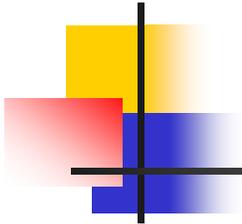


IEPR 2010 California Gas Report Demand Forecast Overview August 30, 2010



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	CALIFORNIA GAS REPORT		2010

Prepared by the California Gas and Electric Utilities

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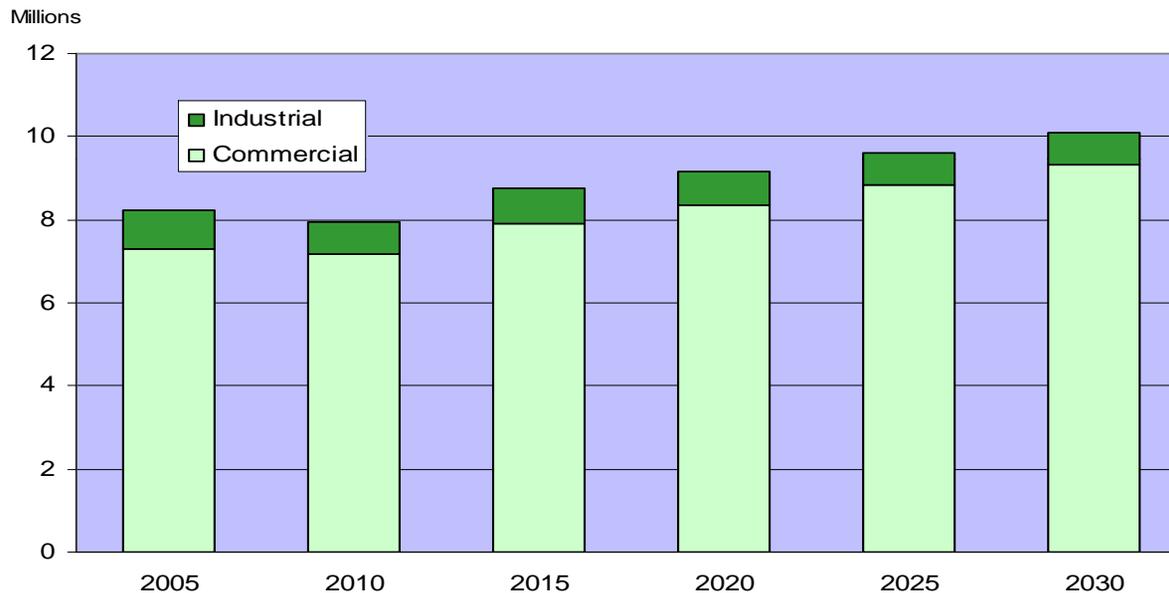
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Southern California Economic Outlook

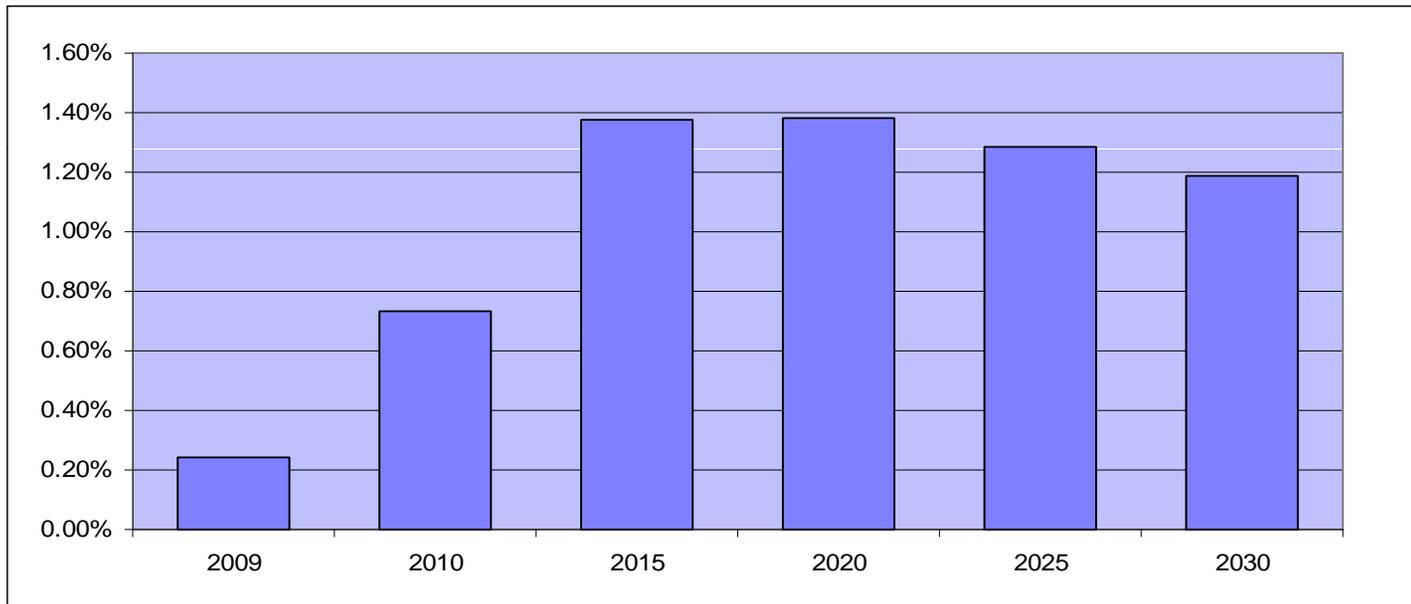
- Projected new housing is the main driver of forecasted residential customer and demand growth.
- Projected economic employment growth is the main driver for the Commercial and Industrial demand forecasts.
- From 2010 to 2030, annual employment growth is forecasted to average **1.1% in SoCalGas' area and 1.5% in San Diego County.**
- Next few years should see recovery from current downturn.
- Long-term growth trend slows as Baby Boomers retire.
- Long-term job growth should stay slightly stronger than the US average, with continuing foreign immigration of relatively younger workers into Southern California

Southern California Employment is Projected to Grow at 1.2% Per Year from 2010 to 2030

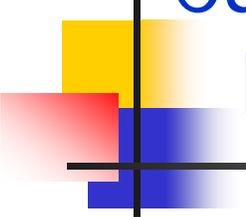


- Industrial employment to remain virtually flat.
- Commercial jobs to grow 1.3% per year.

SoCalGas' and SDG&E's Customer Base is Projected to Grow at an Annual Rate of 1.3% from 2010 to 2030



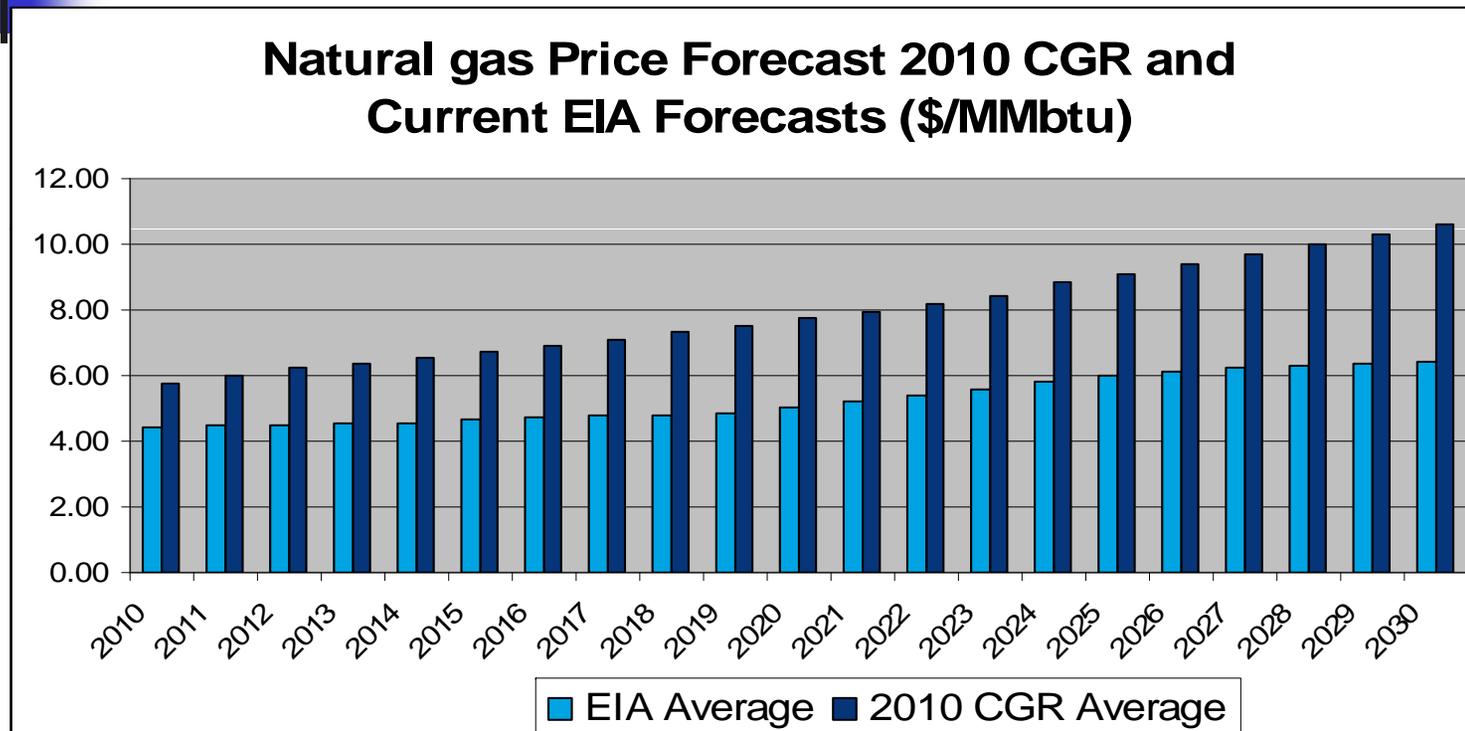
- 2010 Active Meters totaled 5,480,355.
- 2010 SDG&E Meters Totaled



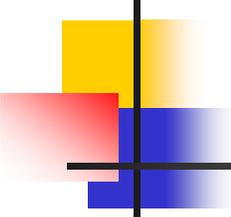
Current Cost of Gas is more than \$2/MMBtu lower than forecasted in the 2010 CGR.

