Company: Southern California Gas Company (U 904 G)
Proceeding: Test Year 2026 Cost of Capital
Application: A.25-03-011, et al.
Exhibit: SCG-05

PREPARED REBUTTAL TESTIMONY OF

RICARDO GONZALEZ

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

(CAPITAL STRUCTURE)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

August 20, 2025

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PREPARED REBUTTAL TESTIMONY OF RICARDO GONZALEZ
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

I. INTRODUCTION

My prepared direct testimony provided proposals for capital structure, embedded cost of long-term debt, and embedded cost of preferred stock for Southern California Gas Company's (SoCalGas or the Company) Test Year 2026 Cost of Capital.[1] For test year 2026, maintaining SoCalGas's currently authorized capital structure, consisting of 45.60% long-term debt, 2.40% preferred equity, and 52.00% common equity, is consistent with recent historical capital structure and is credit supportive. An embedded cost of debt of 5.02% and an embedded cost of preferred stock of 6.00% are in line with SoCalGas's long-standing methodology for calculating these costs in Cost of Capital proceedings.

My rebuttal testimony addresses capital structure and embedded cost recommendations contained in the direct testimonies of intervenors submitted on July 30, 2025, including the testimony of the following witnesses (collectively, "Intervenors"[2]):

- J. Randall Woolridge, Ph.D. for the Public Advocates' Office (Cal Advocates) of the California Public Utility Commission[3];
- Richard McCann, Ph.D. for Environmental Defense Fund (EDF)[4];
- Mark E. Ellis for Sierra Club and the Protect our Communities Foundation (jointly SC/PCF)[5]; and

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1 Direct Testimony of Ricardo Gonzalez (Exhibit (Ex.) SCG-02).

2 Party and witness names are used interchangeably when citing to the Intervenors' prepared testimony in this proceeding.

3 Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01).

4 Direct Testimony of Richard McCann (Ex. EDF-01).

5 Direct Testimony of Mark E. Ellis (Ex. SC/PCF-01).

- Aaron L. Rothschild for Wild Tree Foundation (WTF)[6].

Rather than supporting SoCalGas's well-reasoned capital structure proposal, certain Intervenors instead suggest increasing SoCalGas's long-term debt ratio from what is currently authorized, thereby increasing the risk of credit downgrades that would result in higher costs passed on to ratepayers. On the topic of embedded cost of debt, Cal Advocates and PCF propose to reduce SoCalGas's cost of debt[7] and EDF proposes to increase SoCalGas's authorized rate[8] without reasonable justification for disregarding the long-standing method of calculating embedded cost of debt used in prior cost of capital proceedings. SoCalGas's embedded cost of preferred equity proposal was uncontested.

My rebuttal testimony will address the shortcomings in Intervenors' proposals and reaffirm that SoCalGas's proposed capital structure and embedded costs are the most appropriate Cost of Capital proposals to support a strong credit profile for efficient access to debt and equity markets, benefiting both ratepayers and shareholders.

Lastly, as required by the Commission's Scoping Memo for this proceeding,[9] this testimony includes the late-filed exhibit (cost of debt), containing updates to various interest-rate related data. SoCalGas's proposed cost of long-term debt remains unchanged at 5.02%.

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6 Direct Testimony of Aaron Rothschild, Revised August 12, 2025 (Ex. WTF-01E).

7 Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01) at 6-7; Direct Testimony of Mark E. Ellis (Ex. SC/PCF-01) at 7.

8 Direct Testimony of Richard McCann (Ex. EDF-01) at 16.

9 Assigned Commissioner's Ruling Consolidating Four Applications and Scoping Memo and Ruling (July 16, 2025) (Scoping Memo) at 4.

II. CAPITAL STRUCTURE

A. Summary of Certain Intervenors' Capital Structure Recommendations

Notably, Energy Producers & Users Coalition (EPUC), Indicated Shippers, and The Utility Reform (TURN) do not appear to object to SoCalGas's proposed capital structure.[10] Cal Advocates, EDF, PCF and WTF recommend increasing SoCalGas's long-term debt ratio, thereby increasing SoCalGas's financial leverage. SoCalGas's currently authorized capital structure, proposed capital structure, and Intervenors' recommendations are summarized in Table 1 below.

TABLE 1 – SUMMARY OF CAPITAL STRUCTURE PROPOSALS

	SoCalGas Currently Authorized	SoCalGas Proposed*	Cal Advocates[11]	EDF[12]	PCF[13]	WTF[14]
Long-Term Debt	45.60%	45.60%	47.50%	55.00%	47.10%	47.60%
Preferred Equity	2.40%	2.40%	2.50%	-	0%	2.40%
Common Equity	52.00%	52.00%	50.00%	-	52.90%	50.00%
Total	100.00%	100.00%	100.00%	-	100.00%	100.00%

*And not objected to by EPUC, Indicated Shippers and TURN.

Intervenor proposals in Table 1 regarding SoCalGas's authorized capital structure are inadequate and unreasonable for several reasons. These capital structure proposals ignore SoCalGas's actual recorded capital structure and do not support SoCalGas's ability to maintain its "A" credit rating. Tellingly, Intervenors acknowledge that a decrease in the equity ratio

[10] Direct Testimony of Michael Gorman (Ex. EPUC/IS/TURN-01) at 252-254.

[11] Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01) at 6.

[12] Direct Testimony of Richard McCann (Ex. EDF-01) at 16.

[13] Direct Testimony of Mark E. Ellis (Ex. SC/PCF-01) at 7.

[14] Direct Testimony of Aaron L. Rothschild (Ex. WTF-01E) at 10.

increases risk, which will lead to higher costs of equity and debt.[15] SoCalGas's concerns with Intervenor's proposals are discussed in more detail below.

B. Cal Advocates' Capital Structure Proposals Are Inconsistent and Unsupported

Cal Advocates' witness, J. Randall Woolridge, recommends reducing SoCalGas's authorized common equity ratio despite acknowledging that (1) SoCalGas has maintained an average common equity ratio above SoCalGas's currently authorized and proposed levels[16] and (2) a higher equity ratio results in less financial risk.[17] Dr. Woolridge's proposal relies on the capital structures of a misleading proxy group selection of electric and gas holding companies, rather than focusing on solely gas or utility-specific companies. The rebuttal testimony of Joshua C. Nowak on behalf of SoCalGas addresses the numerous flaws and inadequacies in Dr. Woolridge's proxy group selection[18] and details why the robust analysis that determined SoCalGas's proxy group presented in SoCalGas's direct testimony is more reasonable and appropriate. Additionally, the rebuttal testimony of SoCalGas witness, Sara P. Mijares, addresses Dr. Woolridge's claim that it is appropriate to use the common equity ratios of holding companies.[19]

Cal Advocates recognizes that SoCalGas has managed its actual capital structure at a higher than authorized common equity ratio, saying "SCG's average quarterly common equity ratio over 2022-25 time period was 53.23%."[20] Yet Dr. Woolridge provides no credible

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[15] Direct Testimony of Richard McCann (Ex. EDF-01) at 12; Direct Testimony of Mark E. Ellis (PCF-01) at 29.

[16] Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01) at 29.

[17] *Id*. at 31.

[18] Rebuttal Testimony of Joshua C. Nowak (Ex. SCG-06) at Section XII: Market to Books Ratio.

[19] Rebuttal Testimony of Sara P. Mijares (Ex. SCG-04) at Section III.

[20] Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01) at 29.

explanation for why adopting a lower 50% equity ratio and increasing financial leverage would be more appropriate than SoCalGas's proposal to maintain its currently authorized capital structure. There can be no justification for SoCalGas to be arbitrarily penalized for prudent financial management and maintaining its authorized common equity ratio and its "A" credit rating. The Commission should reject Cal Advocates' proposal.

1. Cal Advocates' Proposal to Alter the Basis of the Capital Structure's Components Should be Disregarded

Cal Advocates' assertion that short-term debt should be included as part of total capitalization when calculating the authorized capital structure is fundamentally flawed.[21] The Commission has appropriately excluded short-term debt from the authorized capital structure of the California utilities, stating "For the purposes of this proceeding, the capital structure of the applicants are comprised of distributions of long-term debt, preferred equity, and common equity"[22] and notes that "Debt due within one year, short-term debt, is excluded"[23]. Additionally, the authorized rate of return set by this proceeding is ultimately applied to the utility's rate base (i.e., in-service capital assets). These capital assets have lives longer than one year, with many having a useful life of 30 years or more. Long-lived assets should be funded with a combination of long-term debt and equity and should have an appropriate rate of return. Conversely, working capital activities, such as operations and maintenance expenses, should be funded primarily with short-term debt to align with the short-term nature of these costs. The introduction of short-term debt financing into long-term financing horizons needlessly mismatches asset financing time spans with the assets' useful lives, increases financial risk, and

[21] *Id.*

[22] Decision (D.) 22-12-031 at 4.

