

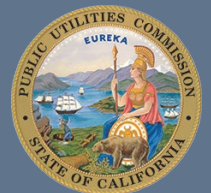


# AFFILIATE TRANSACTION RULES PERFORMANCE AUDIT

Southern California Gas Company

January 1, 2022, through December 31, 2023

Utility Audits, Risk and Compliance Division  
Utility Audits Branch  
July 18, 2025



## **MEMBERS OF THE TEAM**

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**A digital copy of this report can be found at:**

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**You can contact our office at:**

**California Public Utilities Commission  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, CA 95811**

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Transmitted via e-mail

July 18, 2025

Maryam Brown  
Chief Executive Office and President  
Southern California Gas Company  
555 West 5<sup>th</sup> Street  
Los Angeles, CA 90013  
M.L GT21C1

Dear Maryam Brown:

**Final Report Transmittal Letter—Audit of Southern California Gas Company's  
Affiliate Transaction Rules for the Period of January 1, 2022, Through  
December 31, 2023**

The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) has completed its audit of Southern California Gas Company's (SoCalGas) compliance with Affiliate Transaction Rules for the period of January 1, 2022, through December 31, 2023. The final audit report is enclosed.

We issued the draft audit report on June 17, 2025. SoCalGas's response to the draft report findings and our evaluation of the response are incorporated into this final report. We will post the final audit report on our website at [Audit Reports by Industry \(ca.gov\)](https://www.cpuc.ca.gov/AuditReportsbyIndustry).

A Corrective Action Plan (CAP) addressing the findings and recommendations are required. SoCalGas's response to the draft report included some information on corrective actions. However, SoCalGas's should submit further detailed CAP information including specific steps and target dates to address the recommendations within 45 calendar days from the issuance of this final report to: [UtilityAudits@cpuc.ca.gov](mailto:UtilityAudits@cpuc.ca.gov)

We appreciate SoCalGas's assistance and cooperation during the engagement, and its willingness to implement corrective actions. If you have any questions regarding this report, please contact Nancy Ta, Supervisor, at (415) 914-4841.

Sincerely,

*Masha Vorobyeva for Angie Williams*  
Angie Williams, Director  
Utility Audits, Risk and Compliance Division

cc: See next page

Maryam Brown,  
Chief Executive Office and President  
Southern California Gas Company  
July 18, 2025  
Page 2

cc: Rodger Schwecke, Chief Operating Officer, SoCalGas  
David Barrett, SVP & General Counsel, SoCalGas  
Deana Ng, Chief Risk & Compliance Officer, SoCalGas  
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## EXECUTIVE SUMMARY

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The Utility Audits Branch (UAB) of the California Public Utilities Commission (CPUC) conducted a performance audit of the Southern California Gas Company's (SoCalGas) compliance with Affiliate Transaction Rules (ATR) for the audit period of January 1, 2022, through December 31, 2023.

Our audit objective was to determine whether SoCalGas complied with ATRs for the period of January 1, 2022, through December 31, 2023.

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate controls and noncompliance with requirements. These instances are summarized in the Summary Schedule of Audit Results and described in the Findings and Recommendations section of this report. The audit findings are as follows:

- **Finding 1: Lack of Documentation Related to Customer Information Service Requests**  
SoCalGas did not maintain written customer consent and evidence of when customer data was sent to third parties.
- **Finding 2: Improper Sharing of Non-Customer Specific Non-Public Information with Affiliates**  
SoCalGas self-reported two instances in which SoCalGas shared non-customer specific non-public information with its affiliates.
- **Finding 3: Untimely Termination of Physical and System Access**  
SoCalGas did not terminate six employees' physical and system access on or before transferring to an affiliate in 2022.
- **Finding 4: Lack of Exit Interview Documentation**  
SoCalGas did not maintain two employees' exit interview documentation in 2022.
- **Finding 5: Inaccurate Reporting of Affiliates**  
SoCalGas omitted one affiliate from its 2022 Annual Report, one affiliate from its 2023 Annual Report, and three affiliates had incorrect affiliate designations in its 2023 Compliance Plan.

ATR VIII.D.2.b.ii.3 – The Utility's Actions to Disclose and Rectify a Violation, requires the public utility to report to CPUC any instances when a utility is aware that a violation of the ATR has occurred. We've included a summary of SoCalGas's self-reported instances that occurred during the audit period, including the mitigation plan, in the Summary of Self-Reported Instances section of this audit report.

We issued a draft report on June 17, 2025. SoCalGas responded by letter dated July 1, 2025, agreeing to implement UAB's recommendations, and requesting to designate Findings 1 and 4 as observations rather than findings and to make two corrections to Finding 5. SoCalGas's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.



# AUDIT REPORT

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## Background

### *Affiliate Transaction Rules*

In the late 1980s and early 1990s, energy utilities sought approval from CPUC to reorganize under a holding company structure. While CPUC approved applications for several energy utilities, CPUC was concerned with price manipulation and higher charges to consumers through transactions with their unregulated affiliates. To address this, CPUC established the ATRs to ensure utilities (1) meet their public service obligations at the lowest reasonable cost; and (2) do not engage in preferential treatment of their affiliates. As part of Rulemaking 05-10-030, CPUC issued Decision (D.) 06-12-029 which adopted the latest revision to the ATRs.

The ATRs have been designed to:

- ensure that key utility and holding company officers understand the ATRs and their obligations under them;
- provide greater security against the sharing within the corporate family, through improper conduits, of competitively significant, confidential information; and
- ensure a utility's financial integrity is protected from the riskier market ventures of its unregulated affiliates and holding company parent.

The ATRs apply to California's major energy utilities and their holding companies, such as, Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), San Diego Gas & Electric Company (SDG&E), and SoCalGas.<sup>1</sup>

CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. CPUC publishes ATR related information at [Affiliate Rules and Holding Company Issues](#).

### *Affiliates*

D.06-12-029, Appendix A-3, ATR I.A defines an affiliate as any person, corporation, utility, partnership, or other entity, 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership. The utility must ensure that the utility is not utilizing the holding company or any of its affiliates not covered by ATRs as a conduit to circumvent any of the rules.

SoCalGas's 2022 and 2023 Compliance Plans further classify affiliates as follows:

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<sup>1</sup> San Diego Gas & Electric (SDG&E) and Southern California Gas (SoCalGas) are affiliated subsidiaries of Sempra Energy.

- SoCalGas classifies covered affiliates as those affiliates that engage in the provision of a service or product to the market that relates to natural gas and/or electricity, such as:
  - trading natural gas and/or electricity;
  - offering products that use natural gas and/or electricity; or
  - offering a service that relates to the use of natural gas and/or electricity.
- SoCalGas further classifies covered affiliates as Energy Marketing Affiliates (EMAs) when those affiliates are engaged in marketing functions or qualify as electric service providers.

Affiliates that do not meet the covered affiliate criteria are classified as non-covered affiliates.

- Non-covered affiliates include, but are not limited to, holding companies, companies that offer temporary employment services, employee recruitment services, financial or consulting-type services, and janitorial services regardless of whether these affiliates offer their services to companies in the natural gas or electric industry.
- Sempra Energy, the holding company for SoCalGas, does not provide products or services, as defined in ATR II.B, and is therefore classified as a non-covered affiliate.

### ***Annual Compliance Plan***

D.06-12-029, Appendix A-3, ATR VI.A requires each utility to file a compliance plan by submitting an advice letter (AL) to CPUC. The compliance plan is required to include:

- A list of all affiliates of the utility, and for each affiliate, its purpose or activities; and
- A demonstration of the procedures in place to assure compliance with ATRs.

