



Southern California Gas Company and San Diego Gas & Electric Company

Comments by:

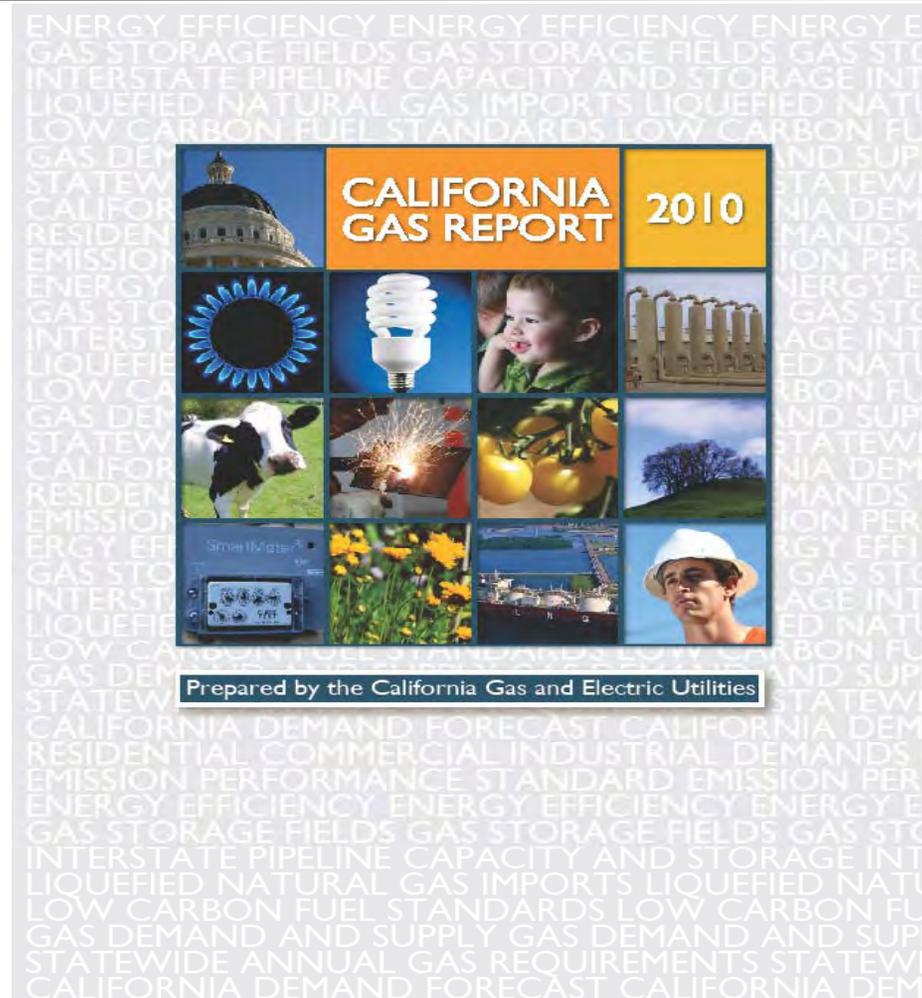
Herb Emmrich - Gas Rates and Analysis Manager

