

SoCalGas Approval and Commitment Policy

Applicability: All Employees of SoCalGas
Responsible Dept.: Accounting Operations
Effective Date: 12/29/2010

Contact: [SoCalGas Business Controls](#)
Revision Date: 11/30/2020



POLICY

This policy establishes standards for the **authorization to enter into commitments** and for the **approval of cash disbursements and to execute other documents necessary to carry out the commitments** on behalf Southern California Gas Company ("SoCalGas") and *Pacific Enterprises*.

General Requirements

- This policy is specific to SoCalGas.
 - The Boards, officers and employees of SoCalGas are responsible for entering into and formally approving commitments.
 - References in this policy to the Sempra Energy Board of Directors are related to an oversight review function rather than a formal approval.
 - Entering into any commitment or disbursing SoCalGas funds prior to receiving required approvals from the appropriate level of management, or review by or notification to the Sempra Energy Board of Directors when required is prohibited.
 - Certain commitment types have additional approval levels and procedures, which are addressed in other specific SoCalGas policies (see [Appendix A](#) which references those policies).
 - Generally, financial commitment values are determined by taking the aggregate amount of all associated project disbursements, including indirect costs, excluding any reimbursements that may be received from a third party.
 - Dividing financial commitments to circumvent approval levels is prohibited.
 - Commitments must be in writing; verbal commitments are not permitted.
 - Commitment authorization is valid for operations or services within the approver's functional area of responsibility, unless otherwise delegated.
 - A commitment is not valid until it has been approved by the highest authorization level required.
 - Approver signatures on any document evidencing a commitment, execution of a commitment or a cash disbursement related to an already approved commitment must be with their full name clearly printed. It is recommended that commitment approvers include the following:
 - Name and signature
 - Date of approval
 - Title
 - Employee identification number
 - Coding for accounting purposes (account, cost center, internal order, etc.)
 - Designation of whether the commitment is base business or non-base business
- Commitment and Cash Disbursement Authority Approved by SoCalGas Board Resolutions

Commitment and Cash Disbursement Authority Approved by CAU Board Resolutions

The CEO, President, COO and each Vice President (including officer titles of "Chief" and "Senior Vice President") of SoCalGas is authorized, per the SoCalGas Board of Directors resolutions dated May, 21, 2010, as may be supplemented from time-to-time to reflect officer changes, to enter into commitments on behalf of SoCalGas, including, without limitation, the execution of contracts, agreements, orders, acceptances, regulatory filings and other obligations relating to the purchase, lease or sale of property, goods or services by SoCalGas. (Note that the use of "chief" in this [Approval and Commitment Policy](#) is restricted to "officer" job titles.)

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Commitment and Approval Matrix

The Approval Matrix below provides the commitment approval authority limits approved by the SoCalGas Board of Directors in a table format. Note that this table does not include specific commitment authority for procurement commitments in the Ordinary Course of Business (OCB) for natural gas to supply electric generation facilities and core customers, and for electric or gas capacity, energy transmission capacity or transportation services (Energy Procurement Commitments). Those authorization and approval requirements are addressed in [Appendix F of the SoCalGas' Market Approval and Credit Policy \(MACP\)](#).

SOCALGAS APPROVAL MATRIX

Authorization Level	Base Business	Non-Base Business	Administrative Approvals (3) & (4)
SRE Board of Directors	\$300 million or more (1) \$100 to \$300 million (2)	\$300 million or more (1) \$100 to \$300 million (2)	N/A
SoCalGas Board	Over \$50 million	Over \$15 million	N/A
CEO, President or COO	\$50 million	\$15 million	No limit
Chiefs, Senior Vice Presidents and Vice Presidents (Officers)	\$30 million	\$15 million	\$50 million
Directors	\$1 million	\$1 million	\$1 million
Managers	\$250,000	\$250,000	\$500,000
Supervisors	\$100,000	\$100,000	\$100,000

(1) Sempra Energy Board of Directors Review Requirements - Any commitment by SoCalGas of \$300 million or greater other than procurement commitments in the OCB must be reviewed by the Sempra Energy Board of Directors before making such commitment.

(2) Sempra Energy Board of Directors Notification Requirements - Any commitment by SoCalGas greater than \$100 million but less than \$300 million other than procurement commitments in the OCB must be brought to the attention of the Sempra Energy Board of Directors at its next regularly scheduled meeting.

(3) In general, payments for invoices greater than \$10,000 (per transaction) must be supported by an approved purchase order.

(4) Invoice payments without a valid internal order will apply the approval limits under the non-base business category.

Non-financial commitments (except confidentiality agreements) at SoCalGas must be approved by an officer. These non-financial commitments shall be, in the opinion of the approving officer, in the OCB. Non-financial commitments that, in the opinion of the approving officer, are not in the OCB shall be elevated for approval by the CEO, President or COO before the commitment is made.

Confidentiality agreements at SoCalGas for either OCB or non-OCB are to be approved by an officer over the functional area associated with the stand-alone confidentiality agreement.

Cost Increases

Cost increases may require re-review or re-approval of a commitment **based on the revised total estimate-to-complete** cost, not the incremental costs:

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- If a revised base or non-base commitment exceeds 110% of the original commitment amount, but is less than \$300 million, then re-approval is required in accordance with the SoCalGas Approval Matrix above. An updated WOA and, when appropriate, an updated Technical Review is also required.
- If revised base or non-base SoCalGas commitments were originally less than \$300 million and therefore not previously reviewed by the Sempra Energy Board of Directors, but are later expected to equal or exceed \$300 million due to cost revisions, then the revised commitment must be reviewed by the Sempra Energy Board of Directors before the commitment is made.
- If revised base or non-base commitments 1) originally approved at a level of \$300 million or more, and 2) for which originally estimated totals to complete are expected to be exceeded by any amount, notification shall be made to the Sempra Energy Board of Directors and the respective SoCalGas Board of Directors at their next respective regularly scheduled meetings.
- Reviews completed by the Sempra Energy Board of Directors shall be documented on an AFE.

Administrative approvals for payments for invoices and contracts related to base business or non-base business commitments with an approved AFE/WOA (see below) may only be authorized up to 110% of the approved commitment amount, without seeking re-authorization of the initially approved AFE/WOA. Contract change orders must also be considered cumulatively in determining the total cost amount (See the [SoCalGas Procurement Policy](#) for details related to approving individual contract change orders). If anticipated cost increases exceed the 110% threshold of the initially approved base business or non-base business commitment, then a supplemental AFE/WOA is required to obtain re-approval of the revised total costs based on the approval levels in the appropriate base business or non-base business commitment classification in which the original authorization was received. If a total project is comprised of multiple sub-projects, the proposal should include a list of the sub-projects and the commitment amount associated with each sub-project. For approved projects that contain multiple sub-projects, the 110% threshold applies to the total project approval and not to each sub-project individually.

Evidence of Review and Approval - Work Order Authorization (WOA) or Authorization for Expenditure (AFE)

For internal control documentation purposes, commitment approvals must be in writing.

- A [Work Order Authorization \(WOA\)](#) is a utility form that summarizes and documents the approval of a base business or non-base business commitment. These forms are required for commitments that are less than \$300 million.
- [Authorization for Expenditure \(AFE\)](#) is a form that summarizes and documents the approval of a base business or non-base business commitment. AFEs are required for commitments of \$300 million or greater that require Sempra Energy Board of Directors review.
- **Blanket Work Orders** are used for recurring and routine types of plant property additions, replacements, purchases and retirements. Blanket work orders may include but are not limited to, maintenance work performed in conjunction with addition, removal and replacement work. Blanket work orders may be used to combine low cost projects that are similar in nature and result in a used or useful asset. Blanket work orders are to be focused on an annual spending authorization, not on a budgetary process.
- The dollar value for approval purposes should be based on SoCalGas' potential maximum obligation under the commitment by SoCalGas even if a third party is obligated to reimburse the company for the expenditure made by the company. Project financing should generally not reduce the commitment amount for approval purposes. Capitalized labor costs and indirect costs (or loaders) should always be considered in total project costs.

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- A separate WOA or AFE may be prepared for discrete phases of a project that require successive approvals. For example, costs for feasibility studies and permitting of a project could be submitted separately; a second WOA or AFE would be prepared for construction costs once a decision is made to go forward. In that case, the second WOA or AFE should include the initial development expenditures to capture total project costs.

Additional Review and Approval Requirements

Technical/Economic Reviews are required for all base business commitments greater than **\$30 million**, all non-base business commitments greater than **\$15 million**, and for all administrative approvals for any commitments over **\$50 million**. The purpose is to ensure that certain functional groups that provide oversight can provide input before the commitment is approved. When presented for approval, the WOA or AFE must show evidence of technical/economic reviews by, at a minimum, the Legal, Corporate Tax, Accounting and Planning departments. Reviews by other technical areas, such as Regulatory, Environmental, Risk Management, Human Resources or Treasury, may also be warranted, depending on the type of project. It is the responsibility of the WOA or AFE originator to ensure that all appropriate reviews, approvals and notifications are completed, and satisfactory documentation and original WOA or AFE form is kept on file by the SoCalGas Controller's organization.

Commitments that require review by the **Sempra Energy Board of Directors** (for commitments of **\$300 million or greater**) must have a senior executive sponsor and an AFE must be presented with supporting materials.

A new WOA or AFE must be completed when cost increases exceed an original WOA or AFE by 10% or greater. Commitments with cost increases that were not previously subject to a technical/economic review will be required if the revised commitment exceeds the amounts designated above. Previous technical/economic reviews are not required to be revised solely for cost increases if there are no other modifications to the arrangement.

Blanket Work Orders commitments may be excluded from the technical/economic review requirements.

Legal & Technical Review Requirements for Contracts

It is the responsibility of a contract originator to review draft documents and assumptions with an officer or senior representative from key technical areas for risk management purposes, for contracts either in or not in the OCB. Any recommendations resulting from legal or technical reviews should be incorporated into the contract or clearly disclosed to the executive approving the contract. The following are examples of areas that should be consulted:

Legal	Regulatory	Environmental	Affiliate Compliance	Human Resources
Procurement	Tax	Accounting	Financial Reporting	Corporate Planning
Real Estate	Finance	Treasury	Risk Management	Communications

SoCalGas' own technical areas are appropriate to use; otherwise Corporate Center's technical areas should be consulted.

If a contract initially totals \$20 million or greater, the reviews must be evidenced by completion of an **Internal Reviewer Checklist (IRC)**:

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- The IRC requires Legal, Accounting and Corporate Tax review signoffs at a minimum, and requires the contract originator or approver to confirm other technical areas that were consulted, or indicate they were not applicable to the contract. [Refer to Appendix B – Technical/Economic Review Contact List.](#)
- The IRC is to remain as an attachment to a contract after review comments have been resolved and the contract signed.

Any significant policy implications arising from a proposed contractual commitment should be reviewed by the Law Department and, if consistent with the materiality terms herein, be referred to the approving officer for review.

Contracts – Additional Requirements

For most contracts of goods and services, the Supply Management Department facilitates review by the Law Department and approves contracts per the [SoCalGas Procurement Policy](#). For all other contractual agreements over a million not managed by Supply Management, the Law Department must be consulted for legal review. Other technical reviews for certain contracts may also be advised from, for example, the following areas:

- It is the contract originator's responsibility to review draft documents and assumptions with an officer or senior representative from any of the above technical areas, to ascertain risks or benefits that were not considered by the project team. The business unit's technical area is appropriate if there is one; otherwise the appropriate Corporate area should be consulted.
- Any recommendations resulting from these technical reviews should be incorporated into the contract or clearly disclosed to the executive approving the contract.
- Any contracts that are deemed to be commitments will follow Administrative Approvals under the [SoCalGas Approval & Commitment Policy](#).

Regulatory Filing Approval is required prior to making regulatory filings for any projects requiring federal or state regulatory agency approval that may result in a new base business or non-base business commitment. Approval is limited to providing authorization to submit a regulatory filing to ensure that the appropriate level of SoCalGas management, or both if a joint SDG&E and SoCalGas filing, have acknowledged and accepted the potential impact of a new commitment prior to the regulatory body imposing such a commitment. A favorable decision by the regulator to proceed should not be construed as authorization to proceed with the project. Approval for the project or initiative must still be obtained in accordance with this policy. Once regulatory approval has been received, then the program/project requires the applicable WOA or AFE approval, which will reflect the changes in the program/project from the regulatory process, as well as updated cost estimates.

Business Unit Review is required for commitments originated by SoCalGas' shared services organizations that will be charged to other business unit(s). The shared service department is responsible for obtaining the appropriate level of approval from the impacted business units. This is especially important if the amount charged exceeds the approval amount authority of the highest shared service personnel in the shared service department performing the service. This Business Unit Review is required for commitments requiring Senior Vice President/Vice President approval or higher per the above SoCalGas Approval Matrix. When presented for approval, the WOA or AFE must indicate it has been reviewed with a senior officer or representative of the business unit(s) being charged.

Financial Plan and Budget Reviews – All commitments under Base Business must be included (either specifically; within a pool or will be subject to functional budget allocation and reprioritization as discussed in

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the definition of Base Business commitments above) in the annual budget and/or the 5-year plan, depending on the length of the commitment. If not included in either plan, the incremental commitment will fall under Non-Base Business.

- Information Technology (IT) Project Reviews – All significant IT projects will require a review during the origination of the business concept document.

Delegations

- Only SoCalGas Vice Presidents and higher may delegate their approval authority to other employees or agents of the Company.
- The CEO, President, COO and each Vice President (including Chiefs and Senior Vice Presidents) of SoCalGas may delegate authority to execute commitments to officers, employees or other agents of the Company.
- The CEO, President, COO and each Vice President (including Chiefs and Senior Vice Presidents) of SoCalGas may delegate authority to authorize payments, without limitation, in compliance with all commitments entered into pursuant to this policy and commitments that are the subject of separate resolutions adopted by the SoCalGas Board of Directors.
- The CEO, President, COO, CFO, Treasurer and Controller may delegate authority to borrow funds from banks and financial institutions in accordance with bank line and commercial paper agreements.
- Establishing a delegation or making subsequent changes requires completion of the [Delegation of Authority Form \(Appendix D\)](#). Delegation of Authority forms may cover a single delegatee or a group of delegatees, as may be appropriate. When delegating, proper segregation of duties must be considered for internal control purposes.
- Approval authority that has been delegated to an individual cannot then be delegated by the delegatee to another individual.
- Officers may not delegate approval authority for operations or services that are not within their operational or functional areas of responsibility.
- Original signed delegation forms need to be submitted to the respective Accounts Payable and/or Cash Management departments with a copy retained by the delegator and delegatee. All delegations must state the dollar amount delegated and the nature and duration of the delegation.
- When a delegator leaves his or her position, delegations do not immediately terminate, but remain in effect to allow a smooth transition. Accounts Payable and Cash Management will provide the delegator's successor a three-month period to determine whether to continue the existing delegations (via signing or initialing the inherited delegations) or void some or all of them.
- All delegations of authority for the delegatee automatically terminates upon a delegatee leaving the position he or she occupied at the time the delegation was made.
- Shared service officers may delegate their approval authority only to other employees within their functional shared service organizations.
- Delegations in excess of \$5 million require approval from the CFO.
- When the CFO is the delegator and approver, a peer or superior must sign off as the oversight approval.
- Delegations in excess of \$10 million require approval from the inline requesting department's SVP.

Deviation from the Policy

Any deviation from this policy requires approval from the CFO.

Policy Questions

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Discuss questions or concerns with your immediate supervisor, the CFO/Controller, or representatives from the Business Controls department.



Related Policies

- [SoCalGas Procurement Policy](#)
- [SoCalGas Market Activity and Credit Policy \(MACP\)](#)

Refer to [SoCalGas Policies](#) for a listing of all company policies.

Related Forms

- [Delegation for of Authority Form](#)
- [Authority for Expenditure Form](#)
- [Internal Reviewer Checklist \(IRC\)](#)
- [Work Order Authorization Form \(WOA\)](#)



Appendices

- [Appendix A – Detailed Commitment Types](#)
- [Appendix B – Technical/Economic Review Contact List](#)
- [Appendix C – Frequently Asked Questions](#)
- [Appendix D – Delegation for of Authority Form \(DOA\)](#)
- [Appendix E – Authority for Expenditure Form \(AFE\)](#)
- [Appendix F – Internal Reviewer Checklist \(IRC\)](#)



Definitions

Commitment – Any legal obligation that binds SoCalGas to a future payment, course of action or behavior with another party, internal or external.

Commitments may be financial or non-financial. Examples of financial commitments may include capital projects, expansions or new phases of existing capital projects, investments, acquisitions, divestitures, guarantees, borrowings and credit arrangements, contracts and agreements to purchase or sell goods and services, legal settlements, purchase orders, invoice approvals and employee reimbursements. Examples of non-financial commitments include letters of intent, memorandums of understanding, consent decrees, confidentiality agreements and non-compete agreements. See [Appendix A](#) for further information on types of commitments.

Cash disbursement – The actual issuance of a check or execution of a wire transfer or any other electronic transfer of funds. Approvers are responsible and required to perform a sufficient review of applicable invoices and supporting documentation to ensure goods and services have been received, and that the amounts to be disbursed are in agreement with applicable terms and conditions of the governing purchase order or other contractual agreement.

Ordinary course of business (OCB) or base business – The usual transactions, customs and practices SoCalGas that maintain existing assets, services and business lines that are governed by the California Public Utilities Commission (CPUC) through a General Rate Case (GRC) or by the Federal Energy Regulatory Commission (FERC) through a Transmission Ownership Tariff filing. The term “base business” shall refer to this type of business activity under this policy.

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Examples of commitments and disbursements in base business include (See [Appendix A](#) for additional examples):

- Capital commitments, refundable or non-refundable expense commitments (or a combination of both), and cash disbursements associated with base business activities
- Other regulatory cost recovery programs such as Demand-Side Management (DSM), Catastrophic Event Memorandum Account (CEMA), Pipeline Safety Enhancement Program (PSEP), Leak Abatement Program, and other routine advice letter filings which would be considered base business
 - Note that the initial approval to file a new program with the Commission does not make the new program a base business program. Please see “Regulatory Filing Approval” section below for details on new programs that first require obtaining regulatory approval.
- Replacement, modification or relocation of any *existing* asset covered by the regulatory processes mentioned above for the purpose of maintaining or enhancing operating efficiency or productivity. This includes but is not limited to utility distribution, transmission, generation or storage system assets (e.g., poles, wires, mains, services, substations, and metering and regulating stations), real estate, Information Technology (IT) software or telecommunication equipment
- Construction of any *new* distribution and transmission system assets if used to serve electric and natural gas customers within the utility service area and which does not require a Certificate for Public Convenience and Necessity (CPCN) regulatory filing at the CPUC or other special regulatory filing.
- Borrowings through loan, credit and other arrangements that are subject to standing SoCalGas Board of Directors resolutions.
- In order for an activity to fall into the base business category, the disbursement or commitment must be included in the annual budget and/or 5-year business plan prior to seeking approval (either specifically identified or considered within a general pool that may be subject to budget reprioritization within a functional area). Note that the typical divisional budget provides flexibility to the divisions to re-direct its resources to address base business requirements. Thus it is permitted for the divisions to redirect their budgets to deal with newly discovered higher priority items rather than what was originally budgeted or described in the GRC process. However, neither the annual budget or capital spending plan and the 5-year business plan are considered an approval of a commitment even if an individual project or commitment is separately identified. Therefore, an approved budget or capital spending plan does not eliminate the need for approval under this policy.
- None of Pacific Enterprises’ disbursements or commitments will be classified as base business.

Not in the ordinary course of business, incremental projects or non-base business – All capital and non-capital commitments and disbursements that are considered non-recurring or incremental rate base additions which require a CPCN regulatory filing at the CPUC or other special regulatory filing. This would include any commitment for a business activity or initiative not governed by a CPUC GRC. The term “non-base business” shall refer to this type of business activity under this policy.

Examples of commitments and disbursements in non-base business include: (See [Appendix A](#) for additional examples.)

- Business activities, including all capital and non-capital projects, currently not governed by the CPUC through a GRC.
- Expansions or new phases of existing capital projects not governed by the CPUC through a GRC.
- New information technology projects to develop systems and software that add significant functionality to existing systems and applications

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- Borrowings through loan, credit and other arrangements that are not subject to standing SoCalGas Board of Directors resolutions

Administrative approvals – Subsequent approval of SoCalGas cash disbursements or execution of contracts associated with an already approved base business or non-base business commitment evidenced by a Work Order Authorization (WOA) or an Authorization for Expenditure (AFE). Administrative approvals generally involve contracts, invoices, vouchers, wire transfer forms and other standard business forms. This also includes invoices, vouchers and wire transfers for energy procurement payments made on behalf of ratepayers, for both gas and power purchases. All administrative commitments should be incorporated in the annual budget and/or 5-year business plan; it is the responsibility of the administrative approver to ensure this compliance.

See [Appendix A](#) for further information on types of commitments.



Information Retention Guidance

For guidance as to the appropriate retention period for information related to this policy, please refer to the [Information Management Policy](#).



Help is a Click Away

You may raise questions or concerns about compliance or ethics issues by visiting our anonymous Sempra Energy Ethics & Compliance Helpline website at www.SempraEthics.com or by calling one of the Ethics & Compliance Helplines below.



Employee Helpline

United States: 800-793-7723
Mexico: 001-770-582-5249

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Appendix A Detailed Commitment Types

Commitment Type	Other Applicable Policies and Considerations	Commitment Type	Sempra BOD Review or Notification ¹
Financial Commitments			
New capital projects – Base Business		Base	Y
New capital projects – Non-Base Business		Non-Base	Y
Expansions or new phases of existing capital projects – Base Business		Base	Y
Investments – Base Business		Base	Y
Investments – Non-Base Business		Non-Base	Y
Cash investments	Sempra Cash Investment Policy	N/A	
Investments in joint ventures or partnerships		Non-Base	Y
Business or asset acquisitions		Non-Base	Y
Business or asset divestitures		Non-Base	Y
Procurement of goods and services in the ordinary course of business (“OCB”)		Base	
Procurement of goods and services not in the OCB		Non-Base	Y
Contracts and agreements for the purchase or sale of goods and services in the OCB	SoCalGas Procurement Policy	Administrative with supporting WOA or AFE	
Contracts and agreements for the purchase or sale of goods and services <u>not</u> in the OCB	SoCalGas Procurement Policy	Administrative with supporting WOA or AFE	Y
Service or consulting contracts with former employees	Sempra Retiree and Former Employee Rehire Policy	N/A	
Service or consulting contracts with former executives or directors that exceed \$100K or a 12-month term	Sempra Retiree and Former Employee Rehire Policy		Sempra SVP & Chief Human Resources and Administrative Officer and SoCalGas Division VP review required