SoCalGas filed its 2022 and 2023 Affiliate Compliance Plan on June 30, 2022, and June 30, 2023, respectively, and reported the following:

<b>Affiliate Type</b>	<b>2022 Compliance Plan (AL-6002)</b>	<b>2023 Compliance Plan (AL-6158)</b>
Covered Affiliates	107	115
Non-Covered Affiliates	76	79
Energy Marketing Affiliates	6	5
Total Affiliates	189	199

### **Audit Authority**

UAB conducted this audit under the general authority outlined in PU Code sections 314.5, 314.6, 581, 582, and 584. Furthermore, D.06-12-029, Appendix A-3: ATR VI.C directs the CPUC's Energy Division to coordinate biennial audits to verify the utilities' compliance with the ATRs.

### **Objective and Scope**

Our audit objective was to determine whether SoCalGas complied with ATRs for the period of January 1, 2022, through December 31, 2023.



## Methodology

In planning our audit, we gained an understanding of the ATRs and SoCalGas's compliance mechanisms by researching and reviewing relevant PU Code sections, rules, regulations, policies, CPUC decisions, resolutions, advice letters, SoCalGas's compliance plan, SoCalGas's policies and procedures, and interviewing SoCalGas's personnel.

We conducted a risk assessment, including evaluating whether SoCalGas key internal controls relevant to our audit objective were properly designed, implemented, and operating effectively. Our assessment included conducting interviews, performing walkthroughs, and testing transactions. Deficiencies in internal controls, if identified during our audit and determined to be significant within the context of our audit objective, are included in this report.

Additionally, we assessed the reliability of the data extracted from SoCalGas's various systems (MyLearning, Envoy, Systems, Applications, and Products (SAP), Sailpoint Datamart, and manual excel spreadsheets). Our assessment included examining extracted reports, tracing data between differing report formats to verify completeness, and tracing report data to source documents. We determined the data to be sufficiently reliable to address the audit objective.

Based on the results of our planning, we developed specific methods for gathering evidence to obtain reasonable assurance to address the audit objective. To achieve our audit objective, we:

- Reviewed applicable CPUC decisions, advice letters, resolutions and proceedings, to gain an understanding of the ATRs.
- Reviewed SoCalGas's Affiliate Compliance Plan, Affiliate Compliance Guidelines, training transcript, and internal policies and procedures related to the administration and implementation of its compliance with ATRs.
- Reviewed the State Controller's Office (SCO's) audit report on SoCalGas's ATR for the period of January 1, 2016, through December 31, 2017, issued on May 24, 2021. We determined that no additional follow-up was required since follow-up was conducted during SCO's subsequent audit of SoCalGas's ATRs for the period of January 1, 2020, through December 31, 2021, issued on December 4, 2024.
- Reviewed the SCO's audit report on SoCalGas's ATR for the period of January 1, 2020, through December 31, 2021, issued on December 4, 2024 (2020-2021 ATR Audit). We performed follow-up tests to verify whether corrective actions were properly implemented.
- Reviewed the following UAB audit reports and determined that the audits were not relevant to our audit objective and, therefore, no further review was performed:
  - Examination of SoCalGas's Energy Efficiency program for the period of January 1, 2017, through December 31, 2017, issued August 5, 2019.
  - Performance Audit of SoCalGas's Energy Efficiency program for the period of January 1, 2018, through December 31, 2018, issued August 13, 2020.
  - Performance audit of SoCalGas's Balancing Accounts for the period of January 1, 2018, through December 31, 2018, issued April 24, 2021.

- Performance Audit of SoCalGas's Energy Efficiency program for the period of January 1, 2020, through December 31, 2020, issued September 27, 2021.
- Performance Audit of SoCalGas's Energy Savings Assistance program for the period of January 1, 2019, through December 31, 2021, issued April 5, 2023.
- Performance Audit of SoCalGas's Energy Efficiency Codes & Standards program for the period of January 1, 2014, through December 31, 2022, issued April 2, 2024.
- Assessed significance by performing an analysis of prior audit findings and evaluating the Energy Division's list of priority ATRs.
- Obtained an understanding of SoCalGas's key internal controls relevant to its ATRs, such as policies and procedures, training requirements, and monitoring and compliance oversight, and assessed the design, implementation, and operating effectiveness of selected controls that were significant to the audit objective by:
  - interviewing key personnel;
  - completing an internal control questionnaire;
  - reviewing SoCalGas's policies and procedures and assessing their implementation pertaining to compliance with ATRs;
  - performing walkthroughs of monitoring and compliance oversight of selected ATRs;
  - verifying completed ATR trainings for a selection of SoCalGas's employees; and
  - confirming review and approval of selected deliverables.
- Conducted a risk assessment to determine the nature, timing, and extent of substantive testing.

As mentioned in the Background section, CPUC's D.06-12-029, Appendix A-3 categorizes the ATRs into nine rules (I through IX) with various sub-rules within each rule. Due to the large number of ATRs and sub-rules, the auditor selected a sample to perform detailed testing. Below we identify the rules selected for testing and describe the detailed testing performed.

- Performed testing of ATR III.B.2 – Provision of Supply, Capacity, Services or Information by:
  - obtaining a list of instances in which SoCalGas shared/provided access to utility information, services, and unused capacity or supply to its affiliates;
  - judgmentally selecting a total of 10 out of 375 instances occurring during the audit period, as illustrated in the table below:

Type of Information/Services Provided	Instances Selected for Testing	Total Number of Instances	Percentage Tested
Backbone Transportation Service Capacity	3	29	10%
Pooling Services	1	5	25%
Imbalance Trading Services <sup>2</sup>			
• Schedule Qty Trades	4	317	1%
• Month End Trades	2	24	8%
<b>Totals</b>	10	375	3%

For the selected samples, traced the selected instances to supporting documentation and determined whether SoCalGas provided an affiliate supply, capacity, services or information, if a posting to the electric bulletin board (EBB) was required, and data provided was accurate, and in compliance with applicable CPUC directives, orders, rules, regulations, and SoCalGas's policies and procedures by:

- obtaining the contract and tracing the contract information for accuracy;
- verifying the Contract Owner was an affiliate;
- tracing the contract information to SoCalGas's EBB, if applicable; and
- confirming the posting date was prior to contract date.
- Performed testing of ATR IV.A – Customer Information by:
  - obtaining a list of instances in which SoCalGas provided customer information to its affiliates and unaffiliated entities;
  - judgmentally selecting 37 out of 8,334 Customer Information Service Requests (CISR) documented in 2022, and 36 out of 10,782 CISRs documented in 2023, as illustrated in the tables below:

Service Departments	2022 CISRs Selected for Testing	Total Number of 2022 CISRs	Percentage Tested
Account Executive	4	15	26.67%
Building Benchmarking AB 802	10	7,707	0.13%
Capacity Products	15	150	10.00%
Customer Contact Center	6	447	1.34%
Non-Core Billing	2	15	13.33%
2022 Total	37	8,334	0.44%

<sup>2</sup> Imbalance trading services are not publicly posted because the transactions are part of internal operations and integral to a permitted transaction with an affiliate.

