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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 18 (2011-2012) of Its Gas Cost Incentive Mechanism	)))))	A1206005

APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
REGARDING YEAR 18 (2011-2012)
OF ITS GAS COST INCENTIVE MECHANISM

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June 15, 2012

TABLE OF CONTENTS

Page

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In the Matter of the Application of Southern California Gas Company (U 904 G) Regarding Year 18 (2011-2012) of Its Gas Cost Incentive Mechanism	)))))	A.12-06-

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING YEAR 18 (2011-2012) OF ITS GAS COST INCENTIVE MECHANISM

Southern California Gas Company (SoCalGas) hereby submits its eighteenth 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).

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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.

In this Application, SoCalGas provides its report on gas supply and storage operations for the 12-month GCIM year ending March 31, 2012 (Year 18), and submits its request for Commission approval of a shareholder reward of $5,412,805 for its Year 18 performance. SoCalGas' Year 18 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 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 Division of Ratepayer Advocates (DRA) was given the task of auditing SoCalGas' annual reports on the GCIM.

In D.02-06-023, the Commission approved a Settlement Agreement executed in July of 2001 by SoCalGas, DRA,[2] 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. DRA conducted its audit of SoCalGas' report opposing only two of the proposed modifications. SoCalGas settled with DRA in agreeing on four of the six proposed modifications, and the Commission granted SoCalGas its requested shareholder award.

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 CACD, or its successor the Energy Division, to file an evaluation report passed on August 1, 1996.

On February 13, 1997, SoCalGas and DRA 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

[2] At the time of this particular settlement and during several of the referenced GCIM Years, DRA's name temporarily changed to the "Office of Ratepayer Advocates." To avoid confusion, this Application will simply refer to DRA throughout since we are referring to the same organization.

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 DRA 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 DRA 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 DRA 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 DRA 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

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

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, DRA 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, DRA 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 award 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.

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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. DRA 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 Report of the SoCalGas GCIM, p. 1, dated January 4, 2001.

In D.02-06-023 the Commission approved a settlement agreement among SoCalGas, DRA, 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 awards 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 award 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 award from $106.1 million to $30.8 million. The Commission approved SoCalGas' revised $30.8 million GCIM Year 7 shareholder award request in D.03-08-065.

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

I. GCIM Year 8

SoCalGas filed A.02-06-035 on June 17, 2002, requesting an authorized shareholder award 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 awards. 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 award 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 award 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 award 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 award 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 award request in D.05-04-003.

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

L. GCIM Year 11

A.05-06-030 was filed on June 15, 2005, which requested a GCIM shareholder award 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, DRA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed shareholder award 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, DRA, TURN, and SoCalGas filed a Joint Recommendation which resolved the concerns raised by DRA 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 DRA and TURN to rely upon its existing secondary storage target.
- Unless otherwise agreed to by DRA 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 DRA and TURN for mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by DRA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff.

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

The Joint Recommendation of DRA, TURN, and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas' requested shareholder award 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 award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 12 and recommended approval of SoCalGas' requested shareholder award. The Commission approved SoCalGas' $9.8 million GCIM Year 12 shareholder award 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 award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 13 and recommended approval of SoCalGas' requested shareholder award. 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 award is correct pursuant to the GCIM modifications adopted in D.02-06-023.

[10] As with GCIM Year 7, Year 8, Year 9, and Year 10 shareholder awards granted by the Commission, this GCIM Yr 11 award 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 awards.

O. GCIM Year 14

SoCalGas filed A.08-06-016 on June 16, 2008, requesting a GCIM shareholder award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 14 and recommended approval of SoCalGas' requested shareholder award. In February 2009 the Commission issued D.09-02-005, approving A.08-06-016 and SoCalGas' requested shareholder award of $6.5 million.

