



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

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In the Matter of the Application of
Southern California Gas Company (U 904 G)
Regarding Year 22 (2015-2016) of Its
Gas Cost Incentive Mechanism

Application 16-06-_____

A1606009

**APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
REGARDING YEAR 22 (2015-2016)
OF ITS GAS COST INCENTIVE MECHANISM**

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Southern California Gas Company (SoCalGas) hereby submits its twenty-second 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, 2016 (Year 22), and submits its request for Commission approval of a shareholder reward of \$5,039,787 for its Year 22 performance. SoCalGas' Year 22 Annual Report is Attachment A to this Application.

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

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.

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

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

² At the time of the original GCIM decision, ORA was known as the Division of Ratepayer Advocates (DRA). Over the ensuing GCIM years, the name of this organization changed from DRA to ORA, back to DRA, 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.

Commission approves -- after giving the parties notice and an opportunity to be heard -- a request for modification to or termination of the GCIM.

B. GCIM Year 1

Consistent with D.94-03-076, SoCalGas filed its first annual GCIM report on June 22, 1995 (A.95-06-043). A.95-06-043 outlined the performance for SoCalGas during GCIM Year 1 and proposed six modifications to the GCIM. 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 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.

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

³ D.97-06-061, mimeo., at 1.

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:

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%

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 5 referencing the analysis.

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

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 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.

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

J. GCIM Year 9

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

K. GCIM Year 10

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

L. GCIM Year 11

A.05-06-030 was filed on June 15, 2005, which requested a GCIM shareholder reward of \$2.5 million for Year 11. SoCalGas provided natural gas supplies to its core customers at \$31.4 million below the benchmark during GCIM Year 11. On November 30, 2005, 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.

⁸ D.05-04-003, page 3.

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

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

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'

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.

\$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, O RA 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, O RA 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, O RA 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, O RA 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.

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of \$5,039,787 for SoCalGas' performance in Year 22 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 22 SoCalGas was able to purchase gas at \$28.1 million below the GCIM benchmark. The actual cost of all purchases by SoCalGas subject to the GCIM was \$968,124,520, while the benchmark cost was \$996,287,032. 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 \$5,039,787.

The relief sought by SoCalGas in this Application is a GCIM Year 22 shareholder reward of \$5,039,787.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues, 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 22 shareholder reward of \$5,039,787 it has requested.

SoCalGas proposes the following schedule for this Application:

<u>EVENT</u>	<u>DATE</u>
SoCalGas files Application	June 15, 2016
Deadline for responses to Application	July 15, 2016
Prehearing Conference	August 15, 2016
ORA Report	October 15, 2016 ¹¹
Proposed Decision	January 2017
Commission Decision	February 2017

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. All correspondence and communications regarding this Application should be addressed to:

Yvonne Mejia
Regulatory Case Manager
Southern California Gas Company
555 West 5th Street, GT14D6
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Telephone:(213) 244-3214
Fax: (213) 244-4957
E-mail: YMejia@SempraUtilities.com

¹¹ Pursuant to D.02-06-023, ORA’s Report on SoCalGas’ annual GCIM application is to be issued by October 15 each year, though this deadline has been extended by the Commission on a number of occasions to accommodate ORA scheduling issues.

A copy should also be sent to:

Michael R. Thorp
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E-mail: MThorp@SempraUtilities.com

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

The Commission is familiar with SoCalGas' GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 22 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)

Attachment B to this Application is SoCalGas' Balance Sheet as of December 31, 2015. Attachment C to this Application is SoCalGas' Income Statement for the three-month period ended December 31, 2015.

G. Rates – Rule 3.2(a)(2) and (3)

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

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

SoCalGas owns natural gas transmission pipelines, compressor plants, distribution pipelines, services and appurtenant meters, regulators, metering and regulating stations, general office buildings, regional and district office buildings, general shops, laboratory buildings,

warehouses and other storage facilities, supplies and equipment necessary for the operation of its business. In addition, SoCalGas owns underground gas storage at Playa del Rey, Honor Rancho, Aliso Canyon, Goleta and Montebello.

Applicant's original cost of utility plant, together with the related reserves for depreciation and amortization for three-month period ending March 31, 2016, is shown on the balance sheet included in Attachment E.

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

Attachment F to this Application is a Summary of Earnings for the 12 months ended December 31, 2015.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 22 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 22, 2016, was mailed to the Commission on April 29, 2016, 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.15-06-011. 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.

Attachment A

Annual Report on the Gas Cost Incentive Mechanism

Southern California Gas Company
Annual Report on the Gas Cost Incentive Mechanism
April 1, 2015 through March 31, 2016

I. Summary of Year 22 GCIM Results

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)¹ under the Gas Cost Incentive Mechanism (GCIM) during the period April 1, 2015 through March 31, 2016 (Year 22). This report also requests a shareholder reward under the GCIM for Year 22. The reward is based on the current GCIM set forth in SoCalGas' GCIM Preliminary Statement.

Early in GCIM Year 22, relatively low U.S. storage levels exiting a colder-than-normal winter supported gas prices, but at a much lower level than in prior years due to continued production growth from the "shale boom". In response to this lower price level, U.S. production eventually plateaued in spring and remained relatively flat through the remainder of 2015. Strong U.S. storage refills caused gas prices to drop further in the latter months of the injection season, and in response U.S. gas production began declining during winter. The U.S. observed the second-warmest winter since 1950, which further depressed gas prices through the end of the GCIM year in spite of the production fall-off.

In Southern California, an overall warmer-than-normal winter did not come close to the back-to-back record warm previous two winters, but it still allowed SoCalGas' and SDG&E's core customers to also enjoy reliable, low cost natural gas supplies. Despite significant system operational conditions and maintenance, these GCIM results were achieved without any curtailments of core service and in compliance with all requirements and guidelines established by the California Public Utilities Commission (CPUC).

Table 1 below summarizes performance under the GCIM during the last 22 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in twenty-one of the past 22 years. Additionally, a GCIM Summary for the past 22 years delineating the various GCIM components is included in Appendix A.

¹ D.07-12-019 authorized the consolidation of the core portfolio for SoCalGas and SDG&E into one single portfolio managed by SoCalGas. This consolidation became effective on April 1, 2008.

TABLE 1
GCIM PERFORMANCE
YEAR ENDED MARCH 31

Year	GCIM Year	Net Purchases (Border Volumes)		Net Gas Cost		Benchmark Gas Commodity Cost		Comparison to Benchmark (\$Millions)		
		Million MMBtu/d	Million MMBtu	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Total (\$ Millions)	Unit Cost (\$/MMBtu)	Customer Savings	Shareholder Award	Total
1995	1	0.76	277	\$445	\$1.61	\$441	\$1.59	(\$1.1)	\$0.0	(\$1.1)
1996	2	0.66	243	\$322	\$1.33	326	\$1.35	\$3.2	\$3.2	\$6.4
1997	3	0.66	243	\$530	\$2.18	550	\$2.27	\$10.6	\$10.6	\$21.2
1998	4	0.66	241	\$542	\$2.25	549	\$2.28	\$4.8	\$2.0	\$6.8
1999	5	0.75	275	\$520	\$1.89	538	\$1.95	\$10.4	\$7.7	\$18.1
2000	6	1.06	385	\$902	\$2.34	926	\$2.40	\$14.4	\$9.8	\$24.2
2001	7	1.09	398	\$2,055	\$5.16	2,279	\$5.72	\$192.8	\$30.8	\$223.6
2002	8	1.01	370	\$1,159	\$3.13	1,349	\$3.64	\$172.4	\$17.4	\$189.8
2003	9	1.03	376	\$1,333	\$3.55	1,373	\$3.65	\$32.7	\$6.3	\$39.0
2004	10	1.02	374	\$1,730	\$4.63	1,757	\$4.70	\$24.6	\$2.4	\$27.0
2005	11	1.03	375	\$2,103	\$5.61	2,134	\$5.69	\$28.9	\$2.5	\$31.4
2006	12	1.06	387	\$2,923	\$7.54	2,992	\$7.72	\$59.3	\$9.8	\$69.1
2007	13	1.02	372	\$2,135	\$5.74	2,192	\$5.89	\$48.8	\$8.9	\$57.7
2008	14	1.03	376	\$2,349	\$6.25	2,399	\$6.38	\$43.6	\$6.5	\$50.1
2009	15	1.15	418	\$2,661	\$6.36	2,737	\$6.54	\$63.6	\$12.0	\$75.6
2010	16	1.11	406	\$1,548	\$3.82	1,588	\$3.91	\$33.9	\$6.0	\$39.9
2011	17	1.11	406	\$1,559	\$3.84	1,600	\$3.94	\$34.7	\$6.2	\$40.9
2012	18	1.18	432	\$1,547	\$3.58	1,585	\$3.67	\$32.1	\$5.4	\$37.5
2013	19	1.06	387	\$1,107	\$2.86	1,141	\$2.95	\$28.9	\$5.8	\$34.7
2014	20	1.05	382	\$1,485	\$3.88	1,556	\$4.07	\$56.7	\$13.7	\$70.4
2015	21	0.99	361	\$1,368	\$3.79	1,411	\$3.91	\$35.9	\$7.3	\$43.1
2016	22	0.92	337	\$772	\$2.29	800	\$2.38	\$23.1	\$5.0	\$28.1
Total GCIM Years 1-22		0.974	7,822	\$31,095	\$3.98	\$32,224	\$4.12	\$954.1	\$179.5	\$1,133.6