<b>Service Departments</b>	<b>2023 CISRs Selected for Testing</b>	<b>Total Number of 2023 CISRs</b>	<b>Percentage Tested</b>
Account Executive	1	4	25.00%
Building Benchmarking AB 802	15	10,380	0.14%
Capacity Products	6	64	9.38%
Customer Contact Center	13	331	3.93%
Non-Core Billing	1	3	33.33%
2023 Total	36	10,782	0.33%

For the selected samples, traced the instance to supporting documentation and determined whether SoCalGas provided customer information to an affiliate, if a posting to the EBB was required, and prior written consent was obtained, and in compliance with applicable CPUC directives, orders, rules, regulations, and SoCalGas's policies and procedures by:

- verifying whether the third-party receiving customer information was an affiliate. If the third party was an affiliate, confirmed whether SoCalGas posted a notice of intent to release customer information prior to the release of information;
- obtaining customer written consent; and
- confirming customer information was released after written consent was obtained.
- Performed testing of ATR IV.B – Non-Customer Specific Non-Public Information by:
  - obtaining a list of instances in which SoCalGas made non-customer specific non-public information available to the utility's affiliates and reviewed supporting documentation; and
  - reviewing the meeting minutes for all 35 of SoCalGas's Board Meetings to determine whether affiliate representatives were present during potentially sensitive discussions, and to ensure that non-customer specific, non-public information was not shared with affiliate representatives who were in attendance.
- Performed testing of ATR.V – Separation by:
  - inquiring whether SoCalGas shared any office space with affiliates;
  - reviewing physical and system access policies and procedures; and
  - selecting all 16 employee transfers reported in 2022 and 2023 Annual Reports, Schedule H, and determining whether SoCalGas complied with applicable CPUC directives, orders, rules, regulations, and SoCalGas's policies and procedures relating to employee movement by:

- verifying whether the transfer fees were correctly calculated based on compensation;
  - tracing the compensation used to payroll source documentation;
  - confirming accounting journal entries to ensure transfer fees were properly credited;
  - reviewing employment history to ensure compliance with residency requirements;
  - confirming exit interview checklists were completed; and
  - validating physical and system access were updated prior to or on the transfer date to the affiliate.
- Performed testing of ATR VI.A and VI.B – Compliance Plans and New Affiliates Compliance Plans, respectively, by:
  - obtaining a list of new affiliates reported during the audit period;
  - tracing 12 new affiliates to the compliance plan to ensure they were included and reported under the correct designation;
  - verifying an advice letter was filed within 60 days of the creation date for 3 of 12 or 25% of new affiliates reported; and
  - reconciling the 189 and 199 affiliates reported in the 2022 and 2023 Compliance Plans, respectively to the 2022 and 2023 annual reports.
- Performed testing of ATR VII.H – Period Reporting of Non-Tariffed Products & Services (NTP&S) by:
  - reviewing SoCalGas’s accounting reporting guidelines and procedures; and
  - obtaining the 2022 and 2023 NTP&S reports, tracing 2 of the 12 or 16.67% reported NTP&S offered to ensure they were (1) included in AL-2669 and (2) gross revenue and incremental costs were supported.
- Reviewed SoCalGas’s self-reported instances submitted during the audit period.

We did not audit SoCalGas’s financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that SoCalGas complied with the ATRs during the audit period. We considered SoCalGas’s internal controls only to the extent necessary to plan the audit and achieve our audit objective.

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

objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Conclusion

Based on our audit objective, procedures performed, samples tested, and evidence gathered, we found instances of inadequate internal controls and noncompliance with the requirements for the audit period of January 1, 2022, through December 31, 2023. These instances are described in the Findings and Recommendations section of this audit report.

## Follow-up on Prior Audit Findings

We identified a prior external audit conducted by SCO, relevant to our audit objective. SCO's Performance Audit of SoCalGas's ATRs for the period January 1, 2020, through December 31, 2021, issued December 4, 2024, determined whether SoCalGas complied with ATRs I through IX. The audit report identified eight findings related to inadequate controls and noncompliance. SoCalGas submitted its corrective action plan on April 4, 2025, and we confirmed during this audit that SoCalGas's implemented corrective actions were sufficient.

## Views of Responsible Officials

We issued a draft report on June 17, 2025. SoCalGas responded by letter dated July 1, 2025, agreeing to implement UAB's recommendations, and requesting to designate Findings 1 and 4 as observations rather than findings and to make two corrections to Finding 5. SoCalGas's response is included in this final report as an attachment in Appendix A—Utility's Response to Draft Audit Report and our evaluation of the response is included in Appendix B—UAB's Evaluation of Utility's Response.

## Restricted Use

This audit report is intended solely for the information and use of SoCalGas and CPUC; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and will be available on CPUC website at [Audit Reports by Industry](#).

*Alasha Vorobyeva for Angie Williams*

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Angie Williams, Director  
Utility Audits, Risk and Compliance Division

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Lack of Documentation Related to Customer Information Service Requests

#### Condition:

SoCalGas did not consistently maintain supporting documentation of affirmative written customer consent and did not retain documentation to substantiate when customer data was sent to third parties to ensure SoCalGas received customer written consent prior to providing customer information to a third party. SoCalGas has several service departments that process Customer Information Service Requests (CISRs). Based on the samples tested, SoCalGas did not receive any CISRs from an affiliate, and therefore SoCalGas was not required to publicly post a notice on its website; however, the following service departments were deficient in maintaining documentation as follows:

Service Department	Failed to Provide Evidence of Customer Written Authorization	Failed to Provide Evidence of When Customer Data was Sent to Third Party
Capacity Products	7 of 21 CISRs tested or 33%	8 of 21 CISRs tested or 38%
Account Executive	N/A	5 of 5 CISRs tested or 100%

SCO reported inadequate internal controls for CISRs in its 2020-2021 ATR audit report, as Finding #2. SCO recommended SoCalGas improve current policies to process CISRs accurately, maintain complete and reliable supporting documentation, and be able to generate CISR reports from all departments that receive and process CISRs. SoCalGas submitted a corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas implemented a Consent to Share Procedures in July 2024, which outlined the steps and controls that must take place when processing a CISR. Although SoCalGas implemented new controls in July 2024, these were not in effect during the audit period, and as a result, we noted deficiencies during our audit period as outlined above.

#### Criteria:

D.06-12-09, Appendix A-3, ATR IV.A – Customer Information states, in part, that:

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

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and states, in part, that:

SoCalGas requires authorization by written paper or electronic customer consent for the release of any customer-specific information, unless otherwise ordered by CPUC or other regulatory agency or allowed by a legal process.

#### Cause:

SoCalGas lacked oversight and policies and procedures during the audit period to ensure a consistent process was performed across service departments. In addition, SoCalGas failed to develop a quality assurance process that would detect and correct deficiencies.



**Effect:**

Providing customer information without prior written consent may result in a breach of privacy. Failure to maintain documentation of customer written consent and evidence of customer data sent to third parties cannot ensure SoCalGas complied with this specific ATR.

**Recommendations:**

SoCalGas should ensure its Consent to Share Procedures implemented in July 2024 are working as intended and monitor compliance with this ATR moving forward.

**Finding 2: Improper Sharing of Non-Customer Specific Non-Public Information with Affiliates****Condition:**

SoCalGas shared non-customer specific non-public information with affiliates during the audit period in two instances, contrary to D.06-12-09 guidelines and its Compliance Plans. SoCalGas discovered and disclosed to CPUC two instances involving ATR IV.B – Non-Customer Specific Non-Public Information as follows:

Instance 1: Reported to CPUC on August 10, 2022

A SoCalGas employee sent non-customer specific, non-public supplier information to a Sempra Infrastructure (SI) employee. The SI employee was a former SDG&E employee who previously managed the contract for this supplier. However, SoCalGas's Enterprise Contract Management system was not updated to reflect the change in agent when the employee transferred to an affiliate.

Instance 2: Reported to CPUC on February 1, 2023

A SoCalGas employee sent non-customer specific, non-public information (two invoices issued by a covered affiliate in 2020 for the transportation of natural gas, containing non-public information regarding gas rates and volumes) to two SI employees to seek assistance in determining whether payments made to a Mexican affiliate in 2020 were subject to the Securities and Exchange Commission's Resource Extraction Rules.

SCO reported ineffective internal control related to sharing of non-public information in its 2020-2021 ATR audit report, as Finding #3. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas implemented a control measure restricting emails sent to an affiliate, unless the SoCalGas employee attests adherence to ATRs prior to sending an email to an affiliate employee via an Outlook warning prompt. We reviewed supporting evidence indicating the Outlook warning prompt appears when an affiliate's email is entered.

**Criteria:**

D.06-12-09, Appendix A-3, ATR IV.B – Non-Customer Specific Non-Public Information, states, in part, that:

A utility shall make non-customer specific non-public information, (...) available to the utility's affiliate only if the utility makes that information contemporaneously available to all service providers on the same terms and conditions, and keeps the information open to public inspection.

