

**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 25 (2018-2019) of Its Gas Cost Incentive
Mechanism.

A.19-06-_____
(Filed June 14, 2019)

**APPLICATION OF SOUTHERN CALIFORNIA GAS
COMPANY (U 904 G) REGARDING YEAR 25 (2018-2019)
OF ITS GAS COST INCENTIVE MECHANISM**

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**BEFORE THE PUBLIC UTILITIES COMMISSION
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In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year 25 (2018-2019) of Its Gas Cost Incentive Mechanism.

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**APPLICATION OF SOUTHERN CALIFORNIA GAS
COMPANY (U 904 G) REGARDING YEAR 25 (2018-2019)
OF ITS GAS COST INCENTIVE MECHANISM**

I. INTRODUCTION

Southern California Gas Company (SoCalGas) hereby submits its twenty-fifth annual application (Application) under the Gas Cost Incentive Mechanism (GCIM). The California Public Utilities Commission (CPUC or Commission) established the GCIM in Decision (D.) 94-03-076, which was modified and extended in D.97-06-061, extended on an annual basis beginning with Year 6 in D.98-12-057, and then further modified and extended 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, 2019 (Year 25), wherein SoCalGas was able to

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.

purchase gas at \$105.5 million below the GCIM benchmark, resulting in a ratepayer benefit of \$88.7 million in lower gas costs. SoCalGas further submits its request for Commission approval of a shareholder reward of \$16,798,695 for its Year 25 performance. SoCalGas' Year 25 Annual Report is Attachment A to this Application.

II. BACKGROUND

A. Establishment of the GCIM

On March 16, 1994, the Commission approved SoCalGas' Application (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 Public Advocates Office of the California Public Utilities Commission (Cal PA), formerly the Office of Ratepayer Advocates (ORA) was given the task of auditing SoCalGas' annual reports on the GCIM.²

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

B. GCIM Year 1

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

² At the time of the original GCIM decision, Cal PA 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 DRA, back to ORA, and then changed to Cal PA. To avoid confusion, this Application will simply refer to Cal PA throughout because that is the current name of this organization.

On February 13, 1997, SoCalGas and Cal PA filed a *Joint Motion for Order Adopting Stipulation and Agreement, Suspending Procedural Schedule, Waiving Oral Hearings, Limited Consolidation of Indicated Docket, and for Other Relief*. Among other things, the Stipulation and Agreement resolved all issues related to the Year 2 application, proposed to replace the four percent tolerance band with a tolerance band of two percent above and one-half percent below the benchmark, and provided for revisions to, and extension of, the GCIM program on an annual basis beyond the original expiration date of March 31, 1997.

In D.97-06-061, the Commission adopted the joint recommendation of Cal PA 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 Cal PA 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 Cal PA 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.

³ D.97-06-061, mimeo., at 1.

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 Cal PA 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.

G. GCIM Year 6

On June 15, 2000, SoCalGas filed its Year 6 report in A.00-06-023. On October 30, 2000, Cal PA 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, Cal PA 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

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. Cal PA 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.

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, Cal PA, and TURN, which extended and made the following changes to SoCalGas’ GCIM:

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:

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

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

H. GCIM Year 7

On June 15, 2001, SoCalGas filed its Year 7 GCIM report in A.01-06-027, seeking a shareholder 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

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

⁷ D.02-06-023, mimeo, at 25-26 and p. 1 of Attachment A (the Settlement Agreement).

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, 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, Cal PA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed 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, Cal PA, TURN, and SoCalGas filed a Joint Recommendation, which resolved the concerns raised by Cal PA 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 Cal PA and TURN to rely upon its existing secondary storage target.
- Unless otherwise agreed to by Cal PA 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 Cal PA and TURN for mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by Cal PA and TURN. Each of these changes would be reflected in

⁸ D.05-04-003, p. 3.

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

SoCalGas' GCIM tariff.

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

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, Cal PA 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, Cal PA 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.

¹⁰ As with GCIM Year 7, Year 8, Year 9, and Year 10 shareholder rewards granted by the Commission, the GCIM Year 11 reward was made subject to refund or adjustment, to be determined in Investigation (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.

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, Cal PA 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, Cal PA 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, Cal PA 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, Cal PA 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, Cal PA 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, Cal PA 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, Cal PA 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 Cal PA 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, Cal PA 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.

X. GCIM Year 23

SoCalGas filed A.17-06-016 on June 15, 2017, requesting a GCIM shareholder reward of \$4.247 million for Year 23. SoCalGas amended its application on July 28, 2017, revising its GCIM shareholder reward slightly downward, to \$4.235 million. During GCIM Year 23, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$27.2 million below benchmark cost. On October 16, 2017, Cal PA issued its Monitoring and Evaluation Report for GCIM Year 23 and recommended approval of SoCalGas' requested shareholder reward. In January 2018, the Commission issued D.18-01-005, approving A.17-06-016 and SoCalGas' requested shareholder reward of \$4.235 million. The decision also directs SoCalGas to meet with Cal PA in the event that SoCalGas anticipates that it will have less than 47.0 Bcf of mid-season core storage inventory on July 31 of each year, starting on July 31, 2018. The decision also requires SoCalGas to provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division, also beginning in 2018.

Y. GCIM Year 24

SoCalGas filed A.18-06-009 on June 15, 2018, requesting a GCIM shareholder reward of \$11.4 million for Year 24. During GCIM Year 24, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$61.7 million below benchmark cost. On November 8, 2018, Cal PA filed its Monitoring and Evaluation Report for GCIM Year 24 and recommended approval of SoCalGas' requested shareholder reward. In April 2019, the Commission issued D.19-03-014, approving A.18-06-009 and SoCalGas' requested shareholder reward of \$11.4 million.

III. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of \$16,798,695 for SoCalGas' performance in Year 25 pursuant to the revised GCIM

established by D.02-06-023. As documented in Attachment A, in GCIM Year 25 SoCalGas was able to purchase gas at \$105.5 million below the GCIM benchmark, providing a benefit of \$88.7 million in lower gas costs. The actual cost of all purchases by SoCalGas subject to the GCIM was \$1,368,973,255, while the benchmark cost was \$1,474,431,952. 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 \$16,798,695.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 25 shareholder reward of \$16,798,695.

IV. 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 evidentiary hearings are 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 25 shareholder reward of \$16,798,695 it has requested. This application does not identify any safety consideration associated with its requested relief.

SoCalGas proposes the following schedule for this Application:

<u>EVENT</u>	<u>DATE</u>
SoCalGas files Application	June 14, 2019
Deadline for responses to Application	within 30 days Daily Calendar notice
Prehearing Conference	August 15, 2019
Cal PA Report	October 15, 2019
Proposed Decision	November 19, 2019
Commission Decision	December 19, 2019

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:

Joseph Mock

Regulatory Case Manager for:

Southern California Gas Company

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A copy should also be sent to:

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Attorney (and Party) for:

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E-mail: jfohrer@semprautilities.com

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 25 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, 2018 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 25 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, 2019, was mailed to the Commission on May 29, 2019, 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.18-06-009. 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.

V. CONCLUSION

For the reasons set forth above and in Attachment A, SoCalGas respectfully requests that the Commission approve a Year 25 GCIM shareholder reward of \$16,798,695 on an expedited and ex parte basis.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ Jawaad Malik
Jawaad Malik

Vice President Gas Acquisition

By: /s/ Jeffrey B. Fohrer
Jeffrey B. Fohrer

JEFFREY B. FOHRER

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Dated: June 14, 2019

VERIFICATION

I, Jawaad Malik, 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 14, 2019, at Los Angeles, California.

/s/ Jawaad Malik

Jawaad Malik
Vice President Gas Acquisition

ATTACHMENT A
Southern California Gas Company
Annual Report on the Gas Cost Incentive Mechanism

Southern California Gas Company
Annual Report on the Gas Cost Incentive Mechanism
April 1, 2018 through March 31, 2019

I. Summary of Year 25 GCIM Results

Over the past 25 years, the Gas Cost Incentive Mechanism (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. 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 & Electric Company (SDG&E) under the GCIM during the period April 1, 2018 through March 31, 2019 (Year 25). This report also requests a shareholder reward under the GCIM for Year 25 based on the current GCIM set forth in SoCalGas' GCIM Preliminary Statement.

Increases in U.S. production continued during the GCIM period, growing from 86.6 Bcfd in April 2018 to 95.8 Bcfd in March 2019. Offsetting some of this increase in production was an increase in total U.S. consumption of 6.5 Bcfd. Hot summer temperatures nationwide coupled with additional coal plant retirements led to increased electric generation gas demand. Total U.S. natural gas storage entering winter was below the 5-year range at 3.2 Tcf. Concerns about entering winter with low storage inventories along with cold weather contributed to high volatility in New York Mercantile Exchange (NYMEX) prices, which reached as high as \$4.90 per MMBtu in November 2018. By Mid-Dec 2018, NYMEX prices began to recede and ended the GCIM year, within 10 cents of where they were at the beginning of the GCIM year. Total U.S. storage was 1.1 Tcf at the end of March 2019, within the 5-year range.

Gas prices in several locations in the western U.S. experienced higher levels of volatility during the GCIM year. Prices in the Permian basin at times traded below \$1 per MMBtu due to high production levels and limited take away capacity. In response to local supply limitations, posted daily prices for the SoCal Citygate were as high as \$39.24 per MMBtu in July 2018 and \$22.285 per MMBtu in February 2019, which was the coldest February observed in Southern California since 1969. In the Pacific Northwest, March daily prices posted as high as \$160 per MMBtu due to supply constraints during a cold weather event.

Table 1 below summarizes performance under the GCIM during the last 25 years, highlighting the fact that customers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in twenty-four of the past 25 years saving customers over \$1.1 billion in commodity costs. Additionally, a GCIM Summary for the past 25 years delineating the various GCIM components is included in Appendix A.

TABLE 1
GCIM PERFORMANCE
YEAR ENDED MARCH 31*

Year	GCIM Year	Net Purchases (Citygate Volumes)		Net Gas Cost		Benchmark Gas Commodity Cost		Comparison to Benchmark (\$Millions)		
		Million MMBtu/d	Million MMBtu	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Customer Savings	Sharehol- der 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	1.01	368	\$994	\$2.70	1,021	\$2.77	\$23.0	\$4.2	\$27.2
2018	24	1.02	371	\$974	\$2.63	1,036	\$2.80	\$50.4	\$11.4	\$61.7
2019	25	1.00	364	\$1,145	\$3.15	1,251	\$3.44	\$88.7	\$16.8	\$105.5
Total GCIM Years		0.977	8,924	\$34,208	\$3.83	\$35,532	\$3.98	\$1,116.0	\$211.8	\$1,327.9

* 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 \$105.5 million below the Benchmark in Year 25, providing customers with a benefit of \$88.7 million in lower gas costs. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition buys gas

for its core customers. Gas Acquisition's average Net Unit Cost was \$3.15 per MMBtu, which is \$0.29 per MMBtu below the Benchmark Unit Cost of \$3.44 per MMBtu.

During Year 25, Gas Acquisition purchased a net 364 million MMBtus for its retail core load. Gas Acquisition's interstate capacity rights, which are primarily on El Paso, Transwestern, and Kern River pipeline systems, enabled the core procurement requirements to be met mostly through basin purchases, supplemented with purchases at the California border and SoCal Citygate.

II. Description of Gas Procurement Activities

The GCIM encourages Gas Acquisition to proactively lower gas costs and protect core customers from price volatility through the use of physical and financial trades, storage, and interstate pipeline capacity. SoCalGas' Gas Acquisition personnel have a high level of expertise in fundamental market analysis, gas trading, gas transportation, risk management, and back office operations. This expertise has continually been developed over the prior 24 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 25, ultimately lowering gas procurement costs.

As in the previous 24 years of the GCIM, Year 25 results continue to show that the GCIM program is successful in meeting its objectives as originally established in Decision (D.)90-07-065 and Rulemaking (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;
- Align the interests of utility shareholders with those of utility customers.
- Implement a system that is readily understandable;
- Fairly balance risk and reward for the utility, and provide positive as well as negative incentives; and
- Implement a regulatory structure that allows management to focus primarily on costs and markets, rather than on California Public Utilities Commission (CPUC or Commission) proceedings.

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 25 by:

- Meeting core requirements during the peak demand season (November to March) with firm long-term contracts, monthly baseload, and after-market purchases and notwithstanding available core storage¹ and system constraints. In Year 25 SoCalGas maintained a gas supply portfolio of long-term supply agreements (73%) and month-to-month baseload agreements (30%). Daily purchase and sale transactions resulted in net sales of 3%.
- Reaching a core purchased inventory level of 47.2 Bcf on July 31st, which met its 47 Bcf mid-season target.
- Meeting its share of the January, February, March 2019 month-end minimum storage targets.²
- Reaching a core physical storage inventory on October 31st of 73.0 Bcf (reflects a 1.87 Bcf net loan Secondary Market Services (SMS) position and includes 4.1 Bcf of Core Aggregation Transportation (CAT) volumes) which was below the November 1 GCIM target of 83 Bcf +/-2 Bcf. Pursuant to SoCalGas’ GCIM Preliminary Statement, a discussion regarding deviations from storage targets is included later in this report.
- Reaching a core physical inventory on November 30th of 69.6 Bcf (reflects a 1.45 Bcf net loan SMS position and includes 4.0 Bcf of CAT volumes) which was above the secondary December 1 GCIM target of 69 Bcf.
- 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 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.

¹ The CPUC Staff’s Draft “Winter 2018-19 SoCalGas Conditions and Operations Report” dated May 10, 2019 states on p. 5 the following: “Data indicates that if Gas Acquisition had been able to schedule gas from Aliso Canyon, they could have avoided OFO penalties this winter.” Gas Acquisition’s interpretation of this statement is that available core storage was not adequate.

² Provided in the Southern California Gas Company Winter 2018-19 Technical Assessment which was attached to the November 2, 2018 letter from Rodger Schwecke to the California Energy Commission: Aliso Canyon Risk Assessment Technical Report Winter 2018-19 Supplement.

- 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.

In summary, the GCIM provides an incentive for SoCalGas to efficiently use retail core's available 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 Commission-approved 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 5006 on August 3, 2016, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 24 and 25 based on the 2016 California Gas Report. The minimum firm capacity required for the period April to October 2018 was established at 958 MDthd, while the minimum required for November 2018 to March 2019 was 1,065 MDthd. Appendix C to this report shows that SoCalGas' interstate capacity holding during each month of Year 25 met the minimum capacity requirements for the combined portfolio.

Financial Derivatives and Winter Hedging

In compliance with D.10-01-023 issued on January 25, 2010, which adopted an incentive framework to motivate optimal use of natural gas hedging for California utilities and modified the treatment of financial gains and losses for SoCalGas and SDG&E, SoCalGas continued to include 25% of gains and losses and transaction costs from Gas Acquisition's winter hedging activities in the calculation of GCIM total actual costs. In Year 25, SoCalGas' winter hedge activities resulted in a gain of \$6.5 million, of which \$1.6 million was included in the GCIM.

The Public Advocates Office (Cal PA) and Energy Division staff were kept apprised of SoCalGas' winter hedge positions primarily via bi-weekly conference calls throughout GCIM Year 25.

Deviations from GCIM Storage Targets

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

SoCalGas must confer with the Office of Ratepayer Advocates in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than 47 Bcf on July 31 of each calendar year. SoCalGas shall provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division. The Annual Storage Inventory target on November 1 is 83 Bcf of 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 a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. SoCalGas' share of 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 winter storage targets should be explained in SoCalGas' annual GCIM filing.

On July 2, 2018, SoCalGas was authorized to inject additional storage gas into Aliso Canyon to a level of 34 Bcf.³ This increase was insufficient for Gas Acquisition to meet its November 1 inventory target because, when including SoCalGas' three other storage fields, only 84 Bcf of system operational inventory capacity (less system balancing needs) became available to storage customers. The total system storage level reached a maximum inventory level of 81 Bcf on September 29, and remained near that level throughout October, ending the month at 80.3 Bcf. As previously stated, on October 31st total core storage inventory comprised 73.0 Bcf of the system total, with noncore and system balancing inventory comprising the remaining 7.3 Bcf. Therefore, the system inventory capacity required for core to meet the November 1 GCIM storage target was physically unavailable to Gas Acquisition. However, the ability to inject additional storage gas into Aliso Canyon was

³ In a Directive dated July 2, 2018, the Executive Director of the CPUC authorized SoCalGas to maintain up to 34 Bcf of working gas at Aliso Canyon.

instrumental in allowing core physical inventory to reach 69.6 Bcf on November 30, which was above the secondary December 1 GCIM target of 69 Bcf.

III. GCIM Monitoring and Evaluation

Throughout the GCIM program, SoCalGas has worked closely with the Cal PA and Energy Division to establish an efficient monitoring and timely reporting system to keep the Cal PA and Energy Division informed of Gas Acquisition activities. Pursuant to the provisions of General Order 66-D and D.17-09-023, SoCalGas provides a monthly report, 60 days after the end of each month, to the Cal PA and Energy Division on a confidential basis. These reports included a calculation of year-to-date GCIM benefits, total monthly actual costs and benchmark dollars, benchmark prices, current year capacity holdings and capacity utilization report by pipeline.

SoCalGas has also communicated frequently with the Cal PA and the Energy Division on all important Gas Acquisition issues during Year 25, 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 25 results that the GCIM continues to be a successful program that provides measurable and substantive benefits to SoCalGas' core customers. During Year 25, each of the CPUC-established objectives for incentive regulation as summarized 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 25 shareholder reward of \$16,798,695 on an expedited basis.

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	\$ 587,448,362.30	\$ 588,568,019.81	\$ (1,117,657.51)	\$ 17,089,530.26	N/A			\$ -
2	\$ 448,713,458.73	\$ 442,313,458.73	\$ 6,400,000.00	\$ 13,058,894.40	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	\$ 10,977,834.41	\$ 2,744,408.60			\$ 4,079,825.48
5	\$ 649,294,820.31	\$ 631,138,278.30	\$ 18,156,542.01	\$ 10,781,347.94	\$ 2,860,337.00			\$ 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	\$ 22,790,467.52	\$ 113,952,287.60	\$ 200,781,496.70
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	\$ 68,645,499.70	\$ 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	\$ 2,894,131,588.73	\$ 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	\$ 77,788,831.63	\$ 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	\$ 40,016,823.46	\$ 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
24	\$ 1,282,690,266.70	\$ 1,220,968,071.94	\$ 61,722,194.76	\$ 20,723,317.76	N/A	\$ 10,361,658.88	\$ 51,808,294.41	\$ 51,360,535.88
25	\$ 1,474,431,951.83	\$ 1,388,973,254.74	\$ 105,458,697.09	\$ 25,011,300.18	N/A	\$ 12,505,650.09	\$ 62,528,250.43	\$ 92,953,047.00
	\$ 39,371,104,285.22	\$ 38,043,111,626.42	\$ 1,327,992,658.80	\$ 736,465,289.00	\$ 10,066,643.51	\$ 322,017,968.22	\$ 1,610,089,840.96	\$ 997,025,704.58

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 24.

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-24, 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

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-7:

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

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

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

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

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

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 8:

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

Response:

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

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

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

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

2018

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.

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9 (Cont'd):

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 Section C, and gas purchases are recorded in Section D.

All purchases and sales with 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.

Revenues from gas sales are recorded as a reduction to Cost of Gas Purchased.

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For the Year Ended December 31, 2018

USOA Acct	Item/Services Description	Cost Allocation Methodology	Sempra Energy		Pacific Enterprise Oil Company		SE International		Sempra International, LLC		Sempra US Gas & Power LLC		Sempra Gas & Power Marketing, LLC		Other	Total
			197,973	2,162,508	3,466	1,847	1,129	1,652	27,725	99,933	1,760	229,164				
146	Accounting & Finance	A	197,973	2,162,508	3,466	1,847	1,129	1,652	27,725	99,933	1,760	229,164				\$ 229,164
	Depreciation	A														\$ 2,268,829
	External Relations	A														\$ -
	Gas Operations	A														\$ -
	Fleet Services	A														\$ -
	Human Resources	A & B		4,207,962	1,049		279,072		10,196							\$ 4,498,279
	Information Technology	A		1,175,916												\$ 1,175,916
	Oil/Gas Assessment & Extraction	A					2,602									\$ 2,602
	Operations Support	A														\$ -
	Real Estate & Facilities	A		335,351												\$ 335,351
	Supply Management	A														\$ -
	Corporate Budgets	A							1,667		257					\$ 1,924
803	Gas Sales	C										2,677,290				\$ 2,677,290
	Total		\$ 8,079,711	\$ 6,362	\$ 2,602	\$ 280,201	\$ 1,652	\$ 139,521	\$ 2,017	\$ 2,677,290	\$ -	\$ 11,189,355				\$ -



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

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-9:

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

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

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.
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

2018

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 No. 10:

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 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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Response No. 10 (Cont'd):

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

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 Section C, and gas purchases are recorded in Section D.

All purchases and sales with 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.

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.

USOA Account 910: Miscellaneous Customer Service and Informational Expenses

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

USOA Account 920: Administrative and general salaries

This account shall include the compensation (salaries, bonuses, and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to a particular operating function

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Response No. 10 (Cont'd):

USOA Account 921: Office Supplies and Expenses

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

USOA Account 923: Outside Services Employed

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

USOA Account 924: Property Insurance

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

USOA Account 925: Injuries and Damages

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

USOA Account 926: Employee Pensions and Benefits

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

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2018

Response to Affiliate Transaction Reporting Requirements Section:

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

Response No. 10 (Cont'd):

made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

USOA Account 930: Miscellaneous General Expenses

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

USOA Account 931: Rents

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

Request No. 11 :

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

Response:

During 2018, 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
SOUTHERNCALIFORNIA GAS COMPANY
Provision of Goods And Services
from Affiliated Entities To The Utility
For The Year Ended December 31, 2018

USOA Account	Account Description	Sempra Energy	Sempra Gas & Power Marketing, LLC	Total	% of USOA Account
107	Construction Work In Progress	8,335,386	-	8,335,386	<1.00%
143	Other Accounts Receivable	-	-	-	<1.00%
146	Accounts Receivable From Associated Companies	-	-	-	<1.00%
165	Prepayments	6,927,345	-	6,927,345	29.27%
174	Miscellaneous Current and Accrued Assets	-	-	-	<1.00%
181	Unamortized Debt Expenses	-	-	-	<1.00%
183	Prelim Survey and Investigation	-	-	-	<1.00%
184	Clearing Accounts	3,162,728	-	3,162,728	530.70%
190	Accumulated Deferred Income Tax	-	-	-	<1.00%
219	Accumulated Other Comprehensive Income	-	-	-	<1.00%
228	Accumulated Provision/Injuries	-	-	-	<1.00%
242	Miscellaneous Current And Accrued Liabilities.	-	-	-	<1.00%
495	Other Gas Revenues	-	25,000	25,000	<1.00%
803	Natural Gas Transmission Line Purchases	-	-	-	<1.00%
807	Purchased Gas Expenses	-	-	-	<1.00%
832	Maintenance of Reservoirs -Wells	41,655,615	-	41,655,615	698.43%
863	Maintenance Of Mains-Transmission	-	-	-	<1.00%
875	Measuring And Regulating Station Expenses—General	-	-	-	<1.00%
879	Customer Installations Expenses	-	-	-	<1.00%
880	Other Expenses	2,140	-	2,140	<1.00%
887	Maintenance Of Mains-Distribution	-	-	-	<1.00%
901	Supervision	-	-	-	<1.00%
903	Customer Records And Collection Expenses	-	-	-	<1.00%
908	Customer Assistance Expenses	-	-	-	<1.00%
910	Miscellaneous Customer Serv And Informational Expe	463,984	-	463,984	23.34%
920	Administrative & General Salaries	118,046	-	118,046	<1.00%
921	Office Supplies And Expenses	54,749	-	54,749	<1.00%
923	Outside Services Employed	78,127,774	-	78,127,774	54.89%
924	Property Insurance	352,028	-	352,028	<1.00%
925	Injuries And Damages	24,749,752	-	24,749,752	64.98%
926	Employee Pensions And Benefits	14,683,522	-	14,683,522	8.30%
928	Regulatory Commission Expenses	107,185	-	107,185	1.63%
930	Miscellaneous General Expenses	101,888	-	101,888	<1.00%
931	Rents	-	-	-	<1.00%
	Total:	\$178,842,142	\$25,000	\$178,867,142	

Appendix C

Southern California Gas Company Core Firm Transportation Capacity Holdings

Southern California Gas Company													
Current Core Firm Transportation Capacity Holdings													
April 2018 - March 2019													
Pipeline	Region	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019
(In MDth/d)													
EPNG	Permian	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	115.0	115.0	115.0	115.0
	San Juan	536.2	536.2	536.2	536.2	536.2	536.2	536.2	536.2	539.5	539.5	539.5	543.0
	Total	631.2	631.2	631.2	631.2	631.2	631.2	631.2	631.2	654.5	654.5	658.0	658.0
TWPL	Permian	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2	13.2
	San Juan	63.2	88.2	88.2	88.2	88.2	88.2	88.2	88.2	188.2	188.2	188.2	188.2
	Total	76.3	101.3	101.3	101.3	101.3	101.3	101.3	101.3	201.3	201.3	201.3	201.3
KERN	Rockies	199.4	174.4	174.4	174.4	174.4	174.4	174.4	174.4	174.4	274.4	274.4	174.4
	Total	199.4	174.4	174.4	174.4	174.4	174.4	174.4	174.4	174.4	274.4	274.4	174.4
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
NBP	Border	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
	Total	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
NWPL	Rockies									49.6	49.6	49.6	49.6
	Total									49.6	49.6	49.6	49.6
	Total						0.2	0.2	0.2	10.0	10.0		
Summary of Capacity by Region													
		April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019
	Permian	108	108	108	108	108	108	108	108	128	128	128	128
	San Juan	599	624	624	624	624	624	624	624	728	728	731	731
	Rockies	199.4	174.4	174.4	174.4	174.4	174.4	174.4	174.4	274.4	274.4	274.4	174.4
	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	958.9	958.9	958.9	958.9	958.9	958.9	958.9	1,082.2	1,182.2	1,182.2	1,185.7	1,085.7

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.

Minimum Required 958.0 958.0 958.0 958.0 958.0 958.0 958.0 958.0 1,065.0 1,065.0 1,065.0 1,065.0 1,065.0

ATTACHMENT B
Southern California Gas Company
Balance Sheet and Income
Statement

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2018**

		2018
1. UTILITY PLANT		
101	UTILITY PLANT IN SERVICE	\$17,218,956,066
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	835,820,541
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(5,784,144,775)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(53,992,324)
117	GAS STORED-UNDERGROUND	61,422,045
		12,278,061,553
2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	33,742,207
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(14,010,873)
123	INVESTMENTS IN SUBSIDIARY COMPANIES NONCURRENT PORTION OF ALLOWANCES	-
124	OTHER INVESTMENTS	14,034
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	216,526
175	LONG TERM PORTION OF DERIVATIVE ASSETS	86,185
		20,048,079

Data from SPL as of April 16, 2019.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2018**

3. CURRENT AND ACCRUED ASSETS		2018
131	CASH	18,100,061
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	123,691
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	652,056,703
143	OTHER ACCOUNTS RECEIVABLE	52,638,011
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(3,084,471)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	6,826,672
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	51,474,883
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	152,715,556
	(LESS) NONCURRENT PORTION OF ALLOWANCES	-
163	STORES EXPENSE UNDISTRIBUTED	(635,093)
164	GAS STORED	91,656,499
165	PREPAYMENTS	24,397,030
171	INTEREST AND DIVIDENDS RECEIVABLE	813,778
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	28,715,342
175	DERIVATIVE INSTRUMENT ASSETS	9,403,634
176	LONG TERM PORTION OF DERIVATIVE ASSETS	(86,185)
	TOTAL CURRENT AND ACCRUED ASSETS	1,085,116,111
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	25,537,794
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	3,046,848,655
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	3,281,248
184	CLEARING ACCOUNTS	595,951
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	799,874,283
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	4,799,834
190	ACCUMULATED DEFERRED INCOME TAXES	339,028,735
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	4,219,966,500
	TOTAL ASSETS AND OTHER DEBITS	\$ 17,603,192,245

Data from SPL as of April 16, 2019.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2018**

5. PROPRIETARY CAPITAL

	2018
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	(3,390,376,239)
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	19,783,750
	(4,258,205,612)

6. LONG-TERM DEBT

221 BONDS	(3,450,000,000)
224 OTHER LONG-TERM DEBT	(9,338,770)
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	6,997,350
	(3,452,341,420)

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(455,718)
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(127,999,919)
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(809,023,508)
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
245 NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES	-
230 ASSET RETIREMENT OBLIGATIONS	(2,062,402,697)
	(2,999,881,842)

Data from SPL as of April 16, 2019.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2018**

8. CURRENT AND ACCRUED LIABILITES		2018
231	NOTES PAYABLE	(255,694,603)
232	ACCOUNTS PAYABLE	(791,151,245)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(33,852,953)
235	CUSTOMER DEPOSITS	(100,503,114)
236	TAXES ACCRUED	(8,689,516)
237	INTEREST ACCRUED	(26,025,618)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(22,202,926)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(288,723,927)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(3,096,562)
244	DERIVATIVE INSTRUMENT LIABILITIES	(4,651,528)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	(1,534,915,256)
9. DEFERRED CREDITS		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(87,215,559)
	OTHER DEFERRED CREDITS	(228,603,027)
254	OTHER REGULATORY LIABILITIES	(3,512,137,080)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(8,462,835)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,211,300,132)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(310,129,482)
	TOTAL DEFERRED CREDITS	(5,357,848,115)
	TOTAL LIABILITIES AND OTHER CREDITS	\$ (17,603,192,245)

Data from SPL as of April 16, 2019.

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2018

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		3,959,191,254
401	OPERATING EXPENSES	2,456,026,885	
402	MAINTENANCE EXPENSES	258,392,672	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	556,208,560	
408.1	TAXES OTHER THAN INCOME TAXES	107,511,178	
409.1	INCOME TAXES	(5,976,012)	
410.1	PROVISION FOR DEFERRED INCOME TAXES	232,194,936	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(155,441,923)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,465,253)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	(921,523)	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		3,446,529,519
	NET OPERATING INCOME		512,661,735

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(340,069)	
418	NONOPERATING RENTAL INCOME	743,300	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	15,079,687	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	36,359,213	
421	MISCELLANEOUS NONOPERATING INCOME	(1,415,159)	
421.1	GAIN ON DISPOSITION OF PROPERTY	0	
	TOTAL OTHER INCOME	50,426,972	
421.2	LOSS ON DISPOSITION OF PROPERTY	(297,056)	
425	MISCELLANEOUS AMORTIZATION	(3,255)	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(7,572,600)	
		(7,872,911)	
408.2	TAXES OTHER THAN INCOME TAXES	(198,022)	
409.2	INCOME TAXES	(19,877,673)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(46,830,480)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	43,641,829	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(23,264,346)	
	TOTAL OTHER INCOME AND DEDUCTIONS		19,289,717
	INCOME BEFORE INTEREST CHARGES		531,951,452
	NET INTEREST CHARGES*		130,931,728
	NET INCOME		\$401,019,723

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$10,943,379)

Data from SPL as of April 16, 2019.

**STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2018**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$2,990,649,581
NET INCOME (FROM PRECEDING PAGE)	401,019,723
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(1,293,065)
OTHER RETAINED EARNINGS ADJUSTMENT	<u>-</u>
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$3,390,376,239</u></u>

ATTACHMENT C
Southern California Gas Company
Statement of Proposed Rates

Rate Table

Calculation of GCIM Reward \$/therm:

GCIM Reward \$000	\$16,799
Core Sales per 2016TCAP Mth/yr	3,885,942
GCIM Reward \$/th	\$0.00432

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, 2018

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	\$ 76,457	\$ -	\$ 76,457
302	Franchise and Consents	\$ 587,060	\$ -	\$ 587,060
	Total Intangible Assets	<u>\$ 663,517</u>	<u>0</u>	<u>\$ 663,517</u>
PRODUCTION:				
325	Other Land Rights	\$ 15,321	\$ -	\$ 15,321
330	Prd Gas Wells Const	\$ 5,557,139	\$ (1,415)	\$ 5,555,724
331	Prd Gas Wells Eqp	\$ 454,718	\$ (55)	\$ 454,663
332	Field Lines	\$ 1,731,111	\$ -	\$ 1,731,111
334	FldMeas&RegStnEquip	\$ 536,249	\$ -	\$ 536,249
336	Prf Eqpt	\$ 485,415	\$ -	\$ 485,415
	Total Production	<u>\$ 8,779,952</u>	<u>(1,470)</u>	<u>\$ 8,778,482</u>
UNDERGROUND STORAGE:				
350	Land	\$ 4,539,484	\$ -	\$ 4,539,484
350SR	Storage Rights	\$ 17,935,798	\$ (17,514,610)	\$ 421,188
350RW	Rights-of-Way	\$ 25,354	\$ (17,445)	\$ 7,909
351	Structures and Improvements	\$ 99,008,789	\$ (25,102,923)	\$ 73,905,866
352	Wells	\$ 484,290,266	\$ (57,290,533)	\$ 426,999,733
353	Lines	\$ 148,575,305	\$ (95,559,121)	\$ 53,016,184
354	Compressor Station and Equipment	\$ 435,569,083	\$ (70,137,069)	\$ 365,432,013
355	Measuring And Regulator Equipment	\$ 8,358,472	\$ (2,839,291)	\$ 5,519,181
356	Purification Equipment	\$ 154,310,192	\$ (80,968,731)	\$ 73,341,461
357	Other Equipment	\$ 67,318,368	\$ (17,795,841)	\$ 49,522,527
	Total Underground Storage	<u>\$ 1,419,931,109</u>	<u>(367,225,564)</u>	<u>\$ 1,052,705,545</u>
TRANSMISSION PLANT- OTHER:				
365	Land	\$ 7,588,651	\$ -	\$ 7,588,651
365LRTS	Land Rights	\$ 22,659,094	\$ (15,549,176)	\$ 7,109,918
366	Structures and Improvements	\$ 61,979,483	\$ (21,432,868)	\$ 40,546,615
367	Mains	\$ 2,267,448,285	\$ (686,088,474)	\$ 1,581,359,811
368	Compressor Station and Equipment	\$ 242,632,687	\$ (103,845,230)	\$ 138,787,457
369	Measuring And Regulator Equipment	\$ 165,639,657	\$ (34,004,389)	\$ 131,635,268
370	Communication Equipment	\$ 37,900,362	\$ (3,899,056)	\$ 34,001,306
371	Other Equipment	\$ 6,962,203	\$ (3,809,444)	\$ 3,152,759
	Total Transmission Plant	<u>\$ 2,812,810,421</u>	<u>(868,628,636)</u>	<u>\$ 1,944,181,785</u>
DISTRIBUTION PLANT:				
374	Land	\$ 29,790,559	\$ -	\$ 29,790,559
374LRTS	Land Rights	\$ 2,850,529	\$ (2,096,410)	\$ 754,119
375	Structures and Improvements	\$ 292,270,827	\$ (86,231,304)	\$ 206,039,523
376	Mains	\$ 5,036,678,211	\$ (2,447,855,925)	\$ 2,588,822,286
378	Measuring And Regulator Equipment	\$ 117,394,002	\$ (77,390,134)	\$ 40,003,868
380	Services	\$ 2,890,528,234	\$ (2,091,728,730)	\$ 798,799,504
381	Meters	\$ 920,341,430	\$ (214,515,326)	\$ 705,826,104
382	Meter Installation	\$ 582,905,103	\$ (172,514,500)	\$ 410,390,603
383	House Regulators	\$ 168,121,076	\$ (72,518,863)	\$ 95,602,213
387	Other Equipment	\$ 55,611,779	\$ (24,391,852)	\$ 31,219,927
	Total Distribution Plant	<u>\$ 10,096,491,751</u>	<u>(5,189,243,043)</u>	<u>\$ 4,907,248,708</u>

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of December 31, 2018

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	\$ (38,364)	35,936
390	Structures and Improvements	\$ 214,275,358	\$ (189,225,078)	25,050,280
391	Office Furniture and Equipment	\$ 1,303,867,782	\$ (825,291,361)	478,576,421
392	Transportation Equipment	\$ 151,892	\$ (149,267)	2,625
393	Stores Equipment	\$ 99,134	\$ (72,275)	26,859
394	Shop and Garage Equipment	\$ 87,018,798	\$ (27,717,921)	59,300,877
395	Laboratory Equipment	\$ 5,091,401	\$ (1,660,149)	3,431,252
396	Construction Equipment	\$ 11,957	\$ (4,855)	7,102
397	Communication Equipments	\$ 197,934,026	\$ (57,245,994)	140,688,033
398	Miscellaneous Equipment	\$ 3,226,160	\$ (1,707,480)	1,518,680
	Total General Plant	<u>\$ 1,813,093,646</u>	<u>(1,103,112,743)</u>	<u>\$ 709,980,903</u>
	Subtotal	<u>\$ 16,151,770,397</u>	<u>(7,528,211,456)</u>	<u>\$ 8,623,558,940</u>

ATTACHMENT E
Southern California Gas Company
Summary of Earnings

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2018
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$3,959
2	Operating Expenses	<u>3,447</u>
3	Net Operating Income	<u><u>\$513</u></u>
4	Weighted Average Rate Base	\$6,413
5	Rate of Return*	7.34%

*Authorized Cost of Capital