

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company  
(U-904-G) for Approval of Palm Desert Partnership  
Program Funding Levels for 2010-2012

Application 10-07-\_\_\_\_\_

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904-G) FOR  
APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS  
FOR 2010-2012**

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July 2, 2010

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**I.  
INTRODUCTION**

In compliance with the California Public Utilities Commission (“Commission” or “CPUC”) Rules of Practice and Procedure, Southern California Gas Company (“SoCalGas”) hereby files its application for approval of its Palm Desert Partnership Project (“Partnership”), as proposed herein.

**II.  
BACKGROUND**

In this Application and supporting Testimony and Exhibits, Southern California Gas Company (“SoCalGas”) requests approval to continue its Palm Desert Demonstration Partnership with the City of Palm Desert and the Southern California Edison Company (“SCE”) (collectively the “Partnership”) through the Commission’s 2010-2012 energy efficiency program cycle. This Application seeks approval to spend \$2.1 million in funding to generate 457,073 gross therms during the 2010-2012 Program Cycle. The Partnership has diligently worked to prepare a new portfolio of projects that will enable the program to reach its full capacity and opportunity for replication.

SoCalGas requests approval to fund the Partnership by shifting \$2.1 in funds from the 2010-2012 budgets authorized in Decision (D.) 09-09-047. Specifically, SoCalGas requests authority to utilize \$2.1 million unspent uncommitted monies from the 2004—2005 Energy Efficiency program cycles recorded in its Conservation Expense Account (“CEA”) to fund the Partnership. Since these funds have already been collected from customers, this request will not require a rate increase.

Further, on June 24, 2010, the Commission issued D.10-06-039 that authorizes continuation of the SoCalGas’ component of the Partnership and month-to-month funding until the Commission issues a decision on this application or until December 31, 2010, whichever comes first.

### **III. SUMMARY OF APPLICATION**

SoCalGas requests the Commission to:

1. Approve SoCalGas’ Application which would authorize SoCalGas to participate in and continue to fund its portion of the Partnership as requested and further described in the testimony of Mr. Frank Spasaro attached hereto as Chapter I; and,
2. Grant other such relief as the Commission deems necessary and prudent.

SoCalGas’ Application is supported by the testimony of one witness, Mr. Frank Spasaro. In Chapter I, Mr. Frank Spasaro, testifies to SoCalGas’ goals for the Partnership, its history and accomplishments to date, the reasons for continuing the Partnership and the requested sources of funding.

Mr. Spasaro's prepared direct testimony is served concurrently herewith and incorporated in the Application by reference.

**IV.  
STATUTORY AND PROCEDURAL REQUIREMENTS**

**A. Proposed Category, Issues to be Considered, Need for Hearings and Proposed Schedule**

SoCalGas proposes to categorize this Application as a "ratesetting" proceeding within the meaning of Rules 1.3(e) and 7.1. SoCalGas further submits that hearings are unnecessary in this proceeding. As shown in its testimony, Commission policy supports the continuation of the Partnership. SoCalGas submits that any differences among parties which may arise as to the facts presented by SoCalGas in its testimony can and should be resolved without hearing.

In the event, however, hearings are required, SoCalGas proposes the following schedule:

**Schedule**

|  |                     |
|--|---------------------|
| Filing of Application                    | July 2, 2010        |
| Protests/Testimony of Interested Parties | August 6, 2010      |
| Rebuttal Testimony Due                   | August 16, 2010     |
| Pre-Hearing Conference                   | August 19, 2010     |
| Hearings                                 | August 25- 27, 2010 |
| Concurrent Opening and Closing Briefs    | September 17, 2010  |
| Commission Issues Proposed Decision      | October 18, 2010    |
| Comments on Proposed Decision            | November 8, 2010    |
| Replies to Comments on Proposed Decision | November 15, 2010   |
| Commission Issues Final Decision         | November 19, 2010   |

**B. Statutory Authority – Rule 2.1**

This Application is made pursuant to Sections 451, 701, 702 , 728, and 729 of the Public Utilities Code of the State of California; the Commission’s Rule of Practice and Procedure; and the other relevant prior decisions, orders, and resolutions of the Commission.

**C. Legal Name, Place of Business/Incorporation – Rule 2.1(a)**

Applicant’s legal name is Southern California Gas Company. SoCalGas is a public utility corporation organized and existing under the laws of the State of California, with its principal place of business at 555 West Fifth Street, Los Angeles California 90013.

**D. Correspondence – Rule 2.1(b)**

Correspondence or communications regarding this application should be addressed to:

Joy Yamagata  
Regulatory Manager For:  
Southern California Gas Company  
8330 Century Park Ct,  
San Diego California 92123  
Telephone: (858) 654-1755  
Facsimile: (858) 654-1788  
E-Mail: [jyamagata@semprautilities.com](mailto:jyamagata@semprautilities.com)

With a copy to:

Steven D. Patrick  
Attorney For:  
Southern California Gas Company  
555 West 5<sup>th</sup> Street, Suite 1400  
Los Angeles, CA 90013  
Telephone: (213) 244-2954  
Facsimile: (213) 629-9620  
E-Mail: [SDPatrick@semprautilities.com](mailto:SDPatrick@semprautilities.com)

**E. Articles of Incorporation - Rule 16**

SoCalGas is incorporated under the laws of the State of California. A certified copy of the restated Articles of Incorporation, as last amended, currently in effect and certified by the

California Secretary of State, was filed with the Commission on October 1, 1998 in connection with SDG&E Application No. 98-10-012, and is incorporated herein by reference.

**F. Financial Statement, Balance Sheet, and Income Statement - Rule 3.2(a)(4)**

Appendix A to this Application is SoCalGas' Financial Statement, Balance Sheet and Income Statement as of March 31, 2010.

**G. Rates – Rules 3.2(a)(2) and 3.2(a)(3)**

Not applicable

**H. Property and Equipment – Rule 3.2(a)(4)**

A general description of SoCalGas' property and equipment was previously filed with the Commission on May 3, 2004 in connection with SoCalGas Application 04-05-058, and is incorporated herein by reference. Appendix B to this Application is a statement of SoCalGas' Costs of Property and Depreciation Reserve applicable thereto as of March 31, 2010.

**I. Summary of Earnings – Rules 3.2(a)(5)**

Appendix C to this Application is a Summary of Earnings for SoCalGas for the 3 months ended March 31, 2010.

**J. Depreciation – Rule 3.2(7)**

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SoCalGas has computed its tax depreciation using the Modified Accelerated

Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

**K. Proxy Statement – Rule 3.2(a)(8)**

A copy of SoCalGas' most recent proxy statement, dated April 29, 2010, as sent to all shareholders of SoCalGas' Parent Company, Sempra Energy, was mailed to the California Public Utilities Commission on May 13, 2010 and is incorporated herein by reference.

**L. Pass Through of Costs – Rule 3.2(a)(10)**

The changes that SoCalGas seeks in this Application reflect estimated costs to SoCalGas, and SoCalGas proposes to pass through to customers only costs that SoCalGas incurs for the services and commodities it furnishes.

**M. Service and Notice – Rule 3.2(b)**

SoCalGas is serving this Application on all parties to A.08-07-021, A.08-07-022, A08-07-023 and A.08-07-031.

**VI.  
RELIEF REQUESTED**

For the reasons set forth in this Application and accompanying testimony, SoCalGas respectfully asks the Commission to:

- 1) Consider this Application and grant all the relief requested herein; and
- 2) Find that SoCalGas' Partnership proposal will benefit its customers and are in conformance with State and Commission directives and policies; and
- 3) Grant other such relief as the Commission may deem necessary.



WHEREFORE, SoCalGas respectfully requests the Commission grant its Application as filed.

Dated this 2<sup>nd</sup> day of July, 2010.

Respectfully submitted,

*/s/ Hal Snyder*

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**Hal Snyder**  
Vice President  
Southern California Gas Company

*/s/ Steve D. Patrick*

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**Steven D. Patrick**  
Attorney for  
Southern California Gas Company

**VERIFICATION**

I am an officer of Southern California Gas Company, and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing Application are true and to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this July 2, 2010 at Los Angeles, California.

*/s/ Hal Snyder*

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**Hal Snyder**  
Vice President  
Southern California Gas Company

# APPENDIX A

**SOUTHERN CALIFORNIA GAS COMPANY  
FINANCIAL STATEMENT  
MARCH 31, 2010**

(a) Amounts and Kinds of Stock Authorized:

|                  |             |        |                        |
|------------------|-------------|--------|------------------------|
| Preferred Stock  | 160,000     | shares | Par Value \$4,000,000  |
| Preferred Stock  | 840,000     | shares | Par Value \$21,000,000 |
| Preferred Stock  | 5,000,000   | shares | Without Par Value      |
| Preference Stock | 5,000,000   | shares | Without Par Value      |
| Common Stock     | 100,000,000 | shares | Without Par Value      |

Amounts and Kinds of Stock Outstanding:

**PREFERRED STOCK**

|                     |            |        |             |
|---------------------|------------|--------|-------------|
| 6.0%                | 79,011     | shares | \$1,975,275 |
| 6.0%                | 783,032    | shares | 19,575,800  |
| <b>COMMON STOCK</b> | 91,300,000 | shares | 834,888,907 |

(b) Terms of Preferred Stock:

Full information as to this item is given in connection with Application Nos. 96-09-036 and 06-07-012, to which references are hereby made.

(c) Brief Description of Mortgage:

Full information as to this item is given in Application Nos. 06-07-012 and 09-09-046 to which references are hereby made.

(d) Number and Amount of Bonds Authorized and Issued:

|   | Nominal<br>Date of<br>Issue | Par Value                |             | Interest Paid<br>in 2009 |
|---|-----------------------------|--------------------------|-------------|--------------------------|
|   |                             | Authorized<br>and Issued | Outstanding |                          |
| <u>First Mortgage Bonds:</u>                    |                             |                          |             |                          |
| 4.80% Series GG, due 2012                       | 10-02-02                    | 250,000,000              | 250,000,000 | 12,000,000               |
| 5.45% Series HH, due 2018                       | 10-14-03                    | 250,000,000              | 250,000,000 | 13,625,000               |
| Var % Series II, due 2011                       | 12-15-03                    | 250,000,000              | 250,000,000 | 10,937,500               |
| Var% Series JJ, due 2009                        | 12-10-04                    | 100,000,000              | 0           | 6,775,798                |
| 5.75% Series KK, due 2035                       | 11-18-05                    | 250,000,000              | 250,000,000 | 14,375,000               |
| 5.50% Series LL, due 2014                       | 11-21-08                    | 250,000,000              | 250,000,000 | 11,229,167               |
| <u>Other Long-Term Debt</u>                     |                             |                          |             |                          |
| 4.750% SFr. Foreign Interest Payment Securities | 05-14-06                    | 7,877,038                | 7,475,533   | 355,091                  |
| 5.67% Medium-Term Note, due 2028                | 01-15-98                    | 5,000,000                | 5,000,000   | 283,500                  |

**SOUTHERN CALIFORNIA GAS COMPANY  
FINANCIAL STATEMENT  
MARCH 31, 2010**

| <u>Other Indebtedness:</u>       | <u>Date of<br/>Issue</u> | <u>Date of<br/>Maturity</u> | <u>Interest<br/>Rate</u> | <u>Outstanding</u> | <u>Interest Paid<br/>2009</u> |
|----------------------------------|--------------------------|-----------------------------|--------------------------|--------------------|-------------------------------|
| Commercial Paper & ST Bank Loans | 11/01/04                 | 08/15/11                    | Various                  | 0                  | \$0                           |

Amounts and Rates of Dividends Declared:

The amounts and rates of dividends during the past five fiscal years are as follows:

| <u>Preferred<br/>Stock</u> | <u>Shares<br/>Outstanding<br/>@ 12-31-09</u> | <u>Dividends Declared</u> |                    |                    |                    |                    |
|----------------------------|--|---------------------------|--------------------|--------------------|--------------------|--------------------|
|                            | 2005   | 2006                      | 2007               | 2008               | 2009               |                    |
| 6.0%                       | 79,011                                       | \$118,516                 | \$118,516          | \$118,516          | \$118,516          | \$118,517          |
| 6.0%                       | 783,032                                      | 1,174,548                 | 1,174,548          | 1,174,548          | 1,174,548          | 1,174,548          |
|                            | <u>862,043</u>                               | <u>\$1,293,064</u>        | <u>\$1,293,064</u> | <u>\$1,293,064</u> | <u>\$1,293,064</u> | <u>\$1,293,065</u> |

Common Stock

|        |               |               |               |               |         |
|--------|---------------|---------------|---------------|---------------|---------|
| Amount | \$200,000,000 | \$150,000,000 | \$250,000,000 | \$200,000,000 | \$0 [1] |
|--------|---------------|---------------|---------------|---------------|---------|

A balance sheet and a statement of income and retained earnings of Applicant for the twelve months ended December 31, 2009, are attached hereto.

[1] Southern California Gas Company dividend to parent company, Sempra Energy.

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
MARCH 31, 2010**

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| <b>1. UTILITY PLANT</b>                      |   | <u>2010</u>          |
|--|---|----------------------|
| 101  | UTILITY PLANT IN SERVICE  | \$8,910,069,552      |
| 102  | UTILITY PLANT PURCHASED OR SOLD   | -                    |
| 105  | PLANT HELD FOR FUTURE USE   | -                    |
| 106  | COMPLETED CONSTRUCTION NOT CLASSIFIED   | -                    |
| 107  | CONSTRUCTION WORK IN PROGRESS   | 286,437,055          |
| 108  | ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT                           | (3,728,261,897)      |
| 111  | ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT                           | (22,004,419)         |
| 117  | GAS STORED-UNDERGROUND  | 55,520,014           |
|  |   | <u>5,501,760,305</u> |
|  | TOTAL NET UTILITY PLANT   | <u>5,501,760,305</u> |
| <br><b>2. OTHER PROPERTY AND INVESTMENTS</b> |   |                      |
| 121  | NONUTILITY PROPERTY   | 126,390,518          |
| 122  | ACCUMULATED PROVISION FOR DEPRECIATION AND<br>AMORTIZATION OF NONUTILITY PROPERTY | (98,976,780)         |
| 123  | INVESTMENTS IN SUBSIDIARY COMPANIES   | -                    |
| 124  | OTHER INVESTMENTS   | 122                  |
| 125  | SINKING FUNDS   | -                    |
| 128  | OTHER SPECIAL FUNDS   | 3,000,000            |
|  |   | <u>30,413,860</u>    |
|  | TOTAL OTHER PROPERTY AND INVESTMENTS  | <u>30,413,860</u>    |

Data from SPL as of March 26, 2010

**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
ASSETS AND OTHER DEBITS  
MARCH 31, 2010**

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| <b>3. CURRENT AND ACCRUED ASSETS</b> |  | <u>2010</u>        |
|--------------------------------------|--|--------------------|
| 131                                  | CASH   | 23,144,427         |
| 132                                  | INTEREST SPECIAL DEPOSITS                        | -                  |
| 134                                  | OTHER SPECIAL DEPOSITS                           | -                  |
| 135                                  | WORKING FUNDS                                    | 92,775             |
| 136                                  | TEMPORARY CASH INVESTMENTS                       | 157,100,000        |
| 141                                  | NOTES RECEIVABLE                                 | -                  |
| 142                                  | CUSTOMER ACCOUNTS RECEIVABLE                     | 500,457,599        |
| 143                                  | OTHER ACCOUNTS RECEIVABLE                        | 18,715,632         |
| 144                                  | ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS | (4,409,398)        |
| 145                                  | NOTES RECEIVABLE FROM ASSOCIATED COMPANIES       | 172,662,636        |
| 146                                  | ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES    | (9,113,888)        |
| 151                                  | FUEL STOCK                                       | -                  |
| 152                                  | FUEL STOCK EXPENSE UNDISTRIBUTED                 | -                  |
| 154                                  | PLANT MATERIALS AND OPERATING SUPPLIES           | 28,571,835         |
| 155                                  | MERCHANDISE                                      | 8,104              |
| 156                                  | OTHER MATERIALS AND SUPPLIES                     | -                  |
| 163                                  | STORES EXPENSE UNDISTRIBUTED                     | 59,253             |
| 164                                  | GAS STORED                                       | 21,638,821         |
| 165                                  | PREPAYMENTS                                      | 6,668,576          |
| 171                                  | INTEREST AND DIVIDENDS RECEIVABLE                | 16,794             |
| 173                                  | ACCRUED UTILITY REVENUES                         | -                  |
| 174                                  | MISCELLANEOUS CURRENT AND ACCRUED ASSETS         | 25,855,456         |
| 175                                  | DERIVATIVE INSTRUMENT ASSETS                     | 7,323,404          |
| 176                                  | LONG TERM PORTION OF DERIVATIVE ASSETS - HEDGES  | 5,384,169          |
|                                      | TOTAL CURRENT AND ACCRUED ASSETS                 | <u>954,176,193</u> |

| <b>4. DEFERRED DEBITS</b> |   |             |
|---------------------------|---|-------------|
| 181                       | UNAMORTIZED DEBT EXPENSE                      | 5,084,711   |
| 182                       | UNRECOVERED PLANT AND OTHER REGULATORY ASSETS | 933,681,278 |
| 183                       | PRELIMINARY SURVEY & INVESTIGATION CHARGES    | 42,933      |
| 184                       | CLEARING ACCOUNTS                             | (17,564)    |
| 185                       | TEMPORARY FACILITIES                          | -           |
| 186                       | MISCELLANEOUS DEFERRED DEBITS                 | 5,980,570   |

**SOUTHERN CALIFORNIA GAS COMPANY**  
**BALANCE SHEET**  
**LIABILITIES AND OTHER CREDITS**  
**MARCH 31, 2010**

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**5. PROPRIETARY CAPITAL**

|  | <u>2010</u>                |
|--|----------------------------|
| 201 COMMON STOCK ISSUED                    | (834,888,907)              |
| 204 PREFERRED STOCK ISSUED                 | (21,551,075)               |
| 207 PREMIUM ON CAPITAL STOCK               | -                          |
| 208 OTHER PAID-IN CAPITAL                  | -                          |
| 210 GAIN ON RETIRED CAPITAL STOCK          | (9,722)                    |
| 211 MISCELLANEOUS PAID-IN CAPITAL          | (31,306,680)               |
| 214 CAPITAL STOCK EXPENSE                  | 143,261                    |
| 216 UNAPPROPRIATED RETAINED EARNINGS       | (868,473,477)              |
| 219 ACCUMULATED OTHER COMPREHENSIVE INCOME | <u>24,855,788</u>          |
| <br>TOTAL PROPRIETARY CAPITAL              | <br><u>(1,731,230,812)</u> |

**6. LONG-TERM DEBT**

|  |                            |
|--|----------------------------|
| 221 BONDS                                  | (1,255,384,169)            |
| 224 OTHER LONG-TERM DEBT                   | (12,475,533)               |
| 225 UNAMORTIZED PREMIUM ON LONG-TERM DEBT  | -                          |
| 226 UNAMORTIZED DISCOUNT ON LONG-TERM DEBT | <u>1,925,491</u>           |
| <br>TOTAL LONG-TERM DEBT                   | <br><u>(1,265,934,211)</u> |

**7. OTHER NONCURRENT LIABILITIES**

|   |               |
|---|---------------|
| 227 OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT     | (13,276,394)  |
| 228.2 ACCUMULATED PROVISION FOR INJURIES AND DAMAGES  | (120,147,671) |
| 228.3 ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS | (707,743,745) |



**SOUTHERN CALIFORNIA GAS COMPANY  
BALANCE SHEET  
LIABILITIES AND OTHER CREDITS  
MARCH 31, 2010**

| <b>8. CURRENT AND ACCRUED LIABILITES</b>     |   | <b>2010</b>          |
|--|---|----------------------|
| 231  | NOTES PAYABLE                                 | -                    |
| 232  | ACCOUNTS PAYABLE                              | (305,494,817)        |
| 233  | NOTES PAYABLE TO ASSOCIATED COMPANIES         | -                    |
| 234  | ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES      | (13,297,235)         |
| 235  | CUSTOMER DEPOSITS                             | (84,668,941)         |
| 236  | TAXES ACCRUED                                 | (38,875,239)         |
| 237  | INTEREST ACCRUED                              | (19,276,991)         |
| 238  | DIVIDENDS DECLARED                            | (323,265)            |
| 241  | TAX COLLECTIONS PAYABLE                       | (24,860,972)         |
| 242  | MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES | (157,194,739)        |
| 243  | OBLIGATIONS UNDER CAPITAL LEASES - CURRENT    | (10,144,330)         |
| 244  | DERIVATIVE INSTRUMENT LIABILITIES             | (956,806)            |
| 245  | DERIVATIVE INSTRUMENT LIABILITIES - HEDGES    | -                    |
| <b>TOTAL CURRENT AND ACCRUED LIABILITIES</b> |   | <b>(655,093,335)</b> |