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and states, in part, that:

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

**Cause:**

SoCalGas did not have sufficient measures in place during the audit period to prevent employees from sharing non-customer specific non-public information with affiliates. In addition, SoCalGas failed to ensure that internal systems were updated when an employee transfers to an affiliate.

**Effect:**

Sharing non-customer specific non-public information with affiliates gives the affiliate an undue advantage over the information and can prevent other market participants from having the opportunity to gain knowledge of the availability of the information contemporaneously.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward. In addition, for Instance 1, SoCalGas should develop policies and procedures to ensure that SoCalGas's Enterprise Contract Management system is updated to ensure that employees transferred to an affiliate are no longer listed as an agent.

**Finding 3: Untimely Termination of Physical and System Access**

**Condition:**

SoCalGas did not terminate physical and system access for 6 out of 16 employees on or before the employee transferred to an affiliate as follows:

Employee	Transfer From/To	Transfer Date	Physical Access Removed	System Access Terminated
#1	Sempra Energy to SoCalGas	8/6/2022	8/15/2022	N/A
#2	SoCalGas to Sempra Energy	3/19/2022	N/A	4/6/2022
#3	SoCalGas to Sempra Energy	5/14/2022	N/A	5/18/2022
#4	SoCalGas to an Affiliate	7/23/2022	7/25/2022, 8/1/2022	7/28/2022
#5	SoCalGas to an Affiliate	8/6/2022	8/15/2022	8/12/2022
#6	SoCalGas to an Affiliate	8/20/2022	8/23/2022, 8/29/2022	8/25/2022

SCO reported inadequate internal controls for employee physical and information system access in its 2020-2021 ATR audit report, as Finding #4. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas updated its processes and procedures to terminate physical and information system access of SoCalGas's employees transferring to a covered affiliate in a timely manner. SoCalGas initiated the Affiliate Compliance Transfer Physical Access

Management procedure in October 2022. We found no further issues following the implementation of this procedure.

**Criteria:**

D.06-12-09, Appendix A-3, ATR V.C – Sharing of Plant, Facilities, Equipment or Costs, states, in part, that:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules.

**Cause:**

SoCalGas lacked policies and procedures, and expeditious internal notifications and communication prevented timely revocation of physical and system access.

**Effect:**

Failure to terminate physical and system access timely gives affiliates an unfair advantage by having access to confidential and non-public utility information, and it also creates significant risk that non-public information will be accessed by unauthorized employees.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

**Finding 4: Lack of Exit Interview Documentation****Condition:**

SoCalGas did not maintain exit interview documentation for two employees in July 2022 and August 2022. The exit interview checklist is the mechanism that SoCalGas utilizes to comply with ATR V.G.2.d to ensure that employees hired by an affiliate acknowledge that they will not use information gained at the utility to benefit the affiliate.

SCO reported incomplete documentation for exit interviews in its 2020-2021 ATR audit report, as Finding #6. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas updated its control to require the exit checklist and sign-off form with the Anti-Conduit provision, as a mandatory component for inter-company employee transfers. SoCalGas implemented an Exit Checklist Process procedure effective August 1, 2022, and revised it on July 23, 2024. This process was not yet in effect during the period when two deficiencies noted above took place. However, we found no further issues following SoCalGas's implementation of this procedure.

**Criteria:**

D.06-12-09, Appendix A-3, ATR V.G.2 – Employees Movement, states, in part, that:

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

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and states, in part, that:

SoCalGas' Human Resources (HR) department or the employee's departing manager conducts exit interviews with all employee transfers from SoCalGas to Sempra or an affiliate. During the exit interview, employees are required to acknowledge that they will not use information gained at the utility to benefit the affiliate. The HR department or employee's departing manager/supervisor is responsible for informing the employee of the anti-conduit provisions when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate.

**Cause:**

SoCalGas lacked oversight procedures during the audit period to ensure exit interview documentation was completed and maintained to ensure compliance with the ATR.

**Effect:**

Failure to ensure employees are properly off-boarded, as documented by the exit interview process, can give affiliates an unfair advantage; transferred employees may use information gained at the utility to benefit the affiliate.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

**Finding 5: Inaccurate Reporting of Affiliates**

**Condition:**

During the audit period, SoCalGas omitted reporting or inaccurately reported affiliates as follows:

- SoCalGas omitted reporting Gasoducto del Sur S.A's from its Listing of Covered and Non-Covered Affiliates in its 2022 Annual Report.
- SoCalGas omitted reporting SDG&E from its list of affiliates in its 2023 Annual Report.
- SoCalGas did not include the correct affiliate designation for the following three covered entities (Gillis Connector Pipeline, LLC, SI LNG Optimization Services, LLC, and Oncor Receivables LLC) in its Listing of Covered and Non-Covered affiliates in its 2023 Affiliate Compliance Plan.

SCO reported untimely reporting of new affiliates in its 2020-2021 ATR audit report, as Finding #7. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas's Affiliate Compliance [Department] made updates to the Affiliate Transactions Compliance Procedure and Sempra's Corporate Governance updated their reporting procedures to improve upon the accuracy and timing of the process. SoCalGas implemented the Affiliate Transactions Compliance Plan Procedure in June 2024. Although SoCalGas has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

D.93-02-019, Appendix A, Section II.A.1 states, in part, that:

Each utility shall list and provide the (...) information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the annual report (...)

D.06-12-029, Appendix 3, ATR VI.A – Compliance Plans states, in part, that:

The compliance plan shall include: 1. A list of all affiliates of the utility, as defined in Rule I.A of these Rules and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate...

SoCalGas's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and states, in part, that:

This Plan represents SoCalGas' compliance with [ATR IV.A]. Appendix 3 of [the] Plan provides a listing of SoCalGas' covered and non-covered affiliates, as of June 15 as required by this rule.

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

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

**Cause:**

SoCalGas lacked adequate policies and procedures during the audit period to prevent, detect and correct errors and to ensure reported affiliates' information was accurate.

**Effect:**

Inaccurate and/or incomplete information reported in SoCalGas's Compliance Plan and Annual Report could potentially impact SoCalGas's ability to meet regulatory requirements.

The purpose of these reporting requirements is to enable the CPUC to monitor, track, and audit transactions between [gas corporations] and every subsidiary or affiliate of, or corporation holding a controlling interest in the [gas corporation].

**Recommendations:**

SoCalGas should amend its 2022 and 2023 Annual Reports to include the omitted entities and amend its 2023 Affiliate Compliance Plan to correct the designation for the three entities noted in the condition above. In addition, SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

## SUMMARY SCHEDULE OF AUDIT RESULTS

ATR	Findings Summary
IV. Disclosure and Information, A. Customer Information	<b>Finding 1:</b>  Capacity Products service department: <ul style="list-style-type: none"> <li>• 33 percent of samples tested did not have evidence of written customer authorization; and</li> <li>• 38 percent of samples tested did not have evidence of when customer data was sent to third parties.</li> </ul> Account Executive service department: <ul style="list-style-type: none"> <li>• 100 percent of samples tested did not retain email records of when customer data was sent to third parties.</li> </ul>
IV. Disclosure and Information, B. Non-Customer Specific Non-Public Information	<b>Finding 2:</b>  SoCalGas shared non-public information with affiliates in two instances during the audit period contrary to requirements.
V. Separation, C. Sharing of Plant, Facilities, Equipment or Costs	<b>Finding 3:</b>  SoCalGas did not terminate physical and system access for select employees transfers to affiliates in 2022.
V. Separation, G.2.d Employees	<b>Finding 4:</b>  SoCalGas did not maintain documentation or complete exit interviews for two employees in 2022.
VI. Regulatory Oversight, A. Compliance Plans	<b>Finding 5:</b>  SoCalGas omitted: <ul style="list-style-type: none"> <li>• One affiliate entity from its 2022 Annual Report,</li> <li>• One affiliate entity from its 2023 Annual Report; and</li> <li>• Three affiliate entities' affiliate designation were incorrectly reported in the 2023 Compliance Plan.</li> </ul>