- The Short-term CGR forecast was developed in March 2010 when futures prices for summer 2010/Winter 2010-2011 were \$5.50 and \$6.50/MMBtu, respectively
- Now, futures prices for Fall 2011/Winter 2011-2012 are \$3.91 and \$4.39 \$/MMBtu, respectively
- Increased supplies of shale-based and LNG Gas supplies have reduced the price outlook significantly.

Projected WACOG 2010 CGR and Current EIA Forecasts



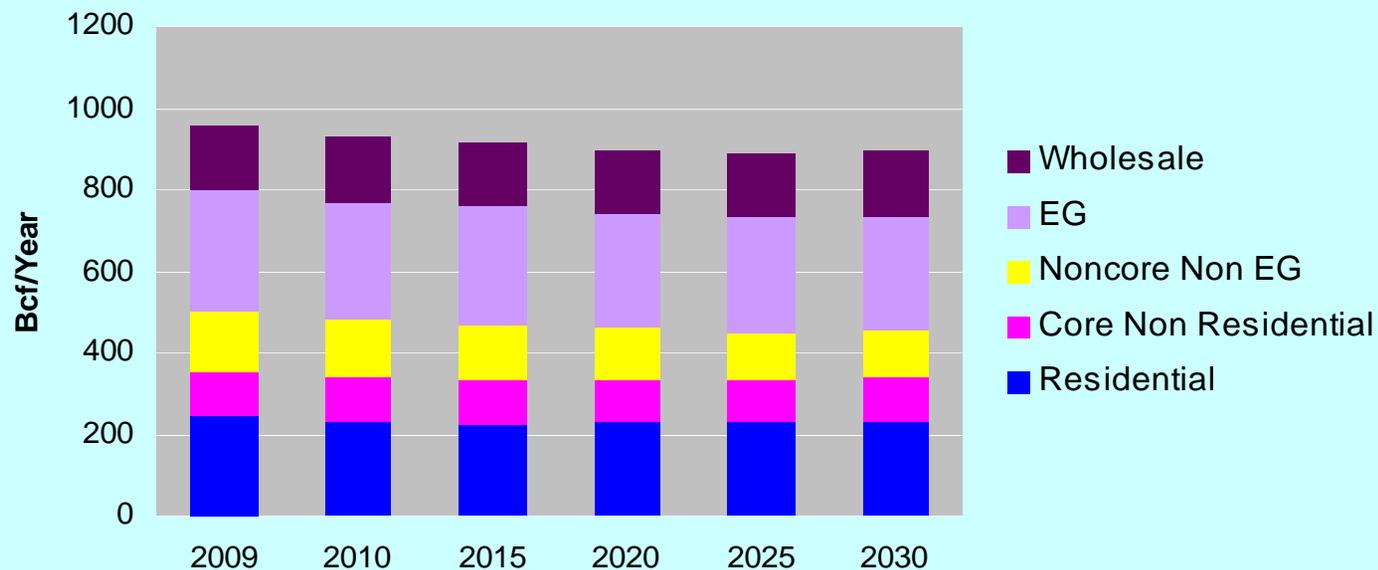
Short-term: Futures prices at the Southern California Border were taken during March 2010, and are about 30% for lower if taken today and about 50% lower in the long term.



SoCalGas Demand Forecast Summary

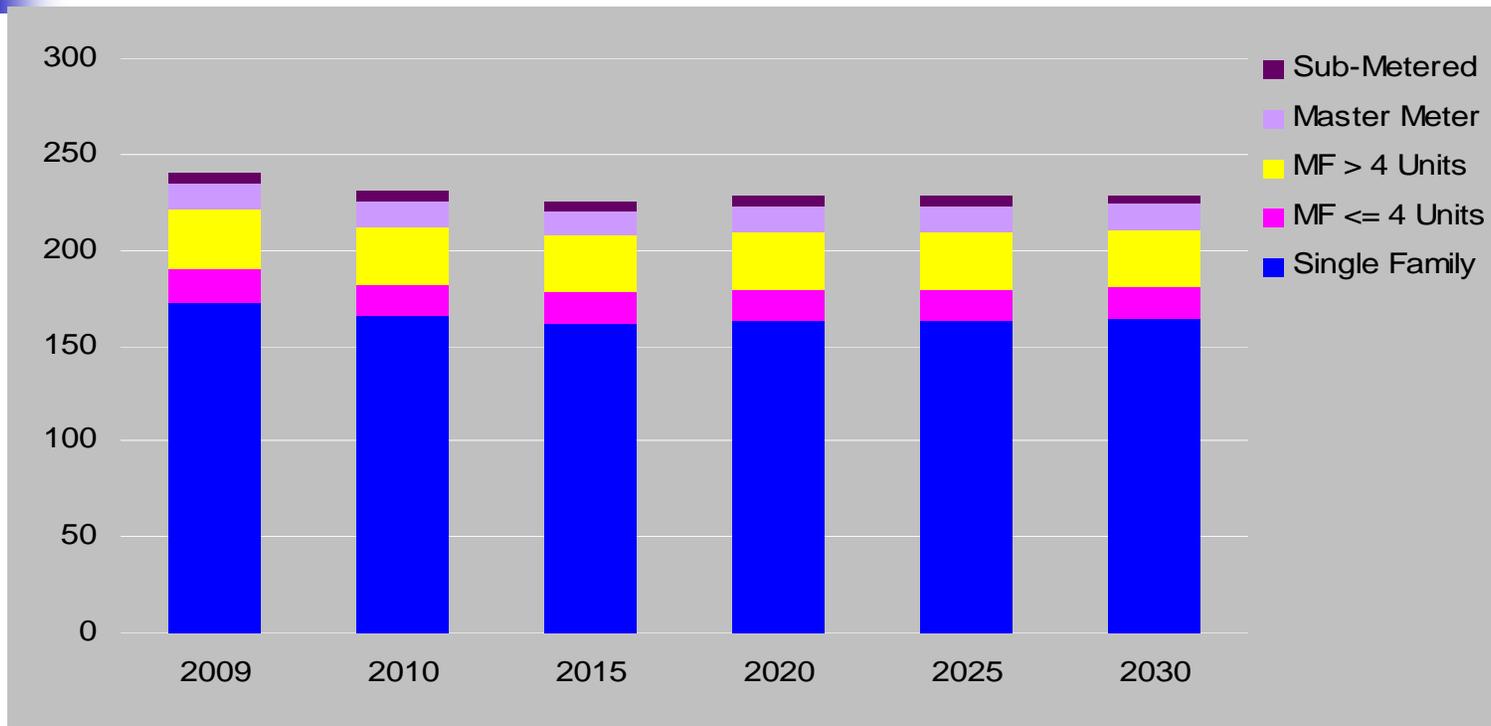
- Total average annual demand *declines* from 2010 to 2030 at a modest 0.23% per year. Combined residential, commercial and industrial loads are expected to *decline* at 0.32% annually due to modest meter growth, slow employment growth, aggressive energy efficiency programs, and customer transfers to wholesale service by the City of Vernon.
- Non-Cogen EG is expected to show very modest **decline** at 0.12% annually from 2010 to 2030 as growth in renewable power occurs.
- NGV is the only market with strong growth potential.
- **Currently forecasted lower natural gas prices could increase core demand by 4% to 5%.**

SoCalGas Demand Forecast Summary

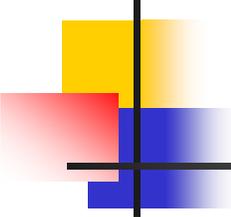


- Expected total demand growth is -4.4% for the forecast period instead of 0.02% growth estimate in the 2008 CGR.

SoCalGas' Residential Gas Demand



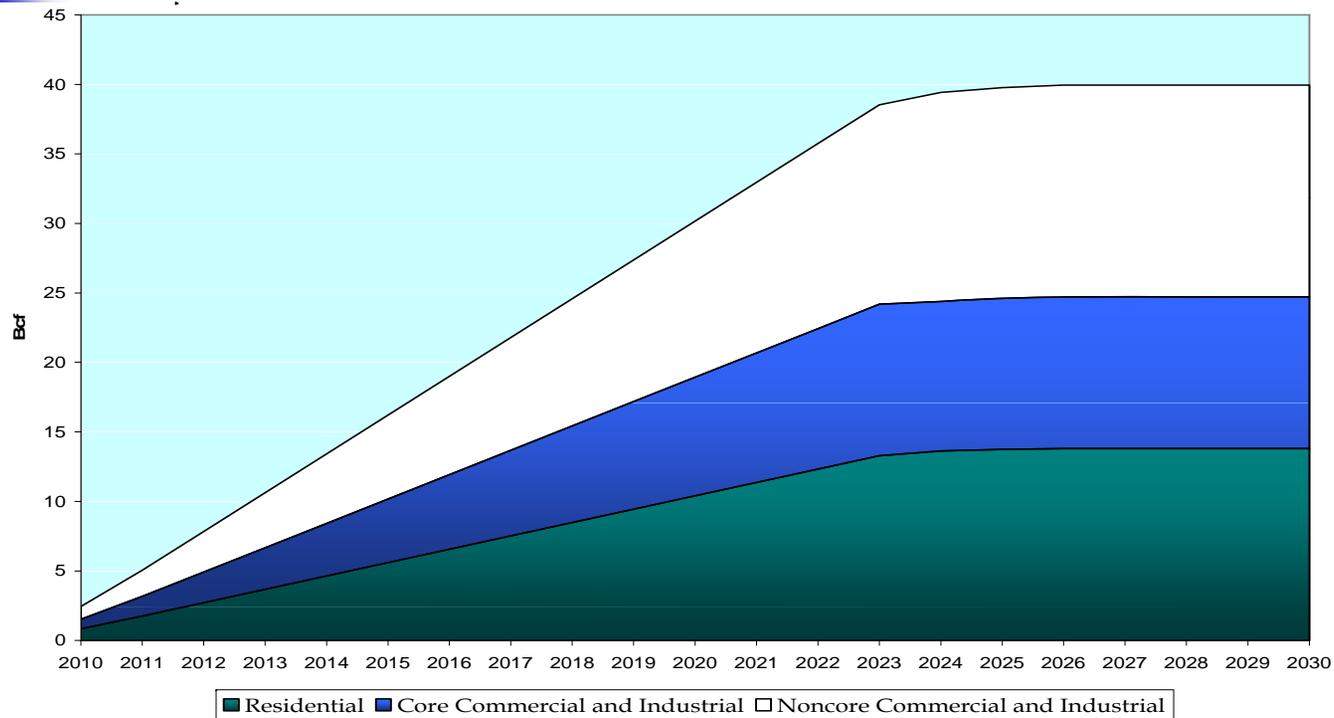
- Expected residential demand growth is -0.05% per year from 2010 to 2030.



