

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



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In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year 30 (2023-2024) of Its Gas Cost Incentive Mechanism.

A.24-06-_____
(Filed June 17, 2024)

**APPLICATION OF SOUTHERN CALIFORNIA GAS
COMPANY (U 904 G) REGARDING YEAR 30 (2023-2024)
OF ITS GAS COST INCENTIVE MECHANISM**

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Dated: June 17, 2024

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I. INTRODUCTION

Southern California Gas Company (SoCalGas) hereby submits its thirtieth 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's 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).

Included as Attachment A to this Application, SoCalGas provides its report on gas supply and storage activity for the 12-month GCIM Year ended March 31, 2024 (Year 30). This report documents the market conditions experienced during Year 30 as well as the ongoing monitoring and evaluation of SoCalGas's procurement and hedging activities. The monitoring and evaluation

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.

included bi-weekly meetings with the Public Advocates Office at the California Public Utilities Commission (Cal PA) and the CPUC's Energy Division,² as well as providing monthly monitoring reports to the CPUC, which included a calculation of year-to-date GCIM benefit to core customers,³ total monthly actual costs and benchmark dollars, benchmark prices, current year capacity holdings and capacity utilization by pipeline. The GCIM continued to provide significant value to core customers during Year 30, as SoCalGas was able to purchase gas at \$74,267,029 below the GCIM benchmark for the year, resulting in a core customer benefit of \$60,401,940 in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 30 shareholder reward is calculated pursuant to the GCIM formula to be \$13,865,089.

II. BACKGROUND

A. Establishment of the GCIM

On March 16, 1994, the Commission approved SoCalGas's 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's 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

² The Utility Reform Network (TURN), is also invited to the biweekly meetings.

³ Core Customers are generally residential customers and small businesses.

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. Cal PA, formerly the Office of Ratepayer Advocates, was tasked with auditing SoCalGas’s annual GCIM reports.⁴

B. Modifications to the GCIM Process

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). Specifically, D.02-06-023 extended and made the following changes to SoCalGas’s 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%

⁴ 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.

Pursuant to D.02-06-023, SoCalGas's GCIM will continue on an annual basis until further modified or terminated upon Commission order.⁵

In the GCIM Year 11 Proceeding (A.05-06-030), further modifications were made. On November 30, 2005, Cal PA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas's proposed shareholder reward of \$2.5 million, but also recommended two modifications to the GCIM mechanism.⁶

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's 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 SoCalGas's GCIM tariff.

⁵ D.02-06-023, mimeo, at 25-26 and p. 1 of Attachment A (the Settlement Agreement).

⁶ Cal PA GCIM Year 11 Monitoring and Evaluation Report, pp. 1-2.

The Joint Recommendation of Cal PA, TURN and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas's requested shareholder reward for Year 11 of \$2.5 million.⁷

In January 2018, the Commission issued D.18-01-005, approving A.17-06-016 and SoCalGas's 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.

In February 2020, the Commission issued D.20-02-007, approving A.19-06-009 and SoCalGas's requested shareholder reward of \$16,798,695. In D.20-02-007, the Commission ordered SoCalGas to include additional information in future GCIM applications:

- The table titled "Summary of GCIM Results to Date" must include a column showing the actual annual cost greater than 5% below the Benchmark Budget (measured as a percentage of the annual Benchmark Gas Commodity Cost) in which the gain in excess of 5% is allocated 90% to core ratepayers and 10% to shareholders.
- The calculation of the requested shareholder award for the GCIM Year showing: (i) the total benchmark costs for the GCIM Year broken down by transportation and commodity; (ii) total actual costs broken down by transportation and commodity; (iii) Secondary Market Services net revenues; and (iv) the net hedging gain or loss broken down by winter hedges and other hedges.
- A narrative and quantitative comparison of the previous GCIM Year and the current GCIM Year benchmark costs and actual costs, including total actual costs broken down by: (i) transportation and commodity; (ii) Secondary Market Services

⁷ 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.

net revenues; and (iii) the net hedging gain or loss broken down by winter hedges and other hedges.⁸

C. GCIM Year 29

Pursuant to Rule 16.6 extension of time to file the Year 29 Application, SoCalGas filed A.23-07-005 on July 17, 2023, requesting a shareholder reward of \$62.8 million for Year 29.

During GCIM Year 29, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$417.6 million below benchmark cost, resulting in a core ratepayer benefit of \$354.9 million in lower gas costs.

In recognition of the confluence of market conditions and unprecedented high winter commodity prices that adversely affected customers' bills, in the Year 29 proceeding SoCalGas proposed to share a substantial portion of its Year 29 reward with core customers through procurement rates over the 2024-25 winter period. To determine the amount to share with customers, SoCalGas approximated its Year 29 reward without the impact of unprecedented winter prices by replacing Year 29 actual data for December, January, and February with five-year average data from GCIM Year 24 through Year 28 for those same months. As documented in Attachment A to the Year 29 Application, this adjusted calculation results in an approximated reward of \$25.4 million. SoCalGas proposed to share with customers the difference between this \$25.4 million approximated reward (that excludes the impact of unprecedented winter prices) and its actual calculated reward under the GCIM formula. Subject to approval of SoCalGas's \$62.8 million award as set forth in this application, that difference – and the amount that SoCalGas will share with core customers through procurement rates over the 2024-25 winter period – was \$37.4 million.

⁸ D.20-02-007 at p. 13 (Ordering Paragraph 2).

On March 15, 2024, Cal PA served its Monitoring and Evaluation Report for GCIM Year 29. In its report, Cal PA confirmed that recorded gas costs were \$417.6 million below benchmark cost, confirmed a core ratepayer benefit of \$354.9 million, and confirmed the calculated shareholder reward to be \$62.8 million. The Year 29 Report differed from SoCalGas's Application proposal, however, in that it recommended for the mechanism to be "deactivated in this GCIM period for January 2023" and that SoCalGas retain no shareholder reward for that month due to the previously noted gas prices. This difference resulted in an additional \$2.7 million Cal PA recommended to be shared with core customers. SoCalGas did not oppose the monetary impact of this recommendation from Cal PA, but noted in comments that it should not be characterized as a "deactivation" in as much as the mechanism functioned as intended.

III. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of \$13,865,089 for SoCalGas's performance in Year 30 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 30 SoCalGas was able to purchase gas at \$74,267,029 below the GCIM benchmark, providing a benefit of \$60,401,940 in lower gas costs. The actual cost of all purchases by SoCalGas subject to the GCIM was \$1,546,739,178, while the benchmark cost was \$1,621,006,207. Pursuant to the revisions to the GCIM adopted in D.02-06-023, if the Commission determines that these figures are accurate, SoCalGas will be entitled to a shareholder reward of \$13,865,089. SoCalGas has further included in Attachment A the additional information required by D.20-02-007.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 30 shareholder reward of \$13,865,089.

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’s 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 30 shareholder reward of \$13,865,089 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 17, 2024
Deadline for responses to Application	within 30 days Daily Calendar notice
Prehearing Conference	August 14, 2024
Cal PA Monitoring Report	October 15, 2024
Comments on Cal PA Report	October 30, 2024
Reply Comments (if any) on Report	November 6, 2024
Proposed Decision	December 2024
Commission Decision	January 2025

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's 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:

Evelyn Loya
Regulatory Case Manager for:
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, California 90013-1011
Tel: (213) 231-5979
Fax: (213) 244-4957
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A copy should also be sent to:

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Attorney (and Party) for:
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555 West Fifth Street, GT14E7
Los Angeles, California 90013-1011
Tel: (213) 244-3061
Fax: (213) 629-9620
E-mail: jfohrer@socalgas.com

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

The Commission is familiar with SoCalGas's GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 30 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's property and equipment was previously filed with the Commission on May 3, 2004, in connection with SoCalGas's Application 04-05-008, and is incorporated herein by reference. A statement of Original Cost and Depreciation Reserve as of December 31, 2023, 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's GCIM Year 30 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, the Tax Reform Act of 1986, and the Tax Cuts and Jobs Act of 2017.

