

**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 30 (2023-2024) of Its Gas Cost Incentive Mechanism.

A.24-06-\_\_\_\_\_  
(Filed June 17, 2024)

**APPLICATION OF SOUTHERN CALIFORNIA GAS  
COMPANY (U 904 G) REGARDING YEAR 30 (2023-2024)  
OF ITS GAS COST INCENTIVE MECHANISM**

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**Dated:** June 17, 2024

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. BACKGROUND ..... 2

III. PURPOSE OF APPLICATION AND RELIEF SOUGHT ..... 7

IV. STATUTORY AND PROCEDURAL REQUIREMENTS ..... 8

V. CONCLUSION..... 12

VERIFICATION - Officer of Southern California Gas Company

ATTACHMENT A - Southern California Gas Company Annual Report on the Gas Cost Incentive Mechanisim

ATTACHMENT B - Southern California Gas Company Balance Sheet and Income Statement

ATTACHMENT C - Southern California Gas Company Statement of Proposed Rates

ATTACHMENT D - Southern California Gas Company Statement of Original Cost and Depreciation Reserve

ATTACHMENT E - Southern California Gas Company Summary of Earnings

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**APPLICATION OF SOUTHERN CALIFORNIA GAS  
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**I. INTRODUCTION**

Southern California Gas Company (SoCalGas) hereby submits its thirtieth annual application (Application) under the Gas Cost Incentive Mechanism (GCIM). The California Public Utilities Commission (CPUC or Commission) established the GCIM in Decision (D.) 94-03-076, which was modified and extended in D.97-06-061, extended on an annual basis beginning with Year 6 in D.98-12-057, and then further modified and extended on an annual basis beginning in Year 8 in D.02-06-023.<sup>1</sup> Pursuant to these decisions and SoCalGas’s Tariff Preliminary Statement Part VIII, “Gas Cost Incentive Mechanism,” SoCalGas is to file an application and report in June of each year to address its performance under the GCIM for the previous April 1 - March 31 period (GCIM Year).

Included as Attachment A to this Application, SoCalGas provides its report on gas supply and storage activity for the 12-month GCIM Year ended March 31, 2024 (Year 30). This report documents the market conditions experienced during Year 30 as well as the ongoing monitoring and evaluation of SoCalGas’s procurement and hedging activities. The monitoring and evaluation

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

included bi-weekly meetings with the Public Advocates Office at the California Public Utilities Commission (Cal PA) and the CPUC's Energy Division,<sup>2</sup> as well as providing monthly monitoring reports to the CPUC, which included a calculation of year-to-date GCIM benefit to core customers,<sup>3</sup> total monthly actual costs and benchmark dollars, benchmark prices, current year capacity holdings and capacity utilization by pipeline. The GCIM continued to provide significant value to core customers during Year 30, as SoCalGas was able to purchase gas at \$74,267,029 below the GCIM benchmark for the year, resulting in a core customer benefit of \$60,401,940 in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 30 shareholder reward is calculated pursuant to the GCIM formula to be \$13,865,089.

## **II. BACKGROUND**

### **A. Establishment of the GCIM**

On March 16, 1994, the Commission approved SoCalGas's Application (A.) 93-10-034, implementing a new method by which the Commission oversees the reasonableness of gas purchases and gas storage decisions made by SoCalGas on behalf of 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's 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

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

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

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. Cal PA, formerly the Office of Ratepayer Advocates, was tasked with auditing SoCalGas’s annual GCIM reports.<sup>4</sup>

**B. Modifications to the GCIM Process**

In D.02-06-023, the Commission approved a Settlement Agreement executed in July of 2001 by SoCalGas, Cal PA, and The Utility Reform Network (TURN). Specifically, D.02-06-023 extended and made the following changes to SoCalGas’s GCIM:

1. Elimination of the NYMEX Program as a benchmark index, beginning in Year 8.
2. Shareholder rewards will be capped at 1.5 percent of the actual annual gas commodity cost.
3. The sharing bands below the benchmark will be:

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

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<sup>4</sup> At the time of the original GCIM decision, Cal PA was known as the Division of Ratepayer Advocates (DRA). Over the ensuing GCIM years, the name of this organization changed from DRA to ORA, back to DRA, back to ORA, and then changed to Cal PA. To avoid confusion, this Application will simply refer to Cal PA throughout because that is the current name of this organization.

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

In the GCIM Year 11 Proceeding (A.05-06-030), further modifications were made. On November 30, 2005, Cal PA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas's proposed shareholder reward of \$2.5 million, but also recommended two modifications to the GCIM mechanism.<sup>6</sup>

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

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

- The core's October 31 physical inventory storage target will change from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. This core physical inventory does not include any net park and net loan positions.
- If additional storage inventory capacity is allocated to SoCalGas's core beyond 70 Bcf, core's October 31 physical inventory storage target will be increased by that amount.
- SoCalGas must obtain the consent of Cal PA and TURN to rely upon its existing secondary storage target.
- Unless otherwise agreed to by Cal PA and TURN, SoCalGas must have a minimum core-purchased inventory of 49 Bcf on July 31, 2006. This target may include net loan positions.
- For the years beyond 2006, SoCalGas will obtain agreement from Cal PA and TURN for mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by Cal PA and TURN. Each of these changes would be reflected in SoCalGas's GCIM tariff.

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

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

The Joint Recommendation of Cal PA, TURN and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas's requested shareholder reward for Year 11 of \$2.5 million.<sup>7</sup>

In January 2018, the Commission issued D.18-01-005, approving A.17-06-016 and SoCalGas's requested shareholder reward of \$4.235 million. The decision also directs SoCalGas to meet with Cal PA in the event that SoCalGas anticipates that it will have less than 47.0 Bcf of mid-season core storage inventory on July 31 of each year, starting on July 31, 2018. The decision also requires SoCalGas to provide written notification of its mid-season (July 31) and annual (November 1) core purchased storage inventory targets to the Commission's Energy Division, also beginning in 2018.

In February 2020, the Commission issued D.20-02-007, approving A.19-06-009 and SoCalGas's requested shareholder reward of \$16,798,695. In D.20-02-007, the Commission ordered SoCalGas to include additional information in future GCIM applications:

- The table titled "Summary of GCIM Results to Date" must include a column showing the actual annual cost greater than 5% below the Benchmark Budget (measured as a percentage of the annual Benchmark Gas Commodity Cost) in which the gain in excess of 5% is allocated 90% to core ratepayers and 10% to shareholders.
- The calculation of the requested shareholder award for the GCIM Year showing: (i) the total benchmark costs for the GCIM Year broken down by transportation and commodity; (ii) total actual costs broken down by transportation and commodity; (iii) Secondary Market Services net revenues; and (iv) the net hedging gain or loss broken down by winter hedges and other hedges.
- A narrative and quantitative comparison of the previous GCIM Year and the current GCIM Year benchmark costs and actual costs, including total actual costs broken down by: (i) transportation and commodity; (ii) Secondary Market Services

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<sup>7</sup> As with GCIM Year 7, Year 8, Year 9, and Year 10 shareholder rewards granted by the Commission, the GCIM Year 11 reward was made subject to refund or adjustment, to be determined in Investigation (I.)02-11-040. However, in D.06-12-034, the Commission closed I.02-11-040 with prejudice and terminated the conditions imposed upon these GCIM shareholder rewards.

net revenues; and (iii) the net hedging gain or loss broken down by winter hedges and other hedges.<sup>8</sup>

### **C. GCIM Year 29**

Pursuant to Rule 16.6 extension of time to file the Year 29 Application, SoCalGas filed A.23-07-005 on July 17, 2023, requesting a shareholder reward of \$62.8 million for Year 29. During GCIM Year 29, SoCalGas continued to provide its core customers with reliable natural gas supplies, at \$417.6 million below benchmark cost, resulting in a core ratepayer benefit of \$354.9 million in lower gas costs.

In recognition of the confluence of market conditions and unprecedented high winter commodity prices that adversely affected customers' bills, in the Year 29 proceeding SoCalGas proposed to share a substantial portion of its Year 29 reward with core customers through procurement rates over the 2024-25 winter period. To determine the amount to share with customers, SoCalGas approximated its Year 29 reward without the impact of unprecedented winter prices by replacing Year 29 actual data for December, January, and February with five-year average data from GCIM Year 24 through Year 28 for those same months. As documented in Attachment A to the Year 29 Application, this adjusted calculation results in an approximated reward of \$25.4 million. SoCalGas proposed to share with customers the difference between this \$25.4 million approximated reward (that excludes the impact of unprecedented winter prices) and its actual calculated reward under the GCIM formula. Subject to approval of SoCalGas's \$62.8 million award as set forth in this application, that difference – and the amount that SoCalGas will share with core customers through procurement rates over the 2024-25 winter period – was \$37.4 million.

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

On March 15, 2024, Cal PA served its Monitoring and Evaluation Report for GCIM Year 29. In its report, Cal PA confirmed that recorded gas costs were \$417.6 million below benchmark cost, confirmed a core ratepayer benefit of \$354.9 million, and confirmed the calculated shareholder reward to be \$62.8 million. The Year 29 Report differed from SoCalGas's Application proposal, however, in that it recommended for the mechanism to be "deactivated in this GCIM period for January 2023" and that SoCalGas retain no shareholder reward for that month due to the previously noted gas prices. This difference resulted in an additional \$2.7 million Cal PA recommended to be shared with core customers. SoCalGas did not oppose the monetary impact of this recommendation from Cal PA, but noted in comments that it should not be characterized as a "deactivation" in as much as the mechanism functioned as intended.

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

The purpose of this Application is to request a GCIM shareholder reward of \$13,865,089 for SoCalGas's performance in Year 30 pursuant to the revised GCIM established by D.02-06-023. As documented in Attachment A, in GCIM Year 30 SoCalGas was able to purchase gas at \$74,267,029 below the GCIM benchmark, providing a benefit of \$60,401,940 in lower gas costs. The actual cost of all purchases by SoCalGas subject to the GCIM was \$1,546,739,178, while the benchmark cost was \$1,621,006,207. 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 \$13,865,089. SoCalGas has further included in Attachment A the additional information required by D.20-02-007.

The relief sought by SoCalGas in this Application is therefore a GCIM Year 30 shareholder reward of \$13,865,089.

**IV. STATUTORY AND PROCEDURAL REQUIREMENTS**

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

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

The issue to be considered in this proceeding is whether SoCalGas should be rewarded the GCIM Year 30 shareholder reward of \$13,865,089 it has requested. This application does not identify any safety consideration associated with its requested relief.

