

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

In the Matter of the Application of)
Southern California Gas Company (U 904 G))
For Approval of The Branch Office Optimization) Application 13-09-_____
Process.)
_____)

**APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
FOR APPROVAL OF THE BRANCH OFFICE OPTIMIZATION PROCESS**

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September 16, 2013

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I. INTRODUCTION

Pursuant to Rule 2.1 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure and Decision (“D.”) 08-07-046, Southern California Gas Company (“SoCalGas”) hereby submits this application (“Application”) for approval of the Branch Office Optimization Process to better align our customer service channels in an effective and cost efficient manner by: 1) closing six branch offices; and 2) utilizing a fair and objective evaluation process to review the performance of SoCalGas branch offices in the future.

II. OVERVIEW

SoCalGas currently operates 47 branch offices throughout its service territory, which provide customers the options of paying their bills in-person, inquiring about accounts, and completing other customer service transactions. Historically, bill payments, which account for 97% of all SoCalGas branch office transactions, have been the cornerstone of the branch office.¹ However, in the last 7 years, payments made at SoCalGas branch offices have declined

¹ Prepared Direct Testimony of Michael Baldwin, at p. 4.

significantly—by approximately 31%.² During this same period, customers have increasingly migrated to electronic means of making payments, such as home banking, SoCalGas’ My Account, and direct debit. While payments at branch offices have been declining, the cost of providing branch office services continues to increase.

Customer service is of central importance to SoCalGas, as is providing customers with multiple options that best fit their bill payment and service needs, as well as operating as cost-effectively as possible. While times and technology evolve, SoCalGas strives to be responsive to the changing needs and preferred service options of its customers. In recognition of the fact that branch offices are steadily declining as a desired and preferred payment channel by customers, who now utilize a multitude of other options to meet their needs,³ SoCalGas recommends the closure of branch offices that are identified as underutilized and cost-ineffective.

SoCalGas is not recommending that all high-cost and underutilized branch offices be closed, as branch offices continue to be an important channel of service for SoCalGas. Rather, to mitigate a disproportionate impact to low-income customers, SoCalGas proposes to exclude branch offices located in areas that are frequented principally by low-income customers. In addition, SoCalGas proposes to only close those branch offices located within a five-mile radius or less of an authorized payment location (“APL”),⁴ so as to provide alternative payment options to affected communities.

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² *Id.* at p.7.

³ For example: More than 300 conveniently located APLs, 41 other branch offices, SoCalGas’ Customer Contact Centers, payment by mail, and electronic payment options including direct debit and MyAccount.

⁴ In addition to its 47 branch offices, SoCalGas also partners with over three hundred APLs, to allow customers to pay their gas bills at another location that may be more convenient.

SoCalGas does not anticipate that closing the six branch offices will adversely affect the quality of service provided to customers in its service territory. Customer needs, including those of low-income customers, can and are being met by various other channels that serve as reasonable, adequate alternatives for bill payment, customer service, and information. For these reasons, and as discussed further herein and in the Prepared Direct Testimony of Michael Baldwin, SoCalGas requests that the Commission approve this Branch Office Optimization Process Application.

III. BACKGROUND

Previously in its 2008 General Rate Case (“GRC”) filing (A.06-12-010), SoCalGas proposed to close low-transaction/high-cost branch offices. The Commission ultimately denied SoCalGas’ request, finding “that the proposal to close branch offices is problematic for low-income customers.... Therefore, we must find a way to serve these customers’ needs for bill payment, customer service, and information.”⁵ Nonetheless, the Commission permitted SoCalGas to separately apply to close individual offices in the future or revisit the issue in the next GRC.⁶

Since D.08-07-046, SoCalGas has continued to evaluate the use of its branch offices and has witnessed further declines in the utilization by customers, as was acknowledged by the Division of Ratepayers Advocates (“DRA”) and The Utility Reform Network (“TURN”) in

⁵ D.08-07-046, at p. 21.

