



NATURAL GAS MARKET OUTLOOK 2011

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Regulatory Affairs
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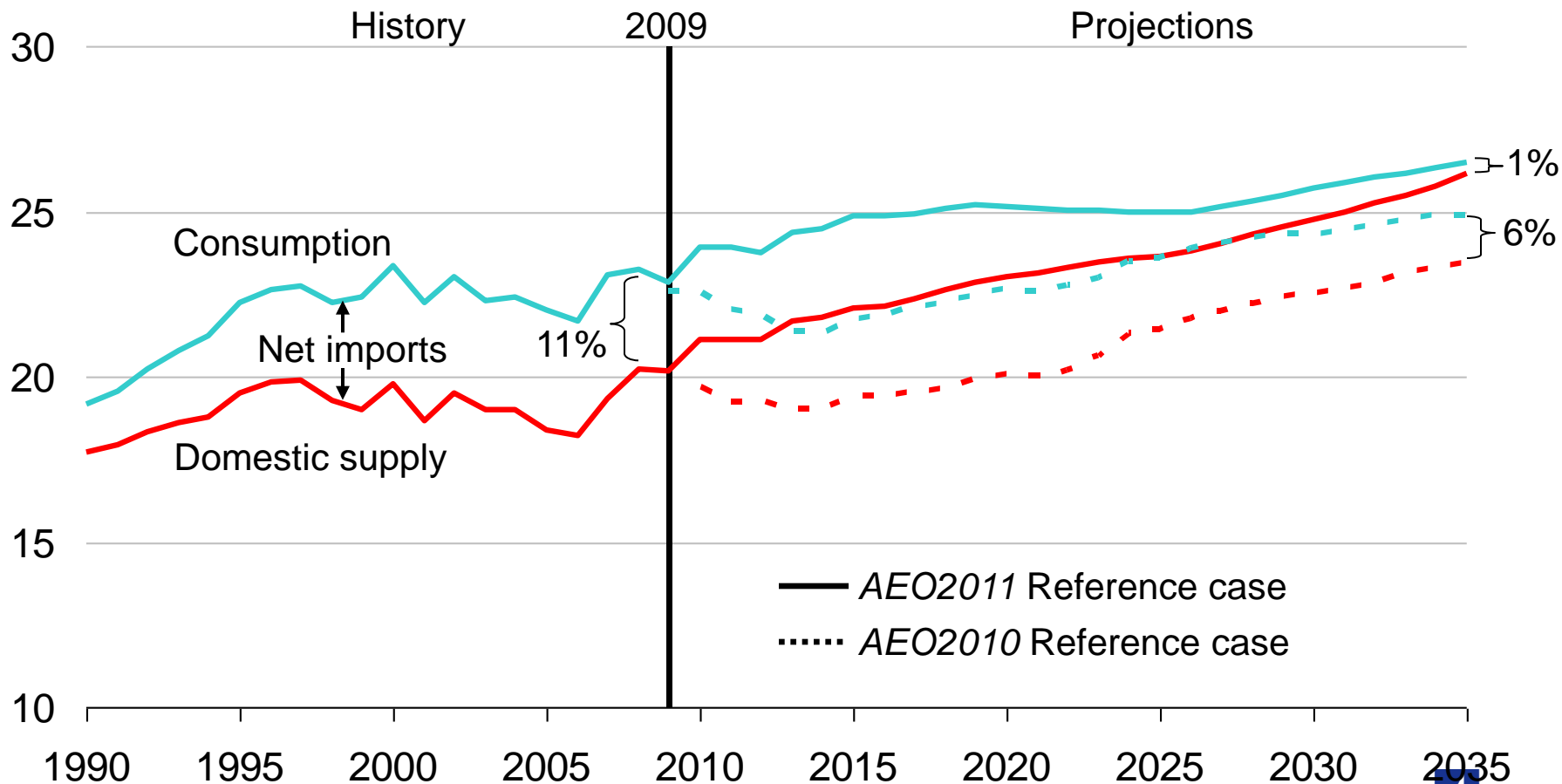
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Natural Gas Outlook

- U.S. shale gas resources drive increased U.S. production, lower prices, and lower imports of natural gas
- North America West Coast LNG terminal Operational
- U.S. storage levels this winter higher than five year average
- Industrial and electric power use drives future demand growth
- Non-hydro renewables and natural gas are the fastest growing electricity generation sources
- Natural gas price projections are significantly lower than past years due to an expanded shale gas resource base

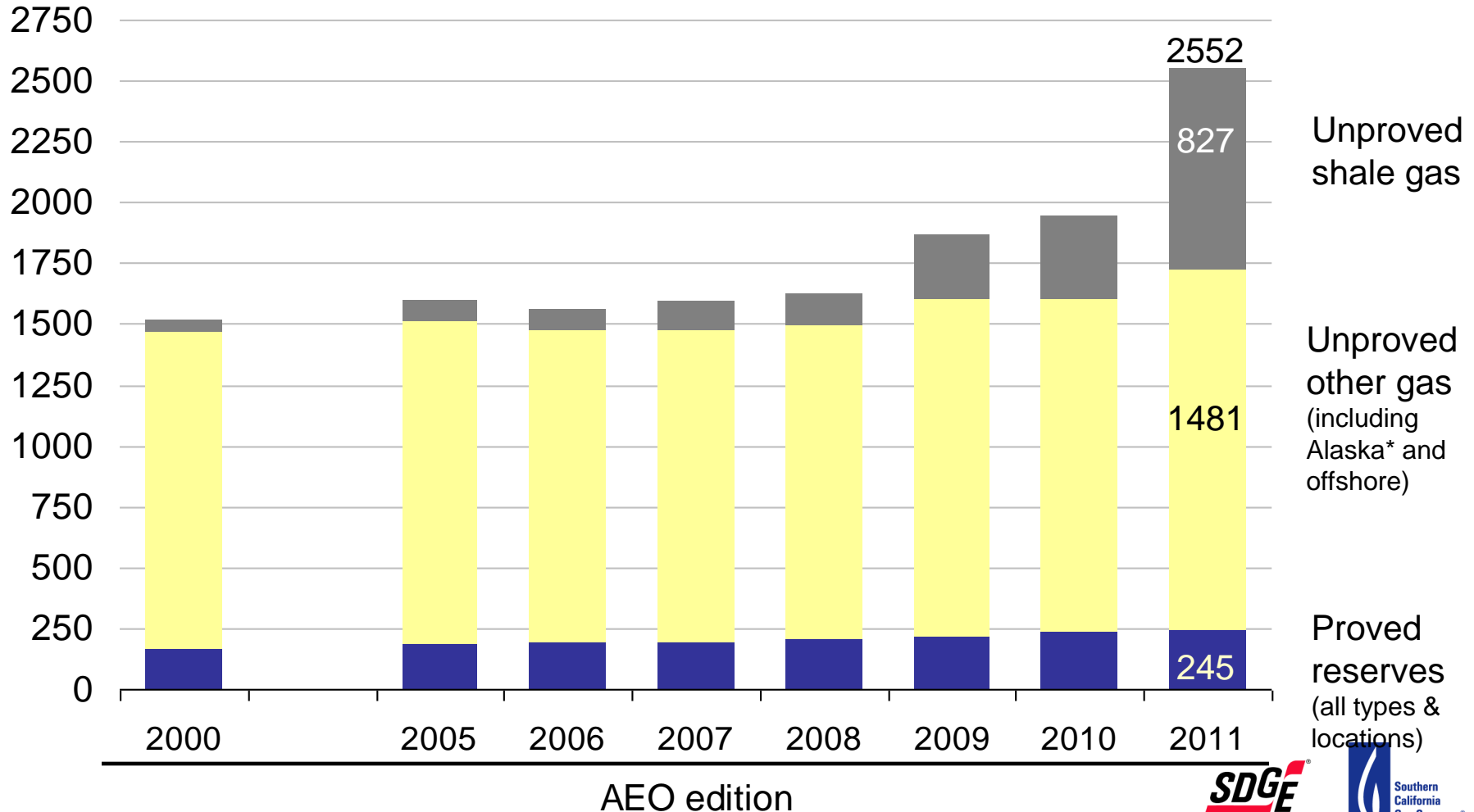
30% domestic gas production growth outpaces 16% consumption growth, leading to declining imports

