SoCalGas' and SDG&E's 2013 Triennial Cost Allocation Proceeding (TCAP), Gas Outlook and Winter Gas Bill Forecast, and Master Meter OIR

presented by:

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Natural Gas Working Group Meeting

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2009 TCAP Background

2009 BCAP – Phase 1 – D.08-12-020 - 6-Year Settlement ends 12/31/14

- Resolved total amount of storage inventory, storage injection, and storage withdrawal capacities available core/noncore customers
  - 131.1 Bcf total inventory, 850 MMcfd injection, 3195 MMcfd withdrawal
  - Core - 79 Bcf inventory, 369 MMcfd injection, 2225 MMcfd withdrawal
  - Wholesale customers pay the same rate as core customers.
  - Non-core customers buy storage in the Unbundled Storage Market at market rates subject to a ceiling
- Resolved sharing mechanism for unbundled storage/hub services between customers and shareholders
- Addresses 2009-2014 storage capacity expansion (7 Bcf) of gas storage assets with 4 BCF of inventory assigned to the core and 3 BCF assigned to the Unbundled Storage Program.

2009 TCAP Background

2009 BCAP – Phase 2 – D.09-11-006 – 3-Year Settlement ends 12/31/12.

- Allocated costs using:
  - 1) Embedded Cost method for Transmission & Storage functions;
  - 2) Long Run Marginal Cost LRMC for Customer Cost & Distribution system functions; and,
  - 3) Settlement Agreement cost allocation shifts between customer classes
- Approved SDG&E and SoCalGas Gas Demand Forecasts
- Operational Issues – (OFO Requirements/Forum, Minimum Flow Requirements, Winter Balancing Rules)
- Established Transmission Level Service (TLS) Rates and Sempra-wide NGV rates
- 100% Balancing Account Treatment for Noncore and Core Throughput to Encourage Energy Efficiency investments
- Rates were made effective February 1, 2010

2013 TCAP Background

- SoCalGas/SDG&E TCAP Application due September 1 per 2009 BCAP Phase 2 Settlement.
- SoCalGas/SDG&E filed a Petition for Modification with BCAP Settlement parties requesting delay to November 1.
  - Change necessary to address conflicts with the utilities' General Rate Case proceedings and October 1 Firm Access Rights Update rate change while still meeting a January 1, 2013 implementation date.
  - Proposed Decision granting PFM approved by Commission in July 2011.
- TCAP filed on November 1 – A.11-11-002

Summary of TCAP Proposals

- Update SoCalGas/SDG&E gas demand and gas price forecasts
- Revise Rates through customer class allocation for SoCalGas/SDG&E's gas systems effective January 1, 2013 (through 2015)
  - Includes Transition Adjustment proposed to reduce impact of moving to fully cost-based rates from prior settlement agreement. Adjustment will be phased in over 3 to 6 years.
- Support continuation of 100% balancing treatment for noncore and core transportation revenue requirement
- Extend Phase 1 BCAP Settlement and storage allocations for additional year (2015) through TCAP period
- Propose Customer Charge for SDG&E residential customers at $5/month
  - SDG&E is the only gas utility in the State of California that does not have some sort of fixed cost recovery for natural gas use.

SoCalGas' and SDG&E's gas demand is forecast to be relatively flat over the 2013-2015 TCAP period due to a slow economic recovery, Renewable Electricity requirements and Energy Efficiency programs.

Composition of SoCalGas Throughput (MDth/Yr) Average Temperature Year

	2013	2014	2015	3-Year Avg. 2013-2015
Core				
Residential	249,118	248,263	247,535	248,305
Core C&I	102,025	101,611	100,318	101,318
Gas AC	60	60	53	58
Gas Engine	1,874	1,766	1,756	1,798
NGV	12,745	13,192	13,636	13,191
Total Core	365,822	364,891	363,297	364,670
Noncore				
Noncore C&I	152,584	151,306	149,198	151,029
EG	302,702	304,556	301,069	302,776
EOR	14,977	14,977	14,977	14,977
Total Retail Noncore	470,263	470,840	465,245	468,782
Wholesale and International				
Long Beach	8,407	8,356	8,460	8,408
SDG&E	123,088	123,330	123,594	123,337
SWG	6,628	6,714	6,810	6,717
Vernon	7,807	8,060	8,313	8,060
Mexicali	6,605	6,638	6,671	6,638
Total Wholesale & Intl.	152,536	153,097	153,848	153,160
Average Year Throughput (AYTP)	988,620	988,828	982,390	986,613