P. GCIM Year 15

SoCalGas filed A.09-06-014 on June 15, 2009, requesting a GCIM shareholder award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 15 and recommended approval of SoCalGas' requested shareholder award. In January 2010 the Commission issued D.10-01-018, approving A.09-06-014 and SoCalGas' requested shareholder award of $12 million.

Q. GCIM Year 16

SoCalGas filed A.10-06-006 on June 14, 2010, requesting a GCIM shareholder award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 16 and recommended approval of SoCalGas' requested shareholder award. In September 2011, the Commission issued D.11-09-011, approving A.10-06-006 and SoCalGas' requested shareholder award of $6 million.

R. GCIM Year 17

SoCalGas filed A.11-06-017 on June 15, 2011, requesting a GCIM shareholder award 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, DRA issued its Monitoring and Evaluation Report for GCIM Year 17 and recommended approval of SoCalGas' requested shareholder award. In March 2012 the Commission issued D.12-03-016, approving A.11-06-017 and SoCalGas' requested shareholder award of $6.2 million.

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of $5,412,805 for SoCalGas' performance in Year 18 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in Year 18, SoCalGas was able to purchase gas at $37.5 million below the GCIM benchmark. The actual cost of all purchases by SoCalGas subject to the GCIM was $1,704,835,267 while the benchmark cost was $1,742,334,582. 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 $5,412,805.

The relief sought by SoCalGas in this Application is a GCIM Year 18 shareholder award of $5,412,805.

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 awarded the GCIM Year 18 shareholder award of $5,412,805 it has requested.

SoCalGas proposes the following schedule for this Application:

EVENT	DATE
SoCalGas files Application	June 15, 2012
Deadline for responses to Application	July 16, 2012
Prehearing Conference	August 17, 2012
DRA Report	October 15, 2012
Proposed Decision	January 2013
Commission Decision	February 2013

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:

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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 18 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 March 31, 2012. Attachment C to this Application is SoCalGas' Income Statement for the three-month period ended March 31, 2012.

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)

A general description of SoCalGas' property and equipment was previously filed with the Commission on May 31, 2004, in connection with SoCalGas' Application No. 04-05-008 and is incorporated herein by reference. A statement of account of the original cost and depreciation reserve attributable thereto is attached to the Application as 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 3 months ended March 31, 2012.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 18 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 SoCalGas' most recent proxy statement, dated May 1, 2012, was provided to the Commission on May 2, 2012, 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 customer's 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.11-06-017. 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.

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IV. CONCLUSION

For the reasons set forth above and in Attachment A, SoCalGas respectfully requests that the Commission approve a Year 18 GCIM shareholder award of $5,412,805 on an expedited and ex parte basis.

Respectfully submitted,
SOUTHERN CALIFORNIA GAS COMPANY

By: *__/s/ James P. Harrigan__*
James P. Harrigan
Vice President Gas Acquisition

By: *__/s/ Michael R. Thorp__*
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June 15, 2012

VERIFICATION

I, James P. Harrigan, 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, 2012, at Los Angeles, California.

/s/ James P. Harrigan
James P. Harrigan
Vice President Gas Acquisition

Attachment A

Southern California Gas Company

Annual Report on the Gas Cost Incentive Mechanism

April 1, 2011 through March 31, 2012

I. Summary of Year 18 GCIM Results

This report summarizes the results of the Gas Acquisition Department's activities on behalf of Southern California Gas Company's (SoCalGas) and San Diego Gas and Electric's (SDG&E)[1] core customers under the Gas Cost Incentive Mechanism (GCIM) during the period April 1, 2011 through March 31, 2012 (Year 18). This report also requests a shareholder award under the GCIM for Year 18. The award is based on the GCIM as amended through D.02-06-023.

In GCIM Year 18, due to the boom in shale gas development and high storage levels, California, as well as the rest of the country, experienced low volatility and extremely low gas prices. Under these market conditions, SoCalGas' and SDG&E's core customers continued to receive reliable natural gas supplies at below-market cost. These results were achieved with no 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 18 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in seventeen of the past 18 years. Additionally, a GCIM Summary Report for the past 18 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.