U.S. dry gas
trillion cubic feet per year



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

U.S. dry gas resources
trillion cubic feet

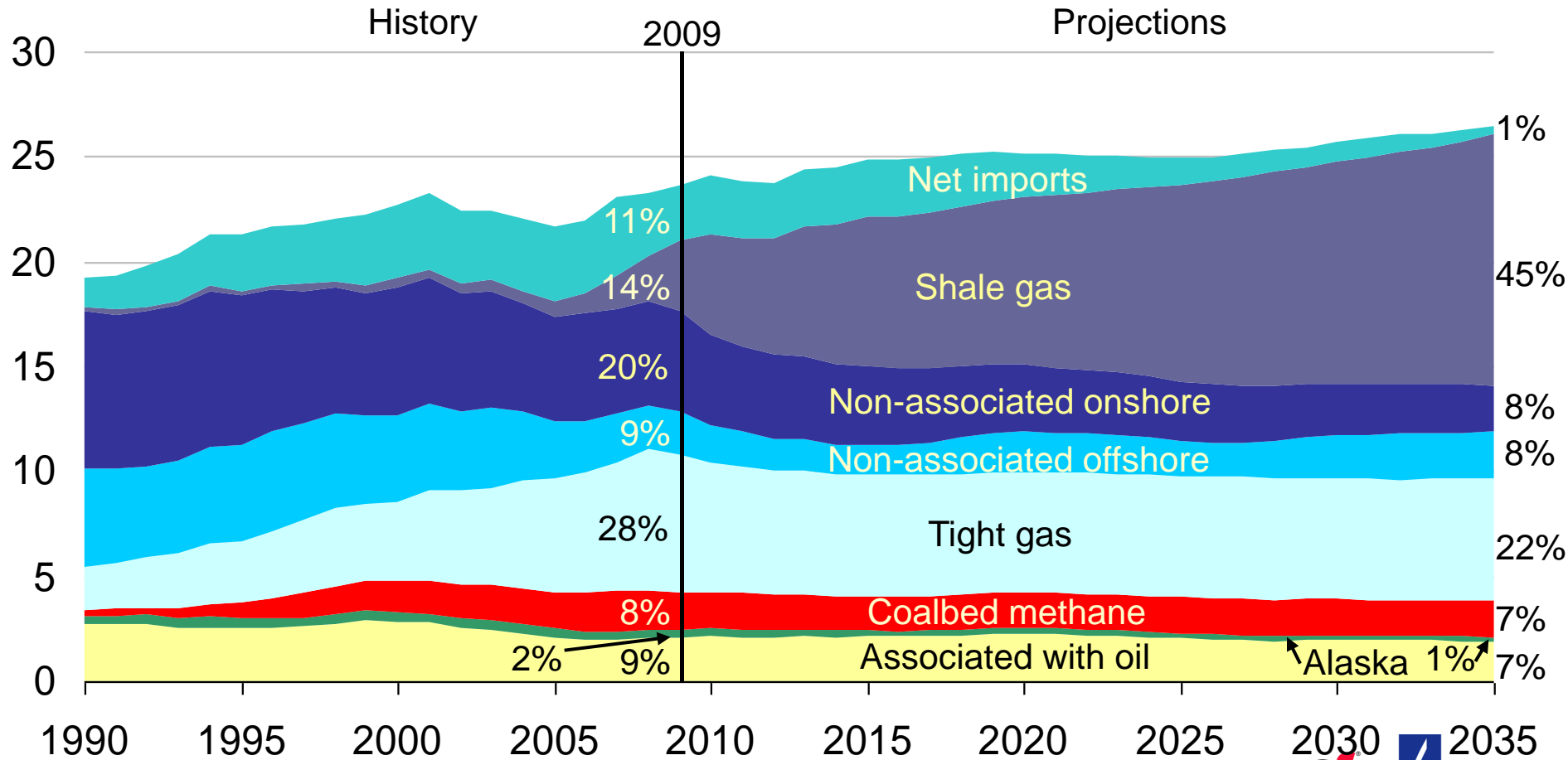


* Alaska resource estimates prior to AEO2009 reflect resources from the North Slope that were not included in previously published documentation.

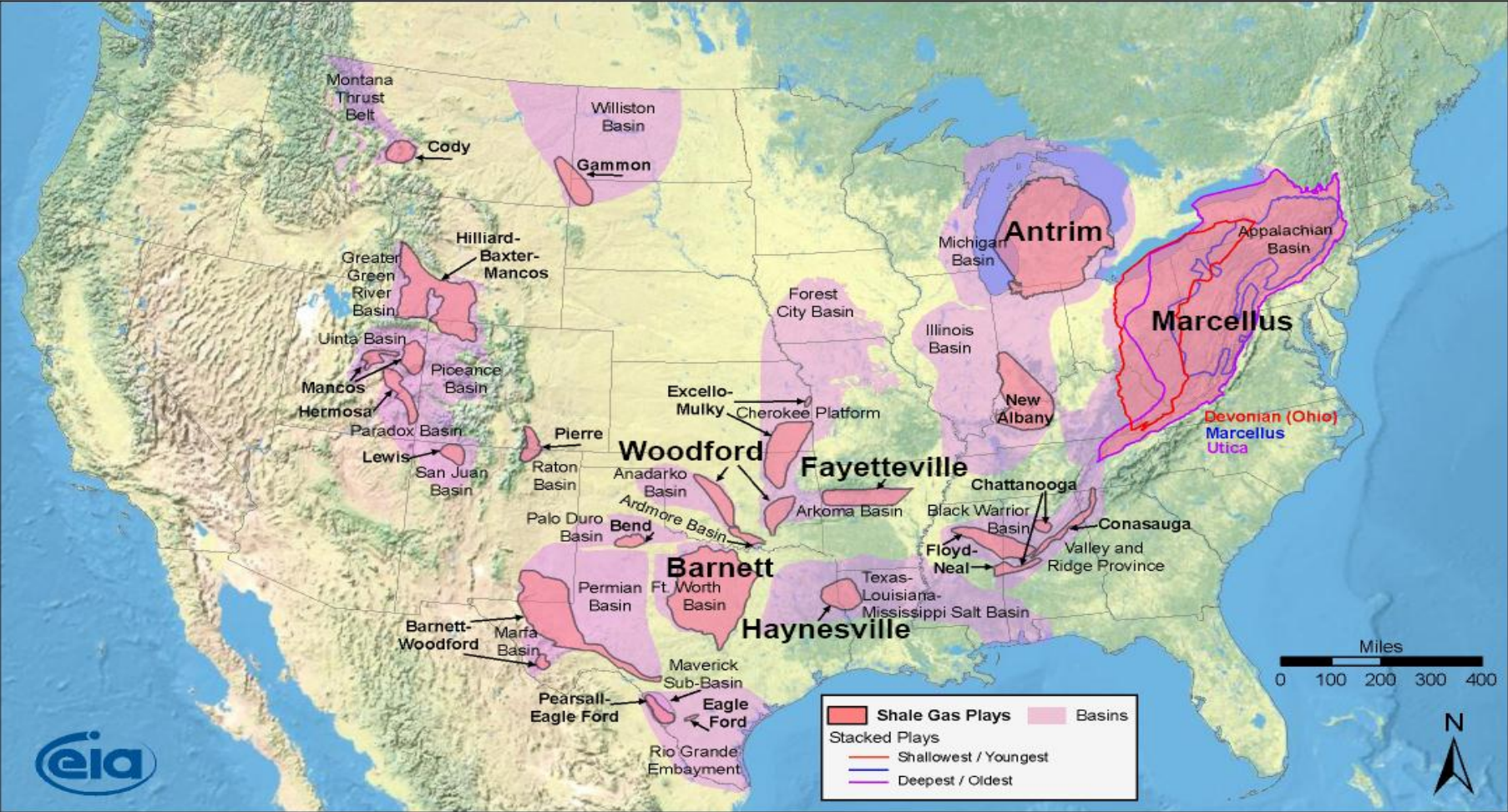
Shale gas offsets declines in other U.S. supply to meet consumption growth and lower import needs

U.S. dry gas

trillion cubic feet per year



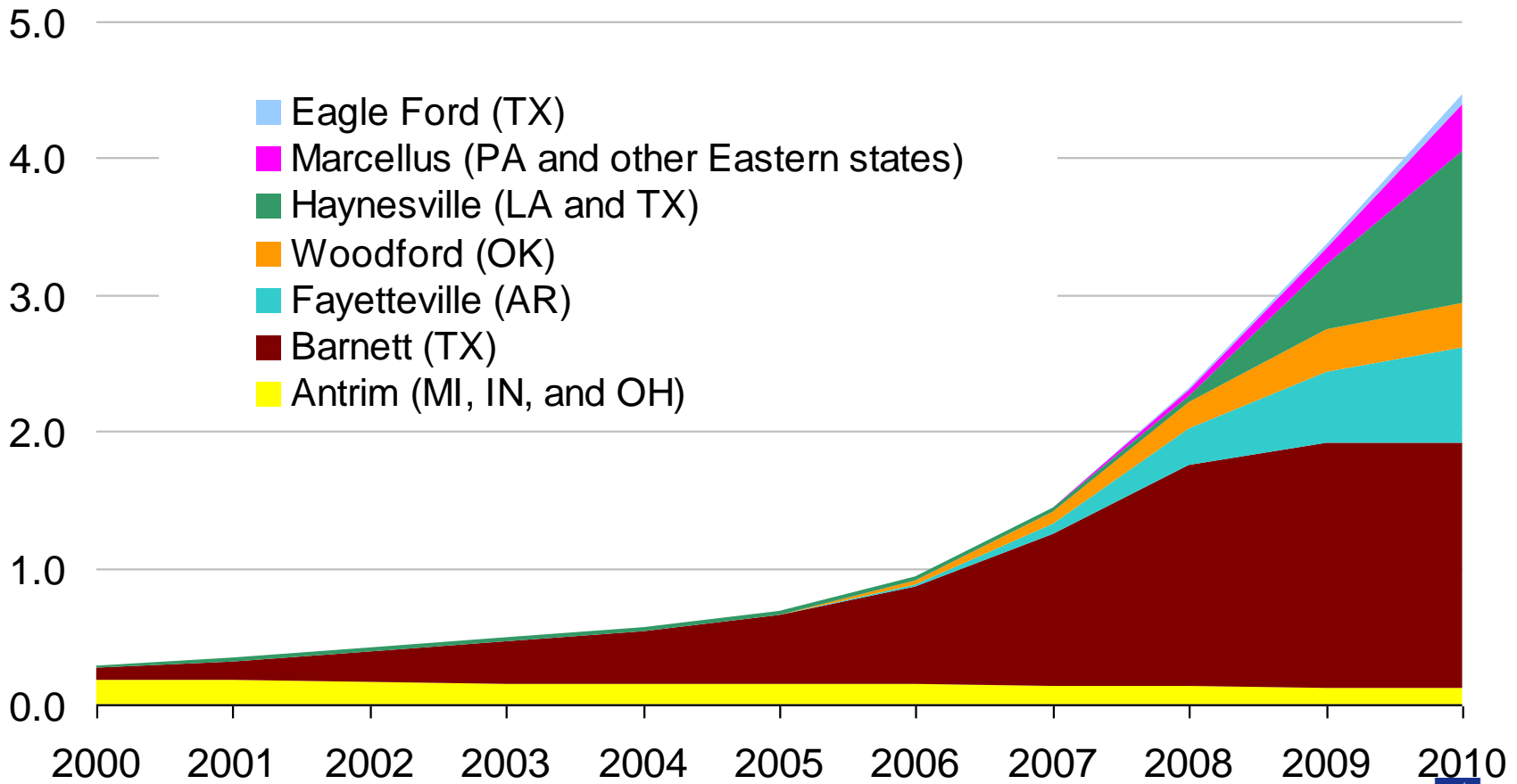
U.S. natural gas shale



Source: Energy Information Administration based on data from various published studies
 Updated: May 28, 2009

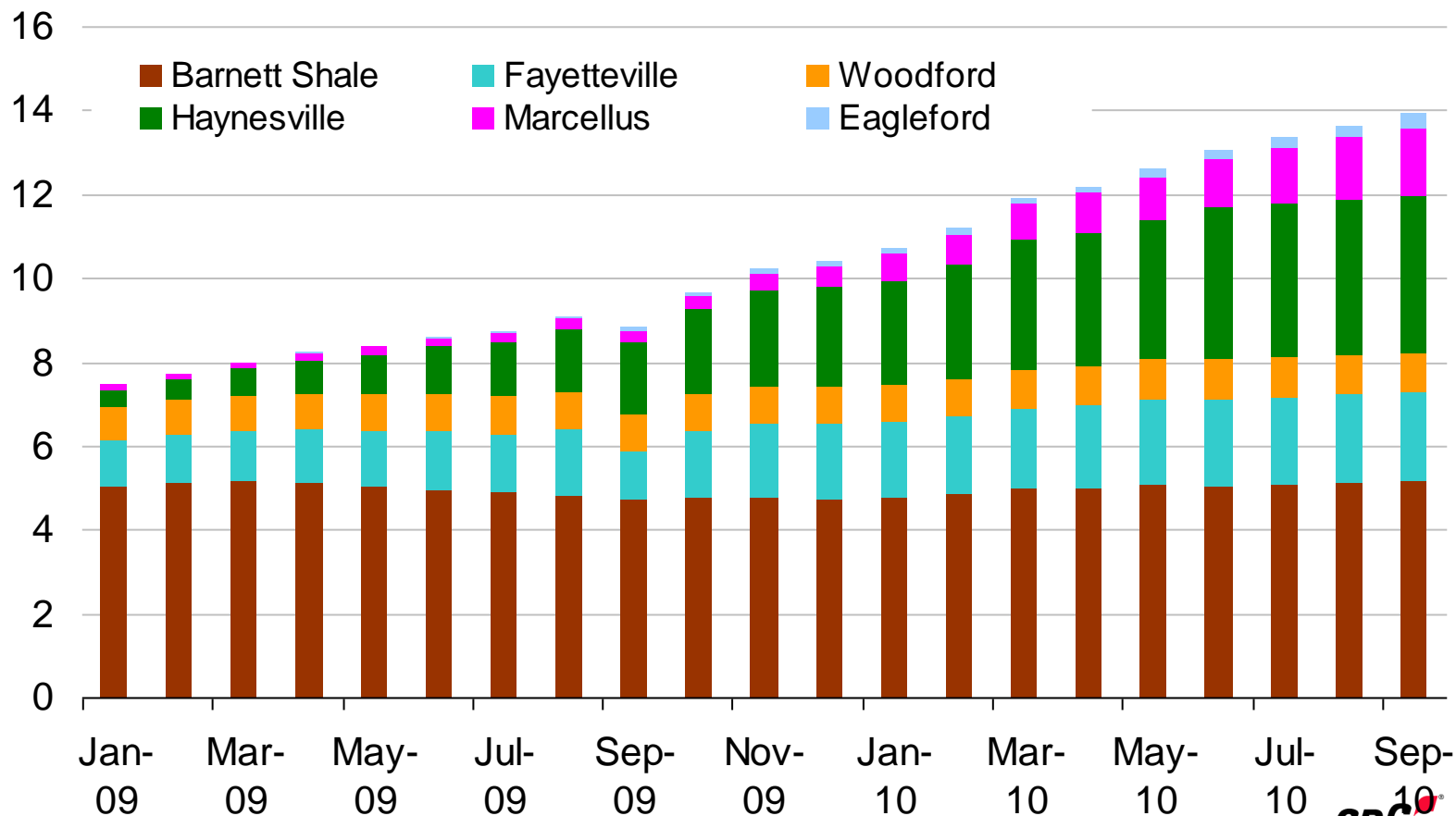
U.S. shale gas production increased 14-fold over the last decade; reserves tripled over the last few years