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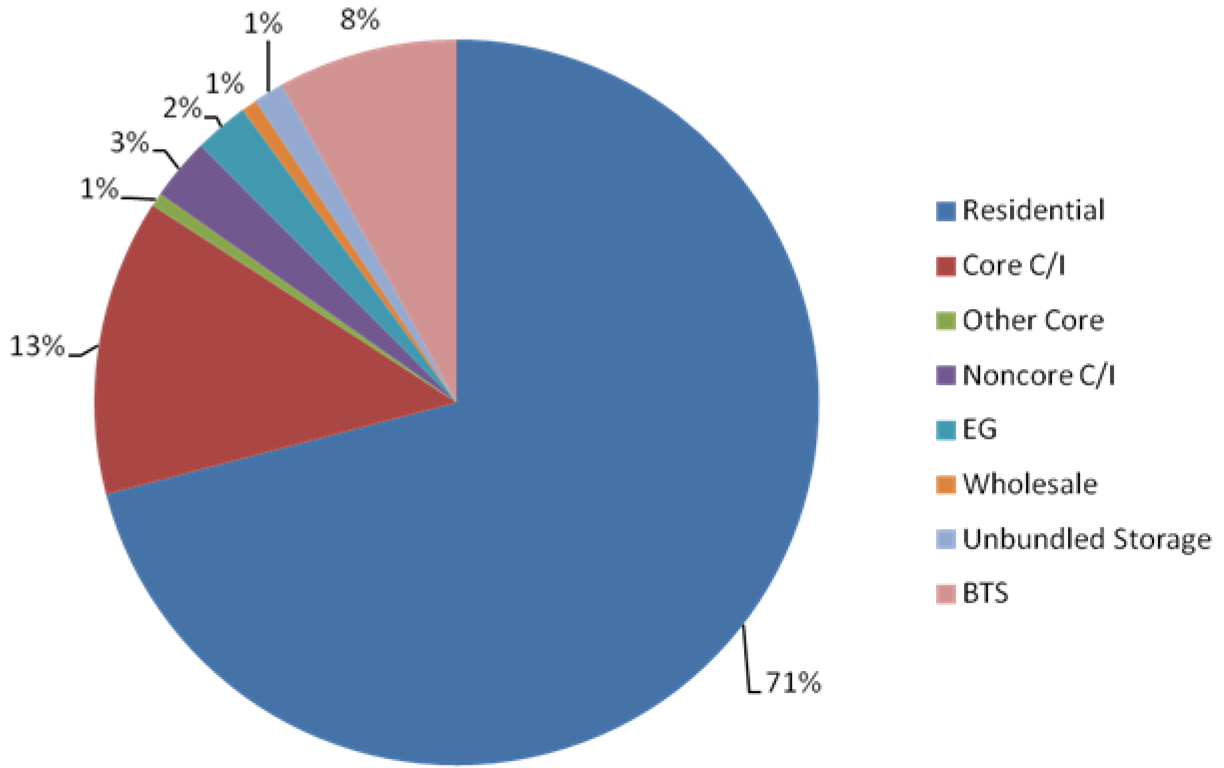
2013 TCAP Proposed Allocation of SoCalGas Revenue Requirement



Summary of TCAP Proposals

SoCalGas - proposed rates result in total annual revenues that are approximately $59.4 Million or 3.1% greater than revenues at present rates

- $48.1 Million increase in core revenues and $21.7 Million decrease in noncore revenues

SDG&E – proposed rates result in total annual revenues that are $0.3 Million or 0.1% above revenues at present rates.

- $2.5 Million increase in core revenues and $2.2M decrease for noncore revenues

SDG&E residential customer charge of $5/Month.

Utility	Present Rates	Proposed Rates for 2013 (c/therm)	c/therm Change	%Change Rates
SoCalGas Residential	52.5	55.9	3.4	6.5
SDG&E Residential	66.4	70.8	4.4	6.6

SoCalGas Class Average Rates

Table 1: Class Average Rates ($/therm)

	2011 Current	2013 TCAP Proposed	$/th Change	% Change
SCG:				
Res $/th	$0.525	$0.559	$0.034	7%
CCI CA $/th	$0.305	$0.256	($0.050)	-16%
Gas A/C	$0.075	$0.080	$0.005	7%
Gas Engine	$0.096	$0.102	$0.006	7%
NGV Uncompressed post-SW $/th	$0.068	$0.072	$0.004	6%
Core Class Average $/th	$0.449	$0.455	$0.006	1%
NCCI-D CA $/th	$0.065	$0.051	($0.014)	-21%
EG-D Tier 1 post-SW $/th	$0.056	$0.062	$0.006	10%
EG-D Tier 2 post-SW $/th	$0.024	$0.026	$0.002	10%
TLS CA Rate csitma/efba exempt	$0.016	$0.014	($0.002)	-13%
TLS CA Rate csitma/efba non-exempt	$0.016	$0.015	($0.001)	-8%
UBS $1,000/yr	$26,470	$26,425	($45)	0%
BTS w/BTBA $/dth/d	$0.110	$0.154	$0.044	40%
SAR w/ BTS $/th	$0.201	$0.202	$0.001	0%

SDG&E Class Average Rates

Table 1: Class Average Rates ($/therm)				
	2011 Current	2013 TCAP Proposed	$/th Change	% Change
SDGE:				
Res	$0.664	$0.708	$0.044	7%
CCI CA	$0.240	$0.215	($0.024)	-10%
NGV Uncompressed post-SW	$0.070	$0.077	$0.007	10%
Core Class Average	$0.512	$0.514	$0.003	1%
NCCI-D	$0.145	$0.160	$0.015	10%
EG-D Tier 1 post-SW	$0.056	$0.062	$0.006	10%
EG-D Tier 2 post-SW	$0.024	$0.026	$0.002	10%
TLS CA Rate csitma/efba exempt	$0.016	$0.014	($0.002)	-13%
TLS CA Rate csitma/efba non-exempt	$0.018	$0.019	$0.002	10%
SAR	$0.226	$0.226	$0.000	0%

Proposed TCAP Schedule

• Protests to Application	January 12, 2012
• Agreed to by parties in PFM to work around upcoming GRC hearings	
• Prehearing Conference	January 23, 2012
• SoCalGas/SDG&E Updated Exhibit with 1/01/12 Rates	February 12, 2012
• DRA and Intervenor Testimony	March 16, 2012
• Rebuttal Testimony	April 20, 2012
• Evidentiary Hearings	June 12-21, 2012
• Opening Briefs	July 18, 2012
• Reply Briefs	August 15, 2012
• Proposed Decision	November 2012

Natural Gas Outlook

- Development of new technologies is driving increased U.S. shale-based production, which is lowering prices and reducing imports of natural gas and LNG