Natural Gas Working Group

Sacramento, California
September 2, 2010



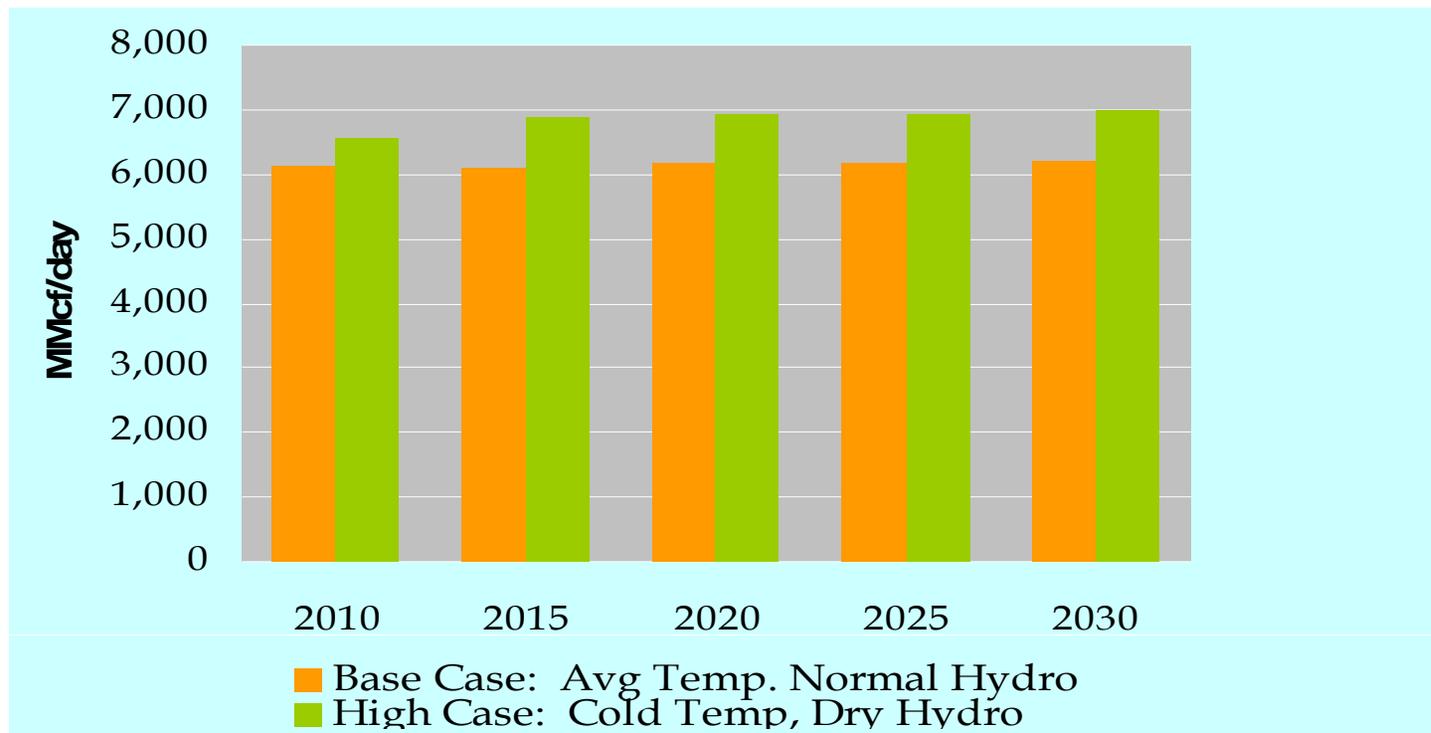
2010 CGR Final available at SoCalGas.com



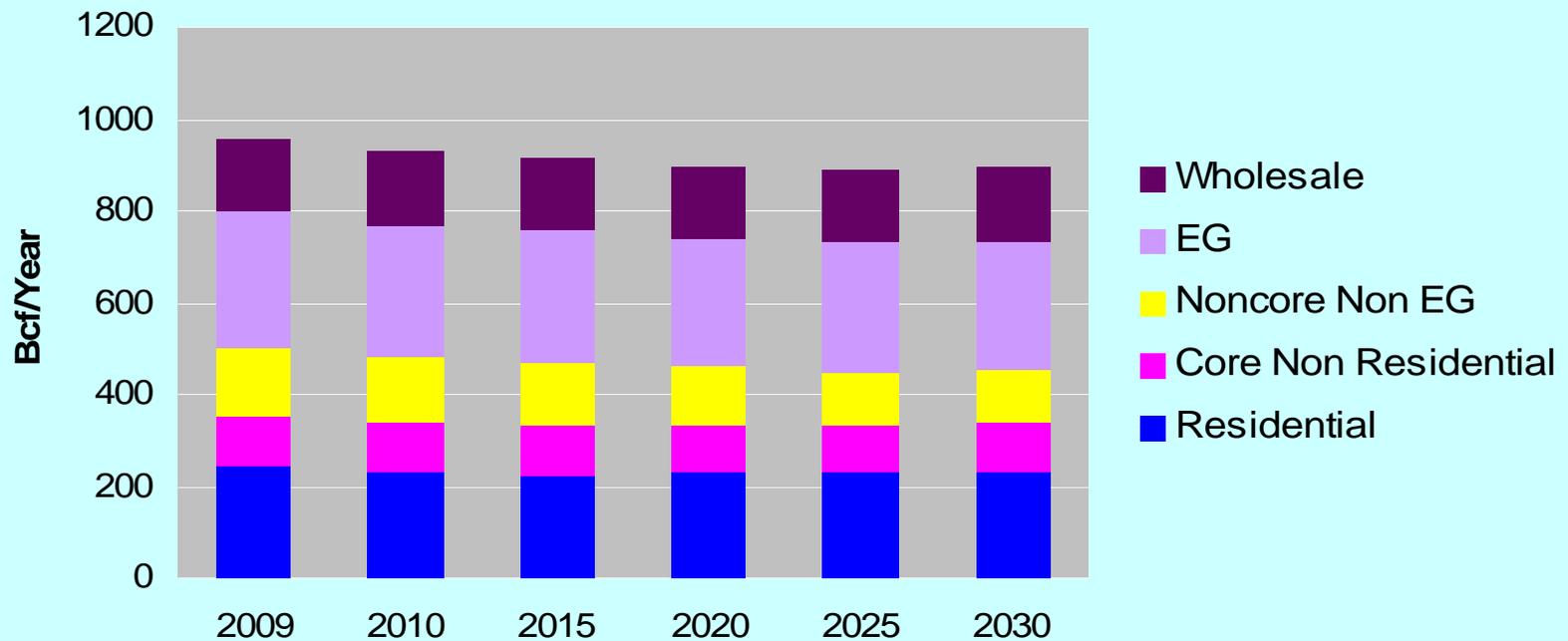
Gas demand for the state is projected to average 6,128 MMcf/d in 2010 increasing to 6,220 MMcf/d by 2030 with average Temp & Hydro.

A growth of just 1.1 percent over the 20-year forecast period.

California Demand Forecast (MMcf/Day)



2010 CGR – SoCalGas' gas demand is forecast to decline slightly due to reduced electric generation gas demand, EE programs and a slow economic recovery.