⁶ As part of D.08-07-046 at p. 20, the Commission also approved a Memorandum of Understanding (“MOU”) between Disability Rights Advocates (“DisabRA”), SoCalGas and San Diego Gas & Electric Company, which addressed, among other things, the structure of branch offices and non-utility payment locations. Pursuant to the MOU, SoCalGas agreed to remediate all 47 branch offices by March 31, 2012. However, on May 23, 2011, SoCalGas and DisabRA entered into an agreement to extend the time by which SoCalGas had to remediate the Monrovia, San Luis Obispo, Santa Barbara and Santa Monica offices pending a Commission decision on this Branch Office Optimization Process Application.

SoCalGas' 2012 GRC proceeding.⁷ In that decision, DRA, TURN, and the Commission acknowledged SoCalGas' intent to file an application to close branch offices.

IV. BRANCH OFFICE OPTIMIZATION PROCESS

The continuing decline in branch office transactions and the continuing high cost of branch office service prompted SoCalGas to develop a standardized, ongoing Branch Office Optimization Process to evaluate branch office performances. When developing the Branch Office Optimization Process, SoCalGas analyzed the proceedings in which the Commission has previously addressed the issue of branch office closure.⁸ From this examination, SoCalGas collected and incorporated useful information to mitigate adverse impacts on customers.

SoCalGas' Branch Office Optimization Process is comprised of three steps as explained by witness Michael Baldwin.⁹ In the first step, SoCalGas applies four transaction trend criteria to identify underutilized branch offices.¹⁰ To address the Commission's concern¹¹ regarding potential adverse impacts on low-income customers, SoCalGas next applies three low-income screens to exclude branch offices that are primarily frequented by low-income customers.¹² Third, SoCalGas applies a proximity screen to help provide, at a minimum, that any potentially closed branch offices must have at least one APL located within a five-mile radius of the existing branch office.¹³ When this evaluation process was completed, six branch offices met all of the

⁷ D.13-05-010 at p. 505. In addition, the Commission adopted TURN's recommendation to reduce branch office funding by \$516,000 due to declining payment transactions.

⁸ *E.g.*, A.96-06-053 (approving SoCalGas' application to close two branch offices); A.06-12-010 (denying SoCalGas' request to close seven branch offices); and A.05-12-002 (approving a settlement agreement to allow PG&E to close nine branch offices).

⁹ Prepared Direct Testimony of Michael Baldwin, at p.13-17.

¹⁰ *Id.* at pp.13-14.

¹¹ *See* D.08-07-046, at pp. 20-21; Application 06-12-009 *et al* Hearing Transcripts (Volume 11) (August 14, 2007) at pp. 1177-1203.

¹² Prepared Direct Testimony of Michael Baldwin, at pp.15-16.

¹³ *Id.* at pp.16-17.

identified criteria —Bellflower, Monrovia, Palm Springs, San Luis Obispo, Santa Barbara and Santa Monica.

V. CLOSURE OF THE SIX BRANCH OFFICES IS IN THE BEST INTERESTS OF THE MAJORITY OF SOCALGAS CUSTOMERS

A. Customer Use of the Bellflower, Monrovia, Palm Springs, San Luis Obispo, Santa Barbara, and Santa Monica Branch Offices Has Declined Sharply in Recent Years

As previously stated, payments processed at these six branch offices have decreased sharply, by almost 43% since 2005.¹⁴ Furthermore, with regards to customer service orders which have historically totaled approximately 2% – 3% of all branch office volumes, these six branch offices are processing increasingly fewer orders.¹⁵ For example, the Bellflower Branch Office only processes approximately four service orders per day; the Monrovia Branch Office processes an average of six service orders per day; the Palm Springs Branch Office processes approximately six service orders per day; the San Luis Obispo Branch Office does not generally process service orders – on average just one service order per week is processed; the Santa Barbara Branch Office processes approximately five service orders per day; and, the Santa Monica Branch Office only processes approximately one service order per day.¹⁶

B. The Bellflower, Monrovia, Palm Springs, San Luis Obispo, Santa Barbara and Santa Monica Branch Offices Are Not Cost-Effective

Processing payments at these six branch offices is inefficient, costing SoCalGas customers over \$1.375 million per year. Using 2012 actual data, on a fully-loaded cost-per-transaction basis, the average cost of processing a transaction at each of our 47 branch offices is \$3.35. However, the per transaction costs at the Bellflower, Monrovia, Palm Springs, San Luis

¹⁴ *Id.* at p.31.

¹⁵ Prepared Direct Testimony of Michael Baldwin, at p.31.

¹⁶ *Id.* at pp. 18, 20, 22, 24, 26, and 27.

Obispo, Santa Barbara, and Santa Monica branch offices range from \$4.49 to \$10.83.¹⁷ This is compared to only \$0.01 for processing a payment made online, \$0.10 for processing a payment made through the mail, or \$0.62 for processing a payment made at an APL.¹⁸ These six offices are up to one hundred times more costly than alternative means and must be addressed in the course of prudent cost reduction. SoCalGas expects that these branch office transaction costs will continue to increase as customers continue to migrate towards electronic payment alternatives.

C. Customers Will Realize Ongoing Savings and Cost Avoidance Benefits If the Branch Offices Are Closed

If the Commission approves the six branch closures, SoCalGas customers will realize cost savings benefits of \$1.38 million in ongoing O&M.¹⁹ SoCalGas customers will also realize a one-time cost avoidance of approximately \$2 million in capital expenditures if four of the branch offices are not remediated.²⁰ SoCalGas estimates that each of the four offices would cost approximately \$500,000 for site work and interior improvements needed to make them Americans with Disabilities Act (“ADA”)-compliant and conform to SoCalGas’ internal guidelines for customer and employee safety.

The full-year effect of all six branch office closures would reduce costs by approximately \$1,375,981 per year, which excludes the aggregate one-time closure expenses of approximately \$321,204.²¹

¹⁷See Table SCG-MB-8 of Prepared Direct Testimony of Michael Baldwin, at p.14.

¹⁸ Prepared Direct Testimony of Michael Baldwin, at pp. 30-31.

¹⁹ Pending approval of this Application, SoCalGas would reflect the future O&M cost savings in its funding request in its next GRC Application.

²⁰ Pursuant to the 2008 MOU with DisabRA, SoCalGas remediated the Bellflower and Palm Springs branch offices.

²¹ The net first year savings of \$1,054,777 will be adjusted accordingly based on the effective date of the office closures.

VI. THE BRANCH OFFICE OPTIMIZATION PROCESS INCORPORATES MEASURES SO AS TO NOT DISPORPORTIONATELY AFFECT LOW-INCOME, SPECIAL NEEDS AND DISABLED CUSTOMERS

The primary concern of the Commission and parties initially opposed to SoCalGas' 2006 request to close branch offices was the potential adverse impact on low-income customers.²² SoCalGas' Branch Office Optimization Process addresses these concerns. To better understand low-income customer utilization of branch offices, SoCalGas researched the payment channels used by CARE customers in 2012. Based on this research, SoCalGas determined that low-income customers will likely not be adversely impacted by the six branch office closures because 87% of CARE customer payments are not made at branch offices.²³ Moreover, the Branch Office Optimization Process criteria incorporate three screens to exclude branch offices primarily frequented by low-income customers.²⁴

SoCalGas is sensitive to the role branch offices can play in assisting special needs and elderly customers.²⁵ However, the closure of the six branch offices will not adversely affect these customers. As mentioned above, patrons of the six branch offices may still choose from an array of reasonably comparable and convenient payment and service options.

Impacted customers have multiple electronic payment options, as well as local payment alternatives such as the 300 APLs, or other 41 branch offices, all of which are ADA-compliant. In addition, to assist visually impaired customers, SoCalGas provides Braille bills upon request and provides large-print bills through its website for customers enrolled in My Account. SoCalGas' website provides customers with instructions for accessing and modifying the electronically-produced bill in large font. Customers unable to access the Internet or otherwise

²² D.08-07-046, at p. 20.

²³ Prepared Direct Testimony of Michael Baldwin, at p. 33.

²⁴ *Id.* at p. 15.

²⁵ *Id.* at pp. 35-36.

unable to manage modifying electronically presented bills may contact SoCalGas' Customer Contact Center for agent assistance. In addition, SoCalGas makes available Teletypewriter ("TTY") or Telecommunications Device for the Deaf ("TDD") communication services to its customers, and trains its customer service representatives to respond appropriately to incoming calls made using relay services.

VII. BRANCH OFFICE CLOSURES WILL HAVE A MINIMAL IMPACT ON EMPLOYEES

SoCalGas will attempt to minimize the workforce disruption related to the potential placement and relocation of the six full-time branch office employees. This includes employees whose position or work location might be affected by the choices of the displaced branch office employees. SoCalGas will make every effort to place an affected full-time employee in a regular, full-time position elsewhere in the Company. SoCalGas anticipates that there will be a reduction in part-time hours and part-time employee positions through attrition.

VIII. FUTURE REVIEW OF BRANCH OFFICES

SoCalGas developed its Branch Office Optimization Process as a fair and objective mechanism to review and assess the performance of its branch offices. SoCalGas' Branch Office Optimization Process is fair to low-income and other sensitive customers because it facilitates SoCalGas' efforts to not unfairly or disproportionately impact these customers as a result of the branch office closures. It is fair to customers because it considers the proximity of proposed branch office closures to available and convenient APLs. Moreover, the Branch Office Optimization Process is a statistically objective approach that enables SoCalGas to make impartial decisions regarding underutilized branch offices. In order to notify the Commission and other interested parties when and if a branch office meets all of the Branch Office

Optimization Process criteria, SoCalGas proposes to make any future requests to close branch offices via a Tier 2 Advice Letter.

IX. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Proposed Category, Issues to be Considered, Need for Hearings and Proposed Schedule

SoCalGas proposes that this proceeding be categorized as a “ratesetting” proceeding within the meaning of Rules 1.3(e) and 7.1. Because of the limited factual issues to be addressed in this proceeding, SoCalGas does not anticipate a need for hearings. In the event hearings do become necessary, SoCalGas proposes the following procedural schedule:

<u>EVENT</u>	<u>DATE</u>
SoCalGas files Application	September 16, 2013
Deadline for responses to Application	October 15, 2013
Prehearing Conference	December 17, 2013
Intervenor Testimony	January 15, 2013
Rebuttal Testimony	February 5, 2014
Evidentiary Hearings (if necessary)	March 10-12, 2014
Opening Briefs	April 10, 2014
Reply Briefs	April 24, 2014
Proposed Decision	August 2014
Commission Decision	September 2014

B. Authority – Rule 2.1

This Application is made pursuant to Sections 451, 701, 702, 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.

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

Applicant's legal name is Southern California Gas Company. 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:

Elizabeth Baires
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D. Articles of Incorporation – Rule 2.2

SoCalGas is incorporated under the laws of the State of California. A certified copy of the restated Articles of Incorporation, as last amended, currently in effect and certified by the California Secretary of State, was filed with the Commission on October 1, 1998 in connection with SoCalGas' Application No. 98-10-012, and is incorporated herein by reference.

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E. Authority to Increase Rates – Rule 3.2

This Application does not seek to increase rates or implement changes that would result in increased rates. Accordingly, SoCalGas will not provide notice pursuant to Rule 3.2(b), (c), (d) and (e).

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

Attachment A to this Application is SoCalGas' Balance Sheet as of June 30, 2013. Attachment B to this Application is SoCalGas' Income Statement for the six month period ended June 30, 2013.

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

Attachment C to this Application is a SoCalGas Summary of Earnings for the six months ended on June 30, 2013.

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

A general description of SoCalGas' property and equipment was previously filed with the Commission on October 5, 2001, in connection with SoCalGas' Application No. 01-10-005 and is incorporated herein by reference. A statement of the original cost and depreciation reserve attributable thereto as of June 30, 2013 is Attachment D to this Application.