Energy Efficiency Programs

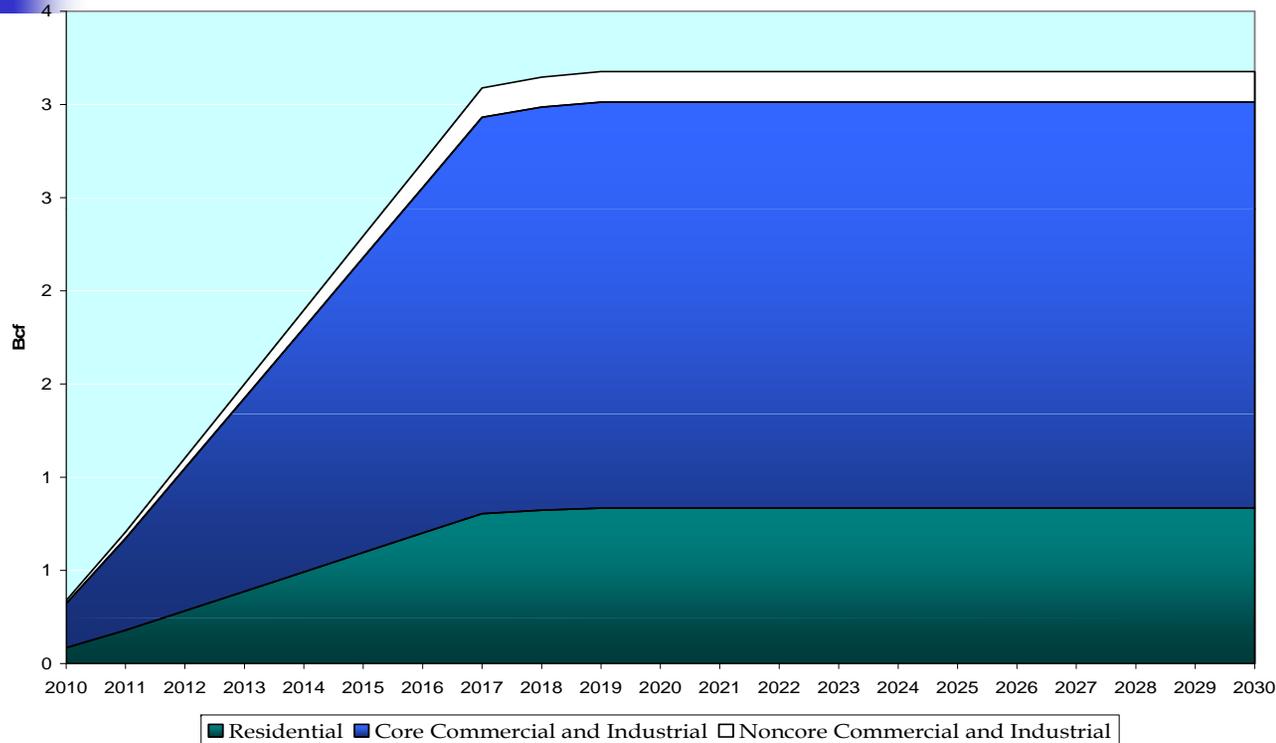
- Savings and Goals of EE programs are based on proposed 2010-2012 Energy Efficiency program . The details are contained in A.08-07-022.
- Savings reported are for measures installed under SoCalGas' EE programs and only for the lives of the measures installed.
- Measures with useful lives less than the forecast planning period fall out of the EE forecast when their expected life is reached. Average measure life for SoCalGas is 15 years; where as average measure life for SDG&E is 10 years.
- Naturally occurring conservation not attributable to SoCalGas' and SDG&E's EE programs are not included in the EE forecast.
- Naturally occurring conservation is captured by SoCalGas' & SDG&E's end-use models.
- The current diversion of energy efficiency funds to the state general fund could slow statewide gas energy efficiency savings.

SoCalGas' Energy Efficiency Goals



- Total savings is not significantly different from the one submitted on June 23, 2008.

