

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of)
Southern California Gas Company (U 904 G))
Regarding Year 20 (2013-2014) of Its)
Gas Cost Incentive Mechanism)
_____)

**APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY
REGARDING YEAR 20 (2013-2014) OF ITS GAS COST INCENTIVE MECHANISM**

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Southern California Gas Company (SoCalGas) hereby submits its twentieth annual application (Application) under the Gas Cost Incentive Mechanism (GCIM). The Commission established the GCIM in Decision (D.) 94-03-076, modified and extended it in D.97-06-061, extended it on an annual basis beginning with Year 6 in D.98-12-057, and further modified and extended it on an annual basis beginning in Year 8 in D.02-06-023.¹ Pursuant to these decisions and SoCalGas’ Tariff Preliminary Statement Part VIII, “Gas Cost Incentive Mechanism,” SoCalGas is to file an application and report in June of each year to address its performance under the GCIM for the previous April 1- March 31 period (GCIM Year).

In this Application, SoCalGas provides its report on gas supply and storage operations for the 12-month GCIM year ending March 31, 2014 (Year 20), and submits its request for Commission approval of a shareholder reward of \$13,710,059 for its Year 20 performance. SoCalGas’ Year 20 Annual Report is Attachment A to this Application.

¹ Pursuant to D.02-06-023, the GCIM will continue on an annual basis until the Commission modifies or terminates it after giving interested parties notice and an opportunity to be heard. See D.02-06-023, mimeo., at 16, 21-22, and p. 1 of Attachment A.

I. BACKGROUND

A. Establishment of the GCIM

On March 16, 1994, the Commission approved SoCalGas' A.93-10-034 implementing a new method by which the Commission oversees the reasonableness of gas purchases and gas storage decisions made by SoCalGas on behalf of core sales customers (D.94-03-076). The Commission initially established a three-year experimental GCIM program beginning April 1, 1994. As stated in D.94-03-076, the GCIM program originally consisted of two separate elements, one that measured performance for gas procurement efforts and the other that measures performance for efficient gas storage operations for the core class. The original GCIM affected approximately 75 percent of SoCalGas' total gas purchases.

The original GCIM established a benchmark against which to measure the price SoCalGas pays for core and core subscription gas supply. The benchmark was based on a combination of monthly gas price indices published in Natural Gas Intelligence, Inside FERC Gas Market Report, and a New York Mercantile Exchange (NYMEX) component for gas futures. The GCIM proposal included a "tolerance band" to allow SoCalGas to meet objectives related to service reliability and supply security. The approved tolerance band was initially established at four and one-half percent during the first year of the GCIM and four percent for the subsequent two years.

In establishing the GCIM in D.94-03-076, the Commission ordered the Commission Advisory and Compliance Division (CACD) to conduct an evaluation of the GCIM by August 1, 1996, to provide the Commission with guidance regarding the success or failure of the program prior to its three-year completion. The Office of Ratepayer Advocates (ORA) was given the task of auditing SoCalGas' annual reports on the GCIM.²

² At the time of the original GCIM decision, ORA was known as the Division of Ratepayer Advocates

In D.02-06-023, the Commission approved a Settlement Agreement executed in July of 2001 by SoCalGas, ORA, and The Utility Reform Network (TURN). The Settlement Agreement extends the GCIM on an annual basis into Year 8 and beyond, until such time as the Commission approves -- after giving the parties notice and an opportunity to be heard -- a request for modification to or termination of the GCIM.

B. GCIM Year 1

Consistent with D.94-03-076, SoCalGas filed its first annual GCIM report on June 22, 1995 (A.95-06-043). A.95-06-043 outlined the performance for SoCalGas during GCIM Year 1 and proposed six modifications to the GCIM. ORA conducted its audit of SoCalGas' report opposing only two of the proposed modifications. SoCalGas settled with ORA in agreeing on four of the six proposed modifications, and the Commission granted SoCalGas its requested shareholder award.

C. GCIM Year 2

On June 17, 1996, SoCalGas filed A.96-06-029 reporting on its gas supply and storage operations during Year 2. The deadline set in D.94-03-076 for the CACD, or its successor the Energy Division, to file an evaluation report passed on August 1, 1996.

On February 13, 1997, SoCalGas and ORA filed a *Joint Motion for order adopting Stipulation and Agreement, Suspending Procedural Schedule, Waiving Oral hearings, Limited Consolidation of Indicated Docket, and for Other Relief*. Among other things, the Stipulation and Agreement resolved all issues related to the Year 2 application, proposed to replace the four percent tolerance band with a tolerance band of two percent above and one-half percent below the benchmark, and provided for revisions to, and extension of, the GCIM program on an annual

(DRA). Over the ensuing GCIM years, the name of this organization changed from DRA to ORA, back to DRA, and then again to ORA. To avoid confusion, this Application will simply refer to ORA throughout since that is the current name of this organization.

basis beyond the original expiration date of March 31, 1997.

In D.97-06-061, the Commission adopted the joint recommendation of ORA and SoCalGas with one modification. The sole modification was to limit the current extension of the GCIM to a two-year term ending March 31, 1999, “in order for the Commission to revisit this program, if it chooses, as part of its gas strategy.”³

D. GCIM Year 3

On June 16, 1997, SoCalGas filed its Year 3 report. That filing was reviewed and accepted without modification by ORA on December 5, 1997, and approved without hearings, by the Commission in D.98-06-024.

E. GCIM Year 4

On June 18, 1998, SoCalGas filed its Year 4 report. That filing was also reviewed and accepted without modification by ORA and approved by the Commission, without hearings, in D.98-12-057. The Commission stated in Ordering Paragraph 2 of D.98-12-057 that:

SoCalGas’ GCIM is extended on an annual basis for 12-month cycles, beginning in Year 6, the period April 1, 1999 through March 31, 2000, unless the mechanism is modified or discontinued by order of the Commission.

F. GCIM Year 5

On June 15, 1999, SoCalGas filed its Year 5 report in A. 99-06-027, which was reviewed and approved without modification by ORA and was approved, without hearings, in D.00-06-039. In D.00-06-039, the Commission did not order modifications to or termination of the GCIM, but did order the Energy Division to conduct an evaluation of the GCIM before the Commission would consider modifications to the GCIM, including whether to extend or terminate the mechanism.

³ D.97-06-061, mimeo., at 1.

G. GCIM Year 6

On June 15, 2000, SoCalGas filed its Year 6 report in A.00-06-023. On October 30, 2000, ORA issued its Monitoring and Evaluation Report of A.00-06-023, which “verified that the Commission approved sharing mechanism results in a \$14.4 million benefit to ratepayers and a shareholder reward of \$9.8 million.” In its report, ORA supported the continuation of the GCIM into Year 7 and recommended the continuation of the GCIM program into Year 8 with two refinements to the mechanism.⁴ Pursuant to D.00-06-039, on January 4, 2001, the Energy Division issued a comprehensive 37-page analysis of the history, function, and results of the GCIM. In its analysis, the Energy Division concluded that gas purchases made by SoCalGas under the GCIM “are definitely far more favorable to ratepayers than those made when reasonableness reviews were in effect.”⁵ The Energy Division noted that “the GCIM has achieved the Commission’s goals for the GCIM,” and recommended that the GCIM be continued, explaining that “the GCIM is superior to various alternatives, such as traditional reasonableness reviews, elimination of SoCalGas from the gas procurement function, or inclusion of gas procurement costs in an overall performance-based ratemaking mechanism.”⁶ In D.01-05-002, the Commission approved, without hearings, SoCalGas’ GCIM award for its Year 6 performance and opened Phase 2 of A.00-06-023 to address whether the GCIM should be extended with or without modification.

In D.02-06-023 the Commission approved a settlement agreement among SoCalGas, ORA, and TURN, which extended and made the following changes to SoCalGas’ GCIM:

⁴ The two refinements to the GCIM for Year 8 were: 1) modification of the lower tolerance band from the current 0.5% to 1.0%, and 2) replacement of the NYMEX benchmark with published (daily or weekly) indices with a set 25% weighting. ORA GCIM Year 6 Monitoring and Evaluation Report, pp. 1-4 dated October 30, 2000.

⁵ Energy Division Analysis at 20; *see also* D.02-06-023, mimeo., at 5 referencing the analysis.

⁶ Energy Division Evaluation Report of the SoCalGas GCIM, p. 1, dated January 4, 2001.

1. Elimination of the NYMEX Program as a benchmark index, beginning in Year 8.
2. Shareholder awards will be capped at 1.5 percent of the actual annual gas commodity cost.
3. The sharing bands below the benchmark will be:

<u>Sharing Band</u>	<u>Ratepayer%</u>	<u>Shareholder%</u>
0.0%-1.00%	100%	0%
1.00%-5.00%	75%	25%
5.00% & Above	90%	10%

Pursuant to D.02-06-023, SoCalGas' GCIM will continue on an annual basis until further modified or terminated upon Commission order.⁷

H. GCIM Year 7

On June 15, 2001, SoCalGas filed its Year 7 GCIM report in A.01-06-027, seeking a shareholder award of \$106.1 million. Year 7 represented an extremely volatile year in gas prices, compounded by unusually cold weather, higher wholesale electric prices, lower hydroelectric generation in the Pacific Northwest, higher electric generation demand, and lower throughput on the El Paso Natural Gas Company interstate pipeline system due to a system rupture. Despite all of these factors, SoCalGas was able to effectively manage its assets to the benefit of core ratepayers, resulting in gas for the core being purchased at an average price of \$5.16 per MMBtu -- well below the benchmark of \$5.72 per MMBtu.

Pursuant to the Settlement Agreement adopted in D.02-06-023, SoCalGas retroactively applied its new 1.5% commodity cost cap, and reduced its proposed GCIM Year 7 shareholder award from \$106.1 million to \$30.8 million. The Commission approved SoCalGas' revised \$30.8 million GCIM Year 7 shareholder award request in D.03-08-065.

I. GCIM Year 8

SoCalGas filed A.02-06-035 on June 17, 2002, requesting an authorized shareholder award of \$17.4 million for GCIM Year 8, an amount that also reflected the retroactive application of the new 1.5% commodity cost cap on shareholder awards. In GCIM Year 8,

⁷ D.02-06-023, mimeo, at 25-26 and page 1 of Attachment A (the settlement agreement).

California continued to experience a volatile natural gas market. Despite this volatility, the GCIM continued to provide SoCalGas' core customers with reliable natural gas supplies at below market cost. SoCalGas realized an average gas cost of \$3.13 per MMBtu, \$0.51 per MMBtu below the benchmark price of \$3.64 per MMBtu. The Commission approved SoCalGas' \$17.4 million GCIM Year 8 shareholder award request in D.03-08-064.

J. GCIM Year 9

SoCalGas filed A.03-06-021 on June 16, 2003 summarizing its GCIM Year 9 activities and requesting an authorized shareholder award of \$6.3 million. While Year 9 provided more stability to the gas market than in the two preceding years, California's natural gas market continued to be very dynamic. Despite these changing conditions, SoCalGas' core customers continued to receive reliable natural gas supplies at \$39 million below market cost. The Commission approved SoCalGas' \$6.3 million GCIM Year 9 shareholder award request in D.04-02-060.

K. GCIM Year 10

SoCalGas filed A.04-06-025 on June 15, 2004, summarizing its GCIM Year 10 activities and requesting a GCIM Year 10 shareholder award of \$2.4 million. During GCIM Year 10, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$27 million below market cost.⁸ The Commission approved SoCalGas' \$2.4 million GCIM Year 10 shareholder award request in D.05-04-003.

L. GCIM Year 11

A.05-06-030 was filed on June 15, 2005, which requested a GCIM shareholder award of \$2.5 million for Year 11. SoCalGas provided natural gas supplies to its core customers at \$31.4 million below the benchmark during GCIM Year 11. On November 30, 2005, ORA issued its

⁸ D.05-04-003, page 3.

GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed shareholder award of \$2.5 million, but also recommended two modifications to the GCIM mechanism.⁹

1. SoCalGas should inject gas into storage on a uniform ratable basis during the injection months.
2. SoCalGas should meet a strict minimum of 70 Bcf inventory level in storage by November 1.

On February 17, 2006, ORA, TURN, and SoCalGas filed a Joint Recommendation which resolved the concerns raised by ORA in its Monitoring and Evaluation Report. Specifically, the Joint

Recommendation proposed the following changes to the GCIM:

- The core's October 31 physical inventory storage target will change from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. This core physical inventory does not include any net park and net loan positions.
- If additional storage inventory capacity is allocated to SoCalGas' core beyond 70 Bcf, core's October 31 physical inventory storage target will be increased by that amount.
- SoCalGas must obtain the consent of ORA and TURN to rely upon its existing secondary storage target.
- Unless otherwise agreed to by ORA and TURN, SoCalGas must have a minimum core-purchased inventory of 49 Bcf on July 31, 2006. This target may include net loan positions.
- For the years beyond 2006, SoCalGas will obtain agreement from ORA and TURN for mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by ORA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff.

The Joint Recommendation of ORA, TURN and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas' requested shareholder award for Year 11 of \$2.5M.¹⁰

⁹ ORA GCIM Year 11 Monitoring and Evaluation Report, pp. 1-2.

¹⁰ As with GCIM Year 7, Year 8, Year 9, and Year 10 shareholder awards granted by the Commission, this GCIM Year 11 award was made subject to refund or adjustment, as may be determined in I.02-11-040. However, in D.06-12-034, the Commission closed I.02-11-040 with prejudice and terminated the conditions imposed upon these GCIM shareholder awards.

M. GCIM Year 12

SoCalGas filed A.06-06-017 on June 15, 2006 and requested a GCIM shareholder award of \$9.8 million for Year 12. During GCIM Year 12, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$69.1 million below market cost. In October 2006, ORA issued its Monitoring and Evaluation Report for GCIM Year 12 and recommended approval of SoCalGas' requested shareholder award. The Commission approved SoCalGas' \$9.8 million GCIM Year 12 shareholder award request in D.07-11-005.

N. GCIM Year 13

SoCalGas filed A.07-06-021 on June 15, 2007, and requested a GCIM shareholder award of \$8.9 million for Year 13. During GCIM Year 13, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$57.7 million below benchmark cost. In October 2007, ORA issued its Monitoring and Evaluation Report for GCIM Year 13 and recommended approval of SoCalGas' requested shareholder award. A.07-06-021 was approved by the Commission on January 31, 2008 (D.08-01-035), finding that SoCalGas reasonably managed its gas acquisition and operations in Year 13 within the context of the GCIM that existed at the time, and that the calculation and amount of the shareholder award is correct pursuant to the GCIM modifications adopted in D.02-06-023.

O. GCIM Year 14

SoCalGas filed A.08-06-016 on June 16, 2008, requesting a GCIM shareholder award of \$6.5 million for Year 14. During GCIM Year 14, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$50.1 million below benchmark cost. In November 2008, ORA issued its Monitoring and Evaluation Report for GCIM Year 14 and recommended approval of SoCalGas' requested shareholder award. In February 2009 the

Commission issued D.09-02-005, approving A.08-06-016 and SoCalGas' requested shareholder award of \$6.5 million.

P. GCIM Year 15

SoCalGas filed A.09-06-014 on June 15, 2009, requesting a GCIM shareholder award of \$12 million for Year 15. During GCIM Year 15, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$75.6 million below benchmark cost. In October 2009, ORA issued its Monitoring and Evaluation Report for GCIM Year 15 and recommended approval of SoCalGas' requested shareholder award. In January 2010 the Commission issued D.10-01-018, approving A.09-06-014 and SoCalGas' requested shareholder award of \$12 million.

Q. GCIM Year 16

SoCalGas filed A.10-06-006 on June 14, 2010, requesting a GCIM shareholder award of \$6.0 million for Year 16. During GCIM Year 16, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$39.9 million below benchmark cost. In May 2011, ORA issued its Monitoring and Evaluation Report for GCIM Year 16 and recommended approval of SoCalGas' requested shareholder award. In September 2011, the Commission issued D.11-09-011, approving A.10-06-006 and SoCalGas' requested shareholder award of \$6 million.

R. GCIM Year 17

SoCalGas filed A.11-06-017 on June 15, 2011, requesting a GCIM shareholder award of \$6.2 million for Year 17. During GCIM Year 17, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$40.9 million below benchmark cost. In November 2011, ORA issued its Monitoring and Evaluation Report for GCIM Year 17 and recommended approval of SoCalGas' requested shareholder award. In March 2012 the

Commission issued D.12-03-016, approving A.11-06-017 and SoCalGas' requested shareholder award of \$6.2 million.

S. GCIM Year 18

SoCalGas filed A.12-06-005 on June 15, 2012, requesting a GCIM shareholder award of \$5.4 million for Year 18. During GCIM Year 18, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$37.5 million below benchmark cost. On January 18, 2013, ORA issued its Monitoring and Evaluation Report for GCIM Year 18 and recommended approval of SoCalGas' requested shareholder award. In July 2013 the Commission issued D.13-07-037, approving A.12-06-005 and SoCalGas' requested shareholder award of \$6.2 million.

T. GCIM Year 19

SoCalGas filed A.13-06-013 on June 14, 2013, requesting a GCIM shareholder award of \$5.8 million for Year 19. During GCIM Year 19, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$34.7 million below benchmark cost. On October 25, 2013, ORA issued its Monitoring and Evaluation Report for GCIM Year 19 and recommended approval of SoCalGas' requested shareholder award. It is hoped that a final decision will be issued by the Commission during 2014.

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of \$13,710,059 for SoCalGas' performance in Year 20 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 20 SoCalGas was able to purchase gas at \$70.4 million below the GCIM benchmark. The actual cost of all purchases by SoCalGas subject to the GCIM was \$1,666,818,834, while the benchmark cost was \$1,737,216,795.

Pursuant to the revisions to the GCIM adopted in D.02-06-023, if the Commission determines that these figures are accurate, SoCalGas will be entitled to a shareholder reward of \$13,710,059.

The relief sought by SoCalGas in this Application is a GCIM Year 20 shareholder award of \$13,710,059.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues, and Schedule – Rule 2.1(c)

SoCalGas proposes that this proceeding be categorized as “ratesetting” because SoCalGas’ proposals will have a future effect on rates. SoCalGas does not believe that a hearing is necessary. Given the record that has already been developed in other Commission proceedings, and given the GCIM settlement adopted by the Commission in D.02-06-023, SoCalGas does not believe that its proposals in this proceeding will raise any issues of fact that will require a hearing.

The issue to be considered in this proceeding is whether SoCalGas should be awarded the GCIM Year 20 shareholder award of \$13,710,059 it has requested.

SoCalGas proposes the following schedule for this Application:

<u>EVENT</u>	<u>DATE</u>
SoCalGas files Application	June 13, 2014
Deadline for responses to Application	July 14, 2014
Prehearing Conference	August 18, 2014
ORA Report	October 15, 2014 ¹¹
Proposed Decision	January 2015
Commission Decision	February 2015

¹¹ Pursuant to D.02-06-023, ORA’s Report on SoCalGas’ annual GCIM application is to be issued by October 15 each year, though this deadline has been extended by the Commission on a number of occasions to accommodate ORA scheduling issues.

B. Authority – Rule 2.1

This Application is made pursuant to Sections 451, 454, 489, 491, 701, 728, and 729 of the Public Utilities Code of the State of California, the Commission’s Rules of Practice and Procedure, and relevant decisions, orders, and resolutions of the Commission, including D.02-06-023.

C. Corporate Information and Correspondence – Rule 2.1(a) and (b)

SoCalGas is a public utility organized and existing under the laws of the State of California. SoCalGas’ principal place of business and mailing address is 555 West Fifth Street, Los Angeles, California. All correspondence and communications regarding this Application should be addressed to:

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D. Request for Ex Parte Approval – Rule 2.1 (c)

The Commission is familiar with SoCalGas’ GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 20 Report will be a sufficient basis for the Commission to reach a decision without hearings. Accordingly, SoCalGas respectfully requests that the Commission approve this Application expeditiously, and without evidentiary hearings.

E. Articles of Incorporation – Rule 2.2

SoCalGas previously filed a certified copy of its Restated Articles of Incorporation with Application No. 98-10-012, and these articles are incorporated herein by reference.

F. Balance Sheet and Income Statement – Rule 3.2(a)(1)

Attachment B to this Application is SoCalGas' Balance Sheet as of March 31, 2014. Attachment C to this Application is SoCalGas' Income Statement for the three-month period ended March 31, 2014.

G. Rates – Rule 3.2(a)(2) and (3)

The rate changes that will result from this Application are described in Attachment D.

H. Property and Equipment – Rule 3.2(a)(4)

A general description of SoCalGas' property and equipment was previously filed with the Commission on May 3, 2004, in connection with SoCalGas' Application No. 04-05-008 and is incorporated herein by reference. A statement of account of the original cost and depreciation reserve attributable thereto is attached to the Application as Attachment E.

I. Summary of Earnings – Rules 3.2(a) (5) and (6)

Attachment F to this Application is a Summary of Earnings for the 3 months ended March 31, 2014.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 20 Annual Report accompanies this Application. SoCalGas is now ready to proceed with its showing.

K. Depreciation – Rule 3.2(a)(7)

For financial statement purposes, SoCalGas has computed depreciation of utility plants on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation

using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on property additions after 1954 and prior to 1981. For financial reporting and rate purposes, "flow through accounting" has been adopted for such properties.

For property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, the Company has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems, and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

L. Proxy Statement – Rule 3.2(a)(8)

A copy of SoCalGas' most recent proxy statement, dated April 24, 2014, as sent to all shareholders of SoCalGas' Parent Company, Sempra Energy, was mailed to the California Public Utilities Commission on May 12, 2014, and is incorporated herein by reference.

M. Pass Through of Costs – Rule 3.2(a)(10)

The shareholder reward sought by SoCalGas in this Application would not simply pass through to customers costs to SoCalGas for services and commodities furnished by it.

N. Service and Notice – Rule 1.9

SoCalGas is serving this Application on all parties to A.13-06-013. Within twenty days of filing, SoCalGas will mail notice of this Application to the State of California and to cities and counties served by SoCalGas, and SoCalGas will post the notice in its offices and publish the notice in newspapers of general circulation in each county in its service territory. In addition, SoCalGas will include notices with the regular bills mailed to all customers affected by the proposed rate change.

IV. CONCLUSION

For the reasons set forth above and in Attachment A, SoCalGas respectfully requests that the Commission approve a Year 20 GCIM shareholder award of \$13,710,059 on an expedited and ex parte basis.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ Paul M. Goldstein
Paul M. Goldstein
Vice President Gas Acquisition

By: /s/ Michael R. Thorp
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June 13, 2014

VERIFICATION

I, Paul M. Goldstein, am an officer of Southern California Gas Company, and I am authorized to make this verification on its behalf. The content of this Application is true, except as to matters that are stated on information and belief. As to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 13, 2014, at Los Angeles, California.

/s/ Paul M. Goldstein

Paul M. Goldstein
Vice President Gas Acquisition

Attachment A

Southern California Gas Company
Annual Report on the Gas Cost Incentive Mechanism
April 1, 2013 through March 31, 2014

I. Summary of Year 20 GCIM Results

This report summarizes the results of the Gas Acquisition Department's activities on behalf of the core procurement customers of Southern California Gas Company (SoCalGas) and San Diego Gas and Electric (SDG&E)¹ under the Gas Cost Incentive Mechanism (GCIM) during the period April 1, 2013 through March 31, 2014 (Year 20). This report also requests a shareholder award under the GCIM for Year 20. The award is based on the current GCIM set forth in SoCalGas' GCIM Preliminary Statement.

In GCIM Year 20, market volatility was somewhat muted during the injection season. However, an extremely cold winter across most of the U.S. resulted in several weather-related price spikes which influenced prices in several supply basins serving California. Under these market conditions, SoCalGas' and SDG&E's core customers continued to receive reliable natural gas supplies at below-market cost. These results were achieved with no curtailments of core service and in compliance with all requirements and guidelines established by the California Public Utilities Commission (CPUC). Table 1 below summarizes performance under the GCIM during the last 20 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in nineteen of the past 20 years. Additionally, a GCIM Summary for the past 20 years delineating the various GCIM components is included in Appendix A.

¹ D.07-12-019 authorized the consolidation of the core portfolio for SoCalGas and SDG&E into one single portfolio managed by SoCalGas. This consolidation became effective on April 1, 2008.

TABLE 1
GCIM PERFORMANCE
YEAR ENDED MARCH 31

Year	GCIM	Net Purchases (Border Volumes)		Net Gas Cost		Benchmark Gas Commodity Cost		Comparison to Benchmark (\$Millions)		
		Year	Million MMBtu/d	Million MMBtu	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Customer Savings	Shareholder Award
1995	1	0.76	277	\$445	\$1.61	\$441	\$1.59	(\$1.1)	\$0.0	(\$1.1)
1996	2	0.66	243	\$322	\$1.33	326	\$1.35	\$3.2	\$3.2	\$6.4
1997	3	0.66	243	\$530	\$2.18	550	\$2.27	\$10.6	\$10.6	\$21.2
1998	4	0.66	241	\$542	\$2.25	549	\$2.28	\$4.8	\$2.0	\$6.8
1999	5	0.75	275	\$520	\$1.89	538	\$1.95	\$10.4	\$7.7	\$18.1
2000	6	1.06	385	\$902	\$2.34	926	\$2.40	\$14.4	\$9.8	\$24.2
2001	7	1.09	398	\$2,055	\$5.16	2,279	\$5.72	\$192.8	\$30.8	\$223.6
2002	8	1.01	370	\$1,159	\$3.13	1,349	\$3.64	\$172.4	\$17.4	\$189.8
2003	9	1.03	376	\$1,333	\$3.55	1,373	\$3.65	\$32.7	\$6.3	\$39.0
2004	10	1.02	374	\$1,730	\$4.63	1,757	\$4.70	\$24.6	\$2.4	\$27.0
2005	11	1.03	375	\$2,103	\$5.61	2,134	\$5.69	\$28.9	\$2.5	\$31.4
2006	12	1.06	387	\$2,923	\$7.54	2,992	\$7.72	\$59.3	\$9.8	\$69.1
2007	13	1.02	372	\$2,135	\$5.74	2,192	\$5.89	\$48.8	\$8.9	\$57.7
2008	14	1.03	376	\$2,349	\$6.25	2,399	\$6.38	\$43.6	\$6.5	\$50.1
2009	15	1.15	418	\$2,661	\$6.36	2,737	\$6.54	\$63.6	\$12.0	\$75.6
2010	16	1.11	406	\$1,548	\$3.82	1,588	\$3.91	\$33.9	\$6.0	\$39.9
2011	17	1.11	406	\$1,559	\$3.84	1,600	\$3.94	\$34.7	\$6.2	\$40.9
2012	18	1.18	432	\$1,547	\$3.58	1,585	\$3.67	\$32.1	\$5.4	\$37.5
2013	19	1.06	387	\$1,107	\$2.86	1,141	\$2.95	\$28.9	\$5.8	\$34.7
2014	20	1.05	382	\$1,485	\$3.88	1,556	\$4.07	\$56.7	\$13.7	\$70.4
Total		0.975	7,123	\$28,955	\$4.06	\$30,013	\$4.21	\$895.3	\$167.2	\$1,062.4

* Years 1- 3 exclude benefits related to Storage Incentive Mechanism (“SIM”), which was eliminated in Year 4. The SIM shareholder awards for Years 1, 2, 3 were \$103,364, \$67,645, and \$171,106 respectively.

As indicated in Table 1, Gas Acquisition acquired gas at \$70.4 million below the Benchmark in Year 20. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition buys gas for the core customers. Gas Acquisition’s average cost was \$3.88 per MMBtu, or \$0.19 per MMBtu below the Benchmark price of \$4.07 per MMBtu.

During GCIM Year 20, Gas Acquisition purchased a net 382 million MMBtus for its retail core load. Gas Acquisition’s interstate capacity rights primarily on El Paso, Transwestern, and Kern River pipeline systems enabled the core’s requirements to be met largely through basin purchases rather than purchases at the California border/citygate.

II. Description of Gas Procurement Activities

SoCalGas' Gas Acquisition personnel have a high level of expertise in fundamental analysis, gas trading, gas transportation, risk management, and back office operations. This expertise has continually been developed over the past nineteen years of operation under the GCIM. As a result, Gas Acquisition has been able to effectively manage gas procurement in the gas markets during Year 20, ultimately lowering its gas costs. The GCIM encourages Gas Acquisition to proactively lower gas costs and protect core customers from price volatility through physical and financial trades, storage, and interstate pipeline capacity. As mentioned above, during the winter months, especially February 2014, several price spikes occurred as a result of extremely cold weather across the U.S. Gas Acquisition was able to sell excess supplies during these months to further lower gas cost for core customers,

As in the previous 19 years of the GCIM, Year 20 results continue to show that the GCIM program is successful in meeting its objectives originally established in D.90-07-065 and R.90-02-008:

- Improve the utility's incentives to operate efficiently;
- Reduce the burden of regulatory oversight, both for the regulators and the utility;
- Provide a more stable and predictable regulatory environment;
- Implement a system that is readily understandable;
- Fairly balance risk and reward for the utility, and provide positive as well as negative incentives;
- Implement a regulatory structure that allows management to focus primarily on costs and markets, rather than on CPUC proceedings; and
- Align the interests of utility shareholders with those of utility customers.

Over the past 20 years, the GCIM has increased the efficiency of regulation by reducing the burden of regulatory oversight and providing a structure that enables SoCalGas to focus on securing reliable, low-cost gas for its core customers.

Gas Acquisition's procurement activities were conducted to achieve the primary objectives of supply security and service reliability at a low cost. SoCalGas accomplished these objectives in Year 20 by:

- Ensuring that firm long-term contracts, together with readily available monthly supplies and core storage, were adequate to meet core requirements during the peak demand season (November to March). In GCIM Year 20 SoCalGas maintained a gas supply portfolio weighted toward long-term supply agreements (53.5%) and month-to-month baseload agreements (46.7%). Daily transactions resulted in net gas sales, accounting for -0.2% of the total portfolio.
- Reaching its minimum core-purchased inventory of 47 Bcf on July 31, 2013,² and its October 31 core physical storage inventory target of 83 Bcf +0/-2 Bcf, in compliance with D.06-10-029, D.07-12-019 and D.08-12-020.³ SoCalGas' core-purchased inventory on July 31, 2013 was 54.2 Bcf; its core physical inventory on October 31, 2013 was 81.5 Bcf (which excluded 0.7 Bcf of SMS park volumes, but included 2.2 Bcf of Core Aggregation Transportation (CAT) volumes).⁴
- Managing the use of the rights and assets assigned to the retail core including storage inventory, injection and withdrawal rights, and flowing supply through the use of Secondary Market Services (SMS). SMS transactions and fees are based on existing market conditions and are completed on a non-discriminatory basis. SMS transactions continued to contribute to the overall lower gas costs achieved by Gas Acquisition by using assets not directly needed for reliability.
- Making physical and financial trades on behalf of core customers to reduce retail core gas costs.

² D.06-10-029 adopted a joint recommendation of the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN) and SoCalGas, establishing a minimum core purchase inventory target on July 31, 2006. For subsequent years, SoCalGas must obtain agreement from ORA and TURN for mid-season inventory target which must be met unless otherwise agreed to by ORA and TURN. SoCalGas obtained agreement from ORA for a mid-season minimum storage target of 47 Bcf as of July 31, 2013, and filed Advice Letter 4493 to reflect this target in its GCIM tariffs. TURN was unable to participate in the review process due to time constraints. Advice Letter 4493 was approved by the Commission on July 2, 2013.

³ D.06-10-029 changed the core physical storage target as of October 31 from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. Also, "if additional storage inventory is allocated to SoCalGas' core beyond 70 Bcf, the core's October 31 physical inventory storage target will be increased by that amount". D.07-12-019 approved storage capacity for the combined core portfolio at 79 Bcf. D.08-12-020 adopted the Settlement Agreement (SA) dated August 22, 2008, allocating 1 Bcf of the storage expansion capacity to the combined core's storage inventory in each of the four years 2010-2013. Therefore, the core storage capacity in Year 20 was increased to 83 Bcf. SoCalGas filed Advice Letter 4499 on May 29, 2013 to update the core inventory capacity in its GCIM tariffs. D.08-12-020 also effectively eliminated the upper tolerance of the core storage capacity by requiring that the "combined core customers of SDG&E/SoCalGas... balance within the storage inventory capacity allocated to them under this SA."

⁴ Effective April 1, 2009, SoCalGas implemented the remaining provisions of D.07-12-019, subjecting the core to new balancing requirements. No imbalance charges were incurred by the core during the reporting period.

- Utilizing Gas Acquisition's interstate and Backbone Transmission Service (BTS) capacity rights to provide portfolio diversification and lower the cost of gas.
- In summary, the GCIM provides an incentive for SoCalGas to efficiently use retail core's interstate pipeline and storage rights to deliver reliable, low-cost gas supplies to its retail core customers. Reliability is achieved by constructing a portfolio of natural gas supplies that is diversified by contract type, geographic region, and supplier. SoCalGas uses tools available to a typical trading organization, including purchases, sales, loans, parks, wheels, derivatives, and transportation contracts. These tools enhance SoCalGas' ability to make economic use of core assets, when not directly needed for reliability, to lower overall gas costs to its core customers.

Interstate Capacity

Pursuant to D.04-09-022 and Advice Letter 3969, SoCalGas filed Advice Letter 4402 on September 12, 2012, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 20 and 21 based on the 2012 California Gas Report. The minimum firm capacity required for the period April to October 2013 was established at 948.1 MDthd, while the minimum required for November 2013 to March 2014 was 1,053.5 MDthd. Appendix C to this report shows that SoCalGas' capacity holding during each month of Year 20 met the minimum capacity requirement for the combined portfolio.

Financial Derivatives and Winter Hedging

In compliance with D.10-01-023 issued on January 25, 2010, adopting an incentive framework to motivate optimal use of natural gas hedging for California utilities, and modifying the treatment of financial gains and losses for SoCalGas and SDG&E, in Year 20, SoCalGas continued to include 25% gains and losses and transaction costs from Gas Acquisition's winter hedging activities in the calculation of GCIM total actual costs. This year, SoCalGas' winter hedge activities generated a gain of \$1.58 million, of which \$0.4 was included in GCIM.

The ORA and TURN staffs were kept apprised of SoCalGas' winter hedge positions via weekly position reports and bi-weekly conference calls throughout the period.

III. GCIM Monitoring and Evaluation

Throughout the GCIM program, SoCalGas has worked closely with the ORA to establish an efficient monitoring and timely reporting system to keep the ORA and Energy Division informed of Gas Acquisition activities. Pursuant to the provisions of General Order 66-C and Section 583 of the Public Utilities Code, SoCalGas provides a monthly report, 60 days after the end of each month, to the ORA and Energy Division on a confidential basis. This report includes details of:

- All gas purchases and sale transactions
- All SMS transactions
- All financial transactions
- Capacity Holding Report
- Capacity Utilization Report
- Calculations of the GCIM benefit

SoCalGas has also communicated frequently with the ORA and the Energy Division on all important Gas Acquisition issues during GCIM Year 20, including its winter hedging activities.

IV. Recommendations

SoCalGas concludes from its Year 20 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 20, each of the CPUC established objectives for incentive regulation were met, in addition to SoCalGas' primary objectives of supply security and reliable service at low cost. SoCalGas therefore recommends that the Commission approve a GCIM Year 20 shareholder award of \$13,710,059 on an expedited and ex parte basis.