| <b>9. DEFERRED CREDITS</b>    |   |                        |
|-------------------------------|---|------------------------|
| 252                           | CUSTOMER ADVANCES FOR CONSTRUCTION              | (85,479,445)           |
| 253                           | OTHER DEFERRED CREDITS                          | (112,907,129)          |
| 254                           | OTHER REGULATORY LIABILITIES                    | (1,732,357,204)        |
| 255                           | ACCUMULATED DEFERRED INVESTMENT TAX CREDITS     | (27,153,128)           |
| 257                           | UNAMORTIZED GAIN ON REACQUIRED DEBT             | -                      |
| 281                           | ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED | -                      |
| 282                           | ACCUMULATED DEFERRED INCOME TAXES - PROPERTY    | (324,127,318)          |
| 283                           | ACCUMULATED DEFERRED INCOME TAXES - OTHER       | (275,985,001)          |
| <b>TOTAL DEFERRED CREDITS</b> |   | <b>(2,558,009,224)</b> |

**SOUTHERN CALIFORNIA GAS COMPANY  
STATEMENT OF INCOME AND RETAINED EARNINGS  
THREE MONTHS ENDED MARCH 31, 2010**

**1. UTILITY OPERATING INCOME**

|       |  |               |                 |
|-------|--|---------------|-----------------|
| 400   | OPERATING REVENUES                           |               | \$1,183,636,041 |
| 401   | OPERATING EXPENSES                           | \$927,188,901 |                 |
| 402   | MAINTENANCE EXPENSES                         | 27,029,946    |                 |
| 403-7 | DEPRECIATION AND AMORTIZATION EXPENSES       | 75,267,253    |                 |
| 408.1 | TAXES OTHER THAN INCOME TAXES                | 19,646,864    |                 |
| 409.1 | INCOME TAXES                                 | 39,874,667    |                 |
| 410.1 | PROVISION FOR DEFERRED INCOME TAXES          | 22,610,691    |                 |
| 411.1 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT | (5,582,175)   |                 |
| 411.4 | INVESTMENT TAX CREDIT ADJUSTMENTS            | (627,454)     |                 |
| 411.6 | GAIN FROM DISPOSITION OF UTILITY PLANT       | -             |                 |
| 411.7 | LOSS FROM DISPOSITION OF UTILITY PLANT       | -             |                 |
|       |  |               |                 |
|       | TOTAL OPERATING REVENUE DEDUCTIONS           |               | 1,105,408,693   |
|       | NET OPERATING INCOME                         |               | 78,227,347      |

**2. OTHER INCOME AND DEDUCTIONS**

|       |   |             |  |
|-------|---|-------------|--|
| 415   | REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK | -           |  |
| 417   | REVENUES FROM NONUTILITY OPERATIONS                   | -           |  |
| 417.1 | EXPENSES OF NONUTILITY OPERATIONS                     | 32,153      |  |
| 418   | NONOPERATING RENTAL INCOME                            | (91,813)    |  |
| 418.1 | EQUITY IN EARNINGS OF SUBSIDIARIES                    | -           |  |
| 419   | INTEREST AND DIVIDEND INCOME                          | (124,864)   |  |
| 419.1 | ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION    | (4,108,673) |  |
| 421   | MISCELLANEOUS NONOPERATING INCOME                     | (52,501)    |  |
| 421.1 | GAIN ON DISPOSITION OF PROPERTY                       | 0           |  |
|       |   |             |  |
|       | TOTAL OTHER INCOME                                    | (4,345,698) |  |
| 425   | MISCELLANEOUS AMORTIZATION                            | -           |  |
| 426   | MISCELLANEOUS OTHER INCOME DEDUCTIONS                 | 889,699     |  |
|       |   |             |  |
|       |   | 889,699     |  |
| 408.2 | TAXES OTHER THAN INCOME TAXES                         | 20,685      |  |
| 409.2 | INCOME TAXES  | 198,780     |  |
| 410.2 | PROVISION FOR DEFERRED INCOME TAXES                   | 750,871     |  |
| 411.2 | PROVISION FOR DEFERRED INCOME TAXES - CREDIT          | (751,933)   |  |
| 420   | INVESTMENT TAX CREDITS                                | -           |  |
|       |   |             |  |
|       | TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS            | 218,403     |  |

**SOUTHERN CALIFORNIA GAS COMPANY  
STATEMENT OF INCOME AND RETAINED EARNINGS  
THREE MONTHS ENDED MARCH 31, 2010**

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**3. RETAINED EARNINGS**

|  |                             |
|--|-----------------------------|
| RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED | \$903,797,710               |
| NET INCOME (FROM PRECEDING PAGE)                                 | 64,999,033                  |
| DIVIDEND TO PARENT COMPANY                                       | (100,000,000)               |
| DIVIDENDS DECLARED - PREFERRED STOCK                             | (323,266)                   |
| OTHER RETAINED EARNINGS ADJUSTMENT                               | <u>-</u>                    |
| RETAINED EARNINGS AT END OF PERIOD                               | <u><u>\$868,473,477</u></u> |