SoCalGas proposes the following schedule for this Application:

| <b><u>EVENT</u></b>                   | <b><u>DATE</u></b>                   |
|---------------------------------------|--------------------------------------|
| SoCalGas files Application            | June 17, 2024                        |
| Deadline for responses to Application | within 30 days Daily Calendar notice |
| Prehearing Conference                 | August 14, 2024                      |
| Cal PA Monitoring Report              | October 15, 2024                     |
| Comments on Cal PA Report             | October 30, 2024                     |
| Reply Comments (if any) on Report     | November 6, 2024                     |
| Proposed Decision                     | December 2024                        |
| Commission Decision                   | January 2025                         |

**B. Authority – Rule 2.1**

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

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

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

Evelyn Loya  
*Regulatory Case Manager for:*  
**Southern California Gas Company**  
555 West Fifth Street, GT14D6  
Los Angeles, California 90013-1011  
Tel: (213) 231-5979  
Fax: (213) 244-4957  
E-mail: [ELoya@socalgas.com](mailto:ELoya@socalgas.com)

A copy should also be sent to:

Jeffrey B. Fohrer  
*Attorney (and Party) for:*  
**Southern California Gas Company**  
555 West Fifth Street, GT14E7  
Los Angeles, California 90013-1011  
Tel: (213) 244-3061  
Fax: (213) 629-9620  
E-mail: [jfohrer@socalgas.com](mailto:jfohrer@socalgas.com)

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

The Commission is familiar with SoCalGas’s GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 30 Report will be a sufficient basis for the Commission to reach a decision without hearings. Accordingly, SoCalGas respectfully requests that the Commission approve this Application expeditiously, and without evidentiary hearings.

**E. Articles of Incorporation – Rule 2.2**

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

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

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

**G. Rates – Rule 3.2(a)(2) and (3)**

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

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

A general description of SoCalGas’s property and equipment was previously filed with the Commission on May 3, 2004, in connection with SoCalGas’s Application 04-05-008, and is incorporated herein by reference. A statement of Original Cost and Depreciation Reserve as of December 31, 2023, is attached as Attachment D.

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

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

**J. Exhibits and Readiness – Rule 3.2**

SoCalGas’s GCIM Year 30 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, the Tax Reform Act of 1986, and the Tax Cuts and Jobs Act of 2017.

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

A copy of the most recent proxy statement, dated April 25, 2024, was provided to the Commission by letter dated May 9, 2024, 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 3.2(b)**

SoCalGas is serving this Application on all parties to A.23-07-005. 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.



## VERIFICATION

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

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

Executed on June 17, 2024, at Los Angeles, California.

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

## ATTESTATION

1. I am SVP and Chief Financial Officer of Southern California Gas Company (SoCalGas). I am providing this attestation based upon the requirements of Ordering Paragraph 5 of California Public Utilities Commission (CPUC or Commission) Decision (D.)23-09-002.

2. On December 23, 2015, the CPUC's Executive Director issued a letter to SoCalGas directing SoCalGas to provide information to the CPUC concerning costs associated with the uncontrolled release of natural gas from Well SS-25 at the Aliso Canyon Storage Facility from October 23, 2015, through February 11, 2016 (the Incident).

3. Beginning in December 2015, SoCalGas has reported to the Commission the costs associated with the Incident in the monthly Incident-related cost report submitted pursuant to the Executive Director's December 23, 2015, directive (Directive Report).

4. On October 28, 2022, SoCalGas, the CPUC's Safety and Enforcement Division (SED) and the Public Advocates Office at the CPUC (Cal Advocates) filed a Joint Motion for Adoption of Settlement Agreement in Investigation (I.)19-06-016 seeking the approval of the Settlement Agreement entered by SoCalGas, SED, and Cal Advocates (Settlement Agreement).

5. On September 12, 2023, the Commission issued D.23-09-002 which approved the Settlement Agreement between SoCalGas, SED, and Cal Advocates resolving I.19-06-016.

6. Ordering Paragraph 5 of D.23-09-002 states that SoCalGas shall submit an attestation by a Vice President or higher company executive with every application requesting rate recovery attesting that it has not included any expenses or costs identified in the Settlement Agreement. This attestation requirement shall apply for five years from the date of the final issuance of this decision.

7. I reviewed the costs requested in this Application and the most recent Directive Report. Based on my review of the costs, the Directive Report, and other diligence, I am informed

and believe, and upon such information and belief, certify that SoCalGas has not included any expenses or costs identified in the Settlement Agreement adopted in D.23-09-002 in the enclosed Application being filed on June 17, 2024.

Executed on June 17, 2024, at Los Angeles, California.

A handwritten signature in black ink that reads "Mia L. DeMontigny". The signature is written in a cursive, flowing style. Below the signature is a horizontal line.

Mia L. DeMontigny  
Southern California Gas Company  
SVP & Chief Financial Officer

**ATTACHMENT A**

Southern California Gas Company  
Annual Report on the Gas Cost Incentive Mechanism

**Southern California Gas Company**  
**Annual Report on the Gas Cost Incentive Mechanism**  
**April 1, 2023, through March 31, 2024**

**I. Introduction**

Since its inception, the Gas Cost Incentive Mechanism (GCIM) has increased the efficiency of regulation by reducing the burden of regulatory oversight and providing a structure that enables Southern California Gas Company (SoCalGas) to focus on securing reliable gas at a reasonable cost for its bundled core customers. This report summarizes the results of the SoCalGas Gas Acquisition Department's (Gas Acquisition) activities on behalf of the core procurement customers of SoCalGas and San Diego Gas & Electric Company (SDG&E) under the GCIM during the period April 1, 2023, through March 31, 2024 (GCIM Year 30). This report also details the shareholder reward calculation under the GCIM for Year 30 as set forth in SoCalGas's GCIM Preliminary Statement Part VIII.

**II. GCIM Year 30 Market Conditions<sup>1</sup>**

GCIM Year 30 began with a storage deficit in the Pacific Region when compared to the 5-year average and it ended with a strong El Nino winter which resulted in milder than normal temperatures for both the Western Region (Pacific Region and Mountain Region) and the entire U.S. Storage levels in the Pacific Region were 73 Bcf at the beginning of GCIM Year 30 which was well below the 5-year lows. As a result of diligent storage injections during GCIM Year 30, the Pacific Region storage level reached 285 Bcf by the end of October 2023 which was 8 Bcf higher than the 5-year average. During the mild El Nino winter of 2023-2024, Pacific Region storage levels only fell by 58 Bcf and at the end of GCIM Year 30 had a level of 227 Bcf. Although Pacific Region winter storage levels remained robust and prices as a whole were depressed, there were some events in the Western gas markets that resulted in price volatility including an event in mid-January that impacted supplies moving west to SoCalGas's service territory.

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<sup>1</sup> Fundamental market condition information in this section is from the April 2023 issue of Energy Information Administration (EIA) Natural Gas Monthly unless otherwise noted.

In contrast to historically low storage levels in the Western Region entering GCIM Year 30, the storage levels for the overall Lower 48 states were 298 Bcf higher than the 5-year average. This dichotomy, coupled with increasing U.S. Dry Gas Production from an average 100 Bcf/d in GCIM Year 29 to 103 Bcf/d in GCIM Year 30, supported the replenishment of Pacific Region storage levels.

From a pricing perspective, GCIM Year 30 resulted in some of the lowest prices in the Western gas markets over the past 5 years; however, following the extreme price volatility in the 2022-2023 winter, it took some time for the market to reflect low prices in the forward winter months (November 2023 – March 2024). During the injection season (April 2023 – October 2023) and much of the early winter period (through December 2023), daily and monthly prices remained high relative to recent years with November 2023 – March 2024 SoCal Citygate forward prices still reaching prices in excess of \$10.00 per Dth prior to the winter, and Rockies forward prices reaching prices in excess of \$7.00 per Dth for the same term (as late as October). It was not until the second to third week of December 2023 when daily SoCal Citygate and Rockies prices were below \$4.00 per Dth. A significant development over the past 12-24 months with price volatility in the Western natural gas markets is that the volatility is also being observed in the basins. This price action indicates that even with the greater storage levels in the Pacific Region relative to the last 5 years, the Western natural gas markets may continue to show concerns about the possibility of a cold winter until the first few weeks of winter passes without any supply/demand disruptions. In GCIM Year 30, Gas Acquisition hedged a higher percentage of its natural gas portfolio's winter price risk executing physical gas fixed price transactions, physical gas options, and financial hedges. In August 2023, Gas Acquisition briefed Energy Division regarding details of the hedges executed for the Winter 2023-2024 period. The briefing also reviewed the markets concerns of a cold winter and/or any infrastructure challenges (as described in the comments about winter pricing above) and how the hedges addressed those concerns. Material changes on SoCalGas's system were also observed during GCIM Year 30. On August 31, 2023, the Commission authorized an increase in the storage capacity at the Aliso Canyon storage field by 27 Bcf to an operating capacity totaling 68.6 Bcf.<sup>2</sup> The additional storage capacity was allocated to unbundled storage customers and although it excluded any increase in capacity for the bundled

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<sup>2</sup> See D.23-08-050, Ordering Paragraph (OP) #4.

core, the increased storage capacity allowed for additional storage injections during a period when system injection capacity is typically limited. This higher injection capacity was helpful for Gas Acquisition to reach its November 1 GCIM storage target. In addition to the increase in Aliso Canyon storage capacity, another change on the SoCalGas system was the removal of the Aliso Canyon Withdrawal Protocol.<sup>3</sup> This allowed for maximum withdrawals to be scheduled without requiring the four (4) thresholds of the protocol to be met first. These changes together with El Nino induced mild winter weather conditions, supported a lower price environment in the Western Region and the broader U.S. natural gas markets<sup>4</sup>.

Although the impacts described above favorably impacted supply reliability and natural gas wholesale market prices, the natural gas market still experienced other challenges during GCIM Year 30. Even though the summer was relatively mild for most of the U.S., higher than expected record levels of natural gas demand for power generation was experienced for a second year in a row.<sup>5</sup> The higher demand for power generation tightened the supply/demand balance more than it would have given the mild weather conditions which may have contributed to higher natural gas prices at the SoCal Citygate in the daily market, and the Rockies in the forward market for the upcoming winter. SoCal Citygate daily prices exceeded \$9.00 per Dth in the months of April, July, August, and October which also influenced relatively high forward prices for the November 2023 – March 2024 winter season as stated earlier. Additionally, a cold event occurring over the 2024 Martin Luther King holiday weekend was the most notable single event of weather-driven natural gas price volatility during GCIM Year 30. During this event, arctic air invaded the Midwestern Region, the Central Plains, and parts of Texas. This cold event had less geographic coverage than Winter Storm Uri in February 2021 but was similar in intensity for the impacted areas. Prices from the Midwestern Region to the Rockies production basins spiked by as much as \$30 per Dth above the first-of-the-month published indices. During this cold event, the weather remained relatively mild for most of the Western Region including SoCalGas’s service

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<sup>3</sup> See September 15, 2023, Aliso Canyon Withdrawal Protocol letter from the CPUC Energy Division Deputy Executive Director for Energy and Climate Policy posted on the CPUC website.

<sup>4</sup> “Stout Pacific Storage, Steady Canadian Imports Restrain Western Natural Gas Prices”, Natural Gas Intelligence article on 2/13/24.

