

Application of SOUTHERN CALIFORNIA GAS)
COMPANY for authority to update its gas revenue)
requirement and base rates)
effective January 2008 (U 904 G).)

Application No. 06-12-____
Exhibit No.: (SCG-27-WP)_____

WORKPAPERS TO
PREPARED DIRECT TESTIMONY
OF STEVE RAHON
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

DECEMBER, 2006

SoCalGas

Pension and PBOP Forecast 2006 - 2007

page 1

| | <u>Recorded 2005 Balance</u> | <u>2006 Forecasted Activity</u> | <u>2007 Forecasted Activity</u> | <u>2007 End Balance</u> | <u>pg ref</u> |
|---------------------------|------------------------------|---------------------------------|---------------------------------|-------------------------|---------------|
| PBOP Balancing Account | (13,119,409) | (22,599,265) | (11,577,469) | (47,296,143) | 2-3 |
| Pension Balancing Account | (5,888,674) | (1,654,141) | 1,891,444 | (5,651,371) | 4-5 |
| | <u>(19,008,083)</u> | <u>(24,253,406)</u> | <u>(9,686,025)</u> | <u>(52,947,514)</u> | |

| | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--------------------|-------------|-------------|-------------|
| PBOP Authorized | 47,500,000 | 47,500,000 | 47,500,000 |
| PBOP Funding | 36,257,521 | 18,400,000 | 33,000,000 |
| Pension Authorized | 4,000,000 | 4,000,000 | 4,000,000 |
| Pension Funding | 0 | 0 | 0 |

SoCalGas
Pension and PBOP Forecast 2006 - 2007

SOUTHERN CALIFORNIA GAS COMPANY
PBOP BALANCING ACCOUNT (Forecast 2006)

| | PBOP Revenues ^{1/} | PBOP Expenses ^{2/} | NET ACTIVITY | 1/2 BALANCE | ADD PREVIOUS BALANCE | INTEREST RATE | INTEREST | BALANCE W/ INTEREST | ACCOUNT BALANCE |
|------------------|--------------------------------|--------------------------------|---------------------|----------------|-------------------------|------------------|--------------------|------------------------|--------------------|
| DECEMBER 2005 | | | | | | | | | (13,119,409) |
| JANUARY 2006 | 3,184,872 | 1,387,117 | (1,797,755) | (898,877) | (13,119,409) | 4.37% | (51,050) | (1,848,805) | (14,968,213) |
| FEBRUARY | 3,175,155 | 1,383,443 | (1,791,711) | (895,856) | (14,968,213) | 4.48% | (59,226) | (1,850,937) | (16,819,151) |
| MARCH | 3,168,492 | 1,379,777 | (1,788,715) | (894,357) | (16,819,151) | 4.55% | (67,164) | (1,855,879) | (18,675,030) |
| APRIL | 3,158,002 | 1,376,118 | (1,781,884) | (890,942) | (18,675,030) | 4.76% | (77,612) | (1,859,496) | (20,534,525) |
| MAY | 3,153,438 | 1,372,467 | (1,780,971) | (890,486) | (20,534,525) | 4.87% | (86,950) | (1,867,921) | (22,402,446) |
| JUNE | 3,158,762 | 1,368,823 | (1,789,938) | (894,969) | (22,402,446) | 4.00% | (77,658) | (1,867,596) | (24,270,042) |
| JULY | 3,163,411 | 1,365,187 | (1,798,223) | (899,112) | (24,270,042) | 4.00% | (83,897) | (1,882,120) | (26,152,163) |
| AUGUST | 3,162,655 | 1,361,558 | (1,801,096) | (900,548) | (26,152,163) | 4.00% | (90,176) | (1,891,272) | (28,043,435) |
| SEPTEMBER | 3,168,815 | 1,357,936 | (1,810,879) | (905,440) | (28,043,435) | 4.00% | (96,496) | (1,907,375) | (29,950,810) |
| OCTOBER | 3,158,769 | 1,354,322 | (1,804,447) | (902,223) | (29,950,810) | 4.00% | (102,843) | (1,907,290) | (31,858,100) |
| NOVEMBER | 3,157,960 | 1,350,715 | (1,807,245) | (903,622) | (31,858,100) | 4.00% | (109,206) | (1,916,451) | (33,774,551) |
| DECEMBER | 3,175,610 | 1,347,116 | (1,828,494) | (914,247) | (33,774,551) | 4.00% | (115,629) | (1,944,123) | (35,718,674) |
| TOTAL YTD | <u>37,985,940</u> | <u>16,404,582</u> | <u>(21,581,358)</u> | | | | <u>(1,017,907)</u> | <u>(22,599,265)</u> | |

Assumptions:

| | Authorized Revenues | Forecast Expenses |
|------------------------------------------------|------------------------|----------------------|
| PBOP Costs | 47,500,000 | 18,400,000 |
| Capitalized Portion | 16.21% (7,699,750) | 17.91% (3,295,440) |
| Shared Service billed to SDGE | 6.12% (2,907,000) | 2.28% (419,520) |
| Shared Service billed by SDGE | 15.39% 1,092,690 | 15.47% 2,196,743 |
| Depreciation/Return Differential ^{3/} | | (477,201) |
| | <u>37,985,940</u> | <u>16,404,582</u> |

^{1/} Authorized revenues were spread ratably over 12 months.

^{2/} Expenses are spread ratably over 12 months except for the depreciation and return which reflects its cumulative effect.

^{3/} The net impact of the authorized versus forecast for depreciation and return are reflected in the expense column.

SoCalGas
Pension and PBOP Forecast 2006 - 2007

SOUTHERN CALIFORNIA GAS COMPANY
PBOP BALANCING ACCOUNT (Forecast 2007)

page 3

| | PBOP Revenues ^{1/} | PBOP Expenses ^{2/} | NET ACTIVITY | 1/2 BALANCE | ADD PREVIOUS INTEREST BALANCE | RATE | INTEREST | BALANCE W/ INTEREST | ACCOUNT BALANCE |
|------------------|--------------------------------|--------------------------------|--------------------|----------------|----------------------------------|-------|--------------------|------------------------|--------------------|
| DECEMBER 2006 | | | | | | | | | (35,718,674) |
| JANUARY 2007 | 3,184,872 | 2,346,834 | (838,038) | (419,019) | (35,718,674) | 4.00% | (120,459) | (958,497) | (36,677,171) |
| FEBRUARY | 3,175,155 | 2,345,341 | (829,814) | (414,907) | (36,677,171) | 4.00% | (123,640) | (953,454) | (37,630,625) |
| MARCH | 3,168,492 | 2,343,851 | (824,641) | (412,321) | (37,630,625) | 4.00% | (126,810) | (951,451) | (38,582,076) |
| APRIL | 3,158,002 | 2,342,365 | (815,637) | (407,818) | (38,582,076) | 4.00% | (129,966) | (945,603) | (39,527,679) |
| MAY | 3,153,438 | 2,340,882 | (812,556) | (406,278) | (39,527,679) | 4.00% | (133,113) | (945,670) | (40,473,349) |
| JUNE | 3,158,762 | 2,339,402 | (819,360) | (409,680) | (40,473,349) | 4.00% | (136,277) | (955,636) | (41,428,985) |
| JULY | 3,163,411 | 2,337,925 | (825,486) | (412,743) | (41,428,985) | 4.00% | (139,472) | (964,958) | (42,393,943) |
| AUGUST | 3,162,655 | 2,336,451 | (826,204) | (413,102) | (42,393,943) | 4.00% | (142,690) | (968,894) | (43,362,837) |
| SEPTEMBER | 3,168,815 | 2,334,980 | (833,835) | (416,918) | (43,362,837) | 4.00% | (145,933) | (979,768) | (44,342,605) |
| OCTOBER | 3,158,769 | 2,333,512 | (825,257) | (412,628) | (44,342,605) | 4.00% | (149,184) | (974,441) | (45,317,046) |
| NOVEMBER | 3,157,960 | 2,332,047 | (825,913) | (412,956) | (45,317,046) | 4.00% | (152,433) | (978,346) | (46,295,392) |
| DECEMBER | 3,175,610 | 2,330,585 | (845,025) | (422,512) | (46,295,392) | 4.00% | (155,726) | (1,000,751) | (47,296,143) |
| TOTAL YTD | <u>37,985,940</u> | <u>28,064,175</u> | <u>(9,921,765)</u> | | | | <u>(1,655,704)</u> | <u>(11,577,469)</u> | |

Assumptions:

| | | Authorized Revenues | | Forecast Expenses |
|------------------------------------------------|--------|--------------------------------|--------|------------------------------|
| PBOP Costs | | 47,500,000 | | 33,000,000 |
| Capitalized Portion | 16.21% | (7,699,750) | 17.91% | (5,910,300) |
| Shared Service billed to SDGE | 6.12% | (2,907,000) | 2.28% | (752,400) |
| Shared Service billed by SDGE | 15.39% | 1,092,690 | 15.47% | 2,552,556 |
| Depreciation/Return Differential ^{3/} | | | | (825,681) |
| | | <u>37,985,940</u> | | <u>28,064,175</u> |

^{1/} Authorized revenues were spread ratably over 12 months.

^{2/} Expenses are spread ratably over 12 months except for the depreciation and return which reflects its cumulative effect.

^{3/} The net impact of the authorized versus forecast for depreciation and return are reflected in the expense column.

SoCalGas
Pension and PBOP Forecast 2006 - 2007

SOUTHERN CALIFORNIA GAS COMPANY
PENSION BALANCING ACCOUNT (2006 Forecast)

| | Pension Revenues ^{1/} | Pension Expenses ^{2/} | NET ACTIVITY | 1/2 BALANCE | ADD PREVIOUS BALANCE | INTEREST RATE | INTEREST | BALANCE W/ INTEREST | ACCOUNT BALANCE |
|------------------|-----------------------------------|-----------------------------------|-----------------|----------------|-------------------------|------------------|-----------|------------------------|--------------------|
| DECEMBER 2005 | | | | | | | | | (5,888,674) |
| JANUARY 2006 | 523,322 | 365,771 | (157,551) | (78,776) | (5,888,674) | 4.37% | (21,731) | (179,283) | (6,067,957) |
| FEBRUARY | 500,055 | 365,230 | (134,825) | (67,413) | (6,067,957) | 4.48% | (22,905) | (157,731) | (6,225,688) |
| MARCH | 484,102 | 364,690 | (119,412) | (59,706) | (6,225,688) | 4.55% | (23,832) | (143,245) | (6,368,932) |
| APRIL | 458,985 | 364,152 | (94,833) | (47,416) | (6,368,932) | 4.76% | (25,452) | (120,284) | (6,489,217) |
| MAY | 448,058 | 363,615 | (84,443) | (42,222) | (6,489,217) | 4.87% | (26,507) | (110,950) | (6,600,167) |
| JUNE | 460,804 | 363,079 | (97,725) | (48,862) | (6,600,167) | 4.00% | (22,163) | (119,888) | (6,720,055) |
| JULY | 471,935 | 362,544 | (109,391) | (54,696) | (6,720,055) | 4.00% | (22,583) | (131,974) | (6,852,029) |
| AUGUST | 470,125 | 362,010 | (108,115) | (54,058) | (6,852,029) | 4.00% | (23,020) | (131,136) | (6,983,164) |
| SEPTEMBER | 484,876 | 361,477 | (123,399) | (61,699) | (6,983,164) | 4.00% | (23,483) | (146,882) | (7,130,046) |
| OCTOBER | 460,822 | 360,945 | (99,877) | (49,938) | (7,130,046) | 4.00% | (23,933) | (123,810) | (7,253,856) |
| NOVEMBER | 458,884 | 360,414 | (98,470) | (49,235) | (7,253,856) | 4.00% | (24,344) | (122,814) | (7,376,670) |
| DECEMBER | 501,130 | 359,811 | (141,319) | (70,660) | (7,376,670) | 4.00% | (24,824) | (166,144) | (7,542,814) |
| TOTAL YTD | 5,723,100 | 4,353,738 | (1,369,362) | | | | (284,778) | (1,654,141) | |

Assumptions:

| | Annual Revenues | Forecast Expenses |
|------------------------------------------------|--------------------|----------------------|
| Pension Costs | 4,000,000 | - |
| Capitalized Portion | 16.21% (648,400) | - |
| Shared Service billed to SDGE | 6.12% (244,800) | - |
| Shared Service billed by SDGE | 15.39% 2,616,300 | 15.47% 4,548,180 |
| Depreciation/Return Differential ^{3/} | (194,442) | (194,442) |
| | 5,723,100 | 4,353,738 |

^{1/} Authorized revenues were spread ratably over 12 months.

^{2/} Expenses are spread ratably over 12 months except for the depreciation and return which reflects its cumulative effect.

^{3/} The net impact of the authorized versus forecast for depreciation and return are reflected in the expense column.

SoCalGas
Pension and PBOP Forecast 2006 - 2007

SOUTHERN CALIFORNIA GAS COMPANY
PENSION BALANCING ACCOUNT (2007 Forecast)

