2015 Gas Rates Update & Natural Gas Market Outlook

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Cost Components of a Core GN-10 Customer Bill

- **Monthly Customer Charge & Transportation Charges**: 25%
- **G-SRF & UUT tax**: 5%
- **G-PPPS**: 9%
- **Gas Procurement Cost**: 61%

*Note: This chart is for illustrative purposes only. The example represents a core GN-10 customer using 100,000 therms/year, and is based on 1/1/2015 gas rate and 12-month historical average of gas procurement cost.*
Core GN-10 & GT-10 Rate Change

*(All rates are $/therm)*

<table>
<thead>
<tr>
<th>Core nonresidential rate (GN-10) Volumetric Transportation Rate Includes CSITMA, Excludes CAT:</th>
<th>7/1/2014 Average Rate $/Therm</th>
<th>1/1/2015 Average Effective Rate $/Therm</th>
<th>Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 = 250 th/mo.</td>
<td>$0.49827</td>
<td>$0.54626</td>
<td>$0.04799</td>
</tr>
<tr>
<td>Tier 2 = next 4,167 th/mo.</td>
<td>$0.25524</td>
<td>$0.29040</td>
<td>$0.03516</td>
</tr>
<tr>
<td>Tier 3 = over 4,167 th/mo.</td>
<td>$0.09229</td>
<td>$0.11885</td>
<td>$0.02656</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Core nonresidential rate (GT-10 - Core Aggregation Transport) Volumetric Transportation Rate Includes CSITMA &amp; CAT:</th>
<th>7/1/2014 Average Rate $/Therm</th>
<th>1/1/2015 Average Effective Rate $/Therm</th>
<th>Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 = 250 th/mo.</td>
<td>$0.51853</td>
<td>$0.53795</td>
<td>$0.01942</td>
</tr>
<tr>
<td>Tier 2 = next 4,167 th/mo.</td>
<td>$0.27549</td>
<td>$0.28209</td>
<td>$0.00659</td>
</tr>
<tr>
<td>Tier 3 = over 4,167 th/mo.</td>
<td>$0.11254</td>
<td>$0.11054</td>
<td>($0.00201)</td>
</tr>
</tbody>
</table>
Cost Components of a Noncore GT-3D Customer Bill

Note: This chart is for illustrative purposes only. The example represents a noncore GT-3D customer using 1,500,000 therms/year, and is based on 1/1/2015 gas rate and 12-month historical average of NGI Bidweek gas pricing.
Noncore GT-3 & Cogen GT-5 Rate Change

*(All rates are $/therm)*

<table>
<thead>
<tr>
<th>Non-core Distribution rate (GT-3D)</th>
<th>Volumetric Rates Includes CARB Fee &amp; CSITMA</th>
<th>7/1/2014 Average Rate $/Therm</th>
<th>1/1/2015 Average Effective Rate $/Therm</th>
<th>Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 = 250Kth/yr</td>
<td></td>
<td>$0.15045</td>
<td>$0.15126</td>
<td>$0.00081</td>
</tr>
<tr>
<td>Tier 2 = 250k to 1000k</td>
<td></td>
<td>$0.09128</td>
<td>$0.09352</td>
<td>$0.00224</td>
</tr>
<tr>
<td>Tier 3 = 1 to 2 million th/yr</td>
<td></td>
<td>$0.05343</td>
<td>$0.05659</td>
<td>$0.00316</td>
</tr>
<tr>
<td>Tier 4 = over 2 million th/yr</td>
<td></td>
<td>$0.02638</td>
<td>$0.03020</td>
<td>$0.00381</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ELECTRIC GENERATION - Volumetric Rates Includes CARB fee, Excludes CSITMA</th>
<th>7/1/2014 Average Rate $/Therm</th>
<th>1/1/2015 Average Effective Rate $/Therm</th>
<th>Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EG-Distribution Tier 1 w/CARB fee</td>
<td>$0.0862</td>
<td>$0.10490</td>
<td>$0.01874</td>
</tr>
<tr>
<td>EG-Distribution Tier 2 w/CARB Fee</td>
<td>$0.03118</td>
<td>$0.03617</td>
<td>$0.00498</td>
</tr>
</tbody>
</table>
Significant Drivers of Jan. 1, 2015 Rate Change

1. Large under-collections in the Regulatory Account balances in the core markets (dominated by under-collection in Core Fixed Cost Account),

2. Attrition of 2.75% authorized in the last General Rate Case (“GRC”),

3. SoCalGas’ Advanced Meter Initiative (“AMI”) revenue requirement increases,

4. Transition adjustment authorized in the last Triennial Cost Allocation Proceeding (“TCAP”), and

5. Public Purpose Program Surcharge (“PPPS”) rate increased due to California Alternative Rates for Energy (“CARE”) and Energy Efficiency program increases.
16 Year Historical Trend of Gas Pricing

Data Sources:
- CA Border Index: Natural Gas Intelligence BidWeek
- Noncore Rate: SoCalGas GT3 tariff (transport + customer charge) average $/th based on 1.5 Mth/yr consumption
- Core Rate: SoCalGas GN10 tariff (transport + customer charge) average $/th based on 100k th/yr

updated: 1/1/2015
**Gas Pricing 2015 Forecast**

**Natural Gas NYMEX & ClearPort Futures**


- **NYMEX Futures**
  - price @ Henry Hub ($/mmbtu)
- **Futures**
  - price @ CA/AZ border ($/mmbtu)

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2014 vs. 2015 January NGI and Citygate Pricing Observation

- January 2014 NGI Bidweek Price: ~$4.60*
- First of the year, 2014 SoCal Citygate Price: ~$4.60*
- NYMEX/Clearport Futures 2014 forecast: $4.00-$4.50

- January 2015 NGI Bidweek Price: ~$3.60*
- First of the year, 2015 SoCal Citygate Price: ~$3.30*
- NYMEX/Clearport Futures 2015 forecast: $2.75-$3.60

*Pricing figures are not exact and are rounded to the nearest ten cents.
2015 Gas Commodity Cost Kicking Off Approximately (20%) Lower Than Last Year

*Remember*, Gas pricing is market driven and prone to fluctuations due to drivers such as: availability, demand, weather, economy, and trader speculation.

Core GN-10

- Gas Procurement Cost, 61%

Noncore GT-3D

- Estimated Commodity Cost, 74%

Note: This chart is for illustrative purposes only. The example represents a core GN-10 customer using 100,000 therms/year, and a noncore GT-3D customer using 1,500,000 therms/year, and is based on 1/1/2015 gas rate and 12-month historical average of gas procurement cost.
Natural Gas Producers / Shale Plays

Lower 48 states shale plays

Shale plays
- Current plays
- Prospective plays
- Stacked plays
  - Shallowest/youngest
  - Intermediate depth/age
  - Deepest/oldest

Basins
- Mixed shale & chalk play
- Mixed shale & limestone play
- Mixed shale & tight dolostone-siltstone-sandstone
Principal Interstate, Natural Gas Flow Capacity Summary, 2013

Source: EIA

2013 Flow Capacity
(million cubic feet per day)

Direction of Flow
Bi-directional
Ratio for Oil to Gas Is Close To Parity Now

Oil Prices vs Natural Gas Prices
Updated 1/2/2015

Source: Oil prices - EIA, CA/AZ Border Gas Price - ProphetX T:\oil vs gas.xls
1. Generally, January 1, 2015 transportation rate changes increased +11%. *This is approximately a +3% total energy cost increase based on a 100,000 th/year core C&I customer.*

2. *NYMEX and Clearport natural gas commodity futures forecast for 2015 indicate commodity pricing will decrease -20% in the nationwide market. This is approximately a (12%) to (15%) total energy cost decrease based on a 100,000 th/year core or 1,500,000 th/year noncore C&I customer.*

   *Commodity pricing is subjected to fluctuations and change, and driven by the free market.

3. Natural gas production continues to outpace supply. Significant market drivers for commodity pricing volatility continues to be demand driven, economic driven, weather driven, trader speculation driven.

4. Continue to manage your energy costs by leveraging various programs / resources offered by your Utility and conserving energy use.
Available SoCalGas Resources

1. Energy Efficiency Rebates & Incentive Programs
2. On Bill Financing
3. Self Generation Incentive Program
4. Account Executives & Technical Engineers – free site visits
5. Industrial Service Technicians, Flue Gas Analysis ("FGA"s)
6. Seminars & Trainings at the Energy Resource Center ("ERC")
Available SoCalGas Resources

7 PermitWorks

8 Benchmarking

9 Retro-commissioning

10 Optional Pricing Tariff Program

11 Rule 38 Emerging Market/Emerging Technology Program

12 California Solar Initiative Program
Thank You!

One last note: If you transport your own gas, talk to your gas supplier to discuss supply and pricing strategies.

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