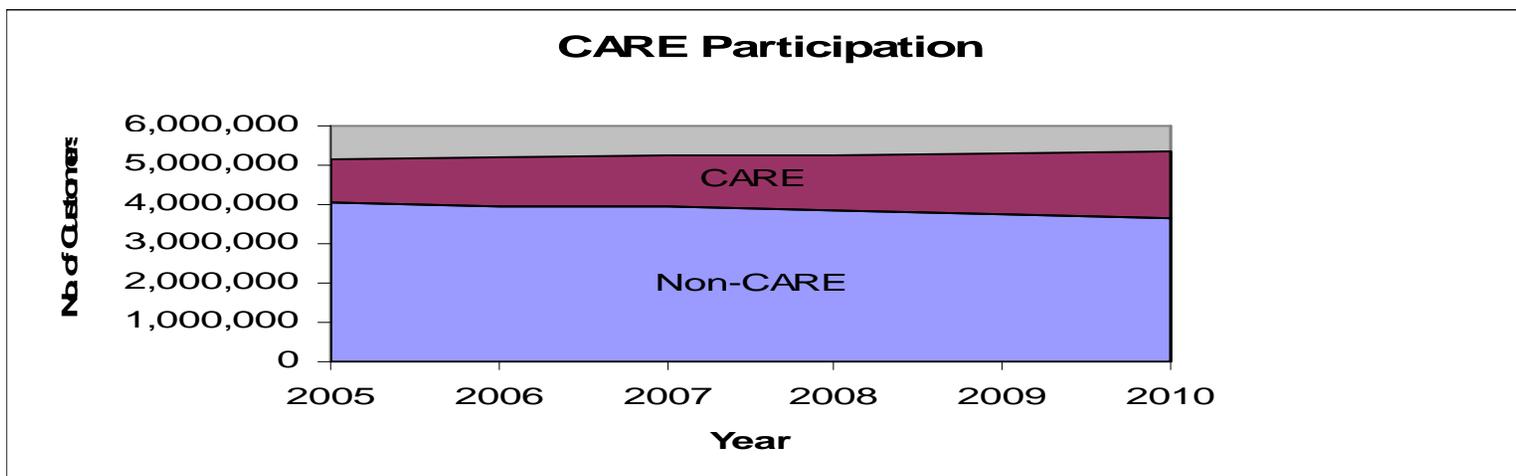
Average Winter Gas Bills

SOUTHERN CALIFORNIA GAS COMPANY RESIDENTIAL BILL CALCULATION FOR THE INDICATED PERIOD						
	Observed Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	AVERAGE Winter Bill
CORE CUSTOMER BILL CALCULATION (\$):						
Heating Degree Days = Average Daily Temp. below 65° Fahrenheit	142.5	301.1	284.2	232.5	187.9	
Month	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Nov-Mar
Days in the Month	30	31	31	28	31	
Core Monthly Price (with F&U and CB fee) (cents/therm) :	38.595	41.825	43.465	43.325	42.685	41.98
Customer Charge per day (cents/day)	16.4380	16.4380	16.4380	16.4380	16.4380	
Baseline Transportation Rate (Schedule GR) cents/therm	31.0400	31.0400	31.0400	31.0400	31.0400	
Non-Baseline Transportation Rate (Schedule GR) cents/therm	55.0400	55.0400	55.0400	55.0400	55.0400	
PPS (CARE) cents/therm	7.2690	7.2690	7.2690	7.2690	7.2690	
Tier I (Therms)	50.730	52.421	52.421	47.348	52.421	
Tier II (Therms)	-	18.760	15.927	10.330	-	
Average Consumption (Therms) :	43.9	71.2	68.3	57.7	52.2	58.67
Customer Charge(\$)	4.9314	5.0958	5.0958	4.6026	5.0958	
Tier I (\$)	30.5877	51.8663	50.9228	42.8919	38.4877	
Tier II (\$)	-	18.1722	15.6891	10.1606	-	
PPS (CARE)(\$)	3.1930	5.1742	4.9682	4.1926	3.7947	
TOTAL BILL	\$38.71	\$80.31	\$76.68	\$61.85	\$47.38	\$60.98



SoCalGas' CARE Customer participation has been growing

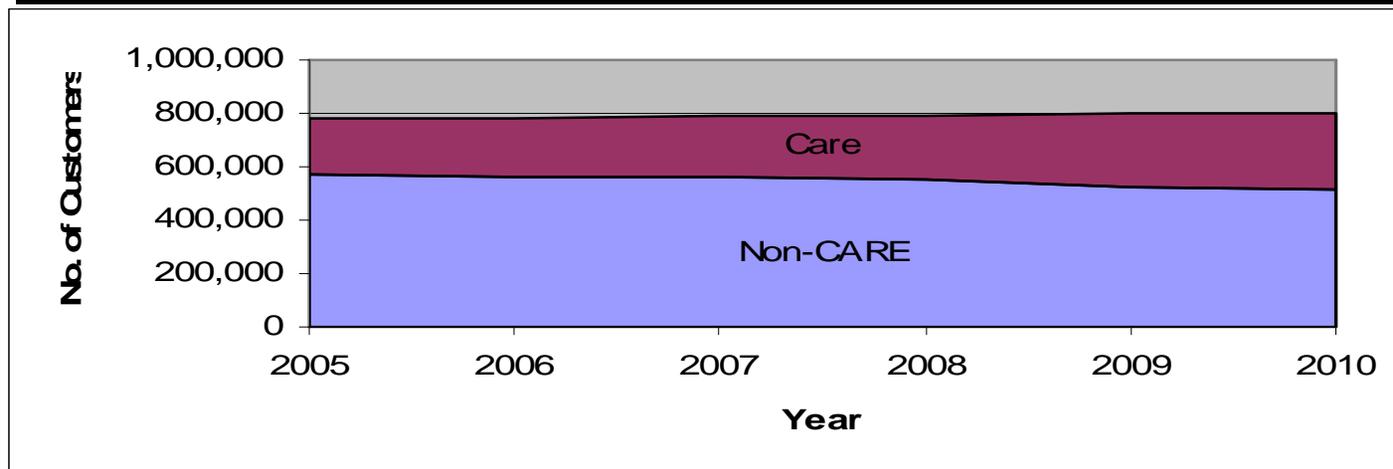
Year	Total Customers	Non-CARE	CARE	% CARE
2005	5,147,353	4,029,130	1,118,223	21.7%
2006	5,207,283	3,972,954	1,234,329	23.7%
2007	5,248,666	3,953,235	1,295,431	24.7%
2008	5,257,944	3,858,282	1,399,662	26.6%
2009	5,282,953	3,768,861	1,514,092	28.7%
2010	5,351,379	3,655,321	1,696,058	31.7%





SDG&E's CARE Customer participation has also been growing

Year	Total Customers	Non-CARE	Care	% CARE
2005	776,244	570,788	205,456	26.47%
2006	784,755	566,261	218,494	27.84%
2007	789,826	560,067	229,759	29.09%
2008	793,031	551,835	241,196	30.41%
2009	797,292	527,775	269,517	33.80%
2010	799,689	509,835	289,854	36.25%

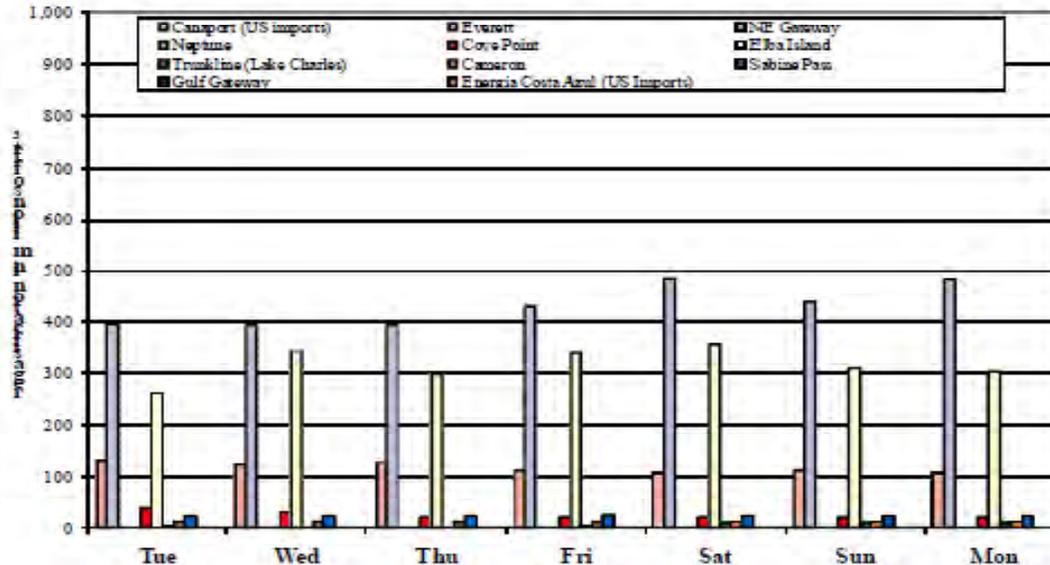


LNG Update – LNG Deliveries nationally are up over 2009 but are not a significant source of supply

LNG Corner

A daily insight into the fast-growing LNG industry

The Week in US LNG - August 10 - 16



Key Data

LNG sendout:

July:

2010: 33.3 Bcf
 2009: 39.9 Bcf
 2008: 35.2 Bcf

August to Date:

2010: 14.7 Bcf
 2009: 16.9 Bcf
 2008: 15.5 Bcf

Years to Date:

2010: 344.0 Bcf
 2009: 279.3 Bcf
 2008: 221.6 Bcf

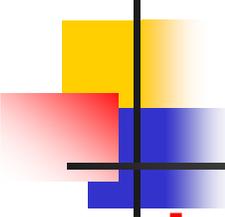
Estimate for 2010:
 475 Bcf

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SoCalGas/SDG&E General Rate Case (GRC):

- **SDG&E and SoCalGas each submitted on August 6 their Notice of Intent ("NOI") to file a 2012 GRC.**
 - The NOI allows DRA an opportunity to review the utilities' intended proposals and identify any deficiencies.
 - DRA has 25 days to review the NOIs and submit any deficiencies to the utilities. The utilities expect to file their applications with the CPUC by December 15.
- **For the 2012 test year, SDG&E proposes a combined electric and gas revenue requirement of \$1.85 billion, or a \$246 million (15%) increase compared to what is authorized for 2011.**
 - This represents a monthly bill increase of \$5.22 (4.1%) for a typical residential customer.
- **SoCalGas proposes a revenue requirement of \$2.126 billion, or a \$282 million (15.3%) increase over 2011.**
 - This would be a monthly bill increase of \$3.36 (7.7%) for a typical residential customer.
- **Both utilities propose a four-year GRC term, with post-test year revenue requirement adjustments in 2013-2015 for inflation and other forecasted costs.**
- **The utilities also propose an earnings sharing mechanism, and a new productivity investment sharing mechanism that together provide incentives for both short and long-term cost savings.**



Other Regulatory Issues

- **Service Disconnection OIR:** The CPUC issued a decision on July 29 to the Collections OIR issued in February to mitigate service disconnections, which extends interim measures and adds additional customer measures effective October 1 and sets up Phase 2 of the proceeding. SoCalGas and SDG&E also held a Settlement Conference on August 5 to discuss proposed settlement with Consumer Groups. **Settlement Agreement is being finalized to be submitted for CPUC approval.**
- **Honor Rancho Storage:** Proposes improvements necessary to add 5 BCF of inventory at Honor Rancho, at a cost of approximately \$49 million. **Project has been approved and is in construction phase.**
- **Aliso Canyon Storage:** As proposed, the project will cost about \$200 million and will increase the injection capacity of the Aliso storage field by 145 MMcfd. SCG is working through protests. CPUC is requiring an Environmental Impact Report that will delay the project by about one year. **Environmental Review is in progress.**
- **Off System Gas Services:** **Waiting draft decision 3rd Quarter 2010.**
- **El Paso Rate Case:** Evidentiary hearings on non-settlement issues concluded June 8. Opening briefs were filed July 8. Reply briefs were filed August 3. **The Judge's Initial Decision is due October 13.**
- **Producer Access:** Revised PD recommends 4-8 minute monitoring and enforcement protocol for producer gas flowing into SoCalGas' transmission system instead of the 24-hour protocol adopted earlier. **Draft decision is on the September 2 CPUC meeting agenda.**
- **AB 32 Administration Fees:** A joint application (SoCalGas, SDG&E, PG&E and Edison) was filed on August 2 requesting cost recovery of ARB AB 32 Administration Implementation Fees. **The IOUs request approval of the application no later than November 19.**

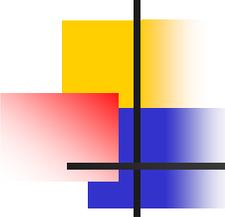
Firm Access Rights (FAR) Update Application - A.10-03-028

