

**DRA DATA REQUEST  
DRA-SCG-116-DAO  
SOCALGAS 2012 GRC – A.10-12-006  
SOCALGAS RESPONSE  
DATE RECEIVED: JULY 5, 2011  
DATE RESPONDED: JULY 19, 2011**

**Exhibit Reference:** SCG-19

**Subject:** Incentives

**Please provide the following:**

1. In response to DRA Master Data Request Q.1 for Chapter 18, Compensation, Health, and Welfare, SCG provided five-years of historical data for 2005-2009 regarding SCG's actual and targeted incentive payout (ICP) by employee category. For each of those years, the response shows SCG's Actual ICP exceeded the Target ICP amount.
  - a. Please identify the reason(s) the actual exceeded the target amount for each of the 5 years.
  - b. When actual ICP payouts exceed the target ICP amounts, who pays for the difference?

**SoCalGas Response 01:**

- a. The primary reasons for SoCalGas' actual ICP exceeding the target ICP amount is due to exceptional operating and financial performance. Please refer to the response of question 4 from the Master Data Request for details supporting the calculation of payments in 2005-2009.
- b. Shareholders pay for the difference when actual ICP payouts exceed the target ICP amounts.

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2. On page DSR-8 of Exhibit SCG-19, SCG states that the forecasted expense for 2010-2012 is based on target performance. Please explain in detail why the forecast is based on target performance and not on actual performance?

**SoCalGas Response 02:**

The first reason is that actual performance is not yet known, so an assumption is made that target performance will be met for this period. Second, planning ICP at target is consistent with our practice of requesting rate recovery for target performance with shareholders paying any difference when payouts exceed target. Finally, this assumption is in line with the company's total compensation philosophy of being market competitive since ICP assuming a target payout is a component of SoCalGas Target Total Compensation noted on page DSR-4.

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3. Please identify the ICP “target performance” for the 2012 forecast. Please provide supporting workpapers.

**SoCalGas Response 03:**

The 2012 target performance criteria are not currently available as it will be designed in early 2012.