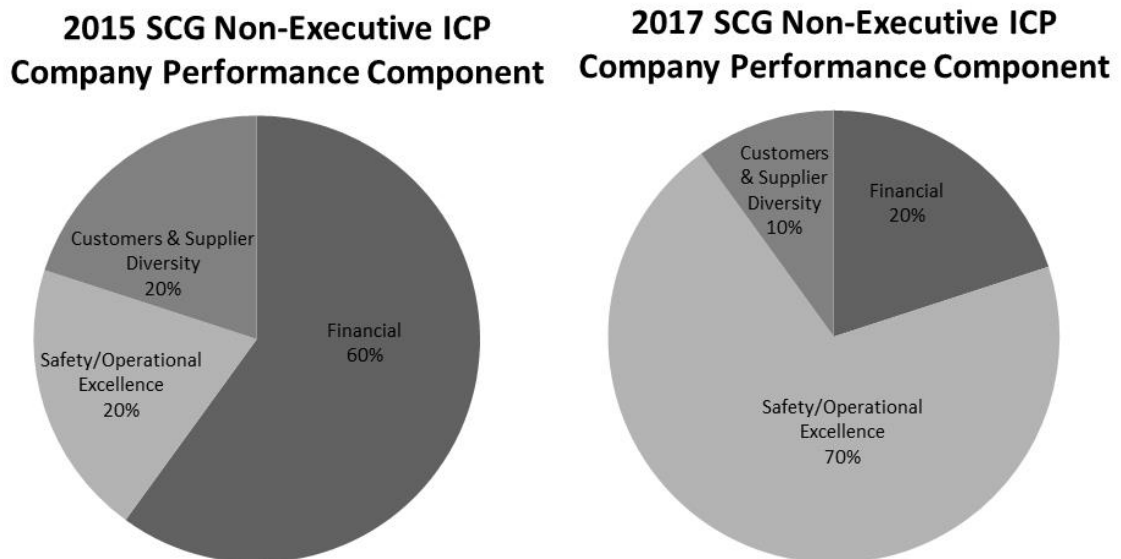
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[19]   D.16-06-054 at 153.

[20]   A.17-10-008, Exh. SCG-30 at DSR-10.

[21]   A.17-10-008, Exh. SCG-30 at DSR-11.

[22]   A.17-10-008, Exh. SCG-30.

Figure 2: Comparison of ICP Safety Weighting

V. **EXECUTIVE AND SENIOR MANAGEMENT ENGAGEMENT IN THE RISK ASSESSMENT, PRIORITIZATION, MITIGATION AND BUDGETING PROCESS**

In the Company's TY 2019 GRC testimony, witness Diana Day testified that SoCalGas' executive management, and specifically the Company's Executive Safety Council, is committed to and accountable for the development and maintenance of safety culture, and that SoCalGas' leadership holds regular safety meetings at many levels, including Executive Safety Council meetings, which have been in place for over a decade, and annual Contractor Safety Congress, which have included hundreds of participants, representatives from other California utilities and the Safety and Enforcement Division of the CPUC. SoCalGas' Executive Safety Council, comprised of top company leadership, meets quarterly to engage directly with front-line employees and supervisors, including especially SoCalGas's labor and represented workforce, to listen and reinforce key safety tenets and have an open dialogue on safety issues, performance and culture.

Senior management at SoCalGas is engaged in the risk assessment and mitigation process for the Company. Appendix E to Diana Day's direct TY 2019 GRC testimony describes how SoCalGas' risk management framework and the annual development and updating of the enterprise risk registry provides a structured way for the organization to reflect on different types

of risk and the strategies to control or mitigate those risks, as both a "bottom up" and a "top down" process. Subject matter experts and risk managers from throughout the organization provide insight on risk drivers, impacts, and mitigants for risks that are being assessed. Risk owners and the senior management team at each utility then discuss enterprise level risks and mitigants for those risks. Risk owners and risk managers then have the opportunity to confirm that mitigations for top risks are transparent in the business process and are prioritized in decision making.

The Enterprise Risk Registry (ERR) is a communication tool that is shared amongst the management team and with employees. Periodically, the Vice President of Enterprise Risk Management & Compliance provides the SoCalGas Board with a risk update of its operating risks and also an updated focus on key enterprise-level risks and associated mitigants. The Sempra Energy Board of Directors also receives periodic risk updates based on the written reports and management presentations from its operating subsidiaries, including SoCalGas. Training and education regarding management of risks is an ongoing endeavor. Risk topics are discussed at the monthly Senior Management Team meeting and Senior executives continue to be involved in at least three executive risk sessions each year to review top risks identified for the utilities, ranking and prioritization of the risks, and funding for the mitigations.

