

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE TO CUSTOMERS OF PROPOSED RATE INCREASE

APPLICATION NO. 06-06-017

On June 15, 2006, Southern California Gas Company (SoCalGas®) filed an application (A.06-06-017) with the California Public Utilities Commission (Commission) to collect on an approved incentive under the Gas Cost Incentive Mechanism (GCIM). Under the GCIM program, the Commission approves a “benchmark” price (based on market price) that SoCalGas strives to beat when purchasing natural gas on the open market for its customers. If SoCalGas purchases gas above the benchmark price, then the utility is penalized. If SoCalGas purchases gas below the benchmark, the utility is rewarded.

SoCalGas has been operating under this program for 11 years. Although natural gas prices were higher nationwide last winter, SoCalGas was able to purchase natural gas at \$69.1 million below the market price during this program year, April 1, 2005 to March 31, 2006. This effort helped mitigate price spikes, providing customers a net benefit of \$59.3 million in lower gas costs. The June 15, 2006 filing requests SoCalGas collect from customers \$9.8 million for its shareholders as incentive for purchasing gas below the benchmark price.

WHAT THIS MEANS TO YOU

If the Commission approves SoCalGas’ applications, the proposed impact to each customer class would be allocated as follows:

	\$ (million)	% increase
Residential	\$7.50	1%
Commercial/Industrial	\$2.10	1%
Other Core	\$0.20	2%
Total*	\$9.80**	1%

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

**The total amount of \$9.80 million does not include franchise fees and uncollectibles.

If the Commission approves this request, a residential customer’s monthly summer bill for 32 therms of gas usage would increase by 12 cents, from \$40.81 to \$40.93. Based on a 12-month period, a residential customer’s average monthly bill would increase by 14 cents.

The impact on each customer and customer class will vary depending on individual usage and the Commission’s final decision.

(Continued)

WHAT YOU CAN DO

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:

Gregory Healy
Southern California Gas Company
555 W. Fifth St., 14th Floor, GT14D6
Los Angeles, CA 90013-1011

You may also view a copy of the application at the following address:

California Public Utilities Commission
320 W. Fourth St., Room 500
Los Angeles, CA 90013

Before acting on our application, the Commission may hold formal evidentiary hearings. If hearings are held, they will be open to the public and devoted to analyzing the need for the requested rate increase. At these hearings, the Commission will receive testimony from interested parties who may offer proposals that differ from those requested by SoCalGas. After considering all proposals, the Commission will issue a decision. If you would like to participate in the hearings and need assistance, you may write to the Commission's Public Advisor's Office at the above address or at the following e-mail address: public.advisor.la@cpuc.ca.gov

The Commission welcomes your comments. You may write to the Commission's Public Advisor Office at the address above. 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. 06-06-017. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

A copy of this application is available on the SoCalGas Web site at www.socalgas.com/regulatory/cpuc.shtml.

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