- SDG&E/SoCalGas filed the required 18-month review process of the FAR system to assess how the FAR system is working, and whether any changes or modifications to the FAR system are needed.
- Key Issues:
 - Cost based backbone rate
 - In-kind fuel for transmission compressor fuel gas
 - Open Season Changes – customer set asides and other changes to streamline process
 - Secondary Market - eliminate the rate cap of 125% - consistent with FERC rules
 - Various daily operational changes
- Response was filed in August providing information of the impact and consequences of a delayed implementation of the 2011 FAR open season.
- Joint Parties have agreed on the issues to be included and excluded in the scope.
- Hearings Scheduled November 2 -5

FAR Scoping Memo issued 8/19/10

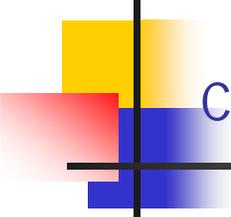
The scope includes the following issues:

- How the FAR system is working and are modifications to the FAR system are needed.
- **The impact of FARs during Operational Flow Orders (OFOs) and will proposed changes affect the frequency of OFOs.**
- Should the CPUC authorize a change in the amount of FARs that SoCalGas may offer for sale in the next FAR cycle.
- **Whether compensation or other relief should be provided to FAR holders who are unable to schedule their firm primary rights.**
- Whether Applicants' FAR cost allocation, rate design, and cost recovery proposals are reasonable; such as:
 - Separation of costs between local and backbone transmission;
 - Collection of an in-kind fuel charge rather than collecting a charge in end-use rates for compressor fuel;
 - Fully unbundle backbone transmission costs from rates;
 - Structure and operation of the Open Season process, including eligibility of upstream arrangements to serve core loads for Pre-Open Season Step 1, and the proposal to eliminate re-contracting and interruptible sales from the Open Season process.
- **Whether SoCalGas and SDG&E should be required to establish receipt point pools at each SoCalGas and SDG&E receipt point.**
- Whether System Operator should pay FAR charges similar to those paid by other SoCalGas customers when purchasing and selling gas supplies for system reliability purposes.
- **Proposed Decision expected in March of 2011**



GHG National Petroleum Council (NPC) study

- U.S. Secretary of Energy Steven Chu has asked the National Petroleum Council (NPC) to examine all energy uses and supply sources in order to transition the U.S. towards a lower carbon, more sustainable energy mix and reduce our reliance on foreign oil and reduce the strategic risk of climate change.
- SoCalGas/SDG&E have been asked to participate in this study as part of the Residential/Commercial demand study subgroup.
- **The study group will develop a range of policy options that the Administration could consider in helping the U.S. reduce its dependence on foreign oil and reduce Greenhouse Gas Emissions (GHG).**
- The study and policy recommendations are to be submitted to the Secretary of Energy by the end of March 2011 in time for the 2011 congressional session.
- **Clearly, if the U.S. is to reduce its dependence on foreign oil and reduce GHG emissions, a transition toward natural gas in power generation, energy efficiency investments and the use of renewables and a possible carbon tax will be necessary and will, most likely, be the recommendations of the study group.**
- **These are the policies already in effect in California and have been a mainstay of California's energy policies over the past 25 some years.**



CARB Motor Vehicle Fuel Regulations SoCalGas/SDG&E's Proposal

SoCalGas/SDG&E propose that the CARB Regulations be revised as follows:

- Replace existing prescriptive specification of the CARB Motor Vehicle Fuel Regulations with a performance based, statewide minimum Methane Number 75 standard.
- Exempt home refueling appliances from the CARB Motor Vehicle Fuel Regulations.
- Provide a streamlined exemption process for any CNG refueling station that desires to provide gas that complies with CPUC Standards (pipeline quality gas) but may not comply with CARB Motor Vehicle Fuel Regulations.
- Waiting for a draft revised CARB CNG Motor Vehicle Fuel Regulation