

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 rulemaking. Please reference Rulemaking No. R.11-02-019 in any correspondence.



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SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF PROPOSED CHANGE IN GAS RATES PIPELINE SAFETY RULEMAKING IMPLEMENTATION PLANS RULEMAKING NO. R.11-02-019

On August 26, 2011, Southern California Gas Company (SoCalGas®) and San Diego Gas & Electric Company® (SDG&E®) jointly filed with the California Public Utilities Commission (CPUC) their Comprehensive Implementation Plan to replace or pressure test all their natural gas transmission pipelines that have not been tested or for which sufficient documentation of testing is not available. The CPUC ordered in Decision 11-06-017 dated June 9th that all California natural gas transmission pipeline operators prepare and submit their Implementation Plans for testing or replacing all transmission pipelines as soon as practicable. At the completion of the implementation period, all California natural gas transmission pipeline segments must be (1) pressure tested, (2) have traceable, verifiable, and complete records readily available, and (3) where warranted, be capable of accommodating in-line inspection devices.

The CPUC opened this Rulemaking on February 24, 2011 to adopt new safety and reliability regulations for natural gas transmission and distribution pipelines and related ratemaking mechanisms. The Rulemaking is a forward-looking effort to establish a new model of natural gas pipeline safety regulations for all pipelines in California. SoCalGas and SDG&E have over 4,000 miles of transmission lines that will be affected by the new regulations. SoCalGas and SDG&E have developed their Implementation Plans as direct-

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ed by the CPUC focusing first on pipeline segments located in populated areas, with pipeline segments in other locations given lower priority for pressure testing or replacement.

SOCALGAS REQUESTS A TOTAL INCREASE OF \$241.1 MILLION TO CARRY OUT THE IMPLEMENTATION PLAN STARTING IN 2012

SoCalGas is requesting a total revenue increase of \$241.1 million over the currently authorized revenues for gas distribution and transmission service as approved in SoCalGas' General Rate Case, with the increase effective in 2012. SoCalGas' Implementation Plan includes: the replacement of natural gas pipelines; hydrostatic testing of natural gas pipelines; interim safety enhancement measures; and consideration of retrofitting pipelines for in-line inspection tools and where appropriate, improved shut off valves.

ESTIMATED IMPACT OF THIS REQUEST ON GAS RATES

SoCalGas has estimated the requested \$241.1 million increase in gas revenues under the proposed rates as shown in the tables below. The actual distribution of the increase to each customer class depends on how the CPUC ultimately decides all issues in the Rulemaking. The Illustrative rates shown below are for the first four (4) years of the Implementation Plan. Rate impacts in subsequent years will be requested in the utility's General Rate Case application or another applicable proceeding. The actual distribution for the required revenues for those future applications will be decided by the CPUC in that future proceeding.

Illustrative Revenue and Proposed Rate Increase Per Customer Class:

Customer Class	Annual \$ (million)	% increase
Residential	\$184.8	13.9%
Small Commercial/ Industrial	\$33.8	11.0%
Natural Gas Vehicles	\$1.2	11.6%
Noncore	\$21.0	11.8%
Other	\$0.2	12.2%
Total	\$241.1	13.2%

If the CPUC approves SoCalGas' request for a gas rate increase, the bill for a typical bundled residential customer under the proposed rate allocation method using 38 therms per month would increase **\$2.92**, or 7.5 percent, from **\$39.08 to \$42.00**. Individual customer bills may differ. Rates would become effective in 2012.

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' Implementation Plan and attachments may also be inspected at the CPUC office located at 505 Van Ness Ave., San Francisco, CA 94102.

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

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