

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE TO CUSTOMERS OF PROPOSED RATE INCREASE

APPLICATION NO. A.02-06-035

OUR REQUEST

On June 17, 2002, Southern California Gas Company (SoCalGas) filed Application No. A.02-06-035 with the California Public Utilities Commission (Commission). This application reports SoCalGas' gas supply and storage operations for "Year Eight" (April 1, 2001 through March 31, 2002) and requests approval to recover in rates shareholder incentives of \$17.4 million earned under its Gas Cost Incentive Mechanism (GCIM) program.

Under the GCIM, the actual cost SoCalGas pays for gas to meet the needs of its core customers is measured against a Commission-approved benchmark for the prevailing market price of gas. If SoCalGas is able to purchase gas below the benchmark, customers and shareholders share the savings. The Year Eight cost savings of \$189.8 million are calculated as the difference between the actual cost of gas, \$1,290.3 million, and the GCIM benchmark of \$1,480.1 million. SoCalGas seeks approval of the shareholder portion of the cost savings, totaling \$17.4 million from these cost savings. If the Commission approves SoCalGas' shareholder portion, SoCalGas' ratepayers will retain a net benefit of \$172.4 million in lower costs from the GCIM.

WHAT THIS MEANS TO YOU

Depending on Commission action on SoCalGas' requests, the proposed impact to each customer class would be allocated as shown below:

Customer Class	\$ Million	% Increase
Residential	13.5	1.3%
Commercial/Industrial	3.7	1.9%
Core Subscription	0.2	N/A
TOTAL	\$17.4*	1.3%

*The actual number approved by the Commission will include fees paid to cities and local governments.

If the Commission approves A.02-06-035 and grants the \$17.4 million shareholder award, based on the estimated average monthly gas procurement costs for the 2002-2003 winter season, a residential customer's monthly winter bill for 70 therms of gas usage would increase by 38 cents, from \$46.20 to \$46.58. Based on a 12-month period, a residential customer's average monthly bill would increase by 27 cents. (Proposed rate changes assume a 31-day peak usage month and utilize the new baseline allowances effective as of June 1, 2002.)

The impact on each customer and customer class will vary depending on individual usage and the Commission's final decision.

(Continued on back)

WHAT YOU CAN DO

You may view a copy of the application at the address listed below or obtain a copy of the application and related exhibits by writing to:

Gregory Healy
Sempra Utilities
555 West Fifth Street, 14th Floor
Los Angeles, CA 90013-1011

You may also view a copy of the application at the following address:

California Public Utilities Commission
320 West Fourth Street, Room 500
Los Angeles, CA 90013

Before acting on our application, the Commission may hold formal evidentiary hearings. If hearings are held, they will be open to the public and devoted to analyzing the need for the requested rate increase. At these hearings, the Commission will receive testimony from interested parties who may offer proposals that differ from those requested by SoCalGas. After considering all proposals, the Commission will issue a decision. If you would like to participate in the hearings and need assistance, you may write to the Commission's Public Advisor's Office at the above address or at the following e-mail address: public.advisor.la@cpuc.ca.gov.

The Commission welcomes your comments. You may write to the Commission at the address above. Any letters received from you will be circulated to each Commissioner and will become part of the formal correspondence file in this application. In your letter, state that you are writing to regard to Application No. A.02-06-035. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

Copies of this notice will be available for viewing and printing on the SoCalGas Web site at www.socalgas.com/regulatory.



© 2002 Southern California Gas Company.
All copyright and trademark rights reserved.



21-0206 0230006 5.3M