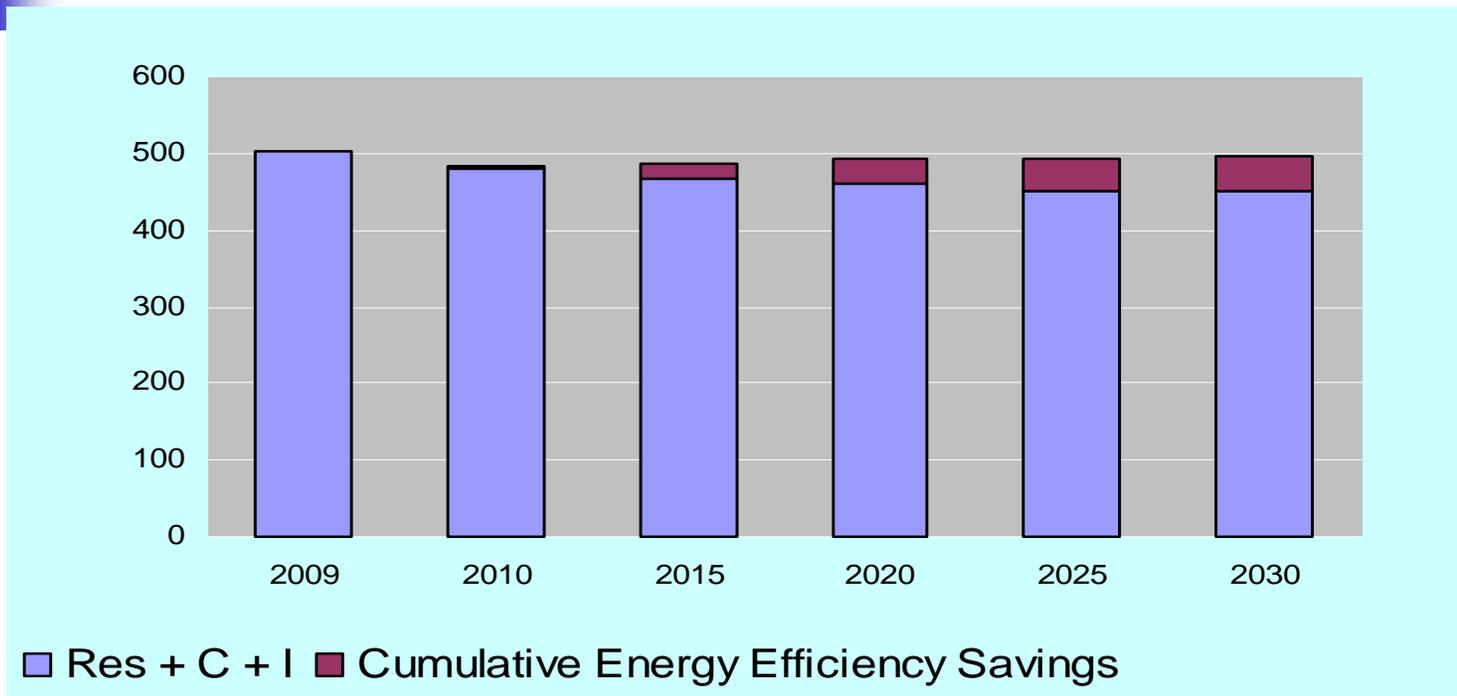
SDG&E's Energy Efficiency Goals



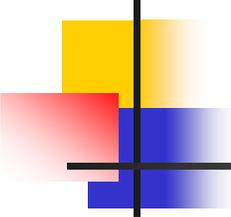
- Core C&I programs still have the bulk of the EE savings.

Energy Efficiency Cumulative Savings Reduces Total Retail and Non-EG load by 6% by 2030

Goal on goal basis \

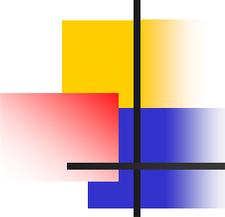


- Over the forecast horizon, EE goal is expected to reduce residential and C&I projected demand by 6%.



SoCalGas' Electric Generation Demand

- The EG forecast is surrounded by much uncertainty, given electricity demand, relatively few customers with potential large swings in usage, and sensitivity to changes in assumptions regarding new entrants.
- Electric demand forecast was agreed to by IOUs/CEC/CPUC
 - California Energy Commission's (CEC) California Energy Demand 2010-2020, Staff Adopted Forecast
- Renewable energy sources' share of California power generation
 - 33% by 2020 for the entire State of California
 - 70% of the incremental renewable power will be located in Southern California
 - Maintained at 33% after 2020



SoCalGas' Gas-Fired Electric Generation Demand

Additional gas-fired generation capacity added in the service areas:

In SoCalGas' service territory, approximately 5,500 MW of new thermal resources were added by 2020, and about 8,600 MW of older plants were retired.

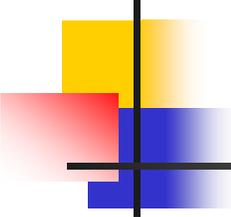
In SDG&E's service territory, approximately 750 MW of new thermal resources were added by 2020, and about 1,400 MW of older plants were retired.

This forecast assumes the shutdown of units from the state's new once-through-cooling (OTC) regulation by 2020.

Major transmission capacity into Southern California

Blythe Transmission Upgrade (2010)

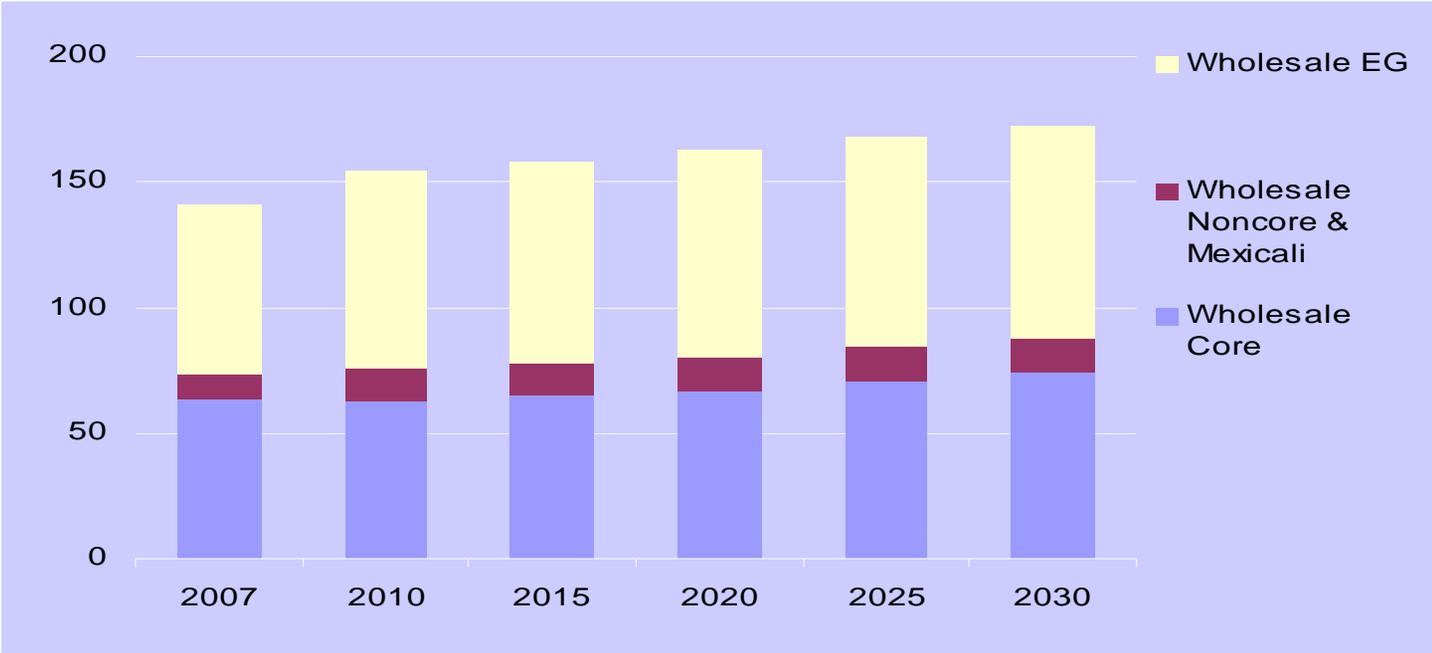
Sunrise Power Link (2012)



