

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

In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year 32 (2025-2026) of Its Gas Cost Incentive Mechanism.

A.26-06-\_\_\_\_\_  
(Filed June 15, 2026)

**APPLICATION OF SOUTHERN CALIFORNIA GAS  
COMPANY (U 904 G) REGARDING YEAR 32 (2025-2026)  
OF ITS GAS COST INCENTIVE MECHANISM**

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**Dated:** June 15, 2026

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**I. INTRODUCTION**

Southern California Gas Company (SoCalGas) hereby submits its thirty-second 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.<sup>1</sup> 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, 2026 (Year 32). This report documents the market conditions experienced during Year 32 as well as the ongoing monitoring and evaluation of SoCalGas's procurement and hedging activities. The monitoring and evaluation

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<sup>1</sup> 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,<sup>2</sup> as well as providing monthly monitoring reports to the CPUC, which included a calculation of year-to-date GCIM benefit to retail core customers,<sup>3</sup> 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 retail core customers during Year 32, as SoCalGas was able to purchase gas at \$46.4 million below the GCIM benchmark for the year, resulting in a retail core customer benefit of \$37.4 million in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 32 shareholder reward is calculated pursuant to the GCIM formula to be \$8,973,166.

## **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 retail 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 retail core class. The original GCIM affected approximately 75 percent of SoCalGas's total gas purchases.

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<sup>2</sup> The Utility Reform Network (TURN) is also invited to the biweekly meetings.

<sup>3</sup> Retail core Customers are generally residential customers and small businesses.

The original GCIM established a benchmark against which to measure the price SoCalGas pays for retail core and core subscription gas supply. The benchmark was based on a combination of monthly gas price indices published in Natural Gas Intelligence, Inside FERC Gas Market Report, and a New York Mercantile Exchange (NYMEX) component for gas futures. The GCIM proposal included a “tolerance band” to allow SoCalGas to meet objectives related to service reliability and supply security. The approved tolerance band was initially established at four and one-half percent during the first year of the GCIM and four percent for the subsequent two years.

In establishing the GCIM in D.94-03-076, the Commission ordered the Commission Advisory and Compliance Division (CACD) to conduct an evaluation of the GCIM by August 1, 1996, to provide the Commission with guidance regarding the success or failure of the program prior to its three-year completion. The Public Advocates Office of the California Public Utilities Commission (Cal PA), formerly the Office of Ratepayer Advocates (ORA) was tasked with auditing SoCalGas’s annual GCIM reports.<sup>4</sup>

#### **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:

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<sup>4</sup> 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.

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

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

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.<sup>6</sup>

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

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

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

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.

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.<sup>7</sup>

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 retail core ratepayers and 10% to shareholders.
- The calculation of the requested shareholder award for the GCIM Year shows; (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

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<sup>7</sup> 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.<sup>8</sup>

In D.26-02-058, the Commission reaffirmed the continued value of the GCIM, finding that the “GCIM and [Pacific Gas & Electric Company’s Core Procurement Incentive Mechanism] continue to advance the Commission’s original goals of reducing regulatory burden, providing clear incentives, enabling innovation, and aligning ratepayer and shareholder interests.”<sup>9</sup> The decision ordered SoCalGas to include additional information in future GCIM applications: “In its annual Gas Cost Incentive Mechanism Report, Southern California Gas Company shall: (i) identify gains and excess costs from physical gas hedges and how the physical hedges are incorporated in benchmark costs and actual costs; (ii) identify border and citygate purchase and sale information separately, rather than combined; and (iii) identify benchmark costs and volumes by basin and monthly indices.”<sup>10</sup>

### C. GCIM Year 31

SoCalGas filed A.25-06-012 on June 13, 2025, requesting a GCIM shareholder reward of \$8,374,056 in its most recent GCIM application for Year 31. During Year 31, SoCalGas continued to provide its retail core customers with reliable gas supplies, at \$42,142,370 below the GCIM benchmark for the year, resulting in a retail core customer benefit of \$33,768,315 in lower gas costs. On October 15, 2025, Cal PA served its Monitoring and Evaluation Report for GCIM Year 31 and recommended approval of SoCalGas’s requested shareholder reward.

On March 19, 2026, the Commission issued D.26-03-011, in which the Commission approved SoCalGas’s application request in A.25-06-012 and granted SoCalGas a shareholder

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<sup>8</sup> D.20-02-007 at p. 13 (Ordering Paragraph 2).

<sup>9</sup> D.26-02-058 at p. 183 (Finding of Fact 107).

<sup>10</sup> D.26-02-058 at p. 200 (Ordering Paragraph 11).

reward of \$8,374,056.<sup>11</sup>

### **III. PURPOSE OF APPLICATION AND RELIEF SOUGHT**

The purpose of this Application is to request a GCIM shareholder reward of \$8,973,166 for SoCalGas's performance in Year 32 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 32 SoCalGas purchased gas at \$46.4 million below the GCIM benchmark, providing a benefit of \$37.4 million in lower gas costs. The actual cost of all purchases by SoCalGas subject to the GCIM was \$1,147,200,255, while the benchmark cost was \$1,193,553,232. 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 \$8,973,166. SoCalGas has further included in Attachment A the additional information required by D.20-02-007 and D.26-02-058.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 32 shareholder reward of \$8,973,166.

### **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 “rate setting” 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.

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<sup>11</sup> D.26-03-011 at 14 (Ordering Paragraph 1).

The issue to be considered in this proceeding is whether SoCalGas should be rewarded the GCIM Year 32 shareholder reward of \$8,973,166 it has requested. This Application does not identify any safety consideration associated with its requested relief.