<sup>5</sup> Source – EIA Weekly released 7/20/2023 “Natural gas-fired electricity generation was higher in first-half 2023 than in first-half 2022”. [https://www.eia.gov/naturalgas/weekly/archivenew\\_ngwu/2023/07\\_20/](https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2023/07_20/)

territory which allowed supplies initially earmarked for deliveries to Western Region markets to move eastward to meet increased demand in the areas impacted by the February 2024 cold event. LNG exports were higher in GCIM Year 30 than the previous year (12.1 Bcf/day April 2023 – March 2024 vs 10.6 Bcf/day for the same period in the previous year). After the mild start to the winter, the high storage levels across the U.S. and increased production levels overshadowed concerns for supply/demand variation in the global markets. Due to mild weather and the increased allowance for Germany and other European countries to generate power using coal, European natural gas storage inventories started GCIM Year 30 at 56% of capacity (the highest percentage on record for the end of a heating season) totaling 2.02 trillion cubic feet (Tcf) exceeding the previous record of 1.98 Tcf at the end of the 2019-2020 winter, and the five-year average of 1.21 Tcf.<sup>6</sup> The 2023-2024 winter season was uneventful for Europe for much of the same reason as in the U.S., high storage levels and a mild winter. Because European storage assets are limited as compared to the U.S. and the Ukraine-Russia conflict continues to impact European natural gas supply availability, the supply/demand balance in Europe can change at a quicker pace than in the U.S.

At the end of GCIM Year 30, March 31 storage was at record levels for the U.S., the Pacific Region, and for Gas Acquisition's allocated storage for bundled core customers. Prices declined in the daily markets as well as in the forward markets across the U.S. including in the Western Region and price volatility was muted for most of the winter during GCIM Year 30. Within approximately a year's time, the natural gas markets in the Western Region changed from being under supplied to over supplied. Given the high storage levels, increases in dry gas production over the past 5-plus years, and limited remaining storage capacity, planned production declines were being announced by the end of GCIM Year 30.<sup>7</sup>

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<sup>6</sup> 2023 was Europe's second-warmest winter on record including the warmest January according to data from the National Oceanic and Atmospheric Administration (NOAA).

<sup>7</sup> Source – "EQT to reduce natgas production through March on low prices," (Reuters) <https://www.reuters.com/business/energy/eqt-cuts-natural-gas-production-2024-03-04/>

### III. Overview of Year 30 GCIM Results

Table 1 below summarizes overall performance under the GCIM during the last 30 years. Notably, SoCalGas bundled core customers captured the vast majority of the benefits of reduced gas costs relative to the GCIM benchmark (Benchmark) and have realized \$1.9 billion out of the total \$2.2 billion in lower gas commodity costs. Additionally, a GCIM Summary for the past 30 years that provides details on the comparison to benchmark sharing band amounts is included in Appendix A.

**TABLE 1**  
**GCIM PERFORMANCE**  
**YEAR ENDED MARCH 31\***

| Year                    | GCIM Year | Net Purchases (Citygate Volumes) |               | Net Gas Cost        |                      | Benchmark Gas Commodity Cost |                      | Comparison to Benchmark (\$Millions) |                   |         |
|-------------------------|-----------|----------------------------------|---------------|---------------------|----------------------|------------------------------|----------------------|--------------------------------------|-------------------|---------|
|                         |           | Million MMBtu/d                  | Million MMBtu | Total (\$ Millions) | Unit Cost (\$/MMBtu) | Total (\$ Millions)          | Unit Cost (\$/MMBtu) | Customer Savings                     | Shareholder Award | Total   |
| 1995                    | 1         | 0.76                             | 277           | 445                 | 1.61                 | 441                          | 1.59                 | (1.1)                                | 0.0               | (1.1)   |
| 1996                    | 2         | 0.66                             | 243           | 322                 | 1.33                 | 326                          | 1.35                 | 3.2                                  | 3.2               | 6.4     |
| 1997                    | 3         | 0.66                             | 243           | 530                 | 2.18                 | 550                          | 2.27                 | 10.6                                 | 10.6              | 21.2    |
| 1998                    | 4         | 0.66                             | 241           | 542                 | 2.25                 | 549                          | 2.28                 | 4.8                                  | 2.0               | 6.8     |
| 1999                    | 5         | 0.75                             | 275           | 520                 | 1.89                 | 538                          | 1.95                 | 10.4                                 | 7.7               | 18.1    |
| 2000                    | 6         | 1.06                             | 385           | 902                 | 2.34                 | 926                          | 2.40                 | 14.4                                 | 9.8               | 24.2    |
| 2001                    | 7         | 1.09                             | 398           | 2,055               | 5.16                 | 2,279                        | 5.72                 | 192.8                                | 30.8              | 223.6   |
| 2002                    | 8         | 1.01                             | 370           | 1,159               | 3.13                 | 1,349                        | 3.64                 | 172.4                                | 17.4              | 189.8   |
| 2003                    | 9         | 1.03                             | 376           | 1,333               | 3.55                 | 1,373                        | 3.65                 | 32.7                                 | 6.3               | 39.0    |
| 2004                    | 10        | 1.02                             | 374           | 1,730               | 4.63                 | 1,757                        | 4.70                 | 24.6                                 | 2.4               | 27.0    |
| 2005                    | 11        | 1.03                             | 375           | 2,103               | 5.61                 | 2,134                        | 5.69                 | 28.9                                 | 2.5               | 31.4    |
| 2006                    | 12        | 1.06                             | 387           | 2,923               | 7.54                 | 2,992                        | 7.72                 | 59.3                                 | 9.8               | 69.1    |
| 2007                    | 13        | 1.02                             | 372           | 2,135               | 5.74                 | 2,192                        | 5.89                 | 48.8                                 | 8.9               | 57.7    |
| 2008                    | 14        | 1.03                             | 376           | 2,349               | 6.25                 | 2,399                        | 6.38                 | 43.6                                 | 6.5               | 50.1    |
| 2009                    | 15        | 1.15                             | 418           | 2,661               | 6.36                 | 2,737                        | 6.54                 | 63.6                                 | 12.0              | 75.6    |
| 2010                    | 16        | 1.11                             | 406           | 1,548               | 3.82                 | 1,588                        | 3.91                 | 33.9                                 | 6.0               | 39.9    |
| 2011                    | 17        | 1.11                             | 406           | 1,559               | 3.84                 | 1,600                        | 3.94                 | 34.7                                 | 6.2               | 40.9    |
| 2012                    | 18        | 1.18                             | 432           | 1,547               | 3.58                 | 1,585                        | 3.67                 | 32.1                                 | 5.4               | 37.5    |
| 2013                    | 19        | 1.06                             | 387           | 1,107               | 2.86                 | 1,141                        | 2.95                 | 28.9                                 | 5.8               | 34.7    |
| 2014                    | 20        | 1.05                             | 382           | 1,485               | 3.88                 | 1,556                        | 4.07                 | 56.7                                 | 13.7              | 70.4    |
| 2015                    | 21        | 0.99                             | 361           | 1,368               | 3.79                 | 1,411                        | 3.91                 | 35.9                                 | 7.3               | 43.1    |
| 2016                    | 22        | 0.92                             | 337           | 772                 | 2.29                 | 800                          | 2.38                 | 23.1                                 | 5.0               | 28.1    |
| 2017                    | 23        | 1.01                             | 368           | 994                 | 2.70                 | 1,021                        | 2.77                 | 23.0                                 | 4.2               | 27.2    |
| 2018                    | 24        | 1.02                             | 371           | 974                 | 2.63                 | 1,036                        | 2.80                 | 50.4                                 | 11.4              | 61.8    |
| 2019                    | 25        | 1.00                             | 364           | 1,145               | 3.15                 | 1,251                        | 3.44                 | 88.7                                 | 16.8              | 105.5   |
| 2020                    | 26        | 1.11                             | 404           | 854                 | 2.12                 | 936                          | 2.32                 | 69.2                                 | 12.8              | 82.0    |
| 2021                    | 27        | 1.01                             | 369           | 743                 | 2.01                 | 928                          | 2.51                 | 173.6                                | 11.1              | 184.7   |
| 2022                    | 28        | 1.09                             | 398           | 1,896               | 4.77                 | 2,018                        | 5.07                 | 99.9                                 | 22.3              | 122.2   |
| 2023                    | 29        | 1.02                             | 371           | 4,186               | 11.29                | 4,603                        | 12.42                | 354.9                                | 62.8              | 417.6   |
| 2024                    | 30        | 0.99                             | 362           | 1,213               | 3.36                 | 1,288                        | 3.56                 | 60.4                                 | 13.9              | 74.3    |
| <b>Total GCIM Years</b> |           | 0.988                            | 10,827        | 43,100              | 3.98                 | 45,304                       | 4.18                 | 1,874.2                              | 334.7             | 2,208.8 |

Note 1: Numbers may not total exactly due to rounding.

Note 2: In July 2023, SoCalGas filed its GCIM Year 29 Application, seeking approval of a \$62.8 million shareholder reward for its core gas procurement. In recognition of the confluence of market conditions and unprecedented high winter commodity prices that adversely affected customers' bills, SoCalGas voluntarily proposed to share \$37.4 million of its Year 29 calculated reward with its core customers through

procurement rates, resulting in a proposed adjusted shareholder reward of \$25.4 million. In its Monitoring and Evaluation Report, Cal Advocates confirmed SoCalGas's proposal, and recommended to remove an additional ~\$2.7 million from SoCalGas's proposed adjusted reward, resulting in an adjusted shareholder reward of ~\$22.7 million to SoCalGas, and returning \$40.1 million of the calculated reward to core customers. In comments submitted on March 29, 2024, SoCalGas did not oppose the recommendation.

\* 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 for GCIM Year 30, Gas Acquisition acquired gas at \$74.3 million below the Benchmark, providing core customers with a benefit of \$60.4 million in lower gas commodity costs. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition purchases gas for its core customers. Gas Acquisition's average Net Unit Cost was \$3.36/MMBtu, which is \$0.20/MMBtu below the Benchmark Unit Cost of \$3.56/MMBtu.

During GCIM Year 30, Gas Acquisition purchased a net 362 million MMBtus of gas for its retail core load. Gas Acquisition's interstate capacity rights, which are primarily on El Paso Natural Gas, Transwestern, Kern River and Gas Transmission Northwest pipeline systems, enabled the core procurement requirements to be met mostly through basin purchases including San Juan, Permian, Rockies and Western Canada, which were supplemented with purchases at the California border and SoCal Citygate.

Table 2 below provides details on the GCIM Year 30 under benchmark amount by showing (1) total benchmark costs broken down by transportation cost and commodity cost; (2) total actual costs broken down by transportation and commodity; (3) Secondary Market Services (SMS) net revenues; and (4) net hedging gains or losses broken down by winter hedges and other hedges.

**TABLE 2**  
**GCIM BENCHMARK AND ACTUAL COSTS**  
**YEAR ENDED MARCH 31, 2024**

|   | Benchmark                   | Actual                      | Over/(Under)<br>Benchmark  |                   | Ratepayers'<br>Share | Shareholders'<br>Share |
|---|-----------------------------|-----------------------------|----------------------------|-------------------|----------------------|------------------------|
| Commodity                                       | \$ 1,228,671,352            | \$ 1,113,360,461            | (115,310,891)              |                   |                      |                        |
| SMS Net Revenue                                 |                             | (13,676,610)                | (13,676,610)               |                   |                      |                        |
| Off System Park and Loans                       |                             | (899,800)                   | (899,800)                  |                   |                      |                        |
| Hedging (25% WH + Other)*                       | 59,005,845                  | 114,626,117                 | 55,620,272                 |                   |                      |                        |
| Total Commodity                                 | <u>1,287,677,197</u>        | <u>1,213,410,168</u>        | <u>(74,267,029)</u>        |                   |                      |                        |
| Transportation                                  | <u>333,329,010</u>          | <u>333,329,010</u>          | -                          |                   |                      |                        |
| Total   | <u><u>1,621,006,207</u></u> | <u><u>1,546,739,178</u></u> | <u><u>(74,267,029)</u></u> |                   |                      |                        |
| 1% Tolerance Band - 100% Ratepayer              |                             |                             | \$ 12,876,772              | \$ 12,876,772     | \$ -                 |                        |
| Amount Subject to 75%/25% Sharing               |                             |                             | 51,507,088                 | 38,630,316        | 12,876,772           |                        |
| Amount Subject to 90%/10% Sharing               |                             |                             | 9,883,169                  | 8,894,852         | 988,317              |                        |
| Excess of 1.5% Shareholder Cap - 100% Ratepayer |                             |                             | -                          | -                 | -                    |                        |
| Total   |                             |                             | <u>74,267,029</u>          | <u>60,401,940</u> | <u>13,865,089</u>    |                        |
|   |                             |                             |                            | 81%               | 19%                  |                        |
| <u>Hedging Costs/(Revenue)</u>                  | <u>Total</u>                | <u>* Included in GCIM</u>   |                            |                   |                      |                        |
| Other   | \$ 2,785                    | \$ 2,785                    |                            |                   |                      |                        |
| Winter Financial Transactions                   | 12,296,000                  | 3,074,000                   |                            |                   |                      |                        |
| Winter Physical Transactions                    | <u>446,197,326</u>          | <u>111,549,332</u>          |                            |                   |                      |                        |
| Total Hedging                                   | <u>458,496,111</u>          | <u>114,626,117</u>          |                            |                   |                      |                        |

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

Total benchmark costs for GCIM Year 30 were \$1,621,006,207 and total actual costs were \$1,546,739,178 which resulted in the under-benchmark amount of \$74,267,029. Included in total actual costs are \$1,113,360,461 of commodity costs, \$333,329,010 of transportation costs, \$899,800 of off-system park and loan revenues, net SMS revenues of \$13,676,610 and net hedging costs of \$114,626,117. Hedging costs included in the GCIM calculation consist of 25% of winter hedge activity and 100% of all other hedging activity. Details on winter hedge activity are provided in the “Winter Hedge Activity” section below. The ratepayers’ share of the under-benchmark amount is \$60,401,940 or 81% of the total, with the remaining 19% allocated to shareholders.

Table 3 below is a comparison of GCIM Year 30 costs with GCIM Year 29 costs broken down by (1) Commodity Costs; (2) Transportation Costs (3) SMS Net Revenues; (4) Off-System Park and Loan Costs and (5) Net Hedging Costs/Revenues including winter hedge transactions.

**TABLE 3**  
**COMPARISON OF GCIM YEAR 30 AND YEAR 29**  
**BENCHMARK AND ACTUAL COSTS**  
**YEAR ENDED MARCH 31**

|                                    | <u>Year 30</u>      | <u>Year 29</u>       | <u>Difference</u>   |
|------------------------------------|---------------------|----------------------|---------------------|
| Commodity Benchmark                | \$ 1,287,677,197    | \$ 4,603,238,360     | \$ (3,315,561,162)  |
| Commodity Actual                   | 1,113,360,461       | 4,229,887,384        | (3,116,526,923)     |
| SMS Net Revenue                    | (13,676,610)        | (54,096,161)         | 40,419,551          |
| Off System Park and Loans          | (899,800)           | 158,712              | (1,058,512)         |
| Hedging (25% WH + Other)*          | <u>114,626,117</u>  | <u>9,647,191</u>     | <u>104,978,925</u>  |
| Total Commodity                    | 1,213,410,168       | 4,185,597,127        | (2,972,186,959)     |
| Over/(Under) Benchmark             | <u>(74,267,029)</u> | <u>(417,641,233)</u> | <u>343,374,204</u>  |
| Ratepayers' Share                  | \$ 60,401,940       | \$ 354,857,276       | \$ (294,455,336)    |
| Shareholders' Share                | <u>13,865,089</u>   | <u>62,783,957</u>    | <u>(48,918,868)</u> |
|                                    | 74,267,029          | 417,641,233          | (343,374,204)       |
| Transportation                     | \$ 333,329,010      | \$ 293,568,373       | \$ 39,760,636       |
| <u>Hedging Costs/(Revenue)</u>     |                     |                      |                     |
| Other                              | \$ 2,785            | \$ 3,011             | \$ (226)            |
| Winter Financial Transactions      | 12,296,000          | -                    | 12,296,000          |
| Winter Physical Transactions       | <u>446,197,326</u>  | <u>38,576,722</u>    | <u>407,620,604</u>  |
| Total Hedging                      | <u>458,496,111</u>  | <u>38,579,733</u>    | <u>419,916,378</u>  |
| *Included in GCIM (25% WH + Other) | \$ 114,626,117      | \$ 9,647,191         | \$ 104,978,925      |

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

The commodity benchmark for GCIM Year 30 was \$3,315,561,162 lower than the commodity benchmark for GCIM Year 29. This decrease was driven by lower published index prices used to calculate the benchmark for GCIM Year 30 compared to GCIM Year 29. Actual commodity costs for GCIM Year 30 were \$3,116,526,923 lower than GCIM Year 29 due to lower gas

purchase prices. GCIM Year 30 net SMS revenue totaling \$13,676,610 was lower than GCIM Year 29 by \$40,419,551. Hedging costs included in GCIM Year 30 were \$114,626,117 compared to \$9,647,191 in GCIM Year 29. Off-system park and loan activities in GCIM Year 30 resulted in revenue of \$899,800 as opposed to GCIM Year 29 costs of \$158,712. Each of these factors contributed to an under-benchmark amount for GCIM Year 30 that was \$343,374,204 lower than in GCIM Year 29. Transportation costs for GCIM Year 30 were approximately \$40 million higher than in GCIM Year 29. Actual transportation costs are included in both the benchmark and actual costs and do not impact the over/(under) benchmark amount, or the ratepayer and shareholder share of the under-benchmark cost savings.

#### **IV. Description of Gas Procurement Activities**

The GCIM encourages SoCalGas's Gas Acquisition Department, on behalf of its bundled core customers, to manage gas costs and mitigate price volatility proactively through the use of physical and financial trades, storage, and interstate pipeline capacity. The Gas Acquisition Department operates under a robust governance framework subject to oversight and participation by other Company groups including, but not limited to, Enterprise Market and Credit Risk Management, Legal, and Accounting & Finance. Additionally, SoCalGas's Market Activity Policy establishes the governance framework for energy procurement activities conducted by Gas Acquisition. SoCalGas's Gas Acquisition Department has expertise in fundamental market analysis, gas trading, gas transportation, risk management, and back-office operations. This expertise has continually developed over the last thirty years of operation under the GCIM. As a result, and consistent with prior GCIM years, Gas Acquisition effectively managed its gas procurement activities during GCIM Year 30 and provided reliable gas supplies at reasonable gas commodity costs for retail core customers given existing market conditions.

GCIM Year 30 results continue to show that the GCIM program is successful in meeting the objectives established in D.90-07-065 and R.90-02-008:

- Improve the utility's incentives to operate efficiently;
- Reduce the burden of regulatory oversight, both for the regulators and the utility;
- Provide a more stable and predictable regulatory environment;

- Align the interests of utility shareholders with those of utility customers;
- Implement a system that is readily understandable;
- Fairly balance risk and reward for the utility, and provide positive as well as negative incentives; and
- Implement a regulatory structure that allows management to focus primarily on costs and markets, rather than on CPUC proceedings.

SoCalGas’s Gas Acquisition procurement activities were conducted to achieve the primary objectives of supply security and reliability at a reasonable cost within the context of the market conditions previously described. Gas Acquisition accomplished these objectives in GCIM Year 30 by:

- Meeting retail core requirements during the peak demand season (November to March) with firm long-term contracts,<sup>8</sup> monthly baseload, and after-market purchases. In GCIM Year 30, Gas Acquisition maintained a gas supply portfolio comprised of long-term supply transactions (85.0%) and month-to-month baseload transactions (11.8%). Daily purchase and sale transactions, while significant in absolute volumes, contributed 3.2% on a net basis.<sup>9</sup>
- Meeting its share of the January, February, March 2024 month-end minimum storage targets.<sup>10</sup>
- Reaching a core purchased inventory level of 62.26 Bcf on July 31<sup>st</sup>, which met Gas Acquisition’s 47 Bcf mid-season target.
- Reaching a core physical storage inventory on October 31 of 78.89 Bcf (reflects a negative 0.004 Bcf net SMS position and includes 3.50 Bcf of Core Transportation Aggregation (CTA) volumes) which was within the November 1 GCIM target of 80.025 Bcf +0/-2 Bcf.

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<sup>8</sup> Contracts with terms greater than one month.

<sup>9</sup> Excluding 75% volumes associated with Winter Hedge Physical Purchases and Sales.

<sup>10</sup> Provided in the Southern California Gas Company Winter 2023-24 Technical Assessment dated November 3, 2023.

- Managing the use of the rights and assets assigned to the retail core including storage inventory, injection and withdrawal rights, and flowing supply through execution of SMS transactions with fees based on existing market conditions and completed on a non-discriminatory basis. SMS transactions continued to contribute to lowering overall gas costs by using retail core assets when not directly needed for reliability.
- Performing physical and financial trades on behalf of retail core customers to reduce retail core gas costs.
- Utilizing Gas Acquisition’s interstate and Backbone Transportation Service (BTS) capacity rights to provide portfolio supply diversification and to lower the cost of gas by accessing lower-cost basin supplies.

In summary, the GCIM framework provides an incentive for Gas Acquisition to use retail core’s available interstate pipeline and storage rights efficiently to deliver reliable gas at a reasonable cost to its retail core customers. Reliability is achieved by constructing a portfolio of gas supplies that is diversified by contract type, geographic region, and supplier in addition to constructing a portfolio of interstate transportation contracts that is diversified with multiple paths for transporting those supplies. Gas Acquisition uses Commission-approved tools available to a typical trading organization, including purchases, sales, loans, parks, wheels, derivatives, and transportation contracts. These tools enhance Gas Acquisition’s ability to make economic use of core assets, when not directly needed for reliability, to lower overall gas costs for its retail core customers.

### **Interstate Capacity**

Pursuant to D.04-09-022 and Advice Letters 3969 and 5254, SoCalGas submitted Advice Letter 6033 on September 21, 2022, to update the capacity planning range for the combined portfolio of SoCalGas and SDG&E for GCIM Years 30 and 31 based on the 2022 California Gas Report core procurement load forecasts for SoCalGas and SDG&E.<sup>11</sup> The minimum firm capacity required for the period April to October 2023 was established at 877.0 MDth/day, while the minimum required for November 2023 to March 2024 was 974.5 MDth/day. Appendix C to this

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<sup>11</sup> Details on the calculation of the capacity planning range are in AL 6033 Attachment A “SoCalGas’s Combined Portfolio Calculations and Workpapers based on the 2022 California Gas Report”.

report shows that SoCalGas's interstate capacity holdings during each month of GCIM Year 30 met these minimum capacity requirements and did not exceed maximum requirements.

### **Winter Hedging Activity**

In compliance with D.10-01-023 issued on January 25, 2010, which adopted an incentive framework to motivate optimal use of gas hedging for California utilities and modified the treatment of hedging costs and revenue for SoCalGas and SDG&E, SoCalGas continued to include 25% of costs and revenue from Gas Acquisition's winter hedging activities in the calculation of GCIM total actual costs. In GCIM Year 30, SoCalGas's winter hedge activities resulted in a \$222,469,946 total cost above benchmark prices of which 25% or \$55,617,487 was included in the GCIM under benchmark amount. The remaining 75% or \$166,852,460 of the cost above benchmark was allocated 100% to ratepayers outside of the GCIM. For GCIM Year 30, the winter hedge transactions were mostly physical gas purchases and sales that were received/delivered; thus, the winter hedge costs/revenues were subject to the same benchmark as other physical transactions. The total net cost for winter hedge physical gas transactions was \$446,197,326 of which 25% or \$111,549,332 was included in the GCIM calculation subject to a benchmark amount of \$59,005,845 which resulted in the over-benchmark amount of \$52,543,487. Winter hedge financial transactions for GCIM Year 30 resulted in a net cost of \$12,296,000, of which 25% or \$3,074,000 was included in the GCIM under benchmark dollars. The Public Advocates Office (Cal PA) and Energy Division staff were kept apprised of SoCalGas's winter hedge activity primarily via bi-weekly conference calls during GCIM Year 30.

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

Throughout the GCIM program, SoCalGas has worked closely with Cal PA and Energy Division to establish an efficient monitoring and timely reporting system to keep Cal PA and Energy Division informed of Gas Acquisition's activities.<sup>12</sup> Pursuant to the provisions of General Order 66-D Revision 2 and D.21-09-020, SoCalGas provided a monthly report, 60 days after the end of each month, to Cal PA and Energy Division on a confidential basis. These reports included a calculation of year-to-date GCIM benefit to bundled core customers, total monthly actual costs

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<sup>12</sup> The Utility Reform Network, or TURN, is also invited to these meetings.

and benchmark dollars, benchmark prices, current year capacity holdings and a capacity utilization by pipeline report.

SoCalGas also communicated frequently with Cal PA and the Energy Division on all important Gas Acquisition issues during Year 30, including market conditions, system outages and winter hedging activities. Finally, SoCalGas's GCIM activities abided by the CPUC's Affiliate Transaction Rules. Appendix B contains SoCalGas's Annual Report on Affiliate Transactions Section C: Utility Provision of Goods and Services to Its Affiliated Entities and Section D: Affiliated Entities Provision of Goods and Services to the Utility.

## **VI. Recommendations**

SoCalGas concludes from its GCIM Year 30 results that the GCIM continues to be a successful program that provides measurable and substantive benefits to SoCalGas's bundled core customers. During Year 30, each of the CPUC established objectives for incentive regulation as summarized in Section IV were met, in addition to SoCalGas's primary objectives of supply security and reliability at a reasonable cost. SoCalGas was able to purchase gas at \$74.3 million below the GCIM benchmark, resulting in a core ratepayer benefit of \$60.4 million in lower gas costs. As a result of this performance below benchmark, SoCalGas's Year 30 shareholder reward is calculated pursuant to the GCIM formula in SoCalGas Preliminary Statement Part VIII to be \$13.9 million. Therefore, SoCalGas recommends that the Commission approve a GCIM Year 30 shareholder reward of \$13,865,089.

## **Appendix A**

### Summary of GCIM Results to Date

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

| GCIM Year | Benchmark Dollars        | Actual Dollars           | (Over)/Under Benchmark  | Upper Tolerance Band * | 100% Ratepayer Lower Tolerance**<br>0.0% - 0.5% | 100% Ratepayer Lower Tolerance**<br>0.0% - 1.0% | 75% Ratepayer/<br>25% Shareholder<br>Sharing Band<br>1.0% - 5.0% | 90% Ratepayer/<br>10% Shareholder<br>Sharing Band<br>5.0% - Cap | 100% Ratepayer<br>Excess of Cap<br>> 1.5% Cap | Subject to Sharing**    |
|-----------|--------------------------|--------------------------|-------------------------|------------------------|---|---|--|---|---|-------------------------|
| 1         | \$ 567,448,362           | \$ 568,566,020           | \$ (1,117,658)          | \$ 17,089,530          | N/A   | N/A   | N/A  | N/A   | N/A   | \$ -                    |
| 2         | \$ 448,713,459           | \$ 442,313,459           | \$ 6,400,000            | \$ 13,058,694          | N/A   | N/A   | N/A  | N/A   | N/A   | \$ 6,400,000            |
| 3         | \$ 680,061,509           | \$ 658,875,670           | \$ 21,185,839           | \$ 22,014,554          | N/A   | N/A   | N/A  | N/A   | N/A   | \$ 21,185,839           |
| 4         | \$ 672,131,591           | \$ 665,307,357           | \$ 6,824,234            | \$ 10,977,634          | \$ 2,744,409                                    | N/A   | N/A  | N/A   | N/A   | \$ 4,079,825            |
| 5         | \$ 649,294,620           | \$ 631,138,278           | \$ 18,156,342           | \$ 10,761,348          | \$ 2,690,337                                    | N/A   | N/A  | N/A   | N/A   | \$ 15,466,005           |
| 6         | \$ 1,061,264,614         | \$ 1,037,113,228         | \$ 24,151,386           | \$ 18,527,592          | \$ 4,631,898                                    | N/A   | N/A  | N/A   | N/A   | \$ 19,519,488           |
| 7         | \$ 2,411,105,910         | \$ 2,187,533,957         | \$ 223,571,953          | \$ 45,580,915          | N/A   | \$ 22,790,458                                   | \$ 91,161,830  | \$ 80,361,297   | \$ 29,258,368                                 | \$ 171,523,127          |
| 8         | \$ 1,480,091,362         | \$ 1,290,296,698         | \$ 189,794,664          | \$ 26,979,670          | N/A   | \$ 13,489,835                                   | \$ 53,959,340  | \$ 38,983,224   | \$ 83,362,266                                 | \$ 92,942,563           |
| 9         | \$ 1,506,037,786         | \$ 1,467,033,460         | \$ 39,004,326           | \$ 27,458,164          | N/A   | \$ 13,729,082                                   | \$ 25,275,244  | N/A   | N/A   | \$ 25,275,244           |
| 10        | \$ 1,892,688,526         | \$ 1,865,659,816         | \$ 27,028,710           | \$ 35,140,805          | N/A   | \$ 17,570,403                                   | \$ 9,458,308   | N/A   | N/A   | \$ 9,458,308            |
| 11        | \$ 2,277,899,575         | \$ 2,246,521,573         | \$ 31,378,002           | \$ 42,689,291          | N/A   | \$ 21,344,646                                   | \$ 10,033,356  | N/A   | N/A   | \$ 10,033,356           |
| 12        | \$ 3,126,842,590         | \$ 3,057,709,957         | \$ 69,132,633           | \$ 59,836,552          | N/A   | \$ 29,918,276                                   | \$ 39,214,357  | N/A   | N/A   | \$ 39,214,357           |
| 13        | \$ 2,308,210,816         | \$ 2,250,470,333         | \$ 57,740,483           | \$ 43,849,020          | N/A   | \$ 21,924,510                                   | \$ 35,815,973  | N/A   | N/A   | \$ 35,815,973           |
| 14        | \$ 2,513,802,467         | \$ 2,463,728,945         | \$ 50,073,522           | \$ 47,972,531          | N/A   | \$ 23,986,266                                   | \$ 26,087,256  | N/A   | N/A   | \$ 26,087,256           |
| 15        | \$ 2,894,131,587         | \$ 2,818,571,496         | \$ 75,560,091           | \$ 54,736,539          | N/A   | \$ 27,368,269                                   | \$ 48,191,822  | N/A   | N/A   | \$ 48,191,822           |
| 16        | \$ 1,753,539,090         | \$ 1,713,612,056         | \$ 39,927,034           | \$ 31,756,473          | N/A   | \$ 15,878,237                                   | \$ 24,048,797  | N/A   | N/A   | \$ 24,048,797           |
| 17        | \$ 1,750,392,490         | \$ 1,709,500,858         | \$ 40,891,632           | \$ 32,006,773          | N/A   | \$ 16,003,387                                   | \$ 24,888,245  | N/A   | N/A   | \$ 24,888,245           |
| 18        | \$ 1,742,334,582         | \$ 1,704,835,267         | \$ 37,499,315           | \$ 31,696,187          | N/A   | \$ 15,848,094                                   | \$ 21,651,221  | N/A   | N/A   | \$ 21,651,221           |
| 19        | \$ 1,308,126,351         | \$ 1,273,387,819         | \$ 34,738,531           | \$ 22,829,340          | N/A   | \$ 11,414,670                                   | \$ 23,323,861  | N/A   | N/A   | \$ 23,323,861           |
| 20        | \$ 1,737,216,795         | \$ 1,666,818,834         | \$ 70,397,961           | \$ 31,115,453          | N/A   | \$ 15,557,726                                   | \$ 54,840,235  | N/A   | N/A   | \$ 54,840,235           |
| 21        | \$ 1,598,485,093         | \$ 1,555,377,080         | \$ 43,108,013           | \$ 28,217,182          | N/A   | \$ 14,108,591                                   | \$ 28,999,422  | N/A   | N/A   | \$ 28,999,422           |
| 22        | \$ 996,287,032           | \$ 968,124,520           | \$ 28,162,512           | \$ 16,006,729          | N/A   | \$ 8,003,365                                    | \$ 20,159,148  | N/A   | N/A   | \$ 20,159,148           |
| 23        | \$ 1,237,875,858         | \$ 1,210,673,619         | \$ 27,202,239           | \$ 20,429,693          | N/A   | \$ 10,214,847                                   | \$ 16,987,393  | N/A   | N/A   | \$ 16,987,393           |
| 24        | \$ 1,282,690,267         | \$ 1,220,968,072         | \$ 61,722,195           | \$ 20,723,318          | N/A   | \$ 10,361,659                                   | \$ 41,446,636  | \$ 9,913,900  | N/A   | \$ 51,360,536           |
| 25        | \$ 1,474,431,952         | \$ 1,368,973,255         | \$ 105,458,697          | \$ 25,011,300          | N/A   | \$ 12,505,650                                   | \$ 50,022,600  | \$ 42,930,447   | N/A   | \$ 92,953,047           |
| 26        | \$ 1,192,981,598         | \$ 1,111,009,145         | \$ 81,972,454           | \$ 18,714,713          | N/A   | \$ 9,357,356                                    | \$ 37,429,426  | \$ 34,490,914   | \$ 694,757                                    | \$ 71,920,340           |
| 27        | \$ 1,200,571,089         | \$ 1,015,826,118         | \$ 184,744,972          | \$ 18,553,200          | N/A   | \$ 9,276,600                                    | \$ 37,106,400  | \$ 18,671,254   | \$ 119,690,717                                | \$ 55,777,654           |
| 28        | \$ 2,298,535,046         | \$ 2,176,318,313         | \$ 122,216,733          | \$ 40,366,715          | N/A   | \$ 20,183,358                                   | \$ 80,733,430  | \$ 21,299,946   | N/A   | \$ 102,033,376          |
| 29        | \$ 4,896,806,733         | \$ 4,479,165,500         | \$ 417,641,233          | \$ 92,064,767          | N/A   | \$ 46,032,384                                   | \$ 184,129,534   | \$ 167,515,733  | \$ 19,963,582                                 | \$ 351,645,267          |
| 30        | \$ 1,621,006,207         | \$ 1,546,739,178         | \$ 74,267,029           | \$ 25,753,544          | N/A   | \$ 12,876,772                                   | \$ 51,507,088  | \$ 9,883,169  | \$ -  | \$ 61,390,257           |
|           | <b>\$ 50,581,004,959</b> | <b>\$ 48,372,169,880</b> | <b>\$ 2,208,835,079</b> | <b>\$ 931,918,228</b>  | <b>\$ 10,066,644</b>                            | <b>\$ 419,744,438</b>                           | <b>\$ 1,036,470,922</b>  | <b>\$ 424,049,884</b>   | <b>\$ 252,969,691</b>                         | <b>\$ 1,527,171,964</b> |

\* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 28.

\*\* For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-28, 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**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 1-7:**

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

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

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

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

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**

Response to Affiliate Transaction Reporting Requirements Section:

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

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

cost (whether or not reimbursed) for providing any good or service to an affiliated entity.

- 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**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 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**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 9:**

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

**Response:**

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

**USOA Account 146**

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

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

**Accounting & Finance**

This category includes services from the management accounting rotation program.

**Human Resources**

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

**Information Technology**

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

**Oil/Gas Assessment & Extraction**

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

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Response No. 9 (Cont'd):**

**Depreciation**

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

**Real Estate & Facilities**

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

**USOA Account 803**

**Gas Sales**

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

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

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

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section C: Utility Provision of Goods and Services to Its Affiliated Entities**  
**Attachment C-1: Table II-C Utility to Affiliate Entities for Year End 12/31/23**

| USOA<br>Acct | Item/Services Description       | Cost Allocation<br>Methodology | Sempra<br>Energy     | Pacific<br>Enterpris<br>e Oil<br>Company | Sempra<br>Infrastructu<br>re Services | Sempra Gas &<br>Power<br>Marketing, LLC | Total                |
|--------------|---------------------------------|--------------------------------|----------------------|--|---------------------------------------|---|----------------------|
| 146          | Accounting & Finance            | A                              | \$ 101,200           | \$ -                                     | \$ -                                  | \$ -                                    | \$ 101,200           |
|              | Corporate Budgets               | A                              | \$ 3,690             | \$ -                                     | \$ -                                  | \$ -                                    | \$ 3,690             |
|              | Human Resources                 | A & B                          | \$ 6,381,450         | \$ -                                     | \$ 31,982                             | \$ -                                    | \$ 6,413,432         |
|              | Information Technology          | A                              | \$ 1,538,033         | \$ -                                     | \$ -                                  | \$ -                                    | \$ 1,538,033         |
|              | Oil/Gas Assessment & Extraction | A                              | \$ -                 | \$ 27,113                                | \$ -                                  | \$ -                                    | \$ 27,113            |
|              | Depreciation                    | A                              | \$ 3,800,345         | \$ -                                     | \$ 104,001                            | \$ -                                    | \$ 3,904,345         |
|              | Real Estate & Facilities        | A                              | \$ 298,931           | \$ -                                     | \$ -                                  | \$ -                                    | \$ 298,931           |
|              |                                 |                                |                      |  |                                       |   | \$ -                 |
| 803          | Gas Sales                       | C                              | \$ -                 | \$ -                                     | \$ -                                  | \$ 749,649                              | \$ 749,649           |
|              | Total                           |                                | <b>\$ 12,123,648</b> | <b>\$ 27,113</b>                         | <b>\$ 135,983</b>                     | <b>\$ 749,649</b>                       | <b>\$ 13,036,393</b> |



# 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**  
**2023 Affiliate Transaction Annual Report**  
**Section D: Affiliated Entities Provision of Goods and Services To the Utility**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 1-9:**

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

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section D: Affiliated Entities Provision of Goods and Services To the Utility**

Response to Affiliate Transaction Reporting Requirements Section:

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

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

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

**Response No. 1-9:**

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

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

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section D: Affiliated Entities Provision of Goods and Services To the Utility**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 10:**

10. In addition to the information requested in Table II-D-1, each utility shall provide, as a separate document, a brief narrative description for any USOA account that had recorded over \$10,000 in goods and services provided by an affiliated entity. This narrative description will describe in greater detail the types of goods and services provided, as well as the methodologies used to calculate their transfer price and a summary of all methodologies and calculations used to determine fair market value.

**Response No. 10:**

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

All values in Table II-D-1 related to purchases/sales of energy between Sempra 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  
2023 Affiliate Transaction Annual Report  
Section D: Affiliated Entities Provision of Goods and Services To the Utility

Response to Affiliate Transaction Reporting Requirements Section:

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

**Response No. 10 (Cont'd):**

**USOA Account 184: Clearing Accounts**

This account includes undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to Southern California Gas Company, a 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 186: Miscellaneous Deferred Debits**

This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, construction certificate application fees paid prior to final disposition of the application and unusual or extraordinary expenses not included in other accounts which are in the process of amortization, and items the final disposition of which is uncertain.

**USOA Account 417: Expenses of Nonutility Operations**

This account includes expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management engineering, and similar services to others.

**USOA Account 426: Expenditures for certain civic, political and related activities.**

This account shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

SOUTHERN CALIFORNIA GAS COMPANY  
2023 Affiliate Transaction Annual Report  
Section D: Affiliated Entities Provision of Goods and Services To the Utility

Response to Affiliate Transaction Reporting Requirements Section:

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

**Response No. 10 (Cont'd):**

**USOA Account 803: Natural Gas Transmission Line Purchases**

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

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

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

**USOA Account 832: Maintenance of Reservoirs and Wells**

This account includes the cost of labor, materials used and expenses incurred in the maintenance of reservoirs and wells.

**USOA Account 859: Other expenses**

This account shall include the cost of labor, material used and expenses incurred in operating transmission system equipment and other transmission system expenses not includible in any of the foregoing accounts, including research, development, and demonstration expenses.

**USOA Account 910: Miscellaneous Customer Service and Informational Expenses**

This account includes the cost of labor, materials utilized, and expenses incurred in providing customer service and informational activities, which are not includible in other customer information expense accounts.

SOUTHERN CALIFORNIA GAS COMPANY  
2023 Affiliate Transaction Annual Report  
Section D: Affiliated Entities Provision of Goods and Services To the Utility

Response to Affiliate Transaction Reporting Requirements Section:

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

**Response No. 10 (Cont'd):**

**USOA Account 923: Outside Services Employed**

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

**USOA Account 924: Property Insurance**

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

**USOA Account 925: Injuries and Damages**

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

**USOA Account 926: Employee Pensions and Benefits**

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

**USOA Account 928: Regulatory Commission Expenses**

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

**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.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**2023 Affiliate Transaction Annual Report**  
**Section D: Affiliated Entities Provision of Goods and Services To the Utility**

Response to Affiliate Transaction Reporting Requirements Section:

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

**Request No. 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 2023, 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**  
**2023 Affiliate Transaction Annual Report**  
**Section D: Affiliated Entities Provision of Goods and Services To the Utility**  
**Attachment D-1: Table II-D-1 Affiliate Entities to Utility for Year End 12/31/23**

| USOA Account | Account Description   | Sempra Gas & Power |                   | Total              | % of USOA Account |
|--------------|---|--------------------|-------------------|--------------------|-------------------|
|              |   | Sempra Energy      | Marketing, LLC    |                    |                   |
| 107          | Construction Work In Progress                                     | 5,606,446          | -                 | 5,606,446          | 4.71%             |
| 165          | Prepayments   | 16,181,439         | -                 | 16,181,439         | <1.00%            |
| 184          | Clearing Accounts   | 2,565,953          | -                 | 2,565,953          | 69.44%            |
| 186          | Miscellaneous Deferred Debits                                     | 351,000            | -                 | 351,000            | 1.92%             |
| 417          | Expenses of nonutility operations                                 | 4,548,249          | -                 | 4,548,249          | 43.33%            |
| 426          | Expenditures for certain civic, political and related activities. | 1,966,520          | -                 | 1,966,520          | 8.82%             |
| 803          | Natural Gas Transmission Line Purchases                           | -                  | 29,715,435        | 29,715,435         | <1.00%            |
| 832          | Maintenance of Reservoirs and Wells                               | 4,684,308          | -                 | 4,684,308          | 36.60%            |
| 859          | Other Expenses  | 1,283,105          | -                 | 1,283,105          | 8.67%             |
| 910          | Miscellaneous Customer Serv And Informational Expe                | 587,476            | -                 | 587,476            | 24.73%            |
| 923          | Outside Services Employed   | 83,337,397         | -                 | 83,337,397         | 45.18%            |
| 924          | Property Insurance  | 565,907            | -                 | 565,907            | 7.00%             |
| 925          | Injuries And Damages  | 56,797,978         | -                 | 56,797,978         | 73.61%            |
| 926          | Employee Pensions And Benefits                                    | 13,126,487         | -                 | 13,126,487         | 5.38%             |
| 928          | Regulatory Commission Expenses                                    | 128,339            | -                 | 128,339            | 1.47%             |
| 930          | Miscellaneous General Expenses                                    | 195,358            | -                 | 195,358            | <1.00%            |
|              | <b>Total:</b>   | <b>191,925,962</b> | <b>29,715,435</b> | <b>221,641,397</b> |                   |

## **Appendix C**

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



## **Attachment B**

Southern California Gas Company  
Balance Sheet and Income Statement

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
DECEMBER 31, 2023**

|     | <b>1. UTILITY PLANT</b>                                 | <u>2023</u>                  |
|-----|---|------------------------------|
| 101 | UTILITY PLANT IN SERVICE                                | \$25,635,611,663             |
| 102 | UTILITY PLANT PURCHASED OR SOLD                         | -                            |
| 105 | PLANT HELD FOR FUTURE USE                               | -                            |
| 106 | COMPLETED CONSTRUCTION NOT CLASSIFIED                   | -                            |
| 107 | CONSTRUCTION WORK IN PROGRESS                           | 1,518,230,559                |
| 108 | ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT | (7,880,843,175)              |
| 111 | ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT | (192,204,483)                |
| 117 | GAS STORED-UNDERGROUND                                  | 61,422,045                   |
|     | <b>TOTAL NET UTILITY PLANT</b>                          | <b><u>19,142,216,609</u></b> |

|     | <b>2. OTHER PROPERTY AND INVESTMENTS</b>  |                          |
|-----|---|--------------------------|
| 121 | NONUTILITY PROPERTY   | 49,818,825               |
| 122 | ACCUMULATED PROVISION FOR DEPRECIATION AND<br>AMORTIZATION OF NONUTILITY PROPERTY | (17,483,207)             |
| 123 | INVESTMENTS IN SUBSIDIARY COMPANIES<br>NONCURRENT PORTION OF ALLOWANCES           | -                        |
| 124 | OTHER INVESTMENTS   | 1                        |
| 125 | SINKING FUNDS   | -                        |
| 128 | OTHER SPECIAL FUNDS   | -                        |
|     | <b>TOTAL OTHER PROPERTY AND INVESTMENTS</b>                                       | <b><u>32,335,619</u></b> |

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
DECEMBER 31, 2023**

| <b>3. CURRENT AND ACCRUED ASSETS</b> |  | 2023                     |
|--------------------------------------|--|--------------------------|
| 131                                  | CASH   | 1,719,458                |
| 132                                  | INTEREST SPECIAL DEPOSITS                        | -                        |
| 134                                  | OTHER SPECIAL DEPOSITS                           | -                        |
| 135                                  | WORKING FUNDS                                    | 124,273                  |
| 136                                  | TEMPORARY CASH INVESTMENTS                       | -                        |
| 141                                  | NOTES RECEIVABLE                                 | -                        |
| 142                                  | CUSTOMER ACCOUNTS RECEIVABLE                     | 1,318,688,429            |
| 143                                  | OTHER ACCOUNTS RECEIVABLE                        | 48,048,595               |
| 144                                  | ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS | (306,069,367)            |
| 145                                  | NOTES RECEIVABLE FROM ASSOCIATED COMPANIES       | -                        |
| 146                                  | ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES    | 22,334,428               |
| 151                                  | FUEL STOCK                                       | -                        |
| 152                                  | FUEL STOCK EXPENSE UNDISTRIBUTED                 | -                        |
| 154                                  | PLANT MATERIALS AND OPERATING SUPPLIES           | 131,691,718              |
| 155                                  | MERCHANDISE                                      | -                        |
| 156                                  | OTHER MATERIALS AND SUPPLIES                     | -                        |
| 158                                  | GHG ALLOWANCE                                    | 1,012,376,896            |
|                                      | (LESS) NONCURRENT PORTION OF ALLOWANCES          | -                        |
| 163                                  | STORES EXPENSE UNDISTRIBUTED                     | (2,968,531)              |
| 164                                  | GAS STORED                                       | 154,650,040              |
| 165                                  | PREPAYMENTS                                      | 81,158,383               |
| 171                                  | INTEREST AND DIVIDENDS RECEIVABLE                | 836,163                  |
| 173                                  | ACCRUED UTILITY REVENUES                         | -                        |
| 174                                  | MISCELLANEOUS CURRENT AND ACCRUED ASSETS         | 47,319,703               |
| 175                                  | DERIVATIVE INSTRUMENT ASSETS                     | 1,608,768                |
|                                      | <b>TOTAL CURRENT AND ACCRUED ASSETS</b>          | <b>2,511,518,956</b>     |
| <b>4. DEFERRED DEBITS</b>            |  |                          |
| 181                                  | UNAMORTIZED DEBT EXPENSE                         | 41,915,237               |
| 182                                  | UNRECOVERED PLANT AND OTHER REGULATORY ASSETS    | 4,680,863,962            |
| 183                                  | PRELIMINARY SURVEY & INVESTIGATION CHARGES       | 353,750                  |
| 184                                  | CLEARING ACCOUNTS                                | 2,908,762                |
| 185                                  | TEMPORARY FACILITIES                             | -                        |
| 186                                  | MISCELLANEOUS DEFERRED DEBITS                    | 524,973,760              |
| 188                                  | RESEARCH AND DEVELOPMENT                         | -                        |
| 189                                  | UNAMORTIZED LOSS ON REACQUIRED DEBT              | 89,472                   |
| 190                                  | ACCUMULATED DEFERRED INCOME TAXES                | 1,290,667,457            |
| 191                                  | UNRECOVERED PURCHASED GAS COSTS                  | -                        |
|                                      | <b>TOTAL DEFERRED DEBITS</b>                     | <b>6,541,772,400</b>     |
|                                      | <b>TOTAL ASSETS AND OTHER DEBITS</b>             | <b>\$ 28,227,843,584</b> |

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS  
DECEMBER 31, 2023**

**5. PROPRIETARY CAPITAL**

|  | 2023                   |
|--|------------------------|
| 201 COMMON STOCK ISSUED                    | (834,888,907)          |
| 204 PREFERRED STOCK ISSUED                 | (21,551,075)           |
| 207 PREMIUM ON CAPITAL STOCK               | -                      |
| 208 OTHER PAID-IN CAPITAL                  | -                      |
| 210 GAIN ON RETIRED CAPITAL STOCK          | (9,722)                |
| 211 MISCELLANEOUS PAID-IN CAPITAL          | (1,481,306,680)        |
| 214 CAPITAL STOCK EXPENSE                  | 143,261                |
| 216 UNAPPROPRIATED RETAINED EARNINGS       | (5,093,734,289)        |
| 219 ACCUMULATED OTHER COMPREHENSIVE INCOME | 22,477,516             |
|  | <b>(7,408,869,896)</b> |
| TOTAL PROPRIETARY CAPITAL                  |                        |

**6. LONG-TERM DEBT**

|  |                        |
|--|------------------------|
| 221 BONDS                                  | (6,050,000,001)        |
| 224 OTHER LONG-TERM DEBT                   | (709,338,770)          |
| 225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT  | -                      |
| 226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT | 13,370,291             |
|  | <b>(6,745,968,480)</b> |
| TOTAL LONG-TERM DEBT                       |                        |

**7. OTHER NONCURRENT LIABILITIES**

|   |                        |
|---|------------------------|
| 227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT     | (101,593,398)          |
| 228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES  | (93,892,420)           |
| 228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS | (252,796,073)          |
| 228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS  | -                      |
| 245 NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES      | -                      |
| 230 ASSET RETIREMENT OBLIGATIONS                      | (2,847,068,215)        |
|   | <b>(3,295,350,106)</b> |
| TOTAL OTHER NONCURRENT LIABILITIES                    |                        |

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS  
DECEMBER 31, 2023**

**8. CURRENT AND ACCRUED LIABILITES**

|     |   | 2023                   |
|-----|---|------------------------|
| 231 | NOTES PAYABLE                                 | (945,624,888)          |
| 232 | ACCOUNTS PAYABLE                              | (945,728,519)          |
| 233 | NOTES PAYABLE TO ASSOCIATED COMPANIES         | -                      |
| 234 | ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES      | (37,970,487)           |
| 235 | CUSTOMER DEPOSITS                             | (48,940,134)           |
| 236 | TAXES ACCRUED                                 | (4,221,001)            |
| 237 | INTEREST ACCRUED                              | (56,919,535)           |
| 238 | DIVIDENDS DECLARED                            | (323,266)              |
| 241 | TAX COLLECTIONS PAYABLE                       | (30,659,489)           |
| 242 | MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES | (1,285,635,240)        |
| 243 | OBLIGATIONS UNDER CAPITAL LEASES - CURRENT    | (32,686,999)           |
| 244 | DERIVATIVE INSTRUMENT LIABILITIES             | (209,704,237)          |
| 245 | DERIVATIVE INSTRUMENT LIABILITIES - HEDGES    |                        |
|     | TOTAL CURRENT AND ACCRUED LIABILITIES         | <b>(3,598,413,795)</b> |

**9. DEFERRED CREDITS**

|     |   |                        |
|-----|---|------------------------|
| 252 | CUSTOMER ADVANCES FOR CONSTRUCTION              | (144,940,719)          |
| 253 | OTHER DEFERRED CREDITS                          | (206,547,287)          |
| 254 | OTHER REGULATORY LIABILITIES                    | (3,941,766,246)        |
| 255 | ACCUMULATED DEFERRED INVESTMENT TAX CREDITS     | (6,812,042)            |
| 257 | UNAMORTIZED GAIN ON REACQUIRED DEBT             | -                      |
| 281 | ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED | -                      |
| 282 | ACCUMULATED DEFERRED INCOME TAXES - PROPERTY    | (2,211,616,977)        |
| 283 | ACCUMULATED DEFERRED INCOME TAXES - OTHER       | (667,558,036)          |
|     | TOTAL DEFERRED CREDITS                          | <b>(7,179,241,307)</b> |

|  |                            |
|--|----------------------------|
|  | <b>\$ (28,227,843,584)</b> |
|--|----------------------------|

**SOUTHERN CALIFORNIA GAS COMPANY**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2023**

**1. UTILITY OPERATING INCOME**

|       |  |                      |                      |
|-------|--|----------------------|----------------------|
| 400   | OPERATING REVENUES                           |                      | 8,288,118,374        |
| 401   | OPERATING EXPENSES                           | 5,775,328,065        |                      |
| 402   | MAINTENANCE EXPENSES                         | 441,600,450          |                      |
| 403-7 | DEPRECIATION AND AMORTIZATION EXPENSES       | 847,089,284          |                      |
| 408.1 | TAXES OTHER THAN INCOME TAXES                | 198,492,402          |                      |
| 409.1 | INCOME TAXES                                 | (16,801,340)         |                      |
| 410.1 | PROVISION FOR DEFERRED INCOME TAXES          | 769,942,170          |                      |
| 411.1 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | (773,150,884)        |                      |
| 411.4 | INVESTMENT TAX CREDIT ADJUSTMENTS            | 971,003              |                      |
| 411.6 | GAIN FROM DISPOSITION OF UTILITY PLANT       | -                    |                      |
| 411.7 | LOSS FROM DISPOSITION OF UTILITY PLANT       | -                    |                      |
|       | TOTAL OPERATING REVENUE DEDUCTIONS           | <b>7,243,471,150</b> |                      |
|       | NET OPERATING INCOME                         |                      | <b>1,044,647,224</b> |

**2. OTHER INCOME AND DEDUCTIONS**

|       |   |                     |                      |
|-------|---|---------------------|----------------------|
| 415   | REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK | -                   |                      |
| 417   | REVENUES FROM NONUTILITY OPERATIONS                   | -                   |                      |
| 417.1 | EXPENSES OF NONUTILITY OPERATIONS                     | (10,497,213)        |                      |
| 418   | NONOPERATING RENTAL INCOME                            | 918,764             |                      |
| 418.1 | EQUITY IN EARNINGS OF SUBSIDIARIES                    | -                   |                      |
| 419   | INTEREST AND DIVIDEND INCOME                          | 78,299,832          |                      |
| 419.1 | ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION    | 53,969,329          |                      |
| 421   | MISCELLANEOUS NONOPERATING INCOME                     | (2,031,877)         |                      |
| 421.1 | GAIN ON DISPOSITION OF PROPERTY                       | -                   |                      |
|       | TOTAL OTHER INCOME                                    | <b>120,658,835</b>  |                      |
| 421.2 | LOSS ON DISPOSITION OF PROPERTY                       | (812,479)           |                      |
| 425   | MISCELLANEOUS AMORTIZATION                            | -                   |                      |
| 426   | MISCELLANEOUS OTHER INCOME DEDUCTIONS                 | (22,262,941)        |                      |
|       | TOTAL OTHER DEDUCTIONS                                | <b>(23,075,420)</b> |                      |
| 408.2 | TAXES OTHER THAN INCOME TAXES                         | (341,695)           |                      |
| 409.2 | INCOME TAXES  | (0)                 |                      |
| 410.2 | PROVISION FOR DEFERRED INCOME TAXES                   | (30,085,918)        |                      |
| 411.2 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT          | 16,282,861          |                      |
| 420   | INVESTMENT TAX CREDITS                                | -                   |                      |
|       | TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS            | <b>(14,144,752)</b> |                      |
|       | TOTAL OTHER INCOME, DEDUCTIONS AND TAXES              |                     | <b>83,438,663</b>    |
|       | INCOME BEFORE INTEREST CHARGES                        |                     | 1,128,085,887        |
|       | NET INTEREST CHARGES*                                 |                     | <u>316,437,883</u>   |
|       | NET INCOME  |                     | <b>\$811,648,004</b> |