I. Depreciation – Rule 3.2(7)

For financial statement purposes, depreciation of utility plant has been computed 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 tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, "flow through accounting"

has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SoCalGas 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.

J. Proxy Statement – Rule 3.2(a)(8)

A copy of SoCalGas' most recent proxy statement, dated May 1, 2013, was provided to the Commission on May 2, 2013, and is incorporated herein by reference.

K. Service and Notice - Rule 1.9

SoCalGas is serving this Application on all parties to A.10-12-006.

X. RELIEF REQUESTED

SoCalGas respectfully requests that the Commission approve SoCalGas' Branch Office Optimization Process as presented in this application. These closures will: (1) will provide cost savings benefits of \$1.38 million in ongoing O&M in SoCalGas' next GRC; 2) provide affected customers with reasonably comparable and convenient payment, service and information alternatives; 3) not disproportionately affect low-income, special needs or elderly customers when closing branch offices; 4) provide adequate notice of the closure of the Bellflower, Monrovia, Palm Springs, San Luis Obispo, Santa Barbara, and Santa Monica branch offices; 5) will maintain branch offices, APLs, and other means for the purpose of receiving payment and providing customer service and information; and 6) has developed a fair and objective means to evaluate branch offices on an annual basis.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ Michael M. Schneider
Michael M. Schneider
Vice President, Customer Operations

By: /s/ Kim F. Hassan
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September 16, 2013

ATTACHMENT A

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
JUNE 30, 2013**

1. UTILITY PLANT		<u>2013</u>
101	UTILITY PLANT IN SERVICE	\$10,872,280,336
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	350,479,458
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,394,960,900)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(46,824,114)
117	GAS STORED-UNDERGROUND	<u>57,810,215</u>
	TOTAL NET UTILITY PLANT	<u>6,838,784,995</u>
 2. OTHER PROPERTY AND INVESTMENTS		
121	NONUTILITY PROPERTY	129,622,333
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(103,707,127)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	122
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	<u>3,000,000</u>
	TOTAL OTHER PROPERTY AND INVESTMENTS	<u>28,915,328</u>

Data from SPL as of August 27, 2013.

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
JUNE 30, 2013

3. CURRENT AND ACCRUED ASSETS		2013
131	CASH	20,371,442
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	92,641
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	399,401,548
143	OTHER ACCOUNTS RECEIVABLE	25,168,398
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(6,456,520)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	268,765,940
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	35,047,005
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	28,594,715
155	MERCHANDISE	6,827
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	(4,283,481)
164	GAS STORED	42,571,570
165	PREPAYMENTS	146,197,567
171	INTEREST AND DIVIDENDS RECEIVABLE	3,631,183
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	29,714,509
175	DERIVATIVE INSTRUMENT ASSETS	5,112,693
176	LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES	-
TOTAL CURRENT AND ACCRUED ASSETS		993,936,037
4. DEFERRED DEBITS		
181	UNAMORTIZED DEBT EXPENSE	9,179,021
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	1,356,334,054
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	197,489
184	CLEARING ACCOUNTS	6,418,197
185	TEMPORARY FACILITIES	-
186	MISCELLANEOUS DEFERRED DEBITS	124,774,033
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	11,588,838
190	ACCUMULATED DEFERRED INCOME TAXES	156,624,808
191	UNRECOVERED PURCHASED GAS COSTS	-
TOTAL DEFERRED DEBITS		1,665,116,440
TOTAL ASSETS AND OTHER DEBITS		\$ 9,526,752,800

Data from SPL as of August 27, 2013.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
JUNE 30, 2013**

5. PROPRIETARY CAPITAL

	2013
201 COMMON STOCK ISSUED	(834,888,907)
204 PREFERRED STOCK ISSUED	(21,551,075)
207 PREMIUM ON CAPITAL STOCK	-
208 OTHER PAID-IN CAPITAL	-
210 GAIN ON RETIRED CAPITAL STOCK	(9,722)
211 MISCELLANEOUS PAID-IN CAPITAL	(31,306,680)
214 CAPITAL STOCK EXPENSE	143,261
216 UNAPPROPRIATED RETAINED EARNINGS	(1,479,819,185)
219 ACCUMULATED OTHER COMPREHENSIVE INCOME	17,381,349
	(2,350,050,959)
TOTAL PROPRIETARY CAPITAL	

