

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

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for Authorization to (1) issue debt securities in an aggregate principal amount of up to \$1,730,000,000; (2) include certain features in debt securities or enter into certain derivative transactions; (3) hedge issuances of debt securities; and (4) take all other necessary, related actions.

Application No. 20-03-_____

**APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)**

PUBLIC VERSION

JEFFREY B. FOHRER

Attorney for:

SOUTHERN CALIFORNIA GAS COMPANY

555 West Fifth Street, 14TH Floor

Los Angeles, California 90013-1011

Telephone: (213) 244-3061

Facsimile: (213) 629-9620

E-mail: jfohrer@socalgas.com

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Pursuant to Articles 5 and 6 of Chapter 4, Part 1, Division 1 of the Public Utilities Code and Articles 2 and 3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Southern California Gas Company (SoCalGas) requests authorization from the Commission:

(1) To issue first mortgage bonds, debentures, foreign debt, or other evidences of its indebtedness; to enter into long-term loans; and engage in accounts receivable financings (collectively, Debt Securities) in an aggregate principal amount not to exceed \$1,730,000,000, in addition to previously authorized amounts, of debt capital. SoCalGas' management or board of directors will determine the principal amount and the terms and conditions of each issue of Debt Securities according to market conditions at the time of sale.

(2) To include certain features in SoCalGas Debt Securities or to enter into certain derivative transactions related to underlying debt, as necessary, to improve the terms and conditions of SoCalGas' debt portfolio and lower SoCalGas' cost of debt financing for the benefit of ratepayers.

(3) To hedge, when appropriate, existing or planned issuances of Debt Securities.

(4) To take all the other necessary and related actions as described in Section XII.

SoCalGas also requests that the additional features associated with the Debt Securities requested

in this Application be similarly authorized for the unused authority previously granted in Commission Decisions (D.) 16-01-034, D.06-07-012, and D.96-09-036. The authorization requested in this Application is incremental to the unused authority previously granted in those prior Commission decisions.

I. INTRODUCTION

SoCalGas is requesting additional long-term financing authority to fund its capital expenditure plans pursuant to SoCalGas' 2019 General Rate Case (GRC) decision (D.19-09-051) and other Commission decisions. These capital plans are focused on safety and reliability investments and mitigation strategies for risks identified in the Risk Assessment Mitigation Phase (RAMP) proceeding, such as costs related to, among other things, the Pipeline Safety Enhancement Plan (PSEP) and the Transmission, Distribution, and Storage Integrity Management Programs.

The investments outlined above are necessary for SoCalGas to carry out its capital program focused on providing safe and reliable service, in an environmentally compliant manner. Capital investment projections are updated as part of SoCalGas' financial plan development and are subject to substantial changes from year to year as business conditions and regulatory/legislative requirements evolve. In considering these capital spending estimates, it is important to emphasize that variability is inherent in the financial planning process and as conditions change the forecasts presented herein may change in the future.

To fulfill the objectives discussed above, SoCalGas requests herein authority to issue various kinds of long-term debt. These securities and their features are described below and are supported in further detail in Schedule III-A, attached hereto. Judicious use of long-term securities with the features described in this Application will give SoCalGas the opportunity to raise, in a variety of capital-market settings, the funds necessary to serve its customers at the lowest possible cost and fund the expenditures recently approved by the Commission.

SoCalGas respectfully requests that the Commission commence and conclude its review and determinations regarding this Application as soon as possible to enable SoCalGas to maximize its opportunities to proceed with its capital investment plans in the most opportune circumstances and promptly implement recent Commission decisions.

II. BACKGROUND

SoCalGas' existing financing authority was granted by the Commission: (1) on September 4, 1996, in D.96-09-036 (authorization to issue long-term debt capital of \$600 million and preferred or preference stock of \$100 million); (2) on July 10, 2003, in D.03-07-008 (authorization to issue long-term debt capital of \$715 million); (3) on July 20, 2006, in D.06-07-012 (authorization to issue long-term debt capital of \$400 million and preferred stock of \$100 million); (4) on May 9, 2013, in D.13-05-002 (authorization to issue up to \$1.118 billion of long-term debt capital); and (5) on January 28, 2016, in D.16-01-034 (authorization to issue up to \$2.65 billion of long-term debt capital). As of the date of this Application, SoCalGas has issued against all long-term debt capital authority granted in D.96-09-036, D.03-07-008, D.06-07-012, D.09-09-046, and D.13-05-002. Against the authority granted in D.16-01-034, SoCalGas has issued \$2.3 billion of long-term debt capital. SoCalGas has issued no preferred or preference stock under any of these Decisions. Stated in terms of remaining unused authority, SoCalGas has existing unused authority to issue \$200 million in preferred or preference stock from D.96-09-036 and D.06-07-012, and \$350 million in remaining long-term debt from D.16-01-034. The table below summarizes the previously Authorized, Used, and Unused authority:

Summary of Authorized, Used & Unused Long-Term Debt & Preferred Stock Authority as of February 29, 2020

| (\$ Millions) | \$ Amount | \$ Amount | \$ Amount |
|-----------------------|---------------------------|------------------|----------------|
| Decision # | Authorized in Decision | Used | Unused |
| Preferred Stock: | | | |
| 96-09-036 | \$100.0 | \$0.0 | \$100.0 |
| 06-07-012 | 100.0 | 0.0 | 100.0 |
| Total Preferred Stock | <u>200.0</u> | <u>0.0</u> | <u>200.0</u> |
| Long-Term Debt: | | | |
| 96-09-036 | 600.0 | 600.0 | 0.0 |
| 03-07-008 | 715.0 | 715.0 | 0.0 |
| 06-07-012 | 400.0 | 400.0 | 0.0 |
| 09-09-046 | 800.0 | 800.0 | 0.0 |
| 13-05-002 | 1,118.0 | 1,118.0 | 0.0 |
| 16-01-034 | <u>2,650.0</u> | <u>2,300.0</u> | <u>350.0</u> |
| Total Long-Term Debt | <u>\$6,283.0</u> | <u>\$5,933.0</u> | <u>\$350.0</u> |

III. USE OF PROCEEDS

SoCalGas intends to apply the net proceeds from the proposed debt financings for: (1) SoCalGas capital investments, (2) reimbursing SoCalGas' treasury for monies expended or planned to be expended for the execution and enhancement of scheduled or proposed projects in transmission, distribution, storage, IT, and other miscellaneous projects and (3) potential contingencies such as unforeseen capital needs or financial market disruptions.

IV. DESCRIPTION OF DEBT SECURITIES

This section describes the types of Debt Securities that may be issued. Optional features designed to enhance the terms and conditions of the Debt Securities are described in Section V of this Application. SoCalGas is requesting many of the same types of Debt Securities requested in its last financing Application (A.15-08-018) and approved by the Commission in D.16-01-034.

In general, each series of Debt Securities is expected to have a maturity of between one year and 100 years. With the exception of long-term loans and accounts receivable financing (both defined below), each series of Debt Securities may be issued under an indenture or a supplement to an existing indenture to be delivered to the trustee for such issue. The indenture or supplemental indenture would set forth the terms and conditions of each issue of Debt Securities.

A. Secured debt. Secured debt may be secured by a lien on property or through other credit-enhancement arrangements described in Section V, below.

First mortgage bonds (FMBs) will be issued in accordance with SoCalGas' trust indenture dated October 1, 1940, as amended and supplemented and which heretofore has been filed with the Commission. The supplemental indenture delivered in connection with each new series of first mortgage bonds will be in a form consistent with supplemental indentures previously filed with the Commission.

Secured debt may be sold to either domestic or foreign investors. It may be sold to underwriters who in turn will offer the secured debt to investors, or it may be sold directly to investors either with or without the assistance of a private placement agent. Secured debt may be registered with the Securities and Exchange Commission (SEC), depending on the method of offering and sale, and may be listed on a stock exchange.

In certain instances, SoCalGas may enter into contractual agreements whereby a third party will provide appropriate credit facilities as security for a secured debt issue. The cost of the credit facilities will be included in determining the debt security's overall cost.

B. Unsecured debt (debentures). Debentures may be sold to either domestic or foreign investors. They may be sold to underwriters who in turn will offer the debentures to investors, or they may be sold directly to investors either with or without the assistance of a placement agent. They may also be sold as "green bonds" or "sustainability bonds." Debentures may be registered with the SEC and may be listed on a stock exchange. Unsecured debt may be senior or subordinated.

C. Foreign debt. Debt Securities issued by SoCalGas in foreign capital markets may be denominated in, or proceeds from their sale received in, United States (U.S.) dollars or in other currencies. International bond issuance is commonly separated into two categories, U.S.-pay and foreign-pay. The U.S.-pay international bond market consists primarily of Eurodollar bonds, which are issued and traded outside of the U.S. and denominated in U.S. dollars. The foreign-pay, or simply foreign, bond market describes issues sold in a country outside of the U.S. in the local currency.

Certain circumstances may make international borrowing attractive to a U.S. utility. Competition among global investment banks may create low-cost offshore funding opportunities. Foreign bond markets may have a better appetite for a particular debt security than domestic markets. Finally, a domestic utility may find international markets more accessible during a time when domestic bond markets are not.

To reduce or eliminate the risk of currency fluctuations on foreign-pay debt, SoCalGas may engage in currency swaps (defined below) or other arrangements.

D. Direct long-term loans. SoCalGas may enter into long-term loans, Debt Securities with a maturity of greater than one year, pursuant to a line of credit with banks, insurance companies, or other financial institutions. SoCalGas may enter into loans when it finds that interest rates or other circumstances make it attractive to do so.

E. Accounts-receivable financing. SoCalGas may issue Debt Securities secured by a pledge, sale or assignment of its accounts receivable. SoCalGas anticipates that the transactions would be structured to be a true sale for bankruptcy purposes, a sale for financial reporting, and debt for tax purposes although other structures may be developed using accounts receivable as security or collateral. Because an accounts receivable financing would be an encumbrance on

utility properties to the extent that accounts receivable are considered to be utility property, SoCalGas requests authorization under Public Utilities Code §851 to mortgage and encumber utility property.

F. Variable-rate debt. SoCalGas anticipates that from time to time the cost of SoCalGas debt may be reduced by issuing variable-rate Debt Securities. A variable-rate Debt Security includes, but is not limited to, Debt Securities bearing interest based on the prime rate of banks, LIBOR (London Inter-Bank Offer Rate), SOFR (Secured Overnight Funding Rate), or some other referenced interest rate generally accepted by the market. A variable-rate Debt Security may also be a Debt Security for which investors possess a series of periodic, mandatory put options which require SoCalGas to repurchase all or a portion of the Debt Securities, and which may be coupled with a remarketing obligation by SoCalGas of the repurchased Debt Security. Certain variable-rate Debt Securities require credit support, such as bank lines. These bank lines may be in the form of a short-term or long-term bank line agreement.

G. “Fall-away” mortgage bonds. SoCalGas may wish to issue debt that is initially secured and subsequently convertible into unsecured debt, known as “fall-away bonds.” These senior notes are initially secured under their indenture by collateral FMBs issued in equal principal amount under the existing 1940 first mortgage indenture and delivered to the fall-away indenture trustee. Subsequent to the redemption or maturity of all outstanding FMBs (other than the collateral FMBs held by the fall-away indenture trustee) the fall-away bonds will become unsecured general obligations of SoCalGas. The fall-away bonds’ indenture will contain a negative pledge clause, which provides that the newly-unsecured obligations will be secured equally with any secured bonds that may be issued in the future.

V. DEBT SECURITY ENHANCEMENTS

SoCalGas hereby requests authorization to include certain features in its Debt Securities or enter into certain derivative transactions related to underlying debt. Such measures would be taken when appropriate to improve the terms and conditions of SoCalGas’ Debt Securities and to lower the overall cost of debt financing for the benefit of ratepayers. SoCalGas is requesting many of the same type of security enhancements requested in SoCalGas’ last financing Application and approved by the Commission in D.16-01-034.

A. Put options. SoCalGas anticipates that from time to time the cost of its Debt Securities may be reduced by the inclusion of a put option. This feature grants to a Debt

Security owner the right to require SoCalGas to repurchase all or a portion of that holder's securities, commonly referred to as "putting" the security back to the company. Debt holders are willing to accept a lower interest rate in exchange for the protection against rising interest rates offered by the put option.

B. Call options. SoCalGas anticipates that from time to time it may retain the right to retire, fully or partially, a Debt Security before the scheduled maturity date. This is commonly referred to as "calling" the Security. The chief benefit of such a feature is that it permits SoCalGas, should market rates fall, to replace the bond issue with a lower-cost issue, thus producing a positive net benefit to ratepayers.

C. Sinking funds. SoCalGas anticipates that from time to time the cost of SoCalGas Debt Securities may be reduced by the use of a sinking fund. A sinking fund typically operates in one of two ways: (1) SoCalGas may set aside a sum of money periodically so that, at the maturity date of the bond issue, there is a pool of cash available to redeem the issue, or (2) SoCalGas may periodically redeem a specified portion of the bond issue. Typically, SoCalGas would have the right to meet its sinking fund obligations in the latter fashion by either calling a certain number of bonds or purchasing the bonds in the open market.

D. Interest-rate swaps. An interest-rate swap is a contractual agreement between two parties to exchange a series of payments for a stated period. In a typical interest-rate swap, one party pays the other fixed-rate interest while, in turn, the other pays floating-rate interest, both payment obligations being based on a notional principal amount (i.e., no principal is exchanged). Swaps are generally used to convert fixed-rate borrowing to floating with the intention to reduce interest expense if rates are expected to decrease, or limit potential future rising interest rate by swapping to fixed-rate interest.

E. Swaptions. Swaption contracts give the right to enter into a swap agreement (or to exit a swap) under specified terms and conditions. The swaption's strike price, maturity, size and structure can be tailored to suit a party's particular needs. Corporate treasurers use swaptions to hedge an existing or anticipated exposure while retaining the ability to benefit from an advantageous change in interest rates, which is a benefit, if used, that would ultimately be realized by SoCalGas ratepayers as a lower cost of debt.

F. Caps, floors, and collars. In order to reduce ratepayers' exposure to interest rate risk on variable-rate securities, SoCalGas may enter into interest rate derivatives or issue Debt Securities that have caps, floors or collars with the intention to reduce interest expense or limit

potential future rising interest rates. For interest rate caps, even if variable rates increase above the ceiling rate (cap), SoCalGas would only pay the ceiling rate. For interest rate floors, if the variable rate falls below the floor rate, SoCalGas would pay the floor rate. The combination of a floor and a ceiling rate is called an interest-rate collar, where SoCalGas would pay an interest rate that will not exceed the ceiling rate or fall below the floor rate.

G. Currency swaps. A currency swap is an arrangement in which one party agrees to make periodic payments in its domestic currency, based on either fixed or floating interest rates, to a counterparty which in turn makes periodic payments to the first party in a different currency. The payments are based on principal amounts that are exchanged at the initiation of the swap and re-exchanged at maturity. Currency swaps are useful in the management of foreign currency risk and would be used when necessary to hedge exposures created by Debt Securities denominated in foreign currencies.

H. Credit enhancements. SoCalGas may desire to obtain credit enhancements for Debt Securities, such as letters of credit, standby bond purchase agreements, surety bonds or insurance policies, or other credit support arrangements. Such credit enhancements may be included to reduce interest costs or improve other credit terms; the cost of such credit enhancements would be included in the cost of the Debt Securities.

VI. HEDGING THE PLANNED ISSUANCE OF SECURITIES

Under certain circumstances, SoCalGas may wish to hedge the issuance of Debt Securities. For instance, compliance with legal, regulatory, and administrative matters may preclude SoCalGas from acting on a low-cost funding opportunity during a time of market volatility. Conversely, SoCalGas may have an immediate need for funds, but be reluctant to fix its cost at prevailing interest rates. Issuance-hedging strategies grant the ability to enter financial markets at times when interest rates or other circumstances appear more favorable. In this Application, SoCalGas is requesting authority for certain types of issuance hedges previously granted by the Commission in D.16-01-034.

A. Treasury lock. This approach, commonly referred to as a “T-lock” is used to fix the Treasury component of SoCalGas’ borrowing cost in advance of an offering. Here, SoCalGas and the counterparty define a threshold Treasury yield that determines the T-lock’s value at expiration. The T-lock’s expiration date is set to correspond with the planned Debt Security’s offering date. If interest rates rise, SoCalGas will receive a cash payment that offsets

the higher interest cost of the newly issued debt; if interest rates decline, SoCalGas will make a cash payment to the counterparty that will be offset by the new debt's lower interest cost. A T-lock reproduces the results of a forward sale of Treasury bonds while sparing the issuer a forward sale's administrative complications.

B. Interest-rate swaps. A forward-starting interest rate swap allows SoCalGas to either (1) delay a securities issuance and capture current yields, or (2) issue securities immediately and price them later to benefit from a fall in interest rates. As the *fixed-rate* payer in an interest-rate swap, SoCalGas hedges its future borrowing cost: if interest rates rise, unwinding the swap at a profit offsets higher borrowing cost. If rates decline, lower borrowing costs offset the loss caused by unwinding the swap. As the *floating-rate* payer in an interest-rate swap, SoCalGas hedges its current borrowing costs: if interest rates decline, SoCalGas will unwind the swap at a profit, thus compensating for the lost opportunity to finance at lower rates. If rates rise, the interest expense savings realized by issuing immediately will be offset by the loss caused by unwinding the swap.