TABLE 1
GCIM PERFORMANCE
YEAR ENDED MARCH 31

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	0.76	277	$445	$1.61	$441	$1.59	($1.1)	$0.0	($1.1)
1996	0.66	243	$322	$1.33	326	$1.35	$3.2	$3.2	$6.4
1997	0.66	243	$530	$2.18	550	$2.27	$10.6	$10.6	$21.2
1998	0.66	241	$542	$2.25	549	$2.28	$4.8	$2.0	$6.8
1999	0.75	275	$520	$1.89	538	$1.95	$10.4	$7.7	$18.1
2000	1.06	385	$902	$2.34	926	$2.40	$14.4	$9.8	$24.2
2001	1.09	398	$2,055	$5.16	2,279	$5.72	$192.8	$30.8	$223.6
2002	1.01	370	$1,159	$3.13	1,349	$3.64	$172.4	$17.4	$189.8
2003	1.03	376	$1,333	$3.55	1,373	$3.65	$32.7	$6.3	$39.0
2004	1.02	374	$1,730	$4.63	1,757	$4.70	$24.6	$2.4	$27.0
2005	1.03	375	$2,103	$5.61	2,134	$5.69	$28.9	$2.5	$31.4
2006	1.06	387	$2,923	$7.54	2,992	$7.72	$59.3	$9.8	$69.1
2007	1.02	372	$2,135	$5.74	2,192	$5.89	$48.8	$8.9	$57.7
2008	1.03	376	$2,349	$6.25	2,399	$6.38	$43.6	$6.5	$50.1
2009	1.15	418	$2,661	$6.36	2,737	$6.54	$63.6	$12.0	$75.6
2010	1.11	406	$1,548	$3.82	1,588	$3.91	$33.9	$6.0	$39.9
2011	1.11	406	$1,559	$3.84	1,600	$3.94	$34.7	$6.2	$40.9
2012	1.18	432	$1,547	$3.58	1,585	$3.67	$32.1	$5.4	$37.5
Total	0.966	6,354	$26,363	$4.15	$27,315	$4.30	$809.7	$147.5	$957.2

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

As indicated in Table 1, Gas Acquisition acquired gas at $37.5 million below the Benchmark in Year 18. 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 $3.58 per MMBtu, or $0.09 per MMBtu below the Benchmark price of $3.67 per MMBtu.

During GCIM Year 18, Gas Acquisition purchased a net 432 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 seventeen 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 18, and 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 17 years of the GCIM, Year 18 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 18 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 18 by:

- Ensuring that firm long-term contracts, together with readily available monthly supplies and core storage, are adequate to meet core requirements during the peak demand season (November to March). As SoCalGas has been gradually moving to shorter-term, more competitively priced interstate capacity contracts, and renegotiating expiring capacity contracts during GCIM Year 18, it did not enter into as many long-term contracts as in previous years; however it still maintained a gas supply portfolio consisting of 41% of long-term supply agreements and 47% month-to-month baseload agreements. Daily net gas purchases only accounted for 12% of the total portfolio.

- Reaching its minimum core-purchased inventory of 47 Bcf on July 31, 2011,[2] and its October 31 core physical storage inventory target of 81 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, 2011 was 49.5 Bcf; its core physical inventory on October 31, 2011 was 79.1 Bcf (which excluded 1.5 Bcf of SMS loan volumes, but included 1.6 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.

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[2] D.06-10-029 adopted a joint recommendation of DRA, TURN and SoCalGas, establishing a minimum core purchase inventory target on July 31, 2006. For subsequent years, SoCalGas must obtain agreement from DRA and TURN for mid-season inventory target which must be met unless otherwise agreed to by DRA and TURN. SoCalGas obtained agreement from DRA and TURN for a mid-season minimum storage target of 47 Bcf as of July 31, 2011, and filed Advice Letter 4233 to reflect this target in its GCIM tariffs.