[23] *Id.*, n.2.

raises the risk of negative reactions by both credit rating agencies and investors. As such, it is inappropriate to include short-term debt as part of total capitalization when considering the appropriate authorized capital structure.

C. EDF's Recommendation of 55% Debt Is Without Merit

EDF recommends a capital structure with at least 55% debt for each utility, acknowledging the detrimental impacts to credit quality.[24] EDF's analysis, however, is without support and should be given short shrift.

First, the Debt Ratio Scenarios presented by EDF claims to quantify the impact of a higher debt ratio on both the credit rating and cost of debt.[25] However, the break points of a higher debt ratio's impact on credit ratings are based solely on Moody's debt/book capitalization benchmark, which has only a 7.5% weighting in the Moody's rating methodology,[26] ignoring other important factors such as the rating agencies' assessment of business risk, including regulatory constructiveness and energy transition risk. In S&P's Industry Credit Outlook on North America Regulated Utilities, S&P currently ranks California's regulatory construct "more credit supportive," which is only one level higher than the lowest "credit supportive" ranking.[27] S&P recently revised downward its assessment of one state, Connecticut, from "more credit supportive" to "credit supportive" due to its expectation that "the state's regulated utilities will be increasingly subject to below-average authorized ROEs, regulatory lag, and an inconsistent ability to earn their lower authorized ROEs," explaining that such developments "will increase

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[24] Direct Testimony of Richard McCann (Ex. EDF-01) at 15-16.

[25] *Id*. at 15-16.

[26] Source: Moody's Rating, Rating Methodology, "Regulated Electric and Gas Utilities" (August 6, 2024).

[27] Source: S&P Global Ratings, Industry Credit Outlook 2025, North America Regulated Utilities (January 14, 2025).

the utilities' cash flow volatility, decrease the stability of their financial performances, and weaken their ability to consistently manage regulatory risk."[28] Notably, 40 states are currently ranked higher than California. EDF's analysis assumes that a debt to book capitalization ratio of 55% will result in a BBB credit rating but this ratio risks a lower downgrade due to additional business and regulatory risk that SoCalGas has laid out in direct testimony. EDF's analysis omits these risks.

Second, EDF's rating-based yield calculations gather data from a source that cannot be reasonably compared to SoCalGas's expected cost of debt. A closer inspection of the ICE BofA US Corporate Index Effective Yield shows that the weighted average life of the bonds that comprise each respective index decreases as the credit ratings decrease. The weighted average life of each index should be reasonably close to be useful in the analysis that EDF attempts to present. Table 2 below shows that the indices generally underestimate 30-year debt costs relative to the AAA index. SoCalGas's embedded cost of debt is weighted heavily with 30-year and 10-year bonds in line with the funding of long-life capital assets (as discussed earlier). The ability to issue debt at these longer periods would be negatively impacted by lower ratings, especially at the ratings of BB or B. Bonds at lower ratings are much less attractive to investors and would cost significantly more than what EDF is proposing, as discussed further below. In sum, EDF's debt-ratio scenarios are based upon misplaced assumptions and do not reasonably capture the impact of credit downgrades. This analysis does not support the reasonable balance of debt and equity within an authorized capital structure and should be dismissed.

[28] *Id.*

TABLE 2 – ICE BofA US Corporate Index Weighted Average Life

Index	Weighted Average Life of Bonds (Years)
AAA	16.20
AA	11.23
A	9.69
BBB	9.91
BB	5.00
B	4.54

Third, EDF presents an unsupported claim that "PG&E's long term debt rate only increased 41 basis points (i.e., 0.41%)"[29] after its 2019 bankruptcy as purported evidence that "the risk of rising debt cost may be even less than depicted in these scenarios."[30] An analysis of PG&E's actual credit spreads at issuance, which is the incremental amount above the treasury rate paid to investors to compensate for them for the risk of purchasing the bond, is considered a key indicator of the impact of a credit ratings change. Table 3 below compares the average credit spread for 30-year issuances from the pre-bankruptcy years of 2013-2016 to the average credit spread for 30-year issuances from the post-bankruptcy years of 2020-2023 and shows a 220% increase of approximately 147 basis points in average credit spread. This is a significantly larger impact to the cost of debt than the 41 basis points that EDF proposes. It should also be noted as shown in Table 3 below, PG&E switched from issuing senior notes pre-bankruptcy to issuing first mortgage bonds (FMB) post-bankruptcy. First mortgage bonds are "secured" instruments that can be used to mitigate the incremental risk, and therefore higher spreads, generally associated with senior unsecured notes of the same rating. EDF provides no explanation or support for their claim that credit downgrades have a minimal impact on the cost of debt.

[29] Direct Testimony of Richard McCann (Ex. EDF-01) at 16.

[30] *Id*.

TABLE 3 – PG&E CREDIT SPREADS ON 30-YEAR ISSUANCES[31]

Settlement Date	Tenor	Moody's Rating	Type[32]	Spread
3/30/2023	30	Baa3	FMB	295
1/6/2023	30	Baa3	FMB	295
2/18/2022	30	Baa3	FMB	290
6/19/2020	30	Baa3	FMB	200
			2020-2023 Average	**270**
12/1/2016	30	A3	Senior Note	110
11/5/2015	30	A3	Senior Note	140
11/6/2014	30	A3	Senior Note	130
2/21/2014	30	A3	Senior Note	110
6/14/2013	30	A3	Senior Note	125
			2013-2016 Average	**123**

As a further matter, EDF understates the financial impact of a credit downgrade by failing to consider how credit ratings also impact the cost of short-term debt. SoCalGas pays fees on its revolving credit facility and rates on commercial paper based on its credit rating, with a downgrade resulting in higher financing expenses. Moreover, increasing debt to such levels could violate existing financial covenants. These covenants are contractual agreements with lenders that typically include limits on leverage ratios, interest coverage, and other financial metrics. Breaching these covenants could result in technical defaults, forcing SoCalGas to renegotiate terms under duress, pay penalties, or even accelerate repayment obligations, each of which would increase costs that would be passed on to ratepayers.

In summary, EDF's proposal not only risks SoCalGas's current credit standing but also threatens its financial stability and operational flexibility. Any increase to SoCalGas's long-term debt ratio would be unjustified and signal a less supportive regulatory environment. EDF's

[31] Source: SEC EDGAR search, *available at:* https://www.sec.gov/edgar/search/.

[32] FMB represents "First Mortgage Bond". Senior Notes are unsecured debt instruments.

recommendation fails to appropriately balance ratepayer and shareholder interests and should be rejected.

D. PCF's Recommendation Does Not Appropriately Balance SoCalGas's Capital Structure Ratios

PCF Witness Ellis recommends a common equity ratio of 52.9%. Mr. Ellis recommends that the Commission direct SoCalGas to retire its existing preferred equity with a secondary recommendation that if the existing preferred equity is maintained, the total equity ratio – common and preferred – should still be 52.9% (of which only 0.16% would be preferred).[33]

As a threshold matter, the issue of retiring SoCalGas's preferred equity is not in scope for this proceeding and, therefore, any argument along those lines should not be considered because the issue of retiring SoCalGas's preferred equity is not a scoped issue in this proceeding. Regarding PCF's proposal to change the authorized preferred equity ratio, SoCalGas made a similar proposal in the 2023 Cost of Capital proceeding, requesting to shift preferred stock to common equity to support its credit profile and align with its actual capital structure. The Commission declined to adopt this proposal, reasoning that SoCalGas's existing authorized capital structure was appropriately distributed among long-term debt, common equity and preferred stock.[34] In addition, credit agencies view preferred equity as a hybrid of long-term debt and common equity.[35] Any consideration for reducing preferred equity in the capital structure would need to be balanced appropriately between long-term debt and common equity so as to maintain SoCalGas's A credit rating and support efficient access to capital markets.

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[33] Direct Testimony of Mark E. Ellis (Ex. SC/PCF-01) at 95.