Appendix A

SOUTHERN CALIFORNIA GAS COMPANY
APPENDIX A
Summary of GCIM Results to Date

GCIM Year	Benchmark Dollars	Actual Dollars	(Over)/Under Benchmark	Upper Tolerance Dollars *	Lower Tolerance Dollars 0.5%	Lower Tolerance Dollars 1.0%	Lower Tolerance Dollars 5.0%	Subject to Sharing**
1	\$567,448,362.30	\$568,566,019.81	\$ (1,117,657.51)	\$17,089,530.26	N/A			\$ -
2	448,713,458.73	442,313,458.73	6,400,000.00	13,058,694.40	N/A			6,400,000.00
3	680,061,509.12	658,875,669.99	21,185,839.13	22,014,553.98	N/A			21,185,839.13
4	672,131,591.15	665,307,357.07	6,824,234.08	10,977,634.41	2,744,408.60			4,079,825.48
5	649,294,620.31	631,138,278.30	18,156,342.01	10,761,347.94	2,690,337.00			15,466,005.01
6	1,061,264,614.31	1,037,113,228.11	24,151,386.20	18,527,591.62	4,631,897.91			19,519,488.29
7	2,411,105,910.49	2,187,533,957.27	223,571,953.22	45,580,915.01	N/A	22,790,457.52	113,952,287.60	200,781,495.70
8	1,480,091,362.36	1,290,296,697.89	189,794,664.47	26,979,669.81	N/A	13,489,834.90	67,449,174.52	176,304,829.57
9	1,506,037,786.25	1,467,033,460.42	39,004,325.83	27,458,163.89	N/A	13,729,081.94	68,645,409.70	25,275,243.89
10	1,892,688,525.92	1,865,659,815.59	27,028,710.33	35,140,805.34	N/A	17,570,402.67	87,852,013.34	9,458,307.66
11	2,277,899,575.12	2,246,521,572.99	31,378,002.13	42,689,291.43	N/A	21,344,645.73	106,723,228.59	10,033,356.40
12	3,126,842,589.57	3,057,709,956.84	69,132,632.73	59,836,551.77	N/A	29,918,275.86	149,591,379.39	39,214,356.87
13	2,308,210,816.08	2,250,470,332.65	57,740,483.43	43,849,019.93	N/A	21,924,509.96	109,622,549.83	35,815,973.47
14	2,513,802,466.59	2,463,728,945.05	50,073,521.54	47,972,531.01	N/A	23,986,265.50	119,931,327.53	26,087,256.04
15	2,894,131,586.73	2,818,571,495.70	75,560,091.03	54,736,538.80	N/A	27,368,269.40	136,841,347.00	48,191,821.63
16	1,753,539,090.12	1,713,612,055.95	39,927,034.17	31,756,473.48	N/A	15,878,236.76	79,391,183.73	24,048,797.41
17	1,750,392,489.96	1,709,500,858.03	40,891,631.93	32,006,773.38	N/A	16,003,386.68	80,016,933.40	24,888,245.25
18	\$1,742,334,581.64	1,704,835,266.55	\$37,499,315.09	31,696,187.25	N/A	15,848,093.62	79,240,468.13	21,651,221.47
19	\$1,308,126,350.96	1,273,387,819.47	\$34,738,531.49	22,829,340.06	N/A	11,414,670.05	57,073,350.18	23,323,861.44
20	\$1,737,216,795.01	1,666,818,834.18	\$70,397,960.83	31,115,452.65	N/A	15,557,726.33	77,788,631.63	\$54,840,234.50
	\$32,781,334,082.72	\$31,718,995,080.59	\$1,062,339,002.13	\$626,077,066.42	\$10,066,643.51	\$266,823,856.92	\$1,334,119,284.57	\$786,566,159.21

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 20.

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-20, the Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 1% Lower Tolerance Band, pursuant to D.02-06-023

Note: Benchmark and Actual Dollars are inclusive of all transportation costs for delivery of gas to SoCalGas' system.

Appendix B



Southern California Gas Company

Annual Report on Affiliate Transactions

Section C: Utility Provision of Goods
and Services to Its Affiliated Entities

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

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Response to Affiliate Transaction Reporting Requirements Section:

C. UTILITY PROVISION OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

Request No. 1-7:

1. Using the format of Table II-C-1, each utility shall report any goods and/or services that the utility provided to any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the utility was reimbursed.
2. For purposes of this section, and section II-D, "Goods" are defined as any tangible item having economic value. Examples of "goods" include office supplies, office computers, and personal automobiles. No item shall qualify as a good if it has:
 - a) A depreciable life, for federal tax purposes, of more than 3 years, except for cars, personal computers, and office machinery¹; and
 - b) A value of greater than \$20,000.

The transfer of an item of tangible property described in (a) or (b) above shall be reported under Section E ("Transfer of Tangible Asset").

3. For purposes of this section, "Services" includes any activity of economic value provided by the utility, or a company under contract to the utility, to any affiliated entity. Examples of "services" include, but are not limited to the provision of professional expertise (e.g., legal, consulting, engineering), administrative support, (e.g., data and payroll processing, arranging travel, transportation services, etc.) and general corporate management and support activities (e.g., time spent by corporate executives and employees on affiliated entity issues, investor relations, shareholder services, etc.).
4. The cost of each good and/or service that the utility provided to any of its affiliated entities shall be assigned to an appropriate Uniform System of Accounts (USOA).
5. Using the format shown, each utility shall create a table entitled (Table II-C-1), containing:
 - A set of columns by listing horizontally across the top each affiliated entity of the utility excluding, however, any affiliated entities to which the utility provided no goods and/or services during the calendar year;
 - A set of rows by listing vertically down the left side of Table II-C-1 each USOA account (listed in ascending order) for which the utility had incurred a cost (whether or not reimbursed) for providing any good or service to an affiliated entity.

¹ See Section 1240, "Classes of Depreciable Property", 1992 U.S. Master Tax Guide (Commerce Clearing House) discussing Internal Revenue Code sections 1245 and*1250.

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Affiliate Transactions Annual Report

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Response to Affiliate Transaction Reporting Requirements Section:

C. UTILITY PROVISION OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

Request No. 1-7 (Cont'd):

- The middle portions of Table II-C-1 corresponding to each horizontal column and vertical row will be called cells.
6. For each cell in Table II-C-1 the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:
- a) The appropriate column heading for that affiliated entity; and,
 - b) The row corresponding to the appropriate USOA account category.
7. The following information shall be reported in the corresponding cells of Table II-C-1:
- The total transfer price assigned to this USOA account for any goods or services provided by the utility to the affiliated entity;
 - The allocated cost, if different from the transfer price, for any goods or services provided by the utility to the affiliated entity;
 - Allocated costs as a percentage of total recorded costs for the USOA account;
 - The ratio for each USOA account of the actual total recorded expenses versus total expenses authorized in the utility's most recent General Rate Case (expressed as a percentage).

Response:

See attached Table II-C-1 for charges to affiliates.

SOUTHERN CALIFORNIA GAS COMPANY

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Response to Affiliate Transaction Reporting Requirements Section:

C. UTILITY PROVISION OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

Request No. 8:

8. Briefly list the applicable cost allocation methodology and transfer pricing method used to determine the corresponding dollar volumes listed on the previous table.

Response:

All dollar values in Table II-C-1 represent fully loaded costs. SoCalGas considers “fully loaded/allocated costs” to mean the same as “transfer pricing” as referred to in this requirement. Therefore, the information that is requested relative to transfer pricing differences is not applicable. Following is a description of the costing methodologies that are referenced in Table II-C-1:

- (A) All services provided by SoCalGas are billed at fully loaded cost. In the case of labor charges, “fully loaded” costs include all associated labor, indirect overheads and, where applicable, a labor premium. For the shared service labor billed to the unregulated affiliates, a 5% premium is applied to fully loaded labor costs. For non-shared services to unregulated, energy-related affiliates, a 10% premium is applied to direct non-executive labor and a 15% premium is applied to direct executive labor. The Enova/Pacific Enterprises Merger Decision (D.98-03-073) requires these additional labor premiums.
- (B) In most circumstances where a SoCalGas employee transfers to an affiliate company, the Enova/Pacific Enterprises Merger Decision (D.98-03-073) requires that Employee Transfer fees be charged to the affiliate. These costs are included under Human Resources and do not require overhead loadings or add-on-costs.
- (C) SoCalGas sold natural gas supplies to Sempra Generation during the reporting period:

All gas sales transactions reported under USOA 803 were the results of “arms-length” transactions through brokerage firms. Neither party had knowledge of the counterparty’s identity until after commitment to the broker was made, in accordance with Affiliate Transaction Rules. Revenues from these gas sales are recorded as a reduction to cost of gas purchased.

SOUTHERN CALIFORNIA GAS COMPANY

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Response to Affiliate Transaction Reporting Requirements Section:

C. UTILITY PROVISION OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

Request No. 9:

9. In addition to the information requested in Table II-C-1, each utility shall provide, as a separate document, a brief narrative description for any affiliated entity that had over \$10,000 of transfer price recorded in any USOA account. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and allocated cost.

Response:

Individual "Internal Orders" have been established for charging to each affiliate company for services performed. Generally, one internal order is created for each project or type of work done. All services are billed on a monthly basis.

USOA Account 146

This account is used by SoCalGas for amounts due from affiliated companies for services provided. These amounts are billed at fully loaded cost plus appropriate labor premiums.

The nature of services billed in account 146 is as follows:

Accounting & Finance

This category includes services such as affiliate billing and costing, accounts payable, claims, business planning and budgets, and affiliate compliance.

Depreciation

This category contains charges for depreciation, usage, and return on shared assets.

External Relations

This category contains charges for community relations and corporate events.

Fleet Services

This category includes charges for the lease, maintenance, and overhead costs of vehicles being used by SoCalGas employees for affiliate-related work, as well as charges for the use of SoCalGas fleet vehicles by affiliate employees.

Human Resources

This category includes the reimbursements from Sempra Energy for SoCalGas executive long-term incentive plan. It also contains human resources, disability management services, diversity, employee development, wellness, and incentive compensation billing for employees that transferred from SoCalGas to affiliates.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

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Response to Affiliate Transaction Reporting Requirements Section:

C. UTILITY PROVISION OF GOODS AND SERVICES TO ITS AFFILIATED ENTITIES

Request No. 9 (Cont'd):

Information Technology

This category includes service charges for IT budgeting, service management, server engineering, mainframe, internet engineering, information protection, disaster recovery, network engineering, LAN/WAN, hardware and software maintenance, production control operations, operation control and telecom.

Oil/Gas Assessment & Extraction

This category includes billings to Pacific Enterprises Oil Company (PEOC) for lifting costs provided at the Aliso Canyon underground storage facility.

Real Estate & Facilities

This category includes services such as real estate management, rent management, capital facilities, operational/maintenance programs.

Supply Management

This category supports all enterprise systems and services used by the portfolio group for procurement activities.

USOA Account 803

This account is used by the SoCalGas core procurement group for amounts related to natural gas sales and purchases transactions, and associated financial derivatives gains and losses. In this report, gas sales are recorded in Schedule C, and gas purchases are recorded in Schedule D.

Revenues from gas sales are recorded as a reduction to Cost of Gas Purchased. All sales to affiliates were the result of "arms-length" transactions through brokerage firms. Neither party had knowledge of the counterparty's identity until after commitment to the broker was made, in accordance with Affiliate Transactions Rules.

