

Southern California Gas Company's and San Diego Gas & Electric Company's Comments by Herb Emmrich

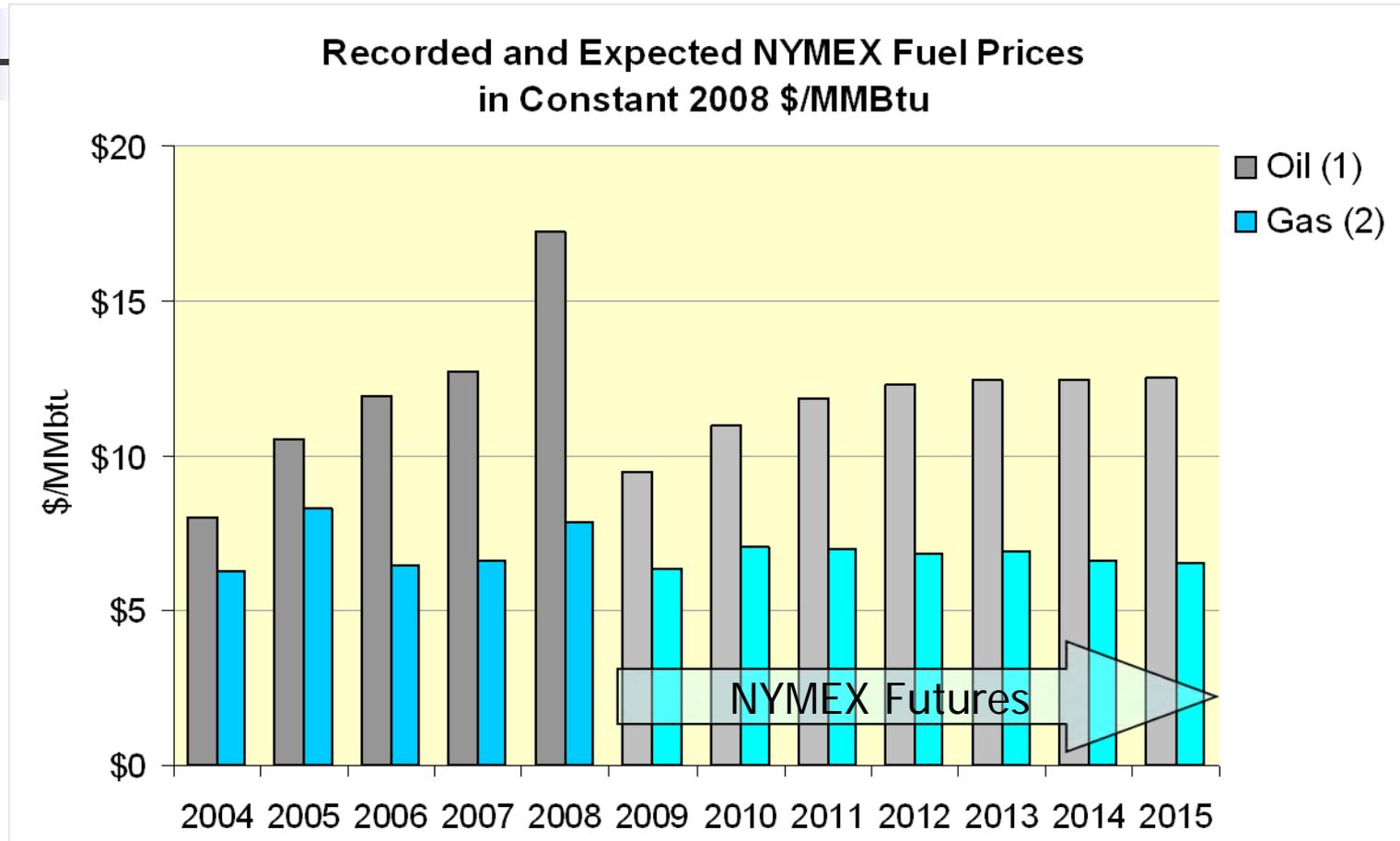
Natural Gas Working Group CEC/CPUC/Utilities/Public

Sacramento, California
December 4, 2008

Natural gas price hits bottom

- SoCalGas border prices cash price index for November 2008 has fallen to \$3.70/MMBtu from \$10.40/MMBtu in just four months. The low California gas price reflects depressed prices in producing regions in the Rocky Mountain, San Juan basin, Permian basin, and Panhandle basin areas.
- On the national level, NYMEX natural gas futures prices have dropped to just \$6.40/MMBtu for January and February 2009 delivery at Henry Hub and continue to stay low at about the \$6.70/MMBtu level throughout the spring and summer months.
- Current gas price drops are driven by mild summer weather, high storage levels, low crude oil prices at \$50/Bbl and an economic slowdown in consumer spending due to the sliding stock market, falling home values and high unemployment outlook.
- As a result of the credit crunch, rising production costs, and weakening natural gas prices, many producers are slowing down drilling, or are halt production to reduce expenditures.

SoCalGas/SDG&E Gas Price Forecast



- (1) West Texas Intermediate crude oil heat content at 5.8 million Btus per Barrel.
- (2) Clearport @ SoCal border.



