Sempra Energy®

Southern California Gas Company

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Outline

- Business overview
- 2010 accomplishments
- General Rate Case
- 5-year capital plan
- Major projects
- Pipeline safety
- Outlook
- Summary

Business Overview

- Nation's largest natural gas distribution utility
- 134 Bcf of gas storage capacity
  - 3% of national storage capacity
- 20,000 square miles of service territory
- 20.9 million consumers
- 6 million natural gas meters
- Ratebase of $2.9 billion in 2010

2010 Accomplishments

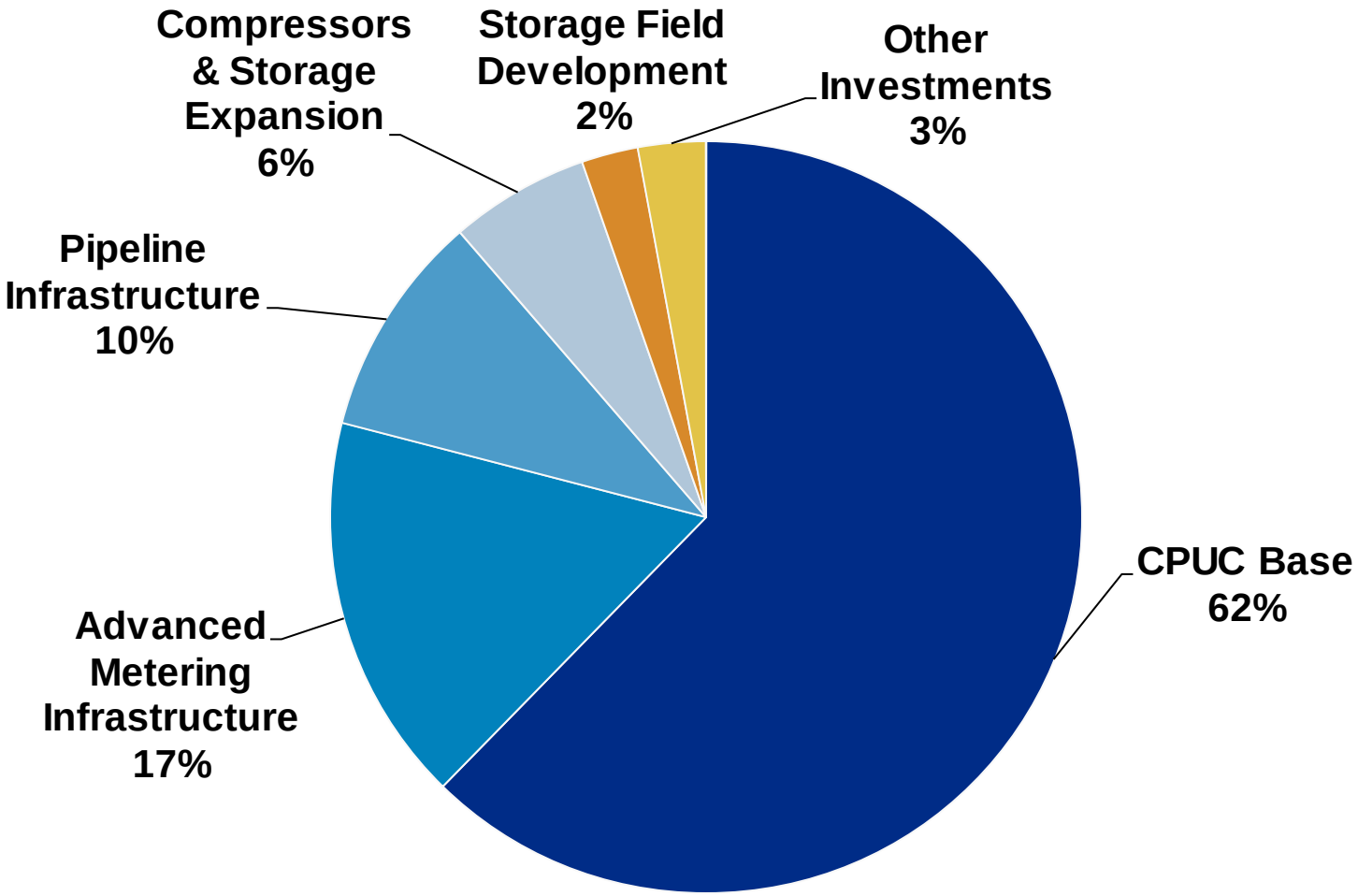
- Financial
  - Delivered $286 million earnings in 2010, 5% increase from 2009
  - Strong cash flow from operations, annual average of $500 million[1]
- Regulatory
  - Advanced Metering Infrastructure approved in April 2010
  - 2012 GRC application filed in December 2010
- Recognition
  - Ranked No.2 in Nation for Gas Utility Residential Customer Service by J.D. Power & Associates
  - Named "No. 1 Smartest Utility" in 2009 & 2010
  - Customer gas prices among lowest in the nation
- Safety
  - 2010 "best ever" year for safety

(1) Three-year annual average (2008 – 2010)

General Rate Case

- Filed 2012 General Rate Case (GRC) application in December 2010
- Revenue requirement of $2.12 billion for 2012 test year
  - $280 million increase over 2011
  - Increase of 6% over 2011 system average rates
- Four-year GRC term
- Proposed mechanism to increase base margin by an average of 3% per year for 2013 to 2015
- CPUC plans to issue a decision March 2012, with rates effective January 1, 2012

SoCalGas 5-Year Capital Plan: $4.1 Billion



Advanced Meter Project

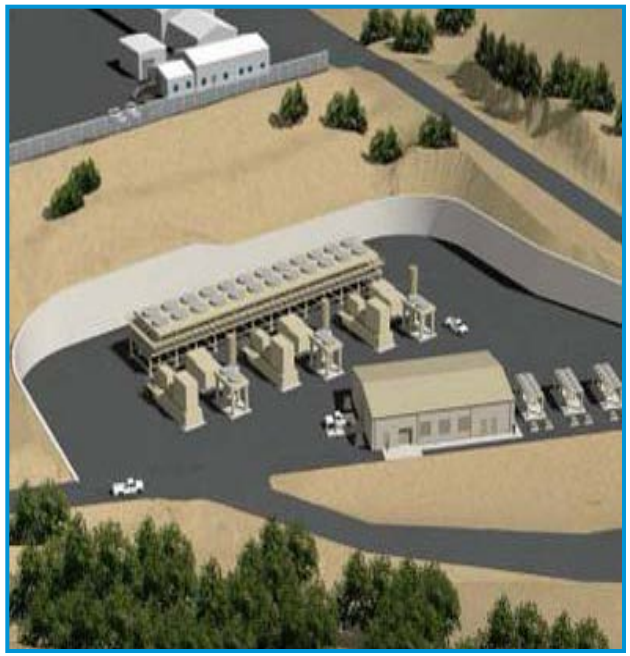
- $900 million capital project
- Upgrading approximately 6 million gas meters beginning late 2012 and continuing for up to 5 years
- Project remains on schedule and is currently in the contracting and planning phase

Gas Meter with Communication Module

2010	2011	2012 - 2016	2017
Final CPUC Decision Received April 2010		Begin Module Installation late - 2012	Complete Module Installation

Storage Infrastructure Upgrades & Storage Expansion

- $250 million combined for the two capital projects
- Compressor replacement at Aliso Canyon and expansion of Honor Rancho
- In April 2010, the CPUC issued a final decision granting SoCalGas approval to expand Honor Rancho
- Aliso is currently undergoing EIR[1] with a final CPUC decision expected late 2011 or early 2012
- Majority of assets scheduled to be in-service early 2015



Aliso Compressor Replacement Conceptual Rendering

(1) Environmental Impact Review

Storage Field Development

- $100 million capital project
- Significant potential at company owned storage fields to develop native gas and associated oil resources
- Approved by the CPUC
- Investment by location
  - Aliso Canyon: $10 million
  - La Goleta: $25 million
  - Honor Rancho: $5 million
  - Montebello: $60 million