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Payment of invoices in the ordinary course of business	SoCalGas Procurement Policy	Administrative with supporting WOA or AFE	
Payment of invoices for approved capital projects	SoCalGas Procurement Policy	Administrative with supporting WOA or AFE	
Payment of intercompany invoices for shared services		Administrative	
Blanket purchase orders (Capital or Non-Capital)	SoCalGas Procurement Policy	Administrative	
Payroll & Benefits Payments		Administrative	
CPUC and FERC Mandated Programs		Base*	
Energy Procurement Transactions (Settlements and Invoicing)		Administrative	
Federal Retrofit Program		Base*	
Tax Payments		Base	
Franchise Fees		Administrative	
Insurance Contracts and Policy Renewals		Base	
Governmental Turnkey Program		Base*	
ISO Payments		Administrative	
Pipeline Capacity Rights Payments		Administrative	
Unsecured Credit Lines to Customers		Administrative	
Vehicle Leases, under an approved master lease agreement		Administrative	
Real Estate Right-of-Way and Easements		Administrative	
Investments within CPUC Approved RD&D Program	RD&D Investment Approval Guidelines	Administrative	
Master lease agreements		Non-Base	
EFT or Wires for Tax Payments		Administrative	
Customer Refunds and Credits	Revenue Management Approval Authority Policy		
Energy Procurement Transactions – Trading, etc.	SoCalGas Market Activity and Credit Policy (MACP)		
Employee Expense Reimbursements	Sempra Employee Business Expense Policy		
Employee Travel Reimbursements	Sempra Travel Policy		
Employee Recognition	SoCalGas Employee Gifting Policy		

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Commitment Type	Other Applicable Policies and Considerations	Commitment Type	Sempra BOD Review or Notification ¹
Spot Cash Awards	Sempra Energy with Purpose Awards Policy		
Political Activities	Sempra Political Activities Policy SoCalGas Political Activities Accounting Procedure		
Political Contributions	Sempra Political Activities Policy		
Charitable Contributions	Sempra Contributions Policy		
Bank loans		Base	Subject to standing BOD Resolution
Interest rate swap and similar hedging arrangements	Sempra Treasury Hedging Policy	N/A	
Borrowing and credit arrangements		Base	
Option purchases		Non-Base	
Capital lease agreements		Non-Base	Y
Ordinary lease agreements (existing facility, renewal, replacement of an existing facility, expansion of an existing facility <15% of the facility base size)		Base	
Ordinary lease agreements (new or incremental facility, expansion of an existing facility by >15% of the facility base size)		Non-Base	Y
SoCalGas guarantees	Subject to approval by the SoCalGas CEO, CFO and one VP	Non-Base	
Major regulatory filings		Base *	
Activities within a non-regulated utility subsidiary		Non-Base	
Tax settlement payments		N/A	
Legal settlements	Claims and Settlements Policy	N/A	
Other liability settlements		N/A	
Usage of field business credit cards	Field Business Card Policy	N/A	
Usage of corporate credit cards	Corporate Credit Card Policy	N/A	

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Commitment Type	Other Applicable Policies and Considerations	Commitment Type	Sempra BOD Review or Notification ¹
Non-Financial Commitments			
Confidentiality agreements (Mutual non-disclosure agreements or Non-disclosure agreements (NDA))	Non-Financial Commitments (except for confidentiality agreements) at SoCalGas must be approved by an officer. These non-financial commitments shall be, in the opinion of the approving officer, in the OCB. Non-financial commitments that, in the opinion of the approving officer, are not in the OCB shall be elevated for approval by the CEO or President before the commitment is made. Confidentiality agreements at SoCalGas for either OCB or non-OCB are to be approved by an officer over the functional area associated with the stand-alone non-disclosure agreement.		
Non-Compete agreements			
Letters of intent			
Memorandums of understanding			
Heads of agreements			
Consent decrees			
Settlements and release agreements	Claims and Settlements Policy	N/A	

¹Sempra Energy Board notification is required for SoCalGas commitments of \$100 million or greater, up to \$300 million. SoCalGas commitments of \$300 million or greater require Sempra Energy Board review.

*All regulatory programs must be approved at either base business or non-base business level prior to program spending. Upon approval, the cash disbursement associated with the approved base business or non-base business regulatory program will fall under administrative approval of this policy.

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Effective Date: 12/29/2010

Contact: [SoCalGas Business Controls](#)
Revision Date: 11/30/2020



Appendix B Technical/Economic Review Contact List

Departments	SoCalGas
Legal	Andy Reid Commercial Jill Tracy – Litigation & Environmental Melissa Hovsepian - Regulatory
Tax – Corporate	Toby Jack
Accounting - Financial excluding Capital Cost related commitments	Ricardo Gonzalez
Accounting - Capital Cost related	Edward Reyes
Financial Planning	Shirley Arazi
Risk Management	Gregory Flores
Regulatory	Ronald Van Der Leeden
Environmental	Albert Garcia
Affiliate Compliance	Gregory Flores
Human Resources	Judy Hernandez
Communications	Trisha Muse
Treasury - Corporate	Gustavo Gonzalez
Corporate Planning	Donny Widjaja

Refer to [Appendix F – Internal Reviewer Checklist \(IRC\)](#).

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Appendix C Frequently Asked Questions

	Question	Answer
#1	What is the appropriate method for documenting commitment approvals?	Approvals must be documented in writing using a WOA. An AFE is required for commitments that are \$300 million or greater. For all other commitments, employees can manually or, if appropriate, electronically sign invoices, contracts or other documents to document their written approval. Signature stamps cannot be used as evidence of approval of any commitments.
#2	Is approval authority confined to an employee's functional area?	Authority is generally limited by an employee's position and area of functional responsibility. Shared services employees have approval authority for disbursements related to the shared service provided to the respective business units or company entities.
#3	Can approvals be delegated to non-shared services employees outside their operational or functional areas?	Delegations to employees outside their operational or functional areas, whether shared or non-shared, are only permitted between officers. There will be cases when an officer is not available to timely sign a document in their operational or functional area but may delegate their approval to another officer. This permits the officers to work as a team to ensure effective operations.
#4	Who maintains the Delegation of Authority forms?	The original Delegation of Authority forms must be submitted with an original signature to the appropriate Accounts Payable group and/or Cash Management group, as may be applicable. Copies should be retained by the delegator and delegate.
#5	Can I delegate approval authority to an independent contractor?	Only if that independent contractor is also an agent. To determine whether an agency exists please consult the Human Resources Department or the Commercial Law Department.
#6	Are invoice approvals necessary if a contract has already been executed and approved?	Yes. Invoice approvals acknowledge that services have been rendered, goods have been received and that the invoice is consistent with the approved contract. Approval signatures are required by the authorization levels for administrative approvals established in the policy.
#7	If a commitment is made as part of a legal settlement, what category does it fall under?	Commitments related to a legal settlement would generally be categorized as non-base business. All legal settlement commitments are also subject to the Notification of Claims and Approval of Settlements Policy, and MUST be referred to the Law Department for review and determination of significance.
#8	What distinguishes base business from non-base business projects as it pertains to generating facilities, software, real estate or telecommunication equipment?	Projects that are required to <i>operate, maintain and/or enhance safety, reliability, productivity or efficiencies</i> of existing assets are base business. Some base business examples include replacing the equipment at an existing generation plant; upgrading existing software under the normal software maintenance plans; turning on a new module or functionality of an existing application (e.g. new SAP modules); reconfiguration of existing real estate facilities; and replacement of telecommunication equipment under regular maintenance plans. Non-base business projects are not in the normal course of business with respect to operating, maintaining and/or enhancing productivity or efficiency of existing assets. Non-base business projects <i>expand</i> current generation capacity, <i>implement new</i> functionality, or <i>expand or replace</i> facilities, software or telecommunication equipment with new products. Some non-base business examples include: acquiring a new generation facility or increasing capacity of an existing one; replacing or expanding existing software system with a new, unrelated software system; a real estate capital lease for a new facility; significant upgrades to an existing facility, or a new

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	Question	Answer
		telecommunication system or the enterprise wide expansion of current telecommunication equipment.
#9	What is the definition of a Director, Manager and a Supervisor for purposes of the approval limits?	<p>Directors are usually so named in their title, but must also be on the Leadership List, as maintained by Human Resources. Some positions do not include “Director” in the title, yet they have Director level authority. Examples include counsels within the Law Department.</p> <p>To have Manager level authority, a position must have “Manager” in the title AND have at least one direct report. Manager titles without direct reports have no approval authority under this policy.</p> <p>Supervisors may have various titles (e.g., Team Leads) and must have at least one direct report to have approval authority under this policy.</p>
#10	What is a blanket work order and how does it get approved?	<p>Blanket work orders represent the estimated annual spending for commitments that are considered recurring and routine work. These blanket work orders are considered base business commitments and typically include work associated with:</p> <ul style="list-style-type: none"> • Capital - Plant property, additions, replacements, purchases and retirements. • O&M - Maintenance work performed in conjunction with addition, removal, and replacement work. • Combining low cost projects that are similar in nature and result in a used or useful asset. <p>In addition, third party billing, vendor invoices, contracts, and other commitments/transactions associated with an already approved blanket work order will be considered administrative approval transactions under this policy. All blanket work orders approved prior to the effective date of this policy will be deemed appropriately approved and scoped out of the current policy.</p>
#11	If a shared service employee requests a delegation of authority for a shared service project and he/she reports to a non-shared service VP, who should sign the delegation of authority?	For shared service projects, a VP is typically assigned to lead the project. Although a shared service employee’s official reporting structure may potentially remain with a non-shared service VP, the delegation of authority must be signed by the assigned shared service VP. To the extent the shared service VP’s approval authority is exceeded, then a special delegation must be approved by the CEO, President, or COO overseeing the shared service area.
#12	If a shared service project has commitments (e.g., Facilities, Information Technology) that will be direct-charged to a business unit, who should review and approve the total commitment?	Shared service commitments must be reviewed by the business unit being direct-charged. A business unit review requires a senior officer or representative of the impacted business unit to review the WOA or AFE. Upon review and concurrence by each impacted business unit, the appropriate shared service employee level must approve the aggregate amount of the commitment for all business units being charged under non-base business. All subsequent commitments associated with this non-base business approval will be approved as an administrative approval transaction by the appropriate level.
#13	If a commitment involves separate SDG&E and SoCalGas contracts that in the past have been approved and are currently being administered by a shared service department reporting to a non-	<p>All commitments that relate to a specific business unit must at a minimum, receive a business unit review and concurrence from a senior management representative or delegate from the business unit that may potentially be direct-charged. If the appropriate approval level involves a:</p> <ul style="list-style-type: none"> • Non-shared service employee, then the commitment amounts must be separated to seek the appropriate approvals from each business unit involved.

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	Question	Answer
	shared service VP, who should approve the commitment?	<ul style="list-style-type: none"> • Shared service employee, then along with the business unit review and concurrence; both business unit commitments can be combined for approval by the appropriate level shared service employee.
#14	What are the approval requirements for projects that have multiple phases?	A separate WOA or AFE may be prepared for discrete phases of a project that require successive approvals. For example, costs for feasibility studies and permitting of a project could be submitted separately; a second WOA or AFE would be prepared for construction costs once a decision is made to go forward. In that case, the second WOA or AFE must include the initial development expenditures, in order to capture total project costs and the dollar value to determine the appropriate approval will be the total project cost.
#15	What are the approval or re-approval requirements for commitments that exceed the originally approved amounts?	<p>For any approved commitment, at the time that management believes that the actual project costs will exceed the approved WOA or AFE amount by 10% or more, a supplemental WOA or AFE must be prepared. <u>Re-approvals are to use the same base business or non-base business classification that was used for the original authorization based on the revised total project cost to determine the appropriate authorization levels. A copy of any revised AFE of \$100 million or more for base business or non-base business should be sent to the CFO and the Corporate and SoCalGas Planning Departments, with related presentation materials.</u></p> <ul style="list-style-type: none"> • If the expected cost increase is greater than 10%, the revised WOA or AFE must be re-approved. However, for capital projects \$250,000 or less, a revised approval is required when total costs are expected to exceed the approved level by 20%. The approval level required is based on the revised total project cost, not the incremental costs. • For commitments initially reviewed by the Sempra Energy Board of Directors, cost increases in excess of the original amount must be brought to the Sempra Energy Board's attention at its next regularly scheduled meeting.
#16	What is a FEWA and how is it properly approved?	Field Extra Work Authorizations (FEWAs) are authorizations granted by a utility contract administrator to an external construction crew to facilitate the timely performance of additional work needed to complete a construction project. To the extent FEWAs do not exceed the originally approved contract commitment; they are excluded from the scope of this policy. However, if the total of the approved invoices exceed the authorized commitment amount of the contract, a contract amendment must be processed to increase the approved commitment amount. If management believes the actual project costs will exceed the originally approved WOA or AFE amount by 10%, a new WOA or AFE must be prepared and approved at the revised aggregate amount of the commitment.
#17	Are AFEs required for administrative approval transactions?	No. Administrative approvals should be accompanied by an already approved base business or non-base business commitment that has been documented using a WOA, AFE or blanket work order.
#18	What is considered a base business vs. non-base business IT commitment?	IT activities associated with base business commitments involve upgrading, replacing or expanding the use of an existing system. In comparison, non-base business IT commitments are associated with initiatives designed/intended to add new functionality to the existing systems and/or applications.
#19	What is considered a special regulatory filing?	Special regulatory filings may include a Certificate for Public Convenience and Necessity (CPCN) regulatory filing at the CPUC or other miscellaneous filings for commitments that are considered non-routine in nature for a utility business.

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	Question	Answer
#20	What business activities qualify as being currently budgeted in the approved annual and 5-year business plan under base business?	A business activity is not required to be specifically identified in a line item budget in order to qualify as being budgeted in an approved annual or 5-year business plan. These business activities may be associated with a budgeted general cost pool or associated with a budget of a functional area of the company (e.g. electric transmission; electric distribution; or gas transmission, etc.). Business activities that qualify may be subject to budget reprioritization and must be considered routine in nature or similar to activities within that specific functional area in order to be considered budgeted.
#21	Why must the base business commitments be associated with the annual budget or the 5-year plan?	The purpose is to ensure that budgeted funds are available to pay the commitment being entered into by SoCalGas. This in-turn assists the organization to meet its forecasted earnings targets. Note that the Division Budgets in general are designed to cover the expected costs related to running the base business. In addition, these Divisional Budgets may include forecasted costs to implement specifically identified programs arising from the CPUC GRC process. However, if higher priorities arise than those identified in the regulatory processes then the budgets can be re-directed or re-prioritized to address the new higher priority, as long as the new activity is considered part of base business.
#22	Do base business commitments have to be associated with programs specified in the GRC filing?	No, the GRC grants resources based on a point in time, however the regulatory process recognizes that opportunities, challenges and priorities are constantly changing, and that utility management is permitted to deal with these changes by re-prioritizing these resources. It is up to utility management to operate the base business within the GRC-approved resources.
#23	What category do transactions relating to a qualifying facility (QF) contract fall under?	Generally, all commitments will start as either a base business or non-base business commitment. Upon approval, the subsequent cash disbursement or transactional execution of these commitments (e.g. invoice payments, or contracts under an approved WOA or AFE, etc.) will be considered administrative approvals. The exception to this general treatment is the execution or renewal/extension of energy procurement contracts. All contracts that are newly negotiated or up for renewal/extension will fall under the MAC policy . Although the execution or renewals/extensions of QFs will fall outside of the scope of this policy, the subsequent payments or settlement of the QF contract will fall under administrative approvals.
#24	Which commitments or contracts are subject to the requirement of obtaining an IRC form?	All commitments governed by this policy are potentially subject to an IRC. An IRC is required for all commitments subject to a technical/economic review and that are required to be approved at the COO; CEO or higher level. The following are the thresholds for commitments that necessitate a signed and completed IRC form: <ul style="list-style-type: none"> • Base Business: \$30 million or more • Non-Base Business: \$15 million or more • Administrative Commitment: \$50 million or more All contracts of \$20 million or greater also necessitate a signed and completed IRC form.
#25	Are there any special approvals required if the technical review of a commitment indicates that the resulting transaction is determined to be a variable interest entity (VIE) or a capital lease under U.S. Generally Accepted Accounting Principles?	Yes. The Business Controls Group should be consulted to review any commitment that may be determined to be a VIE or a capital lease. The accounting determination can impact both the SE and SoCalGas financial statements, capital structure and borrowing capabilities. The following departments will need additional information: <ul style="list-style-type: none"> • SoCalGas Planning • SoCalGas Accounting • Corporate Treasury
#26	Do investments in partnerships or joint ventures where our equity investment is less than \$300	If the total overall project value is \$300 million or greater, then Sempra Energy Board of Director review is required. If the total overall project value is greater than \$100 million but less than \$300 million, then Sempra Energy Board of Director notification is