[34] D.22-12-031 at 8-10.

[35] Source: Moody's Ratings, Rating Methodology, "Financial Statement Adjustments in the Analysis of Nonfinancial Corporations" (October 9, 2024).

E. WTF's Proxy Group Analysis is Full of Errors and Should be Dismissed

WTF recommends shifting 200 basis points from the common equity to the long-term debt ratio. Mr. Rothschild claims to select the same proxy group of companies as Mr. Nowak; however, WTF's analysis presents the capital structures of utility holding companies,[36] which is not a relevant comparison to utility operating companies. The rebuttal testimony of Mr. Nowak addresses the flaws in Mr. Rothschild's proxy group selection[37] and details why the robust analysis that determined SoCalGas's proxy group presented in Mr. Nowak's direct testimony is more reasonable and appropriate. On this topic, the direct testimony of Mr. Nowak evaluates SoCalGas's proposed capital structure against the weighted average capital structures for each of the proxy group operating companies, finding that SoCalGas's "proposed common equity ratio of 52.00 percent is within the range of actual common equity ratios of 47.37 percent to 60.03 percent."[38]

III. EMBEDDED COSTS OF LONG-TERM DEBT

A. Summary of Intervenors' Embedded Costs Recommendations

Cal Advocates and PCF recommend lowering SoCalGas's embedded cost of debt while EDF proposes to increase the embedded cost of debt. Notably, EPUC, Indicated Shippers, and TURN[39] and WTF[40] do not object to SoCalGas's proposed embedded cost of debt. The embedded cost of debt proposal of SoCalGas is contrasted with the intervenors' proposals in Table 4.

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[36] Direct Testimony of Aaron L. Rothschild (Ex. WTF-01E) at 4.

[37] Rebuttal Testimony of Joshua C. Nowak (Ex. SCG-06) at Section XII: Market to Books Ratio.

[38] Direct Testimony of Joshua C. Nowak (Ex. SCG-03) at 45.

[39] Direct Testimony of Michael P. Gorman (Ex. EPUC/IS/TURN-01) at 255.

[40] Direct Testimony of Aaron Rothschild (Ex. WTF-01E) at 10.

TABLE 4 – SUMMARY OF COST OF LONG-TERM DEBT PROPOSALS

	SoCalGas Proposed*	Cal Advocates[41]	EDF	PCF
Embedded Cost of Long-Term Debt	5.02%	3.89%	5.62%	4.99%

*And not objected to by EPUC, Indicated Shippers, and TURN and WTF.

Intervenors' embedded cost of debt presentations contains errors, flaws and inconsistencies that do not justify a deviation from the long-standing method of calculating embedded cost of debt in cost of capital proceedings and should be dismissed. These recommendations are inappropriate for multiple reasons, as discussed below.

B. Cal Advocates and PCF's Cost of Long-Term Debt Recommendations Lack Support and Should be Rejected

Cal Advocates appears to recommend a cost of debt of 3.89%[42] or 4.75%[43], which should be rejected for several reasons. There is no meaningful support for a lower recommendation than that proposed by SoCalGas in my Direct Testimony. In fact, Cal Advocates appears to even agree with each of the IOUs recommendations for cost of debt (thus, including that proposed by SoCalGas), as Dr. Woolridge states in testimony that "I have employed the proposed long-term debt and preferred stock cost rates proposed by the Companies"[44] and "I am also accepting the senior capital cost rates proposed by the Companies."[45] These statements are reinforced in Cal Advocates' apparent adoption of the cost of debt figures of each of the other utilities, yet the cost of debt figures for SoCalGas appear to be those proposed by SoCalGas in a prior cost of capital

[41] Direct Testimony of J. Randall Woolridge (Ex. Cal Adv-01) at 6.

[42] *Id.* at 6.

[43] *Id.* at 35.

[44] *Id.* at 5.

[45] *Id.* at 34.

proceeding or by another utility in the instant proceeding and simply were not updated for this proceeding in these Tables and in the Rate of Return calculation. Cal Advocates' inconsistent and unsupported recommendation should be rejected.

PCF recommends a lower cost of debt of 4.99% in addition to the lower equity ratio discussed previously and a lower ROE, which is addressed in the rebuttal testimony of Mr. Nowak. Throughout PCF's testimony, Mr. Ellis acknowledges that a lower equity ratio would lead to a credit downgrade and higher cost of debt.[46] PCF's recommended scenario downgrades SoCalGas's credit rating to A3 from A2 and would lower SoCalGas's cost of debt from SoCalGas's proposal. As laid out in my direct testimony, however, SoCalGas's embedded cost of debt forecasts the credit spreads based on current credit ratings, as SoCalGas's credit rating is unlikely to be upgraded in the near term given that none of the rating agencies have categorized SoCalGas with a positive outlook. PCF's logic is flawed and lacks credibility as a lower credit rating would only increase the cost of long-term debt for future issuances and, therefore, increase SoCalGas's embedded cost of debt. Accordingly, PCF's recommendation for a lower embedded cost of debt is unreasonable and should be rejected.

SoCalGas's long-standing methodology for calculating embedded cost of long-term debt is reasonable and should be adopted. As described in my prepared direct testimony, SoCalGas uses the same cost of debt calculation the Commission has previously adopted, proposing an embedded cost of long-term debt of 5.02%. Consistent with previous cost of capital proceedings, SoCalGas recommends setting the authorized cost of debt equal to the forecasted embedded cost of debt through the end of the 2026 test year. The derivation of the embedded cost of debt includes the actual historical costs associated with the issuance and servicing of past long-term

[46] Direct Testimony of Mark E. Ellis (Ex. SC/PCF-01) at 90.

debt issuances currently outstanding. SoCalGas's updated calculation utilizes recorded embedded cost of debt as of the end of July 2025 and incorporates SoCalGas's current projection of long-term debt. This methodology has been found to be reasonable in previous Cost of Capital proceedings, as the Commission has stated: "[c]onsistent with past practice, we conclude that the latest available interest rate forecast should be used to determine embedded debt cost in cost of capital proceedings."[47]

The Commission should continue to find SoCalGas's methodology, including the use of S&P Global Insight's forecasted treasury rates, to be reasonable and adopt SoCalGas's embedded cost of long-term debt proposal.

IV. LATE FILED EXHIBIT: EMBEDDED COST OF DEBT

As required by the California Public Utilities Commission (Commission or CPUC) in cost-of capital proceedings, Southern California Gas Company (SoCalGas) submits this late-filed exhibit (cost of debt), which contains updates to various interest-rate related data associated with the 2026 forecasted cost of long-term debt. SoCalGas's recommended embedded cost of debt of 5.02% remains unchanged and there are no resulting changes to the rate and bill impacts of SoCalGas's capital structure and embedded cost proposals.

Table A-1 of Appendix A compares the March 2025 forecast to the August 2025 forecast of the 30-Year U.S. Treasury Bond Yield and company-specific credit spread.

Table A-2 of Appendix A contains an updated calculation of SoCalGas's proposed embedded cost of long-term debt, which includes actual activity through July 2025 and projected 30-year first mortgage bond issuances through 2026. The updated embedded cost of debt

[47] D.22-12-031 at 12.

calculation uses the August 2025 forecast of the 30-year Treasury bond yield and company-specific credit spread.

Table A-3 of Appendix A compares SoCalGas's original weighted average cost of capital proposal with SoCalGas's updated proposal, which remains unchanged.

VI. CONCLUSION

SoCalGas maintains that its requested capital structure and embedded cost proposals are appropriate for promoting the best interest of ratepayers and shareholders and supporting investment grade credit. Therefore, SoCalGas respectfully requests that the Commission approve its capital structure and embedded costs of debt and preferred equity proposals.

This concludes my rebuttal testimony.

EXHIBIT SCG-05 - APPENDIX A

LATE-FILED EXHIBIT

(EMBEDDED COST OF DEBT)

TABLE A-1
Southern California Gas Company
Test Year 2026 Cost of Capital
Interest Rate Projections
(All figures in %)

	February 2025 Forecast[1]	August 2025 Forecast[2]
	2026 Average	2026 Average
30-Year Treasury		
Credit Spread	1.19	1.07
30-Year US Treasury Bond Yield	4.37	4.53
Total Interest Rate	**5.56**	**5.60**

(1) Source: © 2025 S&P Global Market Intelligence February 2025 forecast, plus forecasted company-specific credit spread

(2) Source: © 2025 S&P Global Market Intelligence August 2025 forecast, plus forecasted company-specific credit spread

TABLE A-2
Southern California Gas Company
Test Year 2026 Cost of Capital
Updated Embedded Cost of Long-Term Debt
(figures in dollars unless otherwise stated)

Line #	Description	A Principal	B Total Discounts and Expenses	C Net Proceeds (A - B)	D Total Annual Cost	E Effective Rate (D / C)
1	SERIES EE	-	15,905	(15,905)	88,340	
2	SWISS FRANCS	4,338,770	-	4,338,770	81,352	1.88%
3	MEDIUM TERM NOTE	5,000,000	-	5,000,000	283,500	5.67%
4	SERIES KK	250,000,000	3,960,222	246,039,778	14,507,007	5.90%
5	SERIES MM	300,000,000	3,816,052	296,183,948	15,502,202	5.23%
6	SERIES NN	350,000,000	5,478,830	344,521,170	13,307,628	3.86%
7	SERIES OO	250,000,000	43,939,736	206,060,264	12,494,732	6.06%
8	SERIES TT	500,000,000	5,229,164	494,770,836	13,525,544	2.73%
9	SERIES UU	400,000,000	4,575,075	395,424,925	16,652,502	4.21%
10	SERIES VV	550,000,000	5,820,812	544,179,188	23,844,027	4.38%
11	SERIES WW	350,000,000	4,681,730	345,318,270	13,981,058	4.05%
12	SERIES XX	650,000,000	7,145,065	642,854,935	17,289,507	2.69%
13	SCG 2027 NOTE	700,000,000	8,783,510	691,216,490	22,406,702	3.24%
14	SERIES YY	600,000,000	8,670,990	591,329,010	38,389,033	6.49%
15	SERIES ZZ	500,000,000	5,212,169	494,787,831	26,521,217	5.36%
16	SERIES AAA	500,000,000	7,716,513	492,283,487	29,007,217	5.89%
17	SERIES BBB	500,000,000	8,371,870	491,628,130	28,279,062	5.75%
18	SERIES CCC	600,000,000	7,655,185	592,344,815	31,065,519	5.24%
19	SERIES DDD	600,000,000	7,763,153	592,236,848	33,476,315	5.65%
20	SERIES EEE	500,000,000	12,182,623	487,817,378	30,406,087	6.23%
21	**Total Outstanding (as of 7/31/25)**	**8,109,338,770**	**151,018,602**	**7,958,320,168**	**381,108,551**	**4.79%**
22						
23	**Changes During 2025**[1]					
24	SERIES EE Retirement	-	(15,905)	15,905	(88,340)	
25	Total Changes	-	(15,905)	15,905	(88,340)	
26	**Total Outstanding (at 12/31/25)**	**8,109,338,770**	**151,002,697**	**7,958,336,073**	**381,020,211**	**4.79%**
27						
28	**Changes During 2026**[1]					
29	30-Year Issuance	1,000,000,000	15,440,496	984,559,504	56,482,928	5.74%
30	SWISS FRANCS Retirement	(4,338,770)	-	(4,338,770)	(81,352)	-1.88%
31	SERIES TT Retirement	(500,000,000)	(5,229,164)	(494,770,836)	(13,525,544)	-2.73%
32	Total Changes	495,661,230	10,211,332	485,449,898	42,876,032	0.23%
33	**Total Outstanding (at 12/31/26)**	**8,605,000,000**	**161,214,029**	**8,443,785,971**	**423,896,243**	**5.02%**
34						
35	**Forecasted TY 2026 Embedded Cost of Long-Term Debt**					**5.02%**
36						
37	(1) Timing and amount of the forecast provided are subject to change based on market conditions and management's discretion.					

TABLE A-3
Southern California Gas Company
Test Year 2026 Cost of Capital Proposal
(All figures in %)

	Original Proposal March 2025			Updated Proposal August 2025		
	Weight	Cost	Weighted Cost	Weight	Cost	Weighted Cost
Long-Term Debt	45.60	5.02	2.29	45.60	5.02	2.29
Preferred Equity	2.40	6.00	0.14	2.40	6.00	0.14
Common Equity	52.00	11.00	5.72	52.00	11.00	5.72
Total	100.00		8.15	100.00		8.15