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**NOTICE OF SOUTHERN CALIFORNIA GAS COMPANY'S REQUEST FOR COMPENSATION
THROUGH THE GAS COST INCENTIVE MECHANISM
APPLICATION NO. A.16-06-009**

On June 15, 2016, Southern California Gas Company (SoCalGas®) filed an application (A.16-06-009) with the California Public Utilities Commission (CPUC) to approve its management of savings incurred during the purchase of natural gas for its customers. The natural gas purchases are reviewed through a ratemaking mechanism referred to as the Gas Cost Incentive Mechanism (GCIM).

The CPUC authorized the GCIM as a means of encouraging utilities to seek the best rates available for natural gas. Under the GCIM, a target price is set. If the utility secures a better rate, the savings is shared with shareholders and customers. If a higher rate is paid, the utility must absorb a portion of the higher rate.

SoCalGas shares the savings with its "Core Customers," which are customers who rely on the utility for all of their natural gas needs. That includes residential customers, commercial and industrial customers which also qualify under that general description.

In the latest GCIM, SoCalGas purchased natural gas at \$28.1 million below the target price during the program period of April 1, 2015, to March 31, 2016. These purchases provided customers a benefit of \$23.1 million in lower gas costs, and SoCalGas is holding \$5.0 million for its shareholders. Using the CPUC's formula to determine the incentive for purchasing gas below the target price, this application requests that the CPUC approve SoCalGas' reward of \$5.0 million for its shareholders. **If the CPUC approves this request as is, there will be no additional change in customer rates from this application. If the CPUC approves less than \$5.0 million for SoCalGas shareholders, the difference will be credited to customers through a rate decrease. If the CPUC approves more than \$5.0 million for SoCalGas shareholders, the difference will be charged to customers through a rate increase.**

EFFECT ON GAS RATES AND BILLS

SoCalGas has been collecting the GCIM reward throughout the GCIM year. The impact on a typical residential customer's monthly summer bill for 23 therms of gas was 3 cents/month, from \$30.22 to \$30.25/month. Based on a 12-month period, the impact on a typical residential customer's average monthly bill was 5 cents. The difference is due to the different volumes of gas used throughout the year. An average residential customer uses 23 therms/month in the summer, but for a 12-month average, residential customers average 37 therms/month. The impact on each customer and customer class will vary depending on individual usage and the final decision by the CPUC.

Based on SoCalGas' request, the rate impact for each customer class is represented below. **This chart represents an increase that has already taken place on your bill due to the GCIM program.**

Customer Class	GCIM Shareholder Amount (\$millions)	GCIM Shareholder Amount as % of Total Rate
Residential	\$3.5	0.1%
Commercial/Industrial	\$1.4	0.2%
Natural Gas Vehicles	\$0.2	0.2%
Other Core	\$0.0	0.2%
Total	\$5.0	0.1%

FOR FURTHER INFORMATION

You may request additional information by writing to: Yvonne Mejia, Southern California Gas Company (SoCalGas), 555 W. Fifth Street, GT14D6, Los Angeles, CA 90013-1011. SoCalGas' application and attachments may also be inspected at the CPUC office located at 505 Van Ness Ave., San Francisco, CA 94102.

Copies of this application will be available for viewing and printing on the SoCalGas website at: socialgas.com/regulatory/cpuc.shtml.

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A copy of the application can also be viewed at the CPUC's Central Files in San Francisco by appointment. For more information, please contact them at aljcentralfilesid@cpuc.ca.gov or (415) 703-2045.

CPUC PROCESS

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EHs) may be held where parties of record will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties of record can participate.

After considering all proposals and evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision which may adopt SoCalGas' proposal, modify it or deny it. Any CPUC Commissioner may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled CPUC Voting Meeting.

The Office of Ratepayer Advocates (ORA) may review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about ORA, please call (415) 703-1584, e-mail ora@cpuc.ca.gov or visit ORA's website at www.ora.ca.gov/.

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Write: CPUC
Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102 Email: public.advisor@cpuc.ca.gov

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
TTY 1-866-836-7825 (toll-free) or 1-415-703-5282

Please reference SoCalGas' Application No.16-06-009 in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners and appropriate CPUC staff.