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 24 (2017-2018) of Its Gas Cost Incentive Mechanism.	A.18-06-____ (Filed June 15, 2018)

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING YEAR 24 (2017-2018) OF ITS GAS COST INCENTIVE MECHANISM

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Dated: June 15, 2018

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APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
REGARDING YEAR 24 (2017-2018)
OF ITS GAS COST INCENTIVE MECHANISM

Southern California Gas Company (SoCalGas) hereby submits its twenty-fourth annual application (Application) under the Gas Cost Incentive Mechanism (GCIM). The Commission established the GCIM in Decision (D.) 94-03-076, modified and extended it in D.97-06-061, extended it on an annual basis beginning with Year 6 in D.98-12-057, and further modified and extended it on an annual basis beginning in Year 8 in D.02-06-023.[1] Pursuant to these decisions and SoCalGas' Tariff Preliminary Statement Part VIII, "Gas Cost Incentive Mechanism," SoCalGas is to file an application and report in June of each year to address its performance under the GCIM for the previous April 1- March 31 period (GCIM Year).

In this Application, SoCalGas provides its report on gas supply and core storage activity for the 12-month GCIM year ending March 31, 2018 (Year 24), and submits its request for Commission approval of a shareholder reward of $11,353,049 for its Year 24 performance. SoCalGas' Year 24 Annual Report is Attachment A to this Application.

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[1] Pursuant to D.02-06-023, the GCIM will continue on an annual basis until the Commission modifies or terminates it after giving interested parties notice and an opportunity to be heard. *See* D.02-06-023, mimeo., at 16, 21-22, and p. 1 of Attachment A.

I. BACKGROUND

A. Establishment of the GCIM

On March 16, 1994, the Commission approved SoCalGas' A.93-10-034 implementing a new method by which the Commission oversees the reasonableness of gas purchases and gas storage decisions made by SoCalGas on behalf of core sales customers (D.94-03-076). The Commission initially established a three-year experimental GCIM program beginning April 1, 1994. As stated in D.94-03-076, the GCIM program originally consisted of two separate elements, one that measured performance for gas procurement efforts and the other that measures performance for efficient gas storage operations for the core class. The original GCIM affected approximately 75 percent of SoCalGas' total gas purchases.

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

In establishing the GCIM in D.94-03-076, the Commission ordered the Commission Advisory and Compliance Division (CACD) to conduct an evaluation of the GCIM by August 1, 1996, to provide the Commission with guidance regarding the success or failure of the program prior to its three-year completion. The Office of Ratepayer Advocates (ORA) was given the task of auditing SoCalGas' annual reports on the GCIM.[2]

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[2] At the time of the original GCIM decision, ORA was known as the Division of Ratepayer Advocates

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

B. GCIM Year 1

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

C. GCIM Year 2

On June 17, 1996, SoCalGas filed A.96-06-029 reporting on its gas supply and storage operations during Year 2. The deadline set in D.94-03-076 for the Commission Advisory & Compliance Division (CACD), or its successor the Energy Division, to file an evaluation report passed on August 1, 1996.

On February 13, 1997, SoCalGas and ORA filed a *Joint Motion for order adopting Stipulation and Agreement, Suspending Procedural Schedule, Waiving Oral hearings, Limited Consolidation of Indicated Docket, and for Other Relief.* Among other things, the Stipulation and Agreement resolved all issues related to the Year 2 application, proposed to replace the four percent tolerance band with a tolerance band of two percent above and one-half percent below

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(DRA). Over the ensuing GCIM years, the name of this organization changed from DRA to ORA, back to DRA, and then again to ORA. To avoid confusion, this Application will simply refer to ORA throughout since that is the current name of this organization.

the benchmark, and provided for revisions to, and extension of, the GCIM program on an annual basis beyond the original expiration date of March 31, 1997.

In D.97-06-061, the Commission adopted the joint recommendation of ORA and SoCalGas with one modification. The sole modification was to limit the current extension of the GCIM to a two-year term ending March 31, 1999, "in order for the Commission to revisit this program, if it chooses, as part of its gas strategy."[3]

D. GCIM Year 3

On June 16, 1997, SoCalGas filed its Year 3 report. That filing was reviewed and accepted without modification by ORA on December 5, 1997, and approved without hearings, by the Commission in D.98-06-024.

E. GCIM Year 4

On June 18, 1998, SoCalGas filed its Year 4 report. That filing was also reviewed and accepted without modification by ORA and approved by the Commission, without hearings, in D.98-12-057. The Commission stated in Ordering Paragraph 2 of D.98-12-057 that:

> SoCalGas' GCIM is extended on an annual basis for 12-month cycles, beginning in Year 6, the period April 1, 1999 through March 31, 2000, unless the mechanism is modified or discontinued by order of the Commission.

F. GCIM Year 5

On June 15, 1999, SoCalGas filed its Year 5 report in A. 99-06-027, which was reviewed and approved without modification by ORA and was approved, without hearings, in D.00-06-039. In D.00-06-039, the Commission did not order modifications to or termination of the GCIM, but did order the Energy Division to conduct an evaluation of the GCIM before the Commission would consider modifications to the GCIM, including whether to extend or terminate the mechanism.

[3] D.97-06-061, mimeo., at 1.

G. GCIM Year 6

On June 15, 2000, SoCalGas filed its Year 6 report in A.00-06-023. On October 30, 2000, ORA issued its Monitoring and Evaluation Report of A.00-06-023, which "verified that the Commission approved sharing mechanism results in a $14.4 million benefit to ratepayers and a shareholder reward of $9.8 million." In its report, ORA supported the continuation of the GCIM into Year 7 and recommended the continuation of the GCIM program into Year 8 with two refinements to the mechanism.[4] Pursuant to D.00-06-039, on January 4, 2001, the Energy Division issued a comprehensive 37-page analysis of the history, function, and results of the GCIM. In its analysis, the Energy Division concluded that gas purchases made by SoCalGas under the GCIM "are definitely far more favorable to ratepayers than those made when reasonableness reviews were in effect."[5] The Energy Division noted that "the GCIM has achieved the Commission's goals for the GCIM," and recommended that the GCIM be continued, explaining that "the GCIM is superior to various alternatives, such as traditional reasonableness reviews, elimination of SoCalGas from the gas procurement function, or inclusion of gas procurement costs in an overall performance-based ratemaking mechanism."[6] In D.01-05-002, the Commission approved, without hearings, SoCalGas' GCIM reward for its Year 6 performance and opened Phase 2 of A.00-06-023 to address whether the GCIM should be extended with or without modification.

In D.02-06-023, the Commission approved a settlement agreement among SoCalGas, ORA, and TURN, which extended and made the following changes to SoCalGas' GCIM:

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[4] The two refinements to the GCIM for Year 8 were: 1) modification of the lower tolerance band from the current 0.5% to 1.0%, and 2) replacement of the NYMEX benchmark with published (daily or weekly) indices with a set 25% weighting. ORA GCIM Year 6 Monitoring and Evaluation Report, pp. 1-4 dated October 30, 2000.

[5] Energy Division Analysis at 20; *see also* D.02-06-023, mimeo., at p. 5 referencing the analysis.

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

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:

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

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

H. GCIM Year 7

On June 15, 2001, SoCalGas filed its Year 7 GCIM report in A.01-06-027, seeking a shareholder reward of $106.1 million. Year 7 represented an extremely volatile year in gas prices, compounded by unusually cold weather, higher wholesale electric prices, lower hydroelectric generation in the Pacific Northwest, higher electric generation demand, and lower throughput on the El Paso Natural Gas Company interstate pipeline system due to a system rupture. Despite all of these factors, SoCalGas was able to effectively manage its assets to the benefit of core ratepayers, resulting in gas for the core being purchased at an average price of $5.16 per MMBtu -- well below the benchmark of $5.72 per MMBtu.

Pursuant to the Settlement Agreement adopted in D.02-06-023, SoCalGas retroactively applied its new 1.5% commodity cost cap, and reduced its proposed GCIM Year 7 shareholder reward from $106.1 million to $30.8 million. The Commission approved SoCalGas' revised $30.8 million GCIM Year 7 shareholder reward request in D.03-08-065.

I. GCIM Year 8

SoCalGas filed A.02-06-035 on June 17, 2002, requesting an authorized shareholder reward of $17.4 million for GCIM Year 8, an amount that also reflected the retroactive

[7] D.02-06-023, mimeo, at 25-26 and p. 1 of Attachment A (the settlement agreement).

application of the new 1.5% commodity cost cap on shareholder rewards. In GCIM Year 8, California continued to experience a volatile natural gas market. Despite this volatility, the GCIM continued to provide SoCalGas' core customers with reliable natural gas supplies at below market cost. SoCalGas realized an average gas cost of $3.13 per MMBtu, $0.51 per MMBtu below the benchmark price of $3.64 per MMBtu. The Commission approved SoCalGas' $17.4 million GCIM Year 8 shareholder reward request in D.03-08-064.

J. GCIM Year 9

SoCalGas filed A.03-06-021 on June 16, 2003 summarizing its GCIM Year 9 activities and requesting an authorized shareholder reward of $6.3 million. While Year 9 provided more stability to the gas market than in the two preceding years, California's natural gas market continued to be very dynamic. Despite these changing conditions, SoCalGas' core customers continued to receive reliable natural gas supplies at $39 million below market cost. The Commission approved SoCalGas' $6.3 million GCIM Year 9 shareholder reward request in D.04-02-060.

K. GCIM Year 10

SoCalGas filed A.04-06-025 on June 15, 2004, summarizing its GCIM Year 10 activities and requesting a GCIM Year 10 shareholder reward of $2.4 million. During GCIM Year 10, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $27 million below market cost.[8] The Commission approved SoCalGas' $2.4 million GCIM Year 10 shareholder reward request in D.05-04-003.

L. GCIM Year 11

A.05-06-030 was filed on June 15, 2005, which requested a GCIM shareholder reward of $2.5 million for Year 11. SoCalGas provided natural gas supplies to its core customers at $31.4

[8] D.05-04-003, p. 3.

million below the benchmark during GCIM Year 11. On November 30, 2005, ORA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed shareholder reward of $2.5 million, but also recommended two modifications to the GCIM mechanism.[9]

1. SoCalGas should inject gas into storage on a uniform ratable basis during the injection months.
2. SoCalGas should meet a strict minimum of 70 Bcf inventory level in storage by November 1.

On February 17, 2006, ORA, TURN, and SoCalGas filed a Joint Recommendation which resolved the concerns raised by ORA in its Monitoring and Evaluation Report. Specifically, the Joint Recommendation proposed the following changes to the GCIM:

- The core's October 31 physical inventory storage target will change from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. This core physical inventory does not include any net park and net loan positions.
- If additional storage inventory capacity is allocated to SoCalGas' core beyond 70 Bcf, core's October 31 physical inventory storage target will be increased by that amount.
- SoCalGas must obtain the consent of ORA and TURN to rely upon its existing secondary storage target.
- Unless otherwise agreed to by ORA 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 ORA and TURN for mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by ORA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff.

The Joint Recommendation of ORA, TURN and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas' requested shareholder reward for Year 11 of $2.5M.[10]

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[9] ORA GCIM Year 11 Monitoring and Evaluation Report, pp. 1-2.

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

M. GCIM Year 12

SoCalGas filed A.06-06-017 on June 15, 2006 and requested a GCIM shareholder reward of $9.8 million for Year 12. During GCIM Year 12, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $69.1 million below market cost. In October 2006, ORA issued its Monitoring and Evaluation Report for GCIM Year 12 and recommended approval of SoCalGas' requested shareholder reward. The Commission approved SoCalGas' $9.8 million GCIM Year 12 shareholder reward request in D.07-11-005.

N. GCIM Year 13

SoCalGas filed A.07-06-021 on June 15, 2007, and requested a GCIM shareholder reward of $8.9 million for Year 13. During GCIM Year 13, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $57.7 million below benchmark cost. In October 2007, ORA issued its Monitoring and Evaluation Report for GCIM Year 13 and recommended approval of SoCalGas' requested shareholder reward. A.07-06-021 was approved by the Commission on January 31, 2008 (D.08-01-035), finding that SoCalGas reasonably managed its gas acquisition and operations in Year 13 within the context of the GCIM that existed at the time, and that the calculation and amount of the shareholder reward is correct pursuant to the GCIM modifications adopted in D.02-06-023.

O. GCIM Year 14

SoCalGas filed A.08-06-016 on June 16, 2008, requesting a GCIM shareholder reward of $6.5 million for Year 14. During GCIM Year 14, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $50.1 million below benchmark cost. In November 2008, ORA issued its Monitoring and Evaluation Report for GCIM Year 14 and recommended approval of SoCalGas' requested shareholder reward. In February 2009, the Commission issued D.09-02-005, approving A.08-06-016 and SoCalGas' requested shareholder reward of $6.5 million.

P. GCIM Year 15

SoCalGas filed A.09-06-014 on June 15, 2009, requesting a GCIM shareholder reward of $12 million for Year 15. During GCIM Year 15, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $75.6 million below benchmark cost. In October 2009, ORA issued its Monitoring and Evaluation Report for GCIM Year 15 and recommended approval of SoCalGas' requested shareholder reward. In January 2010, the Commission issued D.10-01-018, approving A.09-06-014 and SoCalGas' requested shareholder reward of $12 million.

Q. GCIM Year 16

SoCalGas filed A.10-06-006 on June 14, 2010, requesting a GCIM shareholder reward of $6.0 million for Year 16. During GCIM Year 16, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $39.9 million below benchmark cost. In May 2011, ORA issued its Monitoring and Evaluation Report for GCIM Year 16 and recommended approval of SoCalGas' requested shareholder reward. In September 2011, the Commission issued D.11-09-011, approving A.10-06-006 and SoCalGas' requested shareholder reward of $6 million.

R. GCIM Year 17

SoCalGas filed A.11-06-017 on June 15, 2011, requesting a GCIM shareholder reward of $6.2 million for Year 17. During GCIM Year 17, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $40.9 million below benchmark cost. In November 2011, ORA issued its Monitoring and Evaluation Report for GCIM Year 17 and recommended approval of SoCalGas' requested shareholder reward. In March 2012, the Commission issued D.12-03-016, approving A.11-06-017 and SoCalGas' requested shareholder reward of $6.2 million.

S. GCIM Year 18

SoCalGas filed A.12-06-005 on June 15, 2012, requesting a GCIM shareholder reward of $5.4 million for Year 18. During GCIM Year 18, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $37.5 million below benchmark cost. On January 18, 2013, ORA issued its Monitoring and Evaluation Report for GCIM Year 18 and recommended approval of SoCalGas' requested shareholder reward. In July 2013, the Commission issued D.13-07-037, approving A.12-06-005 and SoCalGas' requested shareholder reward of $6.2 million.

T. GCIM Year 19

SoCalGas filed A.13-06-013 on June 14, 2013, requesting a GCIM shareholder reward of $5.8 million for Year 19. During GCIM Year 19, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $34.7 million below benchmark cost. On October 25, 2013, ORA issued its Monitoring and Evaluation Report for GCIM Year 19 and recommended approval of SoCalGas' requested shareholder reward. In August 2014, the Commission issued D.14-08-017, approving A.13-06-013 and SoCalGas' requested shareholder reward of $5.8 million.

U. GCIM Year 20

SoCalGas filed A.14-06-009 on June 13, 2014, requesting a GCIM shareholder reward of $13.7 million for Year 20. During GCIM Year 20, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $70.4 million below benchmark cost. On November 14, 2014, ORA issued its Monitoring and Evaluation Report for GCIM Year 20 and recommended approval of SoCalGas' requested shareholder reward. In February 2015, the Commission issued D.15-02-008, approving A.14-06-009 and SoCalGas' requested shareholder reward of $13.7 million.

V. GCIM Year 21

SoCalGas filed A.15-06-011 on June 15, 2015, requesting a GCIM shareholder reward of $7.2 million for Year 21. During GCIM Year 21, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $43.1 million below benchmark cost. On October 12, 2015 ORA issued its Monitoring and Evaluation Report for GCIM Year 21 and recommended approval of SoCalGas' requested shareholder reward. In December 2015, the Commission issued D.15-12-011, approving A.15-06-011 and SoCalGas' requested shareholder reward of $7.2 million.

W. GCIM Year 22

SoCalGas filed A.16-06-009 on June 15, 2016, requesting a GCIM shareholder reward of $5.0 million for Year 22. During GCIM Year 22, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $28.1 million below benchmark cost. On October 14, 2016, ORA issued its Monitoring and Evaluation Report for GCIM Year 22 and recommended approval of SoCalGas' requested shareholder reward. In January 2017, the Commission issued D.17-01-007, approving A.16-06-009 and SoCalGas' requested shareholder reward of $5.0 million.

X. GCIM Year 23

SoCalGas filed A.17-06-016 on June 15, 2017, requesting a GCIM shareholder reward of $4.247 million for Year 23. SoCalGas amended its application on July 28, 2017, revising its GCIM shareholder reward slightly downward, to $4.235 million. During GCIM Year 23, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $27.2 million below benchmark cost. On October 16, 2017, ORA issued its Monitoring and Evaluation Report for GCIM Year 23 and recommended approval of SoCalGas' requested shareholder reward. In January 2018, the Commission issued D.18-01-005, approving A.17-06-016 and

SoCalGas' requested shareholder reward of $4.235 million. The decision also directs SoCalGas to meet with ORA 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.

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of $11,353,049 for SoCalGas' performance in Year 24 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 24 SoCalGas was able to purchase gas at $61.7 million below the GCIM benchmark, these purchases provided a benefit of $50.4 million in lower gas costs. The actual cost of all purchases by SoCalGas subject to the GCIM was $1,220,968,072, while the benchmark cost was $1,282,690,267. 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 $11,353,049.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 24 shareholder reward of $11,353,049.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues to be Considered, Relevant Safety Considerations, and Schedule – Rule 2.1(c)

SoCalGas proposes that this proceeding be categorized as "ratesetting" because SoCalGas' proposals will have a future effect on rates. SoCalGas does not believe that a hearing is necessary. Given the record that has already been developed in other Commission proceedings, and given the GCIM settlement adopted by the Commission in D.02-06-023, SoCalGas does not believe that its proposals in this proceeding will raise any issues of fact that will require a hearing.

The issue to be considered in this proceeding is whether SoCalGas should be rewarded the GCIM Year 24 shareholder reward of $11,353,049 it has requested. This application does not identify any safety consideration associated with its requested relief.

SoCalGas proposes the following schedule for this Application:

EVENT	DATE
SoCalGas files Application	June 15, 2018
Deadline for responses to Application (est.)	July 15, 2018
Prehearing Conference	August 15, 2018
ORA Report	October 15, 2018
Proposed Decision	January 2019
Commission Decision	February 2019

B. Authority – Rule 2.1

This Application is made pursuant to Sections 451, 454, 489, 491, 701, 728, and 729 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure, and relevant decisions, orders, and resolutions of the Commission, including D.02-06-023.

C. Corporate Information and Correspondence – Rule 2.1(a) and (b)

SoCalGas is a public utility organized and existing under the laws of the State of California. SoCalGas' principal place of business and mailing address is 555 West Fifth Street, Los Angeles, California 90013. All correspondence and communications regarding this Application should be addressed to:

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

The Commission is familiar with SoCalGas' GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 24 Report will be a sufficient basis for the Commission to reach a decision without hearings. Accordingly, SoCalGas respectfully requests that the Commission approve this Application expeditiously, and without evidentiary hearings.

E. Articles of Incorporation – Rule 2.2

SoCalGas previously filed a certified copy of its Restated Articles of Incorporation with Application No. 98-10-012, and these articles are incorporated herein by reference.

F. Balance Sheet and Income Statement – Rule 3.2(a)(1)

The most recent updated Balance Sheet and Income Statement for SoCalGas is attached to this application as Attachment B.

G. Rates – Rule 3.2(a)(2) and (3)

The rate changes that will result from this Application are described in Attachment C.

H. Property and Equipment – Rule 3.2(a)(4)

A general description of SoCalGas' property and equipment was previously filed with the Commission on May 3, 2004 in connection with SoCalGas' Application 04-05-008, and is incorporated herein by reference. A statement of Original Cost and Depreciation Reserve as of December 31, 2017 is attached as Attachment D.

I. Summary of Earnings – Rules 3.2(a)(5) and (6)

The summary of earnings for SoCalGas is included herein as Attachment E.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 24 Annual Report accompanies this Application. SoCalGas is now ready to proceed with its showing.

K. Depreciation – Rule 3.2(a)(7)

For financial statement purposes, SoCalGas has computed depreciation of utility plants on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on property additions after 1954 and prior to 1981. For financial reporting and rate purposes, "flow through accounting" has been adopted for such properties.

For property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, the Company has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems, and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

L. Proxy Statement – Rule 3.2(a)(8)

A copy of the most recent proxy statement, dated April 26, 2018, was mailed to the Commission on April 27, 2018, and is incorporated herein by reference.

M. Pass Through of Costs – Rule 3.2(a)(10)

The shareholder reward sought by SoCalGas in this Application would not simply pass through to customers costs to SoCalGas for services and commodities furnished by it.

N. Service and Notice – Rule 1.9

SoCalGas is serving this Application on all parties to A.17-06-016. Within twenty days of filing, SoCalGas will mail notice of this Application to the State of California and to cities and counties served by SoCalGas, and SoCalGas will post the notice in its offices and publish the notice in newspapers of general circulation in each county in its service territory. In addition, SoCalGas will include notices with the regular bills mailed to all customers affected by the proposed rate change.

IV. CONCLUSION

For the reasons set forth above and in Attachment A, SoCalGas respectfully requests that the Commission approve a Year 24 GCIM shareholder reward of $11,353,049 on an expedited and ex parte basis.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: */s/ Jawaad Malik*
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Vice President Gas Acquisition

By: */s/ Nancy S. Whang*
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Dated: June 15, 2018

VERIFICATION

I, Jawaad Malik, am an officer of Southern California Gas Company, and I am authorized to make this verification on its behalf. The content of this Application is true, except as to matters that are stated on information and belief. As to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 15, 2018, at Los Angeles, California.

/s/ *Jawaad Malik*
Jawaad Malik
Vice President Gas Acquisition

ATTACHMENT A

Southern California Gas Company

Annual Report on the GCIM

Southern California Gas Company

Annual Report on the Gas Cost Incentive Mechanism

April 1, 2017 through March 31, 2018

I. Summary of Year 24 GCIM Results

Over the past 24 years, the GCIM has increased the efficiency of regulation by reducing the burden of regulatory oversight and providing a structure that enables SoCalGas to focus on securing reliable, low-cost gas for its core customers. This report summarizes the results of the Gas Acquisition Department's activities on behalf of the core procurement customers of Southern California Gas Company (SoCalGas) and San Diego Gas and Electric (SDG&E) under the Gas Cost Incentive Mechanism (GCIM) during the period April 1, 2017 through March 31, 2018 (Year 24). This report also requests a shareholder reward under the GCIM for Year 24 based on the current GCIM set forth in SoCalGas' GCIM Preliminary Statement.

U.S. gas production steadily increased during the GCIM period, growing from 77 Bcfd to 85.3 Bcfd. Although U.S. gas consumption increased 2.5 Bcfd, and exports to Mexico and via LNG also increased, the production increase occurred in a relatively low-price environment. NYMEX prices had a downward bias during GCIM Year 24, dropping from $3.10 in April 2017 to $2.70 in March 2018. However, the arrival of cold winter weather across much of the U.S. resulted in prices increasing from $2.60 in late December 2016 to $3.60 by the end of January 2017. U.S. storage levels finished GCIM Year 24 at 1.35 Tcf, which is lower than the five-year average of 1.7 Tcf, due to increased winter withdrawals.

SoCal border prices traded at a discount to NYMEX prices much of the year, somewhat driven by weakening Permian prices as increasing basin production reduced available pipeline take-away capacity. SoCal Citygate prices began trading at much greater premiums to SoCal border prices midway through the GCIM year in conjunction with increased SoCalGas system maintenance which continued throughout the remainder of Year 24.

Table 1 below summarizes performance under the GCIM during the last 24 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in twenty-three of the past 24 years saving customers over $1 billion in commodity costs. Additionally, a GCIM Summary for the past 24 years delineating the various GCIM components is included in Appendix A.

TABLE 1
GCIM PERFORMANCE
YEAR ENDED MARCH 31*

Year	GCIM	Net Purchases (Border Volumes)		Net Gas Cost		Benchmark Gas Commodity Cost		Comparison to Benchmark ($Millions)		
	Year	Million MMBtu/d	Million MMBtu	Total ($ 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	$61.7
Total GCIM Years 1-24		0.976	8,560	$33,063	$3.86	$34,282	$4.00	$1,027.4	$195.2	$1,222.5

* Years 1- 3 exclude benefits related to Storage Incentive Mechanism ("SIM"), which was eliminated in Year 4. The SIM shareholder rewards for Years 1, 2, 3 were $103,364, $67,645, and $171,106 respectively.

As indicated in Table 1, Gas Acquisition acquired gas at $61.7 million below the Benchmark in Year 24. These purchases provided customers a benefit of $50.4 million in lower gas costs. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition buys gas for its core customers. Gas Acquisition's average Net Unit Cost was $2.63 per MMBtu, which is $0.17 per MMBtu below the Benchmark Unit Cost of $2.80 per MMBtu.

During Year 24, Gas Acquisition purchased a net 371 million MMBtus for its retail core load. Gas Acquisition's interstate capacity rights, which are primarily on El Paso, Transwestern, and Kern River pipeline systems, enabled the core procurement requirements to be met largely through basin purchases rather than purchases at the California border or SoCal Citygate.

II. Description of Gas Procurement Activities

SoCalGas' Gas Acquisition personnel have a high level of expertise in fundamental market analysis, gas trading, gas transportation, risk management, and back office operations. This expertise has continually been developed over the prior 23 years of operation under the GCIM. As a result, Gas Acquisition has been able to effectively manage gas procurement in the gas markets during Year 24, ultimately lowering procurement gas costs. The GCIM encourages Gas Acquisition to proactively lower gas costs and protect core customers from price volatility through the use of physical and financial trades, storage, and interstate pipeline capacity.

As in the previous 23 years of the GCIM, Year 24 results continue to show that the GCIM program is successful in meeting its objectives originally 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;
- Implement a system that is readily understandable;
- Fairly balance risk and reward for the utility, and provide positive as well as negative incentives;
- Implement a regulatory structure that allows management to focus primarily on costs and markets, rather than on CPUC proceedings; and
- Align the interests of utility shareholders with those of utility customers.

Gas Acquisition's procurement activities were conducted to achieve the primary objectives of supply security and service reliability at a low cost. SoCalGas accomplished these objectives in Year 24 by:

- Ensuring that firm long-term contracts, together with readily available monthly supplies and core storage, were adequate to meet core requirements during the peak demand season (November to March). In Year 24 SoCalGas maintained a gas supply portfolio weighted toward long-term supply agreements (68%) and month-to-month baseload agreements (32%). Daily transactions resulted in net purchases which accounted for less than 1% of the total portfolio.

- Reaching a core-purchased inventory of 35.9 Bcf on July 31, 2017, and an October 31 core physical storage inventory of 58.9 Bcf (excludes 0.07 Bcf of SMS park volumes and includes 3.4 Bcf of Core Aggregation Transportation (CAT) volumes) which is below its October 31 target of 83 Bcf +0/-2 Bcf . Pursuant to SoCalGas' GCIM Preliminary Statement, a discussion regarding deviations from storage targets is included later in this report.

- Managing the use of the rights and assets assigned to the retail core including storage inventory, injection and withdrawal rights, and flowing supply through the use of Secondary Market Services (SMS). SMS transactions and fees are based on existing market conditions and are completed on a non-discriminatory basis. SMS transactions continued to contribute to the overall lower gas costs achieved by Gas Acquisition by using assets not directly needed for reliability.

- Making physical and financial trades on behalf of core customers to reduce retail core gas costs.

- Utilizing Gas Acquisition's interstate and Backbone Transportation Service (BTS) capacity rights to provide portfolio diversification and lower the cost of gas.

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

Interstate Capacity

Pursuant to D.04-09-022 and Advice Letter 4350, SoCalGas filed Advice Letter 5006 on August 3, 2016, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 24 and 25 based on the 2016 California Gas Report. The minimum firm capacity required for the period April to October 2017 was established at 963 MDthd, while the minimum required for November 2017 to March 2018 was 1,070 MDthd. Appendix C to this report shows that SoCalGas' interstate capacity holding during each month of Year 24 met the minimum capacity requirements for the combined portfolio.

Financial Derivatives and Winter Hedging

In compliance with D.10-01-023 issued on January 25, 2010, which adopted an incentive framework to motivate optimal use of natural gas hedging for California utilities and modified the treatment of financial gains and losses for SoCalGas and SDG&E, SoCalGas continued to include 25% gains and losses and transaction costs from Gas Acquisition's winter hedging activities in the calculation of GCIM total actual costs. In Year 24, SoCalGas' winter hedge activities resulted in a loss of $0.8 million, of which $0.2 million was included in the GCIM.

The ORA and TURN staff were kept apprised of SoCalGas' winter hedge positions via bi-weekly conference calls throughout the GCIM Year 24 period.

Deviations from GCIM Storage Targets

During GCIM Year 24, SoCalGas' Preliminary Statement Part VIII Gas Cost Incentive Mechanism, Section C. 7. stated:

> The Annual Storage Inventory target on November 1 is 83 Bcf of physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions. If the November 1 target is not attained, deliveries must be made to insure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. The January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the

core) must be met. Any deviation from these storage targets should be explained in SoCalGas' annual GCIM filing.[1]

SoCalGas Gas Acquisition met its January, February, and March 2018 minimum month-end targets but was unable to meet either of its November 1 or December 1, 2017 inventory targets due to system storage limitations. On July 19, 2017, SoCalGas was authorized to inject additional storage gas into Aliso Canyon to a level of 23.6 Bcf.[2] Thus, including SoCalGas' three other storage fields, almost 74 Bcf of operational inventory capacity (including system balancing) was available for use on the system. The SoCalGas system storage level reached almost 67 Bcf in early November and almost 69 Bcf in early December. As previously stated, total core storage filled almost 59 Bcf of the October 31 system total, with noncore customers and system balancing comprising the remaining gas stored. Consequently, the inventory capacity required to meet the November 1 or December 1 GCIM storage target was physically unavailable to Gas Acquisition.

The requirement to annually set a July 31 mid-season storage target was established in D. 06-10-029 based upon a Joint Recommendation from SoCalGas, ORA, and TURN, stemming from ORA's recommendation in its Monitoring and Evaluation Report that, "SoCalGas should inject gas into storage on a uniform ratable basis during the injection months…" [3] This joint recommendation was not opposed. This Decision established a 49 Bcf target for July 31, 2006 and stated, "(f)or the years beyond 2006, SoCalGas will obtain agreement from DRA and TURN for mid-season core-purchased inventory targets which must be met unless otherwise agreed to by DRA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff."[4]

SoCalGas believes the language in D.06-10-029 is clear in that the July 31 target for any given year does not automatically extend into subsequent years, but that each year's target is only for that year. Therefore, the target must be refiled each year regardless of whether or not the actual target is changed. For each year from 2007 to 2015, SoCalGas and ORA (and TURN, when available) were

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[1] SoCalGas' Year 23 GCIM Decision, D.18-01-005, ordered certain modifications to SoCalGas' GCIM Preliminary Statement, which will be described later in this report. SoCalGas submitted Advice Letter 5255-A in compliance with D.18-01-005 to revise its Preliminary Statement, effective March 23, 2018. The language cited here, while not the current GCIM Preliminary Statement language, is the language that governed SoCalGas' requirements for GCIM Year 23.

[2] In a Directive dated December 11, 2017, the Executive Director of the CPUC authorized SoCalGas to maintain up to 24.6 Bcf of working gas at Aliso Canyon.

[3] D.16-10-029, mimeo., at p. 7. DRA, or the Division of Ratepayer Advocates, was the name used at the time by the ORA.

[4] *Id.* at p. 8.

able to come to an agreement regarding the level of the mid-season inventory target, and codified those agreements through Advice Letter filings modifying SoCalGas' GCIM Preliminary Statement. For GCIM Year 23, SoCalGas submitted Advice Letter 4981 to modify its GCIM Preliminary Statement to include a target of 25 Bcf due to limited availability of system storage. The Advice Letter was submitted on June 28, 2016 without obtaining ORA's nor TURN's agreement on establishing a target, ORA filed a protest on July 14, and the Advice Letter was rejected without prejudice on April 28, 2017. The disposition letter stated, "(a)ny deviation from the storage targets should be explained and evaluated in SoCalGas' annual GCIM filing." SoCalGas subsequently made its Year 23 GCIM filing on June 15, 2017 (A.17-06-016), in which it stated, "SoCalGas believes that because there was no agreement on a target for 2016, no target existed."

In D.18-01-005, SoCalGas' Year 23 GCIM decision, the Commission did not address SoCalGas' interpretation regarding the existence or non-existence of a July 31 target absent Advice Letter approval. Rather, at ORA's recommendation and without objection from SoCalGas, the Commission ordered SoCalGas to "confer with [ORA] in the event that SoCalGas anticipates that its mid-season core storage inventory will be less than 47.0 billion cubic feet on July 31 of each calendar year," starting with July 31, 2018 (GCIM Year 25).[5] SoCalGas was also ordered 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, commencing with GCIM Year 25.[6]

Before the issuance of D.18-01-005, on June 20, 2017, SoCalGas notified the Energy Division that after several discussions with ORA, SoCalGas had determined an agreement for a mid-season core-purchased inventory target for GCIM Year 24 was not forthcoming, and therefore SoCalGas would not be making an Advice Letter filing to modify the GCIM Preliminary Statement.

The July 31, 2017 total posted system inventory was 54.5 Bcf of which 35.9 Bcf was SoCalGas Gas Acquisition purchased gas. System inventory peaked at just under 69 Bcf in early December which included roughly 13 Bcf of non-core and CAT customers' gas, leaving 56 Bcf potentially available for use by SoCalGas Gas Acquisition. Thus, Gas Acquisition's 35.9 Bcf of purchased gas on July 31, 2017 represented over 64% of its 56 Bcf of available inventory capacity, a proportion which exceeds mid-season requirements before system storage restrictions were implemented. For instance,

[5] D.18-01-005 at p. 14, Ordering Paragraph (OP) 3.
[6] *Id.*, OP 5.

in GCIM Year 22 when SoCalGas' Gas Acquisition Department's allocated inventory capacity was approximately 80 Bcf, the established mid-season target for July 31, 2015 was 47 Bcf, reflecting less than 60% of inventory capacity allocated and available to Gas Acquisition.

SoCalGas believes that D.18-01-005 has appropriately addressed the mid-season and October/November storage target issues that began in Year 23 and persisted in Year 24. As described above, SoCalGas Gas Acquisition appropriately managed its storage rights in Year 24, despite storage restrictions that existed in Year 23 which continued during Year 24. Nonetheless, SoCalGas believes that the notification system put in place by D.18-01-005 for Year 25 and beyond should alleviate these issues going forward.

III. GCIM Monitoring and Evaluation

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

SoCalGas has also communicated frequently with the ORA and the Energy Division on all important Gas Acquisition issues during Year 24, including its winter hedging activities. Finally, SoCalGas has at all times operated within the CPUC's Affiliate Transaction Rules and related Remedial Measures.

IV. Recommendations

SoCalGas concludes from its Year 24 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 24, each of the CPUC established objectives for incentive regulation as summarized on page 3 were met, in addition to SoCalGas' primary objectives of supply security and reliable service at low cost. SoCalGas therefore recommends that the Commission approve a Year 24 shareholder reward of $11,353,049 on an expedited and ex parte basis.

Appendix A

Summary of GCIM Results to Date

SOUTHERN CALIFORNIA GAS COMPANY
APPENDIX A
Summary of GCIM Results to Date

GCIM Year	Benchmark Dollars	Actual Dollars	(Over)/Under Benchmark	Upper Tolerance Dollars *	Lower Tolerance Dollars 0.5%	Lower Tolerance Dollars 1.0%	Lower Tolerance Dollars 5.0%	Subject to Sharing**
1	$ 567,448,362.30	$ 568,566,019.81	$ (1,117,657.51)	$ 17,089,530.26	N/A			$ -
2	$ 448,713,458.73	$ 442,313,458.73	$ 6,400,000.00	$ 13,058,694.40	N/A			$ 6,400,000.00
3	$ 680,061,509.12	$ 658,875,669.99	$ 21,185,839.13	$ 22,014,553.98	N/A			$ 21,185,839.13
4	$ 672,131,591.15	$ 665,307,357.07	$ 6,824,234.08	$ 10,977,634.41	$ 2,744,408.60			$ 4,079,825.48
5	$ 649,294,620.31	$ 631,138,278.30	$ 18,156,342.01	$ 10,761,347.94	$ 2,690,337.00			$ 15,466,005.01
6	$ 1,061,264,614.31	$ 1,037,113,228.11	$ 24,151,386.20	$ 18,527,591.62	$ 4,631,897.91			$ 19,519,488.29
7	$ 2,411,105,910.49	$ 2,187,533,957.27	$ 223,571,953.22	$ 45,580,915.01	N/A	$ 22,790,457.52	$ 113,952,287.60	$ 200,781,495.70
8	$ 1,480,091,362.36	$ 1,290,296,697.89	$ 189,794,664.47	$ 26,979,669.81	N/A	$ 13,489,834.90	$ 67,449,174.52	$ 176,304,829.57
9	$ 1,506,037,786.25	$ 1,467,033,460.42	$ 39,004,325.83	$ 27,458,163.89	N/A	$ 13,729,081.94	$ 68,645,409.70	$ 25,275,243.89
10	$ 1,892,688,525.92	$ 1,865,659,815.59	$ 27,028,710.33	$ 35,140,805.34	N/A	$ 17,570,402.67	$ 87,852,013.34	$ 9,458,307.66
11	$ 2,277,899,575.12	$ 2,246,521,572.99	$ 31,378,002.13	$ 42,689,291.43	N/A	$ 21,344,645.73	$ 106,723,228.59	$ 10,033,356.40
12	$ 3,126,842,589.57	$ 3,057,709,956.84	$ 69,132,632.73	$ 59,836,551.77	N/A	$ 29,918,275.86	$ 149,591,379.39	$ 39,214,356.87
13	$ 2,308,210,816.08	$ 2,250,470,332.65	$ 57,740,483.43	$ 43,849,019.93	N/A	$ 21,924,509.96	$ 109,622,549.83	$ 35,815,973.47
14	$ 2,513,802,466.59	$ 2,463,728,945.05	$ 50,073,521.54	$ 47,972,531.01	N/A	$ 23,986,265.50	$ 119,931,327.53	$ 26,087,256.04
15	$ 2,894,131,586.73	$ 2,818,571,495.70	$ 75,560,091.03	$ 54,736,538.80	N/A	$ 27,368,269.40	$ 136,841,347.00	$ 48,191,821.63
16	$ 1,753,539,090.12	$ 1,713,612,055.95	$ 39,927,034.17	$ 31,756,473.48	N/A	$ 15,878,236.76	$ 79,391,183.73	$ 24,048,797.41
17	$ 1,750,392,489.96	$ 1,709,500,858.03	$ 40,891,631.93	$ 32,006,773.38	N/A	$ 16,003,386.68	$ 80,016,933.40	$ 24,888,245.25
18	$ 1,742,334,581.64	$ 1,704,835,266.55	$ 37,499,315.09	$ 31,696,187.25	N/A	$ 15,848,093.62	$ 79,240,468.13	$ 21,651,221.47
19	$ 1,308,126,350.96	$ 1,273,387,819.47	$ 34,738,531.49	$ 22,829,340.06	N/A	$ 11,414,670.05	$ 57,073,350.18	$ 23,323,861.44
20	$ 1,737,216,795.01	$ 1,666,818,834.18	$ 70,397,960.83	$ 31,115,452.65	N/A	$ 15,557,726.33	$ 77,788,631.63	$ 54,840,234.50
21	$ 1,598,485,093.22	$ 1,555,377,080.06	$ 43,108,013.16	$ 28,217,181.98	N/A	$ 14,108,591.01	$ 70,542,954.97	$ 28,999,422.15
22	$ 996,287,032.32	$ 968,124,519.92	$ 28,162,512.40	$ 16,006,729.40	N/A	$ 8,003,364.70	$ 40,016,823.45	$ 20,159,147.70
23	$ 1,237,875,858.43	$ 1,210,673,619.17	$ 27,202,239.26	$ 20,429,693.26	N/A	$ 10,214,846.62	$ 51,074,233.13	$ 16,987,392.64
24	$ 1,282,690,266.70	$ 1,220,968,071.94	$ 61,722,194.76	$ 20,723,317.76	N/A	$ 10,361,658.88	$ 51,808,294.41	$ 51,360,535.88
	$ 37,896,672,333.39	$ 36,674,138,371.68	$ 1,222,533,961.71	$ 711,453,988.82	$ 10,066,643.51	$ 309,512,318.13	$ 1,547,561,590.53	$ 904,072,657.58

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

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-24, the Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 1% Lower Tolerance Band, pursuant to D.02-06-023

Note: Benchmark and Actual Dollars are inclusive of all transportation costs for delivery of gas to SoCalGas' system.

Appendix B

Annual Report on Affiliate Transactions

SoCalGas

A Sempra Energy utility

Southern California Gas Company

Annual Report on Affiliate Transactions

Section C: Utility Provision of Goods and Services to Its Affiliated Entities

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

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

- The middle portions of Table II-C-1 corresponding to each horizontal column and vertical row will be called cells.

6. For each cell in Table II-C-1 the utility shall aggregate all transactions for goods and/or services it provided to each affiliated entity under:

   a) The appropriate column heading for that affiliated entity; and,
   b) The row corresponding to the appropriate USOA account category.

7. The following information shall be reported in the corresponding cells of Table II-C-1:

   - The total transfer price assigned to this USOA account for any goods or services provided by the utility to the affiliated entity;
   - The allocated cost, if different from the transfer price, for any goods or services provided by the utility to the affiliated entity;
   - Allocated costs as a percentage of total recorded costs for the USOA account;
   - The ratio for each USOA account of the actual total recorded expenses versus total expenses authorized in the utility's most recent General Rate Case (expressed as a percentage).

Response:

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 8:

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

Response:

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

(A) All services provided by SoCalGas are billed at fully loaded cost. In the case of labor charges, "fully loaded" costs include all associated labor, indirect overheads and, where applicable, a labor premium. For the shared service labor billed to the unregulated affiliates, a 5% premium is applied to fully loaded labor costs. For non-shared services to unregulated, energy-related affiliates, a 10% premium is applied to direct non-executive labor and a 15% premium is applied to direct executive labor. The Enova/Pacific Enterprises Merger Decision (D.98-03-073) requires these additional labor premiums.

(B) In most circumstances where a SoCalGas employee transfers to an affiliate company, the Enova/Pacific Enterprises Merger Decision (D.98-03-073) requires that Employee Transfer fees be charged to the affiliate. These costs are included under Human Resources and do not require overhead loadings or add-on-costs.

(C) SoCalGas sold natural gas supplies to Sempra Generation during the reporting period:

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9:

9. In addition to the information requested in Table II-C-1, each utility shall provide, as a separate document, a brief narrative description for any affiliated entity that had over $10,000 of transfer price recorded in any USOA account. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and allocated cost.

Response:

Individual "Internal Orders" have been established for charging to each affiliate company for services performed. Generally, one internal order is created for each project or type of work done. All services are billed on a monthly basis.

USOA Account 146
This account is used by SoCalGas for amounts due from affiliated companies for services provided. These amounts are billed at fully loaded cost plus appropriate labor premiums.

The nature of services billed in account 146 is as follows:

Accounting & Finance
This category includes services such as affiliate billing and costing, accounts payable, claims, business planning and budgets, and affiliate compliance.

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

External Relations
This category contains charges for community relations and corporate events.

Fleet Services
This category includes charges for the lease, maintenance, and overhead costs of vehicles being used by SoCalGas employees for affiliate-related work, as well as charges for the use of SoCalGas fleet vehicles by affiliate employees.

Gas Operations
This category includes operational support for third party damage review to affiliates. Amount shown reflects overhead adjustments due to labor corrections/changes.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9 (Cont'd):

Human Resources
This category includes the reimbursements from Sempra Energy for SoCalGas executive long-term incentive plan. It also contains human resources, disability management services, diversity, employee development, wellness, and incentive compensation billing for employees that transferred from SoCalGas to affiliates.

Information Technology
This category includes service charges for IT budgeting, service management, server engineering, mainframe, internet engineering, information protection, disaster recovery, network engineering, LAN/WAN, hardware and software maintenance, production control operations, operation control and telecom.

Oil/Gas Assessment & Extraction
This category includes billings to Pacific Enterprises Oil Company (PEOC) for lifting costs provided at the Aliso Canyon underground storage facility.

Operations Support
This category includes services such as real estate and planning, facilities and capital programs, SoCalGas support services, and SoCalGas and SDG&E environmental services.

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

Supply Management
This category supports all enterprise systems and services used by the portfolio group for procurement activities.

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9 (Cont'd):

USOA Account 803

This account is used by the SoCalGas core procurement group for amounts related to natural gas sales and purchases transactions, and associated financial derivatives gains and losses. In this report, gas sales are recorded in Section C, and gas purchases are recorded in Section D.

All purchases and sales with affiliates were the result of "arms-length" transactions through brokerage firms. Neither party had knowledge of the counterparty's identity until after commitment to the broker was made, in accordance with Affiliate Transactions Rules.

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

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For theYear Ended December 31, 2017

USOA Acct	Item/Services Description	Cost Allocation Methodology	Sempra Energy	Sempra Energy LNG Corp	Pacific Enterprise Oil Company	SE International	Sempra International, LLC	Sempra US Gas & Power LLC	US G&P - Renewables	Sempra Generation	Total
146	Accounting & Finance	A	$ 326,952	$ 5,106		$ 6,383	$ -	$ 6,397			$ 344,838
	Depreciation	A	1,951,024	2,632		1,565	2,092	119,384	9,455		2,086,152
	External Relations	A									0
	Gas Operations	A									0
	Fleet Services	A									0
	Human Resources	A & B	2,551,920	639				10,492			2,563,052
	Information Technology	A	636,701					84,762			721,463
	Oil/Gas Assessment & Extraction	A									0
	Operations Support	A	458	52		21	21	42	31		624
	Real Estate & Facilities	A	310,119								310,119
	Supply Management	A									0
	Corporate Budgets	A	507					1,503	231		2,242
803	Gas Sales	C								1,726,597	1,726,597
	Total		$ 5,777,681	$ 8,430	$ -	$ 7,969	$ 2,112	$ 222,580	$ 9,718	$ 1,726,597	$ 7,755,087

SoCalGas

A Sempra Energy utility

Southern California Gas Company

Annual Report on Affiliate Transactions

Section D: Affiliated Entities Provision of Goods and Services to the Utility

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

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-l), 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.

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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

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

8. The following information shall be reported in the corresponding cells of Table II-D-1;

- The total transfer price assigned to this USOA account for any goods or services provided by the affiliated entity to the utility;
- The allocated cost, if different from the transfer price, as calculated by the affiliated entity as the cost for any goods or services provided to the utility;
- The fair market value of the goods and service provided, if determined;
- Allocated costs as a percentage of total recorded costs for the USOA account.

9. At the end of each row, each utility shall briefly list the applicable methodology used to determine allocated cost and transfer price as well as any calculations and reviews utilized to determine fair market value.

Response:

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

In accordance with the Affiliate Compliance Guidelines (see Section II-B-VII), the "transfer price" for goods and services provided to Southern California Gas Company by Sempra Energy is recorded at fully loaded costs.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

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:

All values in Table II-D-1 related to purchased goods and services from Sempra Energy are at fully loaded cost as required by the Affiliate Compliance Guidelines (see Section II-B-VII). Goods or services directly requested by Southern California Gas Company are recorded in the appropriate USOA account. Shared services costs are allocated to Southern California Gas Company on a causal or beneficial relationship when identifiable; otherwise the shared services costs are allocated using an approved multifactor allocation method. Shared services costs received by Southern California Gas Company from Sempra Energy are analyzed and recorded to the appropriate USOA account.

All values in Table II-D-1 related to purchases/sales of energy between Sempra Generation and Southern California Gas Company are at fair market value.

USOA Account 107: Construction Work in Progress (CWIP)
This account includes gas construction work in progress assets and allocations for services provided by affiliates that support capital activities at Southern California Gas Company.

USOA Account 165: Prepayments
This account includes prepayments for taxes, insurance, interest, and disbursements made prior to the period to which they apply. The costs in this account are related to insurance premiums.

USOA Account 174: Miscellaneous Current and Accrued Assets
This account includes the cost of all other current and accrued assets not specifically provided for in other accounts.

USOA Account 183:
This account includes all expenditures for preliminary surveys, plans, investigations, etc. made for determining the feasibility of acquiring land and land rights.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

USOA Account 184: Clearing Accounts
This account includes undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to Southern California Gas Company, a portion of the cost of this service is charged to a clearing account. These are administrative and general costs related to affiliate and third-party transactions. Balances in this clearing account shall be substantially cleared not later than the end of the calendar year unless items held therein relate to a further period.

USOA Account 803: Natural Gas Transmission Line Purchases
This account is used by the SoCalGas core procurement group for amounts related to natural gas sales and purchases transactions, and associated financial derivatives gains and losses. In this report, gas sales are recorded in Section C, and gas purchases are recorded in Section D.

All purchases and sales with affiliates were the result of "arms-length" transactions through brokerage firms. Neither party had knowledge of the counterparty's identity until after commitment to the broker was made, in accordance with Affiliate Transactions Rules.

During the reporting period, Southern California Gas Company did not enter into any over-the-counter financial swap transactions with its affiliates.

USOA Account 832: Maintenance of Reservoirs and Wells
This account includes the cost of labor, materials used and expenses incurred in the maintenance of reservoirs and wells.

USOA Account 880: Other Expenses
This account includes the cost of distribution maps and records, distribution office expenses, and the cost of labor and materials used and expenses incurred in distribution systems operations not provided for elsewhere.

USOA Account 903: Customer Records and Collection Expenses
This account includes the cost of labor, materials used and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, collections and complaints.

USOA Account 908: Customer Records and Collection Expenses
This account includes the cost for customer assistance expenses as they relate to operations.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

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

USOA Account 923: Outside Services Employed
This account includes the fees and expenses of professional consultants (such as lawyers, auditors, appraisers, expert witnesses, or management, accounting, and engineering consultants) and others for general services that are not applicable to a particular operation function or to other accounts. This account includes the salaries and wages expenses of affiliate administrative and general departments that provide service to Southern California Gas Company. In addition, this account includes office supplies and expenses incurred in connection with this general administration.

USOA Account 924: Property Insurance
This account includes the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It also includes the cost of labor and related supplies and expenses incurred in property insurance activities.

USOA Account 925: Injuries and Damages
This account includes the cost of insurance or reserve accruals to protect the utility against injuries and damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of injuries and damages claims. It also includes the cost of labor and related supplies and expenses incurred in injuries and damages activities.

USOA Account 926: Employee Pensions and Benefits
This account includes stock option expenses, pension accruals or actual payments made on behalf of current employees or retired employees, payments for the purchase of annuities relating to pensions, education reimbursements, and audit fees.

USOA Account 928: Regulatory Commission Expenses
This account includes all expenses properly includible in utility operating expenses, incurred by the utility in connection with formal cases before regulatory commissions, or other regulatory bodies, or cases in which such a body is a party, including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission, its officers, agents, and employees.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2017

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

USOA Account 930: Miscellaneous General Expenses
This account includes the cost of labor and expenses incurred in connection with the general management of the Southern California Gas Company not provided for elsewhere.

USOA Account 931: Rents
This account includes rents properly includible in utility operating expenses for the property of other used, occupied, or operated in connection with the customer accounts, customer service and informational, sales, and general and administrative functions of the utility.

Request No. 11:

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

Response:

During 2017, the utility did not conduct any studies for the purpose of comparing the cost of goods or services provided during the year by affiliated entities with the costs provided by unaffiliated providers.

TABLE II-D-I
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods And Services
from Affiliated Entities To The Utility
For The Year Ended December 31, 2017

USOA Account	Account Description	Sempra Energy	Sempra Generation	Total	% of USOA Account
107	Construction Work In Progress	7,380,203	-	7,380,203	<1.00%
165	Prepayments	7,526,515	-	7,526,515	25.08%
174	Miscellaneous Current and Accrued Assets	-	-	-	<1.00%
181	Unamortized Debt Expenses	-	-	-	<1.00%
183	Prelim Survey and Investigation	233,701	-	233,701	7.25%
184	Clearing Accounts	2,965,681	-	2,965,681	<1.00%
803	Natural Gas Transmission Line Purchases	-	93,301	93,301	<1.00%
832	Maintenance of Reservoirs -Wells	37,590,867	-	37,590,867	467.66%
880	Other Expenses	1,441	-	1,441	<1.00%
903	Customer Records And Collection Expenses	-	-	-	<1.00%
908	Customer Assistance Expenses	-	-	-	<1.00%
910	Miscellaneous Customer Serv And Informational Expe	344,998	-	344,998	17.44%
920	Administrative & General Salaries	104,375	-	104,375	
921	Office Supplies And Expenses	(5,101)	-	(5,101)	<1.00%
923	Outside Services Employed	69,798,602	-	69,798,602	52.68%
924	Property Insurance	371,387	-	371,387	6.37%
925	Injuries And Damages	23,127,857	-	23,127,857	62.20%
926	Employee Pensions And Benefits	16,467,000	-	16,467,000	10.27%
928	Regulatory Commission Expenses	103,590	-	103,590	1.71%
930	Miscellaneous General Expenses	104,836	-	104,836	<1.00%
931	Rents	-	-	-	<1.00%
	Total:	166,115,950	93,301	166,209,251	

Appendix C

Southern California Gas Company Core Firm Transportation Capacity Holdings

Southern California Gas Company
Current Core Firm Transportation Capacity Holdings
April 2017- March 2018
(In MDth/d)

Pipeline	Region	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
EPNG	San Juan	511.2	511.2	511.2	511.2	511.2	511.2	511.2	534.5	534.5	534.5	534.5	534.5
	Permian	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
	Total	606.2	606.2	606.2	606.2	606.2	606.2	606.2	629.5	629.5	629.5	629.5	629.5
TWPL	San Juan	61.8	86.8	76.5	77.1	77.1	77.1	77.1	135.5	151.6	151.6	151.6	135.5
	Permian	19.5	19.5	29.8	29.2	29.2	29.2	29.2	53.9	37.8	37.8	37.8	53.9
	Total	81.3	106.3	106.3	106.3	106.3	106.3	106.3	189.3	189.3	189.3	189.3	189.3
KERN	Rockies	224.4	199.4	199.4	199.4	199.4	199.4	199.4	199.4	304.6	304.6	304.6	199.4
	Total	224.4	199.4	199.4	199.4	199.4	199.4	199.4	199.4	304.6	304.6	304.6	199.4
NOVA	Canadian Path	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
	Total	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
FTHLS	Canadian Path	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
	Total	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
GTN	Canadian Path	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
	Total	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
PG&E	Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	55.9	51.9	51.9	51.9	51.9
	Total	51.9	51.9	51.9	51.9	51.9	51.9	51.9	55.9	51.9	51.9	51.9	51.9
ETP	Waha								45.0				
	Total								45.0				
NBP	Border								49.3	60.1	60.1		106.1
	Total								49.3	60.1	60.1		106.1
NWPL	Canadian Path										3.2		
	Total										3.2		

Summary of Capacity by Region

	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
Permian	114.494	114.494	124.826	124.241	124.241	124.241	124.241	148.861	132.790	132.790	132.790	148.861
San Juan	573.054	598.054	587.722	588.307	588.307	588.307	588.307	669.934	686.005	686.005	686.005	669.934
Rockies	224.4	199.4	199.4	199.4	199.4	199.4	199.4	199.4	304.6	304.6	304.6	199.4
Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	55.9	51.9	51.9	51.9	51.9
Grand Total	963.9	963.9	963.9	963.9	963.9	963.9	963.9	1,074.1	1,175.3	1,175.3	1,175.3	1,070.2
Minimum Required	963.0	963.0	963.0	963.0	963.0	963.0	963.0	1,070.0	1,070.0	1,070.0	1,070.0	1,070.0

Notes:
The capacity data in this table is grouped by source of supply (i.e. reciept locations), and not displayed for each receipt/delivery point combination.
For the purpuse of calculating the capacity planning range pursuant to D.04-09-022, only the PG&E capacity is included from the Canadian path.

ATTACHMENT B

Southern California Gas Company

Balance Sheet and Income

Statement

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2017

	1. UTILITY PLANT	2017
101	UTILITY PLANT IN SERVICE	$15,709,620,090
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	981,117,899
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(5,449,368,124)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(50,347,031)
117	GAS STORED-UNDERGROUND	61,422,045
	TOTAL NET UTILITY PLANT	11,252,444,879

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	32,412,556
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(13,321,362)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
	NONCURRENT PORTION OF ALLOWANCES	9,240,749
124	OTHER INVESTMENTS	16,417
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	3,000,000
175	LONG TERM PORTION OF DERIVATIVE ASSETS	-
	TOTAL OTHER PROPERTY AND INVESTMENTS	31,348,361

Data from SPL as of April 17, 2018.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2017

3. CURRENT AND ACCRUED ASSETS

		2017
131	CASH	8,151,909
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	126,160
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	540,454,324
143	OTHER ACCOUNTS RECEIVABLE	46,832,250
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(4,016,404)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	7,247
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	3,895,707
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	65,782,526
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	188,327,449
	(LESS) NONCURRENT PORTION OF ALLOWANCES	(9,240,749)
163	STORES EXPENSE UNDISTRIBUTED	4,281,469
164	GAS STORED	75,031,206
165	PREPAYMENTS	30,007,697
171	INTEREST AND DIVIDENDS RECEIVABLE	800,717
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	34,394,490
175	DERIVATIVE INSTRUMENT ASSETS	3,063,059
176	LONG TERM PORTION OF DERIVATIVE ASSETS	-
	TOTAL CURRENT AND ACCRUED ASSETS	987,899,057

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	17,625,808
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	2,684,342,156
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	3,224,512
184	CLEARING ACCOUNTS	(3,691,315)
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	760,470,165
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	6,331,550
190	ACCUMULATED DEFERRED INCOME TAXES	470,006,949
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	3,938,309,824
	TOTAL ASSETS AND OTHER DEBITS	$ 16,210,002,122

Data from SPL as of April 17, 2018.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2017

5. PROPRIETARY CAPITAL

		2017
201	COMMON STOCK ISSUED	(834,888,907)
204	PREFERRED STOCK ISSUED	(21,551,075)
207	PREMIUM ON CAPITAL STOCK	-
208	OTHER PAID-IN CAPITAL	-
210	GAIN ON RETIRED CAPITAL STOCK	(9,722)
211	MISCELLANEOUS PAID-IN CAPITAL	(31,306,680)
214	CAPITAL STOCK EXPENSE	143,261
216	UNAPPROPRIATED RETAINED EARNINGS	(3,040,649,581)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	20,575,956
	TOTAL PROPRIETARY CAPITAL	(3,907,686,748)

6. LONG-TERM DEBT

221	BONDS	(3,000,000,000)
224	OTHER LONG-TERM DEBT	(9,338,770)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	6,899,486
	TOTAL LONG-TERM DEBT	(3,002,439,284)

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(81,430)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(156,637,284)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(833,647,160)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
245	NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES	-
230	ASSET RETIREMENT OBLIGATIONS	(1,953,129,679)
	TOTAL OTHER NONCURRENT LIABILITIES	(2,943,495,553)

Data from SPL as of April 17, 2018.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2017

8. CURRENT AND ACCRUED LIABILITES

		2017
231	NOTES PAYABLE	(115,767,091)
232	ACCOUNTS PAYABLE	(653,778,465)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(35,065,887)
235	CUSTOMER DEPOSITS	(88,791,557)
236	TAXES ACCRUED	(4,351,007)
237	INTEREST ACCRUED	(20,516,208)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(16,577,598)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(366,980,458)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(1,203,309)
244	DERIVATIVE INSTRUMENT LIABILITIES	(1,812,659)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	
	TOTAL CURRENT AND ACCRUED LIABILITIES	(1,305,167,504)

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	(73,692,727)
	OTHER DEFERRED CREDITS	(149,901,212)
254	OTHER REGULATORY LIABILITIES	(3,352,446,729)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(9,928,090)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,084,028,489)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(381,215,785)
	TOTAL DEFERRED CREDITS	(5,051,213,032)
	TOTAL LIABILITIES AND OTHER CREDITS	$ (16,210,002,122)

Data from SPL as of April 17, 2018.

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED DECEMBER 31, 2017

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		3,780,582,463
401	OPERATING EXPENSES	2,312,141,967	
402	MAINTENANCE EXPENSES	228,844,994	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	515,090,434	
408.1	TAXES OTHER THAN INCOME TAXES	100,895,099	
409.1	INCOME TAXES	26,766,243	
410.1	PROVISION FOR DEFERRED INCOME TAXES	475,057,767	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(342,763,313)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,813,440)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	343,754.00	
	TOTAL OPERATING REVENUE DEDUCTIONS		3,314,563,505
	NET OPERATING INCOME		466,018,958

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(346,845)	
418	NONOPERATING RENTAL INCOME	456,555	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	6,558,495	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	44,393,556	
421	MISCELLANEOUS NONOPERATING INCOME	(1,430,123)	
421.1	GAIN ON DISPOSITION OF PROPERTY	191,456	
	TOTAL OTHER INCOME	49,823,094	
421.2	LOSS ON DISPOSITION OF PROPERTY	(471,164)	
425	MISCELLANEOUS AMORTIZATION	(3,254)	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(6,674,321)	
		(7,148,739)	
408.2	TAXES OTHER THAN INCOME TAXES	(193,640)	
409.2	INCOME TAXES	3,301,071	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(120,842,293)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	114,559,754	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(3,175,108)	
	TOTAL OTHER INCOME AND DEDUCTIONS		39,499,247
	INCOME BEFORE INTEREST CHARGES		505,518,205
	NET INTEREST CHARGES*		108,147,529
	NET INCOME		$397,370,676
			(193,769,776)

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION: ($14,280,849)*

Data from SPL as of April 17, 2018.

STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED DECEMBER 31, 2017

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$2,644,571,968
NET INCOME (FROM PRECEDING PAGE)	397,370,676
DIVIDEND TO PARENT COMPANY	-
DIVIDENDS DECLARED - PREFERRED STOCK	(1,293,064)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$3,040,649,581

ATTACHMENT C

Southern California Gas Company

Statement of Proposed Rates

Rate Table

Calculation of GCIM Award $/therm:

GCIM Award $000	$11,353
Core Sales per2016TCAP Mth/yr	3,885,942
GCIM Award $/th	**$0.00292**

ATTACHMENT D

Southern California Gas Company

Statement of Original Cost and Depreciation Reserve

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation
As of December 31, 2017

ACCOUNT NUMBER	DESCRIPTION		ORIGINAL COSTS		ACCUMULATED RESERVE		NET BOOK VALUE
INTANGIBLE ASSETS:							
301	Organization	$	76,457	$	-	$	76,457
302	Franchise and Consents	$	582,060	$	-		582,060
	Total Intangible Assets	$	658,517		0	$	658,517
PRODUCTION:							
325	Other Land Rights	$	15,321	$	-	$	15,321
330	Prd Gas Wells Const	$	5,557,139	$	(1,415)		5,555,724
331	Prd Gas Wells Eqp	$	454,718	$	(55)		454,663
332	Field Lines	$	1,731,111	$	-		1,731,111
334	FldMeas&RegStnEquip	$	536,249	$	-		536,249
336	Prf Eqpt	$	485,415	$	-		485,415
	Total Production	$	8,779,952		(1,470)	$	8,778,482
UNDERGROUND STORAGE:							
350	Land	$	4,539,484	$	-	$	4,539,484
350SR	Storage Rights	$	17,935,798	$	(17,510,824)		424,973
350RW	Rights-of-Way	$	25,354	$	(16,997)		8,357
351	Structures and Improvements	$	90,476,390	$	(22,900,490)		67,575,900
352	Wells	$	434,625,914	$	(113,111,379)		321,514,535
353	Lines	$	132,911,914	$	(96,200,793)		36,711,121
354	Compressor Station and Equipment	$	166,996,345	$	(64,220,014)		102,776,331
355	Measuring And Regulator Equipment	$	7,700,646	$	(2,558,688)		5,141,958
356	Purification Equipment	$	152,570,206	$	(77,018,411)		75,551,795
357	Other Equipment	$	55,735,601	$	(14,900,127)		40,835,474
	Total Underground Storage	$	1,063,517,652		(408,437,724)	$	655,079,929
TRANSMISSION PLANT- OTHER:							
365	Land	$	2,348,387	$	-	$	2,348,387
365LRTS	Land Rights	$	22,134,243	$	(15,140,953)		6,993,290
366	Structures and Improvements	$	57,084,237	$	(21,123,082)		35,961,155
367	Mains	$	1,897,660,634	$	(674,771,918)		1,222,888,715
368	Compressor Station and Equipment	$	235,756,779	$	(104,890,657)		130,866,122
369	Measuring And Regulator Equipment	$	137,272,712	$	(30,411,590)		106,861,122
370	Communication Equipment	$	23,231,151	$	(1,559,930)		21,671,221
371	Other Equipment	$	6,299,140	$	(3,401,377)		2,897,763
	Total Transmission Plant	$	2,381,787,282		(851,299,507)	$	1,530,487,775
DISTRIBUTION PLANT:							
374	Land	$	29,956,855	$	-	$	29,956,855
374LRTS	Land Rights	$	2,805,145	$	(2,051,326)		753,819
375	Structures and Improvements	$	272,949,091	$	(81,715,920)		191,233,171
376	Mains	$	4,734,812,743	$	(2,330,449,015)		2,404,363,729
378	Measuring And Regulator Equipment	$	110,093,004	$	(74,019,334)		36,073,671
380	Services	$	2,684,900,588	$	(2,044,662,504)		640,238,084
381	Meters	$	910,390,264	$	(194,893,423)		715,496,841
382	Meter Installation	$	568,209,681	$	(163,194,524)		405,015,157
383	House Regulators	$	165,099,781	$	(68,723,967)		96,375,814
387	Other Equipment	$	43,205,826	$	(24,166,964)		19,038,862
	Total Distribution Plant	$	9,522,422,978		(4,983,876,975)	$	4,538,546,003

SOUTHERN CALIFORNIA GAS COMPANY
Plant Investment and Accumulated Depreciation
As of December 31, 2017

ACCOUNT NUMBER	DESCRIPTION		ORIGINAL COSTS		ACCUMULATED RESERVE		NET BOOK VALUE
GENERAL PLANT:							
389	Land	$	1,342,839	$	-		1,342,839
389LRTS	Land Rights	$	74,300	$	(36,510)		37,789
390	Structures and Improvements	$	207,656,028	$	(186,329,732)		21,326,296
391	Office Furniture and Equipment	$	1,199,757,924	$	(700,846,496)		498,911,428
392	Transportation Equipment	$	220,220	$	(217,595)		2,625
393	Stores Equipment	$	99,134	$	(70,067)		29,067
394	Shop and Garage Equipment	$	75,919,771	$	(25,557,686)		50,362,085
395	Laboratory Equipment	$	4,180,646	$	(1,526,206)		2,654,440
396	Construction Equipment	$	11,957	$	715		12,672
397	Communication Equipments	$	179,168,502	$	(48,669,201)		130,499,301
398	Miscellaneous Equipment	$	3,168,222	$	(1,343,219)		1,825,003
	Total General Plant	$	1,671,599,544		(964,595,999)	$	707,003,545
	Subtotal	**$**	**14,648,765,925**		**(7,208,211,675)**	**$**	**7,440,554,250**
121	Non-Utility Plant	$	31,190,186	$	(12,343,271)		18,846,915
117GSUNC	Gas Stored Underground - NonCurrent	$	61,422,045	$	-		61,422,045
GCL	GCT - Capital Lease	$	-	$	-		0
	Total Other - Non-Utility Plant		92,612,231		(12,343,271)		80,268,960
	Total-Reconciliation to Asset History Totals		14,741,378,156		(7,220,554,946)		7,520,823,210
	June Asset 1020 Report		14,741,378,156		(7,220,554,946)		
	Difference		0		(0)		

ATTACHMENT E

Southern California Gas Company

Summary of Earnings

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED DECEMBER 31, 2017
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	$3,781
2	Operating Expenses	3,315
3	Net Operating Income	$466
4	Weighted Average Rate Base	$5,493
5	Rate of Return*	8.02%
	*Authorized Cost of Capital	