L. Proxy Statement – Rule 3.2(a)(8)

A copy of the most recent proxy statement, dated April 25, 2024, was provided to the Commission by letter dated May 9, 2024, 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 3.2(b)

SoCalGas is serving this Application on all parties to A.23-07-005. 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 30 GCIM shareholder reward of \$13,865,089.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ Elsa Valay-Paz
Elsa Valay-Paz
Vice President Gas Acquisition

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

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Dated: June 17, 2024

VERIFICATION

I, Elsa Valay-Paz, 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 17, 2024, at Los Angeles, California.

/s/ Elsa Valay Paz
Elsa Valay-Paz
Vice President Gas Acquisition

ATTESTATION

1. I am SVP and Chief Financial Officer of Southern California Gas Company (SoCalGas). I am providing this attestation based upon the requirements of Ordering Paragraph 5 of California Public Utilities Commission (CPUC or Commission) Decision (D.)23-09-002.
2. On December 23, 2015, the CPUC's Executive Director issued a letter to SoCalGas directing SoCalGas to provide information to the CPUC concerning costs associated with the uncontrolled release of natural gas from Well SS-25 at the Aliso Canyon Storage Facility from October 23, 2015, through February 11, 2016 (the Incident).
3. Beginning in December 2015, SoCalGas has reported to the Commission the costs associated with the Incident in the monthly Incident-related cost report submitted pursuant to the Executive Director's December 23, 2015, directive (Directive Report).
4. On October 28, 2022, SoCalGas, the CPUC's Safety and Enforcement Division (SED) and the Public Advocates Office at the CPUC (Cal Advocates) filed a Joint Motion for Adoption of Settlement Agreement in Investigation (I.)19-06-016 seeking the approval of the Settlement Agreement entered by SoCalGas, SED, and Cal Advocates (Settlement Agreement).
5. On September 12, 2023, the Commission issued D.23-09-002 which approved the Settlement Agreement between SoCalGas, SED, and Cal Advocates resolving I.19-06-016.
6. Ordering Paragraph 5 of D.23-09-002 states that SoCalGas shall submit an attestation by a Vice President or higher company executive with every application requesting rate recovery attesting that it has not included any expenses or costs identified in the Settlement Agreement. This attestation requirement shall apply for five years from the date of the final issuance of this decision.
7. I reviewed the costs requested in this Application and the most recent Directive Report. Based on my review of the costs, the Directive Report, and other diligence, I am informed

and believe, and upon such information and belief, certify that SoCalGas has not included any expenses or costs identified in the Settlement Agreement adopted in D.23-09-002 in the enclosed Application being filed on June 17, 2024.

Executed on June 17, 2024, at Los Angeles, California.

A handwritten signature in black ink, reading "Mia L. DeMontigny", written over a horizontal line.

Mia L. DeMontigny
Southern California Gas Company
SVP & Chief Financial Officer

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, 2023, through March 31, 2024

I. Introduction

Since its inception, 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 Southern California Gas Company (SoCalGas) to focus on securing reliable gas at a reasonable cost for its bundled core customers. This report summarizes the results of the SoCalGas Gas Acquisition Department's (Gas Acquisition) activities on behalf of the core procurement customers of SoCalGas and San Diego Gas & Electric Company (SDG&E) under the GCIM during the period April 1, 2023, through March 31, 2024 (GCIM Year 30). This report also details the shareholder reward calculation under the GCIM for Year 30 as set forth in SoCalGas's GCIM Preliminary Statement Part VIII.

II. GCIM Year 30 Market Conditions¹

GCIM Year 30 began with a storage deficit in the Pacific Region when compared to the 5-year average and it ended with a strong El Nino winter which resulted in milder than normal temperatures for both the Western Region (Pacific Region and Mountain Region) and the entire U.S. Storage levels in the Pacific Region were 73 Bcf at the beginning of GCIM Year 30 which was well below the 5-year lows. As a result of diligent storage injections during GCIM Year 30, the Pacific Region storage level reached 285 Bcf by the end of October 2023 which was 8 Bcf higher than the 5-year average. During the mild El Nino winter of 2023-2024, Pacific Region storage levels only fell by 58 Bcf and at the end of GCIM Year 30 had a level of 227 Bcf. Although Pacific Region winter storage levels remained robust and prices as a whole were depressed, there were some events in the Western gas markets that resulted in price volatility including an event in mid-January that impacted supplies moving west to SoCalGas's service territory.

¹ Fundamental market condition information in this section is from the April 2023 issue of Energy Information Administration (EIA) Natural Gas Monthly unless otherwise noted.

In contrast to historically low storage levels in the Western Region entering GCIM Year 30, the storage levels for the overall Lower 48 states were 298 Bcf higher than the 5-year average. This dichotomy, coupled with increasing U.S. Dry Gas Production from an average 100 Bcf/d in GCIM Year 29 to 103 Bcf/d in GCIM Year 30, supported the replenishment of Pacific Region storage levels.

From a pricing perspective, GCIM Year 30 resulted in some of the lowest prices in the Western gas markets over the past 5 years; however, following the extreme price volatility in the 2022-2023 winter, it took some time for the market to reflect low prices in the forward winter months (November 2023 – March 2024). During the injection season (April 2023 – October 2023) and much of the early winter period (through December 2023), daily and monthly prices remained high relative to recent years with November 2023 – March 2024 SoCal Citygate forward prices still reaching prices in excess of \$10.00 per Dth prior to the winter, and Rockies forward prices reaching prices in excess of \$7.00 per Dth for the same term (as late as October). It was not until the second to third week of December 2023 when daily SoCal Citygate and Rockies prices were below \$4.00 per Dth. A significant development over the past 12-24 months with price volatility in the Western natural gas markets is that the volatility is also being observed in the basins. This price action indicates that even with the greater storage levels in the Pacific Region relative to the last 5 years, the Western natural gas markets may continue to show concerns about the possibility of a cold winter until the first few weeks of winter passes without any supply/demand disruptions. In GCIM Year 30, Gas Acquisition hedged a higher percentage of its natural gas portfolio's winter price risk executing physical gas fixed price transactions, physical gas options, and financial hedges. In August 2023, Gas Acquisition briefed Energy Division regarding details of the hedges executed for the Winter 2023-2024 period. The briefing also reviewed the markets concerns of a cold winter and/or any infrastructure challenges (as described in the comments about winter pricing above) and how the hedges addressed those concerns. Material changes on SoCalGas's system were also observed during GCIM Year 30. On August 31, 2023, the Commission authorized an increase in the storage capacity at the Aliso Canyon storage field by 27 Bcf to an operating capacity totaling 68.6 Bcf.² The additional storage capacity was allocated to unbundled storage customers and although it excluded any increase in capacity for the bundled

² See D.23-08-050, Ordering Paragraph (OP) #4.

core, the increased storage capacity allowed for additional storage injections during a period when system injection capacity is typically limited. This higher injection capacity was helpful for Gas Acquisition to reach its November 1 GCIM storage target. In addition to the increase in Aliso Canyon storage capacity, another change on the SoCalGas system was the removal of the Aliso Canyon Withdrawal Protocol.³ This allowed for maximum withdrawals to be scheduled without requiring the four (4) thresholds of the protocol to be met first. These changes together with El Nino induced mild winter weather conditions, supported a lower price environment in the Western Region and the broader U.S. natural gas markets⁴.

Although the impacts described above favorably impacted supply reliability and natural gas wholesale market prices, the natural gas market still experienced other challenges during GCIM Year 30. Even though the summer was relatively mild for most of the U.S., higher than expected record levels of natural gas demand for power generation was experienced for a second year in a row.⁵ The higher demand for power generation tightened the supply/demand balance more than it would have given the mild weather conditions which may have contributed to higher natural gas prices at the SoCal Citygate in the daily market, and the Rockies in the forward market for the upcoming winter. SoCal Citygate daily prices exceeded \$9.00 per Dth in the months of April, July, August, and October which also influenced relatively high forward prices for the November 2023 – March 2024 winter season as stated earlier. Additionally, a cold event occurring over the 2024 Martin Luther King holiday weekend was the most notable single event of weather-driven natural gas price volatility during GCIM Year 30. During this event, arctic air invaded the Midwestern Region, the Central Plains, and parts of Texas. This cold event had less geographic coverage than Winter Storm Uri in February 2021 but was similar in intensity for the impacted areas. Prices from the Midwestern Region to the Rockies production basins spiked by as much as \$30 per Dth above the first-of-the-month published indices. During this cold event, the weather remained relatively mild for most of the Western Region including SoCalGas’s service

³ See September 15, 2023, Aliso Canyon Withdrawal Protocol letter from the CPUC Energy Division Deputy Executive Director for Energy and Climate Policy posted on the CPUC website.

⁴ “Stout Pacific Storage, Steady Canadian Imports Restrain Western Natural Gas Prices”, Natural Gas Intelligence article on 2/13/24.

⁵ Source – EIA Weekly released 7/20/2023 “Natural gas-fired electricity generation was higher in first-half 2023 than in first-half 2022”. https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2023/07_20/

territory which allowed supplies initially earmarked for deliveries to Western Region markets to move eastward to meet increased demand in the areas impacted by the February 2024 cold event. LNG exports were higher in GCIM Year 30 than the previous year (12.1 Bcf/day April 2023 – March 2024 vs 10.6 Bcf/day for the same period in the previous year). After the mild start to the winter, the high storage levels across the U.S. and increased production levels overshadowed concerns for supply/demand variation in the global markets. Due to mild weather and the increased allowance for Germany and other European countries to generate power using coal, European natural gas storage inventories started GCIM Year 30 at 56% of capacity (the highest percentage on record for the end of a heating season) totaling 2.02 trillion cubic feet (Tcf) exceeding the previous record of 1.98 Tcf at the end of the 2019-2020 winter, and the five-year average of 1.21 Tcf.⁶ The 2023-2024 winter season was uneventful for Europe for much of the same reason as in the U.S., high storage levels and a mild winter. Because European storage assets are limited as compared to the U.S. and the Ukraine-Russia conflict continues to impact European natural gas supply availability, the supply/demand balance in Europe can change at a quicker pace than in the U.S.

At the end of GCIM Year 30, March 31 storage was at record levels for the U.S., the Pacific Region, and for Gas Acquisition's allocated storage for bundled core customers. Prices declined in the daily markets as well as in the forward markets across the U.S. including in the Western Region and price volatility was muted for most of the winter during GCIM Year 30. Within approximately a year's time, the natural gas markets in the Western Region changed from being under supplied to over supplied. Given the high storage levels, increases in dry gas production over the past 5-plus years, and limited remaining storage capacity, planned production declines were being announced by the end of GCIM Year 30.⁷

⁶ 2023 was Europe's second-warmest winter on record including the warmest January according to data from the National Oceanic and Atmospheric Administration (NOAA).

⁷ Source – "EQT to reduce natgas production through March on low prices," (Reuters) <https://www.reuters.com/business/energy/eqt-cuts-natural-gas-production-2024-03-04/>

III. Overview of Year 30 GCIM Results

Table 1 below summarizes overall performance under the GCIM during the last 30 years. Notably, SoCalGas bundled core customers captured the vast majority of the benefits of reduced gas costs relative to the GCIM benchmark (Benchmark) and have realized \$1.9 billion out of the total \$2.2 billion in lower gas commodity costs. Additionally, a GCIM Summary for the past 30 years that provides details on the comparison to benchmark sharing band amounts 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	Shareholder Award	Total
1995	1	0.76	277	445	1.61	441	1.59	(1.1)	0.0	(1.1)
1996	2	0.66	243	322	1.33	326	1.35	3.2	3.2	6.4
1997	3	0.66	243	530	2.18	550	2.27	10.6	10.6	21.2
1998	4	0.66	241	542	2.25	549	2.28	4.8	2.0	6.8
1999	5	0.75	275	520	1.89	538	1.95	10.4	7.7	18.1
2000	6	1.06	385	902	2.34	926	2.40	14.4	9.8	24.2
2001	7	1.09	398	2,055	5.16	2,279	5.72	192.8	30.8	223.6
2002	8	1.01	370	1,159	3.13	1,349	3.64	172.4	17.4	189.8
2003	9	1.03	376	1,333	3.55	1,373	3.65	32.7	6.3	39.0
2004	10	1.02	374	1,730	4.63	1,757	4.70	24.6	2.4	27.0
2005	11	1.03	375	2,103	5.61	2,134	5.69	28.9	2.5	31.4
2006	12	1.06	387	2,923	7.54	2,992	7.72	59.3	9.8	69.1
2007	13	1.02	372	2,135	5.74	2,192	5.89	48.8	8.9	57.7
2008	14	1.03	376	2,349	6.25	2,399	6.38	43.6	6.5	50.1
2009	15	1.15	418	2,661	6.36	2,737	6.54	63.6	12.0	75.6
2010	16	1.11	406	1,548	3.82	1,588	3.91	33.9	6.0	39.9
2011	17	1.11	406	1,559	3.84	1,600	3.94	34.7	6.2	40.9
2012	18	1.18	432	1,547	3.58	1,585	3.67	32.1	5.4	37.5
2013	19	1.06	387	1,107	2.86	1,141	2.95	28.9	5.8	34.7
2014	20	1.05	382	1,485	3.88	1,556	4.07	56.7	13.7	70.4
2015	21	0.99	361	1,368	3.79	1,411	3.91	35.9	7.3	43.1
2016	22	0.92	337	772	2.29	800	2.38	23.1	5.0	28.1
2017	23	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	61.8
2019	25	1.00	364	1,145	3.15	1,251	3.44	88.7	16.8	105.5
2020	26	1.11	404	854	2.12	936	2.32	69.2	12.8	82.0
2021	27	1.01	369	743	2.01	928	2.51	173.6	11.1	184.7
2022	28	1.09	398	1,896	4.77	2,018	5.07	99.9	22.3	122.2
2023	29	1.02	371	4,186	11.29	4,603	12.42	354.9	62.8	417.6
2024	30	0.99	362	1,213	3.36	1,288	3.56	60.4	13.9	74.3
Total GCIM Years		0.988	10,827	43,100	3.98	45,304	4.18	1,874.2	334.7	2,208.8

Note 1: Numbers may not total exactly due to rounding.

Note 2: In July 2023, SoCalGas filed its GCIM Year 29 Application, seeking approval of a \$62.8 million shareholder reward for its core gas procurement. In recognition of the confluence of market conditions and unprecedented high winter commodity prices that adversely affected customers' bills, SoCalGas voluntarily proposed to share \$37.4 million of its Year 29 calculated reward with its core customers through

procurement rates, resulting in a proposed adjusted shareholder reward of \$25.4 million. In its Monitoring and Evaluation Report, Cal Advocates confirmed SoCalGas's proposal, and recommended to remove an additional ~\$2.7 million from SoCalGas's proposed adjusted reward, resulting in an adjusted shareholder reward of ~\$22.7 million to SoCalGas, and returning \$40.1 million of the calculated reward to core customers. In comments submitted on March 29, 2024, SoCalGas did not oppose the recommendation.

* 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 for GCIM Year 30, Gas Acquisition acquired gas at \$74.3 million below the Benchmark, providing core customers with a benefit of \$60.4 million in lower gas commodity costs. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition purchases gas for its core customers. Gas Acquisition's average Net Unit Cost was \$3.36/MMBtu, which is \$0.20/MMBtu below the Benchmark Unit Cost of \$3.56/MMBtu.

During GCIM Year 30, Gas Acquisition purchased a net 362 million MMBtus of gas for its retail core load. Gas Acquisition's interstate capacity rights, which are primarily on El Paso Natural Gas, Transwestern, Kern River and Gas Transmission Northwest pipeline systems, enabled the core procurement requirements to be met mostly through basin purchases including San Juan, Permian, Rockies and Western Canada, which were supplemented with purchases at the California border and SoCal Citygate.