[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 in Year 18 was increased to 81 Bcf. 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.

- Utilizing Gas Acquisition's interstate and FAR/BTS[5] 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 3969, SoCalGas filed Advice Letter 4158 on October 27, 2010, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Year 18 and 19 based on the 2010 California Gas Report. The minimum firm capacity required for the period April to October 2011 was established at 947.3 MDthd, while the minimum required for November 2011 to March 2012 was 1,052.5 MDthd. Appendix C to this report, shows that SoCalGas' capacity holding during each month of Year 18 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 18, SoCalGas continued to include 25% gains and losses and transaction costs from Gas Acquisition's winter hedging activities in total actual costs. Total net costs from Year 18 winter hedge activities amounted to $1.4 million, of which $0.35 million was included in GCIM.

The Division of Ratepayer Advocates (DRA) and TURN staffs were kept apprised of SoCalGas' winter hedge positions via weekly position reports and bi-weekly conference calls throughout the period.

[5] Pursuant to D.11-04-032 , the "Firm Access Rights Balancing Account" was renamed "Backbone Transmission Balancing Account," and the "Receipt Point Access" tariff (Schedule G-RPA) was renamed "Backbone Transportation Service" (Schedule G-BTS), effective 10/1/11.

Rerouting Gas from Ehrenberg to Otay Mesa

On three occasions during Year 18, for different reasons, SoCalGas System Operator requested Gas Acquisition to deliver certain quantity of gas to the Otay Mesa system receipt point, which required gas usually received from El Paso at Ehrenberg to be rerouted from Ehrenberg via North Baja Pipeline (NB), Gasoducto Rosarito (GRO), and Transportadora de Gas Natural (TGN) to Otay Mesa.

During three Saturdays in November 2011, Gas Acquisition was requested to reroute core gas to Otay Mesa due to maintenance of Transmission Line 3010 serving customers in SDG&E's service territory. The rerouting was necessary to enable the delivery of core supplies to SDG&E.[6] The incremental transportation costs incurred on NB, GRO and TGN were recorded as gas costs in the Purchased Gas Account (PGA) and included in GCIM.

For February 28 and 29, 2012 flow days, SoCalGas System Operator requested Gas Acquisition to reroute a total quantity of 225,000 MMBtus to Otay Mesa to support Southern System Reliability. Pursuant to D.07-12-019 and SoCalGas Tariff Rule 41, incremental costs for System Reliability are charged to the System Reliability Memorandum Account (SRMA) and excluded from the PGA and GCIM.

From March 9-19, 2012, SoCalGas System Operator made a series of requests to Gas Acquisition to reroute a total quantity of 350,000 MMBtus to Otay Mesa for each weekday from March 12-20 to facilitate the retrofit and internal inspection of SoCalGas Line 6900. All incremental transportation costs associated with this project are excluded from the PGA and GCIM, and charged to the pipeline inspection project work order.

III. GCIM Monitoring and Evaluation

Throughout the GCIM program, SoCalGas has worked closely with the DRA to establish an efficient monitoring and timely reporting system to keep the DRA 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 DRA and Energy Division on a confidential basis. This report includes details of:

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[6] SDG&E's non-core customers were curtailed during these three days.

- All gas purchases and sale 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 DRA and the Energy Division on all important Gas Acquisition issues during GCIM Year 18, including its winter hedging activities and the rerouting of gas to Otay Mesa. Finally, SoCalGas has at all times operated within the CPUC's Affiliate Transaction Rules and related Remedial Measures.

IV. Recommendations

SoCalGas concludes from its Year18 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 18, 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 18 shareholder award of $5,412,805 on an expedited and ex parte basis.

