

SOUTHERN CALIFORNIA GAS COMPANY
NOTICE OF PROPOSED CHANGES TO GAS RATES

DECREASE IN RATES
LOW-EMISSION VEHICLE PROGRAM
APPLICATION NO. A.02-03-047

OUR REQUEST

On March 25, 2002, Southern California Gas Company (SoCalGas) filed Application No. A.02-03-047 with the California Public Utilities Commission (Commission) to extend the Low-Emission Vehicle (LEV) program for 2002 and 2003. The purpose of the Application is to continue the LEV program for another two years. California air quality concerns mandate development of passenger and commercial vehicles capable of running on environmentally preferred fuels. In 1995 the Commission issued Decision 95-11-035, authorizing California utilities to establish a ratepayer-funded program that would eventually result in a self-sustaining LEV market.

In Application A.02-03-047, SoCalGas requests that the Commission adopt its 2002 and 2003 forecasts of \$4.447 million annually for the Natural Gas Vehicle (NGV) program expenses. Commission Resolution G-3322 authorized SoCalGas to continue the funding of its LEV program in the amount of \$5.554 million. SoCalGas, however, requests that the Commission adopt its revised budget forecast of \$4.447 million per year for the NGV program expenses. This is a proposed reduction of \$1.107 million per year. Proposed funding is for four basic elements: 1) a customer information, education and training program; 2) operational and maintenance costs to service and maintain fleet NGV fueling facilities; 3) the differential in capital costs to purchase a required number of LEVs instead of conventional vehicles to comply with federal Energy Policy Act of 1992 (EPACT) mandates; and 4) NGV research and development activities. Each of these elements was approved in D.95-11-035.

WHAT THIS MEANS TO YOU

If the Commission approves our request, customers will not see a rate change until SoCalGas' next Biannual Cost Allocation Proceeding¹ (BCAP),

¹ SoCalGas, pursuant to Commission order, has instituted a Balancing Account mechanism for the treatment of NGV costs for each BCAP filing. SoCalGas will reconcile the accounts and adjust rates as needed. If there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase rates to recover the balance. However, since program spending is limited to Commission-authorized levels, over-expenditures cannot not be recovered from ratepayers, and shareholders absorb the balance in the event actual expenses exceed authorized levels.

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which is estimated to become effective beginning January 1, 2005. When the next BCAP is approved, customers will see a decrease in their rates resulting from the request made by SoCalGas in this application, A.02-03-047.

WHAT YOU CAN DO

Before acting on SoCalGas' Application, the Commission may hold formal evidentiary hearings. Evidentiary hearings are open to the public and are devoted to analyzing the need for the requested rate changes. Should evidentiary hearings be held, the Commission will accept testimony from SoCalGas, the Commission's Office of Ratepayer Advocates and other interested parties who may offer proposals that differ from those requested by SoCalGas. After considering all proposals, the Commission will issue a decision.

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: Marzia Zafar, Regulatory Case Manager for Southern California Gas Company, 555 W. Fifth Street M.L. 14D6, 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, Suite 500, Los Angeles, CA 90013.

If you would like to participate in the hearings and need assistance, or if you would like to send comments to the Commission, you may write to the Public Advisor's Office at the address above, or by e-mail to public.advisor.la@cpuc.ca.gov.

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 in regard to Application No. A.02-03-047. Please indicate if you would like a response to your letter. Otherwise, none will be sent.

Copies of this insert will be available for viewing and printing after March 30, 2002 on the SoCalGas Web site at www.socalgas.com/regulatory.



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