VII. COMPLIANCE WITH D.12-06-015

In D.12-06-015 (rendered in Rulemaking (R.) 11-03-007), the Commission adopted the Utility Long-Term Debt Financing Rule (Financing Rule), replacing the Competitive Bidding Rule that had previously governed the issuance of Debt Securities.

In accordance with the Financing Rule, SoCalGas intends to (a) prudently issue debt consistent with market standards with the goal of achieving the lowest long-term cost of capital for ratepayers, (b) determine the financing term of its debt issues with due regard for its financial condition and requirements, (c) use its best efforts to encourage, assist, and include Women, Minority, Disabled Veteran-Owned Business Enterprises (WMDVBEs) in various types of underwriting roles on Debt Securities offerings, (d) utilize Debt Security Enhancements only in connection with Debt Securities financings, and (e) adhere to the Financing Rule's restrictions on the use of swap and hedging transactions.

Additionally, SoCalGas will comply with the debt-issuance reporting requirements defined in General Order 24-C, also established in D.12-06-015.

VIII. FEES

A fee of \$871,000 will be payable under Public Utilities Code Sections 1904 and 1904.1 upon the Commission's approval of the authorization requested in this Application. The

calculation of the fee is shown in Schedule X of the attached.

IX. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Compliance with Rule 2.1

In accordance with Rule 2.1 of the Commission’s Rules of Practice and Procedure, SoCalGas provides the following information concerning the proposed category for the proceeding, need for hearing, the issues to be considered, and a proposed schedule.

1. Proposed Category of Proceeding – Rules 2.1(c) and 7.1(a)

SoCalGas proposes to categorize this Application as a “ratesetting” proceeding within the meaning of Rule 1.3(e).

2. Need for Hearing and Proposed Schedule – Rules 2.1(c) and 7.1(a)

SoCalGas does not anticipate the need for public or evidentiary hearings in this proceeding, considering that such hearings have not been required or necessary in previous financing Applications. Most recently, the Commission determined in the long term debt application of San Diego Gas and Electric Company (SDG&E) (A.19-10-015), that evidentiary hearings were not necessary.¹ SoCalGas has provided sufficient supporting information to create a record upon which the Commission may grant the relief requested, and this information is beyond that normally required by Rule 3.5 of the Commission’s Rules of Practice and Procedure, and Public Utilities Code sections 816-830 and 851. If, however, the Commission finds that a public hearing is necessary, SoCalGas requests that such hearing be conducted as soon as practicable. SoCalGas is prepared to proceed with any necessary hearing. SoCalGas proposes the following procedural schedule:

| <u>ACTION</u> | <u>DATE</u> |
|----------------------------|--|
| Application filed | March 30, 2020 |
| Protests filed, if any | 30 days after notice of filing on Daily Calendar |
| Prehearing Conference | May 2020 |
| Proposed Decision | Q3 2020 |
| Comments on Draft Decision | 20 Days after Proposed Decision |

¹ A.19-10-015, Assigned Commissioner’s Scoping Memo and Ruling (February 3, 2020) at p. 2

The issues in this proceeding are whether SoCalGas should be authorized, pursuant to and consistent with Public Utilities Code §§816-830, to issue the securities described herein with the features described herein. SoCalGas is currently not aware of any specific objections any party might raise to any of these issues.

B. Statutory Authority – Rule 2.1

This Application is filed pursuant to Sections 816-830 and 851 of the California Public Utilities Code, and complies with the applicable orders of the Commission and the Commission’s Rules of Practice and Procedure.

C. Legal Name and Correspondence – Rule 2.1(a) & (b)

The exact legal name of Applicant is “Southern California Gas Company.” SoCalGas’ principal place of business is located at 555 West 5th Street, Los Angeles, California 90013-1011, where its telephone number is (213) 244-1200. SoCalGas is a public utility engaged primarily in the purchase, distribution, transportation and sale of natural gas throughout most of southern California and portions of central California. SoCalGas supplies natural gas to approximately 21.8 million end-use consumers throughout a 24,000 square-mile service territory including the City of Los Angeles. SoCalGas also transports gas to about 1,000 noncore customers (utility electric generation, wholesale, large commercial, industrial and off-system customers). SoCalGas owns underground storage reservoirs, natural gas transmission pipelines, compressor plants, distribution pipelines, services and appurtenant meters, metering and regulating stations, booster stations, office buildings, warehouses for materials and supplies, and other property necessary in the conduct of its business.

All correspondence and communications regarding this Application should be addressed as follows:

Jeffrey B. Fohrer
Southern California Gas Company
555 West Fifth Street, Suite 1400
Los Angeles, California 90013
Phone: (213) 244-3061
jfohrer@socalgas.com

With a copy to:

Shirley Arazi
Regulatory Business Manager
California Regulatory Affairs
555 W. 5th St. GT14D6
Los Angeles, CA 90013
Phone: (213) 244-4845
Fax: (213) 244-8449
sarazi@socalgas.com

D. Articles of Incorporation – Rule 2.2

SoCalGas is a corporation duly organized and validly existing under the laws of the State of California. SoCalGas previously filed a certified copy of its Restated Articles of Incorporation with A.98-10-012 and is incorporated herein by reference.

E. Financial Statement – Rule 3.5

A copy of SoCalGas' most recent proxy statement, dated April 26, 2019, was mailed to the Commission on May 29, 2019 and is incorporated herein by reference.

F. Description of Property and Equipment – Rule 3.5

SoCalGas owns natural gas transmission pipelines, compressor plants, distribution pipelines, services and appurtenant meters, regulators, metering and regulating stations, general office buildings, regional and district office buildings, general shops, laboratory buildings, warehouses and other storage facilities, supplies and equipment necessary for the operation of its business. In addition, SoCalGas owns underground gas storage at Playa del Rey, Honor Rancho, Aliso Canyon, and La Goleta. SoCalGas' pipeline system includes, as of December 31, 2019, 3,058 miles of transmission and storage pipelines, 51,073 miles of distribution pipelines, and 48,315 miles of service pipelines.

SoCalGas' original cost of utility plant, together with the related reserves for depreciation and amortization for three-month period ending September 30, 2019, is shown on the balance sheet included in Attachment A.

G. Balance Sheet and Income Statement – Rule 2.3

SoCalGas' balance sheet and its related statements of income and retained earnings as of September 30, 2019 are attached hereto as Attachment B.

H. Capitalization

SoCalGas' regulatory capitalization at September 30, 2019 is provided in Attachment C.

I. Service – Rule 1.9

This Application is being served on the parties identified on the attached Certificate of Service.

X. ATTACHMENTS

Attachments A through D, described below, are a part of, and incorporated into, this Application:

Attachment A: A statement of account of the original cost and depreciation reserve attributable to SoCalGas' property and equipment.

Attachment B: SoCalGas' most recent balance sheet, income statement, and other miscellaneous financial statements.

Attachment C: SoCalGas' adjusted capitalization at September 30, 2019.

Attachment D: SoCalGas' Statement of Cash Flows for 2019.

XI. SCHEDULES

This Application is supported by Schedules I – XIII, attached hereto. Schedule I is a three-year forecast of SoCalGas' capital expenditures. Schedules II through VIII summarize additional financial information related to this Application as noted on the heading of each schedule. Schedule IX presents in pro-forma fashion how SoCalGas' maximum requested long-term financing would affect the Company's capital structure. The resulting ratios reflect the hypothetical change assuming all the requested financing in this Application was issued in one day. This scenario is not representative of SoCalGas' plan as shown in Schedule III-A, attached hereto. Schedule X provides a calculation of the application fee required by Public Utilities Code section 1904(b), and Schedule XI details SoCalGas' long-term debt portfolio as of December 31, 2019. Schedule XII summarizes SoCalGas' current remaining CPUC financing authorities and Schedule XIII calculates the forecasted issuance costs for the debt authority requested in the instant application. The schedules follow a similar format and content as those that have accompanied SoCalGas' previous long-term debt financing applications. As in previous applications, this Application reflects annual ranges of estimated capital expenditures to project SoCalGas' financing needs.

XII. REQUESTED AUTHORIZATIONS

WHEREFORE, SoCalGas respectfully requests that the Commission issue its Order herein, providing specifically for the following authorizations:²

1. To issue first mortgage bonds, debentures and foreign debt; to enter into long-term loans; or to issue other evidences of its indebtedness; and engage in accounts-receivable financings (collectively, Debt Securities), in an aggregate principal amount not to exceed \$1,730,000,000 of debt capital. The principal amount and the terms and conditions of each issue of Debt Securities will be determined by SoCalGas' management and/or board of directors according to market conditions at the time of sale.

