

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 4, 2018

Advice Letter 5253-G

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**SUBJECT: Request for Recovery of the Storage Integrity Management Program
Balancing Account (SIMPBA) Balance**

Dear Mr. van der Leeden:

Advice Letter 5253-G is effective as of January 1, 2019 per Resolution G-3544 Ordering Paragraphs.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



A  Sempra Energy utility

Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
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February 8, 2018

Advice No. 5253
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Request for Recovery of the Storage Integrity Management Program
Balancing Account (SIMPBA) Balance**

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval for the recovery of a portion of its SIMPBA under-collection balance to be incorporated in SoCalGas' revenue requirement and rates.

Purpose

SoCalGas requests authority to recover a portion of its SIMPBA under-collection balance, representing cumulative revenue requirements for reasonably incurred storage integrity management expenses in excess of the corresponding 2016-2018 General Rate Case (GRC) revenue requirements up to 35%, recorded as of December 31, 2017. SoCalGas would implement and include this rate change effective January 1, 2019 or on the next scheduled rate change following a Commission resolution on this advice letter.

Background

In connection with SoCalGas' 2016 GRC Application, SoCalGas proposed to implement a storage integrity management program (SIMP) to identify and mitigate potential storage well safety and/or integrity issues. SIMP is designed to:

- Identify threats and perform risk assessment for all wells;
- Develop an assessment plan for all wells;
- Remediate conditions;
- Develop preventative and mitigation measures; and
- Maintain associated records.¹

¹ A.14-11-004, Direct Testimony of Phillip E. Baker at p. 17.

The Commission approved SoCalGas' SIMP proposal in Decision (D.)16-06-054,² and found that the proposed program would enable SoCalGas to “to proactively detect potential problems with its gas storage facilities,” “maintain, replace, and to upgrade the various components which make up the underground gas storage facilities,” and “take a more proactive approach to manage, identify, diagnose, and mitigate potential safety and integrity problems associated with the gas storage wells.”³ The revenue requirement authorized for SIMP for the years 2016 through 2018 is \$19,479,137.⁴ Pursuant to Ordering Paragraph (OP) 8 of D.16-06-054, SoCalGas established the SIMPBA, a two-way balancing account, to record and track the actual costs of implementing SoCalGas' SIMP, effective January 1, 2016. The SIMPBA is authorized for the three-year GRC period ending on December 31, 2018, or until the effective implementation date of SoCalGas' next GRC. As proposed by SoCalGas and approved in D.16-06-054, any unused funds will be returned to customers.⁵ To the extent SoCalGas has exceeded the authorized revenue requirement for the three-year period, SoCalGas is authorized to seek recovery of up to 35% above the authorized revenue requirement via a Tier 3 advice letter filing.⁶ SoCalGas is authorized to request recovery of amounts above 35% of the GRC cycle total revenue requirement through an application.⁷

SIMPBA Under-Collection Balance

As of December 31, 2017, the revenue requirement of \$34,811,104 recorded to the SIMPBA has exceeded the three-year authorized revenue requirement by \$15,331,967, or 78.7%. In this advice letter, SoCalGas seeks to recover 35% of \$19,479,137, or \$6,817,698.⁸ (Attachment A, which includes subsections A1 and A2, provide the detail of the actual costs incurred.)

The requested \$6,817,698 under-collection balance for the 2016-2018 GRC period is comprised of SIMP Operations and Maintenance (O&M) expenses of approximately \$5,443,763 and the SIMP capital-related revenue requirement (i.e., depreciation, return and taxes) of approximately \$1,373,935. As described in greater detail below, this under-collection balance associated with the 2016-2018 GRC period is driven by several factors.

At the time when SoCalGas initially proposed in the 2016 GRC to implement a new storage integrity management program, SoCalGas anticipated completing SIMP baseline assessment activity over a six-year period.⁹ SoCalGas subsequently

² See D.16-06-054 at pp. 5 and 248-250, see also, D.16-06-054, Findings of Fact Nos. 180-190.

³ D.16-06-054 at pp. 247-249.

⁴ See column 'e' in Table 1.