SoCalGas proposes the following schedule for this Application:

<b><u>EVENT</u></b>	<b><u>DATE</u></b>
SoCalGas files Application	June 15, 2026
Deadline for responses to Application	within 30 days Daily Calendar notice
Prehearing Conference	August 14, 2026
Cal PA Monitoring Report	October 15, 2026
Comments on Cal PA Report	October 30, 2026
Reply Comments (if any) on Report	November 6, 2026
Proposed Decision	December 2026
Commission Decision	January 2027

**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:

Gregory Healy  
*Regulatory Business Manager for:*  
**Southern California Gas Company**  
555 West Fifth Street, GT14D6  
Los Angeles, California 90013-1011  
Tel: (213) 264-7135  
E-mail: ghealy@socalgas.com

A copy should also be sent to:

Jeffrey B. Fohrer  
*Attorney (and Party) for:*  
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Tel: (213) 244-3061  
Fax: (213) 629-9620  
E-mail: [jfohrer@socalgas.com](mailto: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 32 Report will be a sufficient basis for the Commission to reach a decision without hearings as it has been able to do for the last several years. 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 are 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

March 31, 2026, 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 32 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 tax 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, the Tax Cuts and Jobs Act of 2017, the Inflation Reduction Act of 2022, and the One Big Beautiful Bill Act of 2025.

**L. Proxy Statement – Rule 3.2(a)(8)**

A copy of the most recent proxy statement, dated April 14, 2026, was provided to the Commission by letter dated April 27, 2026, and is incorporated herein by reference.



## 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 15, 2026, at Los Angeles, California.

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

## ATTESTATION

1. I am Senior Vice President (SVP), Strategy and Financial Planning and Treasurer 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 15, 2026.

Executed on June 15, 2026, at Los Angeles, California.



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Jawaad Malik  
Southern California Gas Company  
Senior Vice President, Strategy and  
Financial Planning and Treasurer

**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, 2025, through March 31, 2026**

**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 retail core customers. This report summarizes the results of the SoCalGas Gas Acquisition Department's (Gas Acquisition) activities on behalf of retail core procurement customers of SoCalGas and San Diego Gas & Electric Company (SDG&E) under the GCIM during the period April 1, 2025, through March 31, 2026 (GCIM Year 32). This report also details the shareholder reward calculation under the GCIM for Year 32 as set forth in SoCalGas's GCIM Preliminary Statement Part VIII.

**II. GCIM Year 32 Market Conditions<sup>1</sup>**

**Storage Fundamentals Entering GCIM Year 32**

The 2024-2025 winter season ended colder than normal across the eastern United States. The eastern U.S. recorded 1,375 Gas-Weighted Heating Degree Days during the 2024-2025 winter, approximately 1.8% above the ten-year normal.<sup>2</sup> Lower 48 working natural gas inventories at the start of the April 2025 injection season stood at approximately 1,773 Bcf, roughly 4% below the five-year average and the lowest level since 2022.<sup>3</sup> The Mountain and Pacific regions were the exception, entering the April 2025 injection season with inventories 53% and 18% above their respective five-year averages. That regional contrast became increasingly significant as the year progressed. Due to low working natural gas inventories in the Lower 48, winter 2025-2026 (November 2025 through March 2026) Henry Hub futures increased from a low of \$4.11 per MMBtu on 1/05/2025 to \$5.22 per MMBtu on 3/11/2025. Despite having ample natural gas

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<sup>1</sup> Fundamental market condition information in this section is from the April 2026 issue of Energy Information Administration (EIA) Natural Gas Monthly unless otherwise noted.

<sup>2</sup> Data from Vaisala Xweather.

<sup>3</sup> U.S. natural gas inventories in underground storage ended the winter at a three-year low. U.S. Energy Information Administration (April 2025).

inventories in the Pacific region, winter 2025-2026 SoCal Citygate futures remained high, averaging approximately \$6.00 per MMBtu entering into the injection season and reaching a high of \$6.72 per MMBtu on 6/06/2025. The market expected high natural gas prices for winter 2025-2026.

### **Summer 2025 Injection Season**

The summer 2025 injection season in the Lower 48 opened under two simultaneous pressures; low initial inventories and elevated demand. U.S. liquefied natural gas (LNG) exports grew approximately 25% year-over-year, from 11.9 Bcf/day in 2024 to 15.1 Bcf/day in 2025, as new export capacity came online during the year.<sup>4</sup> Combined with low inventory levels, this drove daily prices at Henry Hub to open the injection season near \$4.20 per MMBtu in early April before settling into a range of approximately \$2.80 to \$3.50 per MMBtu through most of the summer. On a seasonal basis, Henry Hub prompt-month futures averaged \$3.30 per MMBtu, 42% higher than the same period in 2024.<sup>5</sup>

Higher prices encouraged producers to expand output. Dry natural gas production reached a record in 2025, averaging 107.7 Bcf/day, an increase of 4.7 Bcf/day over the prior year.<sup>6</sup> As a result of higher natural gas prices, natural gas usage in the power sector declined for the first time in four years as coal-fired generation increased.<sup>7</sup> During the injection season, net injections into Lower 48 storage totaled 2,105 Bcf, 11% above the five-year average.<sup>8</sup> By October 31, 2025, the Lower 48 held 3,915 Bcf, 4.3% above the five-year average, and the Pacific Region reached 318 Bcf, 12% above its five-year average. The storage deficit that had characterized the start of the year had been fully recovered, and the market entered winter with a surplus.

### **Winter 2025-2026**

In the Lower 48, the winter season opened with an early and sharp demand surge. The 14-day period between November 27 and December 10, 2025 registered the highest natural gas demand

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<sup>4</sup> EIA Natural Gas Monthly March 2026 publication.

<sup>5</sup> Platts Gas Daily, historical NYMEX Henry Hub gas futures.

<sup>6</sup> EIA Natural Gas Monthly March 2026 publication.

<sup>7</sup> EIA Hourly Electric Grid Monitor.

<sup>8</sup> U.S. natural gas inventories enter winter at similar level to 2024, the most since 2016. U.S. Energy Information Administration (November 2025).

on record for that span of the calendar year.<sup>9</sup> The EIA reported three consecutive triple-digit weekly withdrawals of 177 Bcf, 167 Bcf, and 166 Bcf, rapidly eroding the 172 Bcf storage surplus that entered winter to a 24 Bcf deficit relative to the five-year average by December 19. A return to mild temperatures in late December moderated prices, and the net pricing impact from that early cold event proved limited.

The defining event of the winter was Winter Storm Fern, which swept through the Lower 48 from January 23 through 27, 2026. Extreme cold from New Mexico to New England caused freeze-offs across the Permian Basin, Appalachia, and the Haynesville Shale, reducing production by as much as 17 Bcf/day. Working natural gas inventories fell 360 Bcf for the week ending January 30, 2026, the largest weekly net withdrawal in history<sup>10</sup> and 89% above the five-year average for that week. Henry Hub spot prices surged to an all-time high of \$30.565 per MMBtu on January 26, surpassing the prior record of \$23.605 per MMBtu set during Winter Storm Uri in February 2021. February 2026 First of the Month (FOM) index for Henry Hub settled at \$7.49 per MMBtu in the aftermath of Fern, while the SoCal Citygate FOM for the same month settled at \$4.96 per MMBtu, reflecting meaningfully different supply and demand conditions in the Western region. Even though the cold air from Fern did not invade the SoCalGas territory, storage withdrawals helped SoCalGas customers avoid \$120 million in energy costs during the event. SoCalGas reduced customer exposure to volatile market conditions by withdrawing lower-cost natural gas purchased earlier at approximately \$3 per MMBtu instead of purchasing flowing supplies at \$30 per MMBtu in the natural gas wholesale marketplace.<sup>11</sup> Two less severe cold events followed in February but had limited market impact.

By the close of winter, national storage had largely recovered from the Fern drawdown. Lower 48 working gas inventories ended the season 4.8% above the five-year average, compared to the 5.6% deficit reached in the immediate aftermath of Winter Storm Fern. The recovery, however, was uneven across regions.

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<sup>9</sup> Natural Gas Market Indicators – December 11, 2025. American Gas Association (December 2025).

<sup>10</sup> Record natural gas stock withdrawals during week ending January 30, 2026. U.S. Energy Information Administration (February 2026).

<sup>11</sup> Sempra Energy. “Regional natural gas storage helped Southern Californians avoid over \$120 million in energy costs during Winter Storm Fern”. 01 April 2026, <https://www.sempra.com/newsroom/press-releases/regional-natural-gas-storage-helped-southern-californians-avoid-over-120>. Press release.

### **Ample Storage in California and the Western Region Mitigated Price Volatility**

While Winter Storm Fern produced historic price volatility across much of the country, California and the broader Western region experienced a markedly different winter. Pacific Region storage entered the season 12% above the five-year average and remained above average throughout ending the winter 50% above the five-year benchmark. SoCalGas Storage ended the winter only 45.3 Bcf (38%) below full capacity, compared to the Lower 48, which ended the winter 61% below full capacity. SoCal Citygate spot prices traded at a discount to Henry Hub for most of the season, and the retail core's highest demand did not occur until February 19, 2026.

The regional divergence was clearly represented in FOM index results for the November 2025 through March 2026 winter period. SoCal Citygate FOM prices averaged \$4.18 per MMBtu, the lowest of the past five winter seasons. By contrast, Henry Hub FOM averaged \$4.595 per MMBtu for the same period, the second highest over the past five winters, and New York Transco Zone 6 FOM averaged \$10.62 per MMBtu, the highest of any of the past five winters.<sup>12</sup>

At the national level, Lower 48 storage closed the winter above the five-year average, but that aggregate figure reflects a significant regional disparity. East and Midwest inventories ended the season at a deficit to the five-year average, while Mountain and Pacific inventories remained well above historical norms, a divergence that shielded California natural gas customers from the historic price volatility that characterized the broader national market throughout the year.

### **III. Overview of Year 32 GCIM Results**

Table 1 below summarizes overall performance under the GCIM during the last 32 years. Notably, SoCalGas retail core customers captured the vast majority of the benefits of reduced gas costs relative to the GCIM benchmark (Benchmark) and have realized approximately \$2.0 billion out of the total \$2.3 billion in lower gas commodity costs. Additionally, a GCIM Summary for the past 32 years that provides details on the comparison to benchmark sharing band amounts is included in Appendix A.

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<sup>12</sup> Natural Gas Intelligence Bidweek Historical Data.

**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	395.0	22.7	417.6
2024	30	0.99	362	1,213	3.36	1,288	3.56	60.4	13.9	74.3
2025	31	0.91	331	790	2.39	832	2.51	33.8	8.4	42.1
2026	32	0.86	315	821	2.61	868	2.75	37.4	9.0	46.4
<b>Total GCIM Years</b>		<b>0.98</b>	<b>11,473</b>	<b>44,711</b>	<b>3.90</b>	<b>47,003</b>	<b>4.10</b>	<b>1,985.4</b>	<b>311.9</b>	<b>2,297.3</b>

Note 1: Numbers may not add up exactly due to rounding.

\* Years 1- 3 exclude benefits related to Storage Incentive Mechanism ("SIM"), which was eliminated in GCIM 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 32, Gas Acquisition acquired gas at \$46.4 million below the Benchmark, providing core customers with a benefit of \$37.4 million in lower gas commodity costs. The Benchmark consists of a volume-weighted average of published indices<sup>13</sup> for the locations where Gas Acquisition purchases gas for its core customers. Gas Acquisition's average

<sup>13</sup> Publications used to calculate the GCIM benchmark include Natural Gas Intelligence Bidweek Survey, S&P Global Platts Inside FERC's Gas Market Report, and S&P Global Commodity Insights Canadian Gas Reporter.

Net Unit Cost was \$2.61 per MMBtu, which is \$0.14 per MMBtu below the Benchmark Unit Cost of \$2.75 per MMBtu.

During GCIM Year 32, Gas Acquisition purchased a net 315 million MMBtus of gas for its retail core load. Gas Acquisition's interstate capacity rights, which are primarily on the El Paso, Transwestern, Kern River and Gas Transmission Northwest pipeline systems, enabled retail core procurement requirements to be met primarily 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 32 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; (4) off-system parks or loan costs and revenues which are a component of GCIM actual costs; and (5) net hedging gains or losses broken down by winter hedges and other hedges.

