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 23 (2016-2017) of Its Gas Cost Incentive Mechanism.	A.17-06-____ (Filed June 15, 2017)

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING YEAR 23 (2016-2017) OF ITS GAS COST INCENTIVE MECHANISM

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APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING YEAR 23 (2016-2017) OF ITS GAS COST INCENTIVE MECHANISM

Southern California Gas Company (SoCalGas) hereby submits its twenty-third 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 core storage activity for the 12-month GCIM year ending March 31, 2017 (Year 23), and submits its request for Commission approval of a shareholder reward of $4,246,848 for its Year 23 performance. SoCalGas' Year 23 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]

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[2] At the time of the original GCIM decision, ORA was known as the Division of Ratepayer Advocates (DRA). Over the ensuing GCIM years, the name of this organization changed from DRA to ORA, back to

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 a 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 reward.

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 Commission Advisory & Compliance Division (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

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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.

the benchmark, and provided for revisions to, and extension of, the GCIM program on an annual 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.

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[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 reward 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:

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[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 p. 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 rewards will be capped at 1.5 percent of the actual annual gas commodity cost.
3. The sharing bands below the benchmark will be:

Sharing Band	Ratepayer%	Shareholder%
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 reward 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 reward from $106.1 million to $30.8 million. The Commission approved SoCalGas' revised $30.8 million GCIM Year 7 shareholder reward request in D.03-08-065.

I. GCIM Year 8

SoCalGas filed A.02-06-035 on June 17, 2002, requesting an authorized shareholder reward 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 rewards. In GCIM Year 8,

[7] D.02-06-023, mimeo, at 25-26 and p. 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 reward 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 reward 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 reward 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 reward 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 reward 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 reward 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 GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed

[8] D.05-04-003, p. 3.

shareholder reward 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 reward for Year 11 of $2.5M.[10]

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[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 rewards granted by the Commission, this GCIM Year 11 reward 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 rewards.

M. GCIM Year 12

SoCalGas filed A.06-06-017 on June 15, 2006 and requested a GCIM shareholder reward 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 reward. The Commission approved SoCalGas' $9.8 million GCIM Year 12 shareholder reward 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 reward 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 reward. 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 reward 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 reward 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 reward. In February 2009 the Commission issued D.09-02-005, approving A.08-06-016 and SoCalGas' requested shareholder reward of $6.5 million.

P. GCIM Year 15

SoCalGas filed A.09-06-014 on June 15, 2009, requesting a GCIM shareholder reward 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 reward. In January 2010 the Commission issued D.10-01-018, approving A.09-06-014 and SoCalGas' requested shareholder reward of $12 million.

Q. GCIM Year 16

SoCalGas filed A.10-06-006 on June 14, 2010, requesting a GCIM shareholder reward 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 reward. In September 2011, the Commission issued D.11-09-011, approving A.10-06-006 and SoCalGas' requested shareholder reward of $6 million.

R. GCIM Year 17

SoCalGas filed A.11-06-017 on June 15, 2011, requesting a GCIM shareholder reward 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 reward. In March 2012 the Commission issued D.12-03-016, approving A.11-06-017 and SoCalGas' requested shareholder reward of $6.2 million.

S. GCIM Year 18

SoCalGas filed A.12-06-005 on June 15, 2012, requesting a GCIM shareholder reward 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 reward. In July 2013 the Commission issued D.13-07-037, approving A.12-06-005 and SoCalGas' requested shareholder reward of $6.2 million.

T. GCIM Year 19

SoCalGas filed A.13-06-013 on June 14, 2013, requesting a GCIM shareholder reward 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 reward. In August 2014 the Commission issued D.14-08-017, approving A.13-06-013 and SoCalGas' requested shareholder reward of $5.8 million.

U. GCIM Year 20

SoCalGas filed A.14-06-009 on June 13, 2014, requesting a GCIM shareholder reward of $13.7 million for Year 20. During GCIM Year 20, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $70.4 million below benchmark cost. On November 14, 2014, ORA issued its Monitoring and Evaluation Report for GCIM Year 20 and recommended approval of SoCalGas' requested shareholder reward. In February 2015 the Commission issued D.15-02-008, approving A.14-06-009 and SoCalGas' requested shareholder reward of $13.7 million.