⁵ See D.16-06-054 at p. 249 (“Any unused funds will be returned to the ratepayers.”)

⁶ D.16-06-054 at p. 323, Conclusion of Law No. 69.

⁷ See D.16-06-054 at pp. 249, 310 (Finding of Fact No. 189), and 323 (Conclusion of Law No. 69).

⁸ SoCalGas will seek recovery of the remaining under-collection through a future request.

⁹ A.14-11-004, Direct Testimony of Phillip E. Baker at p. 7.

accelerated SIMP baseline assessment activity and currently anticipates completing the SIMP baseline assessments in four years or less.¹⁰ SoCalGas also enhanced SIMP activities in response to direction from regulators and/or new regulations mandating comprehensive well assessments and additional integrity management activities, including:

- Pipeline Hazardous Materials Safety Administration's (PHMSA) 2016 underground storage Interim Final Rule (IFR), which, among other things, adopts American Petroleum Industry (API) Recommended Practice 1171, *Functional Integrity of Natural Gas Storage in Depleted Hydrocarbon Reservoirs and Aquifer Reservoirs*, as a mandatory regulation;¹¹
- Division of Oil, Gas, and Geothermal Resources (DOGGR) Emergency Regulations;¹²
- Senate Bill (SB) 887, which extended the applicability of DOGGR Emergency Regulations until proposed DOGGR regulations were finalized;¹³ and
- New underground storage regulations proposed by DOGGR.¹⁴

Consistent with the above, SoCalGas accelerated the pace of SIMP assessments of the gas storage wells at the Aliso Canyon, Honor Rancho, Playa del Rey, and La Goleta gas storage fields, and implemented enhanced integrity management activities. These activities increased SIMP O&M and capital-related costs above the amounts initially forecast for the program.

¹⁰ SoCalGas accelerated the pace of SIMP implementation to more expeditiously enhance safety and validate well integrity, consistent with PHMSA guidance (PHMSA's IFR and Advisory Bulletin ADB-2016-02), federal recommendations on well integrity (Interagency Task Force Well Integrity Observations and Recommendations, Ensuring Safe and Reliable Underground Gas Storage: Final Report of the Interagency Task Force on Natural Gas Storage Safety, at pp. 55-56 (October 2016)), and DOGGR Emergency Regulations (DOGGR Order 1109).

¹¹ API Recommended Practice 1171 applies to "natural gas storage in depleted oil and gas reservoirs and aquifer reservoirs, and focuses on storage well, reservoir, and fluid management for functional integrity in design, construction, operation, monitoring, maintenance, and documentation practices." API Recommended Practice 1171 at p. 1.

¹² Specifically, validating the integrity of the Aliso Canyon Storage Facility as part of DOGGR Order 1109 and compliance with Requirements for Underground Gas Storage Projects, Final Text of Emergency Regulations, which revised 1724.9 to include: (a) data required under 1724.7, 1724.10; and added requirements of (b) maximum and minimum pressure operation limits, (c) tubing-casing annulus monitoring, (d) safety valve testing, (e) daily wellhead and attached pipeline inspection, (f) annual wellhead pipeline isolation valve testing, and g)) establishment of a risk management plan.

¹³ Including development and implementation of a facility monitoring plan to monitor for leaks; mechanical integrity testing including leak testing, casing wall thickness inspection, pressure test of production casing, and additional testing deemed necessary; creation of a risk management plan; development of comprehensive gas storage well training and mentoring program; and annual gas storage regulatory fee to defray regulatory costs.

¹⁴ Underground Gas Storage – Permanent Rulemaking (See http://www.conservation.ca.gov/dog/general_information/Pages/UGSRules.aspx); Underground Injection Control Update - Permanent Rulemaking (See http://www.conservation.ca.gov/dog/general_information/Pages/UICupdate.aspx).

Additional O&M expenditures are primarily attributable to the following activities and increased labor to support these activities: well inspections, wellbore inspection logs, noise and temperature surveys, surface piping inspections, data and risk management activities, and reservoir and geologic studies. Additional capital expenditures are primarily attributable to the following activities and increased labor to support these activities: workovers of gas storage wells to prepare for inspection logging activity and to follow-up on inspection logging activity; installation of new steel tubing following mechanical integrity testing and reconfiguring wells to operate tubing-only flow; well mitigations (such as the installation of inner strings); and plugging and abandoning wells to remove them from service.

