BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
Southern California Gas Company (U 904 G)	)	
Regarding Year 16 (2009-2010) of Its	)	Application 10-06-____
Gas Cost Incentive Mechanism	)	
____	)	

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) REGARDING YEAR 16 (2009-2010) OF ITS GAS COST INCENTIVE MECHANISM

MICHAEL R. THORP
Attorney for
SOUTHERN CALIFORNIA GAS COMPANY
555 West Fifth Street, 14TH Floor
Los Angeles, California 90013-1011
Telephone: (213) 244-2981
Facsimile: (213) 629-9620
E-mail: mthorp@semprautilities.com

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TABLE OF CONTENTS

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SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
REGARDING YEAR 16 (2009-2010)
OF ITS GAS COST INCENTIVE MECHANISM

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

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

In this Application, SoCalGas provides its report on gas supply and storage operations for the twelve-month GCIM year ending March 31, 2010 ("Year 16"), and submits its request for Commission approval of a shareholder reward of $6,012,199 for its Year 16 performance. SoCalGas' Year 16 Annual Report is Attachment A to this Application.

I. BACKGROUND

A. Establishment of the GCIM

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

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

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

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

B. GCIM Year 1

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

C. GCIM Year 2

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

On February 13, 1997, SoCalGas and ORA filed a Joint Motion for order adopting Stipulation and Agreement, Suspending Procedural Schedule, Waiving Oral hearings, Limited

Consolidation of Indicated Docket, and for Other Relief. Among other things, the Stipulation and Agreement resolved all issues related to the Year 2 application, proposed to replace the four percent tolerance band with a tolerance band of two percent above and one-half percent below the benchmark, and provided for revisions to, and extension of, the GCIM program on an annual basis beyond the original expiration date of March 31, 1997.

In D.97-06-061, the Commission adopted the joint recommendation of ORA and SoCalGas with one modification. The sole modification was to limit the current extension of the GCIM to a two-year term ending March 31, 1999, "in order for the Commission to revisit this program, if it chooses, as part of its gas strategy."[2]

D. GCIM Year 3

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

E. GCIM Year 4

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

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

F. GCIM Year 5

On June 15, 1999, SoCalGas filed its Year 5 report in A. 99-06-027, which was reviewed and approved without modification by ORA and was approved, without hearings, in D.00-06-

039. In D.00-06-039, the Commission did not order modifications to or termination of the GCIM, but did order the Energy Division to conduct an evaluation of the GCIM before the Commission would consider modifications to the GCIM, including whether to extend or terminate the mechanism.

G. GCIM Year 6

On June 15, 2000, SoCalGas filed its Year 6 report in A.00-06-023. On October 30, 2000, ORA issued its Monitoring and Evaluation Report of A.00-06-023, which "verified that the Commission approved sharing mechanism results in a $14.4 million benefit to ratepayers and a shareholder reward of $9.8 million." In its report, ORA supported the continuation of the GCIM into Year 7 and recommended the continuation of the GCIM program into Year 8 with two refinements to the mechanism.[3] Pursuant to D.00-06-039, on January 4, 2001, the Energy Division issued a comprehensive 37-page analysis of the history, function, and results of the GCIM. In its analysis, the Energy Division concluded that gas purchases made by SoCalGas under the GCIM "are definitely far more favorable to ratepayers than those made when reasonableness reviews were in effect."[4] The Energy Division noted that "the GCIM has achieved the Commission's goals for the GCIM," and recommended that the GCIM be continued, explaining that "the GCIM is superior to various alternatives, such as traditional reasonableness reviews, elimination of SoCalGas from the gas procurement function, or inclusion of gas procurement costs in an overall performance-based ratemaking mechanism."[5] In D.01-05-002, the Commission approved, without hearings, SoCalGas' GCIM award for its Year

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

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

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

[5] Energy Division Report of the SoCalGas GCIM, page 1, dated January 4, 2001.

6 performance and opened Phase 2 of A.00-06-023 to address whether the GCIM should be extended with or without modification.

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

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

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

Pursuant to D.02-06-023, SoCalGas' GCIM will continue on an annual basis until further modified or terminated upon Commission order.[6]

H. GCIM Year 7

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

Pursuant to the Settlement Agreement adopted in D.02-06-023, SoCalGas retroactively applied its new 1.5% commodity cost cap, and reduced its proposed GCIM Year 7 shareholder

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

award from $106.1 million to $30.8 million. The Commission approved SoCalGas' revised $30.8 million GCIM Year 7 shareholder award request in D.03-08-065.

I. GCIM Year 8

SoCalGas filed A.02-06-035 on June 17, 2002, requesting an authorized shareholder award of $17.4 million for GCIM Year 8, an amount that also reflected the retroactive application of the new 1.5% commodity cost cap on shareholder awards. In GCIM Year 8, California continued to experience a volatile natural gas market. Despite this volatility, the GCIM continued to provide SoCalGas' core customers with reliable natural gas supplies at below market cost. SoCalGas realized an average gas cost of $3.13 per MMBtu, $0.51 per MMBtu below the benchmark price of $3.64 per MMBtu. The Commission approved SoCalGas' $17.4 million GCIM Year 8 shareholder award request in D.03-08-064.

J. GCIM Year 9

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

K. GCIM Year 10

SoCalGas filed A.04-06-025 on June 15, 2004, summarizing its GCIM Year 10 activities and requesting a GCIM Year 10 shareholder award of $2.4 million. During GCIM Year 10, SoCalGas continued to provide its core customers with reliable natural gas supplies, at $27 million below market cost.[7] The Commission approved SoCalGas' $2.4 million GCIM Year 10 shareholder award request in D.05-04-003.

L. GCIM Year 11

A.05-06-030 was filed on June 15, 2005, which requested a GCIM shareholder award of $2.5 million for Year 11. SoCalGas provided natural gas supplies to its core customers at $31.4 million below the benchmark during GCIM Year 11. On November 30, 2005, ORA issued its GCIM Year 11 Monitoring and Evaluation Report which concurred with SoCalGas' proposed shareholder award of $2.5 million, but also recommended two modifications to the GCIM mechanism.[8]

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

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

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

[7] D.05-04-003, page 3.
[8] ORA GCIM Year 11 Monitoring and Evaluation Report, page 1-2.

mid-season core-purchased inventory target(s) which must be met unless otherwise agreed to by DRA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff.

The Joint Recommendation of DRA, TURN, and SoCalGas was adopted by the Commission in D.06-10-029 along with SoCalGas' requested shareholder award for Year 11 of $2.5M.[9]

M. GCIM Year 12

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

N. GCIM Year 13

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

[9] As with GCIM Yr 7, Yr 8, Yr 9, and Yr 10 shareholder awards granted by the Commission, this GCIM Yr 11 award was made subject to refund or adjustment, as may be determined in I.02-11-040. However, in D.06-12-034, the Commission closed I.02-11-040 with prejudice and terminated the conditions imposed upon these GCIM shareholder awards.

time, and that the calculation and amount of the shareholder award is correct pursuant to the GCIM modifications adopted in D.02-06-023.

O. GCIM Year 14

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

P. GCIM Year 15

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

II. PURPOSE OF APPLICATION AND RELIEF SOUGHT

The purpose of this Application is to request a GCIM shareholder reward of $6,012,199 for SoCalGas' performance in Year 16 pursuant to the revised GCIM established by

D.02-06-023. As documented in Attachment A, in Year 16, SoCalGas was able to purchase gas at $39.9 million below the GCIM benchmark. The actual cost of all purchases by SoCalGas subject to the GCIM was $1,713,612,056 while the benchmark cost was $1,753,539,090. 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 $6,012,199.

