

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for Authorization to (1) Obtain)
Long-term Debt Capital Not to Exceed the)
Equivalent of U.S \$1,500,000,000; (2) Include)
Certain Features in Debt Securities or Enter into)
Certain Derivative Transactions; (3) Hedge)
Issuances of Debt Securities and Preferred or)
Preference Securities; and (4) Take All Other)
Necessary, Related Actions.)
(U 904 G))
_____)

Application No. 12-12-_____
Exhibit No. (SCG-01) _____

**PREPARED DIRECT TESTIMONY OF
GARRY G. YEE
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

December 10, 2012

PREPARED DIRECT TESTIMONY OF

GARRY G. YEE

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

1 **What is the purpose of your testimony?**

2 The purpose of my testimony is to sponsor Schedules I through XIV, which are attached to this
3 testimony. Mr. Gary H. Hayes is also sponsoring testimony in support of this Application. His
4 testimony addresses the features of the long-term financing securities that Southern California
5 Gas Company (SoCalGas) seeks authority to issue in the instant application.

6 **Please describe Schedules I through XIV.**

7 Schedules I through XIV provide various financial data for use by the California Public Utilities
8 Commission (CPUC or Commission) in assessing this instant long-term financing Application.

9 The format and content of the schedules are similar to those that accompanied SoCalGas'
10 previous long-term financing applications. As in previous applications, this application uses the
11 mid-point of the estimated capital expenditure ranges to project financing needs.

12 Schedule I is a three-year forecast of SoCalGas' capital expenditures. Included in this forecast
13 are the Advanced Meter Infrastructure and Pipeline Safety Enhancement projects that are
14 discussed in the application in greater detail.

15 Schedules II through X summarizes additional financial information related to this Application
16 as noted on the heading of each schedule.

17 Schedule XI presents in pro-forma fashion how SoCalGas' maximum requested long-term
18 financing would affect SoCalGas' capital structure. The resulting ratios reflect the hypothetical
19 change assuming all the requested financing in this application was issued in one day –

1 December 31, 2012. This scenario is not representative of SoCalGas' plan as shown in Schedule
2 III. Consequently, the actual planned debt ratios are much lower since it includes the new equity
3 that is inflowing in the form of net income, which offsets a significant portion of the new
4 planned annual debt issuances.

5 Schedule XII provides a detailed calculation of the application fee required by Public Utilities
6 Code §1904(b), and Schedule XIII details SoCalGas' long-term debt portfolio as projected
7 through the end of December 31, 2012.

8 Schedule XIV is a reconciliation of SoCalGas' capitalization as of December 31, 2012. It
9 represents activity recorded as of September 30, 2012 with a projection to the end of December
10 31, 2012.

11 **Does this complete your testimony?**

12 Yes.

STATEMENT OF QUALIFICATIONS

1 **By whom are you employed and what is your current position?**

2 I am employed by Southern California Gas Company (SoCalGas) as a Financial Services
3 Manager.

4 **What are your principal responsibilities?**

5 My principal responsibilities include Treasurer and Finance support, rate base and depreciation
6 planning, forecasting and financial analysis.

7 **Please describe your educational background and professional experience.**

8 I received a Bachelor of Science degree in Accounting from Loyola Marymount University. I
9 am a Certified Public Accountant and a Certified Global Management Accountant and I continue
10 to maintain my licenses in active status through continuing professional education. I have held a
11 variety of financial, accounting and Treasury positions in SoCalGas and Pacific Enterprises (then
12 parent company of SoCalGas) for nearly 30 years.