6. LONG-TERM DEBT

221 BONDS	(1,400,000,000)
224 OTHER LONG-TERM DEBT	(12,475,532)
225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	3,712,983
	(1,408,762,549)
TOTAL LONG-TERM DEBT	

7. OTHER NONCURRENT LIABILITIES

227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	(549,549)
228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	(214,816,982)
228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	(935,021,028)
228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230 ASSET RETIREMENT OBLIGATIONS	(1,172,634,492)
	(2,323,022,051)
TOTAL OTHER NONCURRENT LIABILITIES	

Data from SPL as of August 27, 2013.

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
JUNE 30, 2013**

8. CURRENT AND ACCRUED LIABILITES		2013
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	(412,234,725)
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	(44,982,427)
235	CUSTOMER DEPOSITS	(74,869,558)
236	TAXES ACCRUED	(4,260,156)
237	INTEREST ACCRUED	(13,898,083)
238	DIVIDENDS DECLARED	(323,265)
241	TAX COLLECTIONS PAYABLE	(14,132,397)
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	(104,347,760)
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	(2,172,644)
244	DERIVATIVE INSTRUMENT LIABILITIES	(1,020,052)
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	(672,241,067)
9. DEFERRED CREDITS		
252	CUSTOMER ADVANCES FOR CONSTRUCTION	(82,585,169)
253	OTHER DEFERRED CREDITS	(107,898,030)
254	OTHER REGULATORY LIABILITIES	(1,432,534,857)
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	(19,255,809)
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	(974,177,223)
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	(156,225,086)
	TOTAL DEFERRED CREDITS	(2,772,676,174)
	TOTAL LIABILITIES AND OTHER CREDITS	\$ (9,526,752,800)

Data from SPL as of August 27, 2013.

ATTACHMENT B

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
SIX MONTHS ENDED JUNE 30, 2013

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		1,885,174,960
401	OPERATING EXPENSES	1,308,261,226	
402	MAINTENANCE EXPENSES	95,944,467	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	179,794,561	
408.1	TAXES OTHER THAN INCOME TAXES	40,538,138	
409.1	INCOME TAXES	27,244,815	
410.1	PROVISION FOR DEFERRED INCOME TAXES	66,423,332	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(23,936,509)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,078,835)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
411.7	LOSS FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		1,693,191,195
	NET OPERATING INCOME		191,983,765

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(64,117)	
418	NONOPERATING RENTAL INCOME	272,092	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	231,667	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	9,505,287	
421	MISCELLANEOUS NONOPERATING INCOME	(349,126)	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	9,595,803	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(2,038,094)	
		(2,038,094)	
408.2	TAXES OTHER THAN INCOME TAXES	(41,839)	
409.2	INCOME TAXES	1,273,325	
410.2	PROVISION FOR DEFERRED INCOME TAXES	(2,636,426)	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	1,049,874	
420	INVESTMENT TAX CREDITS	-	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	(355,066)	
	TOTAL OTHER INCOME AND DEDUCTIONS		7,202,643
	INCOME BEFORE INTEREST CHARGES		199,186,408
	NET INTEREST CHARGES*		34,573,189
	NET INCOME		\$164,613,219

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$3,455,463)

Data from SPL as of August 27, 2013.

**SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
SIX MONTHS ENDED JUNE 30, 2013**

3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	\$1,365,852,498
NET INCOME (FROM PRECEDING PAGE)	164,613,219
DIVIDEND TO PARENT COMPANY	(50,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(646,532)
OTHER RETAINED EARNINGS ADJUSTMENT	<u>-</u>
RETAINED EARNINGS AT END OF PERIOD	<u>\$1,479,819,185</u>

ATTACHMENT C

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
SIX MONTHS ENDED JUNE 30, 2013
(DOLLARS IN MILLIONS)**

<u>Line No.</u>	<u>Item</u>	<u>Amount</u>
1	Operating Revenue	\$1,885
2	Operating Expenses	<u>1,693</u>
3	Net Operating Income	<u>\$192</u>
4	Weighted Average Rate Base	\$3,449
5	Rate of Return*	8.02%

*Authorized Cost of Capital

**SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
JUNE 30, 2013**

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	160,000	shares	Par Value \$4,000,000
Preferred Stock	840,000	shares	Par Value \$21,000,000
Preferred Stock	5,000,000	shares	Without Par Value
Preference Stock	5,000,000	shares	Without Par Value
Common Stock	100,000,000	shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK

6.0%	79,011	shares	\$1,975,275
6.0%	783,032	shares	19,575,800

COMMON STOCK

91,300,000	shares	834,888,907
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(b) Terms of Preferred Stock:

Full information as to this item is given in connection with Application No. 96-09-046, to which references are hereby made.

(c) Brief Description of Mortgage:

Full information as to this item is given in Application No. 09-09-046 to which reference is hereby made.

(d) Number and Amount of Bonds Authorized and Issued:

	Nominal Date of Issue	Par Value		Interest Paid in 2012
		Authorized and Issued	Outstanding	
<u>First Mortgage Bonds:</u>				
4.80% Series GG, due 2012	10-02-02	250,000,000	250,000,000	12,000,000
5.45% Series HH, due 2018	10-14-03	250,000,000	250,000,000	13,625,000
5.75% Series KK, due 2035	11-18-05	250,000,000	250,000,000	14,375,000
5.50% Series LL, due 2014	11-21-08	250,000,000	250,000,000	13,750,000
5.125% Series MM, due 2040	11-18-10	300,000,000	300,000,000	15,375,000
3.750% Series NN, due 2042	09-21-12	350,000,000	350,000,000	0
<u>Other Long-Term Debt</u>				
4.750% SFr. Foreign Interest Payment Securities	05-14-06	7,877,038	7,475,533	355,091
5.67% Medium-Term Note, due 2028	01-15-98	5,000,000	5,000,000	283,500