Attachment B

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2012

	1. UTILITY PLANT	2012
101	UTILITY PLANT IN SERVICE	$10,121,200,362
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	384,329,436
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,096,588,399)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(40,655,444)
117	GAS STORED-UNDERGROUND	56,641,990
	TOTAL NET UTILITY PLANT	6,424,927,945

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	128,181,493
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(101,824,465)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	2,000,000
	TOTAL OTHER PROPERTY AND INVESTMENTS	28,357,150

Data from SPL as of June 8, 2012.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2012

3. CURRENT AND ACCRUED ASSETS

		2012
131	CASH	23,982,144
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	92,275
136	TEMPORARY CASH INVESTMENTS	46,500,000
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	501,018,172
143	OTHER ACCOUNTS RECEIVABLE	31,398,401
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(5,661,339)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	230,308,061
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	7,776,471
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	26,084,044
155	MERCHANDISE	(4,619)
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	218,458
164	GAS STORED	19,037,584
165	PREPAYMENTS	12,854,213
171	INTEREST AND DIVIDENDS RECEIVABLE	3,640,594
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	7,877,007
175	DERIVATIVE INSTRUMENT ASSETS	4,566,842
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	-
	TOTAL CURRENT AND ACCRUED ASSETS	909,688,308

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	6,416,998
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,160,437,783
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	-
184	CLEARING ACCOUNTS	509,784
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	41,470,024
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	15,763,622
190	ACCUMULATED DEFERRED INCOME TAXES	116,150,146
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	1,340,748,357
	TOTAL ASSETS AND OTHER DEBITS	$ 8,703,721,760

Data from SPL as of June 8, 2012.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2012

5. PROPRIETARY CAPITAL

		2012
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	(1,343,329,710)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	21,091,361
	TOTAL PROPRIETARY CAPITAL	(2,209,851,472)

6. LONG-TERM DEBT

221	BONDS	(1,300,000,000)
224	OTHER LONG-TERM DEBT	(12,475,533)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	2,250,304
	TOTAL LONG-TERM DEBT	(1,310,225,229)

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(2,559,199)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(116,835,551)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(844,161,513)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	(1,186,972,165)
	TOTAL OTHER NONCURRENT LIABILITIES	(2,150,528,428)

Data from SPL as of June 8, 2012.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2012

8. CURRENT AND ACCRUED LIABILITES

		2012
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	(280,643,428)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(8,996,947)
235	CUSTOMER DEPOSITS	(76,166,245)
236	TAXES ACCRUED	(19,583,903)
237	INTEREST ACCRUED	(23,397,146)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(22,618,540)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(132,906,567)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(6,092,495)
244	DERIVATIVE INSTRUMENT LIABILITIES	(924,686)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	(571,653,222)

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	(86,543,364)
253	OTHER DEFERRED CREDITS	(107,830,011)
254	OTHER REGULATORY LIABILITIES	(1,479,043,443)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(22,154,375)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(608,089,849)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(157,802,367)
	TOTAL DEFERRED CREDITS	(2,461,463,409)
	TOTAL LIABILITIES AND OTHER CREDITS	$ (8,703,721,760)

Data from SPL as of June 8, 2012.

Attachment C

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2012

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		879,504,639
401	OPERATING EXPENSES	619,991,570	
402	MAINTENANCE EXPENSES	32,051,350	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	87,497,588	
408.1	TAXES OTHER THAN INCOME TAXES	21,640,719	
409.1	INCOME TAXES	33,874,176	
410.1	PROVISION FOR DEFERRED INCOME TAXES	19,380,398	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(5,200,451)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(606,577)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		808,628,773
	NET OPERATING INCOME		70,875,866

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(32,058)	
418	NONOPERATING RENTAL INCOME	97,649	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	(72,085)	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	5,853,503	
421	MISCELLANEOUS NONOPERATING INCOME	(188,624)	
421.1	GAIN ON DISPOSITION OF PROPERTY	263,187	
	TOTAL OTHER INCOME	5,921,572	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(827,999)	
		(827,999)	
408.2	TAXES OTHER THAN INCOME TAXES	(32,619)	
409.2	INCOME TAXES	8,463,512	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(1,099,213)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	359,126	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	7,690,806	
	TOTAL OTHER INCOME AND DEDUCTIONS		12,784,379
	INCOME BEFORE INTEREST CHARGES		83,660,245
	NET INTEREST CHARGES*		16,991,312
	NET INCOME		$66,668,933

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. ($2,012,532)*

Data from SPL as of June 8, 2012.