## SUMMARY OF SELF-REPORTED INSTANCES

ATR VIII.D.2.b.ii.3 – The Utility’s Actions to Disclose and Rectify a Violation, requires the public utility to report to CPUC any instances when a utility is aware that a violation of ATR has occurred. SoCalGas had the following self-reported instances occurring during the audit period:

#	Date Reported	Occurrence Date	Rule Addressing Self-Report & Description of Instance	SoCalGas’s Mitigation/Follow-up
1	8/4/2022	3/4/2022	ATR VI.B: SoCalGas exceeded CPUC’s 60-day requirement for filing an advice letter upon the creation of a new affiliate due to the finalization of the entity taking longer than 60-days.	Affiliates will now notify Sempra upon application for entity formation.  SCO’s 2020-2021 Audit Report, Finding 7.
2	8/10/2022	6/20/2022	ATR IV.B: A SoCalGas employee sent non-customer specific, non-public supplier information to a Sempra Infrastructure (SI) employee.	SoCalGas updated its internal processes. See Finding 2 above.
3	12/21/2022	11/10/2022	ATR I.I.C: A third-party (not a SoCalGas affiliate) sent SoCalGas’s Gas Acquisition (GA) department non-public utility information.	SoCalGas notified the third party to remove GA employees from the distribution list and updated guidelines for GA employees for proper steps to take when non-public utility information is received.
4	2/1/2023	12/21/2022	ATR IV.B: A SoCalGas employee sent two invoices from 2020 for gas transportation costs between a SoCalGas and an affiliate to two SI employees.	The SoCalGas employee received additional training. SI employees confirmed they did not view the attachments and deleted the email. See Finding 2 above.
5	2/10/2023	Various dates in 2022	ATR V.C: Employee movement to affiliates, certain employees’ system and physical access were maintained after the transfer date.	SoCalGas implemented new technical solutions for timely notification to terminate access, new processes and training. See Finding 3 above.
6	3/28/2023	2/21/2023	ATR I.I.C & Remedial Measure 15: A SoCalGas employee within the Capacity Product support section of Gas Control sent two SoCalGas employees of gas acquisition a report containing non-public customer information.	SoCalGas provided Training and Affiliate Compliance Guidelines to its employees.
7	10/9/2023	6/30/2023	ATR VII.H: Categories II.1, II.2 and VII.1 were misreported in the 2022 NTP&S report.	SoCalGas filed a revised 2022 NTP&S report along with this Self-Reported Instance.

## APPENDIX A—UTILITY'S RESPONSE TO DRAFT AUDIT REPORT

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**Brittany Ponce**  
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July 1, 2025

Angie Williams  
Director, Utility Audits Branch (UAB)  
California Public Utilities Commission (CPUC)  
Utility Audits, Risk and Compliance Division  
400 R Street, Suite 221  
Sacramento, California 95811

Dear Ms. Williams:

On June 17, 2025, the CPUC issued the Draft Findings and Observations in connection with its audit of SoCalGas's compliance with the Commission's Affiliate Transaction Rules ("ATRs") for Compliance Years (CY's) 2022 and 2023. As permitted by the Commission, SoCalGas provides the responses below to the draft Findings and Observations.

SoCalGas remains committed to maintaining compliance with the ATRs and continuous improvement of its compliance program over time. To that end, SoCalGas appreciates the independent assessment of our Compliance Program by the UAB and the identified opportunities to strengthen existing controls and governance contained in the recommendations.

As set forth in the responses below, SoCalGas respectfully requests that two of the five findings be re-designated as observations, rather than findings in the final report. Whether ultimately identified as findings or observations, as also set forth in the responses, SoCalGas commits to implementing the UAB's recommendations for those observations.

SoCalGas appreciates the Commission's acknowledgment of SoCalGas's corrective actions, and how these corrective actions have been found to be effective since implementation.

Please contact the undersigned at (562) 713-7754 if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "BP", with a horizontal line extending to the right.

Brittany Ponce  
Enterprise Compliance Manager

CC:

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

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

**utilityaudits@cpuc.ca.gov**

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**RESPONSE SUBMITTED: July 1, 2025**

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Introduction & Background

SoCalGas is committed to a strong culture of compliance and has a robust program in place to advance compliance across the enterprise and drive company-wide continuous improvement. As part of these efforts, SoCalGas has been proactive and transparent with the CPUC regarding potential instances of non-compliance and engages in activities to strengthen its compliance program. It is in this spirit that we submit our response to the Draft Audit Report.

SoCalGas takes compliance with the ATRs very seriously; and as part of its robust compliance program that advances compliance assurance and promotes continuous improvement, SoCalGas's Affiliate Compliance department ("ACD") continuously fields questions from employees and provides ongoing guidance to proactively advance affiliate compliance. SoCalGas's Senior Leadership, including the Chief Compliance Officer (COO) and the Senior Management team with the respective Vice Presidents (VP's) for functional areas affected by the findings have been involved and/or briefed regarding the audit findings and mitigations.

Additionally, SoCalGas takes a proactive approach to compliance through the implementation of Preventative controls (Policies/Procedures/Guidelines, Training), Regular Detection and Monitoring (Reporting Channels, Controls Review, Audits), and Corrective Action and Disclosure for any non-compliances found. SoCalGas publishes the controls in place in the annual Compliance Plan and Affiliate Compliance Guidelines, which are broadly circulated across the SoCalGas organization and filed with the CPUC.

As part of these efforts, Affiliate Compliance training that outlines the Rules and employee responsibilities is taken by management employees on an annual basis. This training requires confirmation of the employee's understanding of the Rules, and an attestation that no violations are known. Represented/Union employees are also provided with annual Affiliate Compliance Training that they are strongly encouraged to complete.

In addition to these annual trainings, SoCalGas trains and provides ongoing guidance to individual departments who work closely with the Rules, as needed, to reinforce the annual training. This training is reviewed regularly to incorporate any lessons learned from ongoing oversight and continuous improvement activities.

If a control weakness or violation is discovered through oversight and monitoring activities, SoCalGas modifies its procedures accordingly and reinforces them with training, if applicable. ACD works closely with departments responsible for enforcing the Rules to enhance and strengthen department procedures. If instances of non-compliances are found, SoCalGas self-reports such instances to the CPUC and proactively takes corrective action.

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2022-2023 Audit Findings

On April 4, 2024, the Draft SoCalGas CY's 2020 – 2021 Affiliate Compliance Audit Report ("2020-2021 Draft Audit Report") was issued to SoCalGas by the State Controller's Office ("SCO") on behalf of the CPUC. On April 18, 2024, SoCalGas submitted their responses to the 2020-2021 Draft Audit Report preliminary findings. On December 4, 2024, the SCO issued the Final SoCalGas CY's 2020 – 2021 Affiliate Compliance Audit Report ("2020-2021 Final Audit Report"). On June 4, 2024, the CPUC commenced the 2022-2023 audit. The Energy Division sent a follow up data request on March 12, 2024, for the 2020-2021 audit. On June 17, 2025, the Draft SoCalGas CY's 2022 – 2023 Affiliate Compliance Audit Report ("2022 – 2023 Draft Audit Report") was issued to SoCalGas by the CPUC.

**Please see the image on page 5 below** for the Affiliate Compliance Audits Timeline, which shows the time overlap between the CY 2020/2021 and CY 2022/2023 audits.

