



**PUBLIC UTILITIES COMMISSION**

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TO PARTIES OF RECORD IN INVESTIGATION 19-06-014:

This is the proposed decision of Commissioner Darcie L. Houck. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's November 2, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:mph

Attachment

Decision **PROPOSED DECISION OF COMMISSIONER HOUCK**  
(Mailed 9/29/2023)

**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

**DECISION DIRECTING SOUTHERN CALIFORNIA GAS COMPANY AND  
SEMPRA TO REVISE SAFETY CULTURE IMPROVEMENT PLAN**

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**DECISION DIRECTING SOUTHERN CALIFORNIA GAS COMPANY AND SEMPRATO REVISE SAFETY CULTURE IMPROVEMENT PLAN****Summary**

This decision adopts two out of the fifteen initiatives in the Safety Culture Improvement Plan of Southern California Gas Company (SoCalGas), with some modifications. This decision directs SoCalGas and Sempra Energy (Sempra) to revise the remainder of their plans to better align with the findings of the Independent Safety Culture Assessment (Assessment), a review of SoCalGas' and Sempra's organizational safety culture between 2020 and 2021.

As explained in the Assessment, culture cannot be mandated. However, we can set certain expectations through adoption of a Safety Culture Plan that includes consequences if failure to implement an effective safety culture plan results in unsafe conditions that cause harm to employees or the public. This decision is a starting point intended to improve SoCalGas' safety culture, which is a reasonable step to establish guardrails that promote culture change. The Assessment cautions against expecting compliance orders to have the desired effect of creating a foundational culture supporting safer operations. Instead, the Assessment recommends relational methods to promote culture change. Thus, today's decision to send SoCalGas and Sempra back to the drawing board is expected to improve safety culture by heightening awareness of the need for change and employing ongoing dialogue and iterative work to propel that change forward.

For similar reasons, this decision does not impose financial penalties. Consideration of violations and penalties have been addressed in Investigation 19-06-016. However, this decision confirms the Commission's earlier directive

that SoCalGas shareholders, not ratepayers, pay the costs associated with the Assessment directed in this proceeding.

This investigation remains open.

## **1. Background**

This proceeding is one of three proceedings before the California Public Utilities Commission (Commission) prompted by troubling safety incidents at Southern California Gas Company (SoCalGas).<sup>1</sup> These proceedings are Investigation (I.) 19-06-014, I.19-06-016, and the Safety Culture Rulemaking (R.) 21-10-001. In the third proceeding, the Safety Culture Assessment Rulemaking, the Commission is considering what components to include in required safety culture assessments for electric and gas utilities, including SoCalGas.

On June 27, 2019, the Commission issued this instant Order Instituting Investigation (I.) 19-06-014 (OII) to “determine whether [the persistence of safety incidents] are rooted in SoCalGas’s organizational culture and governance and the Sempra Energy’s role in SoCalGas’s safety culture.”<sup>2</sup>

On the same day, the Commission also issued I.19-06-016 based on an independent evaluation of the root causes of the tragic natural gas leak at SoCalGas’ Aliso Canyon gas storage facility. The purpose of I.19-06-016 was to determine whether SoCalGas violated laws, rules, or requirements in its operation and maintenance of Aliso Canyon.

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<sup>1</sup> The three proceedings are this instant investigation I.19-06-014, subsequent investigation I.19-06-016, and the Safety Culture Rulemaking R.21-10-004. In I.19-06-014, at 2, the Commission cites the natural gas leak at SoCalGas’ Aliso Canyon storage facility from October 23, 2015, until February 11, 2016, and numerous leaks on SoCalGas Line 235-2 and Line 4000, and the explosion of Line 235-2 which damaged Line 4000.

<sup>2</sup> OII at 2.

In addition, on October 7, 2021, the Commission opened Rulemaking (R.) 21-10-001, the Safety Culture Assessment Rulemaking, to develop a framework and process for conducting safety culture assessments of energy utilities, in order to “drive each regulated investor-owned electric and natural gas utility and gas storage operator to establish and continuously improve their organization-wide safety culture.”<sup>3</sup>

This instant OII, and other utility-specific safety culture proceedings, are precursors to Senate Bill (SB) 901, codified as Section 8386.2, which the Safety Culture Assessment Rulemaking is implementing. Specifically, SB 901 requires that the Commission set a schedule for each utility’s safety culture assessment at least every five years and prohibits electrical corporations from seeking reimbursement for the costs of the safety culture assessments from ratepayers.

Some overlap exists between the issues under consideration in the Safety Culture Assessment Rulemaking and this instant OII. For example, both the Safety Culture Assessment Rulemaking and this OII rely upon the same definition of organizational culture established in the Commission’s investigation into Pacific Gas and Electric Company’s Safety Culture proceeding.<sup>4</sup> Additionally, Commission staff, in the Safety Culture Assessment Rulemaking, proposed adopting the same normative framework for a healthy safety culture as relied upon in this proceeding (see section 1.1 below referencing

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<sup>3</sup> R.21-10-001 at 1.

<sup>4</sup> OII at 3 – 6, referring to the Order Instituting Investigation on the Commission’s Own Motion to Determine Whether Pacific Gas & Electric Company and PG&E Corporation’s Organizational Culture and Governance Prioritize Safety (I.15-08-019). *Also see* in R.21-10-001 the Safety Policy Division Staff Proposal at 8, Administrative Law Judge’s Ruling issued Seeking Comment on Policy Questions on the Safety Policy Division Staff Proposal, issued May 8, 2023.

the U.S. Nuclear Regulatory Commission/Institute of Nuclear Power Operations normative framework.)<sup>5</sup>

Beyond the three aforementioned and interrelated and/or overlapping proceedings, to which SoCalGas is party, the Commission's current formal proceeding docket reflects an even broader array of proceedings aimed at improving utilities' safety practices and policies.<sup>6</sup>

In this overall context, we note this instant OII is limited to the Commission's examination of SoCalGas' and Sempra's safety culture, as captured in the Assessment, and the responsive plans and actions required to make necessary improvements to SoCalGas' and Sempra's safety culture.

### **1.1. Phase 1: Assessment**

As directed in the OII, during Phase 1, the Commission's Safety and Enforcement Division (SED)<sup>7</sup> retained Evolving Energy Consortium (2EC),<sup>8</sup> an independent third-party consultant, to conduct an assessment of:

SoCalGas' organizational culture, governance, policies, practices, and accountability metrics in relation to its record of operations, including its record of safety incidents, and to produce a report on the issues and questions contained in this order. The consultant's report will also evaluate the Sempra Energy's organizational culture, governance, policies,

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<sup>5</sup> R.21-10-001, Safety Policy Division Staff Proposal at 10, Administrative Law Judge's Ruling issued Seeking Comment on Policy Questions on the Safety Policy Division Staff Proposal, issued May 8, 2023.

<sup>6</sup> See R.21-10-001 at 3 - 5, citing R.18-10-007, I.15-08-019, R.21-03-001, R.13-11-006, and D.18-10-029.

<sup>7</sup> The OII delegated oversight of the Phase 1 Assessment to advisory staff within the Commission's 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).

<sup>8</sup> 2EC was chosen through a competitive bidding process, and 2EC conducted the assessment over an 18-month period beginning in early 2020.

practices, and accountability metrics in relation to ensuring that its California-regulated subsidiaries operate their systems in a safe manner.<sup>9</sup>

In January 2022, 2EC completed the assessment and presented its findings, conclusions and recommendations in its report, the Independent Safety Culture Assessment of SoCalGas and Sempra (Assessment<sup>10</sup>). The Assessment was received into the record of this proceeding.

The Assessment examines the safety culture at SoCalGas and Sempra during the specific period of time the examination occurred, beginning in early 2020 through the end of 2021.<sup>11</sup> The Assessment reflects approximately 150 cultural facts<sup>12</sup> gathered from five methods: interviews, surveys, focus groups, observation, and document review. From the cultural facts, the Assessment derives the following primary areas (referenced in the Assessment as “overarching themes”) where SoCalGas could focus to advance its safety culture.”<sup>13</sup>

1. Safety is most often perceived as personal safety;
2. Safety and risk are perceived as achieved by compliance;

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<sup>9</sup> OII at 1.

<sup>10</sup> This decision uses the term Assessment to refer to the *Independent Safety Culture Assessment of SoCalGas and Sempra*. The terms Safety Culture Report, Safety Culture Study, consultant report, and 2EC Report also refer to the *Independent Safety Culture Assessment of SoCalGas and Sempra*.

<sup>11</sup> See Assigned Commissioner Ruling Launching Phase 2 at 2, “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.”

<sup>12</sup> The term “cultural facts” is time-limited to the snapshot in time covered by the Assessment, and is a term employed in the Assessment, explained (at 4-5) as “detailed descriptions of the perceptions, beliefs, values, and understanding of organizational members which drive collective actions and decisions for the organization. Deep understanding and reflection of the cultural facts is necessary for improvement.”

<sup>13</sup> Joint Response to ALJ Ruling Seeking Additional Information at 3. *Also see* Assessment at 7, 8, 20 and 24 for more information on the development of cultural themes and overarching themes and what the overarching themes represent.



3. Resources are needed to promote a healthy safety culture;  
and
4. Learning and safety improvement require an integrated management system.<sup>14</sup>

The Assessment evaluates the cultural facts underlying these four areas against a normative framework for a healthy safety culture used by the U.S. Nuclear Regulatory Commission/Institute of Nuclear Power Operations,<sup>15</sup> and identifies opportunities for SoCalGas and Sempra to build on what is working as well as numerous opportunities to improve.<sup>16</sup>

The term used in the Assessment similar to areas for improvement is “areas in need of attention.”<sup>17</sup> For example, the Assessment states, “In a proactive highly reliable organization people will speak about public safety, psychological safety, process safety, and security in addition to personnel safety.” In contrast, the Assessment finds that people at SoCalGas and Sempra conceive of safety narrowly, primarily as personnel safety, and while the organization may espouse a broad conception of safety culture, that view has not been internalized by people in the organization.<sup>18</sup>

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<sup>14</sup> Assessment at 25, 30, 34, 38.

<sup>15</sup> The ten traits for a healthy safety culture comprise the normative framework used by the U.S. Nuclear Regulatory Commission/Institute of Nuclear Power Operations: 1) Personal Accountability, 2) Questioning Attitude, 3) Effective Safety Communication, 4) Leadership safety values and actions, 5) respectful work environment, 6) continuous learning, 7) problem identification and resolution, 8) environment for raising concerns, 9) work processes, 10) Decision making.

<sup>16</sup> Assessment at 6, 44 – 45, 47.

<sup>17</sup> SoCalGas describes the Assessment’s process in Attachment B to its Plan Filing as: The 2EC Report groups the cultural facts into separate traits of a healthy safety culture, which are then used to identify themes, which inform conclusions and recommendations.

<sup>18</sup> Assessment at 43.

The Assessment makes recommendations for SoCalGas, Sempra and the Commission, stating, “The three organizations would benefit from an alignment around a broad concept of safety culture.”<sup>19</sup> The Assessment suggests Sempra “develop governance processes to support a more comprehensive safety culture at SoCalGas,” and the Commission “needs to be able to identify the early signs of declining safety culture through its oversight activities.”<sup>20</sup> The Assessment has concerns about using the questions posed in the OII to direct cultural change, “CPUC’s perception of safety and culture for safety is somewhat different from the approach and perspective of the normative framework and concept of safety culture used in this assessment.” Accordingly, in the Assessment, 2EC offers guidance to the Commission “on how to use the information collected not only in response to the discrete questions [in the OII] but to all of the facts identified in this report.”<sup>21</sup>

The Assessment’s concluding remarks apply to SoCalGas, its corporate governor Sempra, as well as its regulator, this Commission:

At a high level, these difficulties build on each other. Without a clear and robust concept of safety, safety communication suffers; when communication suffers decision making and work processes cannot be directed toward safe choices; without an environment for raising concerns the problems in choices cannot become visible and discussed; hence problems are not proactively identified, and the organization does not learn; and finally personal accountability becomes weak.<sup>22</sup>

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<sup>19</sup> *Id.* at 47.