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2012

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3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$1,326,984,043
NET INCOME (FROM PRECEDING PAGE)	66,668,933
DIVIDEND TO PARENT COMPANY	(50,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(323,266)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$1,343,329,710

Attachment D

TABLE 1

Natural Gas Transportation Rate Revenues

Southern California Gas Company

January 2012 Rates

SCG Rates GCIMyr18 v6-14-2012

		Present Rates			Proposed Rates			Changes		
		Jan-1-12 Volumes Mth	Proposed Rate $/therm	Jan-1-12 Revenues $000's	Jan-1-12 Volumes Mth	Proposed Rate $/therm	Jan-1-12 Revenues $000's	Revenue Change $000's	Rate Change $/therm	% Rate change %
		D	E	F	D	E	F	G	H	I
1	CORE									
2	Residential	2,470,671	$0.54427	$1,344,116	2,470,671	$0.54579	$1,347,872	$3,756	$0.00152	0.3%
3	Residential Core Aggregation Transport (	13,319	$0.58809	$7,833	13,319	$0.58809	$7,833	$0	$0.00000	0%
4	Total Residential	2,483,989	$0.54427	$1,351,948	2,483,989	$0.54579	$1,355,705	$3,756	$0.00152	0.3%
5										
6	Commercial & Industrial	953,031	$0.29905	$284,238	953,031	$0.30057	$285,687	$1,449	$0.00152	0.5%
7	C/I Core Aggregation Transport (CAT)	17,488	$0.34287	$5,996	17,488	$0.34287	$5,996	$0	$0.00000	0%
8	Total Commercial & Industrial	970,519	$0.29905	$290,234	970,519	$0.30080	$291,683	$1,449	$0.00175	0.6%
9										
10	NGV - Pre SempraWide	117,231	$0.07389	$8,662	117,231	$0.07541	$8,840	$178	$0.00152	2.1%
11	SempraWide Adjustment	117,231	($0.00503)	($590)	117,231	($0.00503)	($590)	$0	$0.00000	0.0%
12	NGV - Post SempraWide	117,231	$0.06886	$8,072	117,231	$0.07038	$8,250	$178	$0.00152	2.2%
13										
14	Gas A/C	1,210	$0.06682	$81	1,210	$0.06834	$83	$2	$0.00152	2.3%
15	Gas Engine	18,080	$0.08848	$1,600	18,080	$0.09000	$1,627	$27	$0.00152	1.7%
16	Total Core	3,591,030	$0.45952	$1,651,935	3,560,223	$0.46552	$1,657,348	$5,413	$0.00600	1.3%
17										
18	NONCORE COMMERCIAL & INDUSTRIAL									
19	Distribution Level Service	982,465	$0.06810	$66,902	982,465	$0.06810	$66,902	$0	$0.00000	0.0%