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	Question	Answer
	million require review by the Sempra Energy Board of Directors?	required. The total overall project value should include the total unlevered cost of the project.
#27	If a previously reviewed capital project is expanded, is Sempra Energy Board of Directors review required?	If the capital project expansion was previously considered and included as part of the original capital project which was reviewed by the Sempra Energy Board, then no additional Board review is required. If the project expansion was not previously included and the total expansion cost is \$300 million or more, then Sempra Energy Board of Director review is required. If the project expansion was not previously included and the total expansion cost is greater than \$100 million but less than \$300 million, then Sempra Energy Board of Director notification is required.
#28	Is Sempra Energy Board of Directors review required for new phases of a previously approved capital project?	Multiple phases of a capital project with interdependency should not be treated separately to avoid the dollar thresholds that require review from the Sempra Energy Board of Directors or Board notification. In those instances, all interdependent phases should be evaluated on a combined basis for determining the required level of approval. If there are multiple phases of a capital project that are individually discrete, and if the total cost of a new phase is \$300 million or more, then Sempra Energy Board of Director review is required; if the total cost is greater than \$100 million but less than \$300 million, then Board notification is required.
#29	When do commitments for new business ventures that are outside the SoCalGas strategic plan require review by the Sempra Energy Board of Directors?	If the commitment for a new business venture that is outside the SoCalGas strategy exceeds \$100 million, then Sempra Energy Board of Directors review is required.
#30	If I am a director, manager or supervisor, how do I determine whether I have legal authority or not to make a commitment on behalf of the SoCalGas?	Check to see if a properly authorized Delegation of Authority form was issued to you by an officer, or check with the Law Department. You must have legal authority before entering into a commitment. From a legal authority perspective, only officers of SoCalGas (Vice Presidents and higher) have been granted authority to enter into commitments by the SoCalGas Board of Directors, subject to delegation. Directors, managers and supervisors must have that authority delegated to them by an authorized officer. Delegation of Authority forms may cover a single delegatee or a group of delegatees, as may be appropriate.
#31	How do I notify the Sempra Energy Board of Directors of new commitments or cost increases when required?	For new commitments or cost increases requiring Sempra Energy Board notification, submit the supporting information, including any required AFE, to the Sempra Energy Corporate Secretary's Office for inclusion in Sempra Energy's "Monthly Operating Report" (sometimes referred to as the "Key Operating Issues Report"), which is provided to the Board. Alternatively, the Corporate Secretary may place the required notification on the agenda for discussion at the next regularly scheduled Board meeting.

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Appendix D Delegation of Authority Form

I, _____ (name and title of officer)

of Southern California Gas Company hereby delegate to _____

(name and title of individual) my authority to negotiate and enter into, on behalf of the company, contracts, agreements, commitments, and amendments for _____

(specify types of transactions) which are for the benefit of Company ("Transaction(s)"). Each such

Transaction may not exceed \$ _____ in total cost to, relinquishments by or impact on the Company. This authority may not be further delegated.

Termination Date of Delegation: _____ (date, or the earlier of revocation by management or delegate leaving his/her position)

Signature: _____ Date: _____

For delegations in excess of \$10 million the following approval is required.

Approved: Inline requesting department's SVP or above

Signature: _____ Date: _____

For delegations in excess of \$5 million the following approval is required.

Approved: SoCalGas VP, Controller & CFO

Signature: _____ Date: _____

Delegation forms must be submitted with an original signature to the Accounts Payable department.

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Appendix E Authority for Expenditure

Required for all Base Business & Non-Base Business Commitments of \$300 million or more

Project Name / Project # _____ Commitment Type/Description _____

Business Unit _____ Contact _____ Telephone Number _____

Please check if this AFE is revised from a previously approved project; attach a copy of the previous AFE.

Total Project Commitment			Supporting Documents attached:
	All-in Costs	SRE Share	Partner Contribution
Capital Costs			
Capitalized Labor			
Capitalized Interest			
Expense/Start-up			
Total			

STEP 1 - Technical/Economic Project Review*

(Start all technical reviews at the same time – the Utility Finance Department will help coordinate and is the final Technical Review sign-off)

Legal Review By: _____ Date: _____ Tax By: _____ Date: _____
 Accounting By: _____ Date: _____
 (Final sign-off) Utilities Finance By: _____ Date: _____

Comments:

*Not required for SEU Base Business; if this commitment is a **contract** of \$30 million or more, also complete an Internal Review Checklist (IRC)

STEP 2 - Base Business & Non-Base Business Reviews/Approvals:

Reviewed By: _____	Title: Corporate Secretary or Assistant Secretary on behalf of the Sempra Board of Directors (\$300 million or more)	Date: _____
<input type="checkbox"/> Projects may require subsidiary board approval		Date: _____
Approved By: _____	Title: SEU CEO, President or COO (Base up to \$50 million / Non-Base up to \$15 million)	Date: _____
Approved By: _____	Title: SEU Chiefs, SVPs, VPs (Base up to \$30 million / Non-Base up to \$15 million)	Date: _____

- Original signed capital AFEs and supporting documents kept on file with the utilities' Asset & Project Accounting group.
- Original signed non-capital AFEs and supporting documents kept on file with the originating department a copy including supporting documents of those \$300 million and over to the utilities' Asset & Project Accounting group.
- AFEs over \$300 million must be copied to the Sempra Energy Corporate Planning Department, with supporting documents.

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Appendix F Internal Reviewer Checklist (IRC)

Required for all contracts requiring a technical review

Contract Name / Party # _____ Commitment Type/Description _____

Business Unit _____ Contact/Phone _____ Attorney/Phone _____

Check one:

- This contract is associated with capital project _____ which has an approved AFE
- This is a stand-alone contract for a Base or Non-base commitment (Note: An AFE must also be prepared for projects greater than \$100 M)
- This is a stand-alone contract for an Administrative commitment

Legal Review(s) – Required					
	Contract Date	Version #	Review Date	Reviewed by	Description of attachments
1					
2					

Accounting Review(s) – Required					
	Contract Date	Version #	Review Date	Reviewed by	Description of attachments
1					
2					

Tax Review(s) – Required					
	Contract Date	Version #	Review Date	Reviewed by	Description of attachments
1					
2					

Economic/Financial Review(s) – Required					
	Contract Date	Version #	Review Date	Reviewed by	Description of attachments
1					
2					

Identify and obtain other technical reviews required for this contract, or check if Not Applicable (N/A)

Other Technical Review(s)					
N/A	Area	Version #	Review Date	Reviewed by	Description of attachments
<input type="checkbox"/>	Regulatory				
<input type="checkbox"/>	Environmental				
<input type="checkbox"/>	Affiliate Compliance				
<input type="checkbox"/>	Risk Management				
<input type="checkbox"/>	Financial Reporting				
<input type="checkbox"/>					
<input type="checkbox"/>					

It is the responsibilities of the contract approver to obtain all applicable technical reviews prior to signing, including any updates for execution versions. Any review comments that are not resolved or otherwise incorporated should be brought to the attention of the approver.

Contract Approved By:	Title:	Date: