

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE TO CUSTOMERS OF PROPOSED RATE INCREASE

APPLICATION NO. A.07-06-021

On June 15, 2007, Southern California Gas Company (SoCalGas®) filed an application (A.07-06-021) with the California Public Utilities Commission (Commission) to collect an approved incentive under the Gas Cost Incentive Mechanism (GCIM). Under the GCIM program, the Commission approves a “benchmark” price (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 benchmark price, then the utility is penalized. If SoCalGas purchases gas below the benchmark, the utility is rewarded.

SoCalGas has been operating under this program for 13 years. SoCalGas was able to purchase natural gas at \$57.7 million below the market price during this program year, April 1, 2006 to March 31, 2007. This effort helped mitigate price spikes, providing customers a net benefit of \$48.8 million in lower gas costs. The June 15, 2007 filing requests SoCalGas collect from customers \$8.9 million for its shareholders as incentive for purchasing gas below the benchmark price.

WHAT THIS MEANS TO YOU

If the Commission approves SoCalGas’ application, the proposed impact to each customer class would be allocated as follows:

| Customer Class | \$ (million) | % increase |
|-----------------------|---------------------|-------------------|
| Residential | \$6.8 | 1% |
| Commercial/Industrial | \$1.9 | 1% |
| Other Core | \$0.2 | 2% |
| Total* | \$8.9 | 1% |

*The actual number approved by the Commission will include fees paid to cities and local governments.

If the Commission approves this request, a residential customer’s average monthly summer bill for 32 therms of gas usage would increase by 9 cents, from \$40.78 to \$40.87. Based on a 12-month period, a residential customer’s average monthly bill would increase by 13 cents.

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

WHAT YOU CAN DO

Before acting on our application, the Commission may hold formal evidentiary hearings. If hearings are held, they will be open to the

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public and devoted to analyzing the need for the requested rate increase. At these hearings, the Commission will receive testimony from interested parties who may offer proposals that differ from what is requested by SoCalGas. After considering all proposals, the Commission will issue a decision.

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 the Commission's Public Advisor's Office at the following mail or e-mail address:

CPUC, Public Advisors Office, 320 West Fourth St., Suite 500,
Los Angeles, CA 90013

E-mail: Public.advisor.la@cpuc.ca.gov

If public participation hearings are held to gather additional comments from customers, notice of the dates, times and locations will be provided to you by separate notice. Any letters received from you will be circulated to the five Commissioners and will become part of the formal correspondence file in this application. In your letter, state that you are writing in regard to Application No. 07-06-021. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

You may inspect a copy of the application at the address listed below or obtain a copy of the application by writing to:

Kari Kloberdanz, Southern California Gas Company, 555 W. Fifth St., GT14D6, Los Angeles, CA 90013-1011.

You may also view a copy of the application at the company web site: www.socalgas.com/regulatory/cpuc.shtml.

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.

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