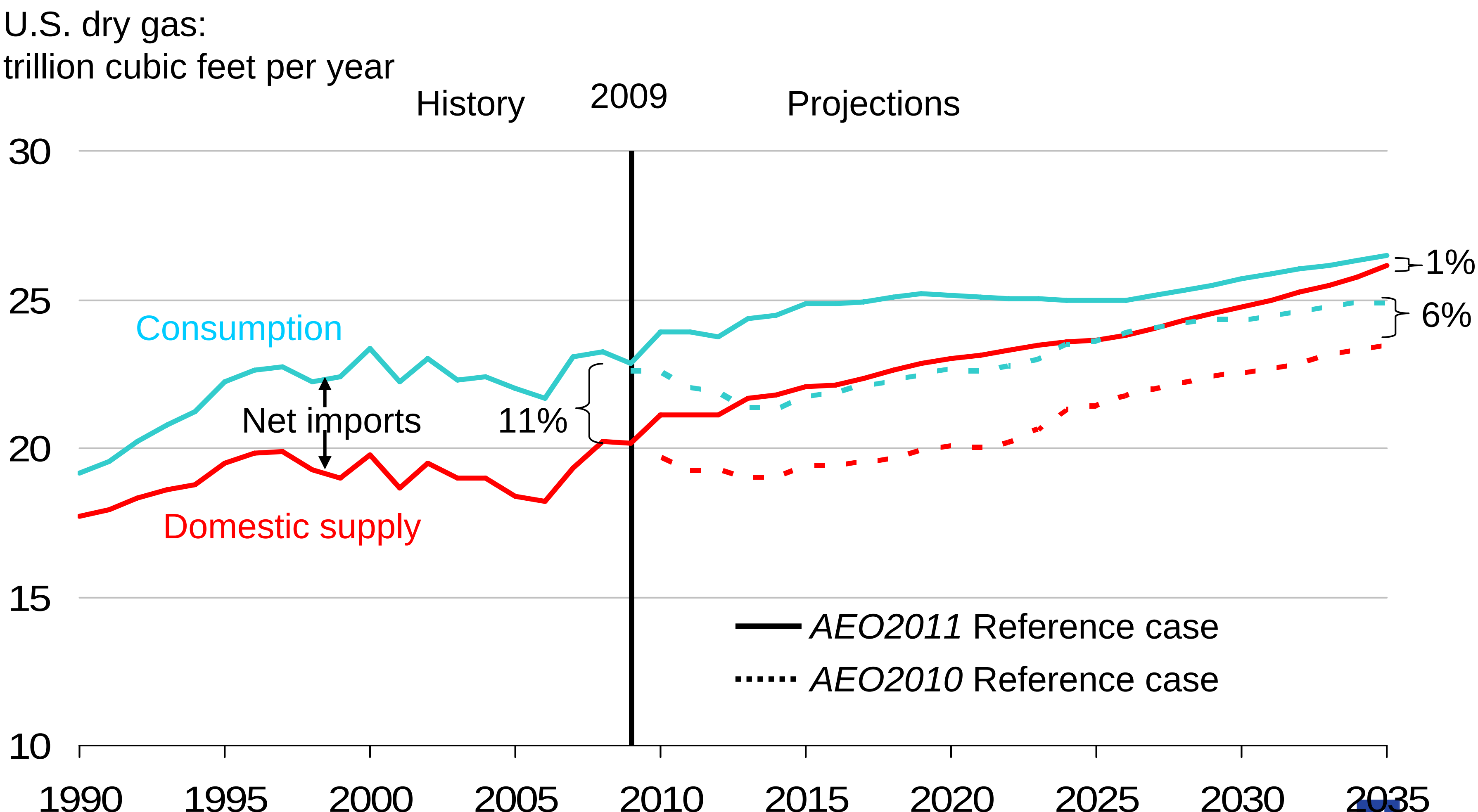
- One North American West Coast LNG terminal is operational in Baja California, Mexico (Energia Costa Azul)

- U.S. storage levels this time of year are above the five year average at 3.8 TCF
- Industrial and electric power use drives future gas demand growth

- Non-hydro renewables and natural gas are the fastest growing electricity generation sources

- Natural gas price projections are significantly lower than in past years due to expanded shale gas production

30% domestic gas production growth outpaces 16% consumption growth, leading to declining imports



Source: EIA, *Annual Energy Outlook 2011*

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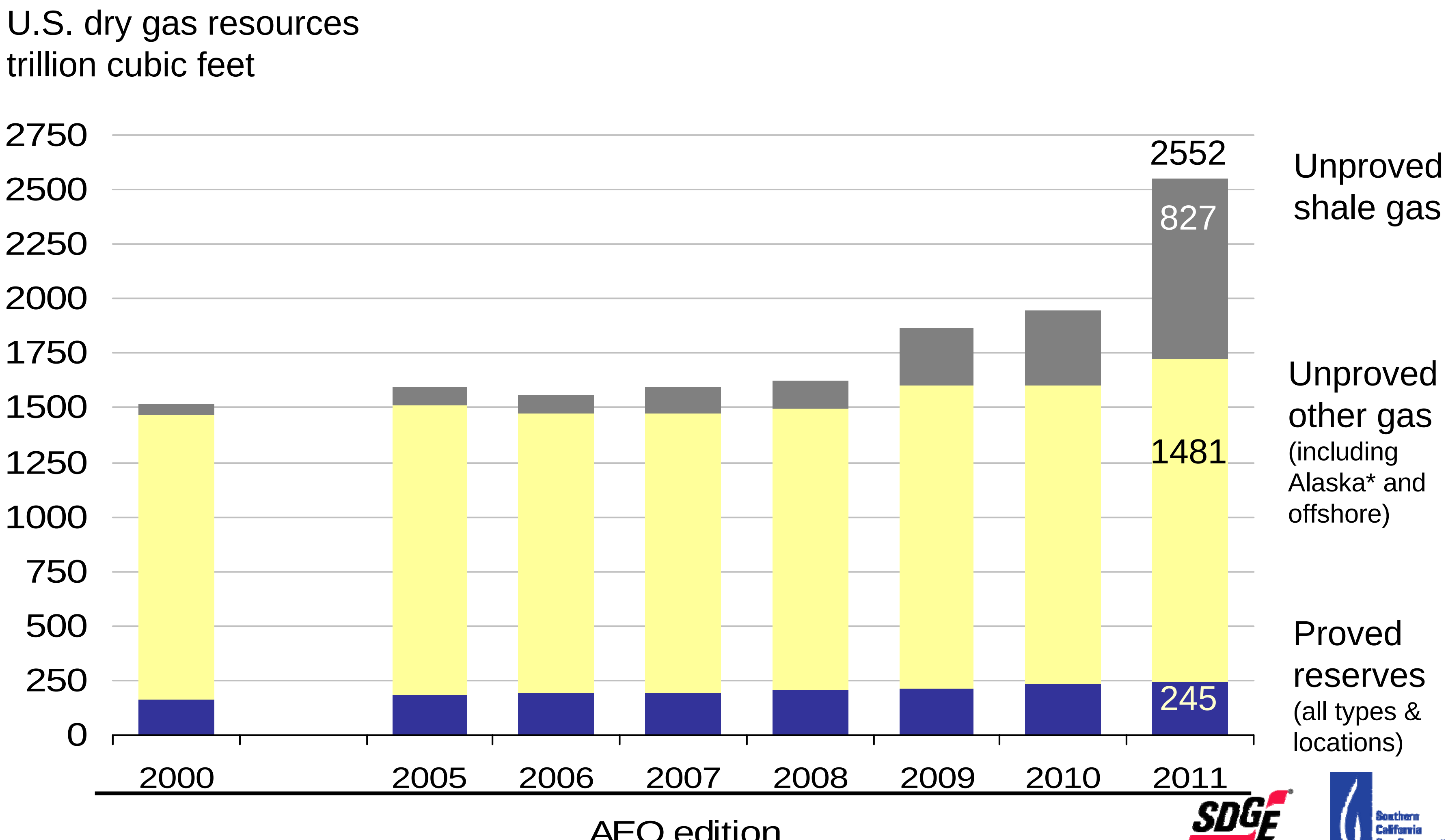
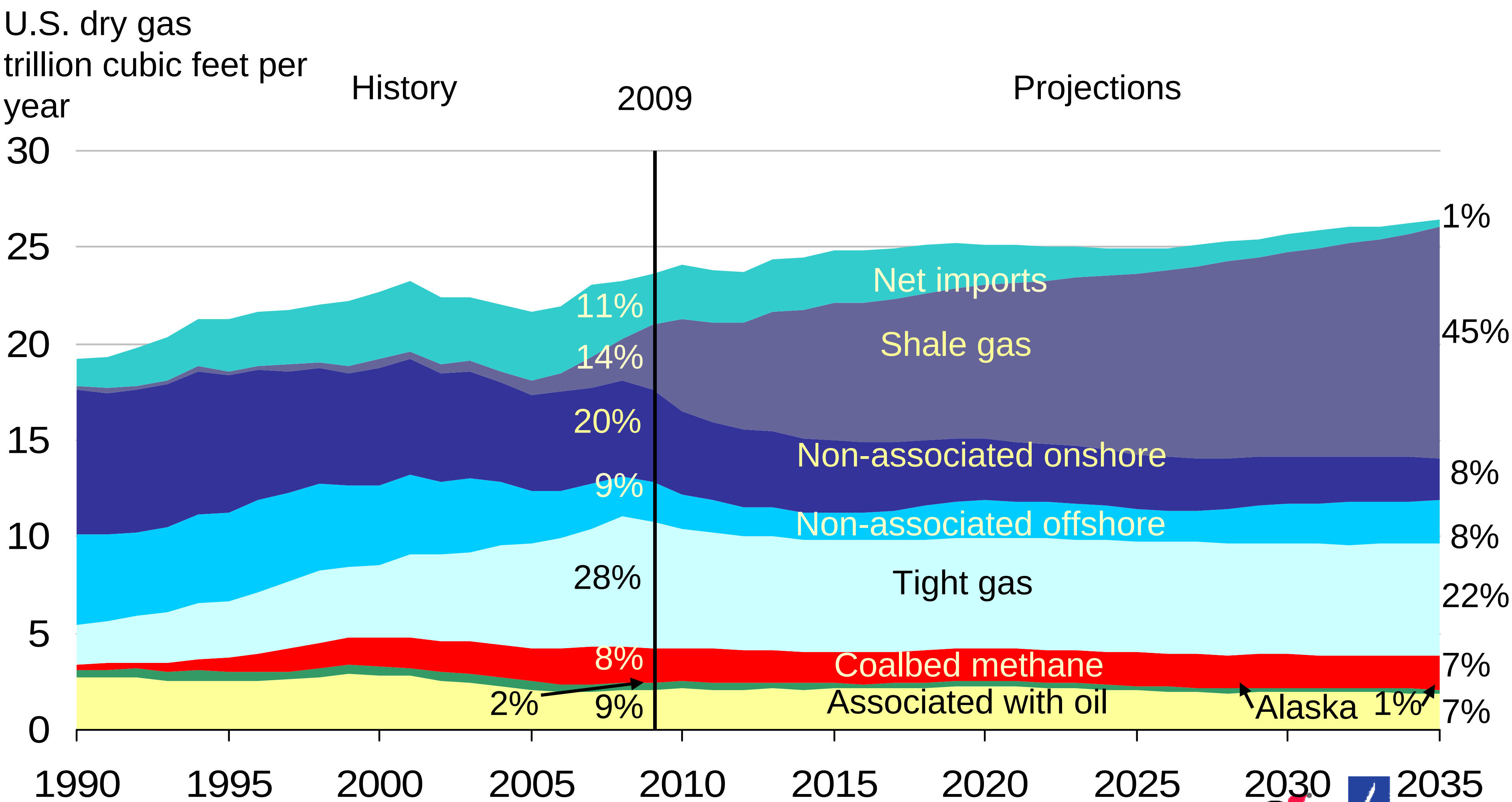
Shale gas has been the primary source of recent growth in U.S. technically recoverable natural gas resources