2. To include certain features in SoCalGas Debt Securities or to enter into certain derivative transactions related to underlying debt, as necessary, to improve the terms and conditions of SoCalGas' debt portfolio and lower SoCalGas' cost of debt financing for the benefit of ratepayers.

3. To hedge, when appropriate, planned issuances of Debt Securities within reasonable limits established in the Commission's Financing Rule.

4. Specifically finding, as required by Section 818 of the Public Utilities Code, that in the opinion of the Commission, the money, property or labor to be procured or paid for by such issues is reasonably required for the purposes so specified, and that, except as otherwise permitted in the order in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

5. Providing that the authority granted in such Order shall be effective upon payment of the fee of \$871,000 as prescribed in Sections 1904(b) and 1904.1 of the Public Utilities Code.

6. Providing that the authority granted in such Order shall be in addition to the authority granted in D.96-09-036, D.06-07-012, and D.16-01-034.

7. Providing that the additional features associated with the Debt Securities granted in such Order be similarly authorized for the unused authority previously granted in D.96-09-036, D.06-07-012, and D.16-01-034.

² Assuming the Commission approves the authorizations requested in this Application, it is of critical importance that the language in the Commission's Order mirror the language set forth in this section. It will be the Ordering Paragraphs that financial institutions and their representatives will scrutinize for confirmation that SoCalGas has sufficient regulatory authority for issuance of the Debt Securities addressed herein.

8. Granting such additional authorizations as this Commission may deem appropriate.

DATED at San Diego, California, this 30th day of March, 2020.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

By: *Mia DeMontigny*
Mia DeMontigny
Vice President, Controller, and
Chief Financial Officer
SOUTHERN CALIFORNIA GAS COMPANY

DATED at Los Angeles, California, this 30th day of March, 2020.

By: /s/ Jeffrey B. Fohrer
Jeffrey B. Fohrer

JEFFREY B. FOHRER

Attorney for:

Southern California Gas Company
555 West Fifth Street, 14th Floor
Los Angeles, California 90013-1011
Telephone: (213) 244-3061
Facsimile: (213) 629-9620
E-mail: jfohrer@socalgas.com

Dated: March 30, 2020

VERIFICATION

I am Vice President, Controller, and Chief Financial Officer of SOUTHERN CALIFORNIA GAS COMPANY, the Applicant herein, and am authorized to make this verification on its behalf, and am informed and believe and thereupon allege that the statements contained in the foregoing Application are true to the best of my knowledge.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

Executed on March 30, 2020 in San Diego, California.

By: *Mia DeMontigny*
Mia DeMontigny
Vice President, Controller, and
Chief Financial Officer

Attachment A

Original Cost and Depreciation Reserve

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of September 30, 2019

| ACCOUNT NUMBER | DESCRIPTION | ORIGINAL COSTS | ACCUMULATED RESERVE | NET BOOK VALUE |
|-----------------------------------|-----------------------------------|--------------------------|------------------------|-------------------------|
| INTANGIBLE ASSETS | | | | |
| 301 | Organization | \$ 76,457 | \$ - | \$ 76,457 |
| 302 | Franchise and Consents | \$ 587,060 | \$ - | \$ 587,060 |
| | Total Intangible Assets | <u>\$ 663,517</u> | <u>0</u> | <u>\$ 663,517</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 | \$ (17,521,184) | \$ 414,614 |
| 350RW | Rights-of-Way | \$ 25,354 | \$ (17,781) | \$ 7,573 |
| 351 | Structures and Improvements | \$ 102,116,511 | \$ (27,652,806) | \$ 74,463,705 |
| 352 | Wells | \$ 496,014,315 | \$ (2,881,885) | \$ 493,132,429 |
| 353 | Lines | \$ 164,184,262 | \$ (90,878,631) | \$ 73,305,631 |
| 354 | Compressor Station and Equipment | \$ 452,791,563 | \$ (75,851,591) | \$ 376,939,972 |
| 355 | Measuring And Regulator Equipment | \$ 10,128,234 | \$ (3,078,490) | \$ 7,049,744 |
| 356 | Purification Equipment | \$ 159,245,173 | \$ (84,091,397) | \$ 75,153,775 |
| 357 | Other Equipment | \$ 69,551,775 | \$ (20,052,902) | \$ 49,498,873 |
| | Total Underground Storage | <u>\$ 1,476,532,467</u> | <u>(322,026,668)</u> | <u>\$ 1,154,505,799</u> |
| TRANSMISSION PLANT- OTHER: | | | | |
| 365 | Land | \$ 7,569,494 | \$ - | \$ 7,569,494 |
| 365LRTS | Land Rights | \$ 22,763,362 | \$ (15,862,857) | \$ 6,900,506 |
| 366 | Structures and Improvements | \$ 72,619,686 | \$ (19,202,699) | \$ 53,416,987 |
| 367 | Mains | \$ 2,408,395,927 | \$ (696,108,779) | \$ 1,712,287,147 |
| 368 | Compressor Station and Equipment | \$ 255,689,230 | \$ (102,688,924) | \$ 153,000,306 |
| 369 | Measuring And Regulator Equipment | \$ 192,315,558 | \$ (36,049,827) | \$ 156,265,731 |
| 370 | Communication Equipment | \$ 57,243,061 | \$ (6,307,422) | \$ 50,935,640 |
| 371 | Other Equipment | \$ 8,224,439 | \$ (3,959,375) | \$ 4,265,065 |
| | Total Transmission Plant | <u>\$ 3,024,820,758</u> | <u>(880,179,882)</u> | <u>\$ 2,144,640,876</u> |
| DISTRIBUTION PLANT: | | | | |
| 374 | Land | \$ 29,790,559 | \$ - | \$ 29,790,559 |
| 374LRTS | Land Rights | \$ 2,826,051 | \$ (2,129,994) | \$ 696,057 |
| 375 | Structures and Improvements | \$ 313,685,132 | \$ (86,941,417) | \$ 226,743,716 |
| 376 | Mains | \$ 5,201,572,095 | \$ (2,529,248,934) | \$ 2,672,323,161 |
| 378 | Measuring And Regulator Equipment | \$ 121,166,595 | \$ (79,248,443) | \$ 41,918,152 |
| 380 | Services | \$ 3,018,577,067 | \$ (2,130,222,431) | \$ 888,354,636 |
| 381 | Meters | \$ 938,590,007 | \$ (239,865,606) | \$ 698,724,402 |
| 382 | Meter Installation | \$ 594,655,194 | \$ (187,251,599) | \$ 407,403,596 |
| 383 | House Regulators | \$ 174,747,745 | \$ (75,637,514) | \$ 99,110,232 |
| 387 | Other Equipment | \$ 56,456,947 | \$ (25,338,160) | \$ 31,118,788 |
| | Total Distribution Plant | <u>\$ 10,452,067,395</u> | <u>(5,355,884,096)</u> | <u>\$ 5,096,183,299</u> |

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of September 30, 2019

| ACCOUNT NUMBER | DESCRIPTION | ORIGINAL COSTS | ACCUMULATED RESERVE | NET BOOK VALUE |
|-----------------------|--------------------------------|---------------------------------|-------------------------------|--------------------------------|
| GENERAL PLANT: | | | | |
| 389 | Land | \$ 1,342,839 | \$ - | 1,342,839 |
| 389LRTS | Land Rights | \$ 74,300 | \$ (39,754) | 34,546 |
| 390 | Structures and Improvements | \$ 219,776,770 | \$ (190,926,305) | 28,850,464 |
| 391 | Office Furniture and Equipment | \$ 1,319,955,561 | \$ (898,921,471) | 421,034,089 |
| 392 | Transportation Equipment | \$ 274,786 | \$ (144,332) | 130,453 |
| 393 | Stores Equipment | \$ 112,635 | \$ (74,056) | 38,578 |
| 394 | Shop and Garage Equipment | \$ 90,708,725 | \$ (28,552,342) | 62,156,384 |
| 395 | Laboratory Equipment | \$ 5,339,923 | \$ (1,477,931) | 3,861,992 |
| 396 | Construction Equipment | \$ 11,957 | \$ (6,876) | 5,081 |
| 397 | Communication Equipments | \$ 205,060,509 | \$ (66,671,539) | 138,388,970 |
| 398 | Miscellaneous Equipment | \$ 3,222,219 | \$ (1,992,516) | 1,229,703 |
| | Total General Plant | <u>\$ 1,845,880,222</u> | <u>(1,188,807,123)</u> | <u>\$ 657,073,099</u> |
| | Subtotal | <u><u>\$ 16,808,744,312</u></u> | <u><u>(7,746,899,239)</u></u> | <u><u>\$ 9,061,845,073</u></u> |