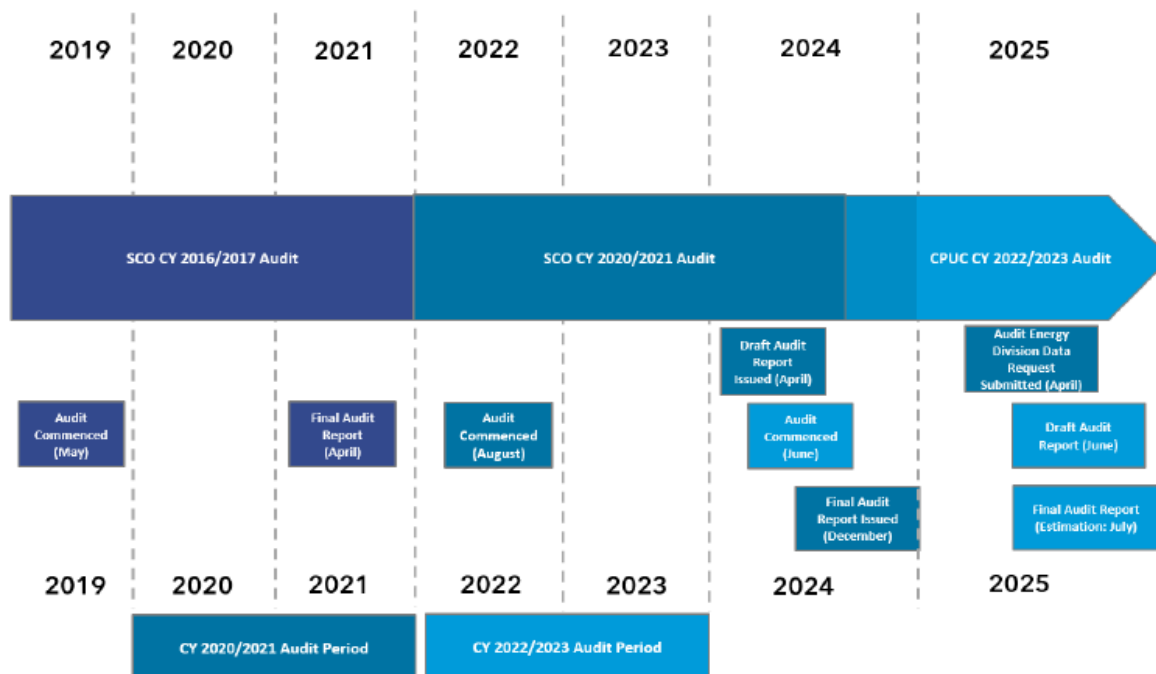
The timing of the issuance of the "2020-2021 Final Audit Report" occurred after the CYs 2022 - 2023 audit period. SoCalGas therefore appreciates the Commission's acknowledgment of SoCalGas's corrective action plan for the prior 2020-2021 audit, and how these corrective actions have been found to be effective since implementation.

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## Affiliate Compliance Audits Timeline





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**RESPONSE SUBMITTED: July 1, 2025**

**SUBJECT:** The California Public Utilities Commission's (CPUC) Utility Audits Branch (UAB) requests information pursuant to SoCalGas's 2022-2023 ATR in relation to Decision (D.) 06-12-029. The performance audit period is from January 1, 2022, to December 31, 2023.

**Finding 1: Lack of Documentation Related to Customer Information Service Requests**

**Condition:**

SoCalGas did not consistently maintain supporting documentation of affirmative written customer consent and did not retain documentation to substantiate when customer data was sent to third parties to ensure SoCalGas received customer written consent prior to providing customer information to a third party. SoCalGas has several service departments that process Customer Information Service Requests (CISRs). Based on the samples tested, SoCalGas did not receive any CISRs from an affiliate, and therefore SoCalGas was not required to publicly post a notice on its website; however, the following service departments were deficient in maintaining documentation as follows:

Service Department	Failed to Provide Evidence of Customer Written Authorization	Failed to Provide Evidence of When Customer Data was Sent to Third Party
Capacity Products	7 of 21 CISRs tested or 33%	8 of 21 CISRs tested or 38%
Account Executive	N/A	5 of 5 CISRs tested or 100%

SCO reported inadequate internal controls for CISRs in its 2020-2021 ATR audit report, as Finding #2. SCO recommended SoCalGas improve current policies to process CISRs accurately, maintain complete and reliable supporting documentation, and be able to generate CISR reports from all departments that receive and process CISRs. SoCalGas submitted a corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas implemented a Consent to Share Procedures in July 2024, which outlined the steps and controls that must take place when processing a CISR. Although SoCalGas implemented new controls in July 2024, these were not in effect during the audit period, and as a result, we noted deficiencies during our audit period as outlined above.

**Criteria:**

D.06-12-09, Appendix A-3, ATR IV.A – Customer Information states, in part, that:

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

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:



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SoCalGas requires authorization by written paper or electronic customer consent for the release of any customer-specific information, unless otherwise ordered by CPUC or other regulatory agency or allowed by a legal process.

**Cause:**

SoCalGas lacked oversight and policies and procedures during the audit period to ensure a consistent process was performed across service departments. In addition, SoCalGas failed to develop a quality assurance process that would detect and correct deficiencies.

**Effect:**

Providing customer information without prior written consent may result in a breach of privacy. Failure to maintain documentation of customer written consent and evidence of customer data sent to third parties cannot ensure SoCalGas complied with this specific ATR.

**Recommendations:**

SoCalGas should ensure its Consent to Share Procedures implemented in July 2024 are working as intended and monitor compliance with this ATR moving forward.

**SoCalGas Response:**

As recommended by the CPUC's Utility Audit Branch (UAB), SoCalGas will ensure its Consent to Share Procedures implemented in 2024 are working as intended and continue to monitor compliance with this ATR moving forward.

The draft report states that certain service departments were deficient in maintaining evidence of when customer data was sent to a third party. SoCalGas has noted the auditor's observation, acknowledges the improvement opportunity for enhanced controls to further document when customer data has been sent to a third party, and has worked to update departmental procedures to include documentation of when customer data is sent to a third party. SoCalGas notes, however, this is an observation, rather than a finding, and requests this observation be re-designated as an observation. The ATRs do not require SoCalGas to maintain evidence of when written customer data is sent to third parties. Rather, the applicable ATR requires SoCalGas to provide information to affiliates and non-affiliates on a non-discriminatory basis. Specifically, D.06-12-09, Appendix A-3, ATR IV.A – Customer Information states that, "A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent."

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**SUBJECT:** The California Public Utilities Commission's (CPUC) Utility Audits Branch (UAB) requests information pursuant to SoCalGas's 2022-2023 ATR in relation to Decision (D.) 06-12-029. The performance audit period is from January 1, 2022, to December 31, 2023.

**Finding 2: Improper Sharing of Non-Customer Specific Non-Public Information with Affiliates**

**Condition:**

SoCalGas shared non-customer specific non-public information with affiliates during the audit period in two instances, contrary to D.06-12-09 guidelines and its Compliance Plans. SoCalGas discovered and disclosed to CPUC two instances involving ATR IV.B – Non-Customer Specific Non-Public Information as follows:

Instance 1: Reported to CPUC on August 10, 2022

A SoCalGas employee sent non-customer specific, non-public supplier information to a Sempra Infrastructure (SI) employee. The SI employee was a former SDG&E employee who previously managed the contract for this supplier. However, SoCalGas's Enterprise Contract Management system was not updated to reflect the change in agent when the employee transferred to an affiliate.

Instance 2: Reported to CPUC on February 1, 2023

A SoCalGas employee sent non-customer specific, non-public information (two invoices issued by a covered affiliate in 2020 for the transportation of natural gas, containing non-public information regarding gas rates and volumes) to two SI employees to seek assistance in determining whether payments made to a Mexican affiliate in 2020 were subject to the Securities and Exchange Commission's Resource Extraction Rules.

SCO reported ineffective internal control related to sharing of non-public information in its 2020-2021 ATR audit report, as Finding #3. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas implemented a control measure restricting emails sent to an affiliate, unless the SoCalGas employee attests adherence to ATRs prior to sending an email to an affiliate employee via an Outlook warning prompt. We reviewed supporting evidence indicating the Outlook warning prompt appears when an affiliate's email is entered.