page 5

| | Pension Revenues ^{1/} | Pension Expenses ^{2/} | NET ACTIVITY | 1/2 BALANCE | ADD PREVIOUS BALANCE | INTEREST RATE | INTEREST | BALANCE W/ INTEREST | ACCOUNT BALANCE |
|------------------|--------------------------------|--------------------------------|------------------|-------------|----------------------|---------------|------------------|---------------------|-----------------|
| DECEMBER 2006 | | | | | | | | | (7,542,814) |
| JANUARY 2007 | 523,322 | 659,538 | 136,216 | 68,108 | (7,542,814) | 4.00% | (24,916) | 111,300 | (7,431,514) |
| FEBRUARY | 500,055 | 658,997 | 158,942 | 79,471 | (7,431,514) | 4.00% | (24,507) | 134,435 | (7,297,079) |
| MARCH | 484,102 | 658,457 | 174,355 | 87,177 | (7,297,079) | 4.00% | (24,033) | 150,322 | (7,146,758) |
| APRIL | 458,985 | 657,919 | 198,934 | 99,467 | (7,146,758) | 4.00% | (23,491) | 175,443 | (6,971,315) |
| MAY | 448,058 | 657,382 | 209,324 | 104,662 | (6,971,315) | 4.00% | (22,889) | 186,435 | (6,784,880) |
| JUNE | 460,804 | 656,846 | 196,042 | 98,021 | (6,784,880) | 4.00% | (22,290) | 173,753 | (6,611,127) |
| JULY | 471,935 | 656,311 | 184,376 | 92,188 | (6,611,127) | 4.00% | (21,730) | 162,646 | (6,448,481) |
| AUGUST | 470,125 | 655,777 | 185,652 | 92,826 | (6,448,481) | 4.00% | (21,186) | 164,466 | (6,284,015) |
| SEPTEMBER | 484,876 | 655,244 | 170,368 | 85,184 | (6,284,015) | 4.00% | (20,663) | 149,705 | (6,134,310) |
| OCTOBER | 460,822 | 654,712 | 193,890 | 96,945 | (6,134,310) | 4.00% | (20,125) | 173,766 | (5,960,544) |
| NOVEMBER | 458,884 | 654,181 | 195,297 | 97,648 | (5,960,544) | 4.00% | (19,543) | 175,754 | (5,784,790) |
| DECEMBER | 501,130 | 653,578 | 152,448 | 76,224 | (5,784,790) | 4.00% | (19,029) | 133,419 | (5,651,371) |
| TOTAL YTD | <u>5,723,100</u> | <u>7,878,942</u> | <u>2,155,842</u> | | | | <u>(264,399)</u> | <u>1,891,444</u> | |

Assumptions:

| | | Annual Revenues | | Forecast Expenses |
|------------------------------------------------|---------------|------------------------|---------------|--------------------------|
| Pension Costs | | 4,000,000 | | - |
| Capitalized Portion | 16.21% | (648,400) | | - |
| Shared Service billed to SDGE | 6.12% | (244,800) | | - |
| Shared Service billed by SDGE | 15.39% | 2,616,300 | 15.47% | 8,149,596 |
| Depreciation/Return Differential ^{3/} | | | | (270,654) |
| | | <u>5,723,100</u> | | <u>7,878,942</u> |

^{1/} Authorized revenues were spread ratably over 12 months.

^{2/} Expenses are spread ratably over 12 months except for the depreciation and return which reflects its cumulative effect.

^{3/} The net impact of the authorized versus forecast for depreciation and return are reflected in the expense column.

SOCALGAS
INTERIM CALL CENTER MEMORANDUM ACCOUNT (ICCM)
under / (over) collection

2007 Forecast

| Month | Beginning Balance | Authorized Revenue | Forecasted ^U Expenses | under/over Collection | Adjusted Balance | Interest Rate | Interest | Ending Balance | |
|------------|-------------------|--------------------|----------------------------------|-----------------------|------------------|---------------|----------|----------------|-----------|
| 1 | Jan-07 | 998,751 | - | 38,426 | 38,426 | 1,037,177 | 4.00% | 3,393 | 1,040,570 |
| 2 | Feb-07 | 1,040,570 | | 38,426 | 38,426 | 1,078,997 | 4.00% | 3,533 | 1,082,530 |
| 3 | Mar-07 | 1,082,530 | | 38,426 | 38,426 | 1,120,956 | 4.00% | 3,672 | 1,124,628 |
| 4 | Apr-07 | 1,124,628 | | 38,426 | 38,426 | 1,163,055 | 4.00% | 3,813 | 1,166,868 |
| 5 | May-07 | 1,166,868 | | 38,426 | 38,426 | 1,205,294 | 4.00% | 3,954 | 1,209,248 |
| 6 | Jun-07 | 1,209,248 | | 38,426 | 38,426 | 1,247,674 | 4.00% | 4,095 | 1,251,769 |
| 7 | Jul-07 | 1,251,769 | | 38,426 | 38,426 | 1,290,196 | 4.00% | 4,237 | 1,294,433 |
| 8 | Aug-07 | 1,294,433 | | 38,426 | 38,426 | 1,332,859 | 4.00% | 4,379 | 1,337,238 |
| 9 | Sep-07 | 1,337,238 | | 38,426 | 38,426 | 1,375,665 | 4.00% | 4,522 | 1,380,187 |
| 10 | Oct-07 | 1,380,187 | | 38,426 | 38,426 | 1,418,613 | 4.00% | 4,665 | 1,423,278 |
| 11 | Nov-07 | 1,423,278 | | 38,426 | 38,426 | 1,461,704 | 4.00% | 4,808 | 1,466,512 |
| 12 | Dec-07 | 1,466,512 | | 38,426 | 38,426 | 1,504,939 | 4.00% | 4,952 | 1,509,891 |
| 2007 Total | | | - | 461,117 | 461,117 | | | 50,023 | |