V. GCIM Year 21

SoCalGas filed A.15-06-011 on June 15, 2015, requesting a GCIM shareholder reward of $7.2 million for Year 21. During GCIM Year 21, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $43.1 million below benchmark cost. On October 12, 2015 ORA issued its Monitoring and Evaluation Report for GCIM Year 21 and recommended approval of SoCalGas' requested shareholder reward. In December 2015 the Commission issued D.15-12-011, approving A.15-06-011 and SoCalGas' requested shareholder reward of $7.2 million.

W. GCIM Year 22

SoCalGas filed A.16-06-009 on June 15, 2016, requesting a GCIM shareholder reward of $5.0 million for Year 22. During GCIM Year 22, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $28.1 million below benchmark cost. On October 14, 2016 ORA issued its Monitoring and Evaluation Report for GCIM Year 22 and recommended approval of SoCalGas' requested shareholder reward. In January 2017 the Commission issued D.17-01-007, approving A.16-06-009 and SoCalGas' requested shareholder reward of $5.0 million.

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of $4,246,848 for SoCalGas' performance in Year 23 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 23 SoCalGas was able to purchase gas at $27.2 million below the GCIM benchmark. The actual cost of all purchases by SoCalGas subject to the GCIM was $1,210,673,619, while the benchmark cost was $1,237,875,858. 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 $4,246,848.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 23 shareholder reward of $4,246,848.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues to be Considered, Relevant Safety Considerations, 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 rewarded the GCIM Year 23 shareholder reward of $4,246,848 it has requested. This application does not identify any safety consideration associated with its requested relief.

SoCalGas proposes the following schedule for this Application:

EVENT	DATE
SoCalGas files Application	June 15, 2017
Deadline for responses to Application (est.)	July 15, 2017
Prehearing Conference	August 15, 2017
ORA Report	October 16, 2017[11]
Proposed Decision	January 2018
Commission Decision	February 2018

[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. Since October 15, 2017 is a Sunday, CPUC Rules stipulate that the report would be due the next business day.

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 90013. 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 23 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)

The most recent updated Balance Sheet and Income Statement for SoCalGas is attached to this application as Attachment B.

G. Rates – Rule 3.2(a)(2) and (3)

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

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 04-05-008, and is incorporated herein by reference. A statement of Original Cost and Depreciation Reserve as of December 31, 2016 is attached as Attachment D.

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

The summary of earnings for SoCalGas is included herein as Attachment E.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 23 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 the most recent proxy statement, dated April 26, 2017, was mailed to the Commission on April 26, 2017, 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.16-06-009. 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 23 GCIM shareholder reward of $4,246,848 on an expedited and ex parte basis.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: *__/s/ Paul M. Goldstein__*
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Vice President Gas Acquisition

By: *__/s/ Nancy S. Whang__*
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Dated: June 15, 2017

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 15, 2017, 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 GCIM

Southern California Gas Company

Annual Report on the Gas Cost Incentive Mechanism

April 1, 2016 through March 31, 2017

I. Summary of Year 23 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, 2016 through March 31, 2017 (Year 23). This report also requests a shareholder reward under the GCIM for Year 23. The reward is based on the current GCIM set forth in SoCalGas' GCIM Preliminary Statement.

NYMEX prices rose steadily during GCIM Year 23, from below $2.00 in April 2016 to nearly $4.00 at the end of 2016, later dropping to under $3.20 by the end of March 2017. U.S. storage levels started GCIM Year 23 at a five-year high (2.47 Tcf) after a much warmer-than-normal winter across the U.S. had weakened gas demand and prices. The low gas prices provided insufficient support to sustain U.S. gas production, which declined steadily during Year 23. A record warm summer in the U.S. supported increased gas demand for power generation. The lower production combined with increased exports to Mexico and overseas via LNG resulted in the March 2017 ending U.S. storage position finishing 420 Bcf lower year-over-year at 2.05 Tcf, but still above the 1.79 Tcf five-year average.

In Southern California, cooler temperatures were observed during winter compared to recent years. There were some cold periods, combined with system maintenance, which stressed the SoCalGas system, the impacts of which were mitigated by tighter system balancing rules. Gas Acquisition's efforts through these periods allowed SoCalGas' and SDG&E's core customers to continue to benefit from reliable, low cost natural gas supplies. GCIM results were achieved without any curtailments of core service.

Table 1 below summarizes performance under the GCIM during the last 23 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark

[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.

(Benchmark) in twenty-two of the past 23 years. Additionally, a GCIM Summary for the past 23 years delineating the various GCIM components is included in Appendix A.

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	Total
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
2015	21	0.99	361	$1,368	$3.79	1,411	$3.91	$35.9	$7.3	$43.1
2016	22	0.92	337	$772	$2.29	800	$2.38	$23.1	$5.0	$28.1
2017	23	0.99	368	$994	$2.70	1,021	$2.77	$23.0	$4.2	$27.2
Total GCIM Years 1-23		0.975	8,190	$32,089	$3.92	$33,246	$4.06	$977.0	$183.8	$1,160.8

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

As indicated in Table 1, Gas Acquisition acquired gas at $27.2 million below the Benchmark in Year 23. 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 $2.70 per MMBtu, or $0.07 per MMBtu below the Benchmark price of $2.77 per MMBtu.

During Year 23, Gas Acquisition purchased a net 368 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 or 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 twenty-two 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 23, 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 in the previous 22 years of the GCIM, Year 23 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 23 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 23 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 Year 23 SoCalGas maintained a gas supply portfolio weighted toward long-term supply agreements (79%) and month-to-month baseload agreements (23%). Daily transactions resulted in net sales, accounting for -2% of the total portfolio.

- Reaching a core-purchased inventory of 28.0 Bcf on July 31, 2016, and an October 31 core physical storage inventory of 53.1 Bcf (which excluded 0.001 Bcf of SMS park volumes, but included 3.05 Bcf of Core Aggregation Transportation (CAT) volumes), missing its October 31 target of 83 Bcf +0/-2 Bcf[2]. Pursuant to SoCalGas' GCIM Preliminary Statement, a discussion regarding these deviations from the storage targets is included later in this report.

- 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.

- Utilizing Gas Acquisition's interstate and Backbone Transportation Service (BTS) capacity rights to provide portfolio diversification and lower the cost of gas.

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[2] 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 has increased by 4 Bcf to its current level of 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." Most recently, D.16-06-039 reaffirmed the combined core's storage inventory capacity allocation of 83 Bcf through at least 2019.

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 4350, SoCalGas filed Advice Letter 4679 on August 7, 2014, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 22 and 23 based on the 2014 California Gas Report. The minimum firm capacity required for the period April to October 2016 was established at 988 MDthd, while the minimum required for November 2016 to March 2017 was 1,098 MDthd. Appendix C to this report shows that SoCalGas' capacity holding during each month of Year 23 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 23, 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 resulted in a loss of $2.7 million, of which $0.7 million was included in GCIM.

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

Deviations from GCIM Storage Targets

SoCalGas' Preliminary Statement Part VIII Gas Cost Incentive Mechanism, Section C. 7. states:

> The Annual Storage Inventory target on November 1 is 83 Bcf of the physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions. If the

> November 1 target is not attained, deliveries must be made to insure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. The January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these storage targets should be explained in SoCalGas' annual GCIM filing.

While SoCalGas did meet its January, February, and March minimum month-end targets, it was unable to meet either of its November 1 or December 1 inventory targets. With the restrictions on SoCalGas' storage operations,[3] there was approximately 65 Bcf[4] of operational inventory (including system balancing) on the system. SoCalGas system storage reached 61 Bcf in July and the restrictions at Aliso Canyon resulted in the storage inventory remaining near that level through October. The October 31 system inventory of 60.8 Bcf was within 1 Bcf of the maximum inventory level achieved during this period. SoCalGas core storage comprised approximately 53.1 Bcf of the October 31 system total, with noncore customers utilizing the remaining inventory. Consequently, the inventory required to meet SoCalGas' November 1 or December 1 target was physically unavailable.

The requirement to annually set a July 31 mid-season storage target was established in D. 06-10-029 (Decision) based upon a Joint Recommendation from SoCalGas, ORA, and TURN, stemming from ORA's recommendation in its Monitoring and Evaluation Report that, "SoCalGas should inject gas into storage on a uniform ratable basis during the injection months…" [5] This joint recommendation was not opposed. The Decision established a 49 Bcf target for July 31, 2006 and stated, "(f)or the years beyond 2006, SoCalGas will obtain agreement from DRA and TURN for mid-season core-purchased inventory targets which must be met unless otherwise agreed to by DRA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff."[6]

[3] Currently, SoCalGas is temporarily prohibited from injecting natural gas at Aliso Canyon and is limited to withdrawing gas under certain conditions.
[4] Between July and October 2016, the total system inventory fluctuated within a very narrow range, and only reached a daily maximum of 61.8 Bcf, which suggests that storage was essentially full during this period.
[5] D.16-10-029, mimeo., at p. 7.
[6] *Id.* at p. 8.

The language in D.06-10-029 is clear that the July 31 target in any given year does not automatically extend into subsequent years, but that each target is only for that year. Therefore, the target must be refiled each year regardless of whether the actual target changed. From 2007 to 2015, SoCalGas and ORA (and TURN, when available) were able to come to an agreement regarding the level of the mid-season inventory target, and codified those agreements through Advice Letter filings modifying SoCalGas' GCIM Preliminary Statement.[7] The storage field restrictions during GCIM Year 23, however, complicated the discussions and SoCalGas and ORA did not obtain an agreement (TURN was unavailable to participate in the review process due to time constraints). Nonetheless, SoCalGas still felt the need to file a timely Advice Letter without obtaining ORA's nor TURN's agreement, where it proposed to modify its GCIM Preliminary Statement to include a July 31, 2016 storage target of 25 Bcf. Advice Letter 4981 was filed on June 28, 2016 and was rejected without prejudice on April 28, 2017. The April 28th notice stated, "(a)ny deviation from the storage targets should be explained and evaluated in SoCalGas' annual GCIM filing." SoCalGas believes that because there was no agreement on a target for 2016, no target existed.

The July 31 total system inventory was 60.6 Bcf. Due to non-core and CAT customers' activities, SoCalGas Gas Acquisition's available inventory capacity was limited to 47 Bcf. Gas Acquisition reached 28 Bcf (60%) of purchased gas of its 47 Bcf of available inventory on July 31, which is in line with prior year's requirements. For instance, during GCIM Year 22, SoCalGas' Gas Acquisition Department's share of core storage was approximately 80 Bcf and the established target for July 31, 2015 was 47 Bcf, resulting in a mid-season target of approximately 59% of inventory allocated and available to Gas Acquisition.

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, Section 583 of the Public Utilities Code, and D.16-08-024, SoCalGas provides a monthly report, 60 days after the end of each month, to the ORA and Energy Division on a confidential basis. These reports included a calculation of year-to-date GCIM benefit, total monthly actual costs and benchmark dollars, benchmark prices, current year capacity holdings and capacity utilization report by pipeline.

[7] *See*, e.g., SoCalGas AL 4806, which established the July 31, 2015 target of 47 Bcf.

However, due to the uncertainty surrounding the treatment of confidentiality data pursuant to D.16-08-024[8], SoCalGas did not provide details of:

- All gas purchases and sale transactions
- All off-system park and loan transactions
- All SMS transactions
- All financial transactions
- Capacity Holding Report for future GCIM years
- Capacity Utilization Report by transportation service agreements

These details were only provided in the annual report. SoCalGas has also communicated frequently with the ORA and the Energy Division on all important Gas Acquisition issues during Year 23, including its winter hedging activities. Finally, SoCalGas has at all times operated within the CPUC's Affiliate Transaction Rules and related Remedial Measures.

IV. Recommendations

SoCalGas concludes from its Year 23 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 23, the CPUC established objectives for incentive regulation as summarized above on page 3 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 Year 23 shareholder reward of $4,246,848 on an expedited and ex parte basis.

[8] Page 2, Summary of the D.16-08-024 states "This is an interim decision, and this proceeding [R.14-11-011] remains open for further refinement and improvement of the Commission's processes". Since this decision did not provide for an appeal process in case the Commission overrules SoCalGas's request for confidential treatment of market-sensitive transaction details, SoCalGas refrained from providing this information in its monthly reports until there is further clarity on the process.

Appendix A

Summary of GCIM Results to Date

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
21	1,598,485,093.22	1,555,377,080.06	43,108,013.16	28,217,181.98	N/A	14,108,591.01	70,542,954.97	28,999,422.15
22	996,287,032.32	968,124,519.92	28,162,512.40	16,006,729.40	N/A	8,003,364.70	40,016,823.45	20,159,147.70
23	1,237,875,858.43	1,210,673,619.17	27,202,239.26	20,429,693.26	N/A	10,214,846.62	51,074,233.13	16,987,392.64
	$36,613,982,066.69	$35,453,170,299.74	$ 1,160,811,766.95	$690,730,671.06	$10,066,643.51	$299,150,659.25	$1,495,753,296.12	$ 852,712,121.70

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 23.

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-23, 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

Annual Report on Affiliate Transactions

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 machinery[1]; 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.

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[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.

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.

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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.

Gas Operations
This category includes operational support for third party damage review to affiliates. Amount shown reflects overhead adjustments due to labor corrections/changes.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2016

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9 (Cont'd):

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.

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.

Operations Support
This category includes services such as real estate and planning, facilities and capital programs, SoCalGas support services, and SoCalGas and SDG&E environmental services.

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.

Corporate Budgets This category supports projects identifying potential efficiencies in programs and processes at the utility.

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For theYear Ended December 31, 2016

USOA Acct	Item/Services Description	Cost Allocation Methodology	Sempra Energy	Sempra Energy LNG Corp	Pacific Enterprise Oil Company	SE International	Sempra International, LLC	Sempra US Gas & Power LLC	US G&P - Renewables	Sempra Generation	Total
146	Accounting & Finance	A	10,552	4,671			5,839	5,839			26,902
	Depreciation	A	2,098,087	2,556		1,667	1,872	254,793	3,851		2,362,827
	External Relations	A									-
	Gas Operations	A		-			(815)				(815)
	Fleet Services	A									-
	Human Resources	A & B	6,285,302	582			(5,762)	82,067			6,362,189
	Information Technology	A	649,529	(73)			(190)	110,093	(411)		758,948
	Oil/Gas Assessment & Extraction	A			95,163						95,163
	Operations Support	A									-
	Real Estate & Facilities	A	373,368								373,368
	Supply Management	A	9,853								9,853
	Corporate Budgets	A	61,552								61,552
											-
											-
803	Gas Sales	C								244,360	244,360
											-
	Total		**$ 9,488,242**	**$ 7,737**	**$ 95,163**	**$ 1,667**	**$ 944**	**$ 452,792**	**$ 3,440**	**$ 244,360**	**$ 10,294,346**

SoCalGas
A Sempra Energy utility

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

2016

AMENDED AS OF MAY 17, 2017

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-l), 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

2016

AMENDED AS OF MAY 17, 2017

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 Southern California Gas Company 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 Southern California Gas Company by Sempra Energy is recorded at fully loaded costs.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2016

AMENDED AS OF MAY 17, 2017

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 Southern California Gas Company are recorded in the appropriate USOA account. Shared services costs are allocated to Southern California Gas Company 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 Southern California Gas Company 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 Southern California Gas Company 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 Southern California Gas Company.

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 174: Miscellaneous Current and Accrued Assets
This account includes the cost of all other current and accrued assets not specifically provided for in other accounts.

USOA Account 183:
This account includes all expenditures for preliminary surveys, plans, investigations, etc. made for determining the feasibility of acquiring land and land rights.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2016

AMENDED AS OF MAY 17, 2017

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 184: Clearing Accounts
This account includes undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to Southern California Gas Company, a portion of the cost of this service is charged to a clearing account. These are administrative and 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 (Amended)
During the reporting period, the affiliates did supply 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, Southern California Gas Company did not enter into any over-the-counter financial swap transactions with its affiliates.

USOA Account 832: Maintenance of Reservoirs and Wells
This account includes the cost of labor, materials used and expenses incurred in the maintenance of reservoirs and wells.

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. In 2016 these costs are related to the Mobile Home Park initiative.

USOA Account 903: Customer Records and Collection Expenses
This account includes the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints. In 2016 these costs are related to the Mobile Home Park initiative.

USOA Account 908: Customer Records and Collection Expenses
This account includes the cost for customer assistance expenses as they relate to operations.

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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2016

AMENDED AS OF MAY 17, 2017

Response to Affiliate Transaction Reporting Requirements Section:

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

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.

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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2016

AMENDED AS OF MAY 17, 2017

Response to Affiliate Transaction Reporting Requirements Section:

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

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 2016, 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, 2016

USOA Account	Account Description	Sempra Energy	Sempra Generation	Total	% of USOA Account
107	Construction Work In Progress	7,063,339	-	7,063,339	11.25%
165	Prepayments	6,642,269	-	6,642,269	107.41%
174	Miscellaneous Current and Accrued Assets	80,744	-	80,744	<1.00%
181	Unamortized Debt Expenses	-	-	-	<1.00%
183	Prelim Survey and Investigation	236,919	-	236,919	1.56%
184	Clearing Accounts	2,136,991	-	2,136,991	320.90%
803	Natural Gas Transmission Line Purchases	-	15,187	15,187	<1.00%
832	Maintenance of Reservoirs -Wells	46,070,517	-	46,070,517	4965.68%
880	Other Expenses	1,646	-	1,646	<1.00%
903	Customer Records And Collection Expenses	-	-	-	<1.00%
908	Customer Assistance Expenses	571	-	571	<1.00%
910	Miscellaneous Customer Serv And Informational Expe	573,663	-	573,663	22.88%
921	Office Supplies And Expenses	(26)	-	(26)	<1.00%
923	Outside Services Employed	43,867,352	-	43,867,352	38.32%
924	Property Insurance	426,339	-	426,339	8.94%
925	Injuries And Damages	28,498,589	-	28,498,589	75.74%
926	Employee Pensions And Benefits	9,883,479	-	9,883,479	6.85%
928	Regulatory Commission Expenses	96,526	-	96,526	1.61%
930	Miscellaneous General Expenses	34,275	-	34,275	<1.00%
931	Rents	-	-	-	<1.00%
	Total:	145,613,192	15,187	145,628,379	

Appendix C

Southern California Gas Company Core Firm Transportation Capacity Holdings

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/17
(in MDth/d)

Pipeline	Region	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017
EPNG	Permian	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
	San Juan	491.2	491.2	491.2	491.2	491.2	491.2	491.2	577.5	577.5	577.5	577.5	577.5
	Total	586.2	586.2	586.2	586.2	586.2	586.2	586.2	672.5	672.5	672.5	672.5	672.5
TWPL	Permian	19.5	19.5	19.5	19.5	19.5	19.5	19.5	61.7	61.7	61.7	61.7	61.7
	San Juan	80.5	80.5	80.5	80.5	80.5	80.5	80.5	89.7	129.7	119.7	89.7	89.7
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	151.3	191.3	181.3	151.3	151.3
KERN	Rockies	250.4	250.4	250.4	250.4	250.4	250.4	250.4	249.4	291.4	279.4	249.4	249.4
	Total	250.4	250.4	250.4	250.4	250.4	250.4	250.4	249.4	291.4	279.4	249.4	249.4
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

Summary of Capacity by Region

Region	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017
San Juan	571.7	571.7	571.7	571.7	571.7	571.7	571.7	667.1	707.1	697.1	667.1	667.1
Permian	114.5	114.5	114.5	114.5	114.5	114.5	114.5	156.7	156.7	156.7	156.7	156.7
Rockies	250.4	250.4	250.4	250.4	250.4	250.4	250.4	249.4	291.4	279.4	249.4	249.4
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
Grand Total	988.6	988.6	988.6	988.6	988.6	988.6	988.6	1,125.2	1,207.2	1,185.2	1,125.2	1,125.2
Minimum Required	988.0	988.0	988.0	988.0	988.0	988.0	988.0	1,098.0	1,098.0	1,098.0	1,098.0	1,098.0

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 and Income

Statement

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2016

	1. UTILITY PLANT	2016
101	UTILITY PLANT IN SERVICE	$14,378,623,921
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	882,711,320
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(5,183,509,007)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(48,816,615)
117	GAS STORED-UNDERGROUND	61,422,045
	TOTAL NET UTILITY PLANT	10,090,431,664

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	33,971,426
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(13,251,382)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
	NONCURRENT PORTION OF ALLOWANCES	108,856,088
124	OTHER INVESTMENTS	12,538
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	3,000,000
175	LONG TERM PORTION OF DERIVATIVE ASSETS	21,760
	TOTAL OTHER PROPERTY AND INVESTMENTS	132,610,430

Data from SPL as of April 13, 2017.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2016

3. CURRENT AND ACCRUED ASSETS

		2016
131	CASH	11,704,951
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	89,641
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	636,370,307
143	OTHER ACCOUNTS RECEIVABLE	25,273,939
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(4,401,513)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	8,356,458
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	64,390,497
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	132,578,104
	(LESS) NONCURRENT PORTION OF ALLOWANCES	(108,856,088)
163	STORES EXPENSE UNDISTRIBUTED	301,869
164	GAS STORED	10,923,522
165	PREPAYMENTS	24,245,442
171	INTEREST AND DIVIDENDS RECEIVABLE	2,423,206
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	38,675,911
175	DERIVATIVE INSTRUMENT ASSETS	3,613,007
176	LONG TERM PORTION OF DERIVATIVE ASSETS	(21,760)
	TOTAL CURRENT AND ACCRUED ASSETS	845,667,493

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	19,654,489
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	2,579,059,998
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	16,190,719
184	CLEARING ACCOUNTS	(993,751)
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	861,467,693
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	7,863,267
190	ACCUMULATED DEFERRED INCOME TAXES	632,645,724
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	4,115,888,139
	TOTAL ASSETS AND OTHER DEBITS	$ 15,184,597,726

Data from SPL as of April 13, 2017.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2016

5. PROPRIETARY CAPITAL

		2016
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	(2,644,571,969)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	21,757,822
	TOTAL PROPRIETARY CAPITAL	(3,510,427,270)

6. LONG-TERM DEBT

221	BONDS	(3,000,000,000)
224	OTHER LONG-TERM DEBT	(9,338,770)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	7,483,412
	TOTAL LONG-TERM DEBT	(3,001,855,358)

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	0
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(150,835,716)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(806,398,025)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
245	NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES	(6,528)
230	ASSET RETIREMENT OBLIGATIONS	(1,658,855,755)
	TOTAL OTHER NONCURRENT LIABILITIES	(2,616,096,024)

Data from SPL as of April 13, 2017.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2016

8. CURRENT AND ACCRUED LIABILITES

		2016
231	NOTES PAYABLE	(61,997,000)
232	ACCOUNTS PAYABLE	(560,876,109)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(27,896,809)
235	CUSTOMER DEPOSITS	(75,806,209)
236	TAXES ACCRUED	(5,984,365)
237	INTEREST ACCRUED	(20,473,784)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(21,550,743)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(234,818,445)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(369,542)
244	DERIVATIVE INSTRUMENT LIABILITIES	(1,350,940)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	6,528
	TOTAL CURRENT AND ACCRUED LIABILITIES	(1,011,440,683)

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	(76,909,917)
	OTHER DEFERRED CREDITS	(237,307,241)
254	OTHER REGULATORY LIABILITIES	(2,380,240,672)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(11,741,528)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,624,143,332)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(714,435,701)
	TOTAL DEFERRED CREDITS	(5,044,778,391)
	TOTAL LIABILITIES AND OTHER CREDITS	$ (15,184,597,726)

Data from SPL as of April 13, 2017.

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2016

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		3,470,973,027
401	OPERATING EXPENSES	2,114,428,417	
402	MAINTENANCE EXPENSES	206,158,925	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	475,606,324	
408.1	TAXES OTHER THAN INCOME TAXES	94,727,104	
409.1	INCOME TAXES	45,300,375	
410.1	PROVISION FOR DEFERRED INCOME TAXES	504,468,842	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(405,224,048)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,945,017)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	(176,565)	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		3,033,344,357
	NET OPERATING INCOME		437,628,670

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(345,324)	
418	NONOPERATING RENTAL INCOME	505,556	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	4,143,451	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	40,159,809	
421	MISCELLANEOUS NONOPERATING INCOME	(934,094)	
	TOTAL OTHER INCOME	43,529,398	
421.2	LOSS ON DISPOSITION OF PROPERTY	(411,122)	
425	MISCELLANEOUS AMORTIZATION	(3,254)	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(29,839,653)	
		(30,254,029)	
408.2	TAXES OTHER THAN INCOME TAXES	(130,635)	
409.2	INCOME TAXES	5,170,458	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(86,496,090)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	81,006,862	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(449,405)	
	TOTAL OTHER INCOME AND DEDUCTIONS		12,825,964
	INCOME BEFORE INTEREST CHARGES		450,454,634
	NET INTEREST CHARGES*		99,969,057
	NET INCOME		$350,485,577
			-

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. ($13,582,516)*

Data from SPL as of April 13, 2017.

STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2016

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$2,295,379,456
NET INCOME (FROM PRECEDING PAGE)	350,485,577
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(1,293,064)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$2,644,571,969

ATTACHMENT C

Southern California Gas Company

Statement of Proposed Rates

Rate Table

Calculation of GCIM Award $/therm:

GCIM Award $000	$4,247
Core Sales per2016TCAP Mth/yr	3,885,942
GCIM Award $/th	**$0.00109**

ATTACHMENT D

Southern California Gas Company

Statement of Original Cost and Depreciation Reserve

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of December 31, 2016

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	$ 76,457	$ -	$ 76,457
302	Franchise and Consents	$ 574,560	$ -	574,560
	Total Intangible Assets	$ 651,017	0	$ 651,017
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	$ 8,779,952	(1,470)	$ 8,778,482
UNDERGROUND STORAGE:				
350	Land	$ 4,539,484	$ -	$ 4,539,484
350SR	Storage Rights	$ 17,935,798	$ (17,507,039)	428,759
350RW	Rights-of-Way	$ 25,354	$ (16,549)	8,805
351	Structures and Improvements	$ 86,152,949	$ (20,813,503)	65,339,446
352	Wells	$ 387,700,314	$ (159,163,019)	228,537,296
353	Lines	$ 115,563,603	$ (96,028,334)	19,535,269
354	Compressor Station and Equipment	$ 162,905,253	$ (63,778,057)	99,127,196
355	Measuring And Regulator Equipment	$ 7,964,758	$ (2,542,280)	5,422,477
356	Purification Equipment	$ 150,420,143	$ (73,042,229)	77,377,915
357	Other Equipment	$ 49,928,215	$ (12,627,955)	37,300,260
	Total Underground Storage	$ 983,135,872	(445,518,965)	$ 537,616,907
TRANSMISSION PLANT- OTHER:				
365	Land	$ 2,204,096	$ -	$ 2,204,096
365LRTS	Land Rights	$ 22,134,243	$ (14,737,851)	7,396,392
366	Structures and Improvements	$ 47,805,609	$ (21,114,791)	26,690,818
367	Mains	$ 1,754,084,223	$ (648,202,944)	1,105,881,279
368	Compressor Station and Equipment	$ 229,721,666	$ (104,762,766)	124,958,900
369	Measuring And Regulator Equipment	$ 119,312,479	$ (26,320,696)	92,991,783
370	Communication Equipment	$ 8,541,080	$ (675,210)	7,865,870
371	Other Equipment	$ 5,958,800	$ (3,231,716)	2,727,084
	Total Transmission Plant	$ 2,189,762,196	(819,045,974)	$ 1,370,716,222
DISTRIBUTION PLANT:				
374	Land	$ 28,985,386	$ -	$ 28,985,386
374LRTS	Land Rights	$ 2,805,145	$ (2,006,683)	798,462
375	Structures and Improvements	$ 270,325,474	$ (81,889,979)	188,435,495
376	Mains	$ 4,310,627,875	$ (2,232,730,181)	2,077,897,695
378	Measuring And Regulator Equipment	$ 106,270,293	$ (71,050,366)	35,219,927
380	Services	$ 2,497,395,350	$ (1,996,926,086)	500,469,264
381	Meters	$ 906,078,109	$ (172,972,597)	733,105,512
382	Meter Installation	$ 538,686,488	$ (156,063,138)	382,623,350
383	House Regulators	$ 162,114,289	$ (64,564,094)	97,550,194
387	Other Equipment	$ 44,701,433	$ (23,297,539)	21,403,894
	Total Distribution Plant	$ 8,867,989,844	(4,801,500,663)	$ 4,066,489,181

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of December 31, 2016

ACCOUNT NUMBER	DESCRIPTION		ORIGINAL COSTS		ACCUMULATED RESERVE		NET BOOK VALUE
GENERAL PLANT:							
389	Land	$	1,342,839	$	-		1,342,839
389LRTS	Land Rights	$	74,300	$	(34,657)		39,643
390	Structures and Improvements	$	201,400,950	$	(186,901,370)		14,499,580
391	Office Furniture and Equipment	$	1,115,500,449	$	(620,948,842)		494,551,607
392	Transportation Equipment	$	461,223	$	(316,470)		144,754
393	Stores Equipment	$	99,134	$	(67,859)		31,275
394	Shop and Garage Equipment	$	62,019,641	$	(24,855,691)		37,163,950
395	Laboratory Equipment	$	4,731,500	$	(2,542,376)		2,189,124
396	Construction Equipment	$	11,957	$	3,409		15,366
397	Communication Equipments	$	158,433,110	$	(38,746,574)		119,686,536
398	Miscellaneous Equipment	$	3,144,659	$	(975,696)		2,168,963
	Total General Plant	$	1,547,219,763		(875,386,126)	$	671,833,637
	Subtotal	**$**	**13,597,538,644**		**(6,941,453,198)**	**$**	**6,656,085,446**
121	Non-Utility Plant	$	31,248,672	$	(12,089,196)		19,159,477
117GSUNC	Gas Stored Underground - NonCurrent	$	61,422,045	$	-		61,422,045
GCL	GCT - Capital Lease	$	-	$	-		0
	Total Other - Non-Utility Plant		92,670,717		(12,089,196)		80,581,521
	Total-Reconciliation to Asset History Totals		13,690,209,361		(6,953,542,394)		6,736,666,967
	December Asset 1020 Report		13,690,209,361		(6,953,542,394)		
	Difference		0		(0)		

ATTACHMENT E

Southern California Gas Company

Summary of Earnings

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2016
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	$3,471
2	Operating Expenses	3,033
3	Net Operating Income	$438
4	Weighted Average Rate Base	$4,775
5	Rate of Return*	8.02%

*Authorized Cost of Capital