annual shale gas production
trillion cubic feet per year

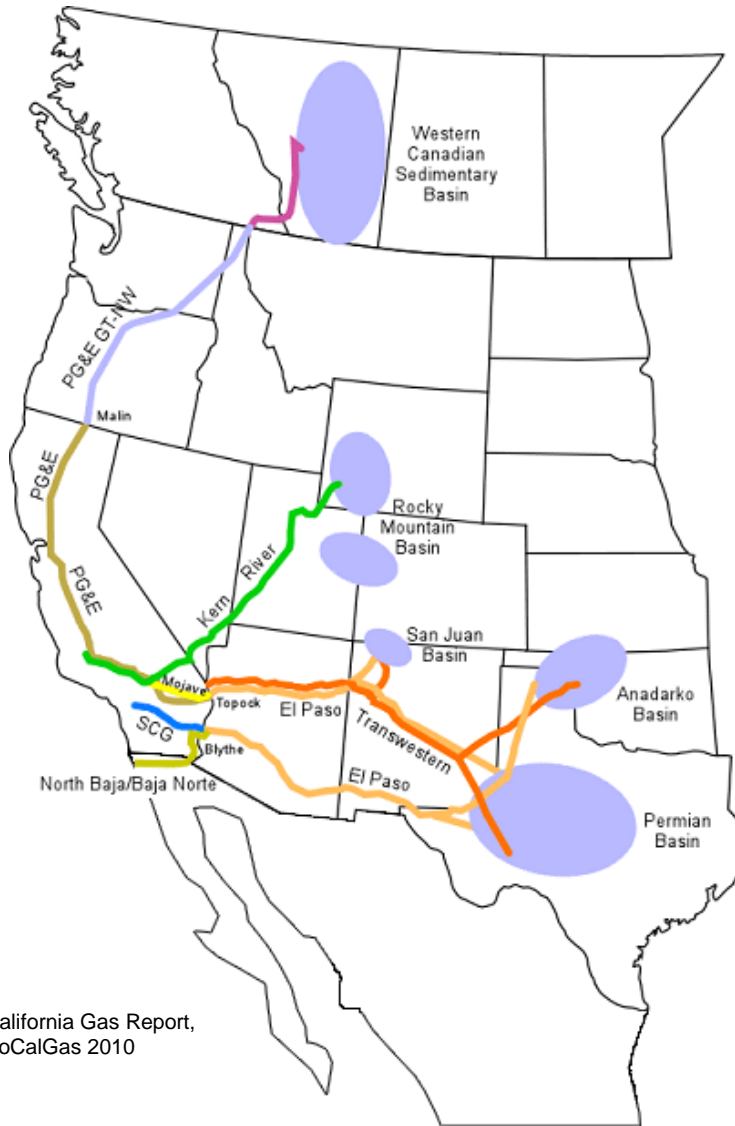


Shale gas production has continued to rise rapidly over the past year

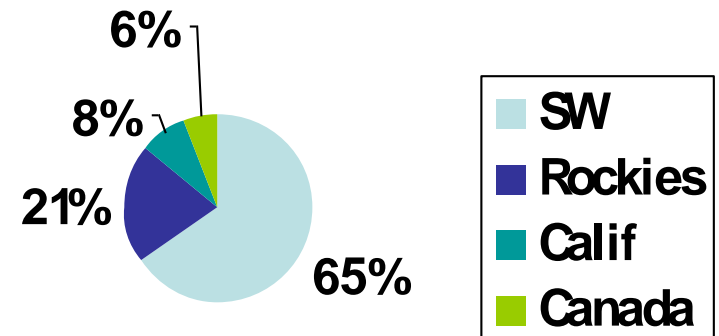
billion cubic feet per day



SoCalGas Sources of Natural Gas



SoCalGas Total Supply Mix for 2009



Source: California Gas Report, SoCalGas 2010

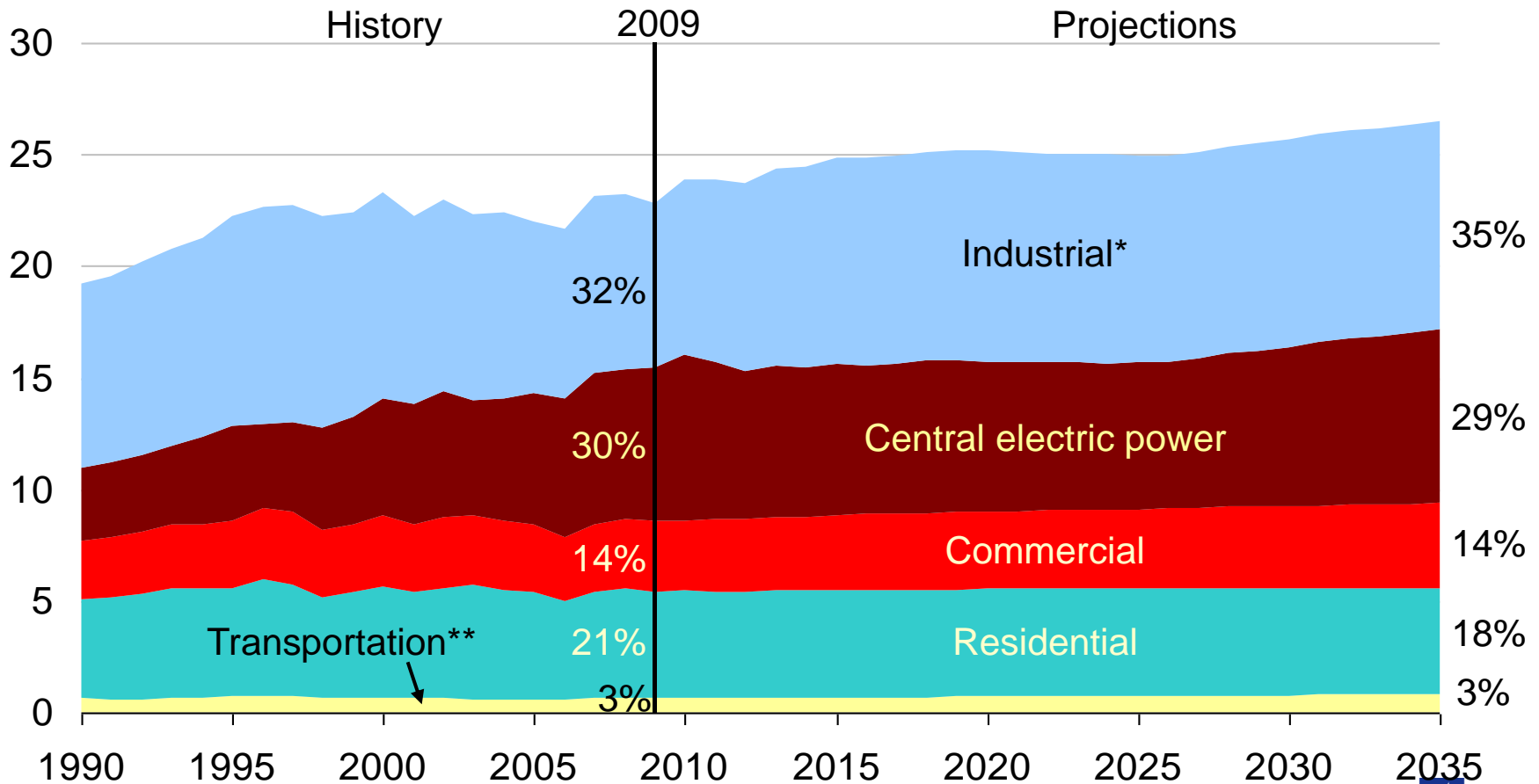
Status of Costa Azul LNG Terminal

Costa Azul Current Operations

- Costa Azul capacity split 500 MMcfd each to Sempra LNG and Shell – However, Shell completed a “subleasing” deal with Gazprom for a quarter of the capacity
 - Sempra’s long-term supplies from Tangguh project in Indonesia
 - Shell has available capacity now - long-term supplies from Sakhalin project in Russia – There has been no indication when cargoes from Sakhalin might first arrive at ECA
- Sempra has been receiving regular cargoes from Tangguh approximately every 12 days since the second quarter of 2010
 - Additional spot cargoes have been received from time to time
 - One spot cargo was received from Peru in July 2010
- SDG&E has received nominations at the Otay Mesa receipt point periodically throughout the second half of 2010
- SoCalGas received nominations at Blythe from North Baja Pipeline - some LNG derived gas arrived, however, mainly domestic gas due to displacement.

Natural gas consumption is quite dispersed; industrial and electric power use drives future demand growth

U.S. dry gas consumption
trillion cubic feet per year

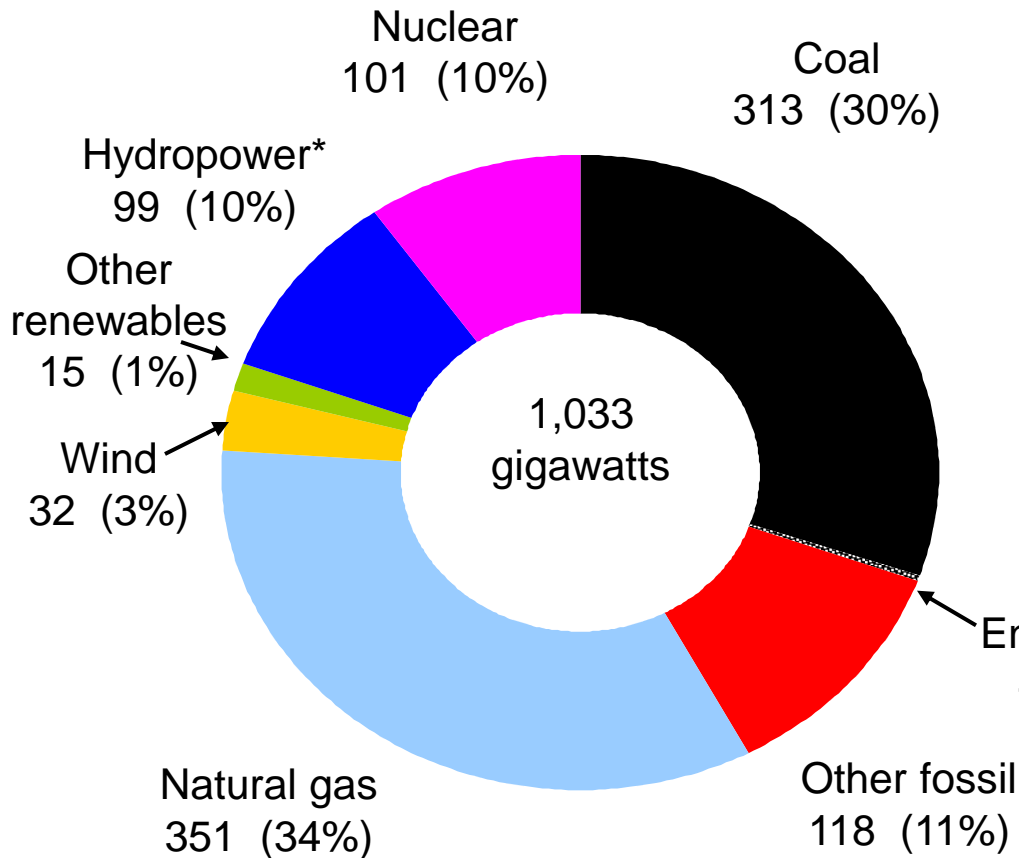


* Includes combined heat-and-power and lease and plant fuel. ** Includes pipeline fuel.