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For the Year Ended December 31, 2013

USOA Acct	Item/Services Description	Cost Allocation Methodology	Pacific										Total
			Sempra Energy	Sempra Energy LNG Corp	Sempra Energy Enterprise Oil Company	SE International	Sempra International, LLC	Sempra US Gas & Power LLC	US G&P - Renewables	Sempra Generation			
146	Accounting & Finance	A	80,841	5,557		630	7,577	21,413	853		116,871		
	Depreciation	A	1,866,273				2,018	5,159	4,035		1,877,485		
	External Relations	A	35,896								35,896		
	Fleet Services	A	18,053								18,053		
	Human Resources	A & B	4,612,505	6,593				12,939			4,632,036		
	Information Technology	A	844,679	3,424			8,961	24,693	19,495		901,253		
	Oil/Gas Assessment & Extraction	A			383,401						383,401		
	Real Estate & Facilities	A	284,860								284,860		
	Supply Management	A		932							932		
803	Gas Sales	C								2,709,085	2,709,085		
	Total		7,743,107	16,507	383,401	630	18,555	64,204	24,384	2,709,085	10,959,873		



Southern California Gas Company

Annual Report on Affiliate Transactions

Section D: Affiliated Entities Provision
of Goods and Services to the Utility

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9:

1. Section C required each utility to report goods and/or services that it provided to its affiliated entities. This section (Section D), requires the reporting of all goods and/or services that the affiliated entities provided to the utility.
2. Each utility shall report any goods and/or services that were provided to it by any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the affiliated entity was reimbursed.
3. For purposes of this section, "Goods" has the same meaning as used in Section C above.
4. For purposes of this section, "Services" includes any activity of economic value provided by the affiliated entity, or any company under contract to the affiliated entity, to the utility. The examples of the types of services listed in #3 of Section II-C above are applicable to this section as well. Purchases of natural gas or electric energy from any affiliated entity should be reported in this section.
5. The cost of each good and/or service that the affiliated entity provided to the utility shall be assigned by the utility to an appropriate USOA Account of the utility.
6. Using the format shown, each utility shall create a table (entitled Table II-D-1), containing:
 - A set of columns by listing horizontally across the top of Table II-D-1 each affiliated entity listed in Table II-A-1, excluding, however, any affiliated entities which provided no goods and/or services to the utility during the calendar year.
 - A set of rows by listing vertically down the left side of Table II-D-1 each USOA account (listed in ascending order) for which the utility had incurred a cost for goods and/or services provided by the affiliated entity.
 - The middle portions of Table II-D-1, corresponding to each horizontal column and vertical row, will be called cells.
7. For each cell in Table II-D-1, the utility shall aggregate all transactions for goods and/or services provided by the affiliated entity under:
 - 1) The-appropriate column heading for that affiliated entity; and,
 - 2) The row corresponding to the appropriate USOA account category.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9 (Cont'd):

8. The following information shall be reported in the corresponding cells of Table II-D-1;
 - The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
 - The allocated cost, if different from the transfer price, as calculated by the affiliated entity as the cost for any goods or services provided to the utility;
 - The fair market value of the goods and service provided, if determined;
 - Allocated costs as a percentage of total recorded costs for the USOA account.

9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilized to determine fair market value.

Response:

Using the format provided for Table II-D-1 (attached), the costs of all goods and services provided to SoCalGas by affiliated entities during the reporting period have been presented. The costs have been accumulated by USOA account and by affiliated entity.

In accordance with the Affiliate Compliance Guidelines (see Section II-B-VII), the “transfer price” for goods and services provided to SoCalGas by Sempra Energy is recorded at fully loaded costs.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10:

10. In addition to the information requested in Table II-D-1, each utility shall provide, as a separate document, a brief narrative description for any USOA account that had recorded over \$10,000 in goods and services provided by an affiliated entity. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and a summary of all methodologies and calculations used to determine fair market value.

Response:

All values in Table II-D-1 related to purchased goods and services from Sempra Energy are at fully loaded cost as required by the Affiliate Compliance Guidelines (see Section II-B-VII). Goods or services directly requested by SoCalGas are recorded in the appropriate USOA account. Shared services costs are allocated to SoCalGas on a causal or beneficial relationship when identifiable; otherwise the shared services costs are allocated using an approved multifactor allocation method. Shared services costs received by SoCalGas from Sempra Energy are analyzed and recorded to the appropriate USOA account.

All values in Table II-D-1 related to purchases/sales of energy between Sempra Generation and SoCalGas are at fair market value.

USOA Account 107: Construction Work in Progress (CWIP)

This account includes gas construction work in progress assets and allocations for services provided by affiliates that support capital activities at SoCalGas.

USOA Account 143: Other Accounts Receivable

This account includes amounts due to the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.

USOA Account 146: Accounts Receivable From Associated Companies

This account includes notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. In 2013 these charges include gas transportation expenses and service fees billable to an affiliate. These costs first settled to SCG and were subsequently billed to SDGE.

***Please Note:** Transaction(s) in this USOA Account were inadvertently omitted from the 2012 Affiliate Transactions Report. Please see attached, revised Schedule D for 2012.*

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA Account 165: Prepayments

This account includes prepayments for taxes, insurance, interest, and disbursements made prior to the period to which they apply. The costs in this account are related to insurance premiums.

USOA Account 184: Clearing Accounts

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to SoCalGas, a portion of the cost of this service is charged to a clearing account. These are Administrative & General Costs related to affiliate and third-party transactions. Balances in this clearing account shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a further period.

USOA Account 495: Other Gas Revenues

This account includes a rebate from Microsoft for a class action lawsuit.

USOA Account 803: Natural Gas Transmission Line Purchases

During the reporting period, the affiliates supplied natural gas to Southern California Gas Company under contract terms in USOA Account 803.

All purchase transactions were the results of "arms-length" transactions through brokerage firms. Neither party had knowledge of the counterparty's identity until after commitment to the broker was made, in accordance with Affiliate Transactions Rules.

During the reporting period, SoCalGas did not enter into any over-the-counter financial swap transactions with its affiliates.

Please Note: Transaction(s) in this USOA Account were inadvertently omitted from the 2011 Affiliate Transactions Report. Please see attached, revised Schedule D for 2011.

USOA Account 807: Purchased Gas Expenses

This account includes expenses incurred directly in connection with the purchase of gas for resale. It also includes service fees charged for rerouting purchased gas, but which were not includible in other accounts

Please Note: Transaction(s) in this USOA Account were inadvertently omitted from the 2012 Affiliate Transactions Report. Please see attached, revised Schedule D for 2012.

USOA Account 863: Maintenance Of Mains

This account includes the cost of labor, materials used and expenses incurred in the maintenance of mains. Includes transportation costs and service fee incurred for rerouting gas to OtayMesa to facilitate the retrofit and inspection of mains.

Please Note: Although there are no transactions for this USOA Account for 2013; transaction(s) in this USOA Account were inadvertently omitted from the 2012 Affiliate Transactions Report. Please see attached, revised Schedule D for 2012.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA Account 880: Other Expenses

This account includes the cost of distribution maps and records, distribution office expenses, and the cost of labor and materials used and expenses incurred in distribution systems operations not provided for elsewhere, including the expenses of operating street lighting systems and research, development, and demonstration expenses.

USOA Account 910: Miscellaneous Customer Service and Informational Expenses

This account includes the cost of labor, materials utilized, and expenses incurred in providing customer service and informational activities, which are not includible in other customer information expense accounts.

USOA Account 921: Office Supplies and Expenses

This account includes office supplies, expenses, and service costs incurred in connection with the general administration of the utility's operations that are assignable to specific administrative or general departments and are not specifically provided for in other accounts.

USOA Account 923: Outside Services Employed

This account includes the fees and expenses of professional consultants (such as lawyers, auditors, appraisers, expert witnesses, or management, accounting, and engineering consultants) and others for general services that are not applicable to a particular operation function or to other accounts. This account includes the salaries and wages expenses of affiliate administrative and general departments that provide service to Southern California Gas Company. In addition, this account includes office supplies and expenses incurred in connection with this general administration.

USOA Account 924: Property Insurance

This account includes the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It also includes the cost of labor and related supplies and expenses incurred in property insurance activities.

USOA Account 925: Injuries and Damages

This account includes the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It also includes the cost of labor and related supplies and expenses incurred in injuries and damages activities.

USOA Account 926: Employee Pensions and Benefits

This account includes stock option expenses, pension accruals or actual payments made on behalf of current employees or retired employees, payments for the purchase of annuities relating to pensions, education reimbursements, and audit fees.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2013

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA Account 928: Regulatory Commission Expenses

This account includes all expenses properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

USOA Account 930: Miscellaneous General Expenses

This account includes the cost of labor and expenses incurred in connection with the general management of the Southern California Gas Company not provided for elsewhere.

USOA Account 931: Rents

This account includes rents properly includible in utility operating expenses for the property of other used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility.

Request No. 11 :

1. For any USOA account classification containing greater than \$25,000 in reported transactions, the utility shall provide as an addendum to Table II-D-1 any comparisons performed by the utility of the cost of goods or services provided by the affiliated entities with other providers not affiliated with the utility.

Response:

During 2013, the utility did not conduct any studies for the purpose of comparing the cost of goods or services provided during the year by affiliated entities with the costs provided by unaffiliated providers.

TABLE II-D-I
SOUTHERN CALIFORNIA GAS COMPANY
Provision Of Goods And Services
From Affiliated Entities To The Utility
For The Year Ended December 31, 2013

USOA Account	Account Description	TGN de					% of USOA Account
		Sempra Energy	Sempra Generation	Gasoducto Rosarito	Baja California	Total	
107	Construction Work In Progress	4,017,462				4,017,462	N/A
143	Other Accounts Receivable	(148,934)				(148,934)	N/A
146	Accounts Receivable From Associated Companies ¹			91,106	16,209	107,315	N/A
165	Prepayments	3,325,591				3,325,591	N/A
184	Clearing Accounts	1,469,183				1,469,183	N/A
495	Other Gas Revenues	(316,692)				(316,692)	<1.00%
803	Natural Gas Transmission Line Purchases		34,771	-	-	34,771	<1.00%
807	Purchased Gas Expenses			52,689	8,582	61,271	<1.00%
880	Other Expenses	180,258				180,258	<1.00%
910	Miscellaneous Customer Services And Informational Expense	296,970				296,970	16.73%
921	Office Supplies And Expenses	16,056				16,056	<1.00%
923	Outside Services Employed	48,984,426				48,984,426	67.44%
924	Property Insurance	1,969,504				1,969,504	60.48%
925	Injuries And Damages	10,451,856				10,451,856	30.68%
926	Employee Pensions And Benefits	408,324				408,324	<1.00%
928	Regulatory Commission Expenses	115,023				115,023	2.16%
930	Miscellaneous General Expenses	196,479				196,479	2.07%
931	Rents	(49,569)				(49,569)	<1.00%
	Total:	70,915,937	34,771	143,795	24,791	71,119,294	

¹Service fee invoice is from Gasoducto Rosarito and TGN for transported gas at Otay for Pipeline Integrity testing. This service fee was subsequently billed to SDG&E in support of their TIMP project.



Ramon Gonzales
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RaGonzales@semprautilities.com

January 10, 2014

Edward Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4004
San Francisco, CA 94102

Re: Supplemental Reporting
2011 Annual Report on Affiliate Transactions; and
2012 Annual Report on Affiliate Transactions
Southern California Gas Company (“SoCalGas”)

Dear Mr. Randolph:

In the course of reviewing our 2010 and 2011 affiliate transactions with NorthStar Consulting (CPUC approved auditors – audit of affiliate transactions for 2010 and 2011), it has come to our attention that certain transactions with our Gasoducto Rosarito and Transportadora de Gas Natural affiliates were inadvertently not included in our 2011 and 2012 Annual Report on Affiliate Transactions (ATRs). This supplemental filing corrects this inadvertent oversight on our part.

The transactions in question were all pursuant to tariffs approved by the relevant Mexican regulatory authorities. These transactions were originally not included in the referenced ATRs because they were tariffed transactions. However, because the tariff in question is a Mexican transportation tariff rather than a SoCalGas tariff, pursuant to D.93-02-019 the transactions should have been reported.