Senior management at SoCalGas is engaged in the planning process at the Company. The involvement of leadership in the capital planning process was described in the TY 2019 GRC testimony of Patrick Moersen, as follows:

For non-balanced base capital, the 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 risk-informed priorities and continuous input from operations.

- Step 1 – Initial capital allocations begin with input from Functional Capital Committees (FCCs), which are organized by the nature and type of capital investment or function. These teams of managers and subject matter experts perform a high-level assessment of the capital requirements for serving customers to determine whether 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 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 have the highest ratings on key priority metrics will receive the highest priority for funding. These key priority metrics include: safety, cost effectiveness, reliability, security, environmental, and customer experience.

- 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.

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. Progress on existing capital projects is monitored and reviewed on a monthly basis by the CPC and EFC, and any new projects stemming from incremental Commission directives or changing business needs are evaluated and assessed throughout the year to determine whether current capital allocation should be reprioritized. Before starting a project or making any commitments, the project manager must secure specific project approval signatures in accordance with the Companies' Internal Order process and approval and commitment policies.

Significant senior management engagement exists, and documented processes are also followed for SoCalGas' Operation and Maintenance (O&M) allocations. SoCalGas' O&M plan is a compendium of over 140 policies that meet the requirements 49 CFR § 192.605 "Procedural manual for operations, maintenance, and emergencies." The O&M plan is reviewed annually to verify that the referenced documents containing policies and procedures remain in compliance with the requirements of the relevant CFR sections. The policies and procedures referenced are updated throughout the year in response to new information or regulations, technology, or other items that drive improvement to the policy. Individual documents referenced by the O&M plan undergo full functional reviews at least every five years. Training programs are reviewed in the same timeframe as associated gas standards, so employees are aware of and perform tasks according to the current requirements.

VI. SOCALGAS BOARD ENGAGEMENT AND OVERSIGHT OVER SAFETY PERFORMANCE

SoCalGas' Board of Directors (Board) determine safety performance measures and targets to be included in each year's ICP and review and approve the results. The Board meets on a quarterly basis where meetings begin with a safety briefing and include a regular review of year-to-date safety performance as well as current safety and risk-related topics. The members of the Board have extensive safety and employee safety processes experience. As a part of their oversight roles, the Board may exercise discretion to reduce or eliminate any payout for employee and/or contractor safety measures in the event of a work-related fatality or serious injury.

In Appendix E to her TY 2019 GRC testimony, witness Diana Day described the Sempra Energy Board of Directors' (Sempra Board) formation of the Environmental, Health, Safety and Technology Committee (the EHS&T Committee), which is responsible for:

- Assisting the board in overseeing the company's programs and performance related to environmental, health, safety, and technology matters;

- Reviewing environmental, health and safety laws, regulations and developments at the global, national, regional and local level and

evaluating ways to address these matters as part of the company's business strategy and operations; and

- Reviewing cybersecurity programs and issues.[23]

When a particular matter or project requires additional attention from the Sempra Board, it may establish, and has established, ad hoc committees. Management reports on significant operations, performance and safety incidents at meetings of the EHS&T Committee and provides updates to the Sempra Board as necessary. Furthermore, the EHS&T Committee Chair reports directly to the Sempra Board on matters reviewed and discussed at committee meetings.

On a monthly basis, SoCalGas also compiles information regarding safe operations, operational performance metrics and safety-related incidents, which is reported to the Sempra Board. Through the EHS&T and these monthly reports, Sempra's Board routinely stays informed on the safety-related business and operations of SoCalGas.

VII. CONCLUSION

Safety is a core value at SoCalGas. We have a strong safety culture imbedded in the organization that fosters transparency, engagement, and commitment. SoCalGas strives to continually improve processes and procedures that further enhance employee, contractor, customer and public safety. Nothing is more important than keeping our employees, contractors and the public safe. As demonstrated throughout the chapters of this RAMP Report, SoCalGas is making strategic investments in culture, technology, system upgrades, and community partnerships to enhance the safety of our employees, contractors, customers, and the communities we serve.

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[23] The EHS&T Committee charter is available at https://www.sempra.com/investors/governance.