13 **Have you previously testified before the CPUC?**

14 Yes, I have testified before the Commission in various proceedings including general rate cases.

SCHEDULE I

Schedule I
Southern California Gas Company
Construction Budgets for Years 2013 to 2015
(\$ in Millions)

	2013	2014	2015
Gas Distribution	275 - 285	285 - 295	285 - 295
Gas Transmission and Storage	150 - 160	135 - 145	130 - 140
Advanced Meter Infrastructure (AMI)	170 - 180	140 - 150	130 - 140
Pipeline Safety Enhancement Plan (PSEP)	180 - 190	395 - 405	400 - 410
Other	140 - 150	185 - 195	140 - 150
Total cash required for construction expenditures	915 - 965	1,140 - 1,190	1,085 - 1,135

SCHEDULE II

Schedule II
Southern California Gas Company
Monthly Cash Flow Projection for Years 2013 to 2015
(\$ in Millions)

<u>2013</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning Cash Balances	65	197	658	1,118	837	926	1,070	501	355	335	212	68
Change in Cash Flow ¹	132	461	461	(281)	89	144	(569)	(146)	(19)	(473)	(144)	(14)
Preferred Stock	(0)	-	-	(0)	-	-	(0)	-	-	(0)	-	-
Common Stock	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt - Maturity	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt - New Issuances	-	-	-	-	-	-	-	-	-	350	-	-
Ending Cash Balances	197	658	1,118	837	926	1,070	501	355	335	212	68	54
<u>2014</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning Cash Balances	54	235	869	1,252	866	988	1,186	404	202	176	25	77
Change in Cash Flow ¹	182	634	634	(386)	122	198	(782)	(201)	(26)	(650)	(198)	(20)
Preferred Stock	(0)	-	-	(0)	-	-	(0)	-	-	(0)	-	-
Common Stock	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt - Maturity	-	-	(250)	-	-	-	-	-	-	-	-	-
Long-Term Debt - New Issuances	-	-	-	-	-	-	-	-	-	500	250	-
Ending Cash Balances	235	869	1,252	866	988	1,186	404	202	176	25	77	58
<u>2015</u>	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Beginning Cash Balances	58	200	700	1,199	894	990	1,146	530	371	351	238	82
Change in Cash Flow ¹	143	499	499	(304)	96	156	(616)	(159)	(21)	(512)	(156)	(16)
Preferred Stock	(0)	-	-	(0)	-	-	(0)	-	-	(0)	-	-
Common Stock	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt - Maturity	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Debt - New Issuances	-	-	-	-	-	-	-	-	-	400	-	-
Ending Cash Balances	200	700	1,199	894	990	1,146	530	371	351	238	82	66

¹Projections based on current estimates and are subject to change.

SCHEDULE III

Schedule III
Southern California Gas Company
Statement of Cash Requirements for Years 2013 to 2015
(\$ in Millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Funds for construction (capital expenditures)	(940)	(1,165)	(1,110)
Maturing long-term debt ¹	-	(250)	-
Beginning of year cash balance	65	54	58
Subtotal	(875)	(1,361)	(1,052)
Less: Estimated cash from internal sources	580	670	720
External funds (required)	(295)	(691)	(332)
External funds provided:			
Common stock	-	-	-
Preferred stock	(1)	(1)	(1)
Long-term debt ²	350	750	400
End of year cash balance	54	58	66

¹ See schedule IV for detailed breakdown.

² Amount ultimately raised will be a function of the Company's access to long-term capital markets at the time funds are required.

SCHEDULE IV

Schedule IV
Southern California Gas Company
Maturing Long-Term Debt for Years 2013 to 2015
(\$ in Millions)

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Maturing long-term debt:			
Series LL Bond	0	250	0
Total	<u>0</u>	<u>250</u>	<u>0</u>

SCHEDULE V

Schedule V
Southern California Gas Company
Amount and Percentage of Internal Funds Provided for Years 2010 to 2012
(\$ in Millions)

<u>Year</u>	<u>Internal Sources</u>	<u>Internal Sources as Percent of Construction Expenditures</u>
2010	736	146%
2011	554	81%
2012	570	80%

2012 amount projected for the year.