These activities resulted in actual recorded SIMP costs exceeding the authorized funding level, as summarized in Tables 1 & 2 and further explained below.

Table 1
Southern California Gas Company
Storage Integrity Management Program – Spending vs. Authorized - \$000

SIMP O&M Spending and Capital Additions				SIMPBA Calculation (Revenue Requirements)					
(a)	(b)	(c) = (a) - (b)		(d)	(e)	(f) = (d) - (e)	(g)	(h)=(f)+(g)	
Actual ^{3/}	Authorized	Over/ (Under) Spending		Actual	Authorized ^{1/2/}	Under/ (Over) Collection ^{2/}	Interest	SIMPBA Activity	
<u>Year 2016:</u>				<u>Year 2016:</u>					
O&M	11,814	5,910	5,904	O&M	11,814	5,910	5,904	5,904	
Capital Additions	23,630	2,798	20,832	Capital-Related Costs	672	361	311	311	
Subtotal	35,445	8,708	26,737	Interest			7	7	
				Subtotal	12,486	6,271	6,215	7	6,222
<u>Year 2017:</u>				<u>Year 2017:</u>					
O&M	15,982	6,117	9,865	O&M	15,982	6,117	9,865	9,865	
Capital Additions	36,747	2,798	33,949	Capital-Related Costs	6,343	374	5,969	5,969	
Subtotal	52,728	8,915	43,813	Interest			154	154	
				Subtotal	22,325	6,491	15,834	154	15,987
<u>Year 2018:</u>				<u>Year 2018:</u>					
O&M		6,331	(6,331)	O&M		6,331	(6,331)	(6,331)	
Capital Additions		2,798	(2,798)	Capital-Related Costs		387	(387)	(387)	
Subtotal	-	9,129	(9,129)	Interest				-	
				Subtotal	-	6,718	(6,718)	-	(6,718)
<u>Year 2016 - 2018:</u>				<u>Year 2016 - 2018:</u>					
O&M	27,796	18,358	9,438	O&M	27,796	18,358	9,438	9,438	
Capital Additions	60,377	8,394	51,983	Capital-Related Costs	7,015	1,122	5,893	5,893	
Total	88,173	26,752	61,421	Interest			160	160	
				Total	34,811	19,480	15,331	160	15,492

^{1/} Authorized O&M and capital-related revenue requirement increased by 3.5% attrition adjustment adopted in 2016 GRC decision.

^{2/} Difference in Year 2016-2018 total due to rounding.

^{3/} 2017 Capital Additions are based on actuals up to November and December's estimate.

Table 2
Southern California Gas Company
Storage Integrity Management Program - Costs by Category

SIMP O&M Spending and Capital Additions - 2016 and 2017^{1/}

Direct + V&S Recorded (\$000)	2016	2017	Total
O&M - Regulatory Compliance	\$ 5,035	\$ 8,653	\$ 13,689
O&M - Program Mgmt. and Support	2,519	2,650	5,169
O&M - Well Inspection and Mitigation	4,260	4,678	8,938
O&M - Total	\$ 11,814	\$ 15,982	\$ 27,796
Capital Additions	23,630	36,747	60,377
Total O&M and Capital Additions	\$ 35,445	\$ 52,728	\$ 88,173

1/ Difference in Year 2016-2017 total due to rounding.

Description of Costs and Cost Drivers

As indicated in Table 2, SoCalGas has generally separated SIMP O&M costs into compliance, program management and support, and well inspection and mitigation. Similarly, the Capital Additions category in Table 2 includes capitalized costs associated with regulatory compliance, program management and support, and well workovers and mitigations. The Capital Additions cost category was driven by efforts to expeditiously validate the integrity of SoCalGas' facilities, enhance safety, and comply with regulatory directives. The Capital Additions category is primarily comprised of well workovers, installation of new steel tubing, well mitigations (such as the installation of inner strings), and plugging and abandoning wells.

