

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE TO CUSTOMERS OF PROPOSED RATE INCREASE

State Mandated Natural Gas Social Programs

APPLICATION NO. A.07-12-006

On December 11, 2007, Southern California Gas Company (SoCalGas®), along with San Diego Gas and Electric Company (SDG&E®) and Pacific Gas and Electric Company (PG&E), filed a joint application (A.07-12-006) with the California Public Utilities Commission (Commission) to reallocate among customer classes the way that certain state-mandated social program costs are collected. State-mandated social program charges currently include, among others, costs associated with the California Alternate Rates for Energy, Research, Development and Demonstration, Energy Efficiency, Direct Assistance Program, Self-Generation Incentive Program and Board of Equalization administrative costs to maintain these programs. These state-mandated natural gas social programs are public benefit programs in the form of rate discounts which are funded by customers through natural gas rates, and are currently based on the amount of natural gas consumed. This application proposes that funding be based in proportion to what each customer class pays for basic gas service.

State-mandated social programs are programs where a substantial portion of the benefits accrue to society rather than to a particular customer class. This application represents a more fair allocation of these costs. The costs for these programs have been increasing rapidly in recent years and have led to certain customer classes paying more than others. SoCalGas asserts that this application reallocates the costs of the programs among customer classes in a straightforward and fair manner.

EFFECT ON NATURAL GAS RATES AND BILLS

If the Commission approves this request, a residential customer's monthly bill for 46 therms of gas usage would increase by \$0.40, from \$48.57 to \$48.97. The impact on each customer and customer class will vary depending on individual usage and the Commission's final decision.

If the Commission approves SoCalGas' application, the proposed effect on customer rates by customer class would be allocated as follows:

Present and Proposed Class Average Rates (\$/Therm)

	Present Rate	Proposed Rate	Percent Change
Core Residential	\$1.058	\$1.067	0.8%
Core Commercial	\$0.900	\$0.895	-0.6%
Noncore Commercial/Industrial	\$0.089	\$0.082	-7.9%
Noncore Electric Generator	\$0.039	\$0.039	-1.7%

*The actual number approved by the Commission will include fees paid to cities and local governments.

THE CPUC MAY HOLD EVIDENTIARY HEARINGS

The CPUC may hold evidentiary hearings at which the parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge. These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings. After considering all evidence presented, the Commission will issue a decision. The Commission may approve expenditures that differ from those we request. The actual rates may result in changes greater or less than those described in this notice.

If you would like to participate in the hearings and need assistance, or if you would like to send comments to the Commission, you may write to Commission's Public Advisor's Office, 320 West Fourth St., Suite 500, Los Angeles, CA 90013, or send an e-mail to public.advisor.la@cpuc.ca.gov. Any letters received from you will be circulated to each Commissioner and will become part of the formal correspondence file in this application. In your letter, state that your comments are regarding Application No. A.07-12-006. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

FOR FURTHER INFORMATION

You may view a copy of the application at the address listed below or obtain a copy of the application and related exhibits by writing to: Kari Klobberdanz, Southern California Gas Company, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011. You may also view a copy of the application at the following address: California Public Utilities Commission 505 Van Ness Ave. San Francisco, CA 94102.

The application is available electronically on the SoCalGas Web site: www.socalgas.com/regulatory/cpuc.shtml.

Copies of this insert will be available for viewing and printing on the SoCalGas Web site at www.socalgas.com/regulatory.