* 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 \$ 28.1 million below the Benchmark in Year 22. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition buys gas for the core customers. Gas Acquisition's average cost was \$ 2.29 per MMBtu, or \$0.09 per MMBtu below the Benchmark price of \$ 2.38 per MMBtu.

During GCIM Year 22, Gas Acquisition purchased a net 337 million MMBtus for its retail core load. Gas Acquisition's interstate capacity rights primarily on El Paso, Transwestern, and Kern River pipeline systems enabled the core's requirements to be met largely through basin purchases rather than purchases at the California border/citygate.

II. Description of Gas Procurement Activities

SoCalGas' Gas Acquisition personnel have a high level of expertise in fundamental analysis, gas trading, gas transportation, risk management, and back office operations. This expertise has continually been developed over the past twenty-one 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 22, ultimately lowering its gas costs. The GCIM encourages Gas Acquisition to proactively lower gas costs and protect core customers from price volatility through physical and financial trades, storage, and interstate pipeline capacity.

As in the previous 21 years of the GCIM, Year 22 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.

Over the past 22 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.

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 22 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 GCIM Year 22 SoCalGas maintained a gas supply

portfolio weighted toward long-term supply agreements (65%) and month-to-month baseload agreements (38%). Daily transactions resulted in net sales, accounting for -3% of the total portfolio.

- Reaching its minimum core-purchased inventory of 47 Bcf on July 31, 2015,² and its October 31 core physical storage inventory target of 83 Bcf +0/-2 Bcf, in compliance with D.06-10-029, D.07-12-019 and D.08-12-020.³ SoCalGas' core-purchased inventory on July 31, 2015 was 52.9 Bcf; its core physical inventory on October 31, 2015 was 82.4 Bcf (which excluded 0.8 Bcf of SMS loan volumes, but included 3.0 Bcf of Core Aggregation Transportation (CAT) volumes).⁴
- 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 Transmission Service (BTS) capacity rights to provide portfolio diversification and lower the cost of gas.

² D.06-10-029 adopted a joint recommendation of the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN) and SoCalGas, establishing a minimum core purchase inventory target on July 31, 2006. For subsequent years, SoCalGas must obtain agreement from ORA and TURN for mid-season inventory target which must be met unless otherwise agreed to by ORA and TURN. SoCalGas obtained agreement from ORA for a mid-season minimum storage target of 47 Bcf as of July 31, 2015, and filed Advice Letter 4806 to reflect this target in its GCIM tariffs. TURN was unable to participate in the review process due to time constraints. Advice Letter 4806 was approved by the Commission on June 14, 2015.

³ D.06-10-029 changed the core physical storage target as of October 31 from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. Also, "if additional storage inventory is allocated to SoCalGas' core beyond 70 Bcf, the core's October 31 physical inventory storage target will be increased by that amount". D.07-12-019 approved storage capacity for the combined core portfolio at 79 Bcf. D.08-12-020 adopted the Settlement Agreement (SA) dated August 22, 2008, allocating 1 Bcf of the storage expansion capacity to the combined core's storage inventory in each of the four years 2010-2013. Therefore, the core storage capacity has increased by 4 Bcf to its current level of 83 Bcf. SoCalGas filed Advice Letter 4499 on May 29, 2013 to update the core inventory capacity in its GCIM tariffs. D.08-12-020 also effectively eliminated the upper tolerance of the core storage capacity by requiring that the "combined core customers of SDG&E/SoCalGas... balance within the storage inventory capacity allocated to them under this SA."

⁴ Effective April 1, 2009, SoCalGas implemented the remaining provisions of D.07-12-019, subjecting the core to new balancing requirements. No imbalance charges were incurred by the core during the reporting period.

- 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 4679 on August 7, 2014, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 22 and 23 based on the 2014 California Gas Report. The minimum firm capacity required for the period April to October 2015 was established at 987 MDthd, while the minimum required for November 2015 to March 2016 was 1,097 MDthd. Appendix C to this report shows that SoCalGas' capacity holding during each month of Year 22 met the minimum capacity requirement for the combined portfolio.

Financial Derivatives and Winter Hedging

In compliance with D.10-01-023 issued on January 25, 2010, adopting an incentive framework to motivate optimal use of natural gas hedging for California utilities, and modifying the treatment of financial gains and losses for SoCalGas and SDG&E, in Year 22, 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. This year, SoCalGas' winter hedge activities resulted in a loss of \$0.69 million, of which \$0.17 million was included in GCIM.

The ORA and TURN staffs were kept apprised of SoCalGas' winter hedge positions via weekly position reports and bi-weekly conference calls throughout the period.

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-C and Section 583 of the

Public Utilities Code, SoCalGas provides a monthly report, 60 days after the end of each month, to the ORA and Energy Division on a confidential basis. This report includes details of:

- All gas purchases and sale transactions
- All off-system park and loan transactions
- All SMS transactions
- All financial transactions
- Capacity Holding Report
- Capacity Utilization Report
- Calculations of the GCIM benefit

SoCalGas has also communicated frequently with the ORA and the Energy Division on all important Gas Acquisition issues during GCIM Year 22, 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 22 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 22, each of the CPUC established objectives for incentive regulation 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 GCIM Year 22 shareholder reward of \$ 5,039,787 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
	\$35,376,106,208.26	\$34,242,496,680.57	\$1,133,609,527.69	\$670,300,977.80	\$10,066,643.51	\$288,935,812.63	\$1,444,679,062.99	\$835,724,729.06

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 22.

** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-22, the Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 1% Lower Tolerance Band, pursuant to D.02-06-023

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

Appendix B

Annual Report on Affiliate Transactions



Southern California Gas Company

Annual Report on Affiliate Transactions

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-7:

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

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

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

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

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

2015

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

2015

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.

Gas Engineering

This category includes services such as gas operations, gas technical services, pipeline integrity inspection, gas engineering and its associated project management and construction.

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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

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.

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

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

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For the Year Ended December 31, 2015

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	23,898	5,178		-	57,882	6,473	-		93,431
	Depreciation	A	1,544,551	3,837		1,279	3,827	9,815	5,102		1,568,411
	External Relations	A	19,043	-		-	-	-	-		19,043
	Gas Engineering	A									-
	Fleet Services	A	3	-		-	-	-	-		3
	Human Resources	A & B	8,159,388	-		18,941	-	8,050	-		8,186,379
	Information Technology	A	968,515	7,953		-	20,558	65,434	44,732		1,107,192
	Oil/Gas Assessment & Extraction	A			303,657						303,657
	Operations Support	A	1,048	-		-	-	-	-		1,048
	Real Estate & Facilities	A	272,629	-		-	-	-	-		272,629
	Supply Management	A	2,734								2,734
											-
803	Gas Sales	C	-							201,869	201,869
											-
	Total		10,991,809	16,968	303,657	20,220	82,268	89,772	49,833	201,869	11,756,396



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

2015

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-9:

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

2015

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

2015

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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

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 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 181: Unamortized Debt Expenses

This account includes expenses related to the issuance or assumption of debt securities. Amounts shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security.

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 188: RD&D Expenditures

This account includes expenditures for Research, Development, and Demonstration (R.D.&D.), except those expenditures properly chargeable to Account 107, Construction Work in Progress.

USOA Account 803: Natural Gas Transmission Line Purchases

During the reporting period, the affiliates did not supply natural gas to Southern California Gas Company under contract terms in USOA Account 803.

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. In 2015 these costs are related to the Mobile Home Park initiative.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

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 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. In 2015 these costs are related to the Mobile Home Park initiative.

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

Response to Affiliate Transaction Reporting Requirements Section:

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

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

USOA Account 930: Miscellaneous General Expenses

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

USOA Account 931: Rents

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2015

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 11 :

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

Response:

During 2015, the utility did not conduct any studies for the purpose of comparing the cost of goods or services provided during the year by affiliated entities with the costs provided by unaffiliated providers.

SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods And Services
from Affiliated Entities To The Utility
For The Year Ended December 31, 2015

USOA Account	Account Description	Sempra Energy	Sempra Generation	Total	% of USOA Account
107	Construction Work In Progress	7,013,913	-	7,013,913	N/A
165	Prepayments	3,981,576	-	3,981,576	N/A
174	Miscellaneous Current and Accrued Assets	422,278	-	422,278	N/A
181	Unamortized Debt Expenses	282,486	-	282,486	N/A
184	Clearing Accounts	2,114,400	-	2,114,400	N/A
188	RD&D Expenditures	-	-	-	N/A
803	Natural Gas Transmission Line Purchases	-	-	-	<1.00%
832	Maintenance of Reservoirs -Wells	1,430,020	-	1,430,020	4.89%
880	Other Expenses	221	-	221	<1.00%
903	Customer Records And Collection Expenses	2,837	-	2,837	<1.00%
910	Miscellaneous Customer Serv And Informational Expe	309,878	-	309,878	15.23%
921	Office Supplies And Expenses	(513)	-	(513)	<1.00%
923	Outside Services Employed	62,365,003	-	62,365,003	53.64%
924	Property Insurance	359,734	-	359,734	14.15%
925	Injuries And Damages	10,882,240	-	10,882,240	39.65%
926	Employee Pensions And Benefits	1,577,247	-	1,577,247	1.85%
928	Regulatory Commission Expenses	92,310	-	92,310	1.56%
930	Miscellaneous General Expenses	85,770	-	85,770	<1.00%
931	Rents	(49,838)	-	(49,838)	<1.00%
	Total:	90,869,563	-	90,869,563	

Appendix C

Southern California Gas Company Core Firm Transportation Capacity Holdings

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/16
(in MDth/d)

Pipeline	Region	April 2015	May 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016
EPNG	San Juan	491.2	491.2	491.2	491.2	491.2	491.2	491.2	553.5	553.5	553.5	553.5	553.5
	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	586.2	586.2	586.2	586.2	586.2	586.2	586.2	648.5	648.5	648.5	648.5	648.5
TWPL	San Juan	100.0	100.0	100.0	100.0	100.0	100.0	100.0	115.0	115.0	112.5	115.0	106.5
	Permian								10.0	10.0	12.5	10.0	18.5
	Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	125.0	125.0	125.0	125.0	125.0
KERN	Rockies	249.4	249.4	249.4	249.4	249.4	249.4	249.4	271.8	271.8	271.8	271.8	271.8
	Total	249.4	249.4	249.4	249.4	249.4	249.4	249.4	271.8	271.8	271.8	271.8	271.8
NOVA	Canadian Path	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
	Total	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3	54.3
FTHLS	Canadian Path	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
	Total	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8	53.8
GTN	Canadian Path	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
	Total	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5	52.5
PG&E	Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
	Total	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9

Summary of Capacity by Region

San Juan	591.2	591.2	591.2	591.2	591.2	591.2	591.2	668.5	668.5	665.9	668.5	660.0
Permian	95.0	95.0	95.0	95.0	95.0	95.0	95.0	105.0	105.0	107.5	105.0	113.5
Rockies	249.4	249.4	249.4	249.4	249.4	249.4	249.4	271.8	271.8	271.8	271.8	271.8
Canadian Path	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9	51.9
Grand Total	987.6	1,097.2	1,097.2	1,097.2	1,097.2	1,097.2						

Minimum Required	987.0	987.0	987.0	987.0	987.0	987.0	987.0	1,097.0	1,097.0	1,097.0	1,097.0	1,097.0
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Notes:

The capacity data in this table is grouped by source of supply (i.e. receipt locations), and not displayed for each receipt/delivery point combination.

For the purpose of calculating the capacity planning range pursuant to D.04-09-022, only the PG&E capacity is included from the Canadian path.

Attachment B

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2015**

	1. UTILITY PLANT	<u>2015</u>
101	UTILITY PLANT IN SERVICE	\$13,191,866,908
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	819,933,673
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,934,160,077)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(46,285,323)
117	GAS STORED-UNDERGROUND	<u>61,422,045</u>
	TOTAL NET UTILITY PLANT	<u>9,092,777,226</u>
 2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	109,861,304
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(89,660,467)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
	NONCURRENT PORTION OF ALLOWANCES	43,386,177
124	OTHER INVESTMENTS	122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>3,000,000</u>
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>66,587,136</u>

Data from SPL as of April 28, 2016.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
DECEMBER 31, 2015**

3. CURRENT AND ACCRUED ASSETS		2015
131	CASH	57,514,849
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	92,723
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	671,446,805
143	OTHER ACCOUNTS RECEIVABLE	41,090,629
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(6,705,492)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	49,983,640
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	13,526,439
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	30,343,861
155	MERCHANDISE	-
156	OTHER MATERIALS AND SUPPLIES	-
158	GHG ALLOWANCE	61,980,253
	(LESS) NONCURRENT PORTION OF ALLOWANCES	(43,386,177)
163	STORES EXPENSE UNDISTRIBUTED	1,357,378
164	GAS STORED	48,799,998
165	PREPAYMENTS	18,789,272
171	INTEREST AND DIVIDENDS RECEIVABLE	3,643,056
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	44,338,413
175	DERIVATIVE INSTRUMENT ASSETS	2,320,781
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	-
	TOTAL CURRENT AND ACCRUED ASSETS	995,136,428
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	17,222,514
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,942,892,753
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	1,017,573
184	CLEARING ACCOUNTS	(1,659,681)
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	481,553,809
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	9,394,983
190	ACCUMULATED DEFERRED INCOME TAXES	529,762,863
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	2,980,184,814
	TOTAL ASSETS AND OTHER DEBITS	\$ 13,134,685,604

Data from SPL as of April 28, 2016.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2015**

5. PROPRIETARY CAPITAL		2015
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	(2,280,115,139)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	18,506,907
TOTAL PROPRIETARY CAPITAL		(3,149,221,355)
6. LONG-TERM DEBT		
221	BONDS	(2,500,000,000)
224	OTHER LONG-TERM DEBT	(12,475,533)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	7,056,181
TOTAL LONG-TERM DEBT		(2,505,419,352)
7. OTHER NONCURRENT LIABILITIES		
227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(190,077)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(171,811,241)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(767,142,423)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	(1,382,596,168)
TOTAL OTHER NONCURRENT LIABILITIES		(2,321,739,909)

Data from SPL as of April 28, 2016.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
DECEMBER 31, 2015**

8. CURRENT AND ACCRUED LIABILITES		2015
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	(749,321,660)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(15,950,306)
235	CUSTOMER DEPOSITS	(75,831,977)
236	TAXES ACCRUED	(9,145,309)
237	INTEREST ACCRUED	(18,682,443)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(20,179,124)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(222,931,173)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(1,392,451)
244	DERIVATIVE INSTRUMENT LIABILITIES	(761,769)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
TOTAL CURRENT AND ACCRUED LIABILITIES		(1,114,519,477)
9. DEFERRED CREDITS		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(79,322,795)
253	OTHER DEFERRED CREDITS	(188,423,592)
254	OTHER REGULATORY LIABILITIES	(1,704,928,292)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(13,686,545)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(1,399,697,290)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(657,726,997)
TOTAL DEFERRED CREDITS		(4,043,785,511)
TOTAL LIABILITIES AND OTHER CREDITS		\$ (13,134,685,604)

Data from SPL as of April 28, 2016.

Attachment C

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
12 MONTHS ENDED DECEMBER 31, 2015

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		3,479,060,120
401	OPERATING EXPENSES	2,075,068,013	
402	MAINTENANCE EXPENSES	239,618,189	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	460,978,717	
408.1	TAXES OTHER THAN INCOME TAXES	87,671,611	
409.1	INCOME TAXES	13,357,672	
410.1	PROVISION FOR DEFERRED INCOME TAXES	566,475,029	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(436,280,671)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(2,132,967)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	(10,921)	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS	3,004,744,672	
	NET OPERATING INCOME		474,315,448

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(182,561)	
418	NONOPERATING RENTAL INCOME	405,088	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	9,671,854	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	36,421,873	
421	MISCELLANEOUS NONOPERATING INCOME	(852,199)	
421.2	LOSS ON DISPOSITION OF PROPERTY	(270,432)	
	TOTAL OTHER INCOME	45,193,623	
425	MISCELLANEOUS AMORTIZATION	4,146	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(14,753,474)	
		(14,749,328)	
408.2	TAXES OTHER THAN INCOME TAXES	(110,965)	
409.2	INCOME TAXES	(2,536,556)	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(46,178,503)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	47,209,663	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(1,616,361)	
	TOTAL OTHER INCOME AND DEDUCTIONS		28,827,934
	INCOME BEFORE INTEREST CHARGES		503,143,382
	NET INTEREST CHARGES*		84,231,479
	NET INCOME		\$418,911,903

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$9,203,982)

Data from SPL as of April 28, 2016.

STATEMENT OF INCOME AND RETAINED EARNINGS
12 MONTHS ENDED DECEMBER 31, 2015

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$1,912,496,300
NET INCOME (FROM PRECEDING PAGE)	418,911,903
DIVIDEND TO PARENT COMPANY	(50,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(1,293,064)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	<u>\$2,280,115,139</u>

Attachment D

Rate Table

Calculation of GCIM Award \$/therm:

GCIM Award \$000	\$5,040
Core Sales per 2013TCAP Mth/yr	3,849,871
GCIM Award \$/th	\$0.00131

Attachment E

SOUTHERN CALIFORNIA GAS COMPANY
Plant Investment and Accumulated Depreciation
As of March 31, 2016

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	\$ 76,457	\$ -	\$ 76,457
302	Franchise and Consents	\$ 574,560	\$ -	\$ 574,560
	Total Intangible Assets	<u>\$ 651,017</u>	<u>0</u>	<u>\$ 651,017</u>
PRODUCTION:				
325	Other Land Rights	\$ 15,321	\$ -	\$ 15,321
330	Prd Gas Wells Const	\$ 5,557,139	\$ (1,415)	\$ 5,555,724
331	Prd Gas Wells Eqp	\$ 454,718	\$ (55)	\$ 454,663
332	Field Lines	\$ 1,731,111	\$ -	\$ 1,731,111
334	FldMeas&RegStnEquip	\$ 536,249	\$ -	\$ 536,249
336	Prf Eqpt	\$ 485,415	\$ -	\$ 485,415
	Total Production	<u>\$ 8,779,952</u>	<u>(1,470)</u>	<u>\$ 8,778,482</u>
UNDERGROUND STORAGE:				
350	Land	\$ 4,539,484	\$ -	\$ 4,539,484
350SR	Storage Rights	\$ 17,935,798	\$ (17,504,200)	\$ 431,598
350RW	Rights-of-Way	\$ 25,354	\$ (16,213)	\$ 9,141
351	Structures and Improvements	\$ 56,251,942	\$ (20,256,440)	\$ 35,995,502
352	Wells	\$ 347,603,369	\$ (192,385,756)	\$ 155,217,613
353	Lines	\$ 118,196,874	\$ (95,678,706)	\$ 22,518,168
354	Compressor Station and Equipment	\$ 155,522,795	\$ (64,132,646)	\$ 91,390,149
355	Measuring And Regulator Equipment	\$ 8,113,759	\$ (2,308,404)	\$ 5,805,355
356	Purification Equipment	\$ 147,630,488	\$ (70,951,969)	\$ 76,678,519
357	Other Equipment	\$ 53,527,315	\$ (10,684,549)	\$ 42,842,765
	Total Underground Storage	<u>\$ 909,347,178</u>	<u>(473,918,883)</u>	<u>\$ 435,428,295</u>
TRANSMISSION PLANT- OTHER:				
365	Land	\$ 2,256,472	\$ -	\$ 2,256,472
365LRTS	Land Rights	\$ 22,173,780	\$ (16,066,400)	\$ 6,107,380
366	Structures and Improvements	\$ 37,753,242	\$ (21,143,976)	\$ 16,609,266
367	Mains	\$ 1,597,941,024	\$ (623,208,379)	\$ 974,732,645
368	Compressor Station and Equipment	\$ 231,837,629	\$ (110,150,161)	\$ 121,687,469
369	Measuring And Regulator Equipment	\$ 97,233,765	\$ (25,788,698)	\$ 71,445,068
371	Other Equipment	\$ 6,033,195	\$ (3,071,234)	\$ 2,961,960
	Total Transmission Plant	<u>\$ 1,995,229,107</u>	<u>(799,428,848)</u>	<u>\$ 1,195,800,259</u>
DISTRIBUTION PLANT:				
374	Land	\$ 28,985,386	\$ -	\$ 28,985,386
374LRTS	Land Rights	\$ 2,805,145	\$ (12,264)	\$ 2,792,881
375	Structures and Improvements	\$ 263,021,015	\$ (78,802,410)	\$ 184,218,605
376	Mains	\$ 3,950,409,799	\$ (2,163,619,611)	\$ 1,786,790,188
378	Measuring And Regulator Equipment	\$ 102,828,810	\$ (69,538,251)	\$ 33,290,560
380	Services	\$ 2,388,520,290	\$ (1,959,669,580)	\$ 428,850,710
381	Meters	\$ 882,213,133	\$ (157,370,173)	\$ 724,842,959
382	Meter Installation	\$ 499,814,252	\$ (150,096,322)	\$ 349,717,930
383	House Regulators	\$ 154,632,525	\$ (61,873,061)	\$ 92,759,464
387	Other Equipment	\$ 38,466,037	\$ (23,237,916)	\$ 15,228,121
	Total Distribution Plant	<u>\$ 8,311,696,391</u>	<u>(4,664,219,588)</u>	<u>\$ 3,647,476,803</u>
GENERAL PLANT:				
389	Land	\$ 1,342,839	\$ -	\$ 1,342,839
389LRTS	Land Rights	\$ 74,300	\$ -	\$ 74,300
390	Structures and Improvements	\$ 200,049,590	\$ (188,460,532)	\$ 11,589,058

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of March 31, 2016

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
391	Office Furniture and Equipment	\$ 1,016,880,343	\$ (531,988,821)	484,891,521
392	Transportation Equipment	\$ 258,570	\$ (245,642)	12,929
393	Stores Equipment	\$ 99,134	\$ (66,203)	32,931
394	Shop and Garage Equipment	\$ 59,641,685	\$ (24,258,124)	35,383,561
395	Laboratory Equipment	\$ 5,413,676	\$ (3,149,930)	2,263,746
396	Construction Equipment	\$ 11,957	\$ 5,430	17,387
397	Communication Equipments	\$ 174,905,492	\$ (56,022,726)	118,882,765
398	Miscellaneous Equipment	\$ 3,139,694	\$ (694,124)	2,445,570
	Total General Plant	<u>\$ 1,461,817,279</u>	<u>(804,880,673)</u>	<u>\$ 656,936,606</u>
	Subtotal	<u>\$ 12,687,520,925</u>	<u>(6,742,449,463)</u>	<u>\$ 5,945,071,462</u>
Non-Utility Plant:				
121	Non-Utility Plant	30,300,646	(11,492,468)	18,808,178
Gas Stored Underground:				
117GSUN	Gas Stored Underground	61,422,045	0.00	61,422,045
	Subtotal	<u>\$ 91,722,691</u>	<u>(11,492,468)</u>	<u>\$ 80,230,223</u>
	Grand Total	<u>\$ 12,779,243,616</u>	<u>(6,753,941,931)</u>	<u>\$ 6,025,301,685</u>

Attachment F

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
12 MONTHS ENDED DECEMBER 31, 2015
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$3,479
2	Operating Expenses	<u>3,005</u>
3	Net Operating Income	<u><u>\$474</u></u>
4	Weighted Average Rate Base	\$3,604
5	Rate of Return*	8.02%

*Authorized Cost of Capital