

**SOUTHERN CALIFORNIA GAS COMPANY
NOTICE OF PROPOSED CHANGE IN GAS RATES
STATE MANDATED AB 32 ADMINISTRATIVE FEES
APPLICATION NO. A.10-08-002**

On August 2, 2010, Southern California Gas Company (SoCalGas®), San Diego Gas and Electric Company, Pacific Gas and Electric Company and Southern California Edison Company (the Utilities) jointly filed an application (A.10-08-002) with the California Public Utilities Commission (CPUC) for authority to recover administrative fees paid to the California Air Resources Board (CARB) as a result of the passage of Assembly Bill 32 (AB 32), the Global Warming Solutions Act of 2006. SoCalGas will record these paid administrative fees in a regulatory account for cost recovery in gas rates.

AB 32 legislation requires a reduction of greenhouse gas (GHG) emissions to 1990 levels by 2020. CARB is the state agency that implements the AB 32 program. Additionally, AB 32 authorizes CARB to adopt a schedule of fees to be paid by sources of GHG emissions to support the administrative costs of implementation. In September 2009, CARB adopted an administrative fee schedule. The Utilities anticipate invoicing of the Administrative Fee by CARB in the third quarter of 2010 with payment due in the fourth quarter of 2010. SoCalGas estimates its 2010 CARB fees at \$4.5 million. SoCalGas is seeking recovery of the Administrative Fees paid to CARB in gas rates.

EFFECT ON GAS RATES AND BILLS

If this request is approved, the impact on a residential customer's monthly summer bill for 25 therms of gas will increase by 2.0 cents/month, from \$29.79 to \$29.81/month. Based on a 12-month period, a residential customer's average monthly bill will increase by 3.0 cents/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 costs for each customer class is as follows:

Customer Class	Annual \$ (million)	% Increase
Residential	\$1.9	0.2%
Small Commercial/Industrial	\$0.7	0.3%
Natural Gas Vehicles	\$0.1	0.9%
Large Industrial	\$0.9	1.1%
Electric Generators	\$0.8	1.1%
Other	\$0.1	0.0%
Total	\$4.5	0.2%

(Continued on back)

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.

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

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.10-08-002 in any correspondence.