Regulatory Compliance

Regulatory Compliance costs include expenses associated with SoCalGas' activities undertaken or accelerated to validate the integrity of SoCalGas' storage facilities, enhance safety, and support compliance with new and proposed regulations, such as the PHMSA Underground Storage IFR,¹⁵ DOGGR Emergency Regulations, SB 887, and new regulations proposed by DOGGR for California Underground Gas Storage Projects. At the time of filing the SIMP, SoCalGas' SIMP described potential integrity management and safety enhancing activities. These activities were subsequently modified and expanded to address prescriptive regulatory requirements that subsequently went into effect.

¹⁵ PHMSA's Interim Final Rule indicated that for newly constructed facilities after July 18, 2017, operators must have design and construction procedures in place prior to construction, and other procedures in place that address operating, maintenance, emergency preparedness, and any physical site work activities prior to initial operations. For underground natural gas storage facilities existing prior to July 18, 2017, operators must have procedures in place that address operating, maintenance, emergency preparedness, and any physical site work activities by January 18, 2018.

As noted above, the PHMSA Underground Storage IFR adopts API Recommended Practice 1171, *Functional Integrity of Natural Gas Storage in Depleted Hydrocarbon Reservoirs and Aquifer Reservoirs*, as a mandatory regulation. To comply with this IFR, SoCalGas created a series of new underground storage policies and procedures focused on storage well, reservoir, and fluid management for functional integrity in design, construction, operation, monitoring, maintenance, and documentation practices. In addition, SoCalGas developed and implemented training materials and courses to train Company personnel and contractors to comply with these new policies and procedures.

SB 887 and the DOGGR Emergency Regulations require, among other things, mechanical integrity testing; a facility monitoring plan; a risk management plan; increased frequency of noise and temperature logging of wells; and additional field assessments, including leak surveys, valve inspections, and pressure monitoring. Additionally, the regulations required that a comprehensive safety review of the Aliso Canyon underground natural gas storage facility.¹⁶ This entailed, among other things, that each well at Aliso Canyon either pass a thorough battery of tests to resume gas injection or be taken out of operation and isolated from the underground gas storage reservoir. Each well that was taken out of operation was to be addressed within one year. To comply with these requirements, and Commission direction,¹⁷ the pace of testing at Aliso Canyon was significantly accelerated.

Proposed DOGGR regulations for California Underground Gas Storage Projects currently require wells to be configured for tubing-only flow, a requirement that SoCalGas has already moved to implement in anticipation of the formal adoption of the proposed DOGGR regulations. This resulted in increased costs to convert wells to tubing-only flow and to remove and replace existing tubing. Additionally, SoCalGas employed internal Company labor and external consultant support to respond to requests from DOGGR in support of the development of proposed revisions to the Underground Injection Control Program (a broader set of regulations that includes underground injection of any fluid).

The pace and volume of SIMP activity has generated a robust suite of data for each gas storage well, exceeding the initially-planned enhancement in data reconciliation and records management. To further accelerate and enhance records management, SoCalGas organized and stored its records to facilitate data integration and is working to enhance data management to facilitate queries across systems and the deployment of a well health monitoring dashboard.

¹⁶ Costs associated with the Aliso Canyon SS-25 incident are separately tracked and are not included in the SIMPBA.

¹⁷ See, e.g., Letter from CPUC (Timothy Sullivan) to SoCalGas (Rodger Schwecke), "Re: Aliso Canyon Natural Gas Storage Facility," at p. 1 ("This letter directs you to continue completing testing of all wells within Aliso Canyon under the facility's required Comprehensive Safety Review while retaining adequate gas withdrawal capacity during this review.").

Program Management and Support

Program Management and Support costs include the salaries and costs associated with developing and supporting the integrity management program, data management, and risk management of the underground storage fields. The organizational elements of SIMP (well integrity management team, data management team, and risk management team) were created in 2016 and positions continued to be filled through internal and external hiring.

Also included in this cost category are efforts to support SIMP activities and safety enhancement goals through the development and implementation of standard operating procedures to promote consistent and safe processes and project management, and comply with new and expanded regulatory obligations. Company personnel and industry expert consultants collaborated to update, develop, implement and train employees and contractors on policies and procedures; analyze and update geologic and reservoir maps and reports; and engage in other activities to validate the integrity of SoCalGas' storage facilities and enhance safety.

For the above activities, the increase in incurred costs above initially forecast levels was driven by the accelerated pace of well work and additional integrity management activities.

Well Inspection, Workovers, and Mitigation

Well Inspection and Mitigation costs are attributable to safety enhancement and well integrity management activities at the storage fields. Under SoCalGas' accelerated plan to conduct comprehensive baseline assessments of each well, all wells are subjected to a suite of integrity assessments and subsequently either returned to service or isolated from the storage zone in preparation for abandonment. Well inspection, workover, and mitigation costs are attributable to the following activities: well mechanical integrity testing (including baseline, full, partial, and recurrent costs for integrity inspections), installation of new steel tubing following mechanical integrity testing and as part of reconfiguring wells to operate tubing-only flow, preparation of validation inspection logs following mitigation (such as inner string installation), well workovers, and plugging and abandoning certain wells as part of the SIMP risk management plan.

In the 2016 GRC, SoCalGas forecasted conducting 40 SIMP storage well inspections per year. The actual activity level was 43 SIMP well inspections in 2016 and 49 inspections in 2017. SoCalGas further forecasted 28 SIMP capital storage well workovers per year. The actual activity level was 33 SIMP storage well workovers in 2016 and 44 SIMP storage well workovers in 2017.

Incorporation of SIMPBA Revenue Requirement in Rates

Upon a Commission resolution on this advice letter filing, SoCalGas will incorporate \$6,817,698 (the portion of the SIMPBA under-collected balance representing actual cumulative revenue requirements equivalent to 35% of the authorized 2016 through 2018 SIMP revenue requirement) in its next annual regulatory account balance update filing or consolidated rate filing, as appropriate, for rates effective January 1st of the following year, or other authorized rate changes that the Commission may authorize for implementation in transportation rates at that time (e.g., implementation of SoCalGas' Triennial Cost Allocation Proceeding). The SIMPBA amount will be amortized in gas transportation rates on an Equal Percent of Authorized Margin basis. According to the Equal Percent of Authorized Margin method, the balance in this account will be allocated across customer classes based on each customer class' share of total GRC base margin allocated to that customer class. See Attachment B for revenue requirement and rate impacts.

SoCalGas also anticipates it will continue to record under-collections in its SIMPBA due to O&M expenditures and the balancing of capital-related costs above authorized levels during the remainder of the GRC period. Consistent with the 2016 GRC decision, SoCalGas anticipates filing a separate application for recovery of the remaining SIMPBA under-collection balance at the end of the 2016-2018 GRC cycle.

Revenue Requirement Impact by Class of Service

<u>Class of Service</u>	<u>Applicable Rate Schedules</u>	<u>Net M\$ (with FF&U) Increase/(Decrease)</u>
Core	GR, GS, GM, GO-AC, G-NGVR, GL, G-10, G-AC, G-EN, G-NGV	\$6.52
Noncore	GT-NC, GT-TLS	\$0.33
Backbone Transportation Service (BTS) & Other Services	G-BTS	\$0.04
TOTAL		<hr/> \$6.89

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is February 28, 2018. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray Ortiz
Regulatory Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@SempraUtilities.com

Effective Date

In compliance with OP 8 of D.16-06-054, this advice letter is designated as Tier 3 pursuant to General Order (GO) 96-B and, as such, requires a Commission Resolution to approve. SoCalGas respectfully requests that this filing be made effective after Commission approval for implementation and inclusion in rates effective January 1 following a Commission resolution on this advice letter or other Commission-approved date SoCalGas is authorized to revise its rates, whichever is earlier.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A.14-11-004, SoCalGas' TY 2016 GRC and A.17-10-008, SoCalGas' TY 2019 GRC. Address change requests to the GO 96-B service list should be directed by electronic mail to tariffs@socalgas.com or call 213-244-2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director, Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Ray B. Ortiz