Attachment B

Balance Sheet, Income Statement, Summary of Earnings
and Financial Statement

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 30, 2019

| 1. UTILITY PLANT | | 2019 |
|-------------------------|---|------------------|
| 101 | UTILITY PLANT IN SERVICE | \$17,988,511,606 |
| 102 | UTILITY PLANT PURCHASED OR SOLD | - |
| 105 | PLANT HELD FOR FUTURE USE | - |
| 106 | COMPLETED CONSTRUCTION NOT CLASSIFIED | - |
| 107 | CONSTRUCTION WORK IN PROGRESS | 952,098,687 |
| 108 | ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT | (6,114,876,578) |
| 111 | ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT | (55,612,411) |
| 117 | GAS STORED-UNDERGROUND | 61,422,045 |
| TOTAL NET UTILITY PLANT | | 12,831,543,348 |

| 2. OTHER PROPERTY AND INVESTMENTS | | |
|--|---|--------------|
| 121 | NONUTILITY PROPERTY | 31,445,582 |
| 122 | ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY | (13,829,272) |
| 123 | INVESTMENTS IN SUBSIDIARY COMPANIES | - |
| | NONCURRENT PORTION OF ALLOWANCES | - |
| 124 | OTHER INVESTMENTS | 15,619 |
| 125 | SINKING FUNDS | - |
| 128 | OTHER SPECIAL FUNDS | 250,000 |
| 175 | LONG TERM PORTION OF DERIVATIVE ASSETS | 347,359 |
| TOTAL OTHER PROPERTY AND INVESTMENTS | | 18,229,288 |

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 30, 2019**

| 3. CURRENT AND ACCRUED ASSETS | | 2019 |
|--------------------------------------|--|-------------------|
| 131 | CASH | 4,842,895 |
| 132 | INTEREST SPECIAL DEPOSITS | - |
| 134 | OTHER SPECIAL DEPOSITS | - |
| 135 | WORKING FUNDS | 124,111 |
| 136 | TEMPORARY CASH INVESTMENTS | - |
| 141 | NOTES RECEIVABLE | - |
| 142 | CUSTOMER ACCOUNTS RECEIVABLE | 375,728,620 |
| 143 | OTHER ACCOUNTS RECEIVABLE | 32,551,708 |
| 144 | ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS | (3,548,446) |
| 145 | NOTES RECEIVABLE FROM ASSOCIATED COMPANIES | - |
| 146 | ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES | (3,520,235) |
| 151 | FUEL STOCK | - |
| 152 | FUEL STOCK EXPENSE UNDISTRIBUTED | - |
| 154 | PLANT MATERIALS AND OPERATING SUPPLIES | 53,833,589 |
| 155 | MERCHANDISE | - |
| 156 | OTHER MATERIALS AND SUPPLIES | - |
| 158 | GHG ALLOWANCE | 297,925,500 |
| | (LESS) NONCURRENT PORTION OF ALLOWANCES | - |
| 163 | STORES EXPENSE UNDISTRIBUTED | (1,125,993) |
| 164 | GAS STORED | 87,344,477 |
| 165 | PREPAYMENTS | 31,117,615 |
| 171 | INTEREST AND DIVIDENDS RECEIVABLE | 802,533 |
| 173 | ACCRUED UTILITY REVENUES | - |
| 174 | MISCELLANEOUS CURRENT AND ACCRUED ASSETS | 18,202,483 |
| 175 | DERIVATIVE INSTRUMENT ASSETS | 8,966,425 |
| 176 | LONG TERM PORTION OF DERIVATIVE ASSETS | (347,359) |
| | TOTAL CURRENT AND ACCRUED ASSETS | 902,897,923 |
| 4. DEFERRED DEBITS | | |
| 181 | UNAMORTIZED DEBT EXPENSE | 27,948,181 |
| 182 | UNRECOVERED PLANT AND OTHER REGULATORY ASSETS | 3,167,103,884 |
| 183 | PRELIMINARY SURVEY & INVESTIGATION CHARGES | 3,244,077 |
| 184 | CLEARING ACCOUNTS | 1,366,696 |
| 185 | TEMPORARY FACILITIES | - |
| 186 | MISCELLANEOUS DEFERRED DEBITS | 702,586,600 |
| 188 | RESEARCH AND DEVELOPMENT | - |
| 189 | UNAMORTIZED LOSS ON REACQUIRED DEBT | 3,651,047 |
| 190 | ACCUMULATED DEFERRED INCOME TAXES | 372,771,969 |
| 191 | UNRECOVERED PURCHASED GAS COSTS | - |
| | TOTAL DEFERRED DEBITS | 4,278,672,455 |
| | TOTAL ASSETS AND OTHER DEBITS | \$ 18,031,343,013 |

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 30, 2019**

5. PROPRIETARY CAPITAL

| | 2019 |
|--|-----------------|
| 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 | (3,678,836,893) |
| 219 ACCUMULATED OTHER COMPREHENSIVE INCOME | 19,419,692 |
| | (4,547,030,324) |
| TOTAL PROPRIETARY CAPITAL | |

6. LONG-TERM DEBT

| | |
|--|-----------------|
| 221 BONDS | (3,800,000,000) |
| 224 OTHER LONG-TERM DEBT | (9,338,770) |
| 225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT | - |
| 226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT | 7,411,785 |
| | (3,801,926,986) |
| TOTAL LONG-TERM DEBT | |

7. OTHER NONCURRENT LIABILITIES

| | |
|---|-----------------|
| 227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT | (97,669,136) |
| 228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES | (120,481,072) |
| 228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS | (795,512,865) |
| 228.4 ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS | - |
| 245 NONCURRENT DERIVATIVE INSTRUMENT LIABILITIES | - |
| 230 ASSET RETIREMENT OBLIGATIONS | (2,104,170,014) |
| | (3,117,833,087) |
| TOTAL OTHER NONCURRENT LIABILITIES | |

**SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 30, 2019**

8. CURRENT AND ACCRUED LIABILITES

| | | 2019 |
|-----|---|-----------------|
| 231 | NOTES PAYABLE | (107,989,147) |
| 232 | ACCOUNTS PAYABLE | (419,636,011) |
| 233 | NOTES PAYABLE TO ASSOCIATED COMPANIES | - |
| 234 | ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES | (33,414,251) |
| 235 | CUSTOMER DEPOSITS | (70,284,418) |
| 236 | TAXES ACCRUED | (36,540,909) |
| 237 | INTEREST ACCRUED | (33,678,720) |
| 238 | DIVIDENDS DECLARED | (150,323,265) |
| 241 | TAX COLLECTIONS PAYABLE | (12,483,748) |
| 242 | MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES | (254,210,380) |
| 243 | OBLIGATIONS UNDER CAPITAL LEASES - CURRENT | (24,157,640) |
| 244 | DERIVATIVE INSTRUMENT LIABILITIES | (4,301,280) |
| 245 | DERIVATIVE INSTRUMENT LIABILITIES - HEDGES | |
| | TOTAL CURRENT AND ACCRUED LIABILITIES | (1,147,019,769) |

9. DEFERRED CREDITS

| | | |
|-----|---|-----------------|
| 252 | CUSTOMER ADVANCES FOR CONSTRUCTION | (95,852,819) |
| | OTHER DEFERRED CREDITS | (348,166,168) |
| 254 | OTHER REGULATORY LIABILITIES | (3,359,634,277) |
| 255 | ACCUMULATED DEFERRED INVESTMENT TAX CREDITS | (7,383,191) |
| 257 | UNAMORTIZED GAIN ON REACQUIRED DEBT | - |
| 281 | ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED | - |
| 282 | ACCUMULATED DEFERRED INCOME TAXES - PROPERTY | (1,265,255,054) |
| 283 | ACCUMULATED DEFERRED INCOME TAXES - OTHER | (341,241,337) |
| | TOTAL DEFERRED CREDITS | (5,417,532,846) |

| | |
|--|----------------------------|
| | \$ (18,031,343,013) |
|--|----------------------------|

**SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2019**

1. UTILITY OPERATING INCOME

| | | | |
|-------|--|---------------|---------------|
| 400 | OPERATING REVENUES | | 3,140,103,900 |
| 401 | OPERATING EXPENSES | 1,743,030,707 | |
| 402 | MAINTENANCE EXPENSES | 234,257,793 | |
| 403-7 | DEPRECIATION AND AMORTIZATION EXPENSES | 444,306,076 | |
| 408.1 | TAXES OTHER THAN INCOME TAXES | 93,818,206 | |
| 409.1 | INCOME TAXES | 129,588,082 | |
| 410.1 | PROVISION FOR DEFERRED INCOME TAXES | 67,914,638 | |
| 411.1 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | (148,168,133) | |
| 411.4 | INVESTMENT TAX CREDIT ADJUSTMENTS | (1,079,644) | |
| 411.6 | GAIN FROM DISPOSITION OF UTILITY PLANT | (116,815) | |
| 411.7 | LOSS FROM DISPOSITION OF UTILITY PLANT | - | |
| | | | |
| | TOTAL OPERATING REVENUE DEDUCTIONS | | 2,563,550,911 |
| | NET OPERATING INCOME | | 576,552,989 |