* Alaska resource estimates prior to *AEO2009* reflect resources from the North Slope that were not included in previously published documentation.

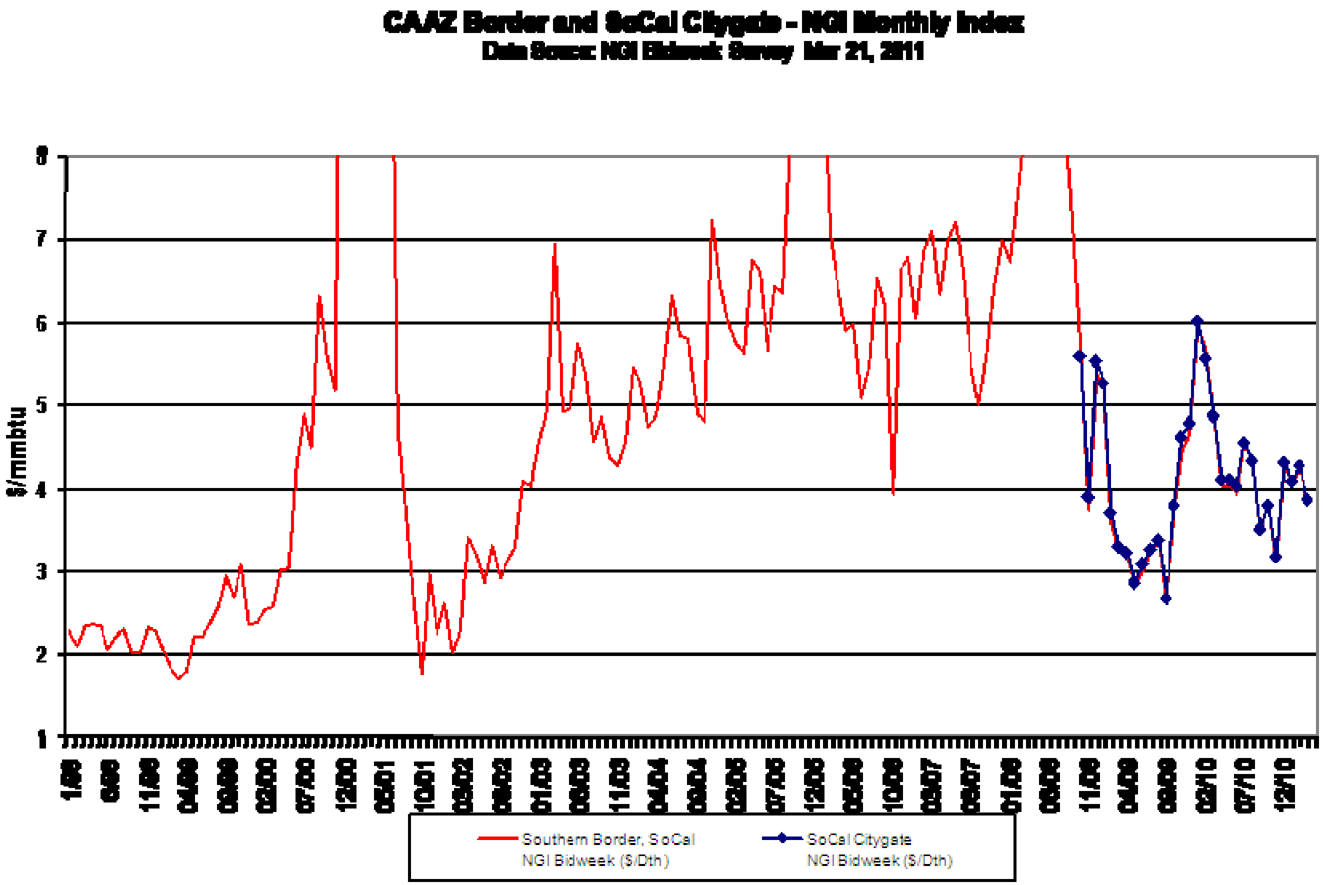
Source: EIA, *Annual Energy Outlook 2011*