Phone #: (213) 244-3837

E-mail: ROrtiz@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 5253

Subject of AL: Request for Recovery of the Storage Integrity Management Program Balancing Account (SIMPBA) Balance

Keywords (choose from CPUC listing): Balancing Account

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: _____

D.16-06-054

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: Upon Commission Approval/Rates 1/1/19 No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

EDTariffUnit@cpuc.ca.gov

Southern California Gas Company

Attention: Ray B. Ortiz

555 West 5th Street, GT14D6

Los Angeles, CA 90013-1011

ROrtiz@semprautilities.com

Tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 5253

**Attachment A1 - Storage Integrity Management Program Balancing
Account (SIMPBA) – Year 2017**

**Attachment A2 - Storage Integrity Management Program Balancing
Account (SIMPBA) - Year 2016**

ATTACHMENT A1
SOUTHERN CALIFORNIA GAS COMPANY
STORAGE INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (SIMPBA)
Year 2017
(Over) / Under Collection

SAP Account Number 1150662

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Total
Beginning Balance	6,222,041	7,171,776	8,351,341	9,671,188	11,188,388	11,920,708	14,233,413	16,312,777	17,692,524	18,568,831	20,002,651	21,938,799	6,222,041
1/ Prior Period Adjustment						17,198						(422,036)	(404,838)
Adjusted Beginning Balance	6,222,041	7,171,776	8,351,341	9,671,188	11,188,388	11,937,906	14,233,413	16,312,777	17,692,524	18,568,831	20,002,651	21,516,763	5,817,203
Costs:													
2/ O&M Costs	1,199,469	1,386,372	1,467,258	1,634,079	711,656	2,318,430	1,942,359	1,394,486	799,021	1,261,192	1,759,197	512,904	16,386,423
Capital-Related Costs													
Depreciation	68,315	76,012	87,389	95,602	120,645	125,010	147,332	132,650	135,432	156,539	161,031	162,054	1,468,011
Income Taxes	57,721	74,846	90,285	97,310	131,757	119,680	149,879	114,366	133,088	155,405	157,261	140,582	1,422,180
Return	160,976	178,036	210,009	223,524	300,281	262,906	341,939	237,814	307,085	357,868	353,663	370,548	3,304,649
Property Taxes							24,735	24,735	24,735	24,735	24,735	24,735	148,410
Total Costs:	1,486,481	1,715,266	1,854,941	2,050,515	1,264,339	2,826,026	2,606,244	1,904,051	1,399,361	1,955,739	2,455,887	1,210,823	22,729,673
Revenues:													
Authorized Cost Amortization	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	6,490,488
Total Revenues:	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	540,874	6,490,488
Net Cost / (Revenue)	945,607	1,174,392	1,314,067	1,509,641	723,465	2,285,152	2,065,370	1,363,177	858,487	1,414,865	1,915,013	669,949	16,239,185
Current Month Interest**	4,128	5,173	5,780	7,559	8,855	10,355	13,994	16,570	17,820	18,955	21,135	23,309	153,633
Current Month Activity	949,735	1,179,565	1,319,847	1,517,200	732,320	2,295,507	2,079,364	1,379,747	876,307	1,433,820	1,936,148	693,258	16,392,818
Ending Balance	7,171,776	8,351,341	9,671,188	11,188,388	11,920,708	14,233,413	16,312,777	17,692,524	18,568,831	20,002,651	21,938,799	22,210,021	22,210,021

** Interest applied to average monthly balance as follows: $((\text{Beg. Bal.} + (\text{Beg. Bal.} + \text{Current Month Adjustment})/2) * (\text{Int. Rate}/12))$

Interest rate:	0.74%	0.80%	0.77%	0.87%	0.92%	0.95%	1.10%	1.17%	1.18%	1.18%	1.21%	1.28%
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Notes:

<u>Spending and Recovery Analysis</u>	
Costs Balanced to Date	<u>34,811,104</u>
Recovery:	
3 Year Authorized Costs (2016-2018)	19,479,137
Tier 3 Advice Letter	6,817,698
Separate Application	8,514,269
Total	<u>34,811,104</u>
* 135% of Authorized Costs	<u>26,296,835</u>

1/ **June:** Adjustment is for SIMP costs charged to an internal order in prior year that was not correctly coded with a SIMP refundable code, and as a result was not balanced in the month incurred.