# APPENDIX B

## SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation

As of March 31, 2010

| ACCOUNT<br>NUMBER                 | DESCRIPTION                       | ORIGINAL<br>COSTS       | ACCUMULATED<br>RESERVE    | NET BOOK<br>VALUE       |
|-----------------------------------|-----------------------------------|-------------------------|---------------------------|-------------------------|
| <b>INTANGIBLE ASSETS</b>          |                                   |                         |                           |                         |
| 301                               | Organization                      | \$ 76,457               | \$ -                      | 76,457                  |
| 302                               | Franchise and Consents            | \$ 550,693              | \$ -                      | 550,693                 |
|                                   | Total Intangible Assets           | <u>\$ 627,150</u>       | <u>\$ -</u>               | <u>\$ 627,150</u>       |
| <b>PRODUCTION:</b>                |                                   |                         |                           |                         |
| 325                               | Other Land Rights                 | \$ 15,321               | \$ -                      | 15,321                  |
| 330                               | Prd Gas Wells Const               | \$ 4,092,459            | \$ (62,922)               | 4,029,538               |
| 331                               | Prd Gas Wells Eqp                 | \$ 454,718              | \$ (6,991)                | 447,726                 |
| 332                               | Field Lines                       | \$ 7,157                | \$ -                      | 7,157                   |
|                                   | Total Production                  | <u>\$ 4,569,655</u>     | <u>\$ (69,913)</u>        | <u>\$ 4,499,742</u>     |
| <b>UNDERGROUND STORAGE:</b>       |                                   |                         |                           |                         |
| 350                               | Land                              | \$ 4,539,484            | \$ -                      | 4,539,484               |
| 350                               | Storage Rights                    | 17,830,755              | (16,757,671)              | 1,073,084               |
| 350                               | Rights-of-Way                     | 25,354                  | (13,004)                  | 12,350                  |
| 351                               | Structures and Improvements       | \$ 35,197,031           | \$ (17,819,719)           | 17,377,312              |
| 352                               | Wells                             | \$ 212,365,923          | \$ (140,533,203)          | 71,832,720              |
| 353                               | Lines                             | \$ 84,911,655           | \$ (91,859,040)           | (6,947,386)             |
| 354                               | Compressor Station and Equipment  | \$ 112,929,494          | \$ (65,503,730)           | 47,425,764              |
| 355                               | Measuring And Regulator Equipment | \$ 6,590,192            | \$ (1,720,760)            | 4,869,432               |
| 356                               | Purification Equipment            | \$ 85,299,210           | \$ (58,496,388)           | 26,802,822              |
| 357                               | Other Equipment                   | \$ 18,869,045           | \$ (3,440,008)            | 15,429,037              |
|                                   | Total Underground Storage         | <u>\$ 578,558,143</u>   | <u>\$ (396,143,525)</u>   | <u>\$ 182,414,618</u>   |
| <b>TRANSMISSION PLANT- OTHER:</b> |                                   |                         |                           |                         |
| 365                               | Land                              | \$ 2,786,000            | \$ -                      | 2,786,000               |
| 365                               | Land Rights                       | 20,456,148              | (13,428,372)              | 7,027,776               |
| 366                               | Structures and Improvements       | \$ 30,601,479           | \$ (20,361,262)           | 10,240,217              |
| 367                               | Mains                             | \$ 1,040,538,171        | \$ (503,090,129)          | 537,448,042             |
| 368                               | Compressor Station and Equipment  | \$ 176,385,000          | \$ (98,172,452)           | 78,212,547              |
| 369                               | Measuring And Regulator Equipment | \$ 46,489,485           | \$ (25,302,227)           | 21,187,259              |
| 371                               | Other Equipment                   | \$ 4,019,343            | \$ (2,178,930)            | 1,840,413               |
|                                   | Total Transmission Plant          | <u>\$ 1,321,275,626</u> | <u>\$ (662,533,372)</u>   | <u>\$ 658,742,253</u>   |
| <b>DISTRIBUTION PLANT:</b>        |                                   |                         |                           |                         |
| 374                               | Land                              | \$ 28,254,507           | \$ -                      | 28,254,507              |
| 374                               | Land Rights                       | 2,646,609               | (12,264)                  | 2,634,345               |
| 375                               | Structures and Improvements       | \$ 211,344,730          | \$ (53,601,746)           | 157,742,985             |
| 376                               | Mains                             | \$ 2,917,818,230        | \$ (1,680,925,668)        | 1,236,892,562           |
| 378                               | Measuring And Regulator Equipment | \$ 64,160,283           | \$ (45,631,533)           | 18,528,750              |
| 380                               | Services                          | \$ 2,004,809,631        | \$ (1,617,198,087)        | 387,611,544             |
| 381                               | Meters                            | \$ 418,234,143          | \$ (122,966,110)          | 295,268,033             |
| 382                               | Meter Installation                | \$ 264,261,070          | \$ (150,544,407)          | 113,716,663             |
| 383                               | House Regulators                  | \$ 114,350,545          | \$ (47,111,507)           | 67,239,039              |
| 387                               | Other Equipment                   | \$ 25,090,999           | \$ (18,974,556)           | 6,116,443               |
|                                   | Total Distribution Plant          | <u>\$ 6,050,970,748</u> | <u>\$ (3,736,965,878)</u> | <u>\$ 2,314,004,870</u> |
| <b>GENERAL PLANT:</b>             |                                   |                         |                           |                         |
| 389                               | Land                              | \$ 1,243,021            | \$ -                      | 1,243,021               |
| 389                               | Land Rights                       | 74,300                  | -                         | 74,300                  |
| 390                               | Structures and Improvements       | \$ 118,472,318          | \$ (107,428,151)          | 11,044,167              |
| 391                               | Office Furniture and Equipment    | \$ 407,666,419          | \$ (241,572,419)          | 166,094,000             |
| 392                               | Transportation Equipment          | \$ 546,328              | \$ 30,188                 | 576,516                 |
| 393                               | Stores Equipment                  | \$ 95,361               | \$ (17,379)               | 77,982                  |
| 394                               | Shop and Garage Equipment         | \$ 52,001,404           | \$ (23,867,655)           | 28,133,748              |
| 395                               | Laboratory Equipment              | \$ 6,720,477            | \$ (4,064,984)            | 2,655,493               |
| 396                               | Construction Equipment            | \$ 106,465              | \$ (72,639)               | 33,825                  |
| 397                               | Communication Equipments          | \$ 54,135,332           | \$ (22,890,539)           | 31,244,793              |
| 398                               | Miscellaneous Equipment           | \$ 3,744,074            | \$ 1,204,667              | 4,948,741               |
|                                   | Total General Plant               | <u>\$ 644,805,498</u>   | <u>\$ (398,678,911)</u>   | <u>\$ 246,126,587</u>   |
|                                   | Grand Total                       | <u>\$ 8,600,806,820</u> | <u>\$ (5,194,391,599)</u> | <u>\$ 3,406,415,222</u> |

Asset Balance March 2010

| Class              | Description          | Acq.value               | Accum.dep.                | Book Val                |
|--------------------|----------------------|-------------------------|---------------------------|-------------------------|
| 351                |                      | 35,197,030.64           | (17,819,718.74)           | 17,377,311.90           |
| 352                |                      | 212,365,922.51          | (140,533,202.78)          | 71,832,719.73           |
| 353                |                      | 84,911,654.65           | (91,859,040.28)           | (6,947,385.63)          |
| 354                |                      | 112,929,494.40          | (65,503,730.47)           | 47,425,763.93           |
| 355                |                      | 6,590,192.47            | (1,720,760.38)            | 4,869,432.09            |
| 356                |                      | 85,299,210.03           | (58,496,388.18)           | 26,802,821.85           |
| 357                |                      | 18,869,044.94           | (3,440,008.37)            | 15,429,036.57           |
| 366                |                      | 30,601,479.31           | (20,361,262.44)           | 10,240,216.87           |
| 367                |                      | 1,040,538,171.32        | (503,090,129.24)          | 537,448,042.08          |
| 368                |                      | 176,384,999.63          | (98,172,452.44)           | 78,212,547.19           |
| 369                |                      | 46,489,485.17           | (25,302,226.58)           | 21,187,258.59           |
| 371                |                      | 4,019,342.96            | (2,178,929.94)            | 1,840,413.02            |
| 375                |                      | 211,344,730.33          | (53,601,745.58)           | 157,742,984.75          |
| 376                |                      | 2,917,818,230.35        | (1,680,925,668.37)        | 1,236,892,561.98        |
| 378                |                      | 64,160,282.75           | (45,631,532.64)           | 18,528,750.11           |
| 380                |                      | 2,004,809,631.01        | (1,617,198,086.74)        | 387,611,544.27          |
| 381                |                      | 418,234,143.37          | (122,966,110.36)          | 295,268,033.01          |
| 382                |                      | 264,261,069.97          | (150,544,407.29)          | 113,716,662.68          |
| 383                |                      | 114,350,545.29          | (47,111,506.71)           | 67,239,038.58           |
| 386                |                      | 0.00                    | 0.00                      | 0.00                    |
| 387                |                      | 25,090,999.02           | (18,974,556.11)           | 6,116,442.91            |
| 390                |                      | 118,472,317.82          | (107,428,150.96)          | 11,044,166.86           |
| 391                |                      | 407,666,418.72          | (241,572,418.65)          | 166,094,000.07          |
| 392                |                      | 546,328.20              | 30,187.82                 | 576,516.02              |
| 393                |                      | 95,361.10               | (17,378.63)               | 77,982.47               |
| 394                |                      | 52,001,403.88           | (23,867,655.39)           | 28,133,748.49           |
| 395                |                      | 6,720,477.40            | (4,064,984.08)            | 2,655,493.32            |
| 396                |                      | 106,464.53              | (72,639.05)               | 33,825.48               |
| 397                |                      | 54,135,331.88           | (22,890,539.22)           | 31,244,792.66           |
| 398                |                      | 3,744,073.78            | 1,204,667.14              | 4,948,740.92            |
| <b>Sub-Total</b>   |                      | <b>8,517,753,837.43</b> | <b>(5,164,110,374.66)</b> | <b>3,353,643,462.77</b> |
| 301                | Organization         | 76,456.94               | 0.00                      | 76,456.94               |
| 302                | Franchis. & Consents | 550,693.45              | 0.00                      | 550,693.45              |
| 325                | Other Land Rights    | 15,321.01               | 0.00                      | 15,321.01               |
| 330                | Prd Gas Wells Const  | 4,092,459.29            | (62,921.56)               | 4,029,537.73            |
| 331                | Prd Gass Wells Eqp   | 454,717.70              | (6,991.28)                | 447,726.42              |
| 332                | Field Llnes          | 7,157.27                | 0.00                      | 7,157.27                |
| G0135010           | UGS-Land Ownd in Fee | 4,539,483.87            | 0.00                      | 4,539,483.87            |
| 350                | UGS - Storage Rights | 17,259,951.31           | (16,186,867.75)           | 1,073,083.56            |
| 350                | UGS-Recoverable Oil  | 570,803.61              | (570,803.61)              | 0.00                    |
| G0135040           | UGS - Rights of Way  | 25,354.32               | (13,004.04)               | 12,350.28               |
| 365                | Land                 | 2,628,756.01            | 0.00                      | 2,628,756.01            |
| 365                | Land - Kern Mojave   | 157,243.62              | 0.00                      | 157,243.62              |
| G0136529           | Land Rights (SCG)    | 20,456,147.65           | (13,428,371.62)           | 7,027,776.03            |
| G0137410           | Land                 | 28,254,506.82           | 0.00                      | 28,254,506.82           |
| G0137420           | Land Rights          | 2,646,609.19            | (12,264.07)               | 2,634,345.12            |
| G0138910           | Land Owned in Fee    | 1,243,021.06            | 0.00                      | 1,243,021.06            |
| G0138920           | Land Rights          | 74,299.86               | 0.00                      | 74,299.86               |
| <b>Sub-Total</b>   |                      | <b>83,052,982.98</b>    | <b>(30,281,223.93)</b>    | <b>52,771,759.05</b>    |
| <b>Grand Total</b> |                      | <b>8,600,806,820.41</b> | <b>(5,194,391,598.59)</b> | <b>3,406,415,221.82</b> |