Re: Supplemental Reporting
2011 Annual Report on Affiliate Transactions; and
2012 Annual Report on Affiliate Transactions
Southern California Gas Company ("SoCalGas")

The details of the transactions are as follows:

Transportation Charges Paid to GRO & TGN 2011 & 2012			
	Gasoducto Rosarito (GRO)	Transportadora de Gas Natural (TGN)	Total Charges
*Nov-11	31,561.84	13,033.50	44,595.34
Feb-12	27,366.88	16,346.94	43,713.82
Mar-12	42,666.59	25,487.34	68,153.93
Oct-12	17,828.00	4,708.68	22,536.68
	119,423.31	59,576.46	178,999.77
<i>*Total amount invoiced by GRO (i.e. transportation & service fees).</i>			

We have included the revised Schedule II-D-1 for 2011 and 2012 with this letter; please use these documents to replace the existing schedules. The revised schedules, along with this letter will also be included in our 2013 Annual Report on Affiliate Transactions.

We apologize for any inconvenience or confusion these omissions may have created. Should you have any questions or need any further information, please contact me at (213) 244-5854.

Sincerely,



Ramon Gonzales
Manager, Accounting Systems & Compliance

Enclosures

cc: Rasha Prince
Southern California Gas Company – San Francisco Office

REVISED AS OF JANUARY 10th, 2014
SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9:

1. Section C required each utility to report goods and/or services that it provided to its affiliated entities. This section (Section D) requires the reporting of all goods and/or services that the affiliated entities provided to the utility.
2. Each utility shall report any goods and/or services that were provided to it by any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the affiliated entity was reimbursed.
3. For purposes of this section, "Goods" has the same meaning as used in Section C above.
4. For purposes of this section, "Services" includes any activity of economic value provided by the affiliated entity, or any company under contract to the affiliated entity, to the utility. The examples of the types of services listed in #3 of Section II-C above are applicable to this section as well. Purchases of natural gas or electric energy from any affiliated entity should be reported in this section.
5. The cost of each good and/or service that the affiliated entity provided to the utility shall be assigned by the utility to an appropriate USOA Account of the utility.
6. Using the format shown, each utility shall create a table (entitled Table II-D-1), containing:
 - A set of columns by listing horizontally across the top of Table II-D-1 each affiliated entity listed in Table II-A-1, excluding, however, any affiliated entities which provided no goods and/or services to the utility during the calendar year.
 - A set of rows by listing vertically down the left side of Table II-D-1 each USOA account (listed in ascending order) for which the utility had incurred a cost for goods and/or services provided by the affiliated entity.
 - The middle portions of Table II-D-1, corresponding to each horizontal column and vertical row, will be called cells.
7. For each cell in Table II-D-1, the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:
 - 1) The-appropriate column heading for that affiliated entity; and,
 - 2) The row corresponding to the appropriate USOA account category.

REVISED AS OF JANUARY 10th, 2014
SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9 (Cont'd):

8. The following information shall be reported in the corresponding cells of Table II-D-1;
 - The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
 - The allocated cost, if different from the transfer price, as calculated by the affiliated entity as the cost for any goods or services provided to the utility;
 - The fair market value of the goods and service provided, if determined;
 - Allocated costs as a percentage of total recorded costs for the USOA account.
9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilized to determine fair market value.

Response:

Using the format provided for Table II-D-1 (attached), the costs of all goods and services provided to SoCalGas by affiliated entities during the reporting period have been presented. The costs have been accumulated by USOA account and by affiliated entity.

In accordance with the Affiliate Compliance Guidelines (see Section II-B-VII), the "transfer price" for goods and services provided to SoCalGas by Sempra Energy is recorded at fully loaded costs.

Request No. 10:

10. In addition to the information requested in Table II-D-1, each utility shall provide, as a separate document, a brief narrative description for any USOA account that had recorded over \$10,000 in goods and services provided by an affiliated entity. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and a summary of all methodologies and calculations used to determine fair market value.

Response:

All values in Table II-D-1 related to purchased goods and services from Sempra Energy are at fully loaded cost as required by the Affiliate Compliance Guidelines (see Section II-B-VII). Goods or services directly requested by SoCalGas are recorded in the appropriate USOA account. Shared services costs are allocated to SoCalGas on a causal or beneficial relationship when identifiable; otherwise the shared services costs are allocated using an approved multifactor

REVISED AS OF JANUARY 10th, 2014
SOUTHERN CALIFORNIA GAS COMPANY

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2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

allocation method. Shared services costs received by SoCalGas from Sempra Energy are analyzed and recorded to the appropriate USOA account.

USOA Account 107: Construction Work in Progress (CWIP)

This account includes gas construction work in progress assets and allocations for services provided by affiliates that support capital activities at SoCalGas.

USOA Account 143: Other Accounts Receivable

This account includes amounts due to the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.

USOA Account 165: Prepayments

This account includes prepayments for taxes, insurance, interest, and disbursements made prior to the period to which they apply. The cost in this account is related to insurance premiums.

USOA Account 181: Unamortized Debt Expense

This account includes expenses related to the issuance or assumption of debt securities. Amounts shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security.

USOA Account 184: Clearing Accounts

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to SoCalGas, a portion of the cost of this service is charged to a clearing account. These are Administrative & General Costs related to affiliate and third-party transactions. Balances in this clearing account shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a further period.

USOA Account 803: Natural Gas Transmission Line Purchases

During the reporting period, SoCalGas did not purchase gas from its affiliates, but incurred transportation charges on its affiliated pipelines Gasoducto Rosarito (GRO) and Transportadora de Gas Natural de Baja California, as well as Service Fees payable to GRO in order to reroute gas through Mexico to Otay Mesa. These charges were recorded in this USOA account along with other cost of gas purchased to serve core customers.

During the reporting period, SoCalGas did not enter into any over-the-counter financial swap transactions with its affiliates.

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA Account 880: Other Expenses

This account includes the cost of distribution maps and records, distribution office expenses, and the cost of labor and materials used and expenses incurred in distribution systems operations not provided for elsewhere, including the expenses of operating street lighting systems and research, development, and demonstration expenses.

USOA Account 901: Supervision

This account includes the cost of postage incurred in the general direction and supervision of customer accounts.

USOA Account 903: Customer records and collection expenses

This account includes the cost of labor, materials and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

USOA Account 908: Customer assistance expenses

This account includes the cost of labor, materials and expenses incurred in providing instructions or assistance to customers, the object of which is to promote safe, efficient and economical use of the service. In 2011, this account primarily consisted of payments for postage.

USOA Account 909: Informational and Instructional Advertising Expenses

This account shall include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect health and safety, to encourage environmental protection, to utilize their gas equipment safely and economically, or to conserve natural gas. In 2011, this account primarily consisted of payments for postage.

USOA Account 910: Miscellaneous Customer Service and Informational Expenses

This account includes the cost of labor, materials utilized, and expenses incurred in providing customer service and informational activities, which are not includible in other customer information expense accounts.

USOA Account 921: Office Supplies and Expenses

This account includes office supplies and expenses incurred in connection with the general administration of the utility's operations that are assignable to specific administrative or general departments and are not specifically provided for in other accounts.

Request No. 10 (Cont'd):

USOA Account 923: Outside Services Employed

This account includes the fees and expenses of professional consultants (such as lawyers, auditors, appraisers, expert witnesses, or management, accounting, and engineering consultants) and others for general services that are not applicable to a particular operation function or to other

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

accounts. This account includes the salaries and wages expenses of affiliate administrative and general departments that provide service to the Southern California Gas Company. In addition, this account includes office supplies and expenses incurred in connection with this general administration.

USOA Account 924: Property Insurance

This account shall include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.

USOA Account 925: Injuries and Damages

This account shall include the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It shall also include the cost of labor and related supplies and expenses incurred in injuries and damages activities.

USOA Account 926: Employee Pensions and Benefits

This account includes stock option expenses, pension accruals or actual payments made on behalf of current employees or retired employees and payments for the purchase of annuities relating to pensions.

USOA Account 928: Regulatory Commission Expenses

This account shall include all expenses properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

USOA Account 930: Miscellaneous General Expenses

This account includes the cost of labor and expenses incurred in connection with the general management of the Southern California Gas Company not provided for elsewhere.

USOA Account 931: Rents

This account includes rents properly includible in utility operating expenses for the property of other used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility.

USOA: VAR

USOA accounts with a balance under \$10,000 were grouped together and reported under "VAR". Details behind what makes up this balance are available upon request.

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2011

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 11:

- l. For any USOA account classification containing greater than \$25,000 in reported transactions, the utility shall provide as an addendum to Table II-D-1 any comparisons performed by the utility of the cost of goods or services provided by the affiliated entities with other providers not affiliated with the utility.

Response:

During 2011, the utility did not conduct any studies for the purpose of comparing the cost of goods or services provided during the year by affiliated entities with the costs provided by unaffiliated providers.

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TABLE II-D-I

SOUTHERN CALIFORNIA GAS COMPANY

Provision of Goods And Services
from Affiliated Entities To The Utility
For The Year Ended December 31, 2011

USOA Account	Account Description	Sempra Energy	Gasoducto Rosarito	Transportadora de Gas Natural	Sempra Energy Trading (1)	Total	% of USOA Account
107	Construction Work In Progress	5,361,224				5,361,224	N/A
143	Other Accounts Receivable	(2,195,378)				(2,195,378)	N/A
165	Prepayments	2,132,273				2,132,273	N/A
181	Unamortized Debt Expenses	264,833				264,833	N/A
184	Clearing Accounts	2,565,131				2,565,131	N/A
803	<i>Natural Gas Transmission Line Purchases (2)</i>	-	31,562	13,034		44,595.34	<1.00%
880	Other Expenses	673,226				673,226	<1.00%
901	Supervision	461,499				461,499	8.53%
903	Customer Records and Collection Expenses	30,207				30,207	<1.00%
908	Customer Assistance Expenses	181,686				181,686	<1.00%
909	Informational And Instructional Advertising Expenses	49,158				49,158	2.25%
910	Miscellaneous Customer Serv And Informational Expe	241,316				241,316	14.15%
921	Office Supplies And Expenses	268,854				268,854	2.90%
923	Outside Services Employed	56,213,822				56,213,822	69.13%
924	Property Insurance	2,343,427				2,343,427	51.83%
925	Injuries And Damages	9,934,420				9,934,420	28.24%
926	Employee Pensions And Benefits	(183,836)				(183,836)	<1.00%
928	Regulatory Commission Expenses	131,863				131,863	2.08%
930	Miscellaneous General Expenses	198,824				198,824	1.20%
931	Rents	10,676				10,676	<1.00%
VAR	Various	11,638				11,638	<1.00%
	Total:	78,694,863	31,562	13,034	-	78,739,458	

(1) The gas trading portion of Sempra Energy Trading was sold to a 3rd party; going forward there will be no gas purchases or sales to Sempra Energy Trading.

(2) Amounts for Gasoducto Rosarito and Transportadora de Gas Natural were inadvertently omitted for 2011. Includes service fee from Gasoducto and transportation expenses from both Gasoducto Rosarito and Transportadora de Gas Natural.

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9:

1. Section C required each utility to report goods and/or services that it provided to its affiliated entities. This section (Section D), requires the reporting of all goods and/or services that the affiliated entities provided to the utility.
2. Each utility shall report any goods and/or services that were provided to it by any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the affiliated entity was reimbursed.
3. For purposes of this section, "Goods" has the same meaning as used in Section C above.
4. For purposes of this section, "Services" includes any activity of economic value provided by the affiliated entity, or any company under contract to the affiliated entity, to the utility. The examples of the types of services listed in #3 of Section II-C above are applicable to this section as well. Purchases of natural gas or electric energy from any affiliated entity should be reported in this section.
5. The cost of each good and/or service that the affiliated entity provided to the utility shall be assigned by the utility to an appropriate USOA Account of the utility.
6. Using the format shown, each utility shall create a table (entitled Table II-D-1), containing:
 - A set of columns by listing horizontally across the top of Table II-D-1 each affiliated entity listed in Table II-A-1, excluding, however, any affiliated entities which provided no goods and/or services to the utility during the calendar year.
 - A set of rows by listing vertically down the left side of Table II-D-1 each USOA account (listed in ascending order) for which the utility had incurred a cost for goods and/or services provided by the affiliated entity.
 - The middle portions of Table II-D-1, corresponding to each horizontal column and vertical row, will be called cells.
7. For each cell in Table II-D-1, the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:
 - 1) The-appropriate column heading for that affiliated entity; and,
 - 2) The row corresponding to the appropriate USOA account category.