^U Expenses consist of \$370,375 of direct labor charges and \$90,742 of overhead costs related to vacation/sick time and payroll taxes.

SOCALGAS
INTERIM CALL CENTER MEMORANDUM ACCOUNT (ICCM)
under / (over) collection

2006 Forecast

| Month | Beginning Balance | Authorized Revenue | Forecasted ^{1/} Expenses | under/over Collection | Adjusted Balance | Interest Rate | Interest | Ending Balance | |
|------------|-------------------|--------------------|-----------------------------------|-----------------------|------------------|---------------|----------|----------------|---------|
| 1 | Jan-06 | 507,623 | - | 38,426 | 38,426 | 546,049 | 4.00% | 1,756 | 547,805 |
| 2 | Feb-06 | 547,805 | | 38,426 | 38,426 | 586,232 | 4.00% | 1,890 | 588,122 |
| 3 | Mar-06 | 588,122 | | 38,426 | 38,426 | 626,548 | 4.00% | 2,024 | 628,572 |
| 4 | Apr-06 | 628,572 | | 38,426 | 38,426 | 666,999 | 4.00% | 2,159 | 669,158 |
| 5 | May-06 | 669,158 | | 38,426 | 38,426 | 707,584 | 4.00% | 2,295 | 709,879 |
| 6 | Jun-06 | 709,879 | | 38,426 | 38,426 | 748,305 | 4.00% | 2,430 | 750,735 |
| 7 | Jul-06 | 750,735 | | 38,426 | 38,426 | 789,162 | 4.00% | 2,566 | 791,728 |
| 8 | Aug-06 | 791,728 | | 38,426 | 38,426 | 830,154 | 4.00% | 2,703 | 832,857 |
| 9 | Sep-06 | 832,857 | | 38,426 | 38,426 | 871,284 | 4.00% | 2,840 | 874,124 |
| 10 | Oct-06 | 874,124 | | 38,426 | 38,426 | 912,550 | 4.00% | 2,978 | 915,528 |
| 11 | Nov-06 | 915,528 | | 38,426 | 38,426 | 953,954 | 4.00% | 3,116 | 957,070 |
| 12 | Dec-06 | 957,070 | | 38,426 | 38,426 | 995,497 | 4.00% | 3,254 | 998,751 |
| 2006 Total | | | - | 461,117 | 461,117 | | | 30,011 | |

^{1/} Expenses consist of \$370,375 of direct labor charges and \$90,742 of overhead costs related to vacation/sick time and payroll taxes.

SOCALGAS
INTERIM CALL CENTER MEMORANDUM ACCOUNT (ICCMA)
under / (over) collection

2005

| Month | Beginning Balance | Authorized Revenue | Recorded ^{1/} Expenses | under/over Collection | Adjusted Balance | Interest Rate | Interest | Ending Balance |
|------------|-------------------|--------------------|---------------------------------|-----------------------|------------------|---------------|----------|----------------|
| Jan-05 | - | - | - | | | | | |
| Feb-05 | - | | | | | | | |
| Mar-05 | - | | | | | | | |
| Apr-05 | - | | | | | | | |
| May-05 | - | | | | | | | |
| Jun-05 | - | | | | | | | |
| Jul-05 | - | | | | | | | |
| Aug-05 | - | | | | | | | |
| Sep-05 | - | | | | | | | |
| Oct-05 | - | | | | | | | |
| Nov-05 | - | | 450,210 | 450,210 | 450,210 | 4.01% | 752 | 450,962 |
| Dec-05 | 450,962 | | 54,974 | 54,974 | 505,936 | 4.23% | 1,687 | 507,623 |
| 2005 Total | | - | 505,184 | 505,184 | | | 2,439 | |

^{1/} Expenses consist of \$406,446 of direct labor charges and \$98,738 of overhead costs related to vacation/sick time and payroll taxes.