2. OTHER INCOME AND DEDUCTIONS

| | | | |
|-------|---|--------------|---------------|
| 415 | REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK | - | |
| 417 | REVENUES FROM NONUTILITY OPERATIONS | - | |
| 417.1 | EXPENSES OF NONUTILITY OPERATIONS | (6,795,766) | |
| 418 | NONOPERATING RENTAL INCOME | 808,184 | |
| 418.1 | EQUITY IN EARNINGS OF SUBSIDIARIES | - | |
| 419 | INTEREST AND DIVIDEND INCOME | 468,701 | |
| 419.1 | ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION | 25,368,694 | |
| 421 | MISCELLANEOUS NONOPERATING INCOME | (2,324,799) | |
| 421.1 | GAIN ON DISPOSITION OF PROPERTY | (8,975) | |
| | TOTAL OTHER INCOME | 17,516,038 | |
| 421.2 | LOSS ON DISPOSITION OF PROPERTY | (55,328) | |
| 425 | MISCELLANEOUS AMORTIZATION | (618) | |
| 426 | MISCELLANEOUS OTHER INCOME DEDUCTIONS | (50,104,131) | |
| | | (50,160,078) | |
| 408.2 | TAXES OTHER THAN INCOME TAXES | (133,934) | |
| 409.2 | INCOME TAXES | 527,081 | |
| 410.2 | PROVISION FOR DEFERRED INCOME TAXES | (70,152,426) | |
| 411.2 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | 67,889,077 | |
| 420 | INVESTMENT TAX CREDITS | - | |
| | TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS | (1,870,202) | |
| | TOTAL OTHER INCOME AND DEDUCTIONS | | (34,514,241) |
| | INCOME BEFORE INTEREST CHARGES | | 542,038,748 |
| | NET INTEREST CHARGES* | | 104,256,841 |
| | NET INCOME | | \$437,781,907 |

*NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. (\$8,644,733)

STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2019

3. RETAINED EARNINGS

| | |
|--|-------------------------------|
| RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED | \$3,242,024,784 |
| NET INCOME (FROM PRECEDING PAGE) | 437,781,907 |
| DIVIDEND TO PARENT COMPANY | - |
| DIVIDENDS DECLARED - PREFERRED STOCK | (969,798) |
| OTHER RETAINED EARNINGS ADJUSTMENT | <u>-</u> |
| RETAINED EARNINGS AT END OF PERIOD | <u><u>\$3,678,836,893</u></u> |

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2019
(DOLLARS IN MILLIONS)**

| <u>Line No.</u> | <u>Item</u> | <u>Amount</u> |
|-----------------|----------------------------|---------------------|
| 1 | Operating Revenue | \$3,140 |
| 2 | Operating Expenses | <u>2,564</u> |
| 3 | Net Operating Income | <u><u>\$577</u></u> |
| 4 | Weighted Average Rate Base | \$7,312 |
| 5 | Rate of Return* | 7.34% |

*Authorized Cost of Capital

SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
SEPTEMBER 30, 2019

(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 |
| Preferred 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 |

(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 2018 |
|---|-----------------------------|--------------------------|-------------|--------------------------|
| | | Authorized and Issued | Outstanding | |
| <u>First Mortgage Bonds:</u> | | | | |
| 5.75% Series KK, due 2035 | 11-18-05 | 250,000,000 | 250,000,000 | 14,375,000 |
| 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 | 13,125,000 |
| 4.450% Series OO, due 2044 | 03-13-14 | 250,000,000 | 250,000,000 | 11,125,000 |
| 3.150% Series PP, due 2024 | 09-11-14 | 500,000,000 | 500,000,000 | 15,750,000 |
| 3.200% Series RR, due 2025 | 06-18-15 | 350,000,000 | 350,000,000 | 11,200,000 |
| 2.600% Series TT, due 2026 | 06-03-16 | 500,000,000 | 500,000,000 | 13,000,000 |
| 4.125% Series UU, due 2048 | 05-10-18 | 400,000,000 | 400,000,000 | 8,983,333 |
| 4.300% Series VV, due 2049 | 09-24-18 | 550,000,000 | 550,000,000 | 0 |
| 3.950% Series WW, due 2050 | 06-04-19 | 350,000,000 | 350,000,000 | 0 |
| <u>Other Long-Term Debt</u> | | | | |
| 1.875% SFr. Foreign Interest Payment Securities | 05-14-16 | 4,338,770 | 4,338,770 | 82,624 |
| 5.67% Medium-Term Note, due 2028 | 01-15-03 | 5,000,000 | 5,000,000 | 283,500 |

Attachment C

Regulatory Capitalization Schedule

ATTACHMENT C
Southern California Gas Company Total Regulatory Capitalization
SEPTEMBER 30, 2019
(\$ Millions)

| <u>No.</u> | <u>Interest %</u> | <u>Bond</u> | <u>Maturity</u> | <u>Principal (\$ millions)</u> |
|--|-------------------|------------------|-----------------|------------------------------------|
| 1 | 5.750% | Series KK | 11/15/35 | 250.0 |
| 2 | 5.125% | Series MM | 11/15/40 | 300.0 |
| 3 | 3.750% | Series NN | 09/15/42 | 350.0 |
| 4 | 4.450% | Series OO | 03/15/44 | 250.0 |
| 5 | 3.150% | Series PP | 09/15/24 | 500.0 |
| 6 | 3.200% | Series RR | 06/15/25 | 350.0 |
| 7 | 2.600% | Series TT | 06/15/26 | 500.0 |
| 8 | 4.125% | Series UU | 06/01/48 | 400.0 |
| 9 | 4.300% | Series VV | 01/15/49 | 550.0 |
| 10 | 3.950% | Series WW | 02/15/50 | 350.0 |
| Total First Mortgage Bonds | | | | 3,800.0 |
| | | | | |
| Other Long-Term Debt | | | | |
| 10 | 1.875% | Swiss Francs | 05/14/26 | 4.3 |
| 11 | 5.670% | Medium Term Note | 01/18/28 | 5.0 |
| Total Other Long-Term Debt | | | | 9.3 |
| | | | | |
| Long-Term Debt before Unamortized premiums, issue expenses & loss on reacquired debt net of tax | | | | 3,809.3 |
| | | | | (7.4) |
| | | | | (27.9) |
| | | | | (3.1) |
| Total Unamortized Debt | | | | (38.4) |
| | | | | |
| Long-Term Debt net of Unamortized premiums, issue expenses & loss on reacquired debt net of tax | | | | 3,770.9 |
| | | | | |
| Equity Capital | | | | |
| Common Stock Equity | | | | 4,525.5 |
| Preferred Stock Equity | | | | 21.6 |
| Total Equity | | | | 4,547.1 |
| Total Regulatory Capitalization | | | | 8,318.0 |

Attachment D

Statement Of Cash Flows

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENTS OF CASH FLOWS

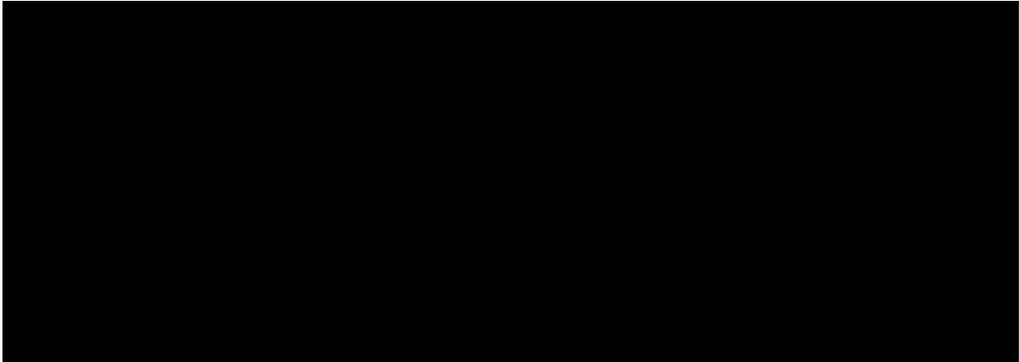
(Dollars in millions)