20	Transmission Level Service (2)	457,697	$0.01783	$8,162	457,697	$0.01783	$8,162	$0	$0.00000	0.0%
21	Total Noncore C&I	1,440,163	$0.05212	$75,063	1,440,163	$0.05212	$75,063	$0	$0.00000	0.0%
22										
23	NONCORE ELECTRIC GENERATION									
24	Distribution Level Service									
25	Pre Sempra Wide	353,995	$0.02981	$10,551	353,995	$0.02981	$10,551	$0	$0.00000	0.0%
26	Sempra Wide Adjustment	353,995	($0.00025)	($90)	353,995	($0.00025)	($90)	$0	$0.00000	0.0%
27	Distribution Level Post Sempra W	353,995	$0.02955	$10,461	353,995	$0.02955	$10,461	$0	$0.00000	0.0%
28	Transmission Level Service (2)	2,472,969	$0.01719	$42,507	2,472,969	$0.01719	$42,507	$0	$0.00000	0.0%
29	Total Electric Generation	2,826,964	$0.01874	$52,968	2,826,964	$0.01874	$52,968	$0	$0.00000	0.0%
30										
31	TOTAL RETAIL NONCORE	4,267,127	$0.03000	$128,031	4,267,127	$0.03000	$128,031	$0	$0.00000	0.0%
32										
33	WHOLESALE & INTERNATIONAL									
34	Wholesale Long Beach (2)	117,093	$0.01719	$2,013	117,093	$0.01719	$2,013	$0	$0.00000	0.0%
35	SDGE Wholesale	1,230,285	$0.01027	$12,636	1,230,285	$0.01027	$12,636	$0	$0.00000	0.0%
36	Wholesale SWG (2)	81,737	$0.01719	$1,405	81,737	$0.01719	$1,405	$0	$0.00000	0.0%
37	Wholesale Vernon (2)	116,135	$0.01719	$1,996	116,135	$0.01719	$1,996	$0	$0.00000	0.0%
38	International (2)	53,990	$0.01719	$928	53,990	$0.01719	$928	$0	$0.00000	0.0%
39	Total Wholesale & International & SDGE	1,599,240	$0.01187	$18,977	1,599,240	$0.01187	$18,977	$0	$0.00000	0.0%
40										
41	TOTAL NONCORE	5,866,366	$0.02506	$147,008	5,866,366	$0.02506	$147,008	$0	$0.00000	0.0%
42										
43	Unbundled Storage			$27,530			$27,530	$0		
44										
45	Total (excluding BTS)	9,457,396	$0.19313	$1,826,474	9,426,589	$0.19433	$1,831,887	$5,413	$0.00121	0.6%
46										
47	BTS Amount (3)	3,100	$0.11042	$124,939	3,100	$0.11042	$124,939	$0	$0.00000	0.0%
48	**SYSTEM TOTALw/SI,FAR,TLS,SW**	**9,457,396**	**$0.20634**	**$1,951,413**	**9,426,589**	**$0.20759**	**$1,956,826**	**$5,413**	**$0.00125**	**0.6%**
49										
50	EOR Revenues	156,187	$0.02359	$3,685	156,187	$0.02359	$3,685	$0	$0.00000	0.0%
51	Total Throughput w/EOR Mth/yr	9,613,583			9,582,776					