**Criteria:**

D.06-12-09, Appendix A-3, ATR IV.B – Non-Customer Specific Non-Public Information, states, in part, that:

A utility shall make non-customer specific non-public information, (...) available to the utility's affiliate only if the utility makes that information contemporaneously available to all

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service providers on the same terms and conditions and keeps the information open to public inspection.

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

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

**Cause:**

SoCalGas did not have sufficient measures in place during the audit period to prevent employees from sharing non-customer specific non-public information with affiliates. In addition, SoCalGas failed to ensure that internal systems were updated when an employee transfers to an affiliate.

**Effect:**

Sharing non-customer specific non-public information with affiliates gives the affiliate an undue advantage over the information and can prevent other market participants from having the opportunity to gain knowledge of the availability of the information contemporaneously.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward. In addition, for Instance 1, SoCalGas should develop policies and procedures to ensure that SoCalGas's Enterprise Contract Management system is updated to ensure that employees transferred to an affiliate are no longer listed as an agent.

**SoCalGas Response:**

As indicated in the draft report, SoCalGas self-reported to the CPUC the identified instances of transmittal of non-public information to an affiliate.

As recommended, SoCalGas will ensure continued implementation of the corrective action plan and monitor compliance with this ATR moving forward.

The auditors further recommend that SoCalGas develop policies and procedures to ensure that its Enterprise Contract Management System is updated so that employees who have transferred to an affiliate are no longer listed as agents.

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Supply Management has developed a procedure responsive to this recommendation. Each quarter, the Procurement System Administrator reviews user access in the Contract Management System and SAP (financial accounting system) to affirm purchase order (PO) create and approval roles are appropriate, assess whether any user roles need to be adjusted/removed, and confirm there are no Segregation of Duties (SOD) issues. Conflicting roles are removed, and findings are reviewed and approved by the in-line Director, with documentation compiled in a quarterly report. SoCalGas also provides annual Affiliate Compliance Refresher Training wherein Supply Management employees attest to their understanding of the training.



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**DATE REQUESTED: June 17, 2025**  
**RESPONSE SUBMITTED: July 1, 2025**

**SUBJECT:** The California Public Utilities Commission's (CPUC) Utility Audits Branch (UAB) requests information pursuant to SoCalGas's 2022-2023 ATR in relation to Decision (D.) 06-12-029. The performance audit period is from January 1, 2022, to December 31, 2023.

**Finding 3: Untimely Termination of Physical and System Access**

**Condition:**

SoCalGas did not terminate physical and system access for 6 out of 16 employees on or before the employee transferred to an affiliate as follows: SoCalGas did not terminate six employees' physical and system access on or before transferring to an affiliate in 2022.

Employee	Transfer From/To	Transfer Date	Physical Access Removed	System Access Terminated
#1	Sempra Energy to SoCalGas	8/6/2022	8/15/2022	N/A
#2	SoCalGas to Sempra Energy	3/19/2022	N/A	4/6/2022
#3	SoCalGas to Sempra Energy	5/14/2022	N/A	5/18/2022
#4	SoCalGas to an Affiliate	7/23/2022	7/25/2022, 8/1/2022	7/28/2022
#5	SoCalGas to an Affiliate	8/6/2022	8/15/2022	8/12/2022
#6	SoCalGas to an Affiliate	8/20/2022	8/23/2022, 8/29/2022	8/25/2022

SCO reported inadequate internal controls for employee physical and information system access in its 2020-2021 ATR audit report, as Finding #4. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas updated its processes and procedures to terminate physical and information system access of SoCalGas's employees transferring to a covered affiliate in a timely manner. SoCalGas initiated the Affiliate Compliance Transfer Physical Access Management procedure in October 2022. We found no further issues following the implementation of this procedure.

**Criteria:**

D.06-12-09, Appendix A-3, ATR V.C – Sharing of Plant, Facilities, Equipment or Costs, states, in part, that:

A utility shall not share office space, office equipment, services, and systems with its affiliates, nor shall a utility access the computer or information systems of its affiliates or allow its

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affiliates to access its computer or information systems, except to the extent appropriate to perform shared corporate support functions permitted under Rule V E of these Rules.

**Cause:**

SoCalGas lacked policies and procedures, and expeditious internal notifications and communication prevented timely revocation of physical and system access.

**Effect:**

Failure to terminate physical and system access timely gives affiliates an unfair advantage by having access to confidential and non-public utility information, and it also creates significant risk that non-public information will be accessed by unauthorized employees.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

**SoCalGas Response:**

As recommended, SoCalGas will continue to implement its corrective action plan and monitor compliance with this ATR moving forward. As stated in this Finding #3 "condition" section of this draft report, SoCalGas submitted its corrective action plan for the 2020-2021 ATR audit report (Finding #4) to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas updated its processes and procedures to terminate physical and information system access of SoCalGas's employees transferring to a covered affiliate in a timely manner. The auditors note that no further issues were found following the implementation of the access termination procedural updates made after October 2022.

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**SUBJECT:** The California Public Utilities Commission's (CPUC) Utility Audits Branch (UAB) requests information pursuant to SoCalGas's 2022-2023 ATR in relation to Decision (D.) 06-12-029. The performance audit period is from January 1, 2022, to December 31, 2023.

**Finding 4: Lack of Exit Interview Documentation**

**Condition:**

SoCalGas did not maintain exit interview documentation for two employees in July 2022 and August 2022. The exit interview checklist is the mechanism that SoCalGas utilizes to comply with ATR V.G.2.d to ensure that employees hired by an affiliate acknowledge that they will not use information gained at the utility to benefit the affiliate.

SCO reported incomplete documentation for exit interviews in its 2020-2021 ATR audit report, as Finding #6. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas updated its control to require the exit checklist and sign-off form with the Anti-Conduit provision, as a mandatory component for inter-company employee transfers. SoCalGas implemented an Exit Checklist Process procedure effective August 1, 2022, and revised it on July 23, 2024. This process was not yet in effect during the period when two deficiencies noted above took place. However, we found no further issues following SoCalGas's implementation of this procedure.

**Criteria:**

D.06-12-09, Appendix A-3, ATR V.G.2 – Employees Movement, states, in part, that:

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

SoCalGas's 2022 and 2023 Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

SoCalGas' Human Resources (HR) department or the employee's departing manager conducts exit interviews with all employee transfers from SoCalGas to Sempra or an affiliate. During the exit interview, employees are required to acknowledge that they will not use information gained at the utility to benefit the affiliate. The HR department or employee's departing manager/supervisor is responsible for informing the employee of the anti-conduit provisions when transferring from a covered affiliate to the utility. In addition to the exit interview, an asset inventory is conducted to review any material the employee requests to take to the affiliate.

**Cause:**

SoCalGas lacked oversight procedures during the audit period to ensure exit interview documentation was completed and maintained to ensure compliance with the ATR.



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**Effect:**

Failure to ensure employees are properly off-boarded, as documented by the exit interview process, can give affiliates an unfair advantage; transferred employees may use information gained at the utility to benefit the affiliate.

**Recommendations:**

SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

**SoCalGas Response:**

As recommended, SoCalGas will ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

As indicated in the draft report, employee exit interview checklists are a SoCalGas internal control to promote compliance with the anti-conduit provisions of the ATRs. There is no ATR that mandates utilities to prepare or maintain such checklists. As such, SoCalGas requests this finding be re-designated as an observation, rather than a finding in the final report.

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**SUBJECT:** The California Public Utilities Commission's (CPUC) Utility Audits Branch (UAB) requests information pursuant to SoCalGas's 2022-2023 ATR in relation to Decision (D.) 06-12-029. The performance audit period is from January 1, 2022, to December 31, 2023.

