

SOUTHERN CALIFORNIA GAS COMPANY NOTICE OF FILING OF THE GAS COST INCENTIVE MECHANISM (GCIM) APPLICATION NO. A.10-06-006

On June 14, 2010, Southern California Gas Company (SoCalGas®) filed an application (A.10-06-006) with the California Public Utilities Commission (CPUC) to collect on an approved incentive as specified 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 beyond a certain tolerance band, then the utility is penalized. If SoCalGas purchases gas below the competitive benchmark beneath a certain tolerance band, the utility is rewarded.

SoCalGas has been operating under this program for 16 years. During GCIM year 16, SoCalGas was able to purchase natural gas at \$39.9 million below the competitive benchmark during the program year extending from April 1, 2009 to March 31, 2010. This effort helped mitigate price spikes, providing customers a net benefit of \$33.9 million in lower gas costs. The June 14, 2010 filing requests that SoCalGas collect from customers \$6 million for its shareholders as incentive for purchasing gas below the competitive benchmark price.

EFFECT ON GAS RATES AND BILLS

If this request is approved, the impact on a residential customer’s monthly summer bill for 32 therms of gas will increase by 5 cents/month, from \$33.24 to \$33.29/month. Based on a 12-month period, a residential customer’s average monthly bill will increase by 8 cents. The impact on each customer and customer class will vary depending on individual usage and the final decision.

If approved, the proposed change in rates for each customer class is as follows:

Customer Class	Annual \$ (million) (*)	% Increase
Residential	\$4.2	0.3%
Commercial/Industrial	\$1.6	0.6%
Other Core	\$0.2	2.0%
Total	\$6.0	0.4%

* Excluding franchise fees and uncollectibles.

(Continued on reverse)

FOR FURTHER INFORMATION

You may request additional information by writing to: Jeffery Salazar, 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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CPUC PROCESS

The CPUC may hold Evidentiary Hearings (EHs) whereby parties of record provide testimony and are subject to cross-examination before a CPUC Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has its own court reporters who will record the comments of those formal parties of record participating in the EHs. The Division of Ratepayer Advocates (DRA) is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state to obtain the lowest possible rates for service consistent with reliable and safe service levels. DRA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. After considering all proposals and evidence presented during the formal hearing process, the assigned ALJ will issue a proposed draft decision. When the CPUC issues a final decision on the application, it may adopt, amend or modify all or part of the ALJ's proposed decision as written. The CPUC's decision may be different than SoCalGas' formal request.

If you would like additional information or would like to attend these hearings, you can contact the Public Advisor's Office. You may also send your comments to the Public Advisors' address, 320 West 4th St., Ste. 500, Los Angeles, CA 90013 or send an e-mail to: public.advisor.la@cpuc.ca.gov. Any correspondence received will become part of the formal file in this application. Please reference Application No. A.10-06-006 in any correspondence.