SCHEDULE VI

Schedule VI
Southern California Gas Company
Statement of Unreimbursed Construction - Projected to December 31, 2012
(\$ in Millions)

Net utility plant		4,578
Net proceeds from securities:		
Preferred stock	(22)	
Common stock	(866)	
Long-term debt	<u>(1,399)</u>	
Total net proceeds		(2,287)
Advances for construction		<u>(114)</u>
Total deductions		<u>(2,401)</u>
Unreimbursed construction projected to December 31, 2012		<u><u>2,177</u></u>

SCHEDULE VII

Schedule VII
Southern California Gas Company
2012 Projected Revenue Data
(\$ in Millions)

Company operating revenues	3,978
California operating revenues	3,978
California operating revenue percent of company	100%
Company net income before preferred dividend requirements	286

SCHEDULE VIII

Schedule VIII
Southern California Gas Company
2012 Historical Financing Data

<u>Date</u>	<u>Transaction</u>	<u>Principal Amount</u>
September 21, 2012	Issued first-mortgage bond Series NN	\$350 million

SCHEDULE IX

Schedule IX
Southern California Gas Company
2013 Projected Financing

<u>Date</u>	<u>Transaction</u>	<u>Principal Amount</u>
4th quarter 2013	New first-mortgage bonds	\$350 million ¹

¹Amount ultimately raised will be a function of the Company's access to long-term capital markets at the time funds are required.

SCHEDULE X

Schedule X
Southern California Gas Company
Short-Term Financing in Excess of CPUC Code §823 (c) Allowance ¹
(\$ in Millions)

	Projected <u>December 31, 2012</u>
Common stock issued	866
Preferred stock issued	22
Long-term debt (excluding capital leases)	<u>1,399</u>
Projected capitalization as of December 31, 2012	<u><u>2,287</u></u>
5% allowed by CPUC Code §823 (c)	114
Maximum anticipated amount of short-term debt needed	<u>114</u>
Additional financing authority requested in this application	<u><u>-</u></u>

¹ This schedule is filed in accordance with the requirements of the Commission Advisory and Compliance Division. Notwithstanding that, the applicant is not subject to the provision of §832(c) of the Public Utilities Code.

SCHEDULE XI

Schedule XI
Southern California Gas Company
Capital Ratios ¹
(\$ in Millions)

	Projected December 31, 2012		Pro-forma, showing the effect of requested authority	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Long-term debt				
Long-term debt	1,412		1,412	
Additional long-term borrowing	-		1,500	
Less: Unamortized expenses and discounts	(13)		(13)	
Total long-term debt	<u>1,399</u>	<u>37.8%</u>	<u>2,899</u>	<u>55.7%</u>
Short-term debt				
Short-term borrowings under PUC Code §823(c)	-		-	
Current portion of long-term debt	-		-	
Total short-term debt	<u>-</u>	<u>0.0%</u>	<u>-</u>	<u>0.0%</u>
Total debt	<u>1,399</u>	<u>37.8%</u>	<u>2,899</u>	<u>55.7%</u>
Preferred stock				
Current balance	22		22	
Additional preferred stock	-		-	
Total preferred stock	<u>22</u>	<u>0.6%</u>	<u>22</u>	<u>0.4%</u>
Common equity				
Common equity held by Sempra Corp.	<u>2,284</u>	<u>61.7%</u>	<u>2,284</u>	<u>43.9%</u>
Total capitalization	<u><u>3,705</u></u>	<u><u>100.0%</u></u>	<u><u>5,205</u></u>	<u><u>100.0%</u></u>

¹ The above pro forma ratios demonstrate how SoCalGas's maximum requested long-term financing would affect the Company's capital structure if it were all issued on December 31, 2012. The resulting ratios reflect the hypothetical change assuming all of the requested financing in this application was issued instantaneously on December 31, 2012. This scenario is not representative of SoCalGas's plans as shown in Schedule II and Schedule III. Additionally, SoCalGas's planned debt ratios are much lower, since the actual capital structure will also include new equity from net income generated during 2013 - 2015 which is not reflected in the ratios above.