| | Years ended December 31, | | |
|---|--------------------------|---------|---------|
| | 2019 | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$ 642 | \$ 401 | \$ 397 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 602 | 556 | 515 |
| Deferred income taxes and investment tax credits | 88 | 78 | 137 |
| Impairment losses | 37 | — | — |
| Other | (5) | (7) | 11 |
| Net change in working capital components: | | | |
| Accounts receivable | (73) | (87) | 72 |
| Due to/from affiliates, net | (1) | (10) | 7 |
| Income taxes receivable/payable, net | (156) | 14 | (5) |
| Inventories | 1 | (2) | (66) |
| Other current assets | (9) | 11 | — |
| Accounts payable | (7) | 71 | 39 |
| Regulatory balancing accounts | 114 | 125 | 53 |
| Reserve for Aliso Canyon costs | (144) | 56 | 31 |
| Other current liabilities | (21) | (6) | 20 |
| Insurance receivable for Aliso Canyon costs | 122 | (43) | 188 |
| Changes in other noncurrent assets and liabilities, net | (322) | (144) | (93) |
| Net cash provided by operating activities | 868 | 1,013 | 1,306 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Expenditures for property, plant and equipment | (1,439) | (1,538) | (1,367) |
| Other | 1 | 7 | 4 |
| Net cash used in investing activities | (1,438) | (1,531) | (1,363) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Common dividends paid | (150) | (50) | — |
| Preferred dividends paid | (1) | (1) | (1) |
| Issuances of debt (maturities greater than 90 days) | 349 | 949 | — |
| Payments on debt (maturities greater than 90 days) and finance leases | (6) | (500) | — |
| Increase in short-term debt, net | 374 | 140 | 54 |
| Debt issuance costs | (4) | (10) | — |
| Net cash provided by financing activities | 562 | 528 | 53 |
| (Decrease) increase in cash and cash equivalents | (8) | 10 | (4) |
| Cash and cash equivalents, January 1 | 18 | 8 | 12 |
| Cash and cash equivalents, December 31 | \$ 10 | \$ 18 | \$ 8 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | | |
| Interest payments, net of amounts capitalized | \$ 126 | \$ 105 | \$ 97 |
| Income tax payments, net of refunds | 188 | — | 28 |
| SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | | |
| Accrued capital expenditures | \$ 205 | \$ 191 | \$ 208 |
| Increase in finance lease obligations for investment in property, plant and equipment | 22 | 6 | 3 |

See Notes to Consolidated Financial Statements

Schedules I - XIII

Schedule I
Southern California Gas Company
Estimated Capital Expenditures for Years 2020 to 2022
(\$ in Millions)

| | 2020 | 2021 | 2022 |
|---|--|------|------|
| Gas Distribution |  | | |
| Gas Storage | | | |
| Gas Transmission | | | |
| Other | | | |
| Total cash required for capital expenditures | | | |

Schedule II
Southern California Gas Company
Monthly Cash Flow Projection for Years 2020 to 2022
(\$ in Millions)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| <u>2020</u> | | | | | | | | | | | | |
| Cash (short-term debt) beginning balances | | | | | | | | | | | | |
| Change in Free Cash Flow ¹ | | | | | | | | | | | | |
| Preferred Stock Dividend | | | | | | | | | | | | |
| Common Stock Dividend ² | | | | | | | | | | | | |
| Long-Term Debt - Maturity | | | | | | | | | | | | |
| Long-Term Debt - New Issuances ³ | | | | | | | | | | | | |
| Cash (short-term debt) ending balances | | | | | | | | | | | | |
| <u>2021</u> | | | | | | | | | | | | |
| Cash (short-term debt) beginning balances | | | | | | | | | | | | |
| Change in Free Cash Flow ¹ | | | | | | | | | | | | |
| Preferred Stock Dividend | | | | | | | | | | | | |
| Common Stock Dividend ² | | | | | | | | | | | | |
| Long-Term Debt - Maturity | | | | | | | | | | | | |
| Long-Term Debt - New Issuances ³ | | | | | | | | | | | | |
| Cash (short-term debt) ending balances | | | | | | | | | | | | |
| <u>2022</u> | | | | | | | | | | | | |
| Cash (short-term debt) beginning balances | | | | | | | | | | | | |
| Change in Free Cash Flow ¹ | | | | | | | | | | | | |
| Preferred Stock Dividend | | | | | | | | | | | | |
| Common Stock Dividend ² | | | | | | | | | | | | |
| Long-Term Debt - Maturity | | | | | | | | | | | | |
| Long-Term Debt - New Issuances ³ | | | | | | | | | | | | |
| Cash (short-term debt) ending balances | | | | | | | | | | | | |

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

² Consistent with SoCalGas' dividend policy the amount ultimately dispersed will take into account requirements to maintain authorized capital structure while managing its capital investment program. Dividends will be declared as appropriate and as approved by SoCalGas' board of directors.

³ Amount ultimately raised will be a function of the Company's access to long-term capital markets and the current cash flow forecast at the time funds are required.

Schedule III-A
Southern California Gas Company
Statement of Cash Requirements for Years 2020 to 2022
(\$ in Millions)

| | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-------------|-------------|-------------|
| Funds for construction (capital expenditures) ¹ | | | |
| Maturing long-term debt ² | | | |
| Beginning of year cash (short-term debt) balance | | | |
| Subtotal | | | |
| Less: Estimated cash from internal sources | | | |
| External funds (required) | | | |
| External funds provided: | | | |
| Common stock | | | |
| Preferred stock | | | |
| Long-term debt ³ | | | |
| End of year cash (short-term debt) balance | | | |

¹ Capital Expenditure range mid-point.

² No long-term debt due to mature until 2024.

³ Amount ultimately raised will be a function of the Company's access to long-term capital markets and the current cash flow forecast at the time funds are required.

Schedule III-B
Southern California Gas Company
Amount and Percentage of Internal Funds Provided for Years 2020 to 2022
(\$ in Millions)

| <u>Year</u> | <u>Internal Sources</u> | <u>Internal Sources as Percent of Capital Expenditures</u> |
|-------------|-------------------------|--|
| 2020 | | |
| 2021 | | |
| 2022 | | |

Schedule IV
Southern California Gas Company
Statement of Unreimbursed Construction - December 31, 2019
(\$ in Millions)

| | | | |
|---|----|----|---------------------|
| Net utility plant ¹ | | \$ | 10,321 |
| Net proceeds from securities: | | | |
| Preferred stock | \$ | | (22) |
| Common stock | | | (866) |
| Long-term debt ² | | | <u>(3,809)</u> |
| Total net proceeds | | \$ | (4,697) |
| Advances for construction | | | <u>(109)</u> |
| Total deductions | | | <u>(4,806)</u> |
| Unreimbursed construction as of December 31, 2019 | | \$ | <u><u>5,515</u></u> |

¹ Excludes Asset Retirement Obligations (ARO).

² Outstanding principal of long-term debt. Excludes unamortized issuance costs and discounts.

Schedule V
Southern California Gas Company
2019 Revenue Data
(\$ in Millions)

| | |
|---|----------|
| Company operating revenues | \$ 4,525 |
| California operating revenues | \$ 4,525 |
| California operating revenue percent of company | 100% |
| Company net income before preferred dividend requirements | \$ 642 |

Schedule VI
Southern California Gas Company
2017-2019 Historical Financing Data

| <u>Date</u> | <u>Transaction</u> | <u>Principal Amount</u> |
|--------------------|--------------------------------------|-------------------------|
| May 10, 2018 | Issued first-mortgage bond Series UU | \$400 million |
| September 24, 2018 | Issued first-mortgage bond Series VV | \$550 million |
| June 4, 2019 | Issued first-mortgage bond Series WW | \$350 million |

Schedule VII
Southern California Gas Company
2020 Actual & Projected Financing

| <u>Date</u> | <u>Transaction</u> | <u>Principal Amount</u> |
|------------------|--------------------------------------|-------------------------|
| January 9, 2020 | Issued first-mortgage bond Series XX | \$650 million |
| 3rd Quarter 2020 | New first-mortgage bonds Series YY | \$320 million |

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

Schedule VIII
Southern California Gas Company
Short-Term Financing in Excess of CPUC Code §823 (c) Allowance¹
(\$ in Thousands)

| | December 31, 2019 |
|--|--------------------------|
| Common stock issued | \$ 866,062 |
| Preferred stock | 21,551 |
| Long-term debt ² | 3,809,339 |
| Capitalization as of December 31, 2019 | \$ 4,696,952 |
| 5% allowed by CPUC Code §823 (c) | N/A |
| Maximum anticipated amount of short-term debt needed | N/A |
| Additional financing authority requested in this application | N/A |

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 §823(c) of the Public Utilities Code, as confirmed in D.96-09-036.

² Outstanding principal of long-term debt. Excludes unamortized issuance costs and discounts.