# APPENDIX C

**SOUTHERN CALIFORNIA GAS COMPANY  
SUMMARY OF EARNINGS  
THREE MONTHS ENDED MARCH 31, 2010  
(DOLLARS IN MILLIONS)**

| <u>Line No.</u> | <u>Item</u>                | <u>Amount</u>      |
|-----------------|----------------------------|--------------------|
| 1               | Operating Revenue          | \$1,184            |
| 2               | Operating Expenses         | <u>1,105</u>       |
| 3               | Net Operating Income       | <u><u>\$78</u></u> |
| 4               | Weighted Average Rate Base | \$2,810            |
| 5               | Rate of Return*            | 8.68%              |

\*Authorized Cost of Capital



# **APPENDIX**

## **Service List of Potential Interested Parties**

**CALIFORNIA PUBLIC UTILITIES COMMISSION**  
**Service Lists: A.08-07-021,022,023 and 031– Last Changed: June 30, 2010**

ddayton@cleanenergysol.com; sesco@optonline.net; mmoore@newportpartnersllc.com;  
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lloyd@enernoc.com; JeffreyH@hellermanus.com; RemiT@hellermanus.com; dil@cpuc.ca.gov;  
jeanne.sole@sfgov.org; william.sanders@sfgov.org; bfinkelstein@turn.org; hayley@turn.org;  
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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company  
(U-904-G) for Approval of Palm Desert Partnership  
Program Funding Levels for 2010-2012

Application 10-07-\_\_\_\_

**NOTICE OF AVAILABILITY**

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904-G) FOR  
APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS  
FOR 2010-2012**

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July 2, 2010

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Gas Company  
(U-904-G) for Approval of Palm Desert Partnership  
Program Funding Levels for 2010-2012

Application 10-07-\_\_\_\_

**NOTICE OF AVAILABILITY**

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904-G) FOR  
APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS FOR  
2010-2012**

TO: All Parties of Record in,

Pursuant to Rule 1.9 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Southern California Gas Company (“SoCalGas”) hereby provides this Notice of Availability of: Application of Southern California Gas Company (U 904 G) for Approval of Palm Desert Partnership Program Funding Levels for 2010-2012, filed with the Commission and served via this e-mail to the official service lists on July 2, 2010, in the above-captioned docket. The referenced submittal can be found on SoCalGas’ website at:

[www.socalgas.com/regulatory/cpuc.shtml](http://www.socalgas.com/regulatory/cpuc.shtml).

Pursuant to Rule 3.2(b) of the Commission’s Rules of Practice and Procedure, you may receive a copy of the Application by directing your request in writing to:

Ms. Remedios (Mimi) Santos  
Regulatory Case Analyst  
SAN DIEGO GAS & ELECTRIC COMPANY  
8330 Century Park Court, CP 31E  
San Diego, CA 92123  
Telephone: (858) 654-1852  
Facsimile: (858) 654-1789  
E-Mail: [RPSantos@semprautilities.com](mailto:RPSantos@semprautilities.com)

DATED at Los Angeles, California, on this 2<sup>nd</sup> day of July, 2010.

Respectfully submitted,

By:           /s/ Steven D. Patrick            
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**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of **NOTICE OF AVAILABILITY** of the foregoing **APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904-G) FOR APPROVAL OF PALM DESERT PARTNERSHIP PROGRAM FUNDING LEVELS FOR 2010-2012** has been electronically mailed to each party of record of the service list in **A.08-07-021, A.08-07-022, A.08-07-023 and A.08-07-031**. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and by depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to Chief Administrative Law Judge Angela Minkin

Executed 2<sup>nd</sup> day of July, 2010 at Los Angeles, California.

*/s/ Marivel Munoz*

Marivel Munoz