December: Adjustment to transfer materials from O&M costs to excess inventory.

2/ **July:** Adjustment to true-up costs that should have been capitalized since January 2017.

	<u>Tax expense</u>	<u>Return</u>	<u>Depreciation</u>	<u>Property Tax</u>
Recorded	578,006	1,331,146	572,972	0
Revised	727,885	1,673,085	720,304	24,735
Current Month Activity:	<u>149,879</u>	<u>341,939</u>	<u>147,332</u>	<u>24,735</u>

ATTACHMENT A2
SOUTHERN CALIFORNIA GAS COMPANY
STORAGE INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (SIMPBA)
Year 2016
(Over) / Under Collection

SAP Account Number 1150662

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Total
Beginning Balance	-	-	-	-	-	-	(955,697)	(823,343)	1,726,274	3,135,398	3,956,460	4,862,201	-
Prior Period Adjustment													-
Adjusted Beginning Balance	-	-	-	-	-	-	(955,697)	(823,343)	1,726,274	3,135,398	3,956,460	4,862,201	-
Costs:													
1/ O&M Costs						2,182,191	655,300	3,070,252	1,930,694	1,068,484	1,240,132	1,667,165	11,814,218
Capital-Related Costs													
Depreciation										49,384	42,832	48,903	141,119
Income Taxes										55,104	40,597	26,106	121,807
Return										169,107	102,632	137,386	409,125
Property Taxes													-
Total Costs:	-	-	-	-	-	2,182,191	655,300	3,070,252	1,930,694	1,342,079	1,426,193	1,879,560	12,486,269
Revenues:													
1/ Authorized Cost						3,135,500	522,583	522,583	522,583	522,583	522,583	522,583	6,270,998
Amortization						-	-	-	-	-	-	-	-
Total Revenues:	-	-	-	-	-	3,135,500	522,583	522,583	522,583	522,583	522,583	522,583	6,270,998
Net Cost / (Revenue)	-	-	-	-	-	(953,309)	132,717	2,547,669	1,408,111	819,496	903,610	1,356,977	6,215,271
1/ Current Month Interest**	-	-	-	-	-	(2,388)	(363)	1,948	1,013	1,566	2,131	2,863	6,770
Current Month Activity	-	-	-	-	-	(955,697)	132,354	2,549,617	1,409,124	821,062	905,741	1,359,840	6,222,041
Ending Balance	-	-	-	-	-	(955,697)	(823,343)	1,726,274	3,135,398	3,956,460	4,862,201	6,222,041	6,222,041

** Interest applied to average monthly balance as follows: (((Beg. Bal.+(Beg. Bal.+Current Month Adjustment))/2)*(Int.Rate/12)

Interest rate:	0.36%	0.47%	0.47%	0.47%	0.48%	0.48%	0.49%	0.46%	0.50%	0.53%	0.58%	0.62%
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Notes:

SIMPBA is authorized to track costs back to January 2016 per GRC 2016 Implementation.

1/ **June:** Includes Jan-May true-up adjustment due to GRC implementation:

August: Include adjustment of newly identified SIMP orders' costs for Apr-Jul.

ATTACHMENT B

Advice No. 5253

**Natural Gas Transportation Rate Revenues
Southern California Gas Company
SIMPBA Filing**

Attachment B
Advice No. 5253
Natural Gas Transportation Rate Revenues
Southern California Gas Company
SIMPBA Filing

