

SOUTHERN CALIFORNIA GAS COMPANY
NOTICE OF PROPOSED RATE INCREASE
Biennial Cost Allocation Proceeding (BCAP)
APPLICATION NO. A.08-02-001

On February 4, 2008, Southern California Gas Company (SoCalGas®) filed its BCAP Application No. A.08-02-001 ("Application") with the California Public Utilities Commission ("Commission") to revise its rates for natural gas transportation service, effective January 1, 2009.

SoCalGas proposes in this application both embedded cost-based rates and marginal cost-based rates. Embedded cost-based rates rely generally on the historical costs of SoCalGas to provide service. Marginal cost-based rates rely generally on forecasted future costs of SoCalGas to provide service. The Commission will select one of these proposals for allocating costs to customer classes when it establishes new SoCalGas rates.

EFFECT ON GAS RATES AND BILLS

In this application, SoCalGas proposes an increase in overall transportation revenues of \$67 million based on embedded cost-based rates, or an increase in overall transportation revenues of \$48 million using marginal cost-based rates. These are percentage increases of 4% and 3.4%, respectively, and would only apply to the transportation component of a total gas bill. The residential rate increase is due to updating the allocation of customer, distribution and transmission costs, as well as a proposal to reduce a subsidy to residential customers that is currently paid for by small commercial customers. A typical monthly winter

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bill for a residential customer using 75 therms per month will increase by \$0.71 per month under embedded cost-based rates, and increase \$0.58 per month under marginal cost-based rates from the average of \$94.14 per month under present rates (1). Proposed rates for small business and industrial customers are lower primarily due to higher forecasted consumption partially offset by higher allocation of costs. Proposed rates for large commercial and industrial customers are lower primarily due to lower forecasted consumption more than offset by lower allocation of costs. Proposed rates for electric generators are lower primarily due to lower forecasted consumption more than offset by lower allocation of costs.

(1) These monthly bill estimates include charges for transportation, Public Purpose Program Surcharges and natural gas commodity and Firm Access Rights.

SOUTHERN CALIFORNIA GAS COMPANY
Illustrative Change in Class Average Rates
Due to Proposed BCAP Effective January 1, 2009

Customer Class	Present Rates (¢/therm)	Proposed Rates Using Embedded Costs (¢/therm)	% Change Rates	Proposed Rates Using Marginal Costs (¢/therm)	% Change Rates
Residential (Core)*	45.6	48.8	6.9%	47.0	3.1%
Commercial/Industrial (Core)*	28.9	25.7	-11.1%	27.1	-6.4%
Commercial/Industrial (Noncore)*	6.3	4.3	-31.6%	5.0	-21.2%
Electric Generation	3.5	3.1	-10.9%	3.0	-13.9%
Wholesale & International	1.3	2.0	50.5%	2.0	47.7%
Firm Access Rights***	n/a	0.5	n/a	0.5	n/a

* Core customers generally use smaller quantities of gas.

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

*** Firm Access Rights are rights that customers may purchase for firm access into the SoCalGas system. 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.

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

THE CPUC MAY HOLD EVIDENTIARY HEARINGS

The CPUC may hold evidentiary hearings where the parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge. These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings. After considering all evidence presented, the Commission will issue a decision. The Commission may approve expenditures that differ from those we request. The actual rates may result in changes greater or less than those described in this notice.

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, 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. 08-02-001. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

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: Beth Musich, 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 following address:

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

The application is available electronically on the SoCalGas Web site: 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.