SCHEDULE XII

Schedule XII
Southern California Gas Company
Computation of Fee - CPUC Code §1904(b)

Item	Amount	Rate	Fee
\$ 1.5 billion of long-term borrowing authority	\$ 1,000,000	\$2.00 per thousand	\$ 2,000
	9,000,000	\$1.00 per thousand	9,000
	1,490,000,000	\$0.50 per thousand	745,000
	<u>1,500,000,000</u>	Subtotal	<u>756,000</u>
Less \$250 million earmark to retire Series LL debt in 2014	<u>250,000,000</u>	\$0.50 per thousand	<u>125,000</u>
	<u>\$ 1,250,000,000</u>	Total fee required	<u>\$ 631,000</u>

SCHEDULE XIII

Schedule XIII
Southern California Gas Company
Debt Outstanding Projected To December 31, 2012
(\$ in Millions)

No.	Type ¹	Bond	Maturity	Principal
1	FMB	Series HH	04/15/18	250.0
2	FOR	Swiss Francs Bond ⁴	05/14/16	7.5
3	MTN	Medium-Term Note	01/18/28	5.0
4	FMB	Series KK	11/15/35	250.0
5	FMB	Series LL	03/15/14	250.0
6	FMB	Series MM	11/15/40	300.0
7	FMB	Series NN	09/21/42	350.0

No further activity projected through December 2012

-

Total projected as of December 31, 2012

1,412.5

¹ "FMB" = First Mortgage Bonds.

"FOR" = Foreign-currency Bonds

"MTN" = Medium-Term Notes

⁴ Bonds denominated in Swiss Francs; perpetual; puttable or callable once every ten years on May 14.

SCHEDULE XIV

Schedule XIV
Southern California Gas Company
Reconciliation of Capitalization
Projected December 31, 2012
(\$ in Millions)

	<u>Balance Sheet</u>	<u>Regulatory Capitalization</u>	<u>Difference</u>
Common stock equity	2,284	2,284	-
Preferred stock equity	22	22	-
Bonds	1,412	1,412	-
Unamortized discount and expenses	(13)	-	(13)
After-tax unamortized loss on reacquired debt	<u>(10)</u>	<u>(10)</u>	<u>-</u>
Total capitalization	<u><u>3,695</u></u>	<u><u>3,708</u></u>	<u><u>(13)</u></u>

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for Authorization to (1) Obtain)
Long-term Debt Capital Not to Exceed the)
Equivalent of U.S \$1,500,000,000; (2) Include)
Certain Features in Debt Securities or Enter into)
Certain Derivative Transactions; (3) Hedge)
Issuances of Debt Securities and Preferred or)
Preference Securities; and (4) Take All Other)
Necessary, Related Actions.)
(U 904 G))
_____)

Application No. 12-12-_____
Exhibit No. (SCG-02) _____

**PREPARED DIRECT TESTIMONY OF
GARY H. HAYES
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

December 10, 2012

PREPARED DIRECT TESTIMONY OF

GARY H. HAYES

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

1 **By whom are you employed and what is your current position?**

2 I am employed by Sempra Energy's Treasury Department as a Finance Manager.

3 **What are your principal responsibilities?**

4 My primary responsibility is the planning and execution of transactions involving securities,
5 derivatives, and currencies. I also advise the Sempra Energy utilities, Southern California Gas
6 Company ("SoCalGas") and San Diego Gas & Electric Company ("SDG&E"), on various
7 financial matters.

8 **Please describe your educational background and professional experience.**

9 I hold degrees from Wake Forest University and Dartmouth College, and have worked in the
10 defense, automotive, oil, and banking industries. I joined SDG&E's Financial Services
11 Department in 1995, and since the 1998 formation of Sempra Energy, have served primarily in
12 the Treasury Department.

13 **Have you previously testified before the Public Utilities Commission of the State of**
14 **California?**

15 Yes, over the last fifteen years I have testified before the CPUC in numerous financing authority,
16 cost-of-capital, and general rate cases.

17 **What is the purpose of your testimony?**

18 The purpose of my testimony is to support the instant Application of SoCalGas for financing
19 authority, and in particular to support the request for authorization to issue and enter into long-
20 term financing securities described in the Application.

1 **In your opinion, is it is reasonable for the Commission to authorize long-term financing**
2 **securities with the features described in the body of the instant Application?**

3 Yes. Judicious use of long-term securities with the features described in the Application will
4 allow SoCalGas to raise, in a variety of capital-market settings, the funds necessary to serve its
5 customers at the lowest cost.

6 **Does this complete your testimony?**

7 Yes.