<sup>20</sup> *Id.* at 10 – 11 and 48.

<sup>21</sup> *Id.* at 45 – 46.

<sup>22</sup> *Id.* at 45.

## **1.2. Phase 2: Developing a Safety Culture Improvement Plan**

On January 13, 2022, the Assigned Commissioner launched Phase 2 of this proceeding in the Assigned Commissioner's Ruling (ACR) Launching Phase 2.<sup>23</sup> Phase 2 continued development of "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."<sup>24</sup> Phase 2 also reiterated the definition of organizational culture for purposes of this proceeding as:

For purposes of this proceeding, the Commission defines organizational culture as: 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).<sup>25</sup>

As described in the ACR Launching Phase 2, the Assessment's recommendations for the Commission reframed the considerations in Phase 2. Rather than contemplate directives and orders, the ACR Launching Phase 2 expected "constructive collaboration to improve future safety outcomes."<sup>26</sup> Prior to the Assessment, at the outset of this investigation the Commission stated it would:

... consider revising existing or imposing new orders and conditions on SoCalGas or Sempra Energy, as necessary and appropriate to optimize public utility resources and achieve

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<sup>23</sup> Assigned Commissioner's Ruling (ACR) Launching Phase 2 Activities dated January 13, 2022.

<sup>24</sup> ACR Launching Phase 2 at 4.

<sup>25</sup> ACR Launching Phase 2 at 5, quoting I.19-06-014 at 3.

<sup>26</sup> *Id.* at 3 - 4 "Proceeding Approach: Constructive Collaboration to Improve Future Safety Outcomes."

operational and safety performance record required by law, and to promote a high-functioning safety culture that promotes continuous safety improvement....<sup>27</sup>

However, the Assessment warned that imposing external requirements may inhibit internally driven cultural change. The ACR Launching Phase 2 partially expressed this view, explaining how Commission directives alone could not be expected to improve SoCalGas and Sempra's corporate culture:

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.<sup>28</sup>

In a first step of a collaborative approach, parties jointly proposed a scope and schedule for Phase 2 which was discussed during the prehearing conference held March 25, 2022.

On April 27, 2022, the assigned Commissioner issued the Phase 2 Scoping Memo, which clarified that the purpose of Phase 2 is for SoCalGas and Sempra

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<sup>27</sup> OII at 2.

<sup>28</sup> ACR Launching Phase 2 at 6.

“to prepare a Safety Culture Improvement Plan to address areas of improvement identified in the Assessment.”<sup>29</sup> To do so, SoCalGas was required to:

- File a Safety Culture Improvement Plan (Improvement Plan) by July 29, 2022;<sup>30</sup> and
- In the Improvement Plan, address all 11 elements listed in the Phase 2 Scoping Memo, and include Sempra for elements applicable to Sempra.<sup>31</sup>

The Phase 2 Scoping Memo also gave SoCalGas authorization to track payments to the expert consultant during Phase 2,<sup>32</sup> an extension of the authorization to track payments to the same expert consultant in Phase 1.<sup>33</sup>

Three workshops, described below, were conducted during Phase 2 to discuss and assimilate understanding of the Assessment as part of developing the Improvement Plan.

- January 26, 2022 Workshop to Discuss Assessment

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<sup>29</sup> Phase 2 Scoping Memo at 6.

<sup>30</sup> *Id.* at 7, 10.

<sup>31</sup> *Id.* at 7.

<sup>32</sup> *Id.* at 11 – 12.

<sup>33</sup> In Phase 1 of this proceeding, on June 8, 2020, SoCalGas filed a motion to establish the Safety Culture Investigation Assessment Memorandum Account to track costs related to the Assessment (Motion Requesting Memorandum Account). On June 23, 2020, TURN filed a response to SoCalGas’ Motion Requesting Memorandum Account. On July 6, 2020, SoCalGas filed a reply to the Motion Requesting Memorandum Account. On July 14, 2020, the assigned ALJ granted SoCalGas’s Motion Requesting Memorandum Account. The Motion Requesting Memorandum Account was granted, in part, authorizing SoCalGas to track the cost of expert consultant invoices for the Assessment. Subsequently, SoCalGas submitted Advice Letter 5693 to the Commission’s Energy Division, on September 23, 2020, requesting authorization to establish the Safety Culture Investigation Assessment Memorandum Account. The request was suspended, and became effective on July 14, 2021, by operation of Pub. Util. Code Section 455.

- June 13, 2022 Workshop on Improvement Plan development and Phase 2 issues<sup>34</sup>
- August 18, 2022 Workshop on Improvement Plan filed<sup>35</sup>

The first two workshops were conducted prior to SoCalGas' filing the Improvement Plan, allowing for collaborative exchange and feedback among parties before the formal filing.

On July 29, 2022, SoCalGas formally filed a response to the Assessment in conjunction with a SoCalGas Improvement Plan and a Sempra Plan<sup>36</sup> (Plan Filing). Attachment B to the Plan Filing is an index of the Assessment's findings to the SoCalGas response. SoCalGas organized the Improvement Plan into five workstreams, with several initiatives associated with each workstream, with activity anticipated to span 18 - 24 months.<sup>37</sup>

An Administrative Law Judge's ruling dated September 8, 2022, directed SoCalGas and Sempra to better describe how the Improvement Plan and Sempra Plan met the requirements in the Phase 2 Scoping Memo (ALJ Ruling Requesting Additional Information). Specifically, the ruling sought elaboration on how the Plan Filing was responsive to Scoping Issue Number 1, Elements 1, 2, Principles 3.a., 3.c., 3.e,<sup>38</sup> and how the first workstream in the Improvement Plan, related to the first overarching theme of the Assessment, impacted and informed the rest of

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<sup>34</sup> The workshop materials of June 13, 2022 were admitted into the proceeding record of this proceeding by ALJ Ruling dated July 6, 2022.

<sup>35</sup> The workshop materials of August 18, 2022 were admitted into the proceeding record of this proceeding by ALJ Ruling dated September 8, 2022.

<sup>36</sup> Sempra titles its plan Sempra's Safety Governance and Oversight Initiatives.

<sup>37</sup> Improvement Plan at 4.

<sup>38</sup> The Phase 2 Scoping Memo listed six issues and required the Safety Culture Improvement Plan to contain certain elements and meet certain principles. The required elements and principles are numbered in section 3 of this decision *Issues Before the Commission*.

the Improvement Plan. SoCalGas and Sempra jointly responded on September 15, 2022 (Supplemental Plan Filing).

In addition to narrative responses to each question, the Supplemental Plan Filing contained the four below identified tables, to demonstrate connections between the Assessment, the Improvement Plan and the Sempra Plan:

- Attachment A - List of 2EC's positive observations about SoCalGas' Safety Culture,
- Attachment B - Index of Improvement Plan to Areas in Need of Attention
- Attachment C - Index of Improvement Plan to Recommendations
- Attachment D - Index of Improvement Plan initiatives to benefits, process measures, outcome measures.

On September 22, 2022, the following parties filed opening comments: Cal Advocates, TURN, Center for Accessible Technology (CforAT), Sempra,<sup>39</sup> and SoCalGas. To its filed comments, Cal Advocates attached an exemplar list of 26 recommendations, indexed to the Assessment's areas for improvement, to demonstrate the type of linkages it had expected to the Improvement Plan to contain. Cal Advocates also attached to its filing an exemplar list of indicators associated with each of Cal Advocates' recommendations.

On October 13, 2022, SoCalGas, Sempra and Cal Advocates filed reply comments. SoCalGas' reply comments also contrast its own responses directly to each of the Cal Advocates' 26 recommendations, again indexed to the areas

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<sup>39</sup> Sempra was granted permission by the ALJ on October 17, 2022, to late file its Opening Comments on October 21, 2022. Parties to the proceeding had been served Sempra's Opening Comments on September 22, 2022, but due to a technicality the comments were not filed until October 21, 2022.

requiring improvement in the Assessment. The record was submitted upon filing of these reply comments.

## **2. Applicable Law**

The Commission derives its many safety mandates and authorities from the California Constitution, Article VII, as well as the California Public Utilities Code.<sup>40</sup>

Section 451 requires rates, terms and conditions of utility service must be just and reasonable<sup>41</sup> and provides in part:

... Every public utility shall furnish and maintain such adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, as defined in Section 54.1 of the Civil Code, as are necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public.

Section 8386.2 requires the Commission to assess the safety culture of each electrical corporation<sup>42</sup> and prescribes that this assessment shall be conducted by an independent third-party evaluator<sup>43</sup> and be operationalized through scheduled and updated assessments at least every five years.<sup>44</sup> Section 8386.2 prohibits the electrical corporations from seeking reimbursement for the costs of the assessment from ratepayers.

Section 963(b)(3) directs the Commission and each natural gas corporation to make safety of the public and gas corporation employees the top priority, and

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<sup>40</sup> All references to Code sections in this decision are to the California Public Utilities Code unless otherwise specified.

<sup>41</sup> Sections 451, 454 and 728.

<sup>42</sup> Section 8386.2

<sup>43</sup> *Id.*

<sup>44</sup> *Ibid.*



that the Commission take all reasonable and appropriate actions necessary to carry out a safety priority policy consistent with the principle of just and reasonable cost-based rates. Section 961(b)(1) requires gas corporations to develop plans for the safe and reliable operation of facilities that implement Section 963(b)(3) requirements.

Section 750 requires the Commission to develop formal procedures to consider safety in a rate case application by an electrical corporation or gas corporation. These procedures must include a means by which safety information acquired by the Commission through monitoring, data tracking and analysis, accident investigations, and audits of an applicant's safety programs may inform consideration of the application. Section 321.1(a) requires the Commission to assess and mitigate the impacts of its decisions on customer, public, and employee safety.

### **3. Issues Before the Commission**

The Phase 2 issues are as follows:

1. Whether SoCalGas' and Sempra's proposed Safety Culture Improvement Plan adequately addresses safety culture deficiencies identified in the Assessment? (Scoped Issue Number 1)
2. Whether SoCalGas' and Sempra's proposed Safety Culture Improvement Plan meets the Commission's required elements<sup>45</sup> for those plans, specified in the Phase 2 Scoping Memo by:
  - a. Identifying improvement actions which directly respond to each of the "Overarching Themes" identified in the Assessment (as informed by the report's findings,

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<sup>45</sup> All of the specific elements are required SoCalGas. The elements applicable to Sempra are required to be addressed for Sempra. In its opening comments filed October 13, 2022, Sempra stated that elements 3 and 9 are not applicable to Sempra.

conclusions, and recommendations) and its associated goals. (Element 1)

- b. Directly responsive to all of the Assessment findings, including those related to corporate governance. (Element 2)
- c. Incorporating the following principles: (Element 3)
  - i. Continually promotes and reinforces a commitment to safety that is responsive to the risk and complexity of the utility's activities. (Principle 3.a.)
  - ii. Adopts a systemic approach to safety. A systemic approach to safety considers the complex interactions of the (utility) system, from a micro through to a macro level, including the human, technical, and organizational factors at play. (Principle 3.b.)
  - iii. Reflects a robust shared understanding of the report's findings. (Principle 3.c.)
  - iv. Is goal-oriented and employs a methodical approach for continual improvement of safety culture, providing for both short- and long-term change and sustainability (e.g., utilizes management system principles). (Principle 3.d.)
  - v. Is based on a demonstrated and thoughtful strategy that is informed by the learnings and recommendations imparted by the Assessment and by an inclusive process throughout the organizations, including contractors, surrounding community and external stakeholders. The strategy should aim to create a shared vision of and set of goals for safety culture, including, but not limited to, roles and responsibilities to support on-going improvement. (Principle 3.e.)
  - vi. Explains how the proposals are effectively integrated into relevant governance and management systems,

policy, processes, and plans. (Principle 3.f. - similar to Element 5)

- vii. Demonstrates genuine leadership engagement, commitment, and accountability at the highest levels of the organization throughout the continuous improvement cycle (e.g., the Plan Do Check Act Cycle as incorporated in the American Petroleum Institute Recommended Practice 1173). (Principle 3.g.)
- viii. Is widely communicated and understood throughout the organization. (Principle 3.h.)
- d. Describing the key steps for the development of a systemic approach to safety. (Element 4)
- e. Explaining how the Safety Culture Improvement Plan is effectively integrated into relevant governance and management systems, policy, processes, and plans. (Element 5 - similar to Principle 3.f.)
- f. Showing how the Safety Culture Improvement Plan is developed with the support and guidance of qualified external expertise with demonstrated experience in safety culture improvement for high hazard industries. (Element 6)
- g. Providing for ongoing review and monitoring of implementation progress and effectiveness supported by quantitative and qualitative leading and lagging indicators and metrics. (Element 7)
- h. Including implementation timelines for each element of the Safety Culture Improvement Plan, as applicable. (Element 8)
- i. Identifying mechanisms and processes that incorporate and respond to feedback from activities that monitor, review, and verify progress and effectiveness of its implementation, to refine the Safety Culture Improvement Plan. (Element 9)

- j. Includes a cost estimate of the actions associated with implementing the elements of the plan, broken down by activity or action. (Element 10)
  - k. Includes reporting requirements (Element 11).
3. What metrics should be adopted to evaluate SoCalGas' and Sempra's progress in implementing their Safety Culture Improvement Plan? (Scoped Issue Number 3)
  4. What is the appropriate Commission response for SoCalGas' or Sempra's failure to meet proposed improvements in their Safety Culture Improvement Plan within the proposed timeframe? (Scoped Issue Number 4)
  5. Whether the Commission should allow cost recovery for activities related to the safety culture assessment, developing a Safety Culture Improvement Plan, and for SoCalGas' implementation of a Safety Culture Improvement Plan; and whether the Commission should condition cost recovery for the Safety Culture Improvement Plan on SoCalGas' or Sempra's good-faith efforts to develop and implement those plans, based on a performance metric, or some other indicators.<sup>46</sup> (Scoped Issue Number 5)
  6. What expectations should the Commission adopt in relation to SoCalGas' and Sempra's flexibility to revise their Safety Culture Improvement Plan and their implementation so that continual improvement can be met without compromising accountability and transparency? (Scoped Issue Number 6)

#### **4. Safety Culture Improvement Plan**

The Plan Filing consists of a narrative response to the scoped issues, a SoCalGas Improvement Plan, the Sempra Plan, and an index identifying the way

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<sup>46</sup> Scoping Memo dated April 27, 2022 "the Commission will resolve the resulting ambiguity of whether SoCalGas shareholders or ratepayers shall be responsible for payment of the costs of the consultant's services in both Phase 1 and 2 of this proceeding, as provided in issue 5 of the scope of issues."

the Improvement Plan is responsive to the Assessment's cultural facts, traits, 2EC recommendations and conclusions. The Plan Filing was augmented with the joint Supplemental Plan Filing and with the separate opening and reply comments on the Plan Filing of SoCalGas and Sempra.

#### **4.1. SoCalGas Improvement Plan**

In the Plan Filing, SoCalGas reviews its significant safety culture enhancements occurring in the decade before the Assessment was issued.<sup>47</sup> SoCalGas states those "efforts and initiatives, which occurred separate from the 2EC Assessment and this proceeding, demonstrate that SoCalGas has lived its safety values, which include continuous improvement."<sup>48</sup>

SoCalGas considers the Assessment as one in a series of ongoing efforts for sustainable change:

SoCalGas also emphasizes that this Safety Culture Improvement Plan is neither its first nor last effort to enhance its safety culture. A number of efforts are described above that were designed to support an advanced positive safety culture; and it is SoCalGas' intention that even after the Safety Culture Improvement Plan has been fully implemented SoCalGas will continue to undertake efforts to assess its safety culture and additional, new efforts to enhance SoCalGas's safety culture will be devised and implemented. This is consistent with the acknowledgement and the 2EC Report that SoCalGas's efforts to "learn and continuously improve from external stakeholders are noteworthy."<sup>49</sup>

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<sup>47</sup> Plan Filing at 1 - 7.

<sup>48</sup> *Id.* at 7.

<sup>49</sup> *Id.* at 8.

SoCalGas also describes the communications that contributed to development of the Improvement Plan.<sup>50</sup> Finally, SoCalGas discusses features of its Improvement Plan relative to each scoped issue and element required by the Commission.<sup>51</sup>

The Improvement Plan's first four workstreams are intended to mirror the four overarching themes of the Assessment.<sup>52</sup> Each workstream contains several initiatives, and each initiative a list of action items, benefits, milestones, and next steps.<sup>53</sup>

#### **4.2. Sempra Plan**

Sempra highlights that it is an unregulated holding company distinct from SoCalGas, and its role is that of oversight and governance. Sempra describes its initiatives as involving two components:

- Supporting the Improvement Plan through oversight and governance, and
- Pursuing the guidance in the Assessment specific to Sempra.<sup>54</sup>

Sempra addresses the guidance in the Assessment. Sempra, at its own expense,<sup>55</sup> has engaged an external safety expert consultant as recommended in the Assessment who will work on the vision, communication and training to support the SoCalGas Improvement Plan, and who will promote a questioning attitude. Sempra states it has addressed all six scoped issues and all required elements, identifying only that elements 3 and 9 are inapplicable to Sempra.

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<sup>50</sup> *Id.* at 9 – 17.

<sup>51</sup> *Id.* at 23 – 33.

<sup>52</sup> Plan Filing at 24, Improvement Plan at 3 – 4, 8.

<sup>53</sup> Plan Filing at 19 – 20, Improvement Plan at 13 – 31.

<sup>54</sup> Plan Filing at 33.

<sup>55</sup> Plan Filing, Attachment C at 8 and Sempra Opening Comments at 6.

Sempra contends that it satisfies the Commission's intentions for Sempra in this proceeding by acting on the recommendations in the Assessment.<sup>56</sup>

### **4.3. Party Comments on Improvement Plan**

Cal Advocates and TURN assert the Plan Filing, including the Supplemental Plan Filing, fails to address the first, second and third scoped issues and recommends the Commission reject the Improvement Plan. Cal Advocates' analysis of the inadequacy of the Plan Filing applies equally to SoCalGas and Sempra.<sup>57</sup> TURN does not address Sempra. CforAT addresses the efforts of SoCalGas and Sempra separately, stating that SoCalGas made an initial effort to incorporate the distinct needs of vulnerable populations and that Sempra made no such effort.<sup>58</sup>

Cal Advocates lists concerns with SoCalGas' and Sempra's safety culture that remain unaddressed in the Improvement Plan.<sup>59</sup> Cal Advocates contests the responsiveness of SoCalGas and Sempra to the findings. Specifically, Cal Advocates states "[i]t merely lists the findings but does not respond to each finding," and "[t]his method has allowed SoCalGas to offer nonspecific actions without providing solutions to each finding in the report."<sup>60</sup> Cal Advocates provides a comprehensive package of what it would have expected to see in the Improvement Plan, making 26 recommendations and setting forth what Cal Advocates suggests as associated leading and lagging indicators by which to track progress on its 26 recommendations.

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<sup>56</sup> *Ibid.*

<sup>57</sup> Cal Advocates Reply Comments at 3 - 4.

<sup>58</sup> CforAt at 2 - 3.

<sup>59</sup> Cal Advocates Opening Comments at 3 and Appendix C.

<sup>60</sup> *Id.* at 3.

TURN recommends rejection of the Improvement Plan on a similar basis as Cal Advocates, that SoCalGas fails to identify all the areas requiring improvements, and for those it does identify, is inadequately responsive, and instead uses “general and high-level language that is devoid of any meaningful real action and simply pays lip service to safety.”<sup>61</sup>

TURN also characterizes SoCalGas’ proposed accountability model as ineffective and incomplete. TURN recommends SoCalGas hold itself accountable for safety performance, and especially for public safety performance, stating “the purpose of this proceeding is to improve SoCalGas’ safety culture in order to improve safety performance.”<sup>62</sup>

CforAt limits its comments to the extent to which SoCalGas and Sempra incorporate CforAt’s feedback on attending to the needs of vulnerable communities. CforAt contends the SoCalGas Improvement Plan appropriately recognizes public safety broadly is not the same as needs of the Access and Functional Needs (CAN) communities, but this recognition “disappears” in the Supplemental Plan Filing. CforAt contends Sempra fails to address vulnerable communities.

SoCalGas and Sempra maintain their Plan Filing does address all aspects of the Assessment and meet the required elements. SoCalGas and Sempra reframe the concerns as a natural departure to be expected.

In this proceeding and in the Commission’s separate Rulemaking to Develop Safety Culture for Electric and Natural Gas Utilities, R.21-10-001, (“Safety Culture Assessment OIR” Commission staff and Commission consultants have noted the challenges associated with

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<sup>61</sup> TURN Opening Comments at 2.

<sup>62</sup> *Id.* at 5.



efforts to evaluate and regulate *culture*, and the importance of collaboration and positive influence to effectuate advancement;<sup>63</sup>

There is a stark contrast between SoCalGas' and Sempra's view of their efforts to-date to improve their safety culture, versus the views expressed by the other parties. Below we outline why we find the Plan Filing is indeed inadequate and why a revision to the Improvement Plan and the Sempra Plan is necessary.

#### **4.4. Improvement Plan and Sempra Plan Lack Required Detail**

We share in the concerns identified by Cal Advocates and TURN that the Plan Filing, containing the Improvement Plan and Sempra Plan, are indirect and nonresponsive. Concerns surfaced at the August 18, 2022 workshop over the degree to which the Improvement Plan adequately addressed deficiencies (Scoped Issue 1) and incorporated the elements required (Scoped Issue 2).<sup>64</sup> The same concerns were memorialized in the ALJ Ruling Requiring Responses.<sup>65</sup> Cal Advocates correctly observes the Commission's concerns expressed at the August 18, 2022 workshop applied both to SoCalGas and Sempra.<sup>66</sup>

In their Plan Filing and supplement, SoCalGas and Sempra exhaustively link the contents of the Improvement Plan to the first and second scoped issues, further referencing the required elements and principles expected from the Commission in the Improvement Plan. Additionally, the Plan Filing addresses elements recommended at the June 13, 2022 workshop by Dr. Fleming, including roles and responsibilities and a change management and continuous learning

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<sup>63</sup> Supplemental Plan Filing at 2.

<sup>64</sup> ALJ Ruling Requesting Additional Information at 3.

<sup>65</sup> *Id.* at 3 (footnotes 1, 2), at 5.

<sup>66</sup> Cal Advocates' Reply Comments at 4.

strategy. Upon learning of the concerns that the Plan Filing may be inadequate, SoCalGas tried again to index its responses to the areas requiring improvements, first in Attachment B to the Supplemental Plan Filing and again in Attachment A to its reply comments.<sup>67</sup>

Yet the Plan Filing, and the Supplemental Plan Filing, remain nonresponsive and fail to reflect a shared understanding of the Assessment. Scoped issue 2 requires the Improvement Plan and the Sempra Plan<sup>68</sup> to capture the main elements and principles in Assessment. For example, the Scoping Memo requires adherence to Principle 3.e.:

Is based on a demonstrated and thoughtful strategy that is informed by the learnings and recommendations imparted by the Assessment and by an inclusive process throughout the organizations, including contractors, surrounding community and external stakeholders. The strategy should aim to create a shared vision of and set of goals for safety culture, including, but not limited to, roles and responsibilities to support on-going improvement. (Principle 3.e.).

SoCalGas' response to Principle 3.e. asserts the Improvement Plan incorporates Principle 3.e. by listing meetings with the following groups to solicit feedback:

- Safety, Sustainability, and Technology
- Compliance and Enterprise Risk
- SoCalGas Board & Safety Committee<sup>69</sup>
- Community Advisory Councils

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<sup>67</sup> Not only does SoCalGas index each area for improvement, it also indexes to Cal Advocates' recommendations associated with the areas requiring improvement.

<sup>68</sup> The Phase 2 Scoping Memo.

<sup>69</sup> Plan Filing at 17.

- unions,
- contractors,
- stakeholders to this proceeding,
- governmental and nonprofit in developing the plan.<sup>70</sup>

SoCalGas also reports widely disseminating the Assessment to employees through its newsletter, at meetings, unions, contractors, parties to the proceeding, and the public,<sup>71</sup> and visits by the executive team at 64 work locations, including office and field locations<sup>72</sup> to conduct dialogues with employees.<sup>73</sup>

SoCalGas demonstrates the meetings occurred but does not demonstrate how they fostered inclusion, thoughtfulness and shared vision. Simply meeting and messaging do not assure the intended behaviors will result. Sempra cites the Scoping Memo's eight required principles<sup>74</sup> as inapplicable to their organization.<sup>75</sup> Ultimately, the Plan Filing does not evidence a shared understanding throughout the organization of the Assessment, calling into question SoCalGas' and Sempra's understanding of the Assessment results.

#### **4.5. SoCalGas and Sempra Indicate Discomfort With Assessment's Findings**

SoCalGas and Sempra object to using terms they consider are negative or inaccurate from the Phase 2 scoped issues, arguing such terms misrepresent the

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<sup>70</sup> *Id.* at 13 - 15.

<sup>71</sup> Plan Filing at 9 - 10.

<sup>72</sup> Transmission and compressor stations, storage facilities.

<sup>73</sup> Plan Filing at 10.

<sup>74</sup> The Scoping Memo's eight required principles are listed in section 3 of this decision.

<sup>75</sup> In its opening comments filed October 13, 2022, Sempra stated that elements 3 and 9 are not applicable to Sempra. Element 3 lists the principles to be incorporated in the Improvement Plan.

areas for improvement listed in the Assessment. Despite the objections of SoCalGas and Sempra at the prehearing conference, scoped issue 1 substituted the term “deficiencies” for the Assessment’s term “areas in need of attention.” As a result, SoCalGas and Sempra continue to battle the usage of the term “deficiencies” in their subsequent filings.<sup>76</sup>

Additionally, the word “findings” employed in scoping the issues caused controversy, with SoCalGas and Sempra reminding the Commission at the prehearing conference, that the Assessment contains no factual findings,<sup>77</sup> to the dismay of TURN,<sup>78</sup> and reiterating this point in reply comments.

SoCalGas and Sempra’s discussion of the Assessment’s findings<sup>79</sup> does not show understanding or openness to understanding those findings.<sup>80</sup> For instance, in reference to the first overarching theme, finding that safety is too narrowly construed, SoCalGas “accepts the opportunity to reinforce the organization’s broader conception of safety by engaging in more dialogues across the enterprise, and at all levels, to support an environment conducive to strengthening the scope of our shared safety values.”<sup>81</sup> The Assessment did not find a broad conception of safety in need of reinforcement. Instead, the Assessment concludes:

- Executives and Senior Managers in the SoCalGas and Sempra organizations often present an overconfidence in their depiction of how safety is valued in their

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<sup>76</sup> Plan Filing at 2; Supplemental Plan Filing at 7; SoCalGas Opening Comments at 3; Sempra Opening Comments at 3.

<sup>77</sup> Reporter’s Transcript (RT) of prehearing conference at 9:20, 17:27, 18:6.

<sup>78</sup> RT of prehearing conference at 15:23.

<sup>79</sup> Supplemental Plan Filing at 3.

<sup>80</sup> ALJ Ruling Requiring Additional Information at 3 (footnote 2).

<sup>81</sup> Supplemental Plan Filing at 4.

organizations. This perception is self-reinforced through the emphasis on personnel safety metrics and anecdotes but not substantiated in other aspects of safety as presented in the results of this assessment; and

- The perceptions of management are also not aligned with the perceptions of those that are working in the field. The disconnect between management and staff on many of the issues identified in this assessment have created a hierarchical culture in the organization that also creates barriers to achieving a comprehensive approach to safety. Without development of a more learning and listening leadership the gap will continue to widen between the levels in the organization.<sup>82</sup>

Recasting the Assessment's finding as the need to reinforce SoCalGas' conception of safety is missing the point of the Assessment's findings.

Sempra also disputes the conclusion that safety is narrowly understood within its culture, stating, "Sempra has a comprehensive risk-management model that takes into account public safety and other operational risks. Our safety practices are not limited to personnel safety. Notwithstanding, our comprehensive approach, it *appears* that not all employees talk about safety in the broadest sense" (emphasis added).<sup>83</sup> This statement, is inconsistent with facts presented and the findings of the Assessment, representing a lack of acknowledgment by Sempra as to its failings in developing a healthy safety culture - which is critical to make the improvements necessary to ensure safety culture is properly embedded in day-to-day practices of the organization.

Regarding certain areas noted for improvement in the Assessment, SoCalGas emphasizes that cultural facts are perceptions that may not reflect

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<sup>82</sup> Assessment at 43.

<sup>83</sup> RT of prehearing conference at 12:12-19.

reality.<sup>84</sup> Whether or not the perceptions reflect reality, the Assessment recommends dialogue and uncovering how such perceptions arise. SoCalGas does not take the approach recommended by the Assessment, instead asserting some perceptions are false. “TURN’s critique seems to be that SoCalGas is not proposing to address what it characterizes as a ‘misaligned incentive mechanism that encourages employees to sacrifice safety for profits;’ but this characterization incorrectly assumes that there actually are misaligned incentive mechanisms that encourage profits over safety,”<sup>85</sup> and “TURN bullets perceptions which are not true, and thus the misperceptions are addressed through education and communication rather than changing underlying processes or policies.”<sup>86</sup>

SoCalGas continues to emphasize that cultural facts, as perceptions, may not reflect reality, through its final comments.<sup>87</sup>

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<sup>84</sup> The Assessment collected data from “five independent methods”, including document review and work observations, which yield cultural facts based on more than just workforce perceptions. For example, “Documentation indicates that SoCalGas metric reports are driven by CPUC requirements. While various Incident Evaluation Process documents (IEPs) discuss causal factors, none of the analyses conducted looked at extent of condition or cause. Such analysis is valuable for looking at systemic issues that if corrected can prevent future occurrence. (D5,9)” (Assessment at 39) or “Metrics presented for the SoCalGas dashboard were compartmentalized into System, Safety and Operations without any integrated or systemic parameters which could facilitate more proactive responses to the data. Observations of an emergency exercise indicated a lack of self-criticality in the ‘hot wash’ (debriefing) of the activity.” (Assessment at 39). Similar examples are presented throughout the report. Nonetheless, the report repeatedly reminds us that “the cultural facts collected in the assessment represent the reality of the members of the organization through their perceptions, values, beliefs, and understandings” (Assessment at 17).

<sup>85</sup> SoCalGas Reply Comments at 3.

<sup>86</sup> SoCalGas Reply Comments at 3 (footnote 12).

<sup>87</sup> *Id.* at 5.

#### **4.6. Discomfort With Assessment Findings Compromises Action**

This structure of the Improvement Plan, mirroring the four overarching themes of the Assessment, is consistent with the Assessment's recommendations, but the content falls short due to broad generalities.

As explained by Cal Advocates, the plan is high-level, and "this method has allowed SoCalGas to offer nonspecific actions without providing solutions to each finding in the report."<sup>88</sup> Following is a list of general, not specific action items in the Improvement Plan.

- The first action for Initiative 1C is "As part of existing, ongoing review efforts, develop process to review and update documents [ ] to (1) incorporate a more comprehensive view of safety and (2) determine whether new concepts inform opportunities to streamline policies and procedures."<sup>89</sup>
- The first action item for Initiative 2A is "Create processes to evaluate and enhance how SoCalGas communicates about incidents, risks, learnings and improvements."<sup>90</sup>
- The action items for Initiative 3A are "Assess resource allocation and processes... ." "Identify opportunities to optimize resources and improve the resource planning process....." "Assess workforce planning and hiring processes.....," and "Assess opportunities to improve communications and training around resource allocations processes."

Such actions comprised of further assessment and evaluation of the areas requiring improvement provide little meaning. It could mean uncovering the root of some cultural facts, which is what Cal Advocates expected but did not

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<sup>88</sup> Cal Advocates Opening Comments at 3.

<sup>89</sup> Plan Filing, Attachment A at 15.

<sup>90</sup> *Ibid.*

find.<sup>91</sup> Or it could mean second-guessing the findings of the Assessment, of which there is some evidence in the Plan Fling as discussed above. These initiatives and sequence of each are at such a high-level, they provide nothing concrete and specific to base a solid safety foundation on.

In recognition of the concerns over lack of specificity, SoCalGas repeated the exercise of tying each Assessment finding to a number of its initiatives. Even in doing so, SoCalGas does not agree with “creating a checklist of 100+ individual actions,” asserting it “is just the opposite of what 2EC recommends.”<sup>92</sup> SoCalGas is correct that a checklist is not the approach recommended in the Assessment. However, the alternative to a checklist is not a general or aggregated statement of intentions. Rather, the recommended alternative is documentation of exploring the underlying factors of each finding. An example is described in “Strengthening the Safety Culture of the Offshore Oil and Gas Industry,”

....if an assessment reveals that workers perceive a gap between management pronouncements about the importance of safety and management actions that appear to be unsupportive of safety, this finding can trigger a more targeted conversation about what types of management actions (*e.g.*, never committing significant budget dollars to improving safety) are driving this perception and how management can better align its words with its actions.”<sup>93</sup>

When evaluating SoCalGas’ revised Improvement Plan, the Commission will not be expecting an individual incremental action for each finding, but

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<sup>91</sup> Cal Advocates Reply Comments at 7.

<sup>92</sup> SoCalGas Reply Comments at 3, including footnote 13.

<sup>93</sup> National Academies, *Strengthening the Safety Culture of the Offshore Oil and Gas Industry* at 102.



substantive content showing how SoCalGas understands and comprehends each finding and the various specific strategies considered to address each finding.

#### **4.7. Emphasis on Safety Activities Prior to and During Assessment Period Dilutes Responsiveness to Assessment**

SoCalGas continues to assert that the Assessment is one of many efforts that it will continually improve.<sup>94</sup> The Commission's investigation consists entirely of the Assessment, described as a "snapshot in time" of the corporate cultures at SoCalGas and Sempra during 2020 - 2021. The corporate culture examined in the Assessment reflects the safety values and safety culture enhancements up to that point in time. SoCalGas misunderstands the Assessment in suggesting that pre-Assessment enhancements "occurred separate from the 2EC Assessment and this proceeding, demonstrate that SoCalGas has lived its safety values."<sup>95</sup>

SoCalGas' efforts to improve its safety culture as a necessary feature of safety performance are recognized, but the impact of efforts made before the Assessment was published is captured by the Assessment. Because this is an investigation, SoCalGas and Sempra should demonstrate how seriously they take the findings of the report, which encapsulate SoCalGas' actions, attitudes, behaviors and values up to that point. The Improvement Plan and the Sempra Plan are lacking as to how the findings set out in the Assessment will be addressed and how seriously such findings are being taken.