**Finding 5: Inaccurate Reporting of Affiliates**

**Condition:**

During the audit period, SoCalGas omitted reporting or inaccurately reported affiliates as follows:

- SoCalGas omitted reporting the following two entities from its Listing of Covered and Non-Covered Affiliates in its 2022 Annual Report:
  - o Gasoducto del Sur S.A.'s dissolution was approved by its stakeholders December 9, 2021, and the dissolution was liquidated and finalized on March 8, 2023; and
  - o IEnova Petroliferos Holding, S. de R.L. de C.V. was dissolved November 8, 2023.
- SoCalGas omitted reporting SDG&E from its list of affiliates in its 2023 Annual Report.
- SoCalGas did not include the correct affiliate designation for the following three covered entities (Gillis Connector Pipeline, LLC, SI LNG Optimization Services, LLC, and Oncor Receivables LLC) in its Listing of Covered and Non-Covered affiliates in its 2023 Affiliate Compliance Plan.

SCO reported untimely reporting of new affiliates in its 2020-2021 ATR audit report, as Finding #7. SoCalGas submitted its corrective action plan to the CPUC's Energy Division on April 4, 2025, indicating SoCalGas's Affiliate Compliance [Department] made updates to the Affiliate Transactions Compliance Procedure and Semptra's Corporate Governance updated their reporting procedures to improve upon the accuracy and timing of the process. SoCalGas implemented the Affiliate Transactions Compliance Plan Procedure in June 2024. Although SoCalGas has implemented controls, these were not in effect during the audit period, and as a result, we noted deficiencies as outlined above.

**Criteria:**

PU Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.

D.93-02-019, Appendix A, Section II.A.1 states, in part, that:

Each utility shall list and provide the (...) information for each affiliated entity and regulated subsidiary that the utility had during the period covered by the annual report (...)

D.06-12-029, Appendix 3, ATR VI.A – Compliance Plans states, in part, that:

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The compliance plan shall include: 1. A list of all affiliates of the utility, as defined in Rule I A of these Rules and for each affiliate, its purpose or activities, and whether the utility claims that Rule II B makes these Rules applicable to the affiliate;

SoCalGas's 2022 and 2023 Affiliate Compliance Plans include procedures and mechanisms in place to promote compliance with ATRs, and state, in part, that:

This Plan represents SoCalGas' compliance with [ATR IV.A]. Appendix 3 of [the] Plan provides a listing of SoCalGas' covered and non-covered affiliates, as of June 15 as required by this rule.

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

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

**Cause:**

SoCalGas lacked adequate policies and procedures during the audit period to prevent, detect and correct errors and to ensure reported affiliates' information was accurate.

**Effect:**

Inaccurate and/or incomplete information reported in SoCalGas's Compliance Plan and Annual Report could potentially impact SoCalGas's ability to meet regulatory requirements.

The purpose of these reporting requirements is to enable the CPUC to monitor, track, and audit transactions between [gas corporations] and every subsidiary or affiliate of, or corporation holding a controlling interest in the [gas corporation].

**Recommendations:**

SoCalGas should amend its 2022 and 2023 Annual Reports to include the omitted entities and amend its 2023 Affiliate Compliance Plan to correct the designation for the three entities noted in the condition above. In addition, SoCalGas should ensure continued implementation of its corrective action plan and monitor compliance with this ATR moving forward.

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**SoCalGas Response:**

As recommended, SoCalGas will amend its 2022 and 2023 Annual Reports of Affiliate Transactions to include previously omitted entities. Additionally, SoCalGas will amend its 2023 Affiliate Compliance Plan to correct the designations for the three entities noted in the conditions above.

Note, SoCalGas requests correction of one statement in the Draft Audit Report. On page 20 of the 2022 Annual Report of Affiliate Transactions, the affiliate *IEnova Petroliferos Holding, S. de R.L. de C.V.* was, in fact, included in the report. The liquidation date of November 8, 2023, is correct. SoCalGas omitted reporting this entity in the 2023 Annual Report of Affiliate Transactions, not the 2022 Annual Report of Affiliate Transactions as noted in the Draft Audit Report.

In addition, SoCalGas requests removal of the finding in the Draft Audit Report with respect to omission of SDG&E from SoCalGas's 2023 Annual Report of Affiliate Transactions. SDG&E does not meet the ATR definition of an "affiliate," and thus, is not required to be included on the list.

As recommended, SoCalGas will ensure continued implementation action of its corrective action plan and continue to monitor compliance with this ATR moving forward.

## APPENDIX B—UAB'S EVALUATION OF UTILITY'S RESPONSE

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We appreciate SoCalGas's comments submitted on July 1, 2025. We reviewed SoCalGas's response to the draft audit report. We are providing our assessment of SoCalGas's responses in the same order listed in the response letter.

### **Finding 1:**

SoCalGas requested that this finding be designated as an observation because "the ATRs do not require SoCalGas to maintain evidence of when written customer data is sent to third parties. (...) Specifically, D.06-12-09, Appendix A-3, ATR IV.A – Customer Information states that, "A utility shall provide customer information to its affiliates and unaffiliated entities on a strictly non-discriminatory basis, and only with prior affirmative customer written consent."

While the ATRs do not specifically state that SoCalGas is required to maintain evidence of when written customer data is sent to third parties, such evidence would confirm that SoCalGas has received prior affirmative customer written consent before providing customer data. In addition, we reviewed SoCalGas's other service departments that do maintain such evidence, and therefore, we maintain that SoCalGas should consistently maintain evidence of when written customer data is sent to third parties, among its service departments that process CISRs.

The finding and recommendations remain unchanged.

### **Finding 2:**

SoCalGas stated it will ensure continued implementation of the corrective action plan and monitor compliance with this ATR moving forward.

The finding and recommendations remain unchanged.

### **Finding 3:**

SoCalGas stated it will continue to implement its corrective action plan and monitor compliance with this ATR moving forward.

The finding and recommendations remain unchanged.

### **Finding 4:**

SoCalGas requested that this finding be designated as an observation because "there is no ATR that mandates utilities to prepare or maintain" the employee exit interview checklists.

While the ATRs do not mandate utilities to prepare or maintain the employee exit interview checklists, such checklists comprise an integral part of SoCalGas's internal control to promote compliance with the anti-conduit provisions of the ATRs. We maintain our position that at a minimum SoCalGas should ensure it follows its own internal controls processes by maintaining evidence of these checklists.

The finding and recommendations remain unchanged.

**Finding 5:**

SoCalGas requested a correction to one of the statements in the Condition element of Finding 5 in the draft audit report relating to the listing of the affiliate *IEnova Petrolíferos Holding, S. de R.L. de C.V.* SoCalGas stated that this affiliate was, in fact, included in its 2022 Annual Report. We corroborated SoCalGas's assertion and agreed with the requested correction.

We have revised our Finding 5 to remove this affiliate from the list of omitted affiliates noted in the Condition element of Finding 5. Specifically, we have revised the Executive Summary, Condition element of Finding 5, and Summary Schedule of Audit Results on pages 1, 14, and 17 respectively, to reflect our removal of one affiliate as stated above from the list of omitted affiliates in SoCalGas's Annual Report.

SoCalGas also requested removal of SDG&E from the list of omitted affiliates noted in Finding 5 pertaining to SoCalGas's 2023 Annual Report of Affiliate Transactions. SoCalGas asserted that SDG&E does not meet the ATR definition of an affiliate and, thus, is not required to be included on the list. We disagree with this request.

During the audit, we noted that (1) SoCalGas included SDG&E in its 2022 Annual Report of Affiliate Transactions, and (2) SoCalGas indicated in one of its data responses on March 24, 2025, that SoCalGas has regularly included SDG&E in the Affiliate Transaction Report and has inadvertently omitted it from the 2023 Affiliate Transaction Report. Lastly, D.06-12-029, Appendix A-3, ATR I.A., states, in part, that:

Affiliate means any... utility, ..., 5 percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by ... that utility's controlling corporation ...

Sempra Energy is the parent company for both SoCalGas and SDG&E, and therefore, SDG&E should be included in SoCalGas's 2023 Annual Report.

The finding and recommendations remain unchanged with respect to the omission of SDG&E from the finding.