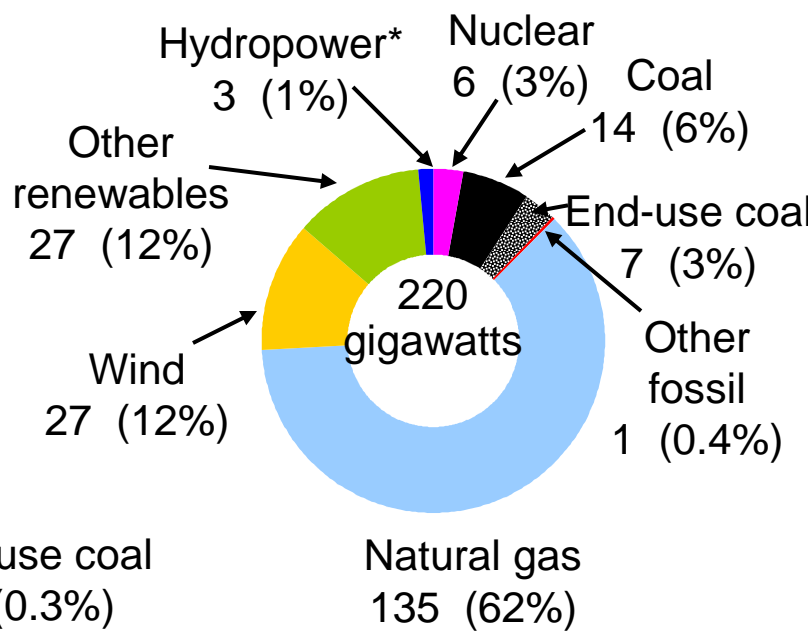


Natural gas, wind and other renewables account for the vast majority of capacity additions from 2009 to 2035

2009 capacity



Capacity additions 2009 to 2035

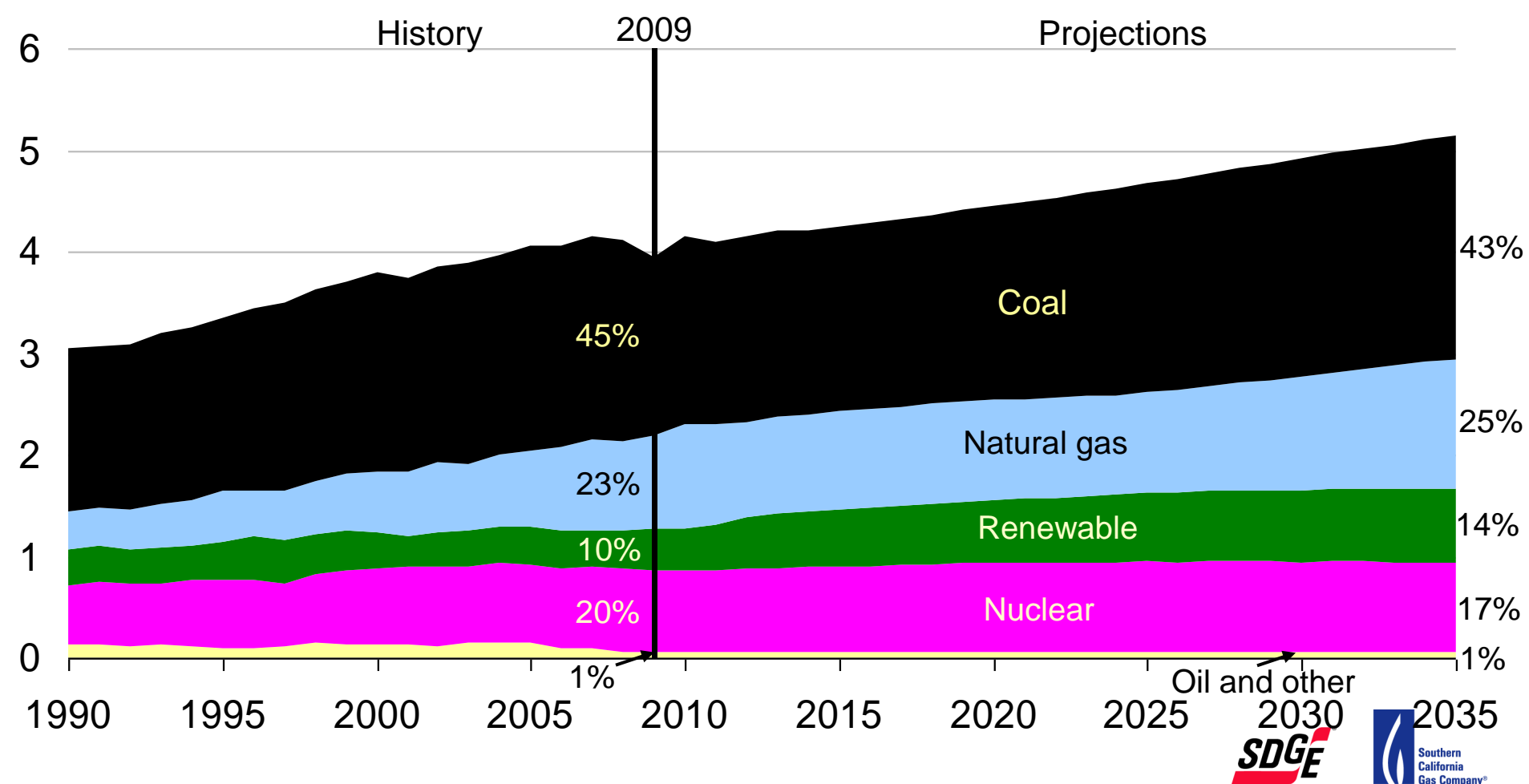


* Includes pumped storage

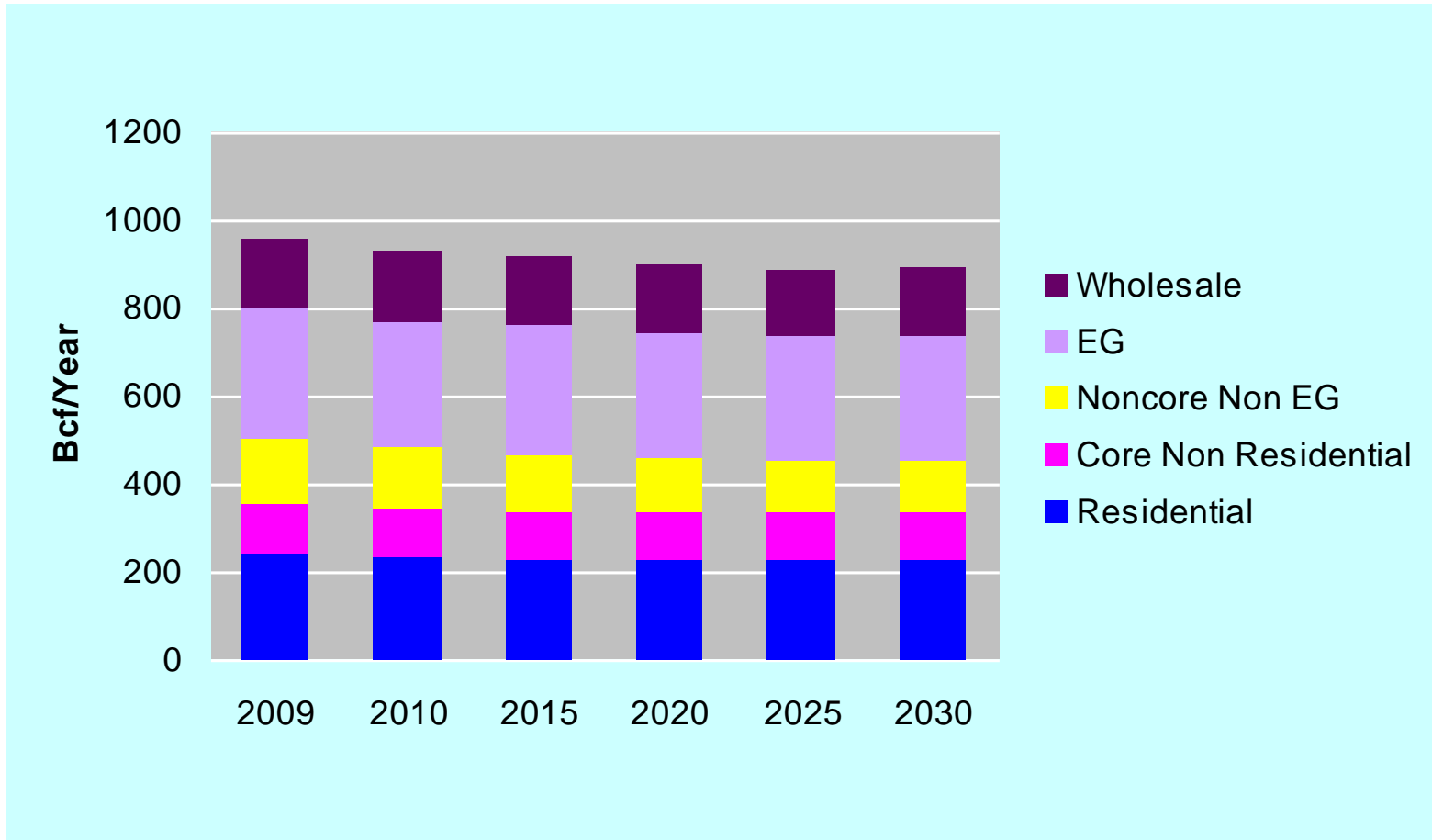


The projected electricity mix gradually shifts to lower-carbon options, with generation from natural gas rising 37% and renewables rising 73%

