

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

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You may also view a copy of the Amendment 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 send an 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. 01-09-024. 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/inserts/.



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10-0203



SOUTHERN CALIFORNIA GAS COMPANY
AMENDED NOTICE OF PROPOSED CHANGES TO GAS RATES
BIENNIAL COST ALLOCATION PROCEEDING (BCAP)
APPLICATION NO. 01-09-024

OUR REQUEST

On September 21, 2001, Southern California Gas Company ("SoCalGas") filed Application No. 01-09-024 (Application) with the California Public Utilities Commission ("Commission") to revise its rates for gas service effective January 1, 2003. On December 11, 2001 the Commission issued Decision No. (D.)01-12-018. That decision unbundled certain transmission and storage services from SoCalGas' bundled rates and established revenue requirements and rates for some of those services through August 31, 2006. As a result, it was necessary to amend the Application to incorporate the changes required by D.01-12-018. On March 4, 2002, SoCalGas filed a Second Amendment to the Application ("Amendment"). The Amendment also includes changes caused by the passage of time, such as updated forecasts of gas demand and updated forecasts of regulatory accounts.

One substantial change SoCalGas makes in the Amendment is to eliminate rate proposals for certain transmission and storage services because those rates have been established in D.01-12-018. SoCalGas proposes in the Amendment to allocate among customer classes costs it incurs to provide gas distribution and local transmission services for all customers, and gas storage services it provides for residential and small business customers. These costs are reflected in the transportation component of SoCalGas' rates.

As it did previously, SoCalGas proposes in the Amendment both marginal cost-based rates and embedded cost-based rates. Marginal cost-based rates rely generally on forecast future costs of SoCalGas to provide service. Embedded cost-based rates rely generally on the historical costs of SoCalGas to provide service. The Commission will select one of these proposals for allocating costs to customer classes when it establishes new SoCalGas rates.

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In the Amendment, SoCalGas proposes a decrease in overall transportation rates of \$135.2 million, based on marginal cost-based rates or a decrease of \$136.1 million using embedded cost-based rates. These are percentage reductions of 7.8% and 7.9%, respectively. A typical winter bill for a residential customer (using 75 therms) will decrease by \$2.50 under marginal cost-based rates, and \$2.09 under embedded cost-based rates, from the average \$46.28 under present

rates. Proposed rates for small business and industrial customers are also lower, primarily for the same reasons. Proposed rates are higher for large commercial and industrial customers, as well as electric generation customers, primarily due to an expected reduction in gas demand that will result in fewer therms across which to spread required costs.

WHAT THIS MEANS TO YOU

The impact to each customer class on the proposed effective date of April 1, 2003 will be as follows:

Customer Class	Present Revenues† (\$ millions)	Proposed Revenues Marginal Cost‡ (\$ millions)	% Change Rates	Proposed Revenues Embedded Costs‡ (\$ millions)	% Change Rates
Residential (Core)*	1,160.6	1,091.4	-6.0%	1,107.8	-4.5%
Commercial/Industrial (Core)*	303.8	240.6	-20.8%	215.8	-29.0%
Commercial/Industrial (Noncore)**	52.5	53.7	2.3%	56.9	8.4%
Electric Generation	40.6	51.7	27.5%	58.8	44.9%
Wholesale	16.8	41.6	147.4%	42.1	150.2%
International	0.5	0.7	32.3%	0.7	33.9%
Net PPP Revenues***	136.9	108.7	-20.6%	105.5	-22.9%

* Core customers generally use smaller quantities of gas.

** Noncore customers are generally large gas users who often have alternate fuel capacity.

***PPP stands for the Public Purpose Programs surcharge. The revenues fund certain state-mandