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SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF PROPOSED RATE DECREASE

APPLICATION NO. A.06-08-026

On August 28, 2006, Southern California Gas Company (SoCalGasSM) filed an application (A.06-08-026) with the California Public Utilities Commission (Commission) to revise its rates for gas service. Specifically, this application proposes to revise SoCalGas' rates consistent with a settlement agreement reached with plaintiffs in class-action litigation related to the Western U.S. energy crisis in 2000-01 and with Southern California Edison Company. These settlements address a number of structural changes to the gas operations of SoCalGas and propose to combine the core gas procurement functions of SoCalGas and San Diego Gas and Electric Company. SoCalGas believes the proposed combined core portfolio will provide long-term economic benefits to core customers of both utilities by providing reduced costs of regulation, increased supply diversity and reduced administration costs. The combination of the gas procurement functions provide the only immediate direct impact on rates in A.06-08-026.

In this application, SoCalGas proposes an overall rate decrease in gas transportation rates of \$8.0 million, or 0.6% for SoCalGas customers. A typical winter residential bill for a SoCalGas residential customer using 75 therms will decrease by \$0.15 under the proposed rates, from the average of \$91.61 under present rates. Proposed rates on average for SoCalGas' commercial and industrial customers, Gas Air Conditioning customers, and Gas Engine customers will also decrease.

WHAT THIS MEANS TO YOU

The following table shows the transportation revenue impact (excluding franchise fees and uncollectibles) of SoCalGas' proposal to each customer class:

Customer Class	Present Revenues (\$ Millions)	Proposed Estimated Revenues (\$ Millions)	Percent Change in Revenues
Residential Core	\$1,074,264	\$1,066,915	-0.7%
Commercial/Industrial (Core)	\$221,615	\$220,956	-0.3%
Commercial/Industrial (Noncore)	\$95,036	\$95,036	0%
Electric Generation	\$129,319	\$129,319	0%
Wholesale	\$52,621	\$52,621	0%
International	\$1,235	\$1,235	0%
Net PPP Revenues*	\$224,221	\$224,221	0%

* PPP stands for the Public Purpose Programs surcharge. The revenues fund certain state-mandated programs. Including income-qualified subsidy programs, conservation and research and development.

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

WHAT YOU CAN DO

Before acting on SoCalGas' application, the Commission may hold formal evidentiary hearings that will be open to the public and devoted to analyzing the need for the requested changes. At these hearings, the Commission will accept testimony from SoCalGas and other interested parties who may offer proposals that differ from those requested by SoCalGas. After considering all the proposals, the Commission will issue a decision.

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:

Gregory Healy
Southern California Gas Company
555 W. Fifth St., 14th Floor , GT14D6
Los Angeles, CA 90013-1011

You may also view a copy of the application at the following address:

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102

If you would like to participate in the hearings and need assistance, or if you would like to send comments to the Commission, you may write to Commission's Public Advisor's Office, 320 West Fourth St., Suite 500, Los Angeles, CA 90013, or send an e-mail to public.advisor.la@cpuc.ca.gov.

Any letters received from you will be circulated to each Commissioner and will become part of the formal correspondence file in this application. In your letter, state that your comments are regarding Application No. 06-08-026. Please indicate if you would like a response to your letter. Otherwise, none will be sent.