

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF PROPOSED RATE DECREASES COST OF CAPITAL PROCEEDING APPLICATION NO. A.12-04-017

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. If you wish to provide public comments regarding this application filing, you can write to the CPUC's Public Advisor's Office (PAO), 505 Van Ness Ave., San Francisco, CA 94102 or by email at public/advisor.la@cpuc.ca.gov. Any correspondence received will become part of the formal file in this application. Please reference Application A.12-04-017 in any correspondence. You may also call the Public Advisor's Office toll free at 1-866-849-8390.

On April 20, 2012, Southern California Gas Company (SoCalGas®) filed its Cost of Capital (COC) Application No. A.12-04-017 with the California Public Utilities Commission seeking approval of its proposed cost of capital for 2013. In this proceeding, the Commission determines the appropriate rate of return necessary to attract capital at reasonable rates and compensate the utility for business and financial risks. SoCalGas requested adjustments to its capital structure and the authorized costs of debt, preferred stock and return on equity. The overall rate of return is requested to decrease from 8.68 percent to 8.42 percent, and includes an increase in the return on common equity from 10.82 percent to 10.90 percent. The company also proposes to modify its cost of capital automatic adjustment mechanism for use through 2015, and to revise its rates for natural gas transportation service accordingly, effective January 1, 2013.

ILLUSTRATIVE IMPACT ON GAS RATES AND BILLS

In this Application, SoCalGas proposes a decrease in overall transportation revenues of \$1.43 million, or 0.07 percent for 2013. This overall decrease would only apply to the transportation component of a total



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gas bill. A summary of the proposed rates for the various customer classes for 2013 are shown below:

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Illustrative Change in Class Average Rates Due to Proposed COC Effective January 1, 2013

Customer Class	Present Rates (¢/th)	Proposed Rates for 2013 (¢/th)	¢/therm Change (¢/th)	% Change Rates
Residential (Core)*	54.427	54.386	-0.040	-0.07%
Average Residential Bill \$/month	\$39.63	\$39.62	-\$0.01	-0.03%
Commercial/Industrial (Core)*	29.905	29.881	-0.024	-0.08%
(Noncore Distribution Level Service)**				
Commercial/Industrial	6.810	6.803	-0.006	-0.09%
Electric Generation	2.955	2.951	-0.004	-0.13%
Transmission Level Service ***	1.728	1.725	-0.003	-0.15%
Backbone Transmission Service****	11.042	11.042	0.000	0.00%

* Core customers generally use smaller quantities of gas and the utility purchases their gas.

** Noncore customers are generally large gas users who purchase their own natural gas supplies for SoCalGas to transport.

*** Transmission Level Service is for noncore service on the Local Transmission System from the SoCalGas Citygate.

**** Backbone Transmission Service are rights that customers may purchase to transport gas over the SoCalGas backbone system to the SoCalGas Citygate. Core customers who purchase gas supplies from SoCalGas will have this charge included in the gas commodity rate. Customers that do not purchase gas supplies from SoCalGas may purchase these rights directly from SoCalGas.

A typical monthly bill for a residential customer using 38 therms per month will decrease 0.03 percent from \$39.63 at present rates to \$39.62 in 2013.⁽¹⁾

⁽¹⁾ These monthly bill estimates include charges for transportation, Public Purpose Program Surcharges and natural gas commodity and Backbone Transmission Service.

The impact on each customer and each customer class could vary depending on individual usage and the Commission's final decision.

FOR FURTHER INFORMATION

You may view a copy of the application at the address listed below or obtain a copy of the application and related exhibits by writing to: Ronald van der Leeden, 2013 Cost of Capital Director, Southern California Gas Company, 555 W. Fifth St., GT15C2, Los Angeles, CA 90013-1011. The application is available electronically on the SoCalGas website: socialgas.com/regulatory/cpuc.shtml.

Copies of this insert will be available for viewing and printing on the SoCalGas website at socialgas.com/regulatory.

You may also view a copy of the application at the California Public Utilities Commission, 505 Van Ness Ave., San Francisco, CA 94102 Monday through Friday between the hours of 8:00 a.m. and noon.

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

(Continued on back)