

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.

CPUC PROCESS

If you wish to comment on this proposed application filing or informally protest this filing as a customer of SoCalGas Company, you can do so by contacting the CPUC's Public Advisor's Office. You may also send an email or written comments to the Public Advisors' address, 320 West 4th St., Ste. 500, Los Angeles, CA 90013, or phone 866-849-8390 or send an email to: public.advisor.la@cpuc.ca.gov. All correspondences received will become part of the formal file in this application. Please reference Application No. A.12-06-005 when emailing or writing. All comments received by the PA0 will be provided to the Commissioners for review.



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SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF FILING OF THE GAS COST INCENTIVE MECHANISM (GCIM) APPLICATION NO. A.12-06-005

On June 15, 2012, Southern California Gas Company (SoCalGas®) filed an application (A.12-06-005) with the California Public Utilities Commission (CPUC) to collect on an approved incentive known as 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 that was originally approved by CPUC Decision 94-03-076. SoCalGas has been operating under this program for 18 years. Core customers are residential customers and qualified commercial and industrial customers (SoCalGas Tariff Rules 1 & 23). 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 in excess of a certain tolerance band, the utility is rewarded.

During GCIM year 18, SoCalGas was able to purchase natural gas at \$37.5 million below the competitive benchmark during the program year extending from April 1, 2011 to March 31, 2012. This effort helped mitigate price spikes, providing customers a net benefit of \$32.1 million in lower gas costs. In compliance with the Commission decision, SoCalGas

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has included a component in its core monthly price representing the GCIM reward that SoCalGas anticipates receiving during the current GCIM period. Using the CPUC's formula to determine the incentive for purchasing gas below the competitive benchmark price, the June 15, 2012 filing requests that the CPUC approve SoCalGas' collection of \$5.4 million from its customers for its shareholders.

EFFECT ON GAS RATES AND BILLS

If this request is approved, the impact on a residential customer's monthly summer bill for 26 therms of gas will increase by 4 cents/month, from \$29.87 to \$29.91/month. Based on a 12-month period, a residential customer's average monthly bill will increase by 6 cents. The price is different because the volumes of gas are different, an average residential customer uses 26 therms/month in the summer, but for a 12-month average residential customers average 38 therms/month. 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	\$3.8	0.3%
Commercial/Industrial	\$1.4	0.5%
Other Core	\$0.2	2.1%
Total	\$5.4	0.3%

* Excluding franchise fees and uncollectibles.

FOR FURTHER INFORMATION

You may request additional information by writing to: Michael Franco, 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 website at: socialgas.com/regulatory/cpuc.shtml.

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EVIDENTIARY HEARINGS

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

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