The relief sought by SoCalGas in this Application is a GCIM Year 16 shareholder award of $6,012,199.

III. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Category, Need for Hearing, Issues, and Schedule – Rule 2.1(c)

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

The issue to be considered in this proceeding is whether SoCalGas should be awarded the GCIM Year 16 shareholder award of $6,012,199 it has requested.

SoCalGas proposes the following schedule for this Application:

EVENT	DATE
SoCalGas files Application	June 14, 2010
Deadline for responses to Application	July 14, 2010

Prehearing Conference	August 16, 2010
DRA Report	October 15, 2010
Proposed Decision	January 2011
Commission Decision	February 2011

B. Authority – Rule 2.1

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

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

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

Jeff Salazar
Regulatory Case Manager
Southern California Gas Company
555 West Fifth Street, GT14D6
Los Angeles, California 90013-1011
Phone: (213) 244-5916
Fax: (213) 244-3201
E-mail: jlsalazar@semprautilities.com

A copy should also be sent to:

Michael R. Thorp
Southern California Gas Company
Law Department
555 West Fifth Street, GT14E7
Los Angeles, California 90013-1011
Phone: (213) 244-2981
Fax: (213) 629-9620
E-mail: mthorp@semprautilities.com

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

The Commission is familiar with SoCalGas' GCIM and the limited issues presented by this Application. SoCalGas believes that the information provided by this Application and accompanying Year 16 Report will be a sufficient basis for the Commission to reach a decision without hearings. Accordingly, SoCalGas respectfully requests that the Commission approve this Application expeditiously, and without evidentiary hearings.

E. Articles of Incorporation – Rule 2.2

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

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

Attachment B to this Application is SoCalGas' Balance Sheet as of March 31, 2010. Attachment C to this Application is SoCalGas' Income Statement for the three-month period ended March 31, 2010.

G. Rates – Rule 3.2(a)(2) and (3)

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

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

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

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

Attachment F to this Application is a Summary of Earnings for the 3 months ended March 31, 2010.

J. Exhibits and Readiness – Rule 3.2

SoCalGas' GCIM Year 16 Annual Report accompanies this Application. SoCalGas is now ready to proceed with its showing.

K. Depreciation – Rule 3.2(a)(7)

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

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

L. Proxy Statement – Rule 3.2(a)(8)

A copy of SoCalGas' most recent proxy statement, dated April 29, 2010, was mailed to the California Public Utilities Commission on May 13, 2010 and is incorporated herein by reference.

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

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

N. Service and Notice – Rule 1.9

SoCalGas is serving this Application on all parties to A.09-06-014. Within ten days of filing, SoCalGas will mail notice of this Application to the State of California and to cities and counties served by SoCalGas, and SoCalGas will post the notice in its offices and publish the notice in newspapers of general circulation in each county in its service territory. In addition, SoCalGas will include notices with the regular bills mailed to all customers affected by the proposed rate change.

IV. CONCLUSION

For the reasons set forth above, SoCalGas respectfully requests that the Commission approve a Year 16 GCIM shareholder award of $6,012,199 on an expedited and ex parte basis.

Respectfully submitted,
SOUTHERN CALIFORNIA GAS COMPANY

By: *______/s/ James P. Harrigan______*
James P. Harrigan
Vice President Gas Acquisition

By: *______/s/ Michael R. Thorp______*
Michael R. Thorp

MICHAEL R. THORP
Attorney for
Southern California Gas Company
555 West Fifth Street, 14th Floor
Los Angeles, California 90013-1011
Telephone: (213) 244-2981
Facsimile: (213) 629-9620
E-mail: mthorp@semprautilities.com

June 14, 2010

VERIFICATION

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

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

Executed on June 14, 2010, at Los Angeles, California.

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

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **Application of Southern California Gas Company (U 904 G) Regarding Year 16 (2009-20010) of Its Gas Cost Incentive Mechanism** on all parties identified in A.09-06-014 by electronic mail, and to Administrative Law Judge Darwin Farrar by overnight service.

Dated at Los Angeles, California, this 14th day of June 2010.

/s/ Rose Mary Nava
Rose Mary Nava

CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists - Proceeding: A.09-06-014 - Last update: April 23, 2010

GHealy@SempraUtilities.com; JLSalazar@SempraUtilities.com; MThorp@SempraUtilities.com; npedersen@hanmor.com; CentralFiles@SempraUtilities.com; cem@newsdata.com; edf@cpuc.ca.gov; rmnava@semprautilities.com; jb2@cpuc.ca.gov;

Attachment A

Southern California Gas Company

Annual Report on the Gas Cost Incentive Mechanism

April 1, 2009 through March 31, 2010

I. Summary of Year 16 GCIM Results

This report summarizes the results of the Gas Acquisition Department's activities on behalf of Southern California Gas Company's (SoCalGas) and San Diego Gas and Electric's (SDG&E)[1] core customers under the Gas Cost Incentive Mechanism (GCIM) during the period April 1, 2009 through March 31, 2010 (Year 16). This report also requests a shareholder award under the GCIM for Year 16. The award is based on the GCIM as amended through D.02-06-023.

In GCIM Year 16, California continued to experience a dynamic natural gas market, although not as volatile as in prior years. Despite changing market conditions, SoCalGas' and SDG&E's core customers continued to receive reliable natural gas supplies at below-market cost. These results were achieved with no curtailments of service and in compliance with all requirements and guidelines established by the California Public Utilities Commission (CPUC). Table 1 below summarizes performance under the GCIM during the last 16 years, highlighting the fact that ratepayers have realized the benefit of gas purchases below the GCIM benchmark (Benchmark) in fifteen of the past 16 years. Additionally, a GCIM Summary Report for the past 16 years delineating the various GCIM components is included in Appendix A.

[1] D.07-12-019 authorized the consolidation of the core portfolio for SoCalGas and SDG&E into one single portfolio managed by SoCalGas.

TABLE 1

GCIM Performance

Year Ended March 31

Year	Net Purchases (Border Volumes)		Net Gas Cost		Benchmark Gas Commodity Cost		Comparison to Benchmark ($Millions)		
	Million MMBtu/d	Million MMBtu	Total ($ Millions)	Unit Cost ($/MMBtu)	Total ($ Millions)	Unit Cost ($/MMBtu)	Customer Savings	Shareholder Award	Total
1995	0.76	277	$445	$1.61	$441	$1.59	($1.1)	$0.0	($1.1)
1996	0.66	243	$322	$1.33	326	$1.35	$3.2	$3.2	$6.4
1997	0.66	243	$530	$2.18	550	$2.27	$10.6	$10.6	$21.2
1998	0.66	241	$542	$2.25	549	$2.28	$4.8	$2.0	$6.8
1999	0.75	275	$520	$1.89	538	$1.95	$10.4	$7.7	$18.1
2000	1.06	385	$902	$2.34	926	$2.40	$14.4	$9.8	$24.2
2001	1.09	398	$2,055	$5.16	2,279	$5.72	$192.8	$30.8	$223.6
2002	1.01	370	$1,159	$3.13	1,349	$3.64	$172.4	$17.4	$189.8
2003	1.03	376	$1,333	$3.55	1,373	$3.65	$32.7	$6.3	$39.0
2004	1.02	374	$1,730	$4.63	1,757	$4.70	$24.6	$2.4	$27.0
2005	1.03	375	$2,103	$5.61	2,134	$5.69	$28.9	$2.5	$31.4
2006	1.06	387	$2,923	$7.54	2,990	$7.72	$59.3	$9.8	$69.1
2007	1.02	372	$2,135	$5.74	2,192	$5.89	$48.8	$8.9	$57.7
2008	1.03	376	$2,349	$6.25	2,399	$6.38	$43.6	$6.5	$50.1
2009	1.15	418	$2,661	$6.36	2,737	$6.54	$63.5	$12.1	$75.6
2010	1.11	406	$1,548	$3.82	1,588	$3.91	$33.9	$6.0	$39.9
Total	0.944	5,516	$23,257	$4.22	$24,128	$4.37	$742.8	$136.0	$878.8

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

As indicated in Table 1, Gas Acquisition acquired gas at $39.9 million below the Benchmark in Year 16. The Benchmark consists of a volume-weighted average of published indices for the locations where Gas Acquisition buys gas for the core customers. Gas Acquisition's average cost was $3.82 per MMBtu, or $0.09 per MMBtu below the Benchmark price of $3.91 per MMBtu.