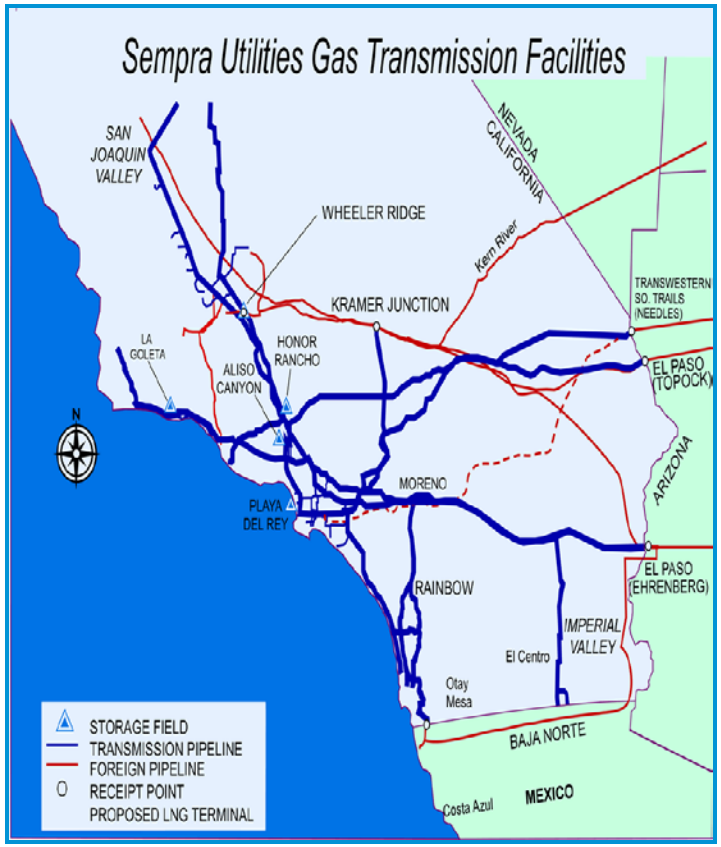
Other Investment Opportunities

- Biogas
  - $70 million capital investment over 5-year planning horizon
  - Biogas digestion and conditioning services
- Natural gas vehicle infrastructure
  - $50 million capital investment over 5-year planning horizon
  - SoCalGas to deliver gas at high pressure through compression facilities at customer sites
- Pipeline infrastructure
  - $400 million capital investment at minimum over 5-year planning horizon
  - Pipeline upgrades/replacement, and installation of automated valves with remote control shut off capabilities[1]

(1) Resulting from new safety and reliability regulations

SoCalGas Transmission System

- System comprised of:
  - 4,200 miles of high-pressure gas pipeline (400 - 1,000 psi)
  - 13 compressor stations
  - 140,000 horsepower with additional 7,200 horsepower for plant electric generation
- Designed to receive 3.9 Bcf/d on a firm basis
- Combination of pipeline receipts and storage withdrawal allows sending out up to 6 Bcf/d to customers



Pipeline Safety Order Instituting Rulemaking

- Pipeline safety Order Instituting Rulemaking (OIR) opened by CPUC
- Primary objectives of the OIR
  - Develop and adopt safety-related changes to regulations
  - Consider ways CPUC can undertake comprehensive risk assessment
  - Ratemaking and other incentives for prudent utility operations
- Near-term regulatory schedule
  - Public participation hearings
  - Comments to pipeline safety rulemaking
  - Formal report to CPUC on pipeline record keeping
  - Pre-hearing conference

Potential Pipeline & Storage Infrastructure Investments

- Pipeline infrastructure upgrades
  - Retro-fit pipelines for internal inspections
  - Targeted replacement
  - Maximum allowable operating pressure validation
- Valves
  - Segmentation and automation
  - Retrofit existing valves and install additional valves in Class 3 / high consequence areas
- Storage infrastructure upgrades

SoCalGas Outlook ($ in millions)

Earnings		
2011	**2012**	**2015**
$260 - $285	$270 - $295	$325 - $350

Capital Expenditures & Investments		
2011	**2012**	**2013 – 2015 Average**
$700	$700 - $800	$830 - $930

Ratebase		
2011	**2012**	**2015**
$2,900 - $3,100	$3,200 - $3,400	$4,800 - $5,200

Summary

- Increase of approximately 10% in 5-year capital investment compared to last year's plan
- Investments aligned with State and Federal legislature, CPUC, and customer demands
  - Advanced Meter Program approved - $900 million capital investment
  - Safety investments via pipeline infrastructure strengthening
- Platform for increased, stable and predictable earnings

Appendix

Key Financial Plan Drivers

- Ratebase growth: 14% CAGR[1]
- Authorized return on equity: 10.82%
- Incentive earnings of approximately $10 million after tax annually
- Effective income tax rates range from 36% to 43%
- Capital expenditures primarily funded by operating cash flow and debt financing

(1) 2011-2015 compound annual growth rate based on midpoint of forecast range

SoCalGas CPUC Capital Structure/Authorized Return

	Authorized Capital Structure	Authorized Return
Long-Term Debt	45.61%	6.96%
Preferred Equity	6.39%	4.83%
Common Equity	48.00%	10.82%