Schedule IX
Southern California Gas Company
Capital Ratios ¹
(\$ in Thousands)

| | <u>December 31, 2019</u> | | <u>Pro-forma, showing the effect</u> | |
|---|--------------------------|----------|--------------------------------------|----------|
| | <u>\$</u> | <u>%</u> | <u>\$</u> | <u>%</u> |
| Long-term debt | | | | |
| Long-term debt ² | | | | |
| <i>Long-term Debt previously issued in 2020³</i> | | | | |
| <i>Requested new long-term borrowing authority</i> | | | | |
| <i>Currently remaining long-term borrowing authority</i> | | | | |
| Less: Unamortized expenses and discounts | | | | |
| Total long-term debt | | | | |
| Preferred stock | | | | |
| Current balance | | | | |
| Additional preferred stock | | | | |
| Total preferred stock | | | | |
| Common equity | | | | |
| Common equity held by Sempra Corp. | | | | |
| Additional common equity | | | | |
| Total common equity | | | | |
| Total capitalization | | | | |

¹ The above pro forma ratios demonstrate how SoCalGas' maximum requested long-term financing would impact the Company's capital structure if it were all issued on December 31, 2019. Additionally, the pro forma assumes that additional common and preferred equity is added to balance out the resulting capital structure to the current CPUC authorized amounts of 52% common equity, 2.4% preferred equity, and 45.6% long-term debt. The resulting ratios reflect a hypothetical case that assumes all of the requested debt authority is added in one day, along with additional preferred and common equity, that would achieve SoCalGas' CPUC authorized capital ratios. This scenario is not representative of SoCalGas' actuals or forecast as shown in Schedules II and III.

² Outstanding principal of long-term debt. Excludes unamortized issuance costs and discounts.

³ Additional borrowing for the pro-forma analysis includes \$650M issuance that occurred in January 2020 under the authority of D.16-01-034 in addition to the \$1.730B requested in the instant application.

Schedule X
Southern California Gas Company
Computation of Fee¹

| Item | Amount |
|-------------------------|-------------------------|
| Total Authority Needed | \$ 2,730,000,000 |
| Previous 2020 Issuances | 650,000,000 |
| Remaining Authority | 350,000,000 |
| New Authority Requested | <u>\$ 1,730,000,000</u> |

| Item | Amount | Rate | Fee |
|--|-------------------------|---------------------|-------------------|
| \$ 1.73 billion of long-term borrowing authority | \$ 1,000,000 | \$2 per thousand | \$ 2,000 |
| | 9,000,000 | \$1 per thousand | 9,000 |
| | <u>1,720,000,000</u> | \$0.50 per thousand | <u>860,000</u> |
| | <u>\$ 1,730,000,000</u> | Subtotal | <u>\$ 871,000</u> |
| Less earmarked to retirements | \$ - | \$0.50 per thousand | \$ - |
| | <u>\$ 1,730,000,000</u> | Total Fee Required | <u>\$ 871,000</u> |

¹ SoCalGas has computed the fee for only the new authority requested in the instant application, \$1.730 billion.

Schedule XI
Southern California Gas Company
Outstanding Principal of Long-Term Debt December 31, 2019
(\$ in Millions)

| No. | Type ¹ | Bond | Maturity | Principal |
|--|-------------------|--------------------------------|----------|-----------|
| 1 | FOR | Swiss Francs Bond ² | 05/14/26 | 4.3 |
| 2 | MTN | Medium-Term Note | 01/18/28 | 5.0 |
| 3 | FMB | Series KK | 11/15/35 | 250.0 |
| 4 | FMB | Series MM | 11/15/40 | 300.0 |
| 5 | FMB | Series NN | 09/21/42 | 350.0 |
| 6 | FMB | Series OO | 03/15/44 | 250.0 |
| 7 | FMB | Series PP | 09/15/24 | 500.0 |
| 8 | FMB | Series RR | 06/15/25 | 350.0 |
| 9 | FMB | Series TT | 06/15/26 | 500.0 |
| 10 | FMB | Series UU | 06/01/48 | 400.0 |
| 11 | FMB | Series VV | 01/15/49 | 550.0 |
| 12 | FMB | Series WW | 02/15/50 | 350.0 |
| Total as of December 31, 2019 ³ | | | | 3,809.3 |

¹ "FMB" = First Mortgage Bonds

"FOR" = Foreign-currency Bonds

"MTN" = Medium-Term Notes

² Bonds denominated in Swiss Francs; perpetual; puttable or callable once every ten years on May 14.

³ Series XX FMB issued in January 2020 for \$650M not included. Series maturity date is February 1, 2030.

Schedule XII
Southern California Gas Company
Historical CPUC Long-Term Debt Authorizations
(\$ in Millions)

| Remaining CPUC Authorities¹ | Debt | Preferred |
|---|-------------|------------------|
| D.91-12-059 (12/18/91) | 250 | - |
| Series Z | (100) | |
| MTN issued 8/21/92 | (22) | |
| MTN issued 8/21/92 | (28) | |
| MTN issued 12/1/92 | (7) | |
| Series AA | (93) | |
| Remaining Authority | - | - |
| D.92-10-052 (10/21/92) | 400 | - |
| Series AA (straddle) | (32) | |
| Series BB | (100) | |
| Series CC | (100) | |
| Series DD | (125) | |
| MTN issued 6/16/93 | (31) | |
| Series EE (straddle) | (12) | |
| Remaining Authority | - | - |
| D.93-07-012 (7/8/93) | 400 | - |
| Series EE (straddle) | (163) | |
| Series FF | (100) | |
| MTN issued 11/7/96 | (75) | |
| Series GG (straddle) | (62) | |
| Remaining Authority | - | - |
| D.96-09-036 (9/4/96) | 600 | 100 |
| MTN issued 10/28/97 | (120) | |
| MTN issued 1/15/98 | (75) | |
| Series GG | (188) | |
| Series HH (straddle) | (217) | |
| Remaining Authority | - | 100 |
| D.03-07-008 (7/10/03) | 715 | - |
| Series HH (straddle) | (33) | |
| Series II | (250) | |
| Series JJ | (100) | |
| Series KK | (250) | |
| Series LL (straddle) | (82) | |
| Remaining Authority | - | - |

Schedule XII
Southern California Gas Company
Historical CPUC Long-Term Debt Authorizations
(\$ in Millions)

| Remaining CPUC Authorities¹ | Debt | Preferred |
|---|---------------|------------------|
| D.06-07-012 (7/20/06) | 400 | 100 |
| Series LL (straddle) | (168) | |
| Series MM (straddle) | (232) | |
| Remaining authority | - | 100 |
| D.09-09-046 (9/29/09) | 800 | - |
| Series MM (straddle) | (68) | |
| Series NN | (350) | |
| Series OO | (250) | |
| Series PP (straddle) | (132) | |
| Remaining authority | - | - |
| D.13-05-002 (5/9/13) | 1,118 | - |
| Series PP (straddle) | (368) | |
| Series QQ | (250) | |
| Series RR | (350) | |
| Series TT (straddle) | (150) | |
| Remaining authority | - | - |
| D.16-01-034 (1/28/16) | 2,650 | - |
| Series TT (straddle) | (350) | |
| Series UU | (400) | |
| Series VV | (550) | |
| Series WW | (350) | |
| Series XX | (650) | |
| Remaining authority | 350 | - |
| Total remaining authority, all decisions | \$ 350 | \$ 200 |

¹ "MTN" = Medium-Term Notes

"Straddle" = Debt was funded under the authority of two CPUC decisions

Schedule XIII
Southern California Gas Company
Forecasted Debt Issuance Costs
(\$ in Thousands)

| A | B | C | D | E | F | G | H | I |
|----------------|---------------------|-----------------|----------------|--------------------|------------------|-------------------------------------|--|--|
| Date Issued | Principal | Term (Years) | Coupon Rate | Annual Interest | Issuance Fees | Amortized Issuance Fees (F/C) | Total Annual Cost ¹ (E + G) | Total Issuance Cost ¹ (C * H) |
| January 2020 | \$ 650,000 | 10 | 2.55% | \$ 16,575 | \$ 6,035 | \$ 603 | \$ 17,178 | \$ 171,785 |
| September 2020 | \$ 320,000 | 30 | 3.16% | \$ 10,126 | \$ 3,900 | \$ 130 | \$ 10,256 | \$ 307,693 |
| June 2021 | \$ 920,000 | 30 | 3.71% | \$ 34,095 | \$ 9,150 | \$ 305 | \$ 34,400 | \$ 1,032,014 |
| June 2022 | \$ 840,000 | 30 | 4.19% | \$ 35,210 | \$ 8,450 | \$ 282 | \$ 35,491 | \$ 1,064,745 |
| Total | \$ 2,730,000 | | | \$ 96,007 | \$ 27,535 | \$ 1,320 | \$ 97,327 | \$ 2,576,236 |

¹The estimated costs are limited to interest expense and amortized issuance costs. Repayment of principal, the costs and benefits of debt enhancements and hedges, if any, or the fee that SoCalGas must pay under Public Utilities Code § 1904(b) for authority to issue debt are not included.