	Present Rates			Proposed Rates			Changes			
	Jan-1-18	Average	Jan-1-18	2018	Proposed	2018	Revenue	Rate	% Rate	
	Volumes	Rate	Revenues	Volumes	Rate	Revenues	Change	Change	change	
	Mth	\$/therm	\$000's	Mth	\$/therm	\$000's	\$000's	\$/therm	%	
	A	B	C	D	E	F	G	H	I	
1	CORE									
2	Residential	2,435,160	\$0.74345	\$1,810,421	2,435,160	\$0.74574	\$1,815,989	\$5,568	\$0.00229	0.3%
3	Commercial & Industrial	1,023,186	\$0.32167	\$329,129	1,023,186	\$0.32255	\$330,029	\$901	\$0.00088	0.3%
4										
5	NGV - Pre SempraWide	157,095	\$0.12685	\$19,928	157,095	\$0.12720	\$19,983	\$54	\$0.00035	0.3%
6	SempraWide Adjustment	157,095	(\$0.00165)	(\$259)	157,095	(\$0.00168)	(\$265)	(\$5)	(\$0.00003)	2.1%
7	NGV - Post SempraWide	157,095	\$0.12521	\$19,669	157,095	\$0.12552	\$19,718	\$49	\$0.00031	0.2%
8										
9	Gas A/C	772	\$0.15183	\$117	772	\$0.15215	\$117	\$0	\$0.00032	0.2%
10	Gas Engine	20,699	\$0.16141	\$3,341	20,699	\$0.16141	\$3,341	\$0	\$0.00000	0.0%
11	Total Core	3,636,911	\$0.59465	\$2,162,677	3,636,911	\$0.59644	\$2,169,195	\$6,517	\$0.00179	0.3%
12	NONCORE COMMERCIAL & INDUSTRIAL									
13	Distribution Level Service	865,102	\$0.07557	\$65,379	865,102	\$0.07577	\$65,553	\$174	\$0.00020	0.3%
14	Transmission Level Service (2)	660,238	\$0.02337	\$15,428	660,238	\$0.02340	\$15,450	\$22	\$0.00003	0.1%
15	Total Noncore C&I	1,525,339	\$0.05298	\$80,807	1,525,339	\$0.05310	\$81,002	\$196	\$0.00013	0.2%
16										
17	NONCORE ELECTRIC GENERATION									
18	Distribution Level Service									
19	Pre Sempra Wide	285,096	\$0.08057	\$22,969	285,096	\$0.08080	\$23,035	\$66	\$0.00023	0.3%
20	Sempra Wide Adjustment	285,096	(\$0.00619)	(\$1,765)	285,096	(\$0.00624)	(\$1,779)	(\$14)	(\$0.00005)	0.8%
21	Distribution Level Post Sempra Wide	285,096	\$0.07437	\$21,204	285,096	\$0.07456	\$21,256	\$52	\$0.00018	0.2%
22	Transmission Level Service (2)	2,392,699	\$0.01960	\$46,892	2,392,699	\$0.01963	\$46,971	\$78	\$0.00003	0.2%
23	Total Electric Generation	2,677,795	\$0.02543	\$68,096	2,677,795	\$0.02548	\$68,226	\$131	\$0.00005	0.2%
24										
25	TOTAL RETAIL NONCORE	4,203,134	\$0.03543	\$148,902	4,203,134	\$0.03550	\$149,229	\$326	\$0.00008	0.2%
26										
27	WHOLESALE & INTERNATIONAL (excluding SDG&E)	325,403	\$0.01931	\$6,285	325,403	\$0.01935	\$6,296	\$11	\$0.00003	0.2%
28										
29	OTHER SERVICES (SDG&E, UBS, & BTS)	1,251,556		\$293,362	1,251,556		\$293,391	\$29		
30	SYSTEM TOTAL w/BTS	9,417,004	\$0.27729	\$2,611,227	9,417,004	\$0.27802	\$2,618,110	\$6,883	\$0.00073	0.3%
31										
32	EOR Revenues	231,570	\$0.05204	\$12,050	231,570	\$0.05216	\$12,078	\$28	\$0.00012	0.2%
33	Total Throughput w/EOR Mth/yr	9,648,574			9,648,574					
34										

1) These rates are for Natural Gas Transportation Service from "Citygate to Meter." The BTS rate is for service from Receipt Point to Citygate.
2) All rates include Franchise Fees & Uncollectible charges.