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<sup>94</sup> For example, SoCalGas references commitment of leadership at the highest levels of the organization for continuous improvement as represented by the American Petroleum Institute's (API) Plan Do Check Act Recommended Practice (RP) 1173. SoCalGas reports working between 2015 - 2018 to formally adopt the principles of API RP 1173, in fact applying them beyond pipelines. (Plan Filing at 5).

<sup>95</sup> Plan Filing at 7.

#### **4.8. Sempra Should Demonstrate Support for Cultural Change**

Sempra argues that its status as an unregulated holding company, with operational and jurisdictional differences from SoCalGas, makes its participation in changing its own safety culture nearly voluntary. Since the assigned Commissioner emphasized collaboration over compliance at the outset of Phase 2 of this proceeding,<sup>96</sup> Sempra's focus on the issue of regulatory authority is misplaced. Sempra's minimal plan, lack of specificity in its initiatives, and failure to accept responsibility for the matters leading to this investigation does not signal openness to change.

In response to the Assessment, Sempra notes:

Sempra appreciates this advice and intends to lean into the positive cultural facts identified by 2EC, along with Sempra's models for promoting high performance and Diversity and Inclusion. Sempra agrees that these models can be very helpful to advance safety-culture improvements.<sup>97</sup>

Sempra also deflects and minimizes areas for improvement as follows:

With respect to the less favorable cultural facts identified in the report, Sempra intends to delve into them to better understand employee perceptions. In particular, Sempra plans to add additional questions to its surveys to help gain a better understanding about the circumstances under which employees may be less inclined to raise questions, particularly with respect to safety-related matters. Additionally, Sempra would like to know whether its employees believe that safety is "someone else's job" and to what extent employees interpreted risk management questions to refer to "Risk Management" as a defined term

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<sup>96</sup> See section 1.2 in this decision describing the ACR Launching Phase 2 and Phase 2 Scoping Memo.

<sup>97</sup> Sempra Plan at 7.

(and specific group of employees at Sempra). In short, there is more to understand about these employee perceptions.<sup>98</sup>

The Sempra Plan is narrowly scoped and fails to address all the aspects of the Assessment involving or influenced by its organization. For example, Sempra omits from its plan important areas in need of attention such as “Some interviewees questioned whether recommendations and feedback from both Sempra and SoCalGas’ corporate governance, review boards, and independent oversight organizations override Senior Management’s ultimate responsibility for decisions that affect safety.”<sup>99</sup>

The extent to which Sempra considered the areas in need of attention when developing its plan is also questionable. In response to the question of how and why the “areas in need of attention” either informed or did not inform its understanding of the weaknesses and cultural drivers,<sup>100</sup> Sempra responded that:

The areas for improvement identified by 2EC for Sempra gave rise to 2EC’s guidance to Sempra. Sempra’s initiatives are designed to implement 2EC’s guidance.<sup>101</sup>

However, each of those areas “merit attention, discussion, and deliberation,” and provide “numerous opportunities for improvement.”<sup>102</sup> The principles and elements required by the Scoping Memo also demand similar consideration of the areas in need of attention which Sempra has not demonstrated.

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<sup>98</sup> Sempra Plan at 7.

<sup>99</sup> Assessment at 12.

<sup>100</sup> Question 1b, ALJ Ruling Requesting Additional Information at 4.

<sup>101</sup> Supplemental Plan Filing at 11.

<sup>102</sup> Assessment at 47.

As stated above, Sempra asserts its independence from regulatory authority in its responses, indicating its actions are voluntary. Sempra indeed declines one of the recommendations offered at the final workshop on August 18, 2022, as follows:

For instance, Dr. Fleming suggested at the August 18 Workshop that Sempra include SoCalGas officers in its senior officer meetings with Sempra's consultant. As represented at the workshop, Sempra has discussed this suggestion with its consultant. Sempra's consultant agrees that the companies should coordinate on a consistent or compatible understanding of safety. The companies expect the Sempra safety vision to serve as a high-level model for its subsidiaries, while the SoCalGas definition could potentially include more aspects tailored to the day-to-day operational aspects of safety. Due to the differing organizational considerations at the holding-company and public-utility levels, this work is planned to occur in tandem.<sup>103</sup>

Rather than identify differences, Sempra should demonstrate the axis between its own safety culture and that of SoCalGas. Sempra hardens its defensive posture in response to Cal Advocates' and CforAt's comments. Sempra objects to Cal Advocates lumping Sempra together with SoCalGas in what Sempra terms a "laundry list" of Cal Advocates' own recommendations.<sup>104</sup> Sempra objects to CforAt's single focus on vulnerable populations,<sup>105</sup> stating a single focus is inconsistent with the Assessment's guidance to broaden the conception of safety, and that Sempra is not the right company to incorporate needs of vulnerable populations. Here again, Sempra's emphasis on separation

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<sup>103</sup> Supplemental Plan Filing at 16.

<sup>104</sup> Sempra Reply Comments at 4 - 6.

<sup>105</sup> *Id.* at 4.

from SoCalGas is concerning. To acknowledge that vulnerable populations have safety needs distinct from the general public is as important for Sempra, SoCalGas' corporate governor, as it is for SoCalGas.

The Assessment's recommendations highlight SoCalGas' dependence on Sempra for its own improvement efforts, as policies and views on safety need to align between the two organizations, beginning with Sempra setting the tone and lending the necessary support for SoCalGas' transition.<sup>106</sup> Sempra's role in this investigation is therefore twofold: 1) as influencer on SoCalGas through its own safety culture; and 2) as corporate governor ensuring and supporting progress and improvement of SoCalGas. In the interest of improving safety outcomes for SoCalGas – whose safety record drove opening this investigation – we expect Sempra to demonstrate full commitment and support for its own and SoCalGas' culture change effort.

#### **4.9. Issues of Accountability and Flexibility to be Deferred Until Improvement Plan is Revised**

Scoped issues 3 and 4 address accountability, including choosing metrics to track progress and Commission response to the progress. Scoped issue 6 regards the amount of flexibility SoCalGas should have to make changes to the Improvement Plan.

SoCalGas proposes an accountability model to fulfill the directives to measure and track progress, make ongoing adjustments and allow the Commission and stakeholders to also track progress and collaborate.<sup>107</sup> As described in section 4.5 of this decision, the form of the Improvement Plan is consistent with the Assessment's recommendations, but the content falls short.

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<sup>106</sup> Assessment at 47 - 48.

<sup>107</sup> Improvement Plan at 32.

The lack of substance is what makes the proposed Accountability Model ineffective; the Improvement Plan has not been developed enough to compare planned actions to outcomes. SoCalGas stated the cyclical review is critical to facilitate ongoing change and learning, or as adopted by SoCalGas, Plan-Do-Check-Adjust.<sup>108</sup> Without specificity in the Improvement Plan, changes cannot be observed/tracked nor adjustments made.

As stated by TURN, SoCalGas' proposed accountability model is more of a placeholder than complete, leaving metrics, indicators and baselines to be filled in.<sup>109</sup> TURN is correct, yet the placeholders in SoCalGas' accountability model are, to an extent, consistent with an Improvement Plan in the conceptual stage. In fact, SoCalGas states that metrics will continue to be developed as initiatives commence, as will indicators.<sup>110</sup>

With regard to metrics to measure improvement, the record in this proceeding, and especially discussions at the June 13 and August 18, 2022 workshops, reflect a variety of opinions over how metrics can and should track progress.<sup>111</sup> Differences in how to establish the baselines for metrics came out at workshops as well. SoCalGas intended to use existing reports to establish a baseline for change,<sup>112</sup> and parties voiced concern that "some of the barometers

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<sup>108</sup> Improvement Plan at 3. Plan-Do-Check-Adjust is an American Petroleum Institute's (API) Recommended Practice (RP) 1173 adopted by SoCalGas during 2015 - 2018.

<sup>109</sup> TURN Opening Comments at 4 - 5.

<sup>110</sup> Improvement Plan at 5-6, 34; and August 18, 2022 workshop: verbal statements at hour 2 minute 7 (2:7).

<sup>111</sup> ALJ Ruling Admitting June 13, 2022 Workshop Materials Into the Administrative Record, Attachment 8 at 3. August 18, 2022 workshop recording: verbal statements at hour 2.

<sup>112</sup> August 18, 2022 workshop hour 2:09:12.

already have SoCalGas scoring high on employee perceptions, which mean that they are measuring personal safety.”<sup>113</sup>

The foundational (dialogue) activities to develop a shared understanding of the Assessment’s results and broaden the conception of safety are precursors to identifying the Improvement Plan’s interventions. It is premature to adopt specific details for an accountability model when the Improvement Plan is still conceptual and in need of revisions. These details include the metrics and indicators to track progress and improvement. Similarly, determinations of flexibility to grant to SoCalGas to make changes to the Improvement Plan should be made once the metrics and accountability model are concrete. We acknowledge that the plan must be dynamic, that is, subject to change as required by new insights gained as implementation progresses. Therefore, this decision defers consideration of the scoped issues 3, 4 and 6 to a subsequent decision, and provides more detail on expectations for metrics and indicators.

In terms of the types of metrics and indicators to be proposed, the record supports providing additional criteria. To be useful, the metrics and indicators must go beyond simply tracking implementation of activities. Instead, these must also provide meaningful information about the *effectiveness* of the initiatives at achieving their objectives. For example, when it comes to dialogues, the percentage of leaders participating in dialogues or a count of number of dialogue sessions held does not inform about the impact the dialogues have towards achieving their intended objective (*i.e.*, broadening the conception of safety or deepening understanding of the Assessment’s results). To do so, metrics and indicators must be directly tied to each proposed intervention and designed to

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<sup>113</sup> August 18, 2022 workshop hour 2:12:16.

assess the initiative's impact towards achieving its intended objective(s). As a result, each intervention's objective(s) must be clear, explicit, and directly tied to the results. Baselines against which changes can be observed must be established prior to implementing the initiative and clear descriptions of the process to collect and assess information must be thoroughly documented. The Improvement Plan must adhere to the requirements laid out above and provide the respective descriptions of information collection and assessment processes.

Within 60 days of issuance of this Decision, SoCalGas must submit a Tier 2 Advice Letter to the Safety Policy Division proposing metrics and indicators for initiatives in Workstream 1A and 1B, as modified in section 5 of this decision. SoCalGas shall seek guidance from the Safety Policy Division on the format for the filing and adequacy of the proposed measures prior to submission of the Advice Letter

#### **5. Next Steps: Revise Improvement Plan**

This decision adopts two out of the fifteen initiatives in the Improvement Plan with modifications. After executing Initiatives 1A and 1B in Workstream 1 as modified, SoCalGas and Sempra shall revise and refile the Improvement Plan. Throughout the execution of the adopted initiatives and the development of the revised Improvement Plan, SoCalGas and Sempra shall file quarterly status updates in the docket of this proceeding. SoCalGas and Sempra shall consult with the Commission's Safety Policy Division to develop the details of content and form for quarterly status reports.

As described above, SoCalGas' and Sempra's response to the Assessment in its Plan Filings, the Improvement Plan, and the Sempra Plan, is equivocal. Such equivocation underscores the finding of the Assessment: "a change in the



understanding is the first step for cultural change.”<sup>114</sup> With the modifications described below, Initiatives 1A and 1B in Workstream 1 are a viable path to address the Assessment’s guidance to broaden the conception of safety and create a shared understanding of the Assessment’s results.

In particular, exploration to broaden the conception of safety and deepen self-reflection to understand the underlying cultural factors based on the Assessment’s results should permeate the discussions of Initiatives 1A and 1B, without equivocation. Initiative 1A, leadership dialogues, should actively solicit the participation of Sempra and the Commission.

The dialogues should have expansive documentation to demonstrate first, the nature of the examination that occurred, secondly, whether the dialogues achieved the intended purpose from a cultural perspective (i.e., build a shared understanding of Assessment results and impacts), and thirdly, how such examination informs the revised Improvement Plan.<sup>115</sup> Documentation of the dialogues should provide a description of the *cultural* insights gained from each of the dialogues, the extent to which the dialogues achieved the desired impact on safety culture, and describe the process (method)<sup>116</sup> used to reach these

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<sup>114</sup> Assessment at 18.

<sup>115</sup> SoCalGas argues that they do take a comprehensive view of safety and that employees simply have the incorrect perception. The dialogues need to explore how and why these perceptions were formed. This should involve a deep examination of all the drivers. For example, if they report that the perception is based on SoCalGas leadership talking more about occupational safety, they need to explore why this is the case and why the leaders do not discuss operational safety. This should include an exploration of the competence and incentives driving these behaviors. This understanding needs to be more than a simple summary of meetings with employees where they are asked why they perceive safety as occupational safety. There needs to be a deeper critical examination of the drivers that created these perceptions.

<sup>116</sup> The process requires evaluating the dialogues from a cultural perspective and developing conclusions that will inform the Improvement Plan revisions.

conclusions, illustrated by examples. A summary of the dialogues must be filed with the revised plan, including a description of how and why the Improvement Plan was revised based on the outcomes of the dialogues. Detailed documentation of each dialogue must be made available to Commission Staff upon request.

The revised Improvement Plan should take care to explicitly examine all pertinent areas of improvement, including contractors/contractor management and resource allocation.

The revised Improvement Plan should create metrics and indicators<sup>117</sup> that go beyond simple tracking of activity implementation by designing measures that provide meaningful information about the effectiveness of the Improvement Plan at achieving its objectives. For example, the percentage of leaders attending a dialogue session does not indicate anything about the actual impact the activity (the dialogue) has towards achieving its intended objective (e.g., broadening the conception of safety). To do so, the proposed metrics and indicators should be directly tied to the specific interventions proposed and designed to assess the impact each specific initiative has towards achieving its intended objective. Consequently, each intervention's objective must be clear, explicit, and directly tied to the Report's results. A descriptive narrative is necessary to demonstrate how this is achieved for each initiative. Additionally, all initiatives should reference baseline metrics and indicators that show the starting point from which progress will be measured over time.

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<sup>117</sup> Measures may be quantitative and/or qualitative.

The direction to revise the majority of the Improvement Plan is consistent with SoCalGas' intention for continuous cyclical feedback and adjustment, except this first cycle of feedback is Commission-mandated.

We are aware, as noted by SoCalGas and Sempra, that culture change is a slow and iterative process. This is also consistent with the Assessment conclusion, which found that:

The creation of action items to address each question specifically would most likely not facilitate the cultural change necessary to help the organization continue a positive momentum along the continuum of safety culture development.<sup>118</sup>

#### **5.1. SoCalGas Initiatives 1A and 1B To Be Implemented as Modified by This Decision**

The first initiatives SoCalGas proposed launching ("Leadership dialogues to define and implement a more comprehensive concept of safety with guidance from an external expert" (Initiative 1A) and "Create a shared understanding of safety through an enterprise-wide communications plan, with a focus on two-way engagement with stakeholders" (Initiative 1B)) should move forward now with the below modifications to inform revision of the rest of its Improvement Plan.

Both initiatives should be modified to include Safety Culture Recommendation #3 to ensure more meaningful dialogues, which provides:

Conduct dialogue sessions with all levels in the organization to *create a shared understanding of the assessment results* [emphasis added] and what comprehensive safety means for each business and organizational unit. The objective of these sessions would be two-fold; 1) self-reflection of the culture based on the

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<sup>118</sup> Assessment at 46.

[Assessment] results, 2) capture the organizations intelligence and creativity on how to recover the areas in need of attention. Action items should result from the dialogue sessions that will meet the objectives of the session.<sup>119</sup>

SoCalGas' and Sempra's equivocal response to whether the organization construes safety narrowly or broadly (described in section 4.5 of this decision) requires more specificity about how these dialogues will be conducted with renewed purpose. Beyond incorporating Recommendation #3 of the Assessment, SoCalGas shall incorporate the positive model of two-way dialogues provided by Dr. Fleming to SoCalGas.

The need to 1) create a shared understanding of the assessment results with the objective to self-reflect on the culture and capture organization intelligence, and 2) broaden the organization's conception of safety is a foundational finding of the Assessment and is a precursor to developing the improvement actions.

The metric and indicator requirements discussed earlier in section 5 of this decision are similarly required for the modified 1A and 1B workstreams. Upon development, these metrics and indicators must be submitted for review by Safety Policy Division Staff.

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<sup>119</sup> Assessment at 49.

## 5.2. Quality of Dialogue

### 5.2.1. Leadership Dialogues (Initiative 1A) to Address Hierarchy of Governance and Regulation by Soliciting the Active Engagement of Sempra and the Commission

Even though the Assessment finds Sempra<sup>120</sup> and the Commission<sup>121</sup> could also stand to improve their safety culture, the focus of execution is on SoCalGas as the regulated entity. It falls to SoCalGas to make sure its change efforts are supported by the Commission and Sempra. SoCalGas should proactively and diligently solicit observation of Sempra and Commission staff in the Initiative 1A leadership dialogues.

While SoCalGas should solicit Sempra's participation, leadership dialogues cannot realistically be effective without Sempra setting the tone and leading the way. SoCalGas appears to recognize the challenge faced by those in a lower hierarchical position when they need to confront someone to whom they are subject over a safety concern.<sup>122</sup> Furthermore, the leadership dialogues provide an opportunity to expand and document interactions among Sempra employees and SoCalGas employees beyond the points of connection proposed in the Improvement Plan and Sempra Plan.

### 5.2.2. Enterprise-Wide Communications (Initiative 1B)

SoCalGas recognizes that "two-way communication channels (emanating from top leadership down through the entire company, and from the frontlines

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<sup>120</sup> *Id.* at 47 – 48.

<sup>121</sup> *Id.* at 50.

<sup>122</sup> SoCalGas Response to ALJ Questions at 4 – 5. ("Essential to this process is building trust and reinforcing psychological safety to make sure employees are comfortable and supported in speaking up, raising concerns, asking questions, and when necessary, stopping the job.")

on up throughout the enterprise) will be critical to our success.”<sup>123</sup> However, the communications strategy of Initiative 1B, if it is to reckon with less than favorable findings, must expand beyond a strategy to a dialogue, and beyond messaging to understanding.

SoCalGas should address how it intends to overcome the hierarchical barriers to discussion and understanding, perhaps modeled on the leadership dialogues overcoming similar barriers. SoCalGas should revisit the idea of “consistent messaging” in the initial stages, because consistent messaging is a type of linear corrective action not suited to this stage of culture change. As explained in the Assessment:

Safety culture improvement recommendations tend to be broad based and focus on an approach rather than a specific tool or activity. This means that linear corrective actions (information campaigns, changes in procedures, metrics, behavioral change programs) will not resolve underlying weaknesses in beliefs, perceptions, and assumptions that drive organizational behavior.

Adhering to a consistent message may squash reflection unless the consistent message is one of listening to better understand.

### **5.2.3. Commission Monitoring and Participation in Dialogues**

In addition to SoCalGas proactively engaging the Commission, the Commission’s Safety Policy Division, and the consultant advisor, may elect to observe the dialogues. SoCalGas and Sempra should welcome unsolicited observation by the Commission as well. This would serve a dual purpose of facilitating alignment between the Commission and SoCalGas and Sempra, as

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<sup>123</sup> Improvement Plan at 9.

well as enhancing confidence that the dialogues are carried out in implementing actions in the manner recommended by the Assessment.

### **5.3. Taking Ownership**

One of the main recommendations of the Assessment is for SoCalGas and Sempra to take ownership in maturing its safety culture. Forging an improvement path that embeds in the organizations is not necessarily consistent with the regulatory oversight process. Regulatory processes are often compliance based, and compliance undermines ownership.

If the intention is to evolve from a compliance safety culture to a performance safety culture and ultimately a systemic safety culture, SoCalGas, Sempra and the Commission must find a way to accommodate some deviation from the Assessment. SoCalGas can demonstrate evidence of both exploring the results and recommendations of the Assessment by documenting discussion, as detailed in section 5, and exploration of areas needing improvement, including developing an understanding of how the area and the associated insights came to be.

Then, SoCalGas can also justify why it chooses to deviate from a recommendation and how its recommendation will adequately address the area in need, rather than dismissing the area requiring improvement as inaccurate. In accordance with the Assessment, the Commission is not interested in arguments that perceptions are misperceptions, but rather a demonstrated inquiry into how the perception arose and what it reveals.

As noted many times by SoCalGas and Sempra, 2EC warns against a checklist approach to acting on the recommendations, stating “Please observe that these suggestions are only examples to provide guidance and inspiration on

improvement activities. They should not be used as a checklist for corrective actions.”<sup>124</sup>

Cal Advocates expresses a solution to this problem in its reply comment, urging SoCalGas and Sempra to demonstrate that they are *thinking critically* about the areas requiring improvements. The modification to Initiatives 1A and 1B which this decision requires technically inhibits ownership, because it requires explicit adherence to Recommendation 3 of the Assessment.

The decision dictates strict adherence to the Assessment’s recommendation for the foundational issue of broadening a conception and creating a shared understanding of the cultural drivers through dialogue. In keeping with the Assessment’s guidance, the Commission is not expecting strict adherence to each recommendation in the revised Improvement Plan. Rather, the Commission is expecting specificity about the process by which SoCalGas and Sempra conduct exploration of each of the Assessment’s findings. To use Cal Advocates’ criteria described above, there should be demonstration of critical thinking, which will necessarily mean allowance of discussion that may include negative connotations. If the dialogue envisioned is to be genuine, SoCalGas and Sempra should not downplay or stifle less-than-favorable perceptions during Initiatives 1A and 1B. The Commission has taken steps to allow for dialogue of both positive and negative perceptions by eliminating penalties from this investigation into culture. SoCalGas and Sempra should have some comfort in allowing external observation and by carefully documenting the outcomes. That will be a good start for a revised Improvement Plan that meaningfully reflects on the findings, conclusions and recommendations of the Assessment and

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<sup>124</sup> Assessment at 49.



demonstrates a shared understanding of the results. We expect the revised Improvement Plan will propose initiatives that are clearly and directly tied to the findings in the Assessment, and thoroughly demonstrate how and why they are tied and responsive to the findings.

**6. Implementation of Improvement Plan Does Not Exempt SoCalGas from Directives of Safety Culture Assessment Rulemaking**

SoCalGas makes a specific request for flexibility, expecting there may be changes to the Improvement Plan as well as the metrics and monitoring of progress in implementing the plan.<sup>125</sup> SoCalGas is particularly concerned about implementing an Improvement Plan that is consistent with both the Assessment and direction emerging in the Safety Culture Assessment Rulemaking.<sup>126</sup>

The Safety Culture Assessment Rulemaking is standardizing safety culture assessments across the energy utilities but those determinations have yet to be made. As described in section 1 of this decision, Commission staff in the Safety Culture Assessment Rulemaking have proposed a definition of safety culture and adoption of a normative framework for a healthy safety culture aligned with the determinations in this proceeding. Furthermore, the Commission is actively considering in the Safety Culture Assessment Rulemaking safety culture issues germane to SoCalGas' safety culture, including (1) a shared definition of safety culture amongst regulators and regulated energy utilities including SoCalGas, (2) the link between safety culture and safety performance, which is termed safety outcomes or on the ground results in R.21-10-001, (3) a safety culture maturity model to track changes in safety culture over time.

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<sup>125</sup> Plan Filing at 8.9, 22 - 23.

<sup>126</sup> SoCalGas Opening Comments at 13.

This investigation will not make contingencies around the Safety Culture Assessment Rulemaking, because this is a limited investigation into SoCalGas' and Sempra's safety culture during the limited timeframe. Addressing these findings and implementing changes to establish safety as an intrinsic core value can only be positive for SoCalGas, Sempra, and the public.

## **7. Cost Recovery**

This proceeding scoped cost recovery for 1) activities related to the Assessment, including costs paid to the consultant in Phases 1 and 2 of this proceeding 2) developing the Improvement Plan, and 3) implementation of the Improvement Plan. Scoped issue 5 also considers whether financial incentives should be used to motivate safety culture improvement.

### **7.1. Ratepayers Not Responsible for Costs Associated with the Assessment Nor the Improvement Plan**

This decision denies cost recovery for all costs associated with the Assessment, development of the Improvement Plan, and the implementation costs. These three categories of costs are discussed below.

When the Commission initiated this proceeding, it directed SoCalGas to pay the costs of an expert consultant hired to conduct the Assessment. SoCalGas requested permission to record costs associated with the Assessment in a new memorandum account. A memorandum account is a ratemaking mechanism to keep track of costs in order to request recovery of incremental costs upon a reasonableness showing at a later time, after the costs are incurred.<sup>127</sup> The assigned ALJ granted SoCalGas' request to open the account, named the Safety Culture Investigation Assessment Memorandum Account (SCIAMA), but denied

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<sup>127</sup> D.06-01-018 at 5 - 6.

SoCalGas' request to track costs "associated with" the Assessment. SoCalGas was permitted to track in the SCIAMA only costs paid to the expert consultant in accordance with the directive in the OII.<sup>128</sup> SoCalGas was not permitted to track other types of costs associated with the Assessment.

To the extent that SoCalGas incurred other types of costs associated with the Assessment, SoCalGas has borne such costs. SoCalGas asserts that without a memorandum account, costs associated with the Assessment would be borne by SoCalGas shareholders.<sup>129</sup> In general, utility ratemaking requires costs to be forecast several years in advance in order to be included in rates paid by customers. However, some costs could have been included in the forecast for SoCalGas' 2022 application<sup>130</sup> and therefore this decision requires that SoCalGas should be required to submit an attestation in its current GRC<sup>131</sup> affirming that no such costs were included in its current GRC.

However, the costs paid to the expert consultant are preserved in the SCIAMA for consideration in this decision. Despite the OII's directive that SoCalGas shall pay the consultant costs for the Assessment, the SCIAMA was authorized as a contingency, due to ambiguity over whether the payments by SoCalGas might later be recovered from ratepayers.<sup>132</sup>

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<sup>128</sup> SoCalGas was authorized to record in the SCIAMA payments to the expert consultant during both Phases 1 and 2 of this proceeding. *See* ALJ Ruling Granting Motion to Establish [Safety Culture Investigation Assessment] Memorandum Account as Modified, July 14, 2020.

<sup>129</sup> SoCalGas Motion to Establish Memorandum Account at 3.

<sup>130</sup> A.22-05-015 et. Al.

<sup>131</sup> *Ibid.*

<sup>132</sup> OII at 10 and Phase 2 Scoping Memo at 12.

This decision clarifies that SoCalGas's shareholders should bear the costs in the SCIAMA. Examining the legislative and relevant regulatory context,<sup>133</sup> together with party input in this investigation, reveals why SoCalGas shareholders should bear these costs.

The Commission's approval of SoCalGas' motion to establish a memorandum account to track consultant invoices in this proceeding was a placeholder rather than a statement on whether the costs were recoverable. As stated by SoCalGas, memorandum account treatment would allow "the costs to be tracked so the Commission can decide at a later time who should bear them."<sup>134</sup>

The Commission's statement in the OII for SoCalGas to pay for the assessment mirrors the Commission's statement in an earlier PG&E OII requiring the utility to pay for a consultant to assess PG&E safety culture.<sup>135</sup> The Commission's order in the PG&E OII did not parse shareholders vs. ratepayers and yet PG&E shareholders paid the costs of the assessment.

To be clear, electric utility ratepayers are protected from bearing the costs of electric utility safety culture assessments costs by Section 8386.2, which became effective January 1, 2019. While Section 8386.2 does not apply to gas utilities, the legislation enabling Section 8386.2 (SB 901) explicitly guides Commission action in the Safety Culture Assessment Rulemaking, in which the Commission decided to include gas utilities. Past practice, recent legislation, and

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<sup>133</sup> OIR 21-10-001 at 1 - 7 describes the legislative and regulatory context in which this proceeding has occurred.

<sup>134</sup> Reply of SoCalGas in Support of its Motion dated July 6, 2020, at 4.

<sup>135</sup> OII 15-08-019 OP 7.

the Commission's broad regulatory powers provide sufficient authority to direct SoCalGas, not ratepayers, to pay the costs outlined here.

Next, this decision addresses other types of costs associated with the Assessment, costs generally categorized as developing and implementing an approved Improvement Plan.<sup>136</sup> SoCalGas renews its request for the Commission to preserve for Commission consideration<sup>137</sup> the costs of implementing the Improvement Plan, preliminarily estimated to be between \$7.3 – 9.7 million.<sup>138</sup> This decision determines that SoCalGas shareholders, not ratepayers, are responsible for the costs associated with the Assessment and preparing the Improvement Plan.

The Cal Advocates' position, that this safety culture assessment is not routine and SoCalGas ratepayers should not bear the costs, has merit.<sup>139</sup> We agree with Cal Advocates that shifting the extraordinary costs associated with this investigation from SoCalGas shareholders to ratepayers would be counterintuitive, a signal that inattentiveness to safety culture is not a priority and would deter future attention to safety culture. Requiring SoCalGas' shareholders to pay the costs of this investigation is consistent with SoCalGas' professed commitment to invigorating its cultural change efforts.

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<sup>136</sup> Consideration of the costs of developing and implementing the Improvement Plan is scoped within issue 5 of the Phase 2 Scoping Memo. As noted by SoCalGas in Opening Comments at 9 – 10, the ongoing costs of utility responses to periodic safety culture assessments are also scoped in R.21-10-001.

<sup>137</sup> The ratemaking mechanism that preserves costs for consideration by the Commission is a memorandum account. In this case, SoCalGas requests the Commission designate the existing SCIAMA as the ratemaking mechanism in which to track costs associated with implementing the Improvement Plan.

<sup>138</sup> Plan Filing at 32.

<sup>139</sup> Cal Advocates Opening Comments at 5.

SoCalGas argues that it is appropriate for costs related to safety culture, as a fundamental aspect of utility business, to be considered for recovery.<sup>140</sup> There is no dispute that safety, and the culture underpinning it, is a legal obligation and core principle of gas utility operations<sup>141</sup> and that just and reasonable costs to provide safe and reliable service are recoverable. The costs associated with this investigation, and the extra effort and cost associated with the Assessment and developing an Improvement Plan driven by the Assessment, would not have been necessary were it not for the incidents<sup>142</sup> prompting the Commission to look deeper into the safety culture at SoCalGas and Sempra that resulted from failure to provide an acceptable safety culture as a fundamental aspect of its business.

While SoCalGas is correct that safety and operations are inextricably intertwined, Cal Advocates is correct in distinguishing the costs of this proceeding as out of the ordinary.<sup>143</sup> The ensuing Assessment, followed by this decision, sending SoCalGas back to the drawing board with its Improvement Plan means safety culture at SoCalGas still requires improvements, and the costs to meet these improvements shall be funded by shareholders not ratepayers.

Relatedly, this decision requires accounting to ensure costs associated with this investigation are not incorporated into the forecasts that occur in the general ratemaking process. Costs in the SCIAMA have been separately tracked in the SCIAMA and shall be submitted to Energy Division as a compliance filing for

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<sup>140</sup> SoCalGas Reply Comments at 15.

<sup>141</sup> SoCalGas Opening Comments at 11 – 13, Cal Advocates Opening Comments on Plan at 9.

<sup>142</sup> As noted by SoCalGas in Reply Comments at 13, the two safety incidents precipitating the instant investigation were the occurrence of a leak at the Aliso Canyon natural gas storage facility and on October 1, 2017, a rupture on Line 235. The Commission's investigation into the Line 235 rupture concluded on May 18, 2020.

<sup>143</sup> Cal Advocates Opening Comments on Plan at 9.

recordkeeping purposes. SoCalGas shall then close the SCIAMA. Other costs incurred for the Assessment and for developing and implementing the Improvement Plan shall also be identified and submitted by SoCalGas as a compliance filing to the Energy Division for recordkeeping purposes. Specifically, the compliance filing shall provide a list of each regulatory account tracking costs associated with the activities in this proceeding and the activities in the filed Improvement Plan and in the revised Improvement Plan directed in this decision. The compliance filing shall also be submitted for informational purposes in SoCalGas' next GRC proceeding with an attestation that no cost incurred for the Assessment nor cost for developing or implementing the Improvement Plan are included in the forecast for the GRC.

## **7.2. Cost Recovery Should Not Be Conditioned Upon Improvement**

The Commission, as part of Issue 5, scoped whether cost recovery should be conditioned upon measurable improvement in SoCalGas' safety culture. This question considers whether financial incentives should be employed to motivate maturation of the safety culture. Relatedly, Cal Advocates recommends the Commission establish a daily penalty of \$20,000 for failure to implement an adequate Improvement Plan according to a self-designated timeline.<sup>144</sup> Both of these strategies perpetuate a culture of compliance, which we do not see as appropriate at this time.

As discussed in the background section, the Commission's efforts to ensure the safest utility operations have accelerated in recent years. However, there is an important distinction between safety performance and safety culture that the Assessment highlighted. Safety culture must come from within.

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<sup>144</sup> Cal Advocates Opening Comments at 4.

Imposing external motivators can be at odds with internal motivators. Both penalties and incentives are external motivators, definitionally intruding upon the internal process that this decision finds appropriate to nurture.

While initially this investigation contemplated penalties for noncompliance,<sup>145</sup> Phase 2 of this investigation shifted to a collaborative approach, guided by the Assessment. The Commission intends to continue to oversee and closely monitor SoCalGas' progress in maturing its safety culture, but we believe, at this time, financial penalties or incentives would be counterproductive to fostering SoCalGas' ownership of its safety culture.

By not adopting external motivators, penalties or incentives, that does not mean that there will be no recourse if SoCal Gas or Sempra fail to properly implement an appropriate safety culture. For example, additional oversight could be required, or closer assessment in the GRC as to whether SoCalGas is entitled to executive compensation or other compensation for operations where safety measures have failed. We also may revisit the issue of penalties if SoCalGas fails to address the issues set out in this decision in the revised plan that it is directed to submit as set forth above.

## **8. Public Comments**

No written public comments, subject to Rule 1.18(a) of the Commission's Rules of Practice and Procedure, were received in this proceeding.

## **9. Conclusion**

This decision adopts two out of the fifteen initiatives in the Improvement Plan, with some modifications, and directs SoCalGas and Sempra to revise the remainder of their plan to better align with the findings of the Assessment.

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<sup>145</sup> OII at 9.



Today's decision to send SoCalGas and Sempra back to the drawing board is expected to improve safety culture by heightening awareness of the need for change and employing ongoing dialogue and iterative work to propel that change forward.

This decision also confirms the Commission's earlier directive that SoCalGas shareholders, not ratepayers, pay the costs associated with the Assessment during Phases 1 and 2 of this proceeding, including implementation.

In sum, this decision directs SoCalGas and Sempra to begin the next iteration of dialogue to improve safety culture at SoCalGas. While continuing this investigation, alongside the Commission's Safety Culture Rulemaking, is not what SoCalGas and Sempra requested, it is necessary and appropriate to allow the utility, and the public it serves, to benefit from the painstaking yet crucial process of culture change.

#### **10. Comments on Proposed Decision**

The proposed decision of Commissioner Houck in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

#### **11. Assignment of Proceeding**

Darcie L. Houck is the assigned Commissioner and Camille Watts-Zagha is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. This proceeding is one of three proceedings before the Commission prompted by troubling safety incidents at Southern California Gas Company.

2. On June 27, 2019, the Commission issued two related OIIs and on October 7, 2021 an OIR: 1) I.19-06-016 to determine whether SoCalGas violated laws, rules, or requirements in its operation and maintenance of Aliso Canyon, 2) this OII to “determine whether [the persistence of safety incidents] are rooted in SoCalGas’s organizational culture and governance and the Sempra Energy’s role in SoCalGas’s safety culture; and 3) R.21-10-001 to develop and adopt a safety culture assessment framework to drive each regulated investor-owned electric and natural gas utility and gas storage operator to establish and continuously improve their organization-wide safety culture.

3. For purposes of this proceeding, the Commission defines organizational culture as: 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).

4. SB 901 requires that the Commission set a schedule for each utility assessment at least every five years and prohibits electrical corporations from seeking reimbursement for the costs of the safety culture assessments from ratepayers.

5. The Commission is implementing SB 901 in its Safety Culture Assessment Rulemaking.

6. The Assessment in this OII constitutes the Commission’s investigation into SoCalGas’ and Sempra’s safety culture through 2021.

7. A positive safety culture influences a utility’s safety performance.

8. A positive safety culture makes safety a core value in everyday operations.

9. While accidents may happen even in an organization with a positive safety culture, a poor safety culture is often identified as contributory factor in major accidents.

10. Based on its review of safety culture at SoCalGas and Sempra through 2021, and relative to the INPO normative safety culture framework, the Assessment identifies areas for improvement in SoCalGas' and Sempra's safety culture.

11. The Assessment provides thirteen recommendations concerning SoCalGas, three recommendations concerning Sempra and six recommendations concerning the Commission to guide and inspire each organization to define their own objectives and actions.

12. The Assessment 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 improve safety culture.

13. The Improvement Plan should be clear as to which objectives the improvements are intended to meet and how the improvements directly relate to the findings and recommendations.

14. The Improvement Plan should be clear as to which recommendations and findings are not directly addressed, if any, and provide a reasonable explanation of their exclusion.

15. The Improvement Plan, Sempra Plan, and Plan Filing display discomfort with Assessment findings.

16. SoCalGas' and Sempra's discomfort with the Assessment's findings lead to lack of detail necessary to review the adequacy of the proposed initiatives, both in why and how SoCalGas will address the findings to improve its safety culture.

17. SoCalGas and Sempra's emphasis on safety activities prior to the publishing of the Assessment dilutes the responsiveness to the Assessment findings, since the Assessment encapsulates culture up to that point.

18. One of the main themes highlighted in the Assessment 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.

19. Without assessing the Commission's safety culture, the Assessment establishes a link between the maturity of the Commission's own safety culture and that of its licensees, including SoCalGas.

20. In the Safety Culture Assessment Rulemaking the Commission is considering safety culture issues germane to SoCalGas' safety culture, including (1) a shared definition of safety culture amongst regulators and regulated energy utilities including SoCalGas; (2) the link between safety culture and safety performance, which is termed safety outcomes or on the ground results in R.21-10-001; (3) a safety culture maturity model to track changes in safety culture over time.

21. Electric utilities provide safety briefings annually to the Commission that include reported safety culture assessment and improvement efforts, among other safety topics.

22. Industry staff embedded within an organization can observe safety culture improvement activities firsthand.

23. Within the Commission, Safety Policy Division and Safety Enforcement Division both have responsibility for safety assessments, whether safety culture assessments or safety performance assessments.

24. As the corporate governor of SoCalGas, Sempra influences SoCalGas' safety culture.

25. The Assessment warns against strict adherence to its recommendations as culture must be evolved internally.

26. In the initial phase of developing a revised Improvement Plan, it is appropriate to require SoCalGas and Sempra to execute verbatim Recommendation #3(a) in the Assessment in executing Initiatives 1A and 1B in its Improvement Plan.

27. With the exception of executing Initiatives 1A and 1B as directed, the revised and refiled Improvement Plan need not adhere exactly to the recommendations of the Assessment as long as SoCalGas and Sempra demonstrate they are considering the findings critically, and constructively.

28. SoCalGas should invite active participation of its corporate governor Sempra and regulator in Initiative 1A to address the hierarchy of the organizational structure.

29. At this juncture in this proceeding, penalties for noncompliance would inhibit openness to reflection.

30. Penalties or incentives at this time would be counterproductive to fostering SoCalGas' ownership of its safety culture.

31. The process of driving safety culture improvement is iterative and ongoing.

32. Quarterly status reports on the work directed in this decision are an appropriate method to maintain Commission engagement and oversight.

33. SoCalGas was authorized to record payments to the expert consultant during Phases 1 and 2 of this proceeding in the SCIAMA.

34. The authorization for SoCalGas to record costs in the SCIAMA was a contingency due to ambiguity about whether the Commission intended for SoCalGas ratepayers or shareholders to bear the costs in the SCIAMA.

35. The Commission's statement in the OII for SoCalGas to pay for the assessment mirrors the Commission's statement in I.15-08-019 requiring PG&E to pay for a consultant to assess PG&E's safety culture.

36. PG&E did not recover the costs paid to the consultant to conduct its safety culture assessment from ratepayers.

37. Sempra will retain the fees for its external consultant hired in accordance with the recommendation of the Assessment at Sempra.

### **Conclusions of Law**

1. SoCalGas' top leadership should annually brief the Commission, including reporting results of safety culture assessments and improvement efforts.

2. It is reasonable for the Commission to require SoCalGas and Sempra to modify Initiatives 1A and 1B in accordance with Safety Culture Assessment Recommendation #3.

3. The Commission should adopt Initiatives 1A and 1B in the Improvement Plan, with some modifications.

4. SoCalGas should file quarterly status reports in the docket of this proceeding to facilitate engagement and oversight.

5. SoCalGas and Sempra should consult with the Commission's Safety Policy Division to develop the details of content and form for quarterly status reports to the Commission on its work revising the Improvement Plan.

6. The Commission should direct SoCalGas and Sempra to revise the remainder of their plan, other than Initiatives 1A and 1B, to better align with the findings of the Assessment.
7. SoCalGas should document the outcomes of Initiatives 1A and 1B to demonstrate how the dialogues inform the revisions to the Improvement Plan.
8. The Commission should not yet adopt metrics to evaluate SoCalGas' and Sempra's progress in implementing their Improvement Plan.
9. The Commission should not yet establish parameters for flexibility for SoCalGas and Sempra to continually revise their Improvement Plan.
10. The Commission should not consider financial penalties or rewards to incentivize improvements in SoCalGas' safety culture at this time.
11. It is reasonable to prohibit SoCalGas from recovering from ratepayers the costs associated with this investigation, including payment to the consultant, and costs of developing and implementing the Improvement Plan.
12. The SoCalGas SCIAMA should be closed.
13. It is reasonable to prohibit costs associated with this proceeding, including payment to the consultant, costs of developing the SoCalGas Improvement Plan, the Sempra Plan and costs of implementing the Improvement Plan and Sempra Plan, from being recovered from ratepayers.
14. Requiring SoCalGas to file an information-only Tier 1 Advice Letter identifying 1) the costs tracked in the SCIAMA, and 2) a list of the regulatory accounts in which SoCalGas is tracking costs associated with the activities in this proceeding, the activities in the filed Improvement Plan, the revised Improvement Plan, and the costs in each regulatory account, with descriptions of the accounts and sub-accounts; is a reasonable mechanism to ensure costs associated with this proceeding are not recovered from ratepayers.

15. This investigation should remain open.

### **O R D E R**

**IT IS ORDERED** that:

1. Within 45 days of issuance of this decision, Southern California Gas Company and Sempra Energy shall modify the Safety Culture Improvement Plan Initiatives 1A and 1B to be conducted in accordance with the Independent Safety Culture Assessment Recommendation #3(a) which recommends:

Conduct dialogue sessions with all levels in the organization to create a shared understanding of the assessment results and what comprehensive safety means for each business and organizational unit. The objective of these sessions would be two-fold; 1) self-reflection of the culture based on the [Assessment] results, 2) capture the organizations intelligence and creativity on how to recover the areas in need of attention. Action items should result from the dialogue sessions that will meet the objectives of the session.

2. Within 45 days of issuance of this decision, Southern California Gas Company and Sempra Energy shall consult with the Commission's Safety Policy Division to develop the details of content and form for quarterly status reports to the Commission on its work revising the Safety Culture Improvement Plan.

3. Within 90 days of issuance of this decision and beginning the first quarter of 2024, Southern California Gas Company shall file quarterly status reports in this proceeding on its work revising the Safety Culture Improvement Plan and serve on the Commission's Safety Policy Division and the service list for this proceeding.

4. Within 150 days of issuance of this decision, Southern California Gas Company (SoCalGas) and Sempra Energy (Sempra) shall conduct SoCalGas Safety Culture Improvement Plan Initiatives 1A and 1B, as modified in Ordering



Paragraph 1 of this decision, to develop revisions to the Safety Culture Improvement Plan and Sempra Governance and Oversight Initiatives.

5. Within 60 days of issuance of this decision, SoCalGas must submit a Tier 2 Advice Letter to the Safety Policy Division proposing metrics and indicators for initiatives in Workstream 1A and 1B, as modified in section 5 of this decision. SoCalGas shall seek guidance from the Safety Policy Division on the format for the filing and adequacy of the proposed measures prior to submission of the Advice Letter.

6. While conducting Southern California Gas Company (SoCalGas) Safety Culture Improvement Plan (Improvement Plan) Initiatives 1A and 1B as directed in Ordering Paragraph 3 of this decision, SoCalGas and Sempra Energy shall document dialogues in order to demonstrate how detailed outcomes of dialogues, at both the leadership level and enterprise-wide, inform the revisions to the Safety Culture Improvement Plan and Sempra Governance and Oversight Initiatives.

7. Within five months of issuance of this decision, Southern California Gas Company shall revise, serve on the service list of this proceeding, and file in this proceeding a Safety Culture Improvement Plan (Improvement Plan) directly responsive to all the areas for improvement identified in this decision and the Independent Safety Culture Assessment (Assessment), including but not limited to:

- (a) documentation of the Improvement Plan Initiatives 1A and 1B demonstrating dialogues, at both the leadership level and enterprise-wide, are appropriate and inform the revisions to the Improvement Plan;
- (b) a more granular level of detail than the current Improvement Plan;

- (c) evidence documenting exploration of the Independent Safety Culture Assessment's findings in dialogues throughout the organization;
- (d) various options that were considered prior to arriving at the actions proposed in the revised Improvement Plan;
- (e) baseline and effectiveness metrics and indicators directly tied to the specific interventions proposed and designed to assess the impact each specific initiative has towards achieving its intended objective; and
- (f) each intervention's objective must be clear, explicit, and directly tied to the Report's results.

8. Costs associated with this proceeding, including payment to the consultant, costs of developing the Southern California Gas Company Safety Culture Improvement Plan (Improvement Plan), the Sempra Safety Culture Oversight and Initiatives (Sempra Plan) and costs of implementing the Improvement Plan and Sempra Plan shall not be recovered from ratepayers.

9. Within 60 days of the issuance of this decision, Southern California Gas Company (SoCalGas) shall file an information-only Tier 1 Advice Letter identifying:

- (a) the costs tracked in the Safety Culture Investigation Assessment Memorandum Account, and
- (b) a list of the regulatory accounts in which SoCalGas is tracking costs associated with the activities in this proceeding: the activities in the filed Improvement Plan and in the revised Improvement Plan, the costs in each regulatory account, with descriptions of the accounts and sub-accounts.

10. SoCalGas' top leadership shall annually brief the Commission, including reporting on results of safety culture assessments and improvement efforts.

11. Southern California Gas Company shall immediately close the Safety Culture Investigation Assessment Memorandum Account.

12. Investigation 19-06-014 remains open.

This order is effective today.

Dated \_\_\_\_\_, at Sacramento, California.