Shale gas offsets declines in other U.S. supply to meet consumption growth and lower import needs

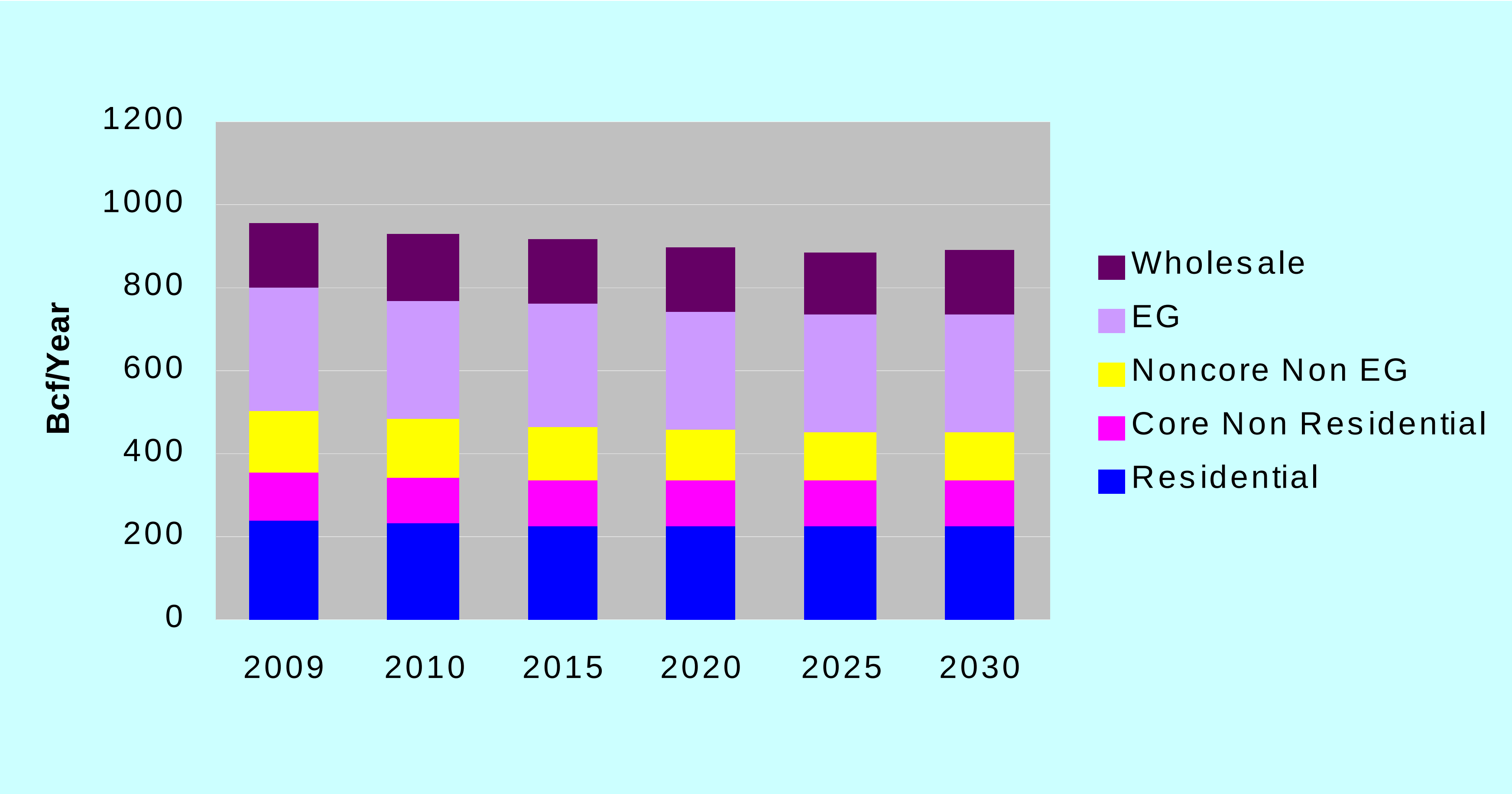


Source: EIA, *Annual Energy Outlook 2011*

Natural Gas Price History



Southern California Gas Demand



Source: CGR 2010

Winter 2011-2012 Natural Gas Bills to SoCalGas' Residential Customers are forecasted to be moderate again this winter.

Month	November	December	January	February	March	April
CORE CUSTOMER BILL CALCULATION ($):	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd	Estimated Cal. Month Hdd
Heating Degree Days = Average Daily Temp. below 65° Fahrenheit	146.7	296.2	282.1	228.6	186.3	126.5
Month	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12
Days in the Month	30	31	31	29	31	30
Core Monthly Price Based on NYMEX Futures (with F&U and CB fee) (cents/therm) :	39.100	41.400	42.000	42.500	42.400	42.100
Customer Charge per day (cents/day)	16.4380	16.4380	16.4380	16.4380	16.4380	16.4380
Baseline Transportation Rate (Schedule GR) cents/therm	32.3910	32.3910	33.6760	33.6760	33.6760	33.6760
Non-Baseline Transportation Rate (Schedule GR) cents/therm	57.3910	57.3910	59.6760	59.6760	59.6760	59.6760
PPS (CARE) cents/therm	7.6870	7.6870	8.2310	8.2310	8.2310	8.2310
Tier I (Therms)	14.190	14.663	14.663	13.717	14.663	14.190
Tier II (Therms)	30.440	55.697	53.333	43.975	37.273	27.053
Average Consumption (Therms) :	44.6	70.4	68.0	57.7	51.9	41.2
Customer Charge($)	4.9314	5.0958	5.0958	4.7670	5.0958	4.9314
Tier I ($)	10.1446	10.8200	11.0964	10.4491	11.1550	10.7526
Tier II ($)	29.3717	55.0235	54.2270	44.9315	38.0470	27.5339
PPS (CARE)($)	3.4307	5.4086	5.5968	4.7486	4.2749	3.3947
TOTAL BILL	$47.88	$76.35	$76.02	$64.90	$58.57	$46.61

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R.11-02-018 Master Meter OIR

- In February 2011, the CPUC granted, in part, Western Manufactured Housing Community Association's petition and opened a Rulemaking to examine what they can do to encourage direct utility service at Mobile Home Parks and Manufactured Housing Communities (collectively known as MHPs)
- MHPs have private sub-metered natural gas and/or electric distribution systems behind utility owned/maintained master meter
- Master-metered MHPs currently receive a master meter discount to adjust for the average costs avoided by the utility
- Number of MHPs - SDG&E ~ 700 | SoCalGas ~ 1400
- Existing statute (1996) calls for voluntary transfer of MHPs to direct utility services through Public Utilities Code Sections 2791 – 2799
- SDG&E/SoCalGas' Proposal to the OIR – Standardize the transfer process among all utilities per PU Code and inform/educate MHP owners regarding the statutory transfer process
- Next Steps – Further Discussion of Parties' Proposals to the OIR