electricity net generation
trillion kilowatthours per year



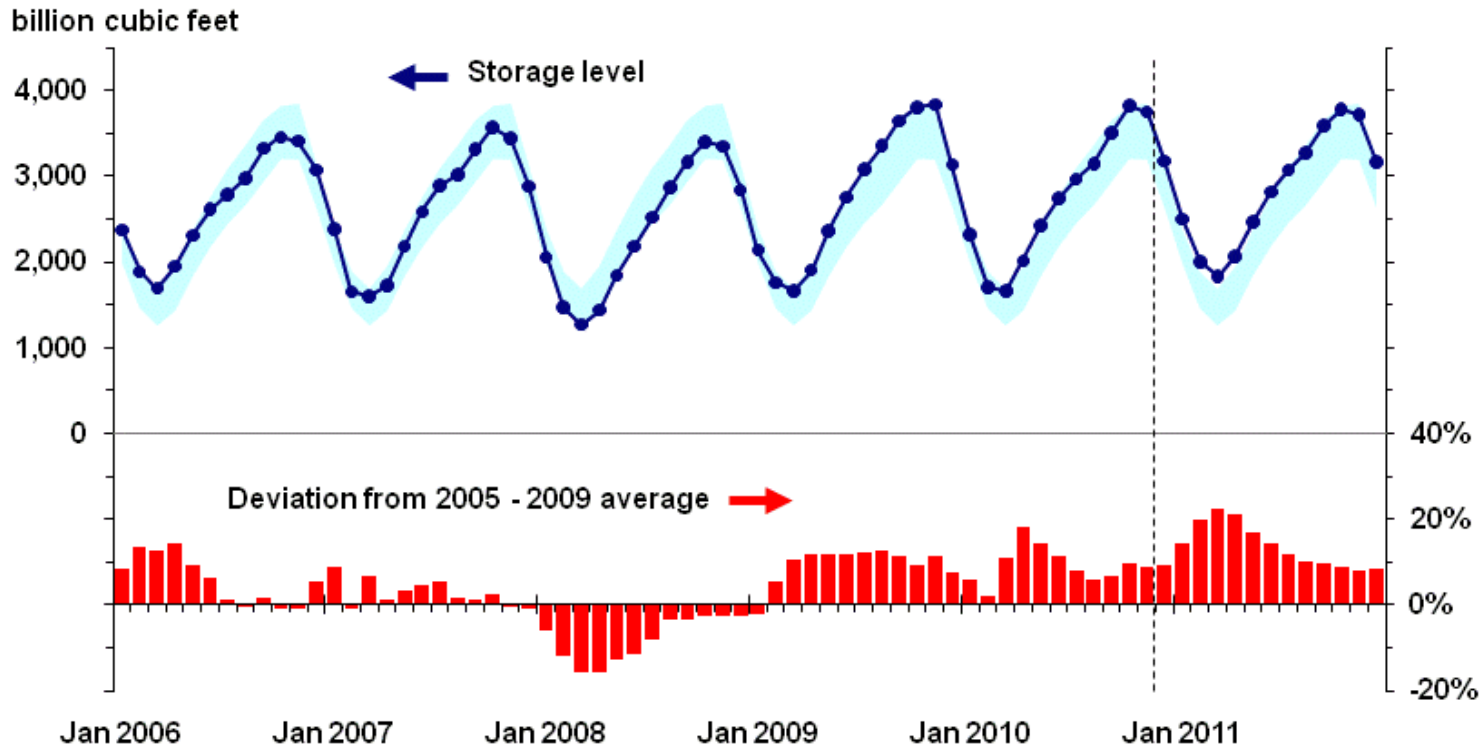
Southern California Gas Demand



Source: CGR 2010

U.S. Storage at High Levels This Winter

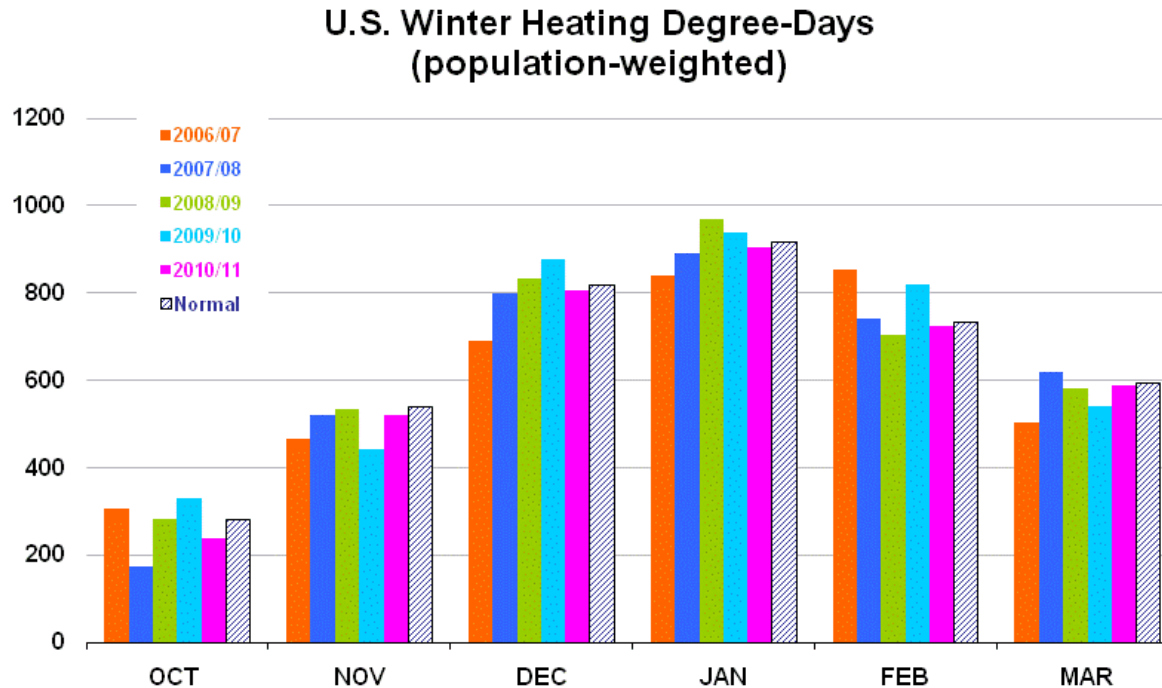
U.S. Working Natural Gas in Storage



Note: Colored band around storage levels represents the range between the minimum and maximum from Jan. 2005 - Dec. 2009.

Winter 2010/11

Weather has the most impact on spot natural gas prices.



Data source: National Oceanic and Atmospheric Administration, National Weather Service
http://www.cpc.ncep.noaa.gov/products/analysis_monitoring/cdus/degree_days/