**TABLE 2**  
**GCIM BENCHMARK AND ACTUAL COSTS**  
**YEAR ENDED MARCH 31, 2026**

	<u>Benchmark</u>	<u>Actual</u>	<u>Over/(Under)</u> <u>Benchmark</u>		
Commodity	\$ 846,332,014	\$ 777,081,325	\$ (69,250,689)		
SMS Net Revenue		(13,819,981)	(13,819,981)		
Off System Park and Loans		-	-		
Hedging (25% WH + Other)*	<u>21,241,584</u>	<u>57,959,277</u>	<u>36,717,693</u>		
Total Commodity	867,573,598	821,220,621	(46,352,977)		
Transportation	<u>325,979,635</u>	<u>325,979,635</u>	-		
Total	<u>\$ 1,193,553,232</u>	<u>\$ 1,147,200,255</u>	<u>\$ (46,352,977)</u>		
				Ratepayers'	Shareholders'
				Share	Share
1% Tolerance Band - 100% Ratepayer			\$ 8,675,736	\$ 8,675,736	\$ -
Amount Subject to 75%/25% Sharing			34,702,944	26,027,208	8,675,736
Amount Subject to 90%/10% Sharing			2,974,297	2,676,868	297,430
Excess of 1.5% Shareholder Cap - 100% Ratepayer			-	-	-
Total			<u>\$ 46,352,977</u>	<u>\$ 37,379,811</u>	<u>\$ 8,973,166</u>
				81%	19%
<u>Hedging Costs/(Revenue)</u>	<u>Total</u>	<u>* Included in GCIM</u>			
Other	\$ -	\$ -			
Winter Financial Transactions	80,460,565	20,115,141			
Winter Physical Transactions	<u>151,376,541</u>	<u>37,844,135</u>			
Total Hedging	<u>\$ 231,837,106</u>	<u>\$ 57,959,277</u>			

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

Total benchmark costs for GCIM Year 32 were \$1,193,553,232 and total actual costs were \$1,147,200,255 which resulted in the under-benchmark amount of \$46,352,977. Included in total actual costs are \$777,081,325 of commodity costs, \$325,979,635 of transportation costs, net SMS revenues of \$13,819,981 and net hedging costs of \$57,959,277. 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 \$37,379,811 or 81% of the total, with the remaining 19% allocated to shareholders.

Table 3 below is a comparison of GCIM Year 32 costs with GCIM Year 31 costs broken down by (1) Commodity Costs; (2) Transportation Costs (3) SMS Net Revenues; (4) Off-System Park

and Loan Costs and Revenues, and (5) Net Hedging Costs/Revenues including winter hedge transactions.

**TABLE 3**  
**COMPARISON OF GCIM YEAR 31 AND YEAR 32**  
**BENCHMARK AND ACTUAL COSTS**  
**YEAR ENDED MARCH 31**

	<u>Year 32</u>	<u>Year 31</u>	<u>Difference</u>
Commodity Benchmark	\$ 867,573,598	\$ 831,963,730	\$ 35,609,868
Commodity Actual	777,081,325	787,720,449	(10,639,124)
SMS Net Revenue	(13,819,981)	(20,079,592)	6,259,611
Off System Park and Loans	-	(837,500)	837,500
Hedging (25% WH + Other)*	<u>57,959,277</u>	<u>23,018,003</u>	<u>34,941,274</u>
Total Commodity	821,220,621	789,821,359	31,399,261
Over/(Under) Benchmark	<u>\$ (46,352,977)</u>	<u>\$ (42,142,370)</u>	<u>\$ (4,210,607)</u>
Ratepayers' Share	\$ 37,379,811	\$ 33,768,315	\$ 3,611,497
Shareholders' Share	<u>8,973,166</u>	<u>8,374,056</u>	<u>599,110</u>
	46,352,977	42,142,370	4,210,607
Transportation	\$ 325,979,635	\$ 370,118,488	\$ (44,138,854)
<u>Hedging Costs/(Revenue)</u>			
Other	\$ -	\$ 1,006	\$ (1,006)
Winter Financial Transactions	80,460,565	2,282,815	78,177,750
Winter Physical Transactions	<u>151,376,541</u>	<u>89,785,172</u>	<u>61,591,369</u>
Total Hedging	<u>231,837,106</u>	<u>92,068,993</u>	<u>139,768,114</u>
*Included in GCIM (25% WH + Other)	\$ 57,959,277	\$ 23,018,003	\$ 34,941,274

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

The commodity benchmark for GCIM Year 32 was \$35,609,868 higher than the commodity benchmark for GCIM Year 31. This increase was driven by higher published index prices used to calculate the benchmark for GCIM Year 32 compared to GCIM Year 31. Actual commodity costs for GCIM Year 32 were \$10,639,124 lower than GCIM Year 31 due to lower net purchase volumes. GCIM Year 32 net SMS revenue totaling \$13,819,981 was lower than GCIM Year 31 by \$6,259,611. Hedging costs included in GCIM Year 32 were \$57,959,277 compared to

\$23,018,003 in GCIM Year 31. There were no off-system park and loan activities in GCIM Year 32 as opposed to GCIM Year 31 revenue of \$837,500. Each of these factors contributed to an under-benchmark amount for GCIM Year 32 that was \$4,210,607 higher than in GCIM Year 31. Transportation costs for GCIM Year 32 were approximately \$44 million lower than in GCIM Year 31. 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 retail core customers, to manage gas costs and mitigate price volatility proactively using 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 a 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, and back-office operations. This expertise has continually developed over the last thirty-one 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 32 and provided reliable gas supplies at reasonable gas commodity costs for retail core customers given existing market conditions.

GCIM Year 32 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.

In addition to meeting the foregoing objectives, SoCalGas's Gas Acquisition procurement activities continued to promote customer affordability with reliable supplies at a reasonable cost to help lessen retail core customer bills. SoCalGas's Gas Acquisition procurement activities were conducted to achieve the primary objectives of supply reliability at a reasonable cost within the context of the market conditions previously described. Gas Acquisition accomplished these objectives in GCIM Year 32 by:

- Meeting retail core requirements during the peak demand season (November to March) with firm long-term contracts,<sup>14</sup> monthly baseload, and after-market purchases. In GCIM Year 32, Gas Acquisition maintained a gas supply portfolio comprised of long-term supply transactions (84%) and month-to-month baseload transactions (20%). Daily purchase and sale transactions, while significant in absolute volumes, contributed -4% on a net basis (net sale).<sup>15</sup>
- Meeting its share of the January, February, March 2026 month-end minimum GCIM storage targets.<sup>16</sup>
- Reaching a core purchased inventory level of 68.74 Bcf on July 31<sup>st</sup>, 2025, which met Gas Acquisition's 47 Bcf GCIM mid-season target.
- Reaching a core physical storage inventory on October 31<sup>st</sup>, 2025, of 79.60 Bcf (reflects a flat net SMS position and includes 4.27 Bcf of Core Transportation Aggregation (CTA) volumes) which falls within the November 1 GCIM target of 80.025 Bcf +/-2 Bcf.

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<sup>14</sup> Contracts with terms greater than one month.

<sup>15</sup> Excluding 75% volumes associated with Winter Hedge Physical Purchases and Sales.

<sup>16</sup> Provided in the Southern California Gas Company Winter 2025-2026 Technical Assessment dated November 6, 2025.

- 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. 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 and/or hedge 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 manage retail core’s available interstate pipeline and storage rights efficiently to deliver reliable gas at a reasonable cost to its retail core customers. Reliable service is provided to our retail core customers by developing a portfolio of gas supplies that is diversified by contract type, geographic region, and supplier in addition to managing a portfolio of interstate transportation contracts that are diversified with multiple paths for transporting those supplies. Gas Acquisition uses Commission-approved tools, including purchases, sales, loans, parks, wheels, derivatives, and transportation contracts. These tools allow Gas Acquisition’s ability to make economic use of retail 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 (AL) 3969 and 6355, SoCalGas submitted AL 6358 on August 30, 2024, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Years 32 and 33 based on the 2024 California Gas Report core procurement load forecasts for SoCalGas and SDG&E.<sup>17</sup> The minimum firm capacity required for the period April to October 2025 was established at 832 MDth/day, while the minimum required for November 2025 to March 2026 was 924 MDth/day. Appendix C to this report shows that SoCalGas’s interstate capacity holdings during each month of GCIM Year 32 met these minimum capacity requirements and did not exceed the maximum requirements.

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<sup>17</sup> Details on the calculation of the capacity planning range are in AL 6358 Attachment A “SoCalGas’s Combined Portfolio Calculations and Workpapers based on the 2024 California Gas Report.”

### **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 natural gas hedging for California natural gas 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 32, SoCalGas's winter hedge activities resulted in a \$146,870,770 total cost above benchmark prices of which 25% or \$36,717,693 was included in the GCIM under benchmark amount. The remaining 75% or \$110,153,078 of the cost above benchmark was allocated to ratepayers outside of GCIM. For GCIM Year 32, the winter hedge transactions included physical gas purchases and sales<sup>18</sup> that were received/delivered and financial transactions. Winter hedge physical gas costs/revenues were subject to the same benchmark as other physical transactions. The total net cost for winter hedge physical gas transactions was \$151,376,541 of which 25% or \$37,844,135 was included in the GCIM calculation subject to a benchmark amount of \$21,241,584 which resulted in the over-benchmark amount of \$16,602,551.<sup>19</sup> Winter hedge financial transactions for GCIM Year 32 resulted in a net cost of \$80,460,565 of which 25% or \$20,115,141 was included in the GCIM.

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<sup>18</sup> Winter hedge physical purchase and sales transactions are compared to a benchmark consisting of a volume-weighted average of published indices to determine above or below benchmark costs in the same manner as non-winter hedge physical transactions. Per D.10-01-023, 25% of costs and revenue from Gas Acquisition's winter hedge physical transactions are included in GCIM actual costs.

<sup>19</sup> In OP 11 of D.26-02-058, SoCalGas was directed in its annual Gas Cost Incentive Mechanism Report to (i) identify gains and excess costs from physical gas hedges and how the physical hedges are incorporated in benchmark costs and actual costs; (ii) identify border and citygate purchase and sale information separately, rather than combined; and (iii) identify benchmark costs and volumes by basin and monthly indices. The information requested in (i) of OP 11 is identified herein in Attachment A. With respect to the information in items (ii) and (iii) in OP 11 of D.26-02-058, such information is confidential inasmuch as it is market-sensitive core procurement information including transaction-level details on natural gas purchases and sales, basin pricing, transportation costs, counterparties, and related hedging or storage activity. Further, this information reflects SoCalGas's procurement strategies, portfolio management decisions, and market behavior. It is commercially sensitive and treated as confidential within SoCalGas because disclosure would enable market participants to analyze or anticipate SoCalGas's procurement activity and pricing approach, which could distort competitive dynamics and result in higher commodity costs for retail core customers, which if disclosed could place Gas Acquisition at an unfair business disadvantage and result in increased costs to retail core ratepayers. Accordingly, pursuant to OP 11 of D.26-02-058 and not to waive confidentiality for this market-sensitive information, SoCalGas identifies such information by identifying that it can be found in the monthly reports submitted confidentially to Cal Advocates and Energy Division and the annual GCIM report submitted confidentially and concurrently with SoCalGas's GCIM application.

The Public Advocates Office (Cal PA) and Energy Division staff were kept informed of SoCalGas's winter hedge activities primarily via bi-weekly conference calls during GCIM Year 32.

## **V. GCIM Monitoring and Evaluation**

Throughout the GCIM program, SoCalGas works 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 (e.g., bi-weekly meeting conference calls).<sup>20</sup> Pursuant to the provisions of General Order 66-D Revision 3 and D.25-01-005, SoCalGas provides a monthly report, 60 days after the end of each month, to Cal PA and Energy Division on a confidential basis. These reports include a calculation of year-to-date GCIM benefit to retail core customers, total monthly actual costs and benchmark dollars, benchmark prices, current year capacity holdings and a capacity utilization by pipeline report.

SoCalGas also communicated on a bi-weekly basis and supplemented by ad hoc meetings as needed with Cal PA and the Energy Division on all important Gas Acquisition issues during Year 32, including market conditions, system outages and winter hedging activities. Finally, SoCalGas's GCIM activities abide by the CPUC 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 32 results that GCIM continues to be a successful program that provides measurable and substantive benefits to SoCalGas's retail core customers. During Year 32, 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 \$46.4 million below the GCIM benchmark, resulting in a core ratepayer benefit of \$37.4 million in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 32 shareholder reward is calculated pursuant to the GCIM formula in SoCalGas Preliminary Statement Part VIII to be \$9.0

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<sup>20</sup> The Utility Reform Network, or TURN, is also invited to these meetings.

million. Therefore, SoCalGas recommends that the Commission approve a GCIM Year 32 shareholder reward of \$8,973,166.

## **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	\$ 92,963,047
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
31	\$ 1,202,082,218	\$ 1,159,939,848	\$ 42,142,370	\$ 16,639,275	N/A	\$ 8,319,637	\$ 33,278,549	\$ 544,184	\$ -	\$ 33,822,733
32	\$ 1,193,553,232	\$ 1,147,200,255	\$ 46,352,977	\$ 17,351,472	N/A	\$ 8,675,736	\$ 34,702,944	\$ 2,974,297	\$ -	\$ 37,677,241
	\$ 52,976,640,409	\$ 50,679,309,982	\$ 2,297,330,427	\$ 965,908,975	\$ 10,066,644	\$ 436,739,811	\$ 1,104,452,415	\$ 427,568,366	\$ 252,969,691	\$ 1,598,671,939

\* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 32.

\*\* For Years 4-6, GCIM Gain(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-32, 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's Citygate.

## **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

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 1-7:**

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

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

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

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

Response to Affiliate Transaction Reporting Requirements Section:

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

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

- The middle portions of Table II-C-1 corresponding to each horizontal column and vertical row will be called cells.
6. For each cell in Table II-C-1 the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:
- a) The appropriate column heading for that affiliated entity; and,
  - b) The row corresponding to the appropriate USOA account category.
7. The following information shall be reported in the corresponding cells of Table II-C-1:
- The total transfer price assigned to this USOA account for any goods or services provided by the utility to the affiliated entity;
  - The allocated cost, if different from the transfer price, for any goods or services provided by the utility to the affiliated entity;
  - Allocated costs as a percentage of total recorded costs for the USOA account;
  - The ratio for each USOA account of the actual total recorded expenses versus total expenses authorized in the utility's most recent General Rate Case (expressed as a percentage).

**Response:**

See attached Table II-C-1 for charges to affiliates.

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 Gas & Power Marketing, LLC 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.

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.

Response to Affiliate Transaction Reporting Requirements Section:

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

**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  
 2025 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 12/31/25

USOA Acct	Item/Services Description	Cost Allocation Methodology	Sempra	Pacific Enterprise Oil Company	Sempra Infrastructure Services	Sempra Gas & Power Marketing, LLC	Total
146	Accounting & Finance	A	\$ 227,792	\$ -	\$ -	\$ -	227,792
	Corporate Budgets	A	\$ 1,390	\$ -	\$ -	\$ -	1,390
	Human Resources	A & B	\$ 12,702,851	\$ -	\$ 40,164	\$ -	12,743,015
	Information Technology	A	\$ 734,059	\$ -	\$ -	\$ -	734,059
	Oil/Gas Assessment & E	A	\$ -	\$ 43,267	\$ -	\$ -	43,267
	Depreciation	A	\$ 5,730,906	\$ -	\$ 144,731	\$ -	5,875,637
	Real Estate & Facilities	A	\$ 773,663	\$ -	\$ -	\$ -	773,663
803	Gas Sales	C	\$ -	\$ -	\$ -	\$ 4,752,174	4,752,174
	<b>Total</b>		<b>\$ 20,170,661</b>	<b>\$ 43,267</b>	<b>\$ 184,895</b>	<b>\$ 4,752,174</b>	<b>25,150,998</b>



# Southern California Gas Company

## Annual Report on Affiliate Transactions

### 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.

Response to Affiliate Transaction Reporting Requirements Section:

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

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

7. For each cell in Table II-D-1, the utility shall aggregate all transactions for goods and/or services provided by the affiliated entity under:
  - 1) The-appropriate column heading for that affiliated entity; and,
  - 2) The row corresponding to the appropriate USOA account category.
8. The following information shall be reported in the corresponding cells of Table II-D-1;
  - The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
  - The allocated cost, if different from the transfer price, as calculated by the affiliated entity as the cost for any goods or services provided to the utility;
  - The fair market value of the goods and service provided, if determined;
  - Allocated costs as a percentage of total recorded costs for the USOA account.
9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilized to determine fair market value.

**Response:**

Using the format provided for Table II-D-1 (attached), the costs of all goods and services provided to Southern California Gas Company by affiliated entities during the reporting period have been presented. The costs have been accumulated by USOA account and by affiliated entity.

In accordance with the Affiliate Compliance Guidelines (see Section II-B-VII), the “transfer price” for goods and services provided to Southern California Gas Company by Sempra 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 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 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

Response to Affiliate Transaction Reporting Requirements Section:

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

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 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.

**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.

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 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.

**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.

Response No. 10 (Cont'd):

**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.

Response to Affiliate Transaction Reporting Requirements Section:

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

**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.

**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 2025, 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

## 2025 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 12/31/25

USOA Account	Account Description	Sempra	Sempra Gas & Power Marketing, LLC	Gasoducto de Aguaprieta	Total	% of USOA Account
107	Construction Work In Progress	5,871,949	-	-	5,871,949	<1.00%
165	Prepayments	15,863,723	-	-	15,863,723	26.56%
184	Clearing Accounts	2,465,153	-	-	2,465,153	141.44%
417	Expenses of nonutility operations	2,315,590	-	-	2,315,590	27.25%
426	Expenditures for certain civic, political and related activities.	1,342,712	-	-	1,342,712	7.89%
803	Natural Gas Transmission Line Purchases	37,601	1,297,983	11,861	1,347,445	<1.00%
832	Maintenance of Reservoirs and Wells	3,329,999	-	-	3,329,999	21.52%
859	Other Expenses	61,506	-	-	61,506	<1.00%
910	Miscellaneous Customer Serv And Informational Expe	448,014	-	-	448,014	14.34%
923	Outside Services Employed	80,218,679	-	-	80,218,679	45.46%
924	Property Insurance	588,908	-	-	588,908	18.25%
925	Injuries And Damages	54,505,634	-	-	54,505,634	66.66%
926	Employee Pensions And Benefits	5,271,010	-	-	5,271,010	1.88%
928	Regulatory Commission Expenses	266,241	-	-	266,241	2.29%
930	Miscellaneous General Expenses	200,067	-	-	200,067	1.33%
	<b>Total:</b>	<b>172,786,786</b>	<b>1,297,983</b>	<b>11,861</b>	<b>174,096,630</b>	

## **Appendix C**

### **Southern California Gas Company Core Firm Transportation Capacity Holdings**



**Attachment B**

Southern California Gas Company  
Balance Sheet and Income Statement

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
MARCH 31, 2026**

		2026
<b>1. UTILITY PLANT</b>		
101	UTILITY PLANT IN SERVICE	\$29,739,451,444
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	1,719,594,091
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(9,146,576,861)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(291,811,947)
117	GAS STORED-UNDERGROUND	61,422,045
	TOTAL NET UTILITY PLANT	22,082,078,772
<b>2. OTHER PROPERTY AND INVESTMENTS</b>		
121	NONUTILITY PROPERTY	37,672,758
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(15,233,995)
123	INVESTMENTS IN SUBSIDIARY COMPANIES NONCURRENT PORTION OF ALLOWANCES	-
124	OTHER INVESTMENTS	1
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	98,578,877
	LONG-TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS	-
	TOTAL OTHER PROPERTY AND INVESTMENTS	121,017,641

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
MARCH 31, 2026**

<b>3. CURRENT AND ACCRUED ASSETS</b>		<b>2026</b>
131	CASH	399,079
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	120,773
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	928,614,486
143	OTHER ACCOUNTS RECEIVABLE	54,226,897
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(176,128,415)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	28
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	(3,202,290)
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	135,110,586
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	1,254,884,038
	NONCURRENT PORTION OF ALLOWANCES	-
163	STORES EXPENSE UNDISTRIBUTED	54,005
164	GAS STORED	131,729,769
165	PREPAYMENTS	46,783,437
171	INTEREST AND DIVIDENDS RECEIVABLE	800,717
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	8,262,289
175	DERIVATIVE INSTRUMENT ASSETS	7,914,522
	LONG-TERM PORTION OF DERIVATIVE INSTRUMENT ASSETS	-
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>2,389,569,921</b>
<b>4. DEFERRED DEBITS</b>		
181	UNAMORTIZED DEBT EXPENSE	51,999,376
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	(19,540,796,541)
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	3,137,020
184	CLEARING ACCOUNTS	(19,537,659,521)
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	570,392,988
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	-
190	ACCUMULATED DEFERRED INCOME TAXES	1,123,110,659
191	UNRECOVERED PURCHASED GAS COSTS	-
	<b>TOTAL DEFERRED DEBITS</b>	<b>7,195,301,718</b>
	<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$ 31,787,968,052</b>

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS  
MARCH 31, 2026**

**5. PROPRIETARY CAPITAL**

	2026
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	(6,937,424,423)
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	16,897,638
TOTAL PROPRIETARY CAPITAL	<b>(9,258,139,908)</b>

**6. LONG-TERM DEBT**

221 BONDS	(7,400,000,000)
224 OTHER LONG-TERM DEBT	(709,338,770)
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	(56,153)
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	24,600,906
CURRENT PORTION OF LONG-TERM DEBT	-
TOTAL LONG-TERM DEBT	<b>(8,084,794,017)</b>

**7. OTHER NONCURRENT LIABILITIES**

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(206,152,677)
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(93,964,525)
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(32,961,763)
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
245 LONG TERM PORTION OF DERIVATIVE INSTRUMENT LIABILITY	-
230 ASSET RETIREMENT OBLIGATIONS	(3,119,667,689)
TOTAL OTHER NONCURRENT LIABILITIES	<b>(3,452,746,654)</b>

SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS  
MARCH 31, 2026

8. CURRENT AND ACCRUED LIABILITIES		2026
	CURRENT PORTION OF LONG-TERM DEBT	-
231	NOTES PAYABLE	(499,074,486)
232	ACCOUNTS PAYABLE	(577,191,544)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(30,261,790)
235	CUSTOMER DEPOSITS	(77,463,691)
236	TAXES ACCRUED	(108,254,878)
237	INTEREST ACCRUED	(112,002,117)
238	DIVIDENDS DECLARED	(323,266)
241	TAX COLLECTIONS PAYABLE	(35,334,881)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(304,107,006)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(30,430,965)
244	DERIVATIVE INSTRUMENT LIABILITIES	(18,511,607)
	LONG-TERM PORTION OF DERIVATIVE INSTRUMENT LIABILITIES	-
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	(1,792,956,231)
9. DEFERRED CREDITS		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(112,439,242)
253	OTHER DEFERRED CREDITS	(1,227,934,446)
254	OTHER REGULATORY LIABILITIES	(4,332,864,503)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(4,969,545)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(2,703,132,997)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(817,990,509)
	TOTAL DEFERRED CREDITS	(9,199,331,242)
	TOTAL LIABILITIES AND OTHER CREDITS	\$ (31,787,968,052)



**STATEMENT OF INCOME AND RETAINED EARNINGS  
THREE MONTHS ENDED MARCH 31, 2026**

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**3. RETAINED EARNINGS**

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	6,513,635,852
NET INCOME (FROM PRECEDING PAGE)	\$424,111,837
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(323,266)
DIVIDENDS DECLARED - COMMON STOCK	-
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	<u><u>6,937,424,423</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**  
v.5-15-2026

<b>Calculation of GCIM Award \$/therm:</b>	
GCIM Award \$000	\$8,973
Core Sales per 2024TCAP Mth/yr	3,472,673
<b>GCIM Award \$/th</b>	<b>\$0.00258</b>

**Attachment D**

Southern California Gas Company  
Statement of Original Cost and  
Depreciation Reserve

**SoCalGas**  
**Plant Investment and Accumulated Depreciation**  
**As of March 31, 2026**

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
<b>INTANGIBLE ASSETS</b>				
301	Organization	76,457	-	76,457
302	Franchise and Consents	602,060	-	602,060
303	Cloud Compute	344,693,958	(82,747,428)	261,946,531
	Total Intangible Assets	<u>345,372,476</u>	<u>(82,747,428)</u>	<u>262,625,048</u>
<b>PRODUCTION</b>				
325	Other Land Rights	-	-	-
330	Prd Gas Wells Const	-	-	-
331	Prd Gas Wells Eqp	-	-	-
332	Field Lines	-	-	-
334	FldMeas&RegStrnEquip	-	-	-
336	Prf Eqpt	-	-	-
	Total Production	<u>-</u>	<u>-</u>	<u>-</u>
<b>UNDERGROUND STORAGE</b>				
350	Land	4,435,130	-	4,435,130
350SR	Storage Rights	19,069,515	(17,762,586)	1,306,929
350RW	Rights-of-Way	25,354	(20,692)	4,662
351	Structures and Improvements	207,939,830	(45,553,396)	162,386,434
352	Wells	822,232,912	259,791,609	1,082,024,521
353	Lines	269,375,610	(33,743,633)	235,631,976
354	Compressor Station and Equipment	657,493,928	(116,669,707)	540,824,221
355	Measuring And Regulator Equipment	36,025,615	(7,212,660)	28,812,955
356	Purification Equipment	197,954,403	(107,117,417)	90,836,986
357	Other Equipment	178,912,050	(45,681,647)	133,230,402
	Total Underground Storage	<u>2,393,464,347</u>	<u>(113,970,130)</u>	<u>2,279,494,217</u>
<b>TRANSMISSION PLANT- OTHER</b>				
365	Land	9,542,816	-	9,542,816
365RW	Rights-of-Way	129,867,969	(34,236,105)	95,631,863
366	Structures and Improvements	352,641,692	(46,731,039)	305,910,654
367	Mains	4,252,922,118	(1,031,526,680)	3,221,395,438
368	Compressor Station and Equipment	755,710,471	(148,594,791)	607,115,680
369	Measuring And Regulator Equipment	520,353,823	(85,549,816)	434,804,007
370	Communication Equipment	158,740,314	(48,726,015)	110,014,299
371	Other Equipment	53,726,760	(10,814,273)	42,912,487
	Total Transmission Plant	<u>6,233,505,962</u>	<u>(1,406,178,719)</u>	<u>4,827,327,243</u>
<b>DISTRIBUTION PLANT.</b>				
374	Land	29,737,007	-	29,737,007
374LRTS	Land Rights	3,796,483	(2,511,394)	1,285,089
375	Structures and Improvements	530,121,186	(109,554,572)	420,566,613
376	Mains	7,598,158,958	(3,499,816,951)	4,098,342,006
378	Measuring And Regulator Equipment	280,484,053	(118,680,970)	161,803,083
380	Services	4,588,873,485	(2,565,098,853)	2,023,774,632
381	Meters	1,102,661,352	(474,388,227)	628,273,125
382	Meter Installation	743,420,195	(327,122,376)	416,297,819
383	House Regulators	213,816,804	(105,456,637)	108,360,166
387	Other Equipment	87,467,485	(40,961,496)	46,505,989
	Total Distribution Plant	<u>15,178,537,008</u>	<u>(7,243,591,477)</u>	<u>7,934,945,531</u>

**SoCalGas**  
Plant Investment and Accumulated Depreciation  
As of March 31, 2026

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
<b>GENERAL PLANT</b>				
389	Land	1,342,839	-	1,342,839
389LRTS	Land Rights	74,300	(51,803)	22,497
390	Structures and Improvements	293,017,524	(203,933,499)	89,084,024
391	Office Furniture and Equipment	2,678,510,515	(1,936,448,088)	742,062,427
392	Transportation Equipment	2,377,444	(759,163)	1,618,281
393	Stores Equipment	291,979	(115,755)	176,225
394	Shop and Garage Equipment	184,957,195	(47,328,877)	137,628,318
395	Laboratory Equipment	11,416,496	(2,055,593)	9,360,902
396	Construction Equipment	-	-	-
397	Communication Equipments	362,836,533	(163,806,316)	199,030,217
398	Miscellaneous Equipment	2,167,067	(173,456)	1,993,611
	Total General Plant	<u>3,536,991,891</u>	<u>(2,354,672,549)</u>	<u>1,182,319,342</u>
	Subtotal	<u>27,687,871,683</u>	<u>(11,201,160,302)</u>	<u>16,486,711,381</u>
121	Non-Utility Plant	32,431,524	(14,638,737)	17,792,787
117GSUNC	Gas Stored Underground - NonCurrent	61,422,045	-	61,422,045
GCL	GCT - Capital Lease	-	-	-
	Total Other - Non-Utility Plant	<u>93,853,569</u>	<u>(14,638,737)</u>	<u>79,214,832</u>
	Total-Reconciliation to Asset History Totals	<u>27,781,725,252</u>	<u>(11,215,799,038)</u>	<u>16,565,926,213</u>
	March 2026 Asset 1020 Report	<u>27,781,725,252</u>	<u>(11,215,799,038)</u>	<u>16,565,926,213</u>
	Difference	<u>0</u>	<u>(0)</u>	<u>(0)</u>

**Attachment E**

Southern California Gas Company

Summary of Earnings

**SOUTHERN CALIFORNIA GAS COMPANY  
SUMMARY OF EARNINGS  
THREE MONTHS ENDED MARCH 31, 2026  
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$1,726
2	Operating Expenses	<u>1,225</u>
3	Net Operating Income	<u><u>\$501</u></u>
4	Weighted Average Rate Base	\$14,799
5	Rate of Return*	7.52%

\*Authorized Cost of Capital