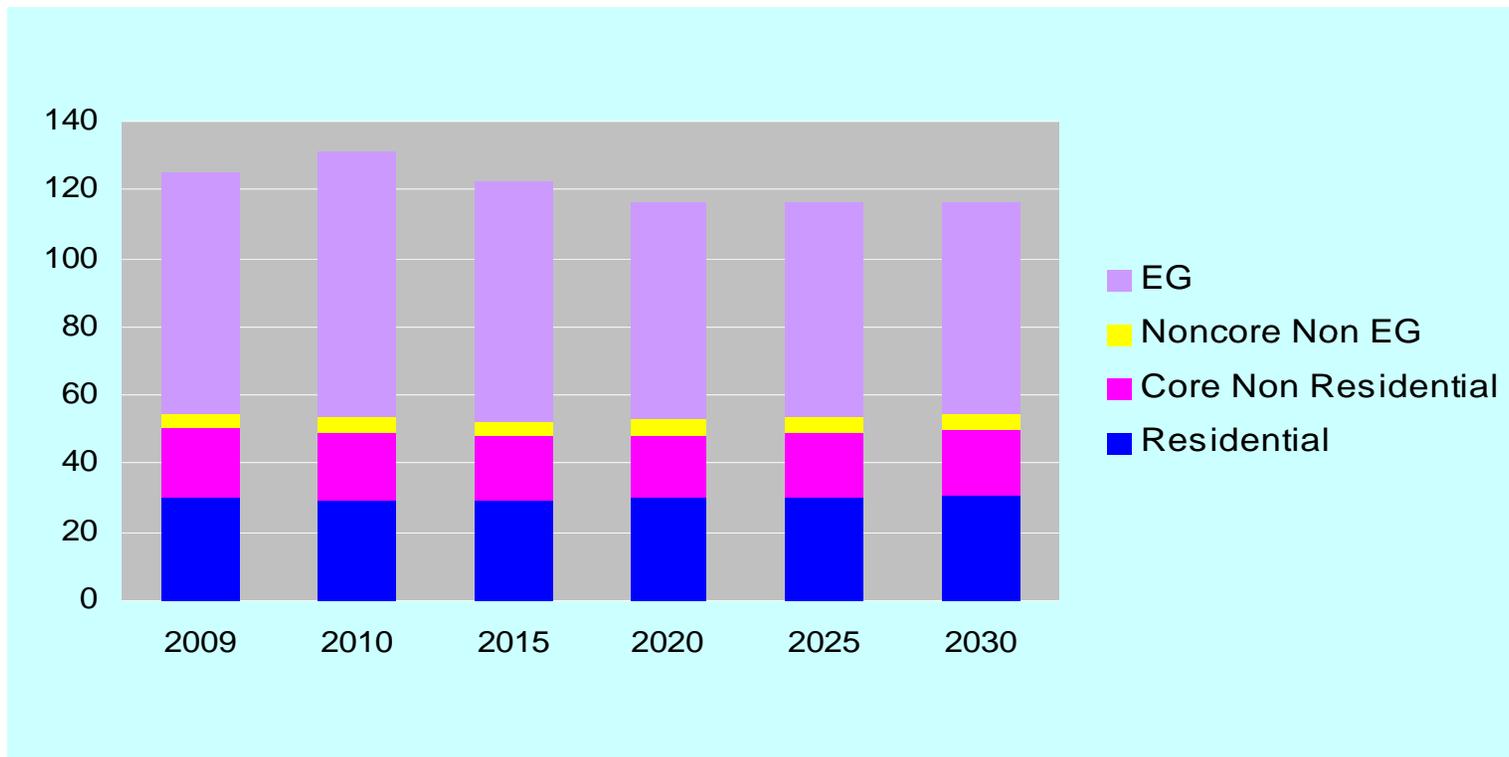
SoCalGas' Electric Generation Demand

- For non-cogeneration EG, gas demand is forecast to be relatively flat from 192 Bcf in 2010 to 187 Bcf in 2020.
- EG gas demand is held constant at 2020 level through 2030.
- Depending on the outcome concerning OTC plants, the EG gas demand could vary significantly in future years.
- 1-in-10 dry hydro scenario shows an average of 30 BCF of additional SoCalGas EG load per year.

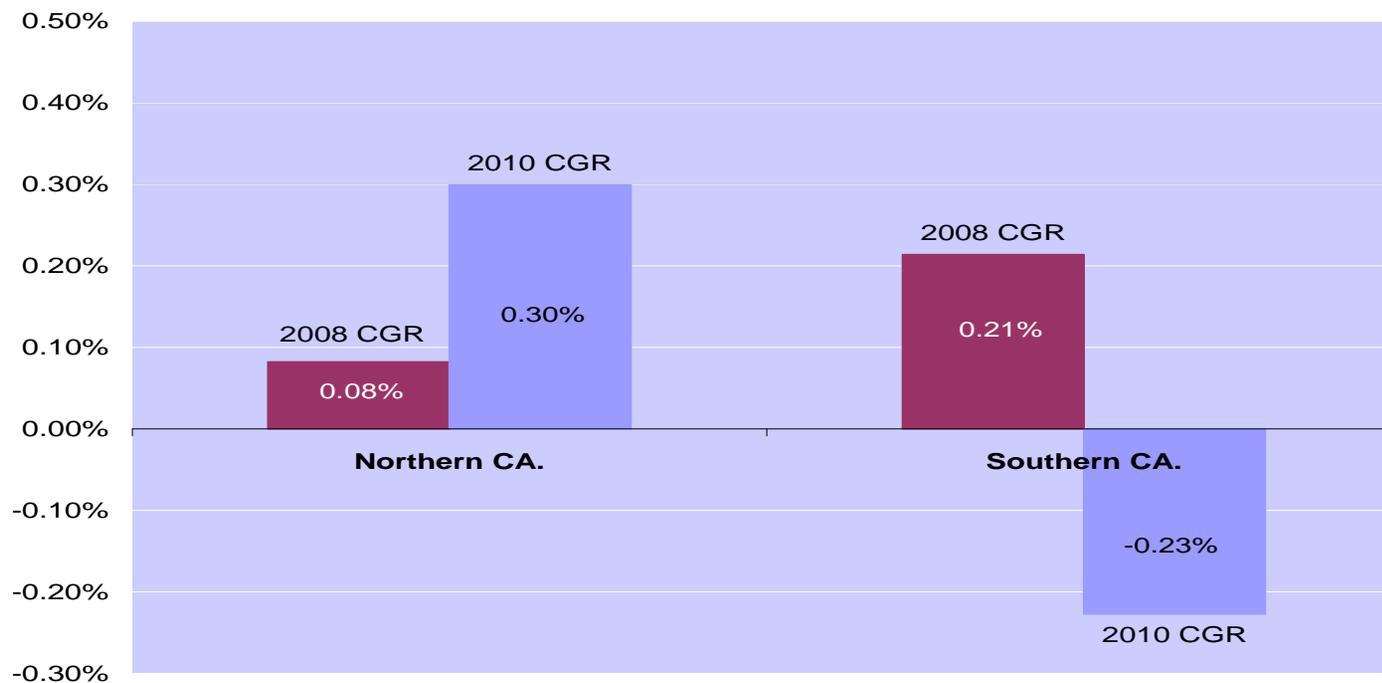
SoCalGas' Wholesale Demand Growth



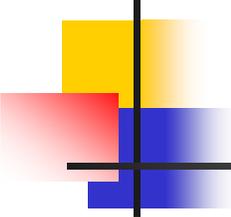
SDG&E's Demand Growth is Driven Mostly by EG Demand



The 2010 CGR is Projecting Modest Gas Demand Growth for California



- From 2010 to 2030, projected gas demand is growing at an annual average rate of 0.30% for Northern CA and -0.23% for Southern CA.



Summary

- Core gas demand is forecasted to decline due the housing slump in the next few years, low employment forecast and aggressive energy efficiency programs.
- EG gas demand is to remain relatively flat in the medium to long-term although this forecast is more uncertain due to possible bypass, the on-line dates and location of new power plants, renewable energy goals, and varying hydro conditions.
- Energy efficiency programs will have a significant cumulative gas demand reduction effect in the commercial and industrial market segments.