

SOUTHERN CALIFORNIA GAS COMPANY

NOTIFICATION OF FILING OF THE GAS COST INCENTIVE MECHANISM APPLICATION NO. A.09-06-014

On June 15, 2009, Southern California Gas Company (SoCalGas®) filed an application (A.09-06-014) with the California Public Utilities Commission (CPUC) to collect on an approved incentive as stipulated by the Gas Cost Incentive Mechanism (GCIM). The GCIM is a CPUC-authorized ratemaking mechanism that SoCalGas uses to purchase natural gas on behalf of its core customers. Under the GCIM program, the CPUC 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 15 years. During GCIM year 15, SoCalGas was able to purchase natural gas at \$75.6 million below the competitive benchmark during the program year extending from April 1, 2008 to March 31, 2009. This effort helped mitigate price spikes, providing customers a net benefit of \$63.6 million in lower gas costs. The June 15, 2009 filing requests that SoCalGas collect from customers \$12 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	\$9.4	0.8%
Commercial/Industrial	\$2.6	1.3%
Other Core	\$0.06	3.2%
Total*	\$12.0**	0.9%

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

**The total amount of \$12 million does not include franchise fees and uncollectibles.

If the CPUC approves this request, a residential customer’s monthly summer bill for 32 therms of gas would increase by 12 cents, from \$41.34 to \$41.46. Based on a 12-month period, a residential customer’s average monthly bill would increase by 17 cents.

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

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THE CPUC MAY HOLD EVIDENTIARY HEARINGS

The CPUC may hold Evidentiary Hearings (EHs) whereby parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge (ALJ). The EHs are open to the public, but only those who are formal parties of record can present evidence or cross-examine witnesses during the EHs. Members of the public are welcome to attend the EHs, but they are only allowed to listen. After considering all evidence presented during this process, the ALJ will issue a draft decision. The CPUC may approve the draft decision; it may adopt all or part of the draft; or the assigned Commissioner may issue an alternate decision. The final decision adopted may be different from what SoCalGas proposes in the application filing.

CPUC PROCESS

If you would like additional information on the CPUC process or would like to attend these hearings and need assistance, you can contact the Public Advisor's Office (PAO). You may also send your comments to the PAO at the address Public Advisor's Office, 320 West 4th St., Ste. 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.09-06-014.

FOR FURTHER INFORMATION

You may request additional information or obtain a copy of the application and related exhibits by writing to: Greg Healy, 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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