Table 2 below provides details on the GCIM Year 30 under benchmark amount by showing (1) total benchmark costs broken down by transportation cost and commodity cost; (2) total actual costs broken down by transportation and commodity; (3) Secondary Market Services (SMS) net revenues; and (4) net hedging gains or losses broken down by winter hedges and other hedges.

TABLE 2
GCIM BENCHMARK AND ACTUAL COSTS
YEAR ENDED MARCH 31, 2024

	Benchmark	Actual	Over/(Under) Benchmark
Commodity	\$ 1,228,671,352	\$ 1,113,360,461	(115,310,891)
SMS Net Revenue		(13,676,610)	(13,676,610)
Off System Park and Loans		(899,800)	(899,800)
Hedging (25% WH + Other)*	59,005,845	114,626,117	55,620,272
Total Commodity	1,287,677,197	1,213,410,168	(74,267,029)
Transportation	333,329,010	333,329,010	-
Total	1,621,006,207	1,546,739,178	(74,267,029)

		Ratepayers' Share	Shareholders' Share
1% Tolerance Band - 100% Ratepayer	\$ 12,876,772	\$ 12,876,772	\$ -
Amount Subject to 75%/25% Sharing	51,507,088	38,630,316	12,876,772
Amount Subject to 90%/10% Sharing	9,883,169	8,894,852	988,317
Excess of 1.5% Shareholder Cap - 100% Ratepayer	-	-	-
Total	74,267,029	60,401,940	13,865,089
		81%	19%

Hedging Costs/(Revenue)	Total	* Included in GCIM
Other	\$ 2,785	\$ 2,785
Winter Financial Transactions	12,296,000	3,074,000
Winter Physical Transactions	446,197,326	111,549,332
Total Hedging	458,496,111	114,626,117

Note: Due to rounding to the dollar, some of the numbers may not total exactly.

Total benchmark costs for GCIM Year 30 were \$1,621,006,207 and total actual costs were \$1,546,739,178 which resulted in the under-benchmark amount of \$74,267,029. Included in total actual costs are \$1,113,360,461 of commodity costs, \$333,329,010 of transportation costs, \$899,800 of off-system park and loan revenues, net SMS revenues of \$13,676,610 and net hedging costs of \$114,626,117. Hedging costs included in the GCIM calculation consist of 25% of winter hedge activity and 100% of all other hedging activity. Details on winter hedge activity are provided in the “Winter Hedge Activity” section below. The ratepayers’ share of the under-benchmark amount is \$60,401,940 or 81% of the total, with the remaining 19% allocated to shareholders.

Table 3 below is a comparison of GCIM Year 30 costs with GCIM Year 29 costs broken down by (1) Commodity Costs; (2) Transportation Costs (3) SMS Net Revenues; (4) Off-System Park and Loan Costs and (5) Net Hedging Costs/Revenues including winter hedge transactions.

TABLE 3
COMPARISON OF GCIM YEAR 30 AND YEAR 29
BENCHMARK AND ACTUAL COSTS
YEAR ENDED MARCH 31

	<u>Year 30</u>	<u>Year 29</u>	<u>Difference</u>
Commodity Benchmark	\$ 1,287,677,197	\$ 4,603,238,360	\$ (3,315,561,162)
Commodity Actual	1,113,360,461	4,229,887,384	(3,116,526,923)
SMS Net Revenue	(13,676,610)	(54,096,161)	40,419,551
Off System Park and Loans	(899,800)	158,712	(1,058,512)
Hedging (25% WH + Other)*	<u>114,626,117</u>	<u>9,647,191</u>	<u>104,978,925</u>
Total Commodity	1,213,410,168	4,185,597,127	(2,972,186,959)
Over/(Under) Benchmark	<u>(74,267,029)</u>	<u>(417,641,233)</u>	<u>343,374,204</u>
Ratepayers' Share	\$ 60,401,940	\$ 354,857,276	\$ (294,455,336)
Shareholders' Share	<u>13,865,089</u>	<u>62,783,957</u>	<u>(48,918,868)</u>
	74,267,029	417,641,233	(343,374,204)
Transportation	\$ 333,329,010	\$ 293,568,373	\$ 39,760,636
<u>Hedging Costs/(Revenue)</u>			
Other	\$ 2,785	\$ 3,011	\$ (226)
Winter Financial Transactions	12,296,000	-	12,296,000
Winter Physical Transactions	<u>446,197,326</u>	<u>38,576,722</u>	<u>407,620,604</u>
Total Hedging	<u>458,496,111</u>	<u>38,579,733</u>	<u>419,916,378</u>
*Included in GCIM (25% WH + Other)	\$ 114,626,117	\$ 9,647,191	\$ 104,978,925
Note: Due to rounding to the dollar, some of the numbers may not total exactly.			

The commodity benchmark for GCIM Year 30 was \$3,315,561,162 lower than the commodity benchmark for GCIM Year 29. This decrease was driven by lower published index prices used to calculate the benchmark for GCIM Year 30 compared to GCIM Year 29. Actual commodity costs for GCIM Year 30 were \$3,116,526,923 lower than GCIM Year 29 due to lower gas

purchase prices. GCIM Year 30 net SMS revenue totaling \$13,676,610 was lower than GCIM Year 29 by \$40,419,551. Hedging costs included in GCIM Year 30 were \$114,626,117 compared to \$9,647,191 in GCIM Year 29. Off-system park and loan activities in GCIM Year 30 resulted in revenue of \$899,800 as opposed to GCIM Year 29 costs of \$158,712. Each of these factors contributed to an under-benchmark amount for GCIM Year 30 that was \$343,374,204 lower than in GCIM Year 29. Transportation costs for GCIM Year 30 were approximately \$40 million higher than in GCIM Year 29. Actual transportation costs are included in both the benchmark and actual costs and do not impact the over/(under) benchmark amount, or the ratepayer and shareholder share of the under-benchmark cost savings.

IV. Description of Gas Procurement Activities

The GCIM encourages SoCalGas's Gas Acquisition Department, on behalf of its bundled core customers, to manage gas costs and mitigate price volatility proactively through the use of physical and financial trades, storage, and interstate pipeline capacity. The Gas Acquisition Department operates under a robust governance framework subject to oversight and participation by other Company groups including, but not limited to, Enterprise Market and Credit Risk Management, Legal, and Accounting & Finance. Additionally, SoCalGas's Market Activity Policy establishes the governance framework for energy procurement activities conducted by Gas Acquisition. SoCalGas's Gas Acquisition Department has expertise in fundamental market analysis, gas trading, gas transportation, risk management, and back-office operations. This expertise has continually developed over the last thirty years of operation under the GCIM. As a result, and consistent with prior GCIM years, Gas Acquisition effectively managed its gas procurement activities during GCIM Year 30 and provided reliable gas supplies at reasonable gas commodity costs for retail core customers given existing market conditions.

GCIM Year 30 results continue to show that the GCIM program is successful in meeting the objectives established in D.90-07-065 and R.90-02-008:

- Improve the utility's incentives to operate efficiently;
- Reduce the burden of regulatory oversight, both for the regulators and the utility;
- Provide a more stable and predictable regulatory environment;

- 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 CPUC proceedings.

SoCalGas's Gas Acquisition procurement activities were conducted to achieve the primary objectives of supply security and reliability at a reasonable cost within the context of the market conditions previously described. Gas Acquisition accomplished these objectives in GCIM Year 30 by:

- Meeting retail core requirements during the peak demand season (November to March) with firm long-term contracts,⁸ monthly baseload, and after-market purchases. In GCIM Year 30, Gas Acquisition maintained a gas supply portfolio comprised of long-term supply transactions (85.0%) and month-to-month baseload transactions (11.8%). Daily purchase and sale transactions, while significant in absolute volumes, contributed 3.2% on a net basis.⁹
- Meeting its share of the January, February, March 2024 month-end minimum storage targets.¹⁰
- Reaching a core purchased inventory level of 62.26 Bcf on July 31st, which met Gas Acquisition's 47 Bcf mid-season target.
- Reaching a core physical storage inventory on October 31 of 78.89 Bcf (reflects a negative 0.004 Bcf net SMS position and includes 3.50 Bcf of Core Transportation Aggregation (CTA) volumes) which was within the November 1 GCIM target of 80.025 Bcf +0/-2 Bcf.

⁸ Contracts with terms greater than one month.

⁹ Excluding 75% volumes associated with Winter Hedge Physical Purchases and Sales.

¹⁰ Provided in the Southern California Gas Company Winter 2023-24 Technical Assessment dated November 3, 2023.

- Managing the use of the rights and assets assigned to the retail core including storage inventory, injection and withdrawal rights, and flowing supply through execution of SMS transactions with fees based on existing market conditions and completed on a non-discriminatory basis. SMS transactions continued to contribute to lowering overall gas costs by using retail core assets when not directly needed for reliability.
- Performing physical and financial trades on behalf of retail core customers to reduce retail core gas costs.
- Utilizing Gas Acquisition's interstate and Backbone Transportation Service (BTS) capacity rights to provide portfolio supply diversification and to lower the cost of gas by accessing lower-cost basin supplies.

In summary, the GCIM framework provides an incentive for Gas Acquisition to use retail core's available interstate pipeline and storage rights efficiently to deliver reliable gas at a reasonable cost to its retail core customers. Reliability is achieved by constructing a portfolio of gas supplies that is diversified by contract type, geographic region, and supplier in addition to constructing a portfolio of interstate transportation contracts that is diversified with multiple paths for transporting those supplies. Gas Acquisition uses Commission-approved tools available to a typical trading organization, including purchases, sales, loans, parks, wheels, derivatives, and transportation contracts. These tools enhance Gas Acquisition's ability to make economic use of core assets, when not directly needed for reliability, to lower overall gas costs for its retail core customers.

Interstate Capacity

Pursuant to D.04-09-022 and Advice Letters 3969 and 5254, SoCalGas submitted Advice Letter 6033 on September 21, 2022, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Years 30 and 31 based on the 2022 California Gas Report core procurement load forecasts for SoCalGas and SDG&E.¹¹ The minimum firm capacity required for the period April to October 2023 was established at 877.0 MDth/day, while the minimum required for November 2023 to March 2024 was 974.5 MDth/day. Appendix C to this

¹¹ Details on the calculation of the capacity planning range are in AL 6033 Attachment A "SoCalGas's Combined Portfolio Calculations and Workpapers based on the 2022 California Gas Report".

report shows that SoCalGas's interstate capacity holdings during each month of GCIM Year 30 met these minimum capacity requirements and did not exceed maximum requirements.

Winter Hedging Activity

In compliance with D.10-01-023 issued on January 25, 2010, which adopted an incentive framework to motivate optimal use of gas hedging for California utilities and modified the treatment of hedging costs and revenue for SoCalGas and SDG&E, SoCalGas continued to include 25% of costs and revenue from Gas Acquisition's winter hedging activities in the calculation of GCIM total actual costs. In GCIM Year 30, SoCalGas's winter hedge activities resulted in a \$222,469,946 total cost above benchmark prices of which 25% or \$55,617,487 was included in the GCIM under benchmark amount. The remaining 75% or \$166,852,460 of the cost above benchmark was allocated 100% to ratepayers outside of the GCIM. For GCIM Year 30, the winter hedge transactions were mostly physical gas purchases and sales that were received/delivered; thus, the winter hedge costs/revenues were subject to the same benchmark as other physical transactions. The total net cost for winter hedge physical gas transactions was \$446,197,326 of which 25% or \$111,549,332 was included in the GCIM calculation subject to a benchmark amount of \$59,005,845 which resulted in the over-benchmark amount of \$52,543,487. Winter hedge financial transactions for GCIM Year 30 resulted in a net cost of \$12,296,000, of which 25% or \$3,074,000 was included in the GCIM under benchmark dollars. The Public Advocates Office (Cal PA) and Energy Division staff were kept apprised of SoCalGas's winter hedge activity primarily via bi-weekly conference calls during GCIM Year 30.

V. GCIM Monitoring and Evaluation

Throughout the GCIM program, SoCalGas has worked closely with Cal PA and Energy Division to establish an efficient monitoring and timely reporting system to keep Cal PA and Energy Division informed of Gas Acquisition's activities.¹² Pursuant to the provisions of General Order 66-D Revision 2 and D.21-09-020, SoCalGas provided a monthly report, 60 days after the end of each month, to Cal PA and Energy Division on a confidential basis. These reports included a calculation of year-to-date GCIM benefit to bundled core customers, total monthly actual costs

¹² The Utility Reform Network, or TURN, is also invited to these meetings.

and benchmark dollars, benchmark prices, current year capacity holdings and a capacity utilization by pipeline report.

SoCalGas also communicated frequently with Cal PA and the Energy Division on all important Gas Acquisition issues during Year 30, including market conditions, system outages and winter hedging activities. Finally, SoCalGas's GCIM activities abided by the CPUC's Affiliate Transaction Rules. Appendix B contains SoCalGas's Annual Report on Affiliate Transactions Section C: Utility Provision of Goods and Services to Its Affiliated Entities and Section D: Affiliated Entities Provision of Goods and Services to the Utility.

VI. Recommendations

SoCalGas concludes from its GCIM Year 30 results that the GCIM continues to be a successful program that provides measurable and substantive benefits to SoCalGas's bundled core customers. During Year 30, each of the CPUC established objectives for incentive regulation as summarized in Section IV were met, in addition to SoCalGas's primary objectives of supply security and reliability at a reasonable cost. SoCalGas was able to purchase gas at \$74.3 million below the GCIM benchmark, resulting in a core ratepayer benefit of \$60.4 million in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 30 shareholder reward is calculated pursuant to the GCIM formula in SoCalGas Preliminary Statement Part VIII to be \$13.9 million. Therefore, SoCalGas recommends that the Commission approve a GCIM Year 30 shareholder reward of \$13,865,089.

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 Band *	100% Ratepayer Lower Tolerance** 0.0% - 0.5%	100% Ratepayer Lower Tolerance** 0.0% - 1.0%	75% Ratepayer/ 25% Shareholder Sharing Band 1.0% - 5.0%	90% Ratepayer/ 10% Shareholder Sharing Band 5.0% - Cap	100% Ratepayer Excess of Cap > 1.5% Cap	Subject to Sharing**
1	\$ 567,448,362	\$ 568,566,020	\$ (1,117,658)	\$ 17,089,530	N/A	N/A	N/A	N/A	N/A	\$ -
2	\$ 448,713,459	\$ 442,313,459	\$ 6,400,000	\$ 13,058,694	N/A	N/A	N/A	N/A	N/A	\$ 6,400,000
3	\$ 680,061,509	\$ 658,875,670	\$ 21,185,839	\$ 22,014,554	N/A	N/A	N/A	N/A	N/A	\$ 21,185,839
4	\$ 672,131,591	\$ 665,307,357	\$ 6,824,234	\$ 10,977,634	\$ 2,744,409	N/A	N/A	N/A	N/A	\$ 4,079,825
5	\$ 649,294,620	\$ 631,138,278	\$ 18,156,342	\$ 10,761,348	\$ 2,690,337	N/A	N/A	N/A	N/A	\$ 15,466,005
6	\$ 1,061,264,614	\$ 1,037,113,228	\$ 24,151,386	\$ 18,527,592	\$ 4,631,898	N/A	N/A	N/A	N/A	\$ 19,519,488
7	\$ 2,411,105,910	\$ 2,187,533,957	\$ 223,571,953	\$ 45,580,915	N/A	\$ 22,790,458	\$ 91,161,830	\$ 80,361,297	\$ 29,258,368	\$ 171,523,127
8	\$ 1,480,091,362	\$ 1,290,296,698	\$ 189,794,664	\$ 26,979,670	N/A	\$ 13,489,835	\$ 53,959,340	\$ 38,983,224	\$ 83,362,266	\$ 92,942,563
9	\$ 1,506,037,786	\$ 1,467,033,460	\$ 39,004,326	\$ 27,458,164	N/A	\$ 13,729,082	\$ 25,275,244	N/A	N/A	\$ 25,275,244
10	\$ 1,892,688,526	\$ 1,865,659,816	\$ 27,028,710	\$ 35,140,805	N/A	\$ 17,570,403	\$ 9,458,308	N/A	N/A	\$ 9,458,308
11	\$ 2,277,899,575	\$ 2,246,521,573	\$ 31,378,002	\$ 42,689,291	N/A	\$ 21,344,646	\$ 10,033,356	N/A	N/A	\$ 10,033,356
12	\$ 3,126,842,590	\$ 3,057,709,957	\$ 69,132,633	\$ 59,836,552	N/A	\$ 29,918,276	\$ 39,214,357	N/A	N/A	\$ 39,214,357
13	\$ 2,308,210,816	\$ 2,250,470,333	\$ 57,740,483	\$ 43,849,020	N/A	\$ 21,924,510	\$ 35,815,973	N/A	N/A	\$ 35,815,973
14	\$ 2,513,802,467	\$ 2,463,728,945	\$ 50,073,522	\$ 47,972,531	N/A	\$ 23,986,266	\$ 26,087,256	N/A	N/A	\$ 26,087,256
15	\$ 2,894,131,587	\$ 2,818,571,496	\$ 75,560,091	\$ 54,736,539	N/A	\$ 27,368,269	\$ 48,191,822	N/A	N/A	\$ 48,191,822
16	\$ 1,753,539,090	\$ 1,713,612,056	\$ 39,927,034	\$ 31,756,473	N/A	\$ 15,878,237	\$ 24,048,797	N/A	N/A	\$ 24,048,797
17	\$ 1,750,392,490	\$ 1,709,500,858	\$ 40,891,632	\$ 32,006,773	N/A	\$ 16,003,387	\$ 24,888,245	N/A	N/A	\$ 24,888,245
18	\$ 1,742,334,582	\$ 1,704,835,267	\$ 37,499,315	\$ 31,696,187	N/A	\$ 15,848,094	\$ 21,651,221	N/A	N/A	\$ 21,651,221
19	\$ 1,308,126,351	\$ 1,273,387,819	\$ 34,738,531	\$ 22,829,340	N/A	\$ 11,414,670	\$ 23,323,861	N/A	N/A	\$ 23,323,861
20	\$ 1,737,216,795	\$ 1,666,818,834	\$ 70,397,961	\$ 31,115,453	N/A	\$ 15,557,726	\$ 54,840,235	N/A	N/A	\$ 54,840,235
21	\$ 1,598,485,093	\$ 1,555,377,080	\$ 43,108,013	\$ 28,217,182	N/A	\$ 14,108,591	\$ 28,999,422	N/A	N/A	\$ 28,999,422
22	\$ 996,287,032	\$ 968,124,520	\$ 28,162,512	\$ 16,006,729	N/A	\$ 8,003,365	\$ 20,159,148	N/A	N/A	\$ 20,159,148
23	\$ 1,237,875,858	\$ 1,210,673,619	\$ 27,202,239	\$ 20,429,693	N/A	\$ 10,214,847	\$ 16,987,393	N/A	N/A	\$ 16,987,393
24	\$ 1,282,690,267	\$ 1,220,968,072	\$ 61,722,195	\$ 20,723,318	N/A	\$ 10,361,659	\$ 41,446,636	\$ 9,913,900	N/A	\$ 51,360,536
25	\$ 1,474,431,952	\$ 1,368,973,255	\$ 105,458,697	\$ 25,011,300	N/A	\$ 12,505,650	\$ 50,022,600	\$ 42,930,447	N/A	\$ 92,953,047
26	\$ 1,192,981,598	\$ 1,111,009,145	\$ 81,972,454	\$ 18,714,713	N/A	\$ 9,357,356	\$ 37,429,426	\$ 34,490,914	\$ 694,757	\$ 71,920,340
27	\$ 1,200,571,089	\$ 1,015,826,118	\$ 184,744,972	\$ 18,553,200	N/A	\$ 9,276,600	\$ 37,106,400	\$ 18,671,254	\$ 119,690,717	\$ 55,777,654
28	\$ 2,298,535,046	\$ 2,176,318,313	\$ 122,216,733	\$ 40,366,715	N/A	\$ 20,183,358	\$ 80,733,430	\$ 21,299,946	N/A	\$ 102,033,376
29	\$ 4,896,806,733	\$ 4,479,165,500	\$ 417,641,233	\$ 92,064,767	N/A	\$ 46,032,384	\$ 184,129,534	\$ 167,515,733	\$ 19,963,582	\$ 351,645,267
30	\$ 1,621,006,207	\$ 1,546,739,178	\$ 74,267,029	\$ 25,753,544	N/A	\$ 12,876,772	\$ 51,507,088	\$ 9,883,169	\$ -	\$ 61,390,257
	\$ 50,581,004,959	\$ 48,372,169,880	\$ 2,208,835,079	\$ 931,918,228	\$ 10,066,644	\$ 419,744,438	\$ 1,036,470,922	\$ 424,049,884	\$ 252,969,691	\$ 1,527,171,964

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 28.

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-28, 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
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities

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

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
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities

Response to Affiliate Transaction Reporting Requirements Section:

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

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

cost (whether or not reimbursed) for providing any good or service to an affiliated entity.

- 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
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities

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
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities

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 from the management accounting rotation program.

Human Resources

This category includes the reimbursements from Sempra 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, 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.

SOUTHERN CALIFORNIA GAS COMPANY
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities

Response to Affiliate Transaction Reporting Requirements Section:

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

Response No. 9 (Cont'd):

Depreciation

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

Real Estate & Facilities

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

USOA Account 803

Gas Sales

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.

SOUTHERN CALIFORNIA GAS COMPANY
2023 Affiliate Transaction Annual Report
Section C: Utility Provision of Goods and Services to Its Affiliated Entities
Attachment C-1: Table II-C Utility to Affiliate Entities for Year End 12/31/23

USOA				Pacific				
Acct	Item/Services Description	Cost Allocation	Sempra	Enterpris	Sempra	Sempra Gas &		
		Methodology	Energy	e Oil	Infrastructu	Power		Total
				Company	re Services	Marketing, LLC		
146	Accounting & Finance	A	\$ 101,200	\$ -	\$ -	\$ -	\$	101,200
	Corporate Budgets	A	\$ 3,690	\$ -	\$ -	\$ -	\$	3,690
	Human Resources	A & B	\$ 6,381,450	\$ -	\$ 31,982	\$ -	\$	6,413,432
	Information Technology	A	\$ 1,538,033	\$ -	\$ -	\$ -	\$	1,538,033
	Oil/Gas Assessment & Extraction	A	\$ -	\$ 27,113	\$ -	\$ -	\$	27,113
	Depreciation	A	\$ 3,800,345	\$ -	\$ 104,001	\$ -	\$	3,904,345
	Real Estate & Facilities	A	\$ 298,931	\$ -	\$ -	\$ -	\$	298,931
							\$	-
803	Gas Sales	C	\$ -	\$ -	\$ -	\$ 749,649	\$	749,649
	Total		\$ 12,123,648	\$ 27,113	\$ 135,983	\$ 749,649	\$	13,036,393



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
2023 Affiliate Transaction Annual Report
Section D: Affiliated Entities Provision of Goods and Services To the Utility

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
2023 Affiliate Transaction Annual Report
Section D: Affiliated Entities Provision of Goods and Services To the Utility

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 No. 1-9:

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 is recorded at fully loaded costs.

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 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 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.

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 184: Clearing Accounts

This account includes undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to Southern California Gas Company, a portion of the cost of this service is charged to a clearing account. These are administrative and general costs related to affiliate and third-party transactions. Balances in this clearing account shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a further period.

USOA Account 186: Miscellaneous Deferred Debits

This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, construction certificate application fees paid prior to final disposition of the application and unusual or extraordinary expenses not included in other accounts which are in the process of amortization, and items the final disposition of which is uncertain.

USOA Account 417: Expenses of Nonutility Operations

This account includes expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management engineering, and similar services to others.

USOA Account 426: Expenditures for certain civic, political and related activities.

This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

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 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 859: Other expenses

This account shall include the cost of labor, material used and expenses incurred in operating transmission system equipment and other transmission system expenses not includible in any of the foregoing accounts, including research, development, and demonstration expenses.

USOA Account 910: Miscellaneous Customer Service and Informational Expenses

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

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 923: Outside Services Employed

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

USOA Account 924: Property Insurance

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

USOA Account 925: Injuries and Damages

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

USOA Account 926: Employee Pensions and Benefits

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

USOA Account 928: Regulatory Commission Expenses

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

USOA Account 930: Miscellaneous General Expenses

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

SOUTHERN CALIFORNIA GAS COMPANY
2023 Affiliate Transaction Annual Report
Section D: Affiliated Entities Provision of Goods and Services To the Utility

Response to Affiliate Transaction Reporting Requirements Section:

D. AFFILIATED ENTITIES PROVISION OF GOODS AND SERVICES TO 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 2023, 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.

SOUTHERN CALIFORNIA GAS COMPANY
2023 Affiliate Transaction Annual Report
Section D: Affiliated Entities Provision of Goods and Services To the Utility
Attachment D-1: Table II-D-1 Affiliate Entities to Utility for Year End 12/31/23

USOA Account	Account Description	Sempra Gas & Power		Total	% of USOA Account
		Sempra Energy	Marketing, LLC		
	107 Construction Work In Progress	5,606,446	-	5,606,446	4.71%
	165 Prepayments	16,181,439	-	16,181,439	<1.00%
	184 Clearing Accounts	2,565,953	-	2,565,953	69.44%
	186 Miscellaneous Deferred Debits	351,000	-	351,000	1.92%
	417 Expenses of nonutility operations	4,548,249	-	4,548,249	43.33%
	426 Expenditures for certain civic, political and related activities.	1,966,520	-	1,966,520	8.82%
	803 Natural Gas Transmission Line Purchases	-	29,715,435	29,715,435	<1.00%
	832 Maintenance of Reservoirs and Wells	4,684,308	-	4,684,308	36.60%
	859 Other Expenses	1,283,105	-	1,283,105	8.67%
	910 Miscellaneous Customer Serv And Informational Expe	587,476	-	587,476	24.73%
	923 Outside Services Employed	83,337,397	-	83,337,397	45.18%
	924 Property Insurance	565,907	-	565,907	7.00%
	925 Injuries And Damages	56,797,978	-	56,797,978	73.61%
	926 Employee Pensions And Benefits	13,126,487	-	13,126,487	5.38%
	928 Regulatory Commission Expenses	128,339	-	128,339	1.47%
	930 Miscellaneous General Expenses	195,358	-	195,358	<1.00%
	Total:	191,925,962	29,715,435	221,641,397	

Appendix C

Southern California Gas Company Core Firm Transportation Capacity Holdings

Appendix C	
Current Core Firm Transportation Capacity Holdings	
April 2023 - March 2024	
(In MDth/d)	

[illegible]

Summary of Capacity by Region									
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	April 2023	May 2023	June 2023	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023	January 2024	February 2024	March 2024
Permian	215.0	215.0	215.0	215.0	215.0	215.0	215.0	128.2	128.2	128.2	128.2	128.2
San Juan	410.0	410.0	364.3	339.3	339.3	369.3	410.0	672.9	648.2	648.2	648.2	650.7
Rockies	259.4	259.4	289.0	270.7	270.7	292.2	316.8	272.3	326.7	326.7	326.7	308.5
Canadian Path	51.9	51.9	51.9	53.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
Grand Total	936.4	936.4	920.3	878.9	877.0	928.5	993.7	1,125.3	1,155.0	1,155.0	1,155.0	1,139.4

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, 1) only the PG&E capacity is included in the Canadian Path, 2) NWPL is excluded from the Rockies capacity as it is upstream.

EPNG/Dagmoj gas is sourced from the Rockies region.

Advice No. 6033 Capacity Range:

[illegible]

Attachment B

Southern California Gas Company
Balance Sheet and Income Statement

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2023

1. UTILITY PLANT		2023
101	UTILITY PLANT IN SERVICE	\$25,635,611,663
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	1,518,230,559
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(7,880,843,175)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(192,204,483)
117	GAS STORED-UNDERGROUND	61,422,045
TOTAL NET UTILITY PLANT		19,142,216,609
2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	49,818,825
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(17,483,207)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
	NONCURRENT PORTION OF ALLOWANCES	-
124	OTHER INVESTMENTS	1
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	-
TOTAL OTHER PROPERTY AND INVESTMENTS		32,335,619

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2023

3. CURRENT AND ACCRUED ASSETS		<u>2023</u>
131	CASH	1,719,458
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	124,273
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	1,318,688,429
143	OTHER ACCOUNTS RECEIVABLE	48,048,595
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(306,069,367)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	-
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	22,334,428
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	131,691,718
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	1,012,376,896
	(LESS) NONCURRENT PORTION OF ALLOWANCES	-
163	STORES EXPENSE UNDISTRIBUTED	(2,968,531)
164	GAS STORED	154,650,040
165	PREPAYMENTS	81,158,383
171	INTEREST AND DIVIDENDS RECEIVABLE	836,163
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	47,319,703
175	DERIVATIVE INSTRUMENT ASSETS	1,608,768
TOTAL CURRENT AND ACCRUED ASSETS		<u>2,511,518,956</u>
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	41,915,237
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	4,680,863,962
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	353,750
184	CLEARING ACCOUNTS	2,908,762
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	524,973,760
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	89,472
190	ACCUMULATED DEFERRED INCOME TAXES	1,290,667,457
191	UNRECOVERED PURCHASED GAS COSTS	-
TOTAL DEFERRED DEBITS		<u>6,541,772,400</u>
TOTAL ASSETS AND OTHER DEBITS		<u><u>\$ 28,227,843,584</u></u>

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2023

5. PROPRIETARY CAPITAL

2023

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	(1,481,306,680)
214	CAPITAL STOCK EXPENSE	143,261
216	UNAPPROPRIATED RETAINED EARNINGS	(5,093,734,289)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	22,477,516
	TOTAL PROPRIETARY CAPITAL	(7,408,869,896)

6. LONG-TERM DEBT

221	BONDS	(6,050,000,001)
224	OTHER LONG-TERM DEBT	(709,338,770)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	13,370,291
	TOTAL LONG-TERM DEBT	(6,745,968,480)

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(101,593,398)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(93,892,420)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(252,796,073)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
245	NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES	-
230	ASSET RETIREMENT OBLIGATIONS	(2,847,068,215)
	TOTAL OTHER NONCURRENT LIABILITIES	(3,295,350,106)

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2023

8. CURRENT AND ACCRUED LIABILITIES

	<u>2023</u>
231 NOTES PAYABLE	(945,624,888)
232 ACCOUNTS PAYABLE	(945,728,519)
233 NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234 ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(37,970,487)
235 CUSTOMER DEPOSITS	(48,940,134)
236 TAXES ACCRUED	(4,221,001)
237 INTEREST ACCRUED	(56,919,535)
238 DIVIDENDS DECLARED	(323,266)
241 TAX COLLECTIONS PAYABLE	(30,659,489)
242 MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(1,285,635,240)
243 OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(32,686,999)
244 DERIVATIVE INSTRUMENT LIABILITIES	(209,704,237)
245 DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	
	<hr/>
TOTAL CURRENT AND ACCRUED LIABILITIES	(3,598,413,795)

9. DEFERRED CREDITS

252 CUSTOMER ADVANCES FOR CONSTRUCTION	(144,940,719)
253 OTHER DEFERRED CREDITS	(206,547,287)
254 OTHER REGULATORY LIABILITIES	(3,941,766,246)
255 ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(6,812,042)
257 UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281 ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282 ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(2,211,616,977)
283 ACCUMULATED DEFERRED INCOME TAXES - OTHER	(667,558,036)
	<hr/>
TOTAL DEFERRED CREDITS	(7,179,241,307)

TOTAL LIABILITIES AND OTHER CREDITS	\$ (28,227,843,584)
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SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2023

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		8,288,118,374
401	OPERATING EXPENSES	5,775,328,065	
402	MAINTENANCE EXPENSES	441,600,450	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	847,089,284	
408.1	TAXES OTHER THAN INCOME TAXES	198,492,402	
409.1	INCOME TAXES	(16,801,340)	
410.1	PROVISION FOR DEFERRED INCOME TAXES	769,942,170	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(773,150,884)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	971,003	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		<u>7,243,471,150</u>
	NET OPERATING INCOME		<u>1,044,647,224</u>

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(10,497,213)	
418	NONOPERATING RENTAL INCOME	918,764	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	78,299,832	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	53,969,329	
421	MISCELLANEOUS NONOPERATING INCOME	(2,031,877)	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	<u>120,658,835</u>	
421.2	LOSS ON DISPOSITION OF PROPERTY	(812,479)	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(22,262,941)	
	TOTAL OTHER DEDUCTIONS	<u>(23,075,420)</u>	
408.2	TAXES OTHER THAN INCOME TAXES	(341,695)	
409.2	INCOME TAXES	(0)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(30,085,918)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	16,282,861	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	<u>(14,144,752)</u>	
	TOTAL OTHER INCOME, DEDUCTIONS AND TAXES		<u>83,438,663</u>
	INCOME BEFORE INTEREST CHARGES		1,128,085,887
	NET INTEREST CHARGES*		<u>316,437,883</u>
	NET INCOME		<u><u>\$811,648,004</u></u>

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$53,969,329)

STATEMENT OF INCOME AND RETAINED EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2023

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	4,383,379,350
NET INCOME (FROM PRECEDING PAGE)	811,648,004
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(1,293,065)
DIVIDENDS DECLARED - COMMON STOCK	(100,000,000)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	<u><u>\$5,093,734,289</u></u>

Attachment C

Southern California Gas Company

Statement of Proposed Rates

Rate Tables

Impact of GCIM Award on Gas Rate over Last 12 Months

Calculation of GCIM Award \$/therm:

GCIM Award \$000	\$13,865
Core Sales per 2020TCAP Mth/yr	3,764,211
GCIM Award \$/th	\$0.00368

Attachment D

Southern California Gas Company Statement of Original Cost and Depreciation Reserve

SoCalGas
Plant Investment and Accumulated Depreciation
As of December 31, 2023

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	76,457	-	76,457
302	Franchise and Consents	592,060	-	592,060
303	Cloud Compute	56,776,275	(9,039,432)	47,736,843
	Total Intangible Assets	57,444,793	(9,039,432)	48,405,360
PRODUCTION:				
325	Other Land Rights	-	-	-
330	Prd Gas Wells Const	-	-	-
331	Prd Gas Wells Eqp	-	-	-
332	Field Lines	-	-	-
334	FldMeas&RegStnEquip	-	-	-
336	Prf Eqpt	-	-	-
	Total Production	-	-	-
UNDERGROUND STORAGE:				
350	Land	4,539,484	-	4,539,484
350SR	Storage Rights	19,069,515	(17,666,306)	1,403,209
350RW	Rights-of-Way	25,354	(19,685)	5,670
351	Structures and Improvements	166,670,618	(41,749,694)	124,920,924
352	Wells	759,614,443	218,226,572	977,841,015
353	Lines	239,170,133	(44,656,682)	194,513,452
354	Compressor Station and Equipment	505,028,027	(113,138,016)	391,890,011
355	Measuring And Regulator Equipment	19,592,662	(5,274,563)	14,318,100
356	Purification Equipment	181,899,290	(101,042,427)	80,856,863
357	Other Equipment	124,040,442	(39,530,516)	84,509,926
	Total Underground Storage	2,019,649,969	(144,851,315)	1,874,798,654
TRANSMISSION PLANT- OTHER:				
365	Land	9,595,758	-	9,595,758
365LRTS	Land Rights	129,681,920	(27,319,711)	102,362,209
366	Structures and Improvements	187,508,308	(29,601,304)	157,907,004
367	Mains	3,582,424,934	(885,862,728)	2,696,562,206
368	Compressor Station and Equipment	622,391,089	(124,633,325)	497,757,764
369	Measuring And Regulator Equipment	426,676,688	(64,347,573)	362,329,115
370	Communication Equipment	98,790,140	(29,069,580)	69,720,559
371	Other Equipment	25,465,654	(6,527,231)	18,938,423
	Total Transmission Plant	5,082,534,490	(1,167,361,452)	3,915,173,038
DISTRIBUTION PLANT:				
374	Land	29,737,007	-	29,737,007
374LRTS	Land Rights	3,789,180	(2,358,032)	1,431,148
375	Structures and Improvements	435,703,572	(104,820,760)	330,882,812
376	Mains	6,899,691,524	(3,111,643,811)	3,788,047,713
378	Measuring And Regulator Equipment	215,699,149	(100,210,855)	115,488,294
380	Services	4,156,155,409	(2,429,146,919)	1,727,008,490

SoCalGas
Plant Investment and Accumulated Depreciation
As of December 31, 2023

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
381	Meters	1,044,592,712	(391,797,690)	652,795,022
382	Meter Installation	713,154,158	(273,855,482)	439,298,676
383	House Regulators	203,672,845	(94,451,728)	109,221,117
387	Other Equipment	78,415,202	(35,627,592)	42,787,611
	Total Distribution Plant	13,780,610,759	(6,543,912,868)	7,236,697,890
GENERAL PLANT:				
389	Land	1,342,839	-	1,342,839
389LRTS	Land Rights	74,300	(47,632)	26,668
390	Structures and Improvements	274,284,551	(205,085,707)	69,198,844
391	Office Furniture and Equipment	2,178,068,242	(1,529,992,887)	648,075,355
392	Transportation Equipment	351,481	(58,751)	292,730
393	Stores Equipment	186,007	(89,025)	96,982
394	Shop and Garage Equipment	164,034,655	(44,252,952)	119,781,702
395	Laboratory Equipment	10,151,923	(2,445,960)	7,705,964
396	Construction Equipment	934,272	2,635	936,906
397	Communication Equipments	298,312,500	(121,883,780)	176,428,720
398	Miscellaneous Equipment	10,901,309	(688,817)	10,212,492
	Total General Plant	2,938,642,077	(1,904,542,876)	1,034,099,201
	Subtotal	23,878,882,087	(9,769,707,944)	14,109,174,143
121	Non-Utility Plant	32,335,315	(14,463,260)	17,872,055
117GSUNC	Gas Stored Underground - NonCurrent	61,422,045	-	61,422,045
GCL	GCT - Capital Lease	-	-	-
	Total Other - Non-Utility Plant	93,757,360	(14,463,260)	79,294,100
	Total-Reconciliation to Asset History Totals	23,972,639,447	(9,784,171,204)	14,188,468,242
	Dec 2023 Asset 1020 Report	23,972,639,447	(9,784,171,204)	14,188,468,242
	Difference	(0)	(0)	(0)

Attachment E

Southern California Gas Company

Summary of Earnings

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2023
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$8,288
2	Operating Expenses	<u>7,243</u>
3	Net Operating Income	<u><u>\$1,045</u></u>
4	Weighted Average Rate Base	\$11,671
5	Rate of Return*	7.10%

*Authorized Cost of Capital