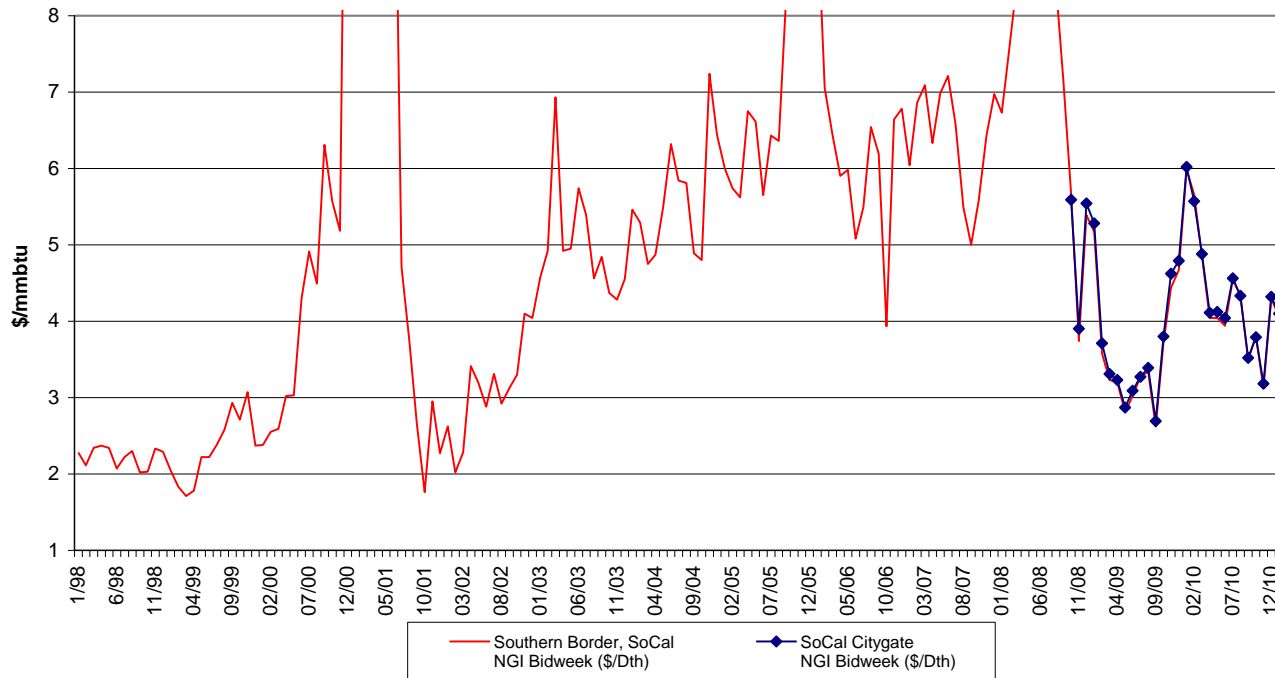
Source: Short-Term Energy Outlook, December 2010



Natural Gas Price History

CA AZ Border and SoCal Citygate - NGI Monthly Index

Data Source: NGI Bidweek Survey Jan. 3, 2011



T:\fuelpric.xls



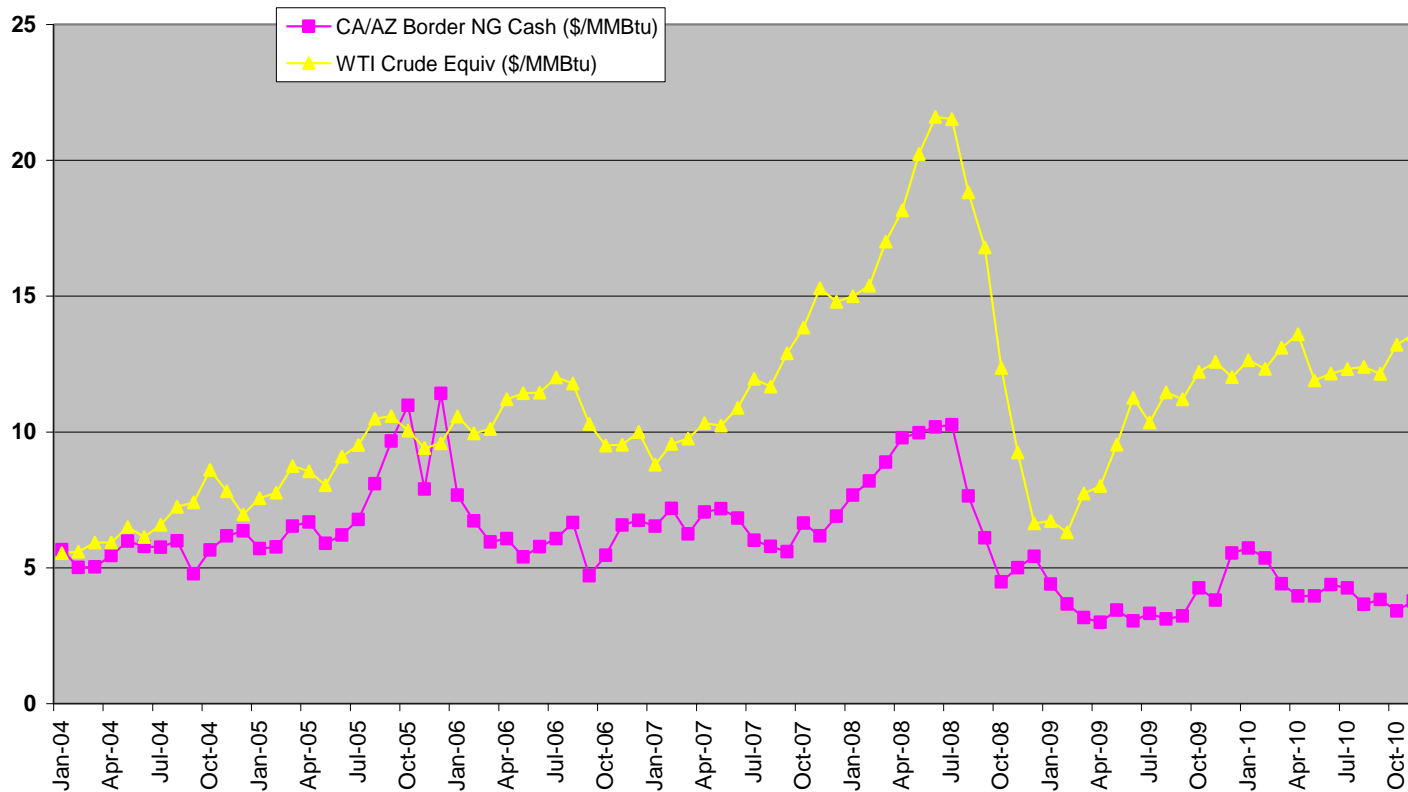
Oil vs Natural Gas Prices

Historical Oil Prices vs. Gas Prices Equivalent Unit Cost (\$/MMBtu)

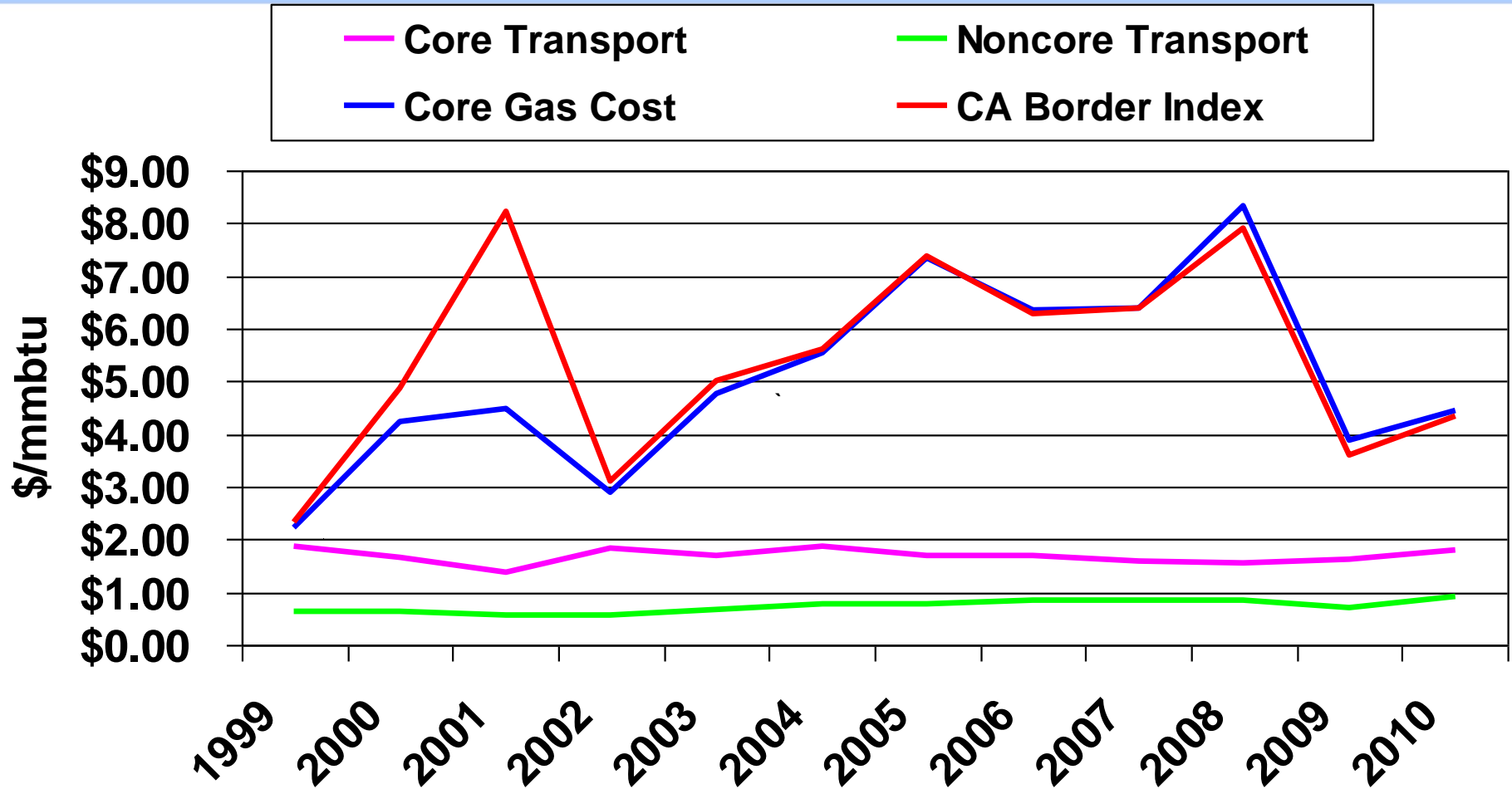
1 Barrel = 6.2 MMBtu

Last Updated: 12/8/2010

Source: Source: Oil prices - EIA, CA/AZ Border Gas Price - Ventyx Velocity Suite-Nymex T:\oil vs gas.xls



