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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission's Own Motion to
Determine Whether Southern California
Gas Company's and Sempra Energy's
Organizational Culture and Governance
Prioritize Safety (U904G).

Investigation 19-06-014

**ASSIGNED COMMISSIONER'S RULING LAUNCHING
PHASE TWO ACTIVITIES**

This Ruling marks the beginning of the second phase of this proceeding, Investigation (I.) 19-06-014. The Order Instituting Investigation (OII) that initiated this case provided for the first phase to consist of an independent safety culture study of Southern California Gas Company (SoCalGas) and Sempra Energy (Sempra). That study is now complete, and this ruling places the final "Independent Safety Culture Assessment of SoCalGas and Sempra Energy" (Report)¹ into the record of this proceeding for public and party review. In addition, this ruling establishes initial opportunities for parties and the public to review and learn about both the study methods and resulting Report.

¹ See Attachment A.

1. Proceeding Background

On June 27, 2019, the Commission opened I.19-06-014, the *Order Instituting Investigation on the Commission's Own Motion to Determine Whether Southern California Gas Company's (SoCalGas) and Sempra Energy's (Sempra) Organizational Culture Prioritizes Safety (U904G)*. Consistent with direction in the OII, the first phase of this proceeding consisted of a safety culture study prepared by an independent consultant under the direction of Commission advisory personnel.² Through a competitive bidding process, Commission safety advisory staff chose a consultant, Evolving Energy Consortium (2EC), to conduct the safety culture study, which was expected to take place in 2020. The COVID pandemic emergency, which began in March 2020, slowed progress on some planned study activities, but 2EC has now completed its study and provided the Commission with a final report, titled *Independent Safety Culture Assessment of SoCalGas and Sempra Energy*. The study represents a "snapshot in time" of safety-related activities and attitudes at SoCalGas and Sempra, and specifically reflects the state of the companies during the 2020-2021 period.

Consistent with the OII, the study does not focus on specific past incidents involving SoCalGas or its parent company Sempra, but generally examines the understanding of safety concepts and shared assumptions about safety among the companies' employees, senior leadership, and Boards of Directors. Like the study, and in accordance with the OII, this proceeding will not focus on specific past safety incidents, nor will it become a venue in which to duplicate or revisit questions already within the scope of other existing proceedings. Consistent

² The OII delegates oversight of the Phase 1 Safety Culture Study to advisory staff within the Commission's Safety and Enforcement Division (SED). Due to subsequent reorganization of safety functions at the Commission, these advisory responsibilities, including oversight of the consultant's Report, are now housed in the Commission's Safety Policy Division (SPD).

with the OII, the proceeding is expected to focus on constructive, forward-looking actions intended to improve safety outcomes in the future. The specific scope and issues for this proceeding, along with possible guidance on issues that remain outside of the scope, will be contained in an Assigned Commissioner's Scoping Memo and Ruling for Phase 2, which will be developed after completion of the initial activities described here.

2. Proceeding Approach: Constructive Collaboration to Improve Future Safety Outcomes

The initial activities established in this ruling will be structured to support communication and collaboration among parties and help the Commission to develop a common understanding of the report's results and recommendations. The premise for this approach is that all participants in this proceeding, as well as the California public, benefit from improvements in utility safety outcomes.

In order to promote a collaborative environment, this proceeding will begin with opportunities for parties and the public to thoroughly review and understand the Independent Safety Culture Assessment of SoCalGas and Sempra Energy Report. Learning opportunities will include a period in which parties and others may familiarize themselves with the Report, followed by a full-day workshop with 2EC, the independent consultant who prepared the Report. At that workshop, the Report's principal authors will present on their findings and answer questions about their general approach to the study, the specific methodologies used in the study, and the reasoning behind their conclusions and recommendations.

These activities are intended to provide a basis for parties to participate collaboratively in this proceeding. For example, to the extent possible, we expect parties to develop a consistent understanding of what constitutes a safety

culture, why such a culture is fundamental to safe utility operations, and how to identify and implement improvements that will support a safety culture at SoCalGas and Sempra. Once this foundation of understanding is developed, we expect to proceed with regular scoping activities for Phase 2, such as a prehearing conference and development of a scoping memo.

Once past the preliminary activities described in this ruling, we expect this proceeding to be forward-looking, and to focus on improving integration of safety awareness and related attitudes and practices into many aspects of SoCalGas communication, decision-making, and work-processes. The focus on SoCalGas recognizes that that is the regulated utility at issue in this proceeding; nevertheless, where relevant the proceeding may reference or suggest improvements for the parent company Sempra Energy.³

3. Distribution of the Safety Culture Report

This ruling adds the Report to the administrative record of this proceeding, and establishes preliminary activities intended to facilitate a full review of the Report by parties and the public. Over time, parties will have an opportunity to discuss the Report at both a workshop and a prehearing conference, and to provide comments on the Report.

3.1. 2EC on Developing a Healthy Safety Culture

There are many possible ways to define and assess “safety culture,” and to understand the culture’s impact on safety. Though compliance with existing

³ Sempra is also the parent company of San Diego Gas & Electric Company (SDG&E), another California utility subject to Commission regulation. Because the OII creating this proceeding does not include an examination of SDG&E Safety Culture, we do not expect extensive discussions of SDG&E safety culture to take place in this context, however some of the lessons drawn from this proceeding may ultimately be appropriate for consideration by SDG&E.

laws, regulations, and policies is necessary for Commission-regulated utilities to operate safely, compliance alone is not sufficient to create a true “safety culture.” As recognized in the OIL, the Commission considers “[a]n effective safety culture [to be] a prerequisite to a utility’s positive safety performance record.”⁴ For the purposes of this proceeding, the Commission defines organizational 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).⁵

Under this definition, safety culture is much broader than the development and implementation of safety rules, in isolation.

The approach taken by 2EC in its independent study is consistent with this understanding, and the methodology 2EC used to gather data for the study reflects this. 2EC suggests that a robust safety culture must “go beyond technical solutions to minimize the risk of disaster,” and that assessments should examine how a company’s “culture may make safety weaknesses less visible.”⁶ The Report provides analysis and forward-looking recommendations for supporting and maintaining a robust safety culture at SoCalGas and Sempra with a long-term focus on and commitment to safety. In its Report, 2EC suggests that a healthy safety culture encourages coordination and integration of safety

⁴ I.19-06-014 at 3

⁵ I.19-06-014 at 3.

⁶ Independent Safety Culture Assessment of SoCalGas and Sempra Energy (Report) at 15, *see* Attachment A

functions within an overall Integrated Management System, rather than allowing different departments to operate separately, in “siloes.” In addition, 2EC encourages openness to integrating feedback and past performance outcomes into previous or existing systems and processes.

In particular, 2EC discusses why “compliance” with requirements is not sufficient on its own to create a safety culture, or to encourage accountability among employees, both at the staff/operational and organizational/executive levels. The Report notes that compliance with rules or processes, when not accompanied by reflection on the original intentions and real-world implications of those standards, as well as an examination of how they fit into overall utility management, is not by itself sufficient to create a safety culture. One of the main themes highlighted in the Report is that a safety culture requires a robust understanding of how practices and behaviors throughout an organization can reinforce safety, as well as the willingness and ability of utility employees, management, and others, including regulators, to proactively identify opportunities for improving safety and respond to perceived potential risks before an unsafe situation develops.

3.2. Opportunities for Party Participation

With this in mind, we encourage parties to approach this proceeding with an openness to dialogue and change. We discourage parties from focusing on past incidents, except to the extent that analysis of a specific incident is accompanied by constructive recommendations for improving safety culture to improve future safety outcomes. Similarly, in keeping with the 2EC analysis, we ask that parties think beyond compliance with existing rules and processes, and concentrate their efforts on improving coordination and safety awareness to create sustainable and longer-lasting changes.

4. Workshop Preparation

As noted above, staff will host a workshop in which the independent consultants who prepared the Report, 2EC, will discuss their work. This full-day workshop will include a presentation of the Report's main themes and recommendations, followed by an opportunity for parties to discuss with the 2EC team several specific issues of interest. In advance of the workshop, as provided in the schedule below, parties will have an opportunity to provide staff with questions about the Report, which staff and 2EC will use in preparing the workshop agenda. Parties wishing to contribute questions for consideration in development of the agenda may email those questions to:

Carolina.Contreras@cpuc.ca.gov not later than January 24, 2022.

A full agenda for this workshop will be released closer to the workshop date, and to the extent possible in the time available, it will reflect party input on questions and areas of interest raised in the Report. To develop a firm base of understanding on, we encourage parties to become familiar with other sources of information on safety culture and safety culture assessments.⁷ Please be advised, although a quorum of Commissioners may attend this workshop, no voting will occur. We remind parties that while this proceeding is categorized as quasi-legislative, the OII imposed reporting requirements for all ex parte communications. Therefore, until further notice, parties are required to report ex parte communications consistent with the requirements from Article 8 applicable to a ratesetting proceeding.

⁷ For example, parties may wish to review: Fleming, M. and Scott, N. (2013). *A regulator's guide to safety culture and leadership*. Technical report prepared for the Canada-Nova Scotia Offshore petroleum board. <https://apps.neb-one.gc.ca/REGDOCS/File/Download/707046>

5. Post-workshop Activities and Comments

After the completion of the workshop, parties will have two opportunities to provide written comments and suggestions related to the Report and the appropriate scope of issues for Phase 2. First, Parties may file comments on the Report itself not later than February 14, 2022. These comments may address the findings and conclusions, or other aspects of the Report itself. More specific guidance on the issues to be addressed in these comments may be issued after the January workshop, if deemed appropriate based on workshop discussions.

After this comment opportunity, we ask that parties familiarize themselves with other parties' filed comments, and then file a prehearing conference statement. We encourage parties to communicate in advance of filing their PHC statements, and to file group PHC statements to the extent practicable. These PHC statements will be most productive if they identify systemic approaches to improving safety and coordination at SoCalGas and Sempra and provide collaborative (rather than adversarial) options for developing a record in this proceeding to provide a basis for improving safety outcomes at SoCalGas and Sempra. Each prehearing conference statement should address each topic listed below:

- 1) Issues within scope
- 2) Overall proceeding approach and why this method was chosen (*e.g.*, Staff or neutral facilitator-led workshops, working groups, written reports, or other approaches)
- 3) Need for Hearings, if any, and
- 4) Proposed Schedule.

6. Preliminary Schedule

This ruling sets forth a schedule only for initial activities in Phase 2; the scope of issues to be addressed in this phase and the specific activities needed to

build a record on those issues will be established in a future Scoping Memo and Ruling. In the meantime, parties are urged to review the Report at Attachment A and prepare for and attend the planned workshop with 2EC. The schedule for initial activities is as follows:

EVENT	DATE
Ruling and Safety Culture Study Report Released	January 13, 2022
Questions for consideration in workshop agenda development due to staff (send to carolina.contreras@cpuc.ca.gov)	January 24, 2022
Draft workshop agenda made available	Prior to January 26, 2022
Remote Workshop with 2EC on the Study Report Attendees should register in advance of the meeting. WebEx registration link: https://cpuc.webex.com/cpuc/j.php?MTID=m4fcd12a992849073ca491e314d210d3f WebEx event number: 2482 125 8351 WebEx event password: ZChfPhxD638 (92437493 from phones) Phone: 1-415-655-0002, passcode: 248 212 58351	January 26, 2022 10:00 am to 4:30 pm
Written comments on the Safety Culture Report filed and served	February 14, 2022
Prehearing Conference Statements filed and served	February 28, 2022
Prehearing Conference, remote	March 2022

The dates established in this ruling may be modified as necessary to ensure the development of a full record. The assigned Commissioner’s Scoping Memo and Ruling for phase 2 of this proceeding will be issued following the prehearing conference.

IT IS RULED that:

1. The Independent Safety Culture Assessment of SoCalGas and Sempra prepared in Phase 1 of this proceeding is attached to this ruling as Attachment A.

2. A workshop with 2EC will be held on January 26, 2022, starting at 10 a.m., in which 2EC will present its methodology and findings, and parties may ask questions. The connection information for that remote workshop will be distributed in advance of the workshop.

3. Parties with questions on the Report that they would like considered in the development of the workshop agenda may send their questions to Carolina.contreras@cpuc.ca.gov by January 24, 2022.

4. Parties may file comments on the Report at Attachment A not later than February 14, 2022.

5. Parties may file prehearing conference statements addressing the issues listed in Section 5 of this ruling not later than February 28, 2022. Parties are urged to consult in advance of preparing prehearing conference statements, and to develop joint prehearing conference statement to the extent practicable.

6. A prehearing conference will be set to take place in front of the assigned Administrative Law Judge and Assigned Commissioner as soon as practicable after prehearing conference statements are filed.

Dated January 13, 2022, at San Francisco, California.

/s/ CLIFFORD RECHTSCHAFFEN

Clifford Rechtschaffen
Assigned Commissioner