REVISED AS OF JANUARY 10th, 2014
SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 1-9 (Cont'd):

8. The following information shall be reported in the corresponding cells of Table II-D-1;
- The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
 - The allocated cost, if different from the transfer price, as calculated by the affiliated entity as the cost for any goods or services provided to the utility;
 - The fair market value of the goods and service provided, if determined;
 - Allocated costs as a percentage of total recorded costs for the USOA account.
9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilized to determine fair market value.

Response:

Using the format provided for Table II-D-1 (attached), the costs of all goods and services provided to SoCalGas by affiliated entities during the reporting period have been presented. The costs have been accumulated by USOA account and by affiliated entity.

In accordance with the Affiliate Compliance Guidelines (see Section II-B-VII), the "transfer price" for goods and services provided to SoCalGas by Sempra Energy is recorded at fully loaded costs.

Request No. 10:

10. In addition to the information requested in Table II-D-1, each utility shall provide, as a separate document, a brief narrative description for any USOA account that had recorded over \$10,000 in goods and services provided by an affiliated entity. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and a summary of all methodologies and calculations used to determine fair market value.

Response:

All values in Table II-D-1 related to purchased goods and services from Sempra Energy are at fully loaded cost as required by the Affiliate Compliance Guidelines (see Section II-B-VII). Goods or services directly requested by SoCalGas are recorded in the appropriate USOA account. Shared services costs are allocated to SoCalGas on a causal or beneficial relationship when identifiable; otherwise the shared services costs are allocated using an approved multifactor

REVISED AS OF JANUARY 10th, 2014
SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

allocation method. Shared services costs received by SoCalGas from Sempra Energy are analyzed and recorded to the appropriate USOA account.

All values in Table II-D-1 related to purchases/sales of energy between Sempra Generation and SoCalGas are at fair market value. In accordance with the Remedial Measures (see Appendices to Section II B), these transactions are carried out through an independent broker and neither party had knowledge of the others identity until the contractual commitment had been consummated.

USOA Account 107: Construction Work in Progress (CWIP)

This account includes gas construction work in progress assets and allocations for services provided by affiliates that support capital activities at SoCalGas.

USOA Account 143: Other Accounts Receivable

This account includes amounts due to the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.

USOA Account 146: Accounts Receivable From Associated Companies

This account includes notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. In 2012 these charges include gas transportation charges and service fees billable to an affiliate. These costs first settled to SCG and were subsequently billed to SDGE.

USOA Account 165: Prepayments

This account includes prepayments for taxes, insurance, interest, and disbursements made prior to the period to which they apply. The costs in this account are related to insurance premiums.

USOA Account 184: Clearing Accounts

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to SoCalGas, a portion of the cost of this service is charged to a clearing account. These are Administrative & General Costs related to affiliate and third-party transactions. Balances in this clearing account shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a further period.

USOA Account 803: Natural Gas Transmission Line Purchases

During the reporting period, the affiliates supplied natural gas to Southern California Gas Company under contract terms in USOA Account 803.

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2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

All purchase transactions were the results of "arms-length" transactions through brokerage firms. Neither party had knowledge of the counterparty's identity until after commitment to the broker was made, in accordance with Affiliate Transactions Rules.

During the reporting period, SoCalGas did not enter into any over-the-counter financial swap transactions with its affiliates.

USOA Account 807: Purchased Gas Expenses

This account includes expenses incurred directly in connection with the purchase of gas for resale. It also includes service fee and transportation charges related to gas purchases, but which were not includible in other accounts.

USOA Account 863: Maintenance Of Mains

This account includes the cost of labor, materials used and expenses incurred in the maintenance of mains. Includes transportation costs and service fee incurred for rerouting gas to OtayMesa to facilitate the retrofit and inspection of mains.

USOA Account 879: Customer Installations Expenses

This account includes charges from sale of equipment from Sempra Broadband to SCG.

USOA Account 880: Other Expenses

This account includes the cost of distribution maps and records, distribution office expenses, and the cost of labor and materials used and expenses incurred in distribution systems operations not provided for elsewhere, including the expenses of operating street lighting systems and research, development, and demonstration expenses.

USOA Account 901: Supervision

This account includes the cost of postage incurred in the general direction and supervision of customer accounts.

USOA Account 910: Miscellaneous Customer Service and Informational Expenses

This account includes the cost of labor, materials utilized, and expenses incurred in providing customer service and informational activities, which are not includible in other customer information expense accounts.

USOA Account 921: Office Supplies and Expenses

This account includes office supplies, expenses, and service costs incurred in connection with the general administration of the utility's operations that are assignable to specific administrative or general departments and are not specifically provided for in other accounts.

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA Account 923: Outside Services Employed

This account includes the fees and expenses of professional consultants (such as lawyers, auditors, appraisers, expert witnesses, or management, accounting, and engineering consultants) and others for general services that are not applicable to a particular operation function or to other accounts. This account includes the salaries and wages expenses of affiliate administrative and general departments that provide service to Southern California Gas Company. In addition, this account includes office supplies and expenses incurred in connection with this general administration.

USOA Account 924: Property Insurance

This account includes the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It also includes the cost of labor and related supplies and expenses incurred in property insurance activities.

USOA Account 925: Injuries and Damages

This account includes the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It also includes the cost of labor and related supplies and expenses incurred in injuries and damages activities.

USOA Account 926: Employee Pensions and Benefits

This account includes stock option expenses, pension accruals or actual payments made on behalf of current employees or retired employees, payments for the purchase of annuities relating to pensions, education reimbursements, and audit fees.

USOA Account 928: Regulatory Commission Expenses

This account includes all expenses properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

USOA Account 930: Miscellaneous General Expenses

This account includes the cost of labor and expenses incurred in connection with the general management of the Southern California Gas Company not provided for elsewhere.

USOA Account 931: Rents

This account includes rents properly includible in utility operating expenses for the property of other used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility.

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SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2012

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO THE UTILITY

Request No. 10 (Cont'd):

USOA: VAR

USOA accounts with a balance under \$10,000 were grouped together and reported under "VAR". Details behind what makes up this balance are available upon request.

Request No. 11 :

1. For any USOA account classification containing greater than \$25,000 in reported transactions, the utility shall provide as an addendum to Table II-D-1 any comparisons performed by the utility of the cost of goods or services provided by the affiliated entities with other providers not affiliated with the utility.

Response:

During 2012, the utility did not conduct any studies for the purpose of comparing the cost of goods or services provided during the year by affiliated entities with the costs provided by unaffiliated providers.

REVISED AS OF JANUARY 10th, 2014

TABLE II-D-1

SOUTHERN CALIFORNIA GAS COMPANY

Provision Of Goods And Services

From Affiliated Entities To The Utility

For The Year Ended December 31, 2012

USOA Account	Account Description	Sempra Energy	Sempra Generation	Gasoducto Rosarito	Transportadora de Gas Natural	Sempra Broadband ²	Total	% of USOA Account
107	Construction Work In Progress	5,452,612					5,452,612	N/A
143	Other Accounts Receivable	(1,674,598)					(1,674,598)	N/A
146	<i>Accounts Receivable From Associated Companies^{1,3}</i>			27,581	4,709		32,290	N/A
165	Prepayments	2,747,837					2,747,837	N/A
184	Clearing Accounts	2,458,655					2,458,655	N/A
803	Natural Gas Transmission Line Purchases		2,184,874				2,184,874	<1.00%
807	<i>Purchased Gas Expenses³</i>			37,121	16,347		53,468	<1.00%
863	<i>Maintenance Of Mains-Transmission³</i>			52,421	25,487		77,908	<1.00%
879	Customer Installations Expenses ²					4,983	4,983	<1.00%
880	Other Expenses	(249,906)					(249,906)	<1.00%
901	Supervision	382,768					382,768	6.46%
910	Miscellaneous Customer Service And Informational Expense	279,259					279,259	12.91%
921	Office Supplies And Expenses	100,390					100,390	<1.00%
923	Outside Services Employed	50,989,972					50,989,972	66.09%
924	Property Insurance	1,376,019					1,376,019	65.04%
925	Injuries And Damages	10,583,996					10,583,996	25.40%
926	Employee Pensions And Benefits	1,753,382					1,753,382	1.30%
928	Regulatory Commission Expenses	126,070					126,070	2.03%
930	Miscellaneous General Expenses	500,694					500,694	4.30%
931	Rents	(19,662)					(19,662)	<1.00%
VAR	Various	7,303					7,303	<1.00%
	Total:	74,814,793	2,184,874	117,123	46,543	4,983	77,168,316	

¹ Service fee invoice is from Gasoducto Rosarito for transported gas at Otay for Pipeline Integrity testing. This service fee and the related transportation expenses were subsequently billed to SDG&E in support of their TAMP project.

² Sempra Broadband was dissolved in 2012; going forward there will be no billings to or from this Affiliate.

³ Amounts for Gasoducto Rosarito and Transportadora de Gas Natural have been updated to include transportation expenses. These expenses were initially omitted because the activities were referenced as tariffed transactions; however, the tariffs were Mexican regulatory tariffs and not CPUC approved tariffs.

Appendix C

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/14
(in MDth/d)

Pipeline	Region	April 2013	May 2013	June 2013	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014
EPNG	San Juan	341.2	341.2	341.2	341.2	341.2	341.2	341.2	409.5	409.5	409.5	409.5	409.5
	Permian	85.0	85.0	85.0	85.0	85.0	85.0	85.0	95.0	95.0	95.0	95.0	95.0
	Total	426.2	426.2	426.2	426.2	426.2	426.2	426.2	504.5	504.5	504.5	504.5	504.5
TWPL	San Juan	240.0	240.0	240.0	248.4	255.0	240.0	240.0	315.0	315.0	315.0	315.0	315.0
	Total	240.0	240.0	240.0	248.4	255.0	240.0	240.0	315.0	315.0	315.0	315.0	315.0
KERN	Rockies	231.9	230.0	240.0	230.0	230.0	230.0	244.7	224.4	224.4	234.4	244.4	224.4
	Total	231.9	230.0	240.0	230.0	230.0	230.0	244.7	224.4	224.4	234.4	244.4	224.4
NOVA	Canadian Path	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
	Total	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
FTHLS	Canadian Path	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
	Total	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
GTN	Canadian Path	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
	Total	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
PG&E	Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
	Total	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
NWPL	Rockies									2.6			
	Total									2.6			

Summary of Capacity by Region

San Juan	581.2	581.2	581.2	589.6	596.2	581.2	581.2	724.5	724.5	724.5	724.5	724.5	724.5
Permian	85.0	85.0	85.0	85.0	85.0	85.0	85.0	95.0	95.0	95.0	95.0	95.0	95.0
Rockies	231.9	230.0	240.0	230.0	230.0	230.0	244.7	224.4	227.0	234.4	244.4	224.4	224.4
Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
Grand Total	950.1	948.2	958.2	956.6	963.2	948.2	962.9	1,095.8	1,098.4	1,105.8	1,115.8	1,095.8	1,095.8

Minimum Required	948.1	948.1	948.1	948.1	948.1	948.1	948.1	1,053.5	1,053.5	1,053.5	1,053.5	1,053.5	1,053.5
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Notes:

The capacity data in this table is grouped by source of supply (i.e. receipt locations), and not displayed for each receipt/delivery point combination.

For the purpose of calculating the capacity planning range pursuant to D.04-09-022, only the PG&E capacity is included from the Canadian path.