SoCalGas Service Area NYMEX Natural Gas Futures Prices

NYMEX NATURAL GAS FUTURES

Traded 11/20/08

NYMEX Natural Gas Futures

03 Month Strip	\$6.3830	-0.4193
06 Month Strip	\$6.4187	-0.3921
12 Month Strip	\$6.6614	-0.3618
18 Month Strip	\$6.9974	-0.3332

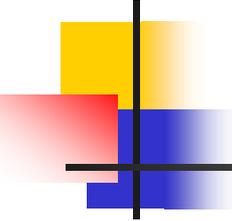
<u>Month</u>	<u>Open</u>	<u>High</u>	<u>Low</u>	<u>Last</u>	<u>Change</u>
DEC	6.734	6.820	6.201	6.316	-0.427
JAN	6.831	6.871	6.275	6.386	-0.427
FEB	6.805	6.906	6.370	6.447	-0.404
MAR	6.861	6.861	6.320	6.442	-0.379
APR	6.810	6.810	6.345	6.427	-0.359
MAY	6.690	6.691	6.464	6.494	-0.357
JUN	6.802	6.803	6.565	6.614	-0.347
JUL	6.990	7.860	6.691	6.749	-0.337
AUG	6.941	6.960	6.805	6.849	-0.332
SEP	7.171	7.995	6.821	6.894	-0.330
OCT	7.218	7.218	6.959	6.982	-0.329
NOV	7.424	7.457	7.237	7.337	-0.314



Winter 2008/2008 Residential Gas Bills

Residential gas bills are forecasted to decrease by 10% over last winter's bills

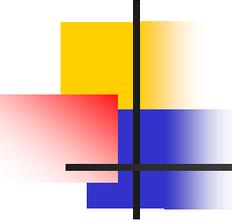
					<u>63 Therms</u>	<u>75 Therms</u>
AVERAGE 2008/2009 SOCALGAS/SDG&E BILL (NOV-MAR):					\$69.32	\$82.53
AVERAGE 2007/2008 SOCALGAS/SDG&E BILL (NOV-MAR):					\$77.07	\$91.75
AVERAGE 2006/2007 SOCALGAS/SDG&E BILL (NOV-MAR):					\$72.14	\$85.88
% Increase / (Decrease) from PRIOR YEAR:					-10%	-10%
% Increase / (Decrease) from PRIOR YEAR:					-4%	-4%



SoCalGas/SDG&E Service Area Storage Update

- **Sesnon Fire Update**
 - Fifty employees and contract workers were evacuated on Monday Oct. 13 as fire fighters fought the blaze.
 - Southern California Gas Co's Aliso Canyon storage facility sustained no damage to its major natural gas piping and facilities.
 - Gas injection resumed on Friday October 17, 2008. All measurement and emission control equipment were in service.
 - Gas withdrawal capability for up to 1 BCF a day has been available since November 18th. Full withdrawal should be available in early December.
 - Electrical power systems were in service to 80% of the field by November 10th but the Sylmar fire on November 15th caused a loss of power coming to the field
 - Work will continue on the restoration of instrumentation and the stabilization of the burned hillsides.
- The SoCalGas storage level as of November 24, 2008 was 126.2 BCF out of a total 131 BCF available.

SoCalGas/SDG&E LNG Update



- Costa Azul
 - Start-up testing of 1 Bcf/d Costa Azul LNG terminal completed in May 2008.
 - SoCalGas/SDG&E receipt points at Otay Mesa and North Baja-Blythe are both operational to accept supplies from Costa Azul
 - Costa Azul has received additional maintenance cargoes since May, but no additional LNG deliveries to SoCalGas/SDG&E
 - Current spot market not favorable to near-term Costa Azul deliveries
 - 2008 US LNG imports down significantly from 2007 – trend could change with additional LNG production due online in 2009.
 - Long term supplies expected mid-2009 with BP-Tangguh supplies to Sempra LNG
 - Uncertain on status of Shell and their 500 MMcfd capacity at Costa Azul – late 2009 at earliest
- Clearwater Port and Woodside Oceanway LNG projects
 - Both projects continue through the environmental review process led by the US Coast Guard.
 - No current timetable for issuing draft EIRs for either project.
 - Neither project likely to be online before 2012.

SoCalGas/SDG&E Service Area



Biennial Cost Allocation Proceeding (BCAP) (2009 – 2011)

■ **Phase I issues Settled and Proposed Decision Issued Adopting Settlement:**

- Core storage capacities defined
 - Inventory 79 BCF
 - Injection 369 MMcfd
 - Withdrawal 2,225 MMcfd
- Long Beach and Southwest Gas receive storage at core rates
- 10% Load Balancing Retained for Customers
 - 4.2 BCF inventory
 - 200 MMcfd injection
 - 400 MMcfd withdrawal
- Remainder of storage capacity sold to market under a revenues sharing between shareholders and customers
- Storage Expansions Commitments Outlined
 - Replacement of existing Aliso Canyon compressors
 - Expansion by 145 MMcfd of the injection capability
 - 7 BCF of working gas inventory in 2010 to 2014 time period

■ **Phase II issues with evidentiary hearings in February 2009:**

- Demand forecasts by customer class
- Unaccounted For Gas (UAF) cost allocation by customer class
- Cost allocation of base margin and non-margin costs by customer class
- A new Transmission Level Service (TLS) designed to close the regulatory gap between CPUC- and FERC-regulated pipeline systems.