\*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$53,969,329)

**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**TWELVE MONTHS ENDED DECEMBER 31, 2023**

---

**3. RETAINED EARNINGS**

|  |                               |
|--|-------------------------------|
| RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED | 4,383,379,350                 |
| NET INCOME (FROM PRECEDING PAGE)                                 | 811,648,004                   |
| DIVIDEND TO PARENT COMPANY                                       | -                             |
| DIVIDENDS DECLARED - PREFERRED STOCK                             | (1,293,065)                   |
| DIVIDENDS DECLARED - COMMON STOCK                                | (100,000,000)                 |
| OTHER RETAINED EARNINGS ADJUSTMENT                               | -                             |
| RETAINED EARNINGS AT END OF PERIOD                               | <u><u>\$5,093,734,289</u></u> |

## **Attachment C**

Southern California Gas Company

Statement of Proposed Rates

**Rate Tables**

**Impact of GCIM Award on Gas Rate over Last 12 Months**

**Calculation of GCIM Award \$/therm:**

|                                |                  |
|--------------------------------|------------------|
| GCIM Award \$000               | \$13,865         |
| Core Sales per 2020TCAP Mth/yr | 3,764,211        |
| <b>GCIM Award \$/th</b>        | <b>\$0.00368</b> |

## **Attachment D**

Southern California Gas Company  
Statement of Original Cost and  
Depreciation Reserve

**SoCalGas**  
Plant Investment and Accumulated Depreciation  
As of December 31, 2023

| ACCOUNT<br>NUMBER                 | DESCRIPTION                       | ORIGINAL<br>COSTS    | ACCUMULATED<br>RESERVE | NET BOOK<br>VALUE    |
|-----------------------------------|-----------------------------------|----------------------|------------------------|----------------------|
| <b>INTANGIBLE ASSETS</b>          |                                   |                      |                        |                      |
| 301                               | Organization                      | 76,457               | -                      | 76,457               |
| 302                               | Franchise and Consents            | 592,060              | -                      | 592,060              |
| 303                               | Cloud Compute                     | 56,776,275           | (9,039,432)            | 47,736,843           |
|                                   | Total Intangible Assets           | <u>57,444,793</u>    | <u>(9,039,432)</u>     | <u>48,405,360</u>    |
| <b>PRODUCTION:</b>                |                                   |                      |                        |                      |
| 325                               | Other Land Rights                 | -                    | -                      | -                    |
| 330                               | Prd Gas Wells Const               | -                    | -                      | -                    |
| 331                               | Prd Gas Wells Eqp                 | -                    | -                      | -                    |
| 332                               | Field Lines                       | -                    | -                      | -                    |
| 334                               | FldMeas&RegStnEquip               | -                    | -                      | -                    |
| 336                               | Prf Eqpt                          | -                    | -                      | -                    |
|                                   | Total Production                  | <u>-</u>             | <u>-</u>               | <u>-</u>             |
| <b>UNDERGROUND STORAGE:</b>       |                                   |                      |                        |                      |
| 350                               | Land                              | 4,539,484            | -                      | 4,539,484            |
| 350SR                             | Storage Rights                    | 19,069,515           | (17,666,306)           | 1,403,209            |
| 350RW                             | Rights-of-Way                     | 25,354               | (19,685)               | 5,670                |
| 351                               | Structures and Improvements       | 166,670,618          | (41,749,694)           | 124,920,924          |
| 352                               | Wells                             | 759,614,443          | 218,226,572            | 977,841,015          |
| 353                               | Lines                             | 239,170,133          | (44,656,682)           | 194,513,452          |
| 354                               | Compressor Station and Equipment  | 505,028,027          | (113,138,016)          | 391,890,011          |
| 355                               | Measuring And Regulator Equipment | 19,592,662           | (5,274,563)            | 14,318,100           |
| 356                               | Purification Equipment            | 181,899,290          | (101,042,427)          | 80,856,863           |
| 357                               | Other Equipment                   | 124,040,442          | (39,530,516)           | 84,509,926           |
|                                   | Total Underground Storage         | <u>2,019,649,969</u> | <u>(144,851,315)</u>   | <u>1,874,798,654</u> |
| <b>TRANSMISSION PLANT- OTHER:</b> |                                   |                      |                        |                      |
| 365                               | Land                              | 9,595,758            | -                      | 9,595,758            |
| 365LRTS                           | Land Rights                       | 129,681,920          | (27,319,711)           | 102,362,209          |
| 366                               | Structures and Improvements       | 187,508,308          | (29,601,304)           | 157,907,004          |
| 367                               | Mains                             | 3,582,424,934        | (885,862,728)          | 2,696,562,206        |
| 368                               | Compressor Station and Equipment  | 622,391,089          | (124,633,325)          | 497,757,764          |
| 369                               | Measuring And Regulator Equipment | 426,676,688          | (64,347,573)           | 362,329,115          |
| 370                               | Communication Equipment           | 98,790,140           | (29,069,580)           | 69,720,559           |
| 371                               | Other Equipment                   | 25,465,654           | (6,527,231)            | 18,938,423           |
|                                   | Total Transmission Plant          | <u>5,082,534,490</u> | <u>(1,167,361,452)</u> | <u>3,915,173,038</u> |
| <b>DISTRIBUTION PLANT:</b>        |                                   |                      |                        |                      |
| 374                               | Land                              | 29,737,007           | -                      | 29,737,007           |
| 374LRTS                           | Land Rights                       | 3,789,180            | (2,358,032)            | 1,431,148            |
| 375                               | Structures and Improvements       | 435,703,572          | (104,820,760)          | 330,882,812          |
| 376                               | Mains                             | 6,899,691,524        | (3,111,643,811)        | 3,788,047,713        |
| 378                               | Measuring And Regulator Equipment | 215,699,149          | (100,210,855)          | 115,488,294          |
| 380                               | Services                          | 4,156,155,409        | (2,429,146,919)        | 1,727,008,490        |

**SoCalGas**  
Plant Investment and Accumulated Depreciation  
As of December 31, 2023

| ACCOUNT<br>NUMBER     | DESCRIPTION                                  | ORIGINAL<br>COSTS            | ACCUMULATED<br>RESERVE        | NET BOOK<br>VALUE            |
|-----------------------|--|------------------------------|-------------------------------|------------------------------|
| 381                   | Meters                                       | 1,044,592,712                | (391,797,690)                 | 652,795,022                  |
| 382                   | Meter Installation                           | 713,154,158                  | (273,855,482)                 | 439,298,676                  |
| 383                   | House Regulators                             | 203,672,845                  | (94,451,728)                  | 109,221,117                  |
| 387                   | Other Equipment                              | 78,415,202                   | (35,627,592)                  | 42,787,611                   |
|                       | Total Distribution Plant                     | <u>13,780,610,759</u>        | <u>(6,543,912,868)</u>        | <u>7,236,697,890</u>         |
| <b>GENERAL PLANT:</b> |  |                              |                               |                              |
| 389                   | Land   | 1,342,839                    | -                             | 1,342,839                    |
| 389LRTS               | Land Rights                                  | 74,300                       | (47,632)                      | 26,668                       |
| 390                   | Structures and Improvements                  | 274,284,551                  | (205,085,707)                 | 69,198,844                   |
| 391                   | Office Furniture and Equipment               | 2,178,068,242                | (1,529,992,887)               | 648,075,355                  |
| 392                   | Transportation Equipment                     | 351,481                      | (58,751)                      | 292,730                      |
| 393                   | Stores Equipment                             | 186,007                      | (89,025)                      | 96,982                       |
| 394                   | Shop and Garage Equipment                    | 164,034,655                  | (44,252,952)                  | 119,781,702                  |
| 395                   | Laboratory Equipment                         | 10,151,923                   | (2,445,960)                   | 7,705,964                    |
| 396                   | Construction Equipment                       | 934,272                      | 2,635                         | 936,906                      |
| 397                   | Communication Equipments                     | 298,312,500                  | (121,883,780)                 | 176,428,720                  |
| 398                   | Miscellaneous Equipment                      | 10,901,309                   | (688,817)                     | 10,212,492                   |
|                       | Total General Plant                          | <u>2,938,642,077</u>         | <u>(1,904,542,876)</u>        | <u>1,034,099,201</u>         |
|                       | Subtotal                                     | <u><b>23,878,882,087</b></u> | <u><b>(9,769,707,944)</b></u> | <u><b>14,109,174,143</b></u> |
| 121                   | Non-Utility Plant                            | 32,335,315                   | (14,463,260)                  | 17,872,055                   |
| 117GSUNC              | Gas Stored Underground - NonCurrent          | 61,422,045                   | -                             | 61,422,045                   |
| GCL                   | GCT - Capital Lease                          | -                            | -                             | -                            |
|                       | Total Other - Non-Utility Plant              | <u>93,757,360</u>            | <u>(14,463,260)</u>           | <u>79,294,100</u>            |
|                       | Total-Reconciliation to Asset History Totals | <u>23,972,639,447</u>        | <u>(9,784,171,204)</u>        | <u>14,188,468,242</u>        |
|                       | Dec 2023 Asset 1020 Report                   | <u>23,972,639,447</u>        | <u>(9,784,171,204)</u>        | <u>14,188,468,242</u>        |
|                       | Difference                                   | <u>(0)</u>                   | <u>(0)</u>                    | <u>(0)</u>                   |

## **Attachment E**

Southern California Gas Company

Summary of Earnings

**SOUTHERN CALIFORNIA GAS COMPANY  
SUMMARY OF EARNINGS  
TWELVE MONTHS ENDED DECEMBER 31, 2023  
(DOLLARS IN MILLIONS)**

| <u>Line No.</u> | <u>Item</u>                | <u>Amount</u>         |
|-----------------|----------------------------|-----------------------|
| 1               | Operating Revenue          | \$8,288               |
| 2               | Operating Expenses         | <u>7,243</u>          |
| 3               | Net Operating Income       | <u><u>\$1,045</u></u> |
| 4               | Weighted Average Rate Base | \$11,671              |
| 5               | Rate of Return*            | 7.10%                 |

\*Authorized Cost of Capital