Attachment B

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2014**

1. UTILITY PLANT		<u>2014</u>
101	UTILITY PLANT IN SERVICE	\$11,490,878,429
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	395,695,986
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,468,501,955)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(48,787,039)
117	GAS STORED-UNDERGROUND	<u>59,101,071</u>
	TOTAL NET UTILITY PLANT	<u>7,428,386,492</u>
 2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	116,664,935
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(85,735,646)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>3,000,000</u>
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>33,929,411</u>

Data from SPL as of March 31, 2014.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2014**

3. CURRENT AND ACCRUED ASSETS		2014
131	CASH	31,664,032
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	92,672
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	590,883,294
143	OTHER ACCOUNTS RECEIVABLE	21,659,947
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(5,725,892)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	117,383,003
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	(10,045,545)
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	28,932,625
155	MERCHANDISE	12,733
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	2,992,860
163	STORES EXPENSE UNDISTRIBUTED	(310,464)
164	GAS STORED	16,457,368
165	PREPAYMENTS	86,680,182
171	INTEREST AND DIVIDENDS RECEIVABLE	3,632,883
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	32,335,126
175	DERIVATIVE INSTRUMENT ASSETS	5,516,709
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	-
TOTAL CURRENT AND ACCRUED ASSETS		922,161,533
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	10,842,776
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,107,180,236
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	315,551
184	CLEARING ACCOUNTS	2,766,952
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	203,363,635
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	13,931,771
190	ACCUMULATED DEFERRED INCOME TAXES	285,420,502
191	UNRECOVERED PURCHASED GAS COSTS	-
TOTAL DEFERRED DEBITS		1,623,821,423
TOTAL ASSETS AND OTHER DEBITS		\$ 10,008,298,859

Data from SPL as of March 31, 2014.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2014**

5. PROPRIETARY CAPITAL

	2014
201 COMMON STOCK ISSUED	(834,888,907)
204 PREFERRED STOCK ISSUED	(21,551,075)
207 PREMIUM ON CAPITAL STOCK	-
208 OTHER PAID-IN CAPITAL	-
210 GAIN ON RETIRED CAPITAL STOCK	(9,722)
211 MISCELLANEOUS PAID-IN CAPITAL	(31,306,680)
214 CAPITAL STOCK EXPENSE	143,261
216 UNAPPROPRIATED RETAINED EARNINGS	(1,758,484,963)
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	18,321,903
	(2,627,776,183)
TOTAL PROPRIETARY CAPITAL	

6. LONG-TERM DEBT

221 BONDS	(1,400,000,000)
224 OTHER LONG-TERM DEBT	(12,475,533)
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	5,052,748
	(1,407,422,785)
TOTAL LONG-TERM DEBT	

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(479,894)
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(213,948,710)
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(401,372,040)
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230 ASSET RETIREMENT OBLIGATIONS	(1,236,170,601)
	(1,851,971,245)
TOTAL OTHER NONCURRENT LIABILITIES	

Data from SPL as of March 31, 2014.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2014**

8. CURRENT AND ACCRUED LIABILITES		2014
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	(454,313,749)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(14,369,193)
235	CUSTOMER DEPOSITS	(75,412,772)
236	TAXES ACCRUED	(38,473,864)
237	INTEREST ACCRUED	(18,182,144)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(23,199,132)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(198,117,966)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(1,209,808)
244	DERIVATIVE INSTRUMENT LIABILITIES	(921,692)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
TOTAL CURRENT AND ACCRUED LIABILITIES		(824,523,585)
9. DEFERRED CREDITS		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(83,193,545)
253	OTHER DEFERRED CREDITS	(105,990,411)
254	OTHER REGULATORY LIABILITIES	(1,709,075,210)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(17,510,514)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,202,574,827)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(178,260,554)
TOTAL DEFERRED CREDITS		(3,296,605,061)
TOTAL LIABILITIES AND OTHER CREDITS		\$ (10,008,298,859)

Data from SPL as of March 31, 2014.

Attachment C

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2014

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		1,084,931,582
401	OPERATING EXPENSES	783,825,407	
402	MAINTENANCE EXPENSES	45,316,274	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	103,996,080	
408.1	TAXES OTHER THAN INCOME TAXES	22,110,256	
409.1	INCOME TAXES	13,215,702	
410.1	PROVISION FOR DEFERRED INCOME TAXES	92,185,114	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(66,712,176)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(507,847)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		993,428,810
	NET OPERATING INCOME		91,502,772

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK		-
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(33,705)	
418	NONOPERATING RENTAL INCOME	102,728	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	(95,327)	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	5,214,390	
421	MISCELLANEOUS NONOPERATING INCOME	(54,358)	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	5,133,728	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(976,699)	
		(976,699)	
408.2	TAXES OTHER THAN INCOME TAXES	(35,760)	
409.2	INCOME TAXES	316,049	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(1,043,825)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	494,283	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(269,253)	
	TOTAL OTHER INCOME AND DEDUCTIONS		3,887,776
	INCOME BEFORE INTEREST CHARGES		3,887,776
	NET INTEREST CHARGES*		16,871,737
	NET INCOME		(\$12,983,961)

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2014

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$1,680,289,418
NET INCOME (FROM PRECEDING PAGE)	78,518,811
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(323,266)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	<u>\$1,758,484,963</u>

Attachment D

Calculation of GCIM Award \$/therm:

GCIM Award \$000	\$13,700
Core Sales per 2009BCAP Mth/yr	4,036,336
GCIM Award \$/th	\$0.00339

Impact of GCIM Award on Average Gas Rate over Last 12 Months:

	Actual Gas Rate last 12 months	Award \$/th	Gas Rate with Award \$/th
Apr, 2013	\$0.49262	\$0.00339	\$0.49601
May, 2013	\$0.52800	\$0.00339	\$0.53139
Jun, 2013	\$0.47072	\$0.00339	\$0.47411
Jul, 2013	\$0.43643	\$0.00339	\$0.43982
Aug, 2013	\$0.42800	\$0.00339	\$0.43139
Sep, 2013	\$0.38198	\$0.00339	\$0.38537
Oct, 2013	\$0.37375	\$0.00339	\$0.37714
Nov, 2013	\$0.41255	\$0.00339	\$0.41594
Dec, 2013	\$0.40837	\$0.00339	\$0.41176
Jan, 2014	\$0.47715	\$0.00339	\$0.48054
Feb, 2014	\$0.51600	\$0.00339	\$0.51939
Mar, 2014	\$0.59840	\$0.00339	\$0.60179
average \$/th	\$0.46033	\$0.00339	\$0.46373

Notes

Actual gas rates are the tariffed core procurement rate schedule G-CP during the latest GCIM program period.

Attachment E

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of March 31, 2014

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	\$ 76,457	\$ -	\$ 76,457
302	Franchise and Consents	\$ 569,299	\$ -	\$ 569,299
	Total Intangible Assets	<u>\$ 645,756</u>	<u>0</u>	<u>\$ 645,756</u>
PRODUCTION:				
325	Other Land Rights	\$ 15,321	\$ -	\$ 15,321
330	Prd Gas Wells Const	\$ 5,557,139	\$ (1,415)	\$ 5,555,724
331	Prd Gas Wells Eqp	\$ 454,718	\$ (55)	\$ 454,663
332	Field Lines	\$ 1,731,111	\$ -	\$ 1,731,111
334	FldMeas&RegStnEquip	\$ 536,249	\$ -	\$ 536,249
336	Prf Eqpt	\$ 485,415	\$ -	\$ 485,415
	Total Production	<u>\$ 8,779,952</u>	<u>(1,470)</u>	<u>\$ 8,778,482</u>
UNDERGROUND STORAGE:				
350	Land	\$ 4,539,484	\$ -	\$ 4,539,484
350SR	Storage Rights	\$ 17,935,798	\$ (17,496,629)	\$ 439,169
350RW	Rights-of-Way	\$ 25,354	\$ (15,317)	\$ 10,037
351	Structures and Improvements	\$ 42,319,219	\$ (19,853,635)	\$ 22,465,584
352	Wells	\$ 290,421,959	\$ (167,891,995)	\$ 122,529,964
353	Lines	\$ 106,039,341	\$ (93,703,446)	\$ 12,335,895
354	Compressor Station and Equipment	\$ 137,432,228	\$ (63,534,053)	\$ 73,898,175
355	Measuring And Regulator Equipment	\$ 6,514,482	\$ (1,795,219)	\$ 4,719,263
356	Purification Equipment	\$ 129,329,992	\$ (66,695,726)	\$ 62,634,266
357	Other Equipment	\$ 30,680,298	\$ (7,568,264)	\$ 23,112,034
	Total Underground Storage	<u>\$ 765,238,154</u>	<u>(438,554,283)</u>	<u>\$ 326,683,870</u>
TRANSMISSION PLANT- OTHER:				
365	Land	\$ 2,862,566	\$ (15,187,436)	\$ (12,324,870)
365LRTS	Land Rights	\$ 21,665,634	\$ -	\$ 21,665,634
366	Structures and Improvements	\$ 35,783,342	\$ (20,996,813)	\$ 14,786,530
367	Mains	\$ 1,364,592,131	\$ (584,427,245)	\$ 780,164,886
368	Compressor Station and Equipment	\$ 207,301,333	\$ (107,615,191)	\$ 99,686,141
369	Measuring And Regulator Equipment	\$ 62,395,697	\$ (27,059,132)	\$ 35,336,565
371	Other Equipment	\$ 5,194,060	\$ (2,771,436)	\$ 2,422,623
	Total Transmission Plant	<u>\$ 1,699,794,762</u>	<u>(758,057,253)</u>	<u>\$ 941,737,509</u>
DISTRIBUTION PLANT:				
374	Land	\$ 31,685,415	\$ -	\$ 31,685,415
374LRTS	Land Rights	\$ 128,102	\$ (12,264)	\$ 115,838
375	Structures and Improvements	\$ 246,574,906	\$ (70,134,248)	\$ 176,440,657
376	Mains	\$ 3,416,330,407	\$ (1,994,639,395)	\$ 1,421,691,012
378	Measuring And Regulator Equipment	\$ 90,193,736	\$ (60,359,955)	\$ 29,833,781
380	Services	\$ 2,225,367,072	\$ (1,848,086,612)	\$ 377,280,460
381	Meters	\$ 598,785,108	\$ (130,853,732)	\$ 467,931,376
382	Meter Installation	\$ 345,086,656	\$ (148,000,202)	\$ 197,086,454
383	House Regulators	\$ 138,055,272	\$ (57,494,337)	\$ 80,560,935
387	Other Equipment	\$ 31,644,568	\$ (21,237,195)	\$ 10,407,373
	Total Distribution Plant	<u>\$ 7,123,851,242</u>	<u>(4,330,817,940)</u>	<u>\$ 2,793,033,301</u>
GENERAL PLANT:				
389	Land	\$ 1,342,839	\$ -	\$ 1,342,839
389LRTS	Land Rights	\$ 74,300	\$ -	\$ 74,300
390	Structures and Improvements	\$ 183,144,454	\$ (150,139,604)	\$ 33,004,851
391	Office Furniture and Equipment	\$ 837,349,438	\$ (353,593,641)	\$ 483,755,797
392	Transportation Equipment	\$ 574,059	\$ (53,451)	\$ 520,608
393	Stores Equipment	\$ 2,326,828	\$ (39,438)	\$ 2,287,390
394	Shop and Garage Equipment	\$ 56,369,631	\$ (25,843,895)	\$ 30,525,735
395	Laboratory Equipment	\$ 5,487,893	\$ (3,421,335)	\$ 2,066,558
396	Construction Equipment	\$ 11,957	\$ 10,757	\$ 22,714
397	Communication Equipments	\$ 144,725,809	\$ (52,507,293)	\$ 92,218,516
398	Miscellaneous Equipment	\$ 3,340,712	\$ (269,367)	\$ 3,071,345
	Total General Plant	<u>\$ 1,234,747,921</u>	<u>(585,857,268)</u>	<u>\$ 648,890,653</u>
	Grand Total	<u>\$ 10,833,057,787</u>	<u>(6,113,288,215)</u>	<u>\$ 4,719,769,572</u>

Attachment F

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2014
(DOLLARS IN MILLIONS)

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$1,085
2	Operating Expenses	<u>993</u>
3	Net Operating Income	<u>\$92</u>
4	Weighted Average Rate Base	\$3,765
5	Rate of Return*	8.02%

*Authorized Cost of Capital