During GCIM Year 16, Gas Acquisition purchased a net 406 million MMBtus for its retail core load. Gas Acquisition's interstate capacity rights primarily on El Paso, Transwestern, and Kern

River pipeline systems enabled the core's requirements to be met largely through basin purchases rather than purchases at the California border/citygate.

II. Description of Gas Procurement Activities

SoCalGas' Gas Acquisition personnel have a high level of expertise in fundamental analysis, gas trading, gas transportation, risk management, and back office operations. This expertise has continually been developed over the past fifteen years of operation under the GCIM. As a result, Gas Acquisition has been able to effectively manage gas procurement in the gas markets during Year 16, and ultimately lowering their gas costs. The GCIM encourages Gas Acquisition to proactively lower gas costs and protect core customers from price volatility through physical and financial trades, storage, and interstate pipeline capacity.

As in the previous 15 years of the GCIM, Year 16 results continue to show that the GCIM program is successful in meeting its objectives originally established in D.90-07-065 and R.90-02-008:

- Improve the utility's incentives to operate efficiently;
- Reduce the burden of regulatory oversight, both for the regulators and the utility;
- Provide a more stable and predictable regulatory environment;
- Implement a system that is readily understandable;
- Fairly balance risk and reward for the utility, and provide positive as well as negative incentives;
- Implement a regulatory structure that allows management to focus primarily on costs and markets, rather than on CPUC proceedings; and
- Align the interests of utility shareholders with those of utility customers.

Over the past 16 years, the GCIM has increased the efficiency of regulation by reducing the burden of regulatory oversight and providing a structure that enables SoCalGas to focus on securing reliable, low-cost gas for its core customers.

Gas Acquisition's procurement activities were conducted to achieve the primary objectives of supply security and service reliability at a low cost. SoCalGas accomplished these objectives in Year 16 by:

- Ensuring that firm long-term contracts, together with readily available monthly supplies and core storage, are adequate to meet core requirements during the peak demand season (November to March). In GCIM Year 16, SoCalGas maintained a gas supply portfolio primarily weighted toward long-term supply agreements (62%). Month-to-month and daily gas purchases, net of sales, accounted for 38% of the portfolio.

- Reaching its minimum core-purchased inventory of 51 Bcf on July 31, 2009[2], and its October 31 core physical storage inventory target of 79 Bcf +5/-2 Bcf, in compliance with D.06-10-029 and D.07-12-019.[3] SoCalGas' core-purchased inventory on July 31, 2009 was 52.4 Bcf; its core physical inventory on October 31, 2009 was 77.0 Bcf (excluding 0.9 Bcf of SMS parked volumes, and including 1.3 Bcf of Core Aggregation Transportation (CAT) volumes)[4].

- Managing the use of the rights and assets assigned to the retail core including storage inventory, injection and withdrawal rights, and flowing supply through the use of Secondary Market Services (SMS). SMS transactions and fees are based on existing market conditions and are completed on a non-discriminatory basis. SMS transactions continued to contribute to the overall lower gas costs achieved by Gas Acquisition by using assets not needed for core reliability[5].

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

- Utilizing Gas Acquisition's interstate and FAR capacity rights to provide portfolio diversification and lower the cost of gas.

In summary, the GCIM provides an incentive for SoCalGas to efficiently use retail core's interstate pipeline and storage rights to deliver reliable, low-cost gas supplies to its retail core customers.

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[2] D.06-10-029 adopted a joint recommendation of DRA, TURN and SoCalGas, establishing a minimum core purchase inventory target on July 31, 2006. For subsequent years, SoCalGas must obtain agreement from DRA and TURN for mid-season inventory target which must be met unless otherwise agreed to by DRA and TURN. SoCalGas obtained agreement from DRA and TURN for a mid-season minimum storage target of 51 Bcf as of July 31, 2009 , and filed Advice Letter 3993 to reflect this target in its GCIM tariffs.

[3] D.06-10-029 changed the core physical storage target as of October 31 from 70 Bcf +5/-5 Bcf to 70 Bcf +5/-2 Bcf. D.07-12-019 approved storage capacity for the combined core portfolio at 79 Bcf.

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

[5] Gas Acquisition continued to record California Energy Hub (CEH) revenues in GCIM from transactions entered into prior to July 18, 2008, when the CEH was transferred to the System Operator, through April 2009 by which time all CEH transactions revenues had been invoiced and recorded.

Reliability is achieved by constructing a portfolio of natural gas supplies that is diversified by contract type, geographic region, and supplier. SoCalGas uses tools available to a typical trading organization, including purchases, sales, loans, parks, wheels, derivatives, and transportation contracts. These tools enhance SoCalGas' ability to make economic use of core assets, when not directly needed for reliability, to lower overall gas costs to its core customers.

Interstate Capacity

The capacity planning range for the combined portfolio of SoCalGas and SDG&E during GCIM Year 16 was established at 1,103 MDthd – 1,324 MDthd, pursuant to Advice Letter 3929, approved by the Commission in December 2008. On March 2, 2009, SoCalGas and SDG&E filed Advice Letter 3969, requesting the continuation of the interstate pipeline contract approval procedures adopted in D.04-09-022, with one minor modification, that on a go forward basis, SoCalGas and SDG&E be required to hold firm interstate pipeline capacity that is no less than 90% of their forecasted core procurement annual average daily load during spring and summer months and no less than 100% of their forecasted core procurement annual average daily load during fall and winter months. Appendix C to this report, which identifies SoCalGas' core interstate firm capacity holdings by month for the current GCIM year and subsequent three years, shows that SoCalGas' capacity holding during each month of Year 16 met the minimum capacity requirement for the combined portfolio, i.e. 90% of 1,103 MDthd or 993 MDthd during spring and summer months (April to October) and 100% of 1,103 MDthd during the winter months (November to March).

Winter Hedging

On April 24, 2009, SoCalGas and SDG&E filed Application A.09-04-023, seeking Commission approval and authority to implement its 2009-2010 Winter Hedging Plan for the combined portfolio of SoCalGas and SDG&E[6]. The proposed program was similar to SoCalGas' winter hedging program approved by the Commission in each of the prior four winters. In D.09-08-008, the Commission approved A.09-04-023, and authorized SoCalGas to purchase additional hedges for the combined SoCalGas/SDG&E core portfolio for the 2009-2010 winter.

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[6] In D.07-12-019, the Commission authorized SoCalGas to engage in winter hedging for the combined portfolio outside of SoCalGas' GCIM. In accordance with this authorization, all financial transactions used by SoCalGas to hedge natural gas prices for the combined core portfolio for the period from November through March each year are to be excluded from the calculation of costs and savings allocated under the GCIM.

SoCalGas was able to acquire hedges at a net cost of $5.4 million, well below the $30 million maximum expenditure authorized by the Commission, which resulted in a very limited increase in core customer gas costs. Pursuant to D.09-08-008, all transactions under the approved Gas Hedging Plan have been separately identified in monthly and annual GCIM reports, and all costs and benefits associated with these transactions flowed directly to core customers, with no GCIM sharing. The Division of Ratepayer Advocates (DRA) and TURN staff were kept apprised of SoCalGas' winter hedge positions via weekly position reports and bi-weekly conference calls throughout the period. In addition, pursuant to Ordering Paragraph 7 of D.09-08-008, SoCalGas filed a report with the Commission on March 31, 2010, providing detailed information about its 2009-2010 Winter Hedging Program and results.

III. GCIM Monitoring and Evaluation

Throughout the GCIM program, SoCalGas has worked closely with the DRA to establish an efficient monitoring and timely reporting system to keep the DRA and Energy Division informed of Gas Acquisition activities. Pursuant to the provisions of General Order 66-C and Section 583 of the Public Utilities Code, SoCalGas provides a monthly report, 60 days after the end of each month, to the DRA and Energy Division on a confidential basis. This report includes details of:

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

SoCalGas has also communicated frequently with the DRA and the Energy Division on all important Gas Acquisition issues during GCIM Year 16, including its winter hedging activities. Finally, SoCalGas has at all times operated within the CPUC's Affiliate Transaction Rules and related Remedial Measures.

IV. Recommendations

SoCalGas concludes from its Year 16 results that the GCIM continues to be a successful program that provides measurable benefits to SoCalGas' core customers. During Year 16, each of the CPUC established objectives for incentive regulation were met, in addition to SoCalGas' primary objectives of supply security and reliable service at low cost. SoCalGas therefore recommends that the Commission approve a GCIM Year 16 shareholder award of $6,012,199 on an expedited and ex parte basis.

SOUTHERN CALIFORNIA GAS COMPANY

APPENDIX A

Summary of GCIM Results to Date

GCIM Year	Benchmark Dollars	Actual Dollars	(Over)/Under Benchmark	Upper Tolerance Dollars *	Lower Tolerance Dollars 0.5%	Lower Tolerance Dollars 1.0%	Lower Tolerance Dollars 5.0%	Subject to Sharing**
1	$567,448,362.30	$568,566,019.81	$ (1,117,657.51)	$17,089,530.26	N/A			$ -
2	448,713,458.73	442,313,458.73	6,400,000.00	13,058,694.40	N/A			6,400,000.00
3	680,061,509.12	658,875,669.99	21,185,839.13	22,014,553.98	N/A			21,185,839.13
4	672,131,591.15	665,307,357.07	6,824,234.08	10,977,634.41	2,744,408.60			4,079,825.48
5	649,294,620.31	631,138,278.30	18,156,342.01	10,761,347.94	2,690,337.00			15,466,005.01
6	1,061,264,614.31	1,037,113,228.11	24,151,386.20	18,527,591.62	4,631,897.91			19,519,488.29
7	2,411,105,910.49	2,187,533,957.27	223,571,953.22	45,580,915.01	N/A	22,790,457.52	113,952,287.60	200,781,495.70
8	1,480,091,362.36	1,290,296,697.89	189,794,664.47	26,979,669.81	N/A	13,489,834.90	67,449,174.52	176,304,829.57
9	1,506,037,786.25	1,467,033,460.42	39,004,325.83	27,458,163.89	N/A	13,729,081.94	68,645,409.70	25,275,243.89
10	1,892,688,525.92	1,865,659,815.59	27,028,710.33	35,140,805.34	N/A	17,570,402.67	87,852,013.34	9,458,307.66
11	2,277,899,575.12	2,246,521,572.99	31,378,002.13	42,689,291.43	N/A	21,344,645.73	106,723,228.59	10,033,356.40
12	3,126,842,589.57	3,057,709,956.84	69,132,632.73	59,836,551.77	N/A	29,918,275.86	149,591,379.39	39,214,356.87
13	2,308,210,816.08	2,250,470,332.65	57,740,483.43	43,849,019.93	N/A	21,924,509.96	109,622,549.83	35,815,973.47
14	2,513,802,466.59	2,463,728,945.05	50,073,521.54	47,972,531.01	N/A	23,986,265.50	119,931,327.53	26,087,256.04
15	2,894,131,586.73	2,818,571,495.70	75,560,091.03	54,736,538.80	N/A	27,368,269.40	136,841,347.00	48,191,821.63
16	$1,753,539,090.12	1,713,612,055.95	39,927,034.17	31,756,473.48	N/A	15,878,236.76	79,391,183.73	24,048,797.41
	$26,243,263,865.15	$25,364,452,302.36	$878,811,562.79	$508,429,313.08	$10,066,643.51	207,999,980.24	1,039,999,901.23	$ 661,862,596.55

* Upper Tolerance band of 4.5% for GCIM Year 1, 4% for Years 2 - 3, and 2% for Years 4 - 16.
** For Years 4-6, GCIM Gain/(Loss) subject to sharing is the Amount Under Benchmark less the 0.5% Lower Tolerance Band. For Years 7-16, 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.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-7:

1. Using the format of Table II-C-1, each utility shall report any goods and/or services that the utility provided to any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the utility was reimbursed.

2. For purposes of this section, and section II-D, "Goods" are defined as any tangible item having economic value. Examples of "goods" include office supplies, office computers, and personal automobiles. No item shall qualify as a good if it has:

   a) A depreciable life, for federal tax purposes, of more than 3 years, except for cars, personal computers, and office machinery[1]; and
   b) A value of greater than $20,000.

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

3. For purposes of this section, "Services" includes any activity of economic value provided by the utility, or a company under contract to the utility, to any affiliated entity. Examples of "services" include, but are not limited to the provision of professional expertise (e.g., legal, consulting, engineering), administrative support, (e.g., data and payroll processing, arranging travel, transportation services, etc.) and general corporate management and support activities (e.g., time spent by corporate executives and employees on affiliated entity issues, investor relations, shareholder services, etc.).

4. The cost of each good and/or service that the utility provided to any of its affiliated entities shall be assigned to an appropriate Uniform System of Accounts (USOA).

5. Using the format shown, each utility shall create a table entitled (Table II-C-1), containing:

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

Table II-C-1
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods and Services
From the Utility to its Affiliated Entities
For the Year Ended December 31, 2009

USOA Acct	Item/Services Description	Cost Allocation Methodology	Sempra Energy	Sempra Broadband	*Sempra Energy Trading, LLC	Sempra Global	Sempra LNG	Sempra Pipelines & Storage	Sempra Generation	Pacific Enterprises Oil Company	Total
146	Accounting & Finance	A	67,753			17,780	14,722	20,078	21,216		141,550
	Depreciation	A	2,538,891			20,251	225	393	393		2,560,153
	Environmental Service	A	1,533			92	16	23	15		1,678
	Fleet Services	A	35,864								35,864
	Gas Engineering	A						105,300			105,300
	Human Resources	A	1,688,558			16,960	111		222		1,705,851
	Information Technology	A	59,279			7,929					67,208
	Oil/ Gas Assessment & Extraction	A								399,867	399,867
	Real Estate & Facilities	A	1,614,098	14,596		20,224	781	171	177		1,650,046
	Supply Management	A	20,838								20,838
803	Gas Sales	B			13,057,628						13,057,628
	Total		6,026,814	14,596	13,057,628	83,236	15,855	125,964	22,022	399,867	19,745,983

*Doing business as RBS Sempra Commodities, LLP

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

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

- A set of columns by listing horizontally across the top each affiliated entity of the utility excluding, however, any affiliated entities to which the utility provided no goods and/or services during the calendar year;
- A set of rows by listing vertically down the left side of Table II-C-1 each USOA account (listed in ascending order) for which the utility had incurred a cost (whether or not reimbursed) for providing any good or service to an affiliated entity.
- The middle portions of Table II-C-1 corresponding to each horizontal column and vertical row will be called cells.

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

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

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

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

Response:

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

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, with the exception of those noted in "B" below 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) SoCalGas has gas sales and purchase transactions with Sempra Energy Trading during the reporting period. All gas purchases and sales transactions 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 remedial measures. Gas purchases are reported in Schedule D and gas sales are reported in Schedule C.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

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 and interest due from affiliated companies for services provided. These amounts are billed at fully loaded cost plus appropriate labor premiums.

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

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

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

Environmental Services
This category includes service charges and fees for environmental services and strategy.

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 9 (Cont'd):

Gas Engineering
This category includes billings to Sempra Pipelines & Storage for the review of the electrical, gas control system, and instrumentation design packages for LNG Spur Pipeline sites, the support to integrate the Algodones Meter Station into SCADA system, general measurement consulting and review of metering systems, designs and measurement data interpretation, and general measurement and regulation support for North Baja Pipeline.

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

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

Oil/Gas Assessment & Extraction

This category includes billings to Pacific Enterprises Oil Company (PEOC) for lifting costs and capital work for the SF-7 redrill provided at the Aliso Canyon underground storage facility.

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

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

USOA Account 803
This account is used by SoCalGas for amounts related to natural gas sales and purchases transactions.

TABLE II-D-I
SOUTHERN CALIFORNIA GAS COMPANY
Provision of Goods And Services
from Affiliated Entities To The Utility
For The Year Ended December 31, 2009

USOA Account	Account Description	Pacific Enterprises Oil Company	Sempra Energy	Sempra Energy Trading	Total	% of USOA Account
107	Construction Work In Progress	29,305	6,065,107		6,094,411	N/A
143	Other Accounts Receivable		(2,339,224)		(2,339,224)	N/A
165	Prepayments		2,665,913		2,665,913	N/A
181	Unamortized Debt Expense		167,292		167,292	N/A
184	Clearing Accounts		2,894,989		2,894,989	N/A
803	Natural Gas Transmission Line Purchases		-	19,174,055	19,174,055	1.50%
870	Operation Supervision and Engineering		49,765		49,765	<1.00%
880	Other Expenses		49,077		49,077	<1.00%
901	Supervision		588,761		588,761	9.44%
903	Customer Records and Collection Expenses		16,373		16,373	<1.00%
908	Customer Assistance Expenses		145,148		145,148	<1.00%
909	Informational And Instructional Advertising Expenses		25,895		25,895	1.35%
910	Miscellaneous Customer Serv And Informational Expe		1,233,836		1,233,836	43.28%
921	Office Supplies And Expenses		411,558		411,558	4.24%
923	Outside Services Employed		131,043,033		131,043,033	79.78%
924	Property Insurance		1,937,111		1,937,111	78.92%
925	Injuries And Damages		11,238,689		11,238,689	29.30%
926	Employee Pensions And Benefits		423,874		423,874	<1.00%
928	Regulatory Commission Expenses		510,374		510,374	7.46%
930	Miscellaneous General Expenses		94,733		94,733	1.19%
931	Rents		97,529		97,529	<1.00%
	Total:	29,305	157,319,832	19,174,055	176,523,192	

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 1-9:

1. Section C required each utility to report goods and/or services that it provided to its affiliated entities. This section (Section D), requires the reporting of all goods and/or services that the affiliated entities provided to the utility.

2. Each utility shall report any goods and/or services that were provided to it by any of its affiliated entities during the period covered by the annual report. All goods and/or services shall be reported regardless of whether or not the affiliated entity was reimbursed.

3. For purposes of this section, "Goods" has the same meaning as used in Section C above.

4. For purposes of this section, "Services" includes any activity of economic value provided by the affiliated entity, or any company under contract to the affiliated entity, to the utility. The examples of the types of services listed in #3 of Section II-C above are applicable to this section as well. Purchases of natural gas or electric energy from any affiliated entity should be reported in this section.

5. The cost of each good and/or service that the affiliated entity provided to the utility shall be assigned by the utility to an appropriate USOA Account of the utility.

6. Using the format shown, each utility shall create a table (entitled Table II-D-l), containing:

   - A set of columns by listing horizontally across the top of Table II-D-1 each affiliated entity listed in Table II-A-1, excluding, however, any affiliated entities which provided no goods and/or services to the utility during the calendar year.
   - A set of rows by listing vertically down the left side of Table II-D-1 each USOA account (listed in ascending order) for which the utility had incurred a cost for goods and/or services provided by the affiliated entity.
   - The middle portions of Table II-D-1, corresponding to each horizontal column and vertical row, will be called cells.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

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 it provided to each affiliated entity under:

   1) The-appropriate column heading for that affiliated entity; and,

   2) The row corresponding to the appropriate USOA account category.

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

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

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

Response:

Using the format provided for Table II-D-1 (attached), the costs of all goods and services provided to SoCalGas 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 SoCalGas by Sempra Energy is recorded at fully loaded costs. All values in Table II-D-1 related to purchases/sales of energy between Sempra Energy Trading and SoCalGas are at fair market value. In accordance with the Remedial Measures (see Appendices to Section II B), these transactions are carried out through an independent broker and neither party has knowledge of the others identity until the contractual commitment has been consummated.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10:

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

Response:

All values in Table II-D-1 related to purchased goods and services from Sempra Energy are at fully loaded cost as required by the Affiliate Compliance Guidelines (see Section II-B-VII). Goods or services directly requested by SoCalGas are recorded in the appropriate USOA account. Shared services costs are allocated to SoCalGas 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 SoCalGas from Sempra Energy are analyzed and recorded to the appropriate USOA account.

All values in Table II-D-1 related to purchases/sales of energy between Sempra Energy Trading and SoCalGas are at fair market value. In accordance with the Remedial Measures (see Appendices to Section II B), these transactions are carried out through an independent broker and neither party had knowledge of the others identity until the contractual commitment had been consummated.

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 SoCalGas. Activity in 2009 included a payment made to Pacific Enterprises Oil Company for SoCalGas' share of the deep exploratory drilling costs incurred at Aliso Canyon.

USOA Account 143: Other Accounts Receivable

This account includes amounts due to the utility upon open accounts, other than amounts due from associated companies and from customers for utility services and merchandising, jobbing and contract work.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

USOA Account 165: Prepayments

This account includes prepayments for taxes, insurance, interest, and disbursements made prior to the period to which they apply. The cost in this account is related to insurance premiums.

USOA Account 181: Unamortized Debt Expense

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

USOA Account 184: Clearing Accounts

This caption shall include undistributed balances in clearing accounts at the date of the balance sheet. When services are provided to SoCalGas, a portion of the cost of this service is charged to a clearing account. These are Administrative & 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 495: Other Gas Revenues

This account includes revenues derived from gas operations not includible in any of the foregoing accounts. In 2009, this account primarily consisted of the transfer of legal fee reimbursement to Sempra.

USOA Account 803: Natural Gas Transmission Line Purchases

During the reporting period, the affiliates supplied natural gas to SoCalGas under contract terms in USOA Account 803.

All purchases transactions 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.

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

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

USOA Account 870: Operating Supervision and Engineering
This account includes the cost of labor and expenses incurred in the supervision and direction of distribution system operations.

USOA Account 880: Other Expenses
This account includes the labor cost, materials utilized and expenses incurred in site assessment, mitigation and cleanup of contaminated properties, including manufactured gas plants.

USOA Account 901: Supervision
This account includes the cost of postage incurred in the general direction and supervision of customer accounts.

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

USOA Account 908: Customer assistance expenses
This account includes the cost of labor, materials and expenses incurred in providing instructions or assistance to customers, the object of which is to promote safe, efficient and economical use of the service. In 2009, this account primarily consisted of payments for postage.

USOA Account 909: Informational and Instructional Advertising Expenses
This account shall include the cost of labor, materials used and expenses incurred in activities which primarily convey information as to what the utility urges or suggests customers should do in utilizing gas service to protect health and safety, to encourage environmental protection, to utilize their gas equipment safely and economically, or to conserve natural gas. In 2009, this account primarily consisted of payments for postage.

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. In 2009, this account primarily consisted of payments for postage.

SOUTHERN CALIFORNIA GAS COMPANY

Affiliate Transactions Annual Report

2009

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

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

USOA Account 923: Outside Services Employed
This account includes the fees and expenses of professional consultants (such as lawyers, auditors, appraisers, expert witnesses, or management, accounting, and engineering consultants) and others for general services that are not applicable to a particular operation function or to other accounts. This account includes the salaries and wages expenses of affiliate administrative and general departments that provide service to the 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 shall include 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 shall include also the cost of labor and related supplies and expenses incurred in property insurance activities.

USOA Account 925: Injuries and Damages
This account shall include 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 shall also include 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 and payments for the purchase of annuities relating to pensions.

Response to Affiliate Transaction Reporting Requirements Section:

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

Request No. 10 (Cont'd):

USOA Account 928: Regulatory Commission Expenses
This account shall include 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.

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

Request No. 11:

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

Response:

During 2009, 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.

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/10
(MDth/d)

	2009-2010											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
El Paso												
San Juan	763	763	763	763	763	698	698	696	696	696	696	696
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total El Paso	763	763	763	763	763	698	698	696	696	696	696	696
Transwestern												
San Juan	197	198	177	216	216	210	215	250	250	250	250	250
Permian	19	8	19	-	-	6	1	-	-	-	-	-
Total Transwestern	216	206	196	216	216	216	216	250	250	250	250	250
Kern												
Rockies	112	112	112	112	112	112	112	105	105	105	105	105
Total Kern	112	112	112	112	112	112	112	105	105	105	105	105
Canadian Path (1)												
NOVA	54	54	54	54	54	54	54	54	54	54	54	54
Foothills	54	54	54	54	54	54	54	54	54	54	54	54
GTN	53	53	53	53	53	53	53	53	53	53	53	53
PG&E	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	1,144	1,134	1,124	1,144	1,144	1,078	1,078	1,103	1,103	1,103	1,103	1,103
San Juan	960	961	940	980	980	908	913	946	946	946	946	946
Permian	19	8	19	-	-	6	1	-	-	-	-	-
Rockies	112	112	112	112	112	112	112	105	105	105	105	105
Canadian Path (1)	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	1,144	1,134	1,124	1,144	1,144	1,078	1,078	1,103	1,103	1,103	1,103	1,103
Minimum Required (2)	993	993	993	993	993	993	993	1,103	1,103	1,103	1,103	1,103

Notes:
The capacity data in this table is grouped by source of supply (i.e. receipt locations), and not displayed for each receipt/delivery point combination
(1) For the purpose of calculating the capacity planning range pursuant to D.04-09-022, only the PG&E capacity is included from the Canadian path.
(2) AL3929 established a capacity range for GCIM Year 16 of 1,103 MDthd - 1,324 MDth. AL 3969 modified the minimum requirement to 90% of forecasted core procurement annual average daily load during spring and summer months (April to October) and 100% of the daily load during winter months (November to March)

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/10
(MDth/d)

	2010-2011											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
El Paso												
San Juan	673	673	673	673	673	346	346	344	344	344	344	344
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total El Paso	673	673	673	673	673	346	346	344	344	344	344	344
Transwestern												
San Juan	200	200	200	200	200	200	200	260	260	260	260	260
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total Transwestern	200	200	200	200	200	200	200	260	260	260	260	260
Kern												
Rockies	105	105	105	105	105	105	105	121	121	121	121	121
Total Kern	105	105	105	105	105	105	105	121	121	121	121	121
Canadian Path (1)												
NOVA	54	54	54	54	54	54	54	54	54	54	54	54
Foothills	54	54	54	54	54	54	54	54	54	54	54	54
GTN	53	53	53	53	53	53	53	53	53	53	53	53
PG&E	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	1,030	1,030	1,030	1,030	1,030	703	703	777	777	777	777	777
San Juan	873	873	873	873	873	546	546	604	604	604	604	604
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Rockies	105	105	105	105	105	105	105	121	121	121	121	121
Canadian Path (1)	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	1,030	1,030	1,030	1,030	1,030	703	703	777	777	777	777	777

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/10
(MDth/d)

	2011-2012											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
El Paso												
San Juan	346	346	346	346	346	23	23	-	-	-	-	-
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total El Paso	346	346	346	346	346	23	23	-	-	-	-	-
Transwestern												
San Juan	110	110	110	110	110	110	110	160	160	160	160	160
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total Transwestern	110	110	110	110	110	110	110	160	160	160	160	160
Kern												
Rockies	121	121	121	121	121	121	121	121	121	121	121	121
Total Kern	121	121	121	121	121	121	121	121	121	121	121	121
Canadian Path (1)												
NOVA	54	54	54	54	54	54	54	11	11	11	11	11
Foothills	54	54	54	54	54	54	54	-	-	-	-	-
GTN	53	53	53	53	53	53	53	53	53	53	53	53
PG&E	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	629	629	629	629	629	306	306	333	333	333	333	333
San Juan	456	456	456	456	456	133	133	160	160	160	160	160
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Rockies	121	121	121	121	121	121	121	121	121	121	121	121
Canadian Path (1)	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	629	629	629	629	629	306	306	333	333	333	333	333

APPENDIX C
Southern California Gas Company
Core Firm Transportation Capacity Holdings
as of 3/31/10
(MDth/d)

	2012-2013											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
El Paso												
San Juan	20	20	20	20	20	20	20	-	-	-	-	-
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total El Paso	20	20	20	20	20	20	20	-	-	-	-	-
Transwestern												
San Juan	100	100	100	100	100	100	100	100	100	100	100	100
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Total Transwestern	100	100	100	100	100	100	100	100	100	100	100	100
Kern												
Rockies	121	121	121	121	121	121	121	121	121	121	121	121
Total Kern	121	121	121	121	121	121	121	121	121	121	121	121
Canadian Path (1)												
NOVA	11	11	11	11	11	11	11	6	6	6	6	6
Foothills	-	-	-	-	-	-	-	-	-	-	-	-
GTN	53	53	53	53	53	53	53	53	53	53	53	53
PG&E	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	293	293	293	293	293	293	293	273	273	273	273	273
San Juan	120	120	120	120	120	120	120	100	100	100	100	100
Permian	-	-	-	-	-	-	-	-	-	-	-	-
Rockies	121	121	121	121	121	121	121	121	121	121	121	121
Canadian Path (1)	52	52	52	52	52	52	52	52	52	52	52	52
Total Transport (1)	293	293	293	293	293	293	293	273	273	273	273	273

Attachment B

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2010

	1. UTILITY PLANT	2010
101	UTILITY PLANT IN SERVICE	$8,910,069,552
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	286,437,055
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,728,261,897)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(22,004,419)
117	GAS STORED-UNDERGROUND	55,520,014
	TOTAL NET UTILITY PLANT	5,501,760,305

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	126,390,518
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(98,976,780)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	3,000,000
	TOTAL OTHER PROPERTY AND INVESTMENTS	30,413,860

Data from SPL as of March 26, 2010

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
MARCH 31, 2010

3. CURRENT AND ACCRUED ASSETS

		2010
131	CASH	23,144,427
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	92,775
136	TEMPORARY CASH INVESTMENTS	157,100,000
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	500,457,599
143	OTHER ACCOUNTS RECEIVABLE	18,715,632
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(4,409,398)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	172,662,636
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	(9,113,888)
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	28,571,835
155	MERCHANDISE	8,104
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	59,253
164	GAS STORED	21,638,821
165	PREPAYMENTS	6,668,576
171	INTEREST AND DIVIDENDS RECEIVABLE	16,794
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	25,855,456
175	DERIVATIVE INSTRUMENT ASSETS	7,323,404
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	5,384,169
	TOTAL CURRENT AND ACCRUED ASSETS	954,176,193

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	5,084,711
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	933,681,278
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	42,933
184	CLEARING ACCOUNTS	(17,564)
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	5,980,570
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	25,927,206
190	ACCUMULATED DEFERRED INCOME TAXES	278,486,982
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	1,249,186,116
	TOTAL ASSETS AND OTHER DEBITS	$ 7,735,536,473

Data from SPL as of March 26, 2010

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2010

5. PROPRIETARY CAPITAL

		2010
201	COMMON STOCK ISSUED	(834,888,907)
204	PREFERRED STOCK ISSUED	(21,551,075)
207	PREMIUM ON CAPITAL STOCK	-
208	OTHER PAID-IN CAPITAL	-
210	GAIN ON RETIRED CAPITAL STOCK	(9,722)
211	MISCELLANEOUS PAID-IN CAPITAL	(31,306,680)
214	CAPITAL STOCK EXPENSE	143,261
216	UNAPPROPRIATED RETAINED EARNINGS	(868,473,477)
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	24,855,788
	TOTAL PROPRIETARY CAPITAL	(1,731,230,812)

6. LONG-TERM DEBT

221	BONDS	(1,255,384,169)
224	OTHER LONG-TERM DEBT	(12,475,533)
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	1,925,491
	TOTAL LONG-TERM DEBT	(1,265,934,211)

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(13,276,394)
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(120,147,671)
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(707,743,745)
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	(684,101,080)
	TOTAL OTHER NONCURRENT LIABILITIES	(1,525,268,891)

Data from SPL as of March 26, 2010

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
MARCH 31, 2010

8. CURRENT AND ACCRUED LIABILITES

		2010
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	(305,494,817)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(13,297,235)
235	CUSTOMER DEPOSITS	(84,668,941)
236	TAXES ACCRUED	(38,875,239)
237	INTEREST ACCRUED	(19,276,991)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(24,860,972)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(157,194,739)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(10,144,330)
244	DERIVATIVE INSTRUMENT LIABILITIES	(956,806)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	(655,093,335)

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	(85,479,445)
253	OTHER DEFERRED CREDITS	(112,907,129)
254	OTHER REGULATORY LIABILITIES	(1,732,357,204)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(27,153,128)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(324,127,318)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(275,985,001)
	TOTAL DEFERRED CREDITS	(2,558,009,224)
	TOTAL LIABILITIES AND OTHER CREDITS	$ (7,735,536,473)

Data from SPL as of March 26, 2010

Attachment C

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2010

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		$1,183,636,041
401	OPERATING EXPENSES	$927,188,901	
402	MAINTENANCE EXPENSES	27,029,946	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	75,267,253	
408.1	TAXES OTHER THAN INCOME TAXES	19,646,864	
409.1	INCOME TAXES	39,874,667	
410.1	PROVISION FOR DEFERRED INCOME TAXES	22,610,691	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(5,582,175)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(627,454)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		1,105,408,693
	NET OPERATING INCOME		78,227,347

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	32,153	
418	NONOPERATING RENTAL INCOME	(91,813)	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	(124,864)	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	(4,108,673)	
421	MISCELLANEOUS NONOPERATING INCOME	(52,501)	
421.1	GAIN ON DISPOSITION OF PROPERTY	0	
	TOTAL OTHER INCOME	(4,345,698)	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	889,699	
		889,699	
408.2	TAXES OTHER THAN INCOME TAXES	20,685	
409.2	INCOME TAXES	198,780	
410.2	PROVISION FOR DEFERRED INCOME TAXES	750,871	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(751,933)	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	218,403	
	TOTAL OTHER INCOME AND DEDUCTIONS		(3,237,596)
	INCOME BEFORE INTEREST CHARGES		81,464,943
	NET INTEREST CHARGES*		16,465,910
	NET INCOME		$64,999,033

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. ($1,248,533)*

Data from SPL as of March 26, 2010

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
THREE MONTHS ENDED MARCH 31, 2010

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$903,797,710
NET INCOME (FROM PRECEDING PAGE)	64,999,033
DIVIDEND TO PARENT COMPANY	(100,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(323,266)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$868,473,477

Attachment D

TABLE 1
Natural Gas Transportation Rate Revenues
Southern California Gas Company

		Present Rates			Proposed Rates			Changes		
		2/1/2010 Volumes Mth	2/1/2010 Rate $/therm	2/1/2010 Revenues $000's	Proposed Volumes Mth	Proposed Rate $/therm	Proposed Revenues $000's	Revenue Change $000's	Rate Change $/therm	% Rate change %
		A	B	C	D	E	F	G	H	I
1	CORE									
2	Residential	2,470,671	$0.50882	$1,257,139	2,470,671	$0.51051	$1,261,311	$4,172	$0.00169	0.3%
3	Residential Core Aggregation Transport (CAT)	13,319	$0.50813	$6,768	13,319	$0.50813	$6,768	$0	$0.00000	0%
4	Total Residential	2,483,989	$0.50882	$1,263,906	2,483,989	$0.51051	$1,268,079	$4,172	$0.00169	0.3%
5										
6	Commercial & Industrial	953,031	$0.30606	$291,683	953,031	$0.30775	$293,292	$1,609	$0.00169	0.6%
7	C/I Core Aggregation Transport (CAT)	17,488	$0.30537	$5,340	17,488	$0.30537	$5,340	$0	$0.00000	0%
8	Total Commercial & Industrial	970,519	$0.30605	$297,023	970,519	$0.30773	$298,633	$1,609	$0.00169	0.6%
9										
10	NGV - Pre SempraWide (1)	117,231	$0.07934	$9,302	117,231	$0.08103	$9,500	$198	$0.00169	2.1%
11	SempraWide Adjustment	117,231	$0.00323	$379	117,231	$0.00323	$379	$0	$0.00000	0.0%
12	NGV - Post SempraWide (1)	117,231	$0.08258	$9,680	117,231	$0.08426	$9,878	$198	$0.00169	2.0%
13										
14	Gas A/C	1,210	$0.07200	$87	1,210	$0.07369	$89	$2	$0.00169	2.3%
15	Gas Engine	18,080	$0.09197	$1,663	18,080	$0.09366	$1,693	$31	$0.00169	1.8%
16	Total Core	3,591,030	$0.43786	$1,572,360	3,591,030	$0.43955	$1,578,372	$6,012	$0.00169	0.4%
17										
18	NONCORE COMMERCIAL & INDUSTRIAL									
19	Distribution Level Service	982,465	$0.06822	$67,028	982,465	$0.06822	$67,028	$0	$0.00000	0.0%
20	Transmission Level Service (2)	457,697	$0.02206	$10,096	457,697	$0.02206	$10,096	$0	$0.00000	0.0%
21	Total Noncore C&I	1,440,163	$0.05355	$77,124	1,440,163	$0.05355	$77,124	$0	$0.00000	0.0%
22										
23	NONCORE ELECTRIC GENERATION									
24	Distribution Level Service									
25	Pre Sempra Wide	353,995	$0.03329	$11,785	353,995	$0.03329	$11,785	$0	$0.00000	0.0%
26	Sempra Wide Adjustment	353,995	$0.00067	$239	353,995	$0.00067	$239	$0	$0.00000	0.0%
27	Post Sempra Wide	353,995	$0.03396	$12,023	353,995	$0.03396	$12,023	$0	$0.00000	0.0%
28	Transmission Level Service (2)	2,472,969	$0.02206	$54,551	2,472,969	$0.02206	$54,551	$0	$0.00000	0.0%
29	Total Electric Generation	2,826,964	$0.02355	$66,574	2,826,964	$0.02355	$66,574	$0	$0.00000	0.0%
30										
31	TOTAL RETAIL NONCORE	4,267,127	$0.03368	$143,698	4,267,127	$0.03368	$143,698	$0	$0.00000	0.0%
32										
33	WHOLESALE & INTERNATIONAL									
34	Wholesale Long Beach (2)	117,093	$0.02206	$2,583	117,093	$0.02206	$2,583	$0	$0.00000	0.0%
35	SDGE Wholesale	1,230,285	$0.00574	$7,063	1,230,285	$0.00574	$7,063	$0	$0.00000	0.0%
36	Wholesale SWG (2)	81,737	$0.02206	$1,803	81,737	$0.02206	$1,803	$0	$0.00000	0.0%
37	Wholesale Vernon (2)	116,135	$0.02206	$2,562	116,135	$0.02206	$2,562	$0	$0.00000	0.0%
38	International (2)	53,990	$0.02206	$1,191	53,990	$0.02206	$1,191	$0	$0.00000	0.0%
39	Total Wholesale & International	1,599,240	$0.00951	$15,202	1,599,240	$0.00951	$15,202	$0	$0.00000	0.0%
40										
41	TOTAL NONCORE	5,866,366	$0.02709	$158,900	5,866,366	$0.02709	$158,900	$0	$0.00000	0.0%
42										
43	Unbundled Storage			$25,615			$25,615	$0		
44										
45	**Total (excluding FAR)**	**9,457,396**	**$0.18577**	**$1,756,875**	**9,457,396**	**$0.18640**	**$1,762,887**	**$6,012**	**$0.00064**	**0.3%**
46										
47	FAR Amount (3)	2,866	$0.04284	$44,819	0	$0.04284	$44,819	$0	$0.00000	0.0%
48	SYSTEM TOTALw/SI,FAR,TLS,SW	9,457,396	$0.19051	$1,801,694	9,457,396	$0.19114	$1,807,706	$6,012	$0.00064	0.3%
49										
50	EOR Revenues	156,187	$0.02822	$4,408	156,187	$0.02822	$4,408			
51	Total ThroughPut w/EOR Mth/yr	9,613,583			9,613,583					

Note: The rate impact of the GCIM is shown as an adjustment to transportation rates for illustrative purposes. However, the cost will be recovered through the procurement charge.

Attachment E

SOUTHERN CALIFORNIA GAS COMPANY
Plant Investment and Accumulated Depreciation
As of March 31, 2010

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	$ 76,457	$ -	76,457
302	Franchise and Consents	$ 550,693	$ -	550,693
	Total Intangible Assets	$ 627,150	$ -	$ 627,150
PRODUCTION:				
325	Other Land Rights	$ 15,321	$ -	15,321
330	Prd Gas Wells Const	$ 4,092,459	$ (62,922)	4,029,538
331	Prd Gas Wells Eqp	$ 454,718	$ (6,991)	447,726
332	Field LInes	$ 7,157	$ -	7,157
	Total Production	$ 4,569,655	$ (69,913)	$ 4,499,742
UNDERGROUND STORAGE:				
350	Land	$ 4,539,484	$ -	4,539,484
350	Storage Rights	17,830,755	(16,757,671)	1,073,084
350	Rights-of-Way	25,354	(13,004)	12,350
351	Structures and Improvements	$ 35,197,031	$ (17,819,719)	17,377,312
352	Wells	$ 212,365,923	$ (140,533,203)	71,832,720
353	Lines	$ 84,911,655	$ (91,859,040)	(6,947,386)
354	Compressor Station and Equipment	$ 112,929,494	$ (65,503,730)	47,425,764
355	Measuring And Regulator Equipment	$ 6,590,192	$ (1,720,760)	4,869,432
356	Purification Equipment	$ 85,299,210	$ (58,496,388)	26,802,822
357	Other Equipment	$ 18,869,045	$ (3,440,008)	15,429,037
	Total Underground Storage	$ 578,558,143	$ (396,143,525)	$ 182,414,618
TRANSMISSION PLANT- OTHER:				
365	Land	$ 2,786,000	$ -	2,786,000
365	Land Rights	20,456,148	(13,428,372)	7,027,776
366	Structures and Improvements	$ 30,601,479	$ (20,361,262)	10,240,217
367	Mains	$ 1,040,538,171	$ (503,090,129)	537,448,042
368	Compressor Station and Equipment	$ 176,385,000	$ (98,172,452)	78,212,547
369	Measuring And Regulator Equipment	$ 46,489,485	$ (25,302,227)	21,187,259
371	Other Equipment	$ 4,019,343	$ (2,178,930)	1,840,413
	Total Transmission Plant	$ 1,321,275,626	$ (662,533,372)	$ 658,742,253
DISTRIBUTION PLANT:				
374	Land	$ 28,254,507	$ -	28,254,507
374	Land Rights	2,646,609	(12,264)	2,634,345
375	Structures and Improvements	$ 211,344,730	$ (53,601,746)	157,742,985
376	Mains	$ 2,917,818,230	$ (1,680,925,668)	1,236,892,562
378	Measuring And Regulator Equipment	$ 64,160,283	$ (45,631,533)	18,528,750
380	Services	$ 2,004,809,631	$ (1,617,198,087)	387,611,544
381	Meters	$ 418,234,143	$ (122,966,110)	295,268,033
382	Meter Installation	$ 264,261,070	$ (150,544,407)	113,716,663
383	House Regulators	$ 114,350,545	$ (47,111,507)	67,239,039
387	Other Equipment	$ 25,090,999	$ (18,974,556)	6,116,443
	Total Distribution Plant	$ 6,050,970,748	$ (3,736,965,878)	$ 2,314,004,870
GENERAL PLANT:				
389	Land	$ 1,243,021	$ -	1,243,021
389	Land Rights	74,300	-	74,300
390	Structures and Improvements	$ 118,472,318	$ (107,428,151)	11,044,167
391	Office Furniture and Equipment	$ 407,666,419	$ (241,572,419)	166,094,000
392	Transportation Equipment	$ 546,328	$ 30,188	576,516
393	Stores Equipment	$ 95,361	$ (17,379)	77,982
394	Shop and Garage Equipment	$ 52,001,404	$ (23,867,655)	28,133,748
395	Laboratory Equipment	$ 6,720,477	$ (4,064,984)	2,655,493
396	Construction Equipment	$ 106,465	$ (72,639)	33,825
397	Communication Equipments	$ 54,135,332	$ (22,890,539)	31,244,793
398	Miscellaneous Equipment	$ 3,744,074	$ 1,204,667	4,948,741
	Total General Plant	$ 644,805,498	$ (398,678,911)	$ 246,126,587
	Grand Total	$ 8,600,806,820	$ (5,194,391,599)	$ 3,406,415,222

Attachment F

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
THREE MONTHS ENDED MARCH 31, 2010
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	$1,184
2	Operating Expenses	1,105
3	Net Operating Income	$78
4	Weighted Average Rate Base	$2,810
5	Rate of Return*	8.68%

*Authorized Cost of Capital