While Gas Prices Have Fluctuated: SoCalGas' Transportation Costs Have Been Flat

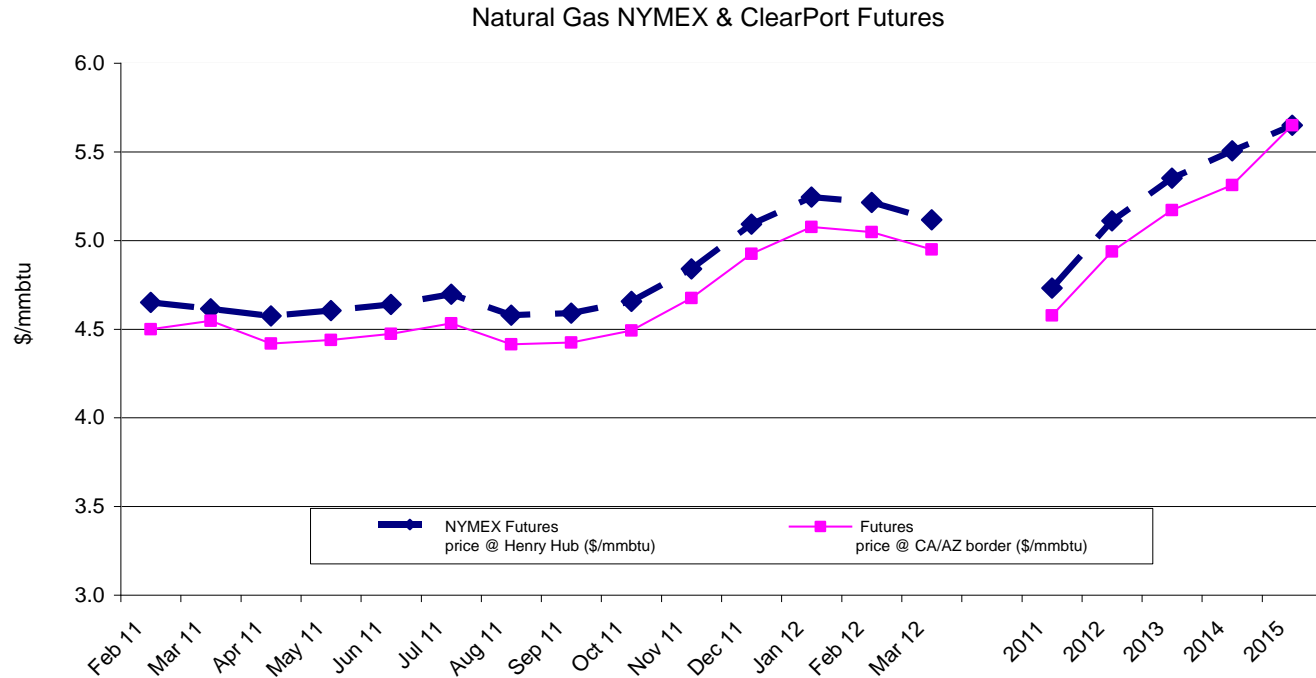


Transport costs are the Volumetric & Customer Charge.

Core GN10 @ 100,000th/year and Noncore GTF/I3-D @ 1.5MMth/year.

Core Gas Cost is SCG's core procurement rate and CA Border Index is Natural Gas Intelligence Index

Where are Gas Futures Prices Going ?



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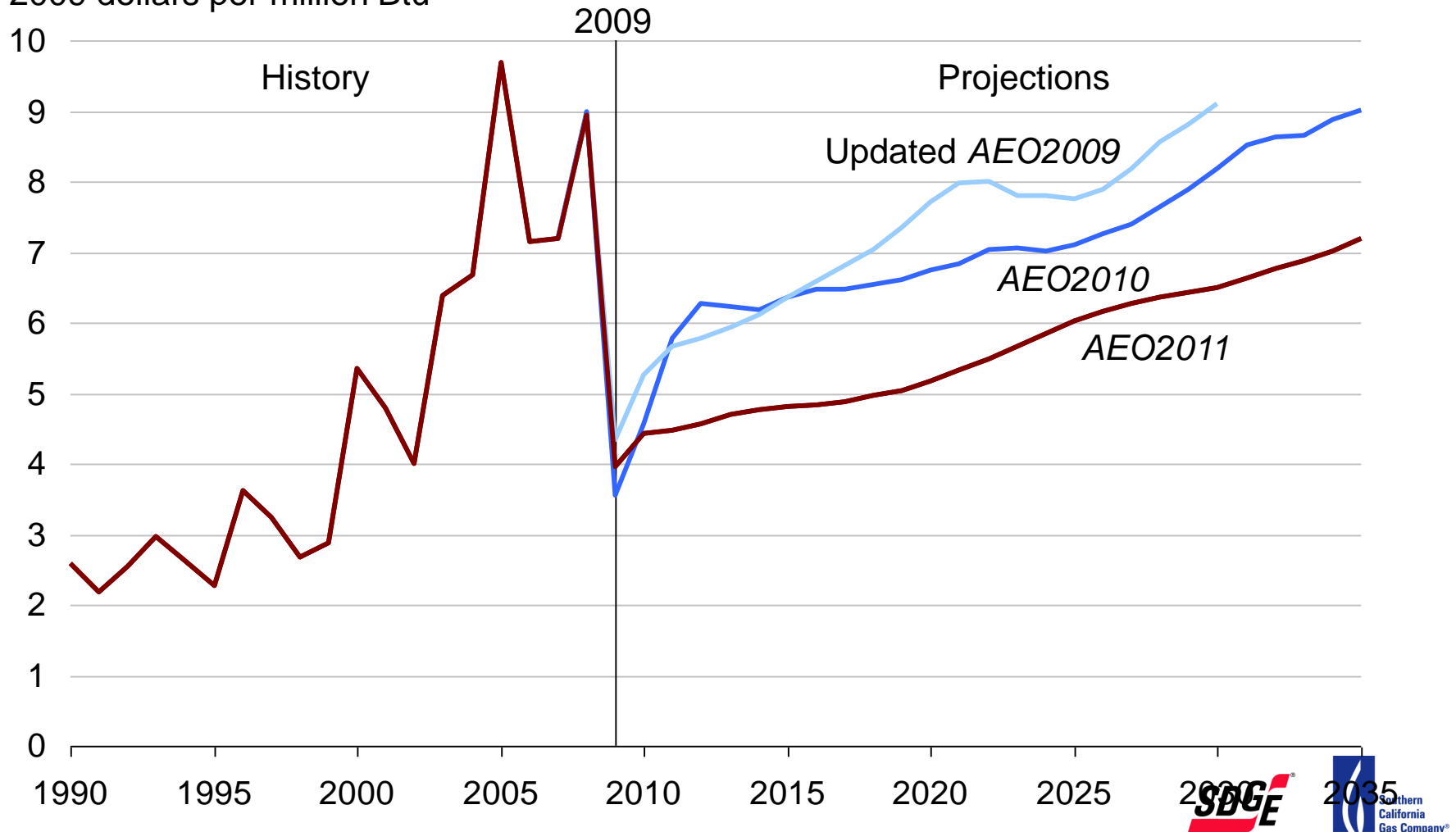
Source: Henry Hub data: PROPHETX|QUOTE!NG@[DTN:NYMEX] Border data: Ventyx Velocity Suite

Updated Jan. 3, 2011



Natural gas price projections are significantly lower than past years due to an expanded shale gas resource base

natural gas spot price (Henry Hub)
2009 dollars per million Btu



North American Natural Gas Market

- Gas price volatility will likely continue.
- Shale gas drives growth in natural gas production and reduces reliance on imported gas.
- Higher demand expected for U.S. gas fired electric generation and industrial demand.
- Natural gas prices much lower than oil prices.
- Natural Gas basis differences at various hubs diminished, driven by shale production increase in the east and new pipelines added.
- Natural gas price projections are significantly lower than past years due to an expanded shale gas resource base.

What Can You Do to Manage Energy Costs?

- Take advantage of energy efficiency programs. Call your Account Executive for technical support.
 - Go to socalgas.com/business for support tools.
- If you transport your own gas, talk to your gas supplier to discuss supply and pricing strategies.
- Look for ways to conserve and be more energy efficient.

Thank you