ATTACHMENT D

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of June 30, 2013

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
INTANGIBLE ASSETS				
301	Organization	\$ 76,457	\$ -	\$ 76,457
302	Franchise and Consents	\$ 564,083	\$ -	\$ 564,083
	Total Intangible Assets	<u>\$ 640,540</u>	<u>0</u>	<u>\$ 640,540</u>
PRODUCTION:				
325	Other Land Rights	\$ 15,321	\$ -	\$ 15,321
330	Prd Gas Wells Const	\$ 5,557,139	\$ (1,415)	\$ 5,555,724
331	Prd Gas Wells Eqp	\$ 454,718	\$ (55)	\$ 454,663
332	Field LInes	\$ 1,731,111	\$ -	\$ 1,731,111
334	FldMeas&RegStnEquip	\$ 536,249	\$ -	\$ 536,249
336	Prf Eqpt	\$ 485,415	\$ -	\$ 485,415
	Total Production	<u>\$ 8,779,952</u>	<u>(1,470)</u>	<u>\$ 8,778,482</u>
UNDERGROUND STORAGE:				
350	Land	\$ 4,539,484	\$ -	\$ 4,539,484
350SR	Storage Rights	\$ 17,935,798	\$ (17,470,265)	\$ 465,533
350RW	Rights-of-Way	\$ 25,354	\$ (14,909)	\$ 10,446
351	Structures and Improvements	\$ 41,075,101	\$ (19,416,430)	\$ 21,658,672
352	Wells	\$ 276,660,108	\$ (165,331,761)	\$ 111,328,347
353	Lines	\$ 104,012,049	\$ (93,086,344)	\$ 10,925,705
354	Compressor Station and Equipment	\$ 134,849,863	\$ (64,313,092)	\$ 70,536,770
355	Measuring And Regulator Equipment	\$ 6,216,953	\$ (1,616,965)	\$ 4,599,988
356	Purification Equipment	\$ 126,331,275	\$ (65,373,699)	\$ 60,957,576
357	Other Equipment	\$ 28,209,097	\$ (7,061,303)	\$ 21,147,794
	Total Underground Storage	<u>\$ 739,855,083</u>	<u>(433,684,768)</u>	<u>\$ 306,170,315</u>
TRANSMISSION PLANT- OTHER:				
365	Land	\$ 2,862,566	\$ -	\$ 2,862,566
365LRTS	Land Rights	\$ 21,700,910	\$ (14,854,328)	\$ 6,846,582
366	Structures and Improvements	\$ 35,067,788	\$ (20,849,814)	\$ 14,217,974
367	Mains	\$ 1,316,561,047	\$ (567,849,517)	\$ 748,711,530
368	Compressor Station and Equipment	\$ 187,516,505	\$ (105,267,081)	\$ 82,249,424
369	Measuring And Regulator Equipment	\$ 62,038,129	\$ (26,173,049)	\$ 35,865,080
371	Other Equipment	\$ 5,003,929	\$ (2,681,990)	\$ 2,321,939
	Total Transmission Plant	<u>\$ 1,630,750,874</u>	<u>(737,675,779)</u>	<u>\$ 893,075,095</u>
DISTRIBUTION PLANT:				
374	Land	\$ 29,717,648	\$ -	\$ 29,717,648
374LRTS	Land Rights	\$ 2,738,261	\$ (12,264)	\$ 2,725,997
375	Structures and Improvements	\$ 233,789,940	\$ (66,511,263)	\$ 167,278,677
376	Mains	\$ 3,330,897,125	\$ (1,934,429,615)	\$ 1,396,467,510
378	Measuring And Regulator Equipment	\$ 83,752,497	\$ (57,123,604)	\$ 26,628,893
380	Services	\$ 2,180,983,452	\$ (1,802,428,962)	\$ 378,554,490
381	Meters	\$ 496,145,620	\$ (126,595,040)	\$ 369,550,579
382	Meter Installation	\$ 296,689,988	\$ (142,814,965)	\$ 153,875,022
383	House Regulators	\$ 130,563,303	\$ (55,102,882)	\$ 75,460,421
387	Other Equipment	\$ 30,605,334	\$ (20,819,910)	\$ 9,785,424
	Total Distribution Plant	<u>\$ 6,815,883,166</u>	<u>(4,205,838,505)</u>	<u>\$ 2,610,044,661</u>
GENERAL PLANT:				
389	Land	\$ 1,342,839	\$ -	\$ 1,342,839
389LRTS	Land Rights	\$ 74,300	\$ -	\$ 74,300
390	Structures and Improvements	\$ 180,784,767	\$ (144,364,189)	\$ 36,420,579
391	Office Furniture and Equipment	\$ 658,898,515	\$ (283,740,519)	\$ 375,157,997
392	Transportation Equipment	\$ 628,028	\$ (20,582)	\$ 607,446
393	Stores Equipment	\$ 100,771	\$ (26,750)	\$ 74,021
394	Shop and Garage Equipment	\$ 52,472,475	\$ (24,104,732)	\$ 28,367,743
395	Laboratory Equipment	\$ 5,345,313	\$ (3,236,558)	\$ 2,108,755
396	Construction Equipment	\$ 11,957	\$ 12,707	\$ 24,664
397	Communication Equipments	\$ 134,227,223	\$ (41,347,303)	\$ 92,879,920

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of June 30, 2013

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE	NET BOOK VALUE
398	Miscellaneous Equipment	\$ 3,305,057	\$ 85,854	3,390,911
	Total General Plant	\$ 1,037,191,246	\$ (496,742,072)	\$ 540,449,174
	Grand Total	<u>\$ 10,233,100,862</u>	<u>\$ (5,873,942,595)</u>	<u>\$ 4,359,158,267</u>