

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF FILING OF THE GAS COST INCENTIVE MECHANISM (GCIM) APPLICATION NO. A.08-06-016

On June 16, 2008, Southern California Gas Company (SoCalGas®) filed an application (A.08-06-016) with the California Public Utilities Commission (Commission) to collect on an approved incentive as stipulated by the Gas Cost Incentive Mechanism (GCIM). Under the GCIM program, the Commission approves a "competitive benchmark" (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 competitive benchmark within a certain tolerance band, then the utility is penalized. If SoCalGas purchases gas below the competitive benchmark within a certain tolerance band, the utility is rewarded.

SoCalGas has been operating under this program for 14 years. Although natural gas prices were higher last winter, SoCalGas was able to purchase natural gas at \$50.1 million below the competitive benchmark during the program year extending from April 1, 2007 to March 31, 2008. This effort helped mitigate price spikes, providing customers a net benefit of \$43.6 million in lower gas costs. The June 16, 2008 filing requests that SoCalGas collect from customers \$6.5 million for its shareholders as incentive for purchasing gas below the competitive benchmark price.

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

Customer Class	\$ (million)	% increase
Residential	\$5.0	0%
Commercial/Industrial	\$1.4	1%
Other Core	\$.1	1%
Total*	\$6.5**	0%

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

**The total amount of \$6.5 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 would increase by 7 cents, from \$55.60 to \$55.67. Based on a 12-month period, a residential customer's average monthly bill would increase by 9 cents.

(Continued on reverse)

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

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 the 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 the Commission's Public Advisor's Office, 505 Van Ness Ave., San Francisco, CA 94102 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.08-06-016.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Dean Kinports, Southern California Gas Company, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011. SoCalGas' application and attachments may also be inspected at the CPUC office located at 505 Van Ness Ave., San Francisco, CA 94102.

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

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