1) These rates are for Natural Gas Transportation Service from "Citygate to Meter". The BTS rate is for service from Receipt Point to Citygate.
2) These Transmission Level Service "TLS" amounts represent the average transmission rate, see Table 5 or detail list of TLS rates.
3) BTS charge is proposed as a separate rate. Core will pay through procurement rate, noncore as a separate charge.

Whole Sale & International (excl SDGE)	368,955	$0.01719	$6,342	368,955	$0.01719	$6,342	$0	$0.00000	0.0%

Attachment E

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of March 31, 2012

ACCOUNT NUMBER	DESCRIPTION		ORIGINAL COSTS		ACCUMULATED RESERVE		NET BOOK VALUE
INTANGIBLE ASSETS							
301	Organization	$	76,457	$	-	$	76,457
302	Franchise and Consents	$	561,693	$	-		561,693
	Total Intangible Assets	$	638,150		0	$	638,150
PRODUCTION:							
325	Other Land Rights	$	15,321	$	-	$	15,321
330	Prd Gas Wells Const	$	5,461,473	$	-		5,461,473
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	$	8,684,286		(55)	$	8,684,231
UNDERGROUND STORAGE:							
350	Land	$	5,110,287	$	(570,804)	$	4,539,484
350SR	Storage Rights	$	17,364,994	$	(16,676,349)		688,646
350RW	Rights-of-Way	$	25,354	$	(14,185)		11,169
351	Structures and Improvements	$	40,371,038	$	(19,103,592)		21,267,446
352	Wells	$	252,930,129	$	(157,553,355)		95,376,773
353	Lines	$	94,606,835	$	(93,510,391)		1,096,444
354	Compressor Station and Equipment	$	123,828,766	$	(64,434,251)		59,394,515
355	Measuring And Regulator Equipment	$	5,504,258	$	(1,429,363)		4,074,895
356	Purification Equipment	$	117,033,563	$	(62,760,819)		54,272,745
357	Other Equipment	$	25,388,576	$	(5,622,303)		19,766,273
	Total Underground Storage	$	682,163,801		(421,675,411)	$	260,488,391
TRANSMISSION PLANT- OTHER:							
365	Land	$	2,786,000	$	-	$	2,786,000
365LRTS	Land Rights	$	21,671,136	$	(14,293,226)		7,377,910
366	Structures and Improvements	$	33,281,483	$	(20,663,687)		12,617,795
367	Mains	$	1,184,223,620	$	(538,298,483)		645,925,137
368	Compressor Station and Equipment	$	181,869,790	$	(103,613,513)		78,256,277
369	Measuring And Regulator Equipment	$	56,372,386	$	(24,778,814)		31,593,572
371	Other Equipment	$	4,137,277	$	(2,470,617)		1,666,660
	Total Transmission Plant	$	1,484,341,692		(704,118,340)	$	780,223,351
DISTRIBUTION PLANT:							
374	Land	$	28,448,895	$	-	$	28,448,895
374LRTS	Land Rights	$	2,737,340	$	(12,264)		2,725,076
375	Structures and Improvements	$	225,988,790	$	(61,728,182)		164,260,608
376	Mains	$	3,157,640,638	$	(1,842,559,776)		1,315,080,862
378	Measuring And Regulator Equipment	$	73,534,126	$	(52,650,368)		20,883,757
380	Services	$	2,118,594,372	$	(1,727,821,972)		390,772,400
381	Meters	$	431,707,079	$	(118,882,650)		312,824,429
382	Meter Installation	$	270,858,896	$	(145,101,737)		125,757,159
383	House Regulators	$	123,102,991	$	(51,862,856)		71,240,135
387	Other Equipment	$	26,267,434	$	(20,549,715)		5,717,719
	Total Distribution Plant	$	6,458,880,560	$	(4,021,169,520)	$	2,437,711,040
GENERAL PLANT:							
389	Land	$	1,342,839	$	-		1,342,839
389LRTS	Land Rights	$	74,300	$	-		74,300
390	Structures and Improvements	$	162,504,231	$	(121,537,890)		40,966,341
391	Office Furniture and Equipment	$	537,528,969	$	(247,419,687)		290,109,282
392	Transportation Equipment	$	673,560	$	56,698		730,258
393	Stores Equipment	$	93,665	$	(21,031)		72,633
394	Shop and Garage Equipment	$	52,844,037	$	(24,431,299)		28,412,737
395	Laboratory Equipment	$	5,802,785	$	(3,704,915)		2,097,869
396	Construction Equipment	$	16,767	$	11,524		28,291
397	Communication Equipments	$	91,170,148	$	(26,689,415)		64,480,733
398	Miscellaneous Equipment	$	3,376,602	$	606,938		3,983,540
	Total General Plant	$	855,427,902		(423,129,078)	$	432,298,824

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation
As of March 31, 2012

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
	Grand Total	**$ 9,490,136,391**	**$ (5,570,092,404)**	**$ 3,920,043,987**

Attachment F

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2012
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	$880
2	Operating Expenses	809
3	Net Operating Income	$71
4	Weighted Average Rate Base	$3,077
5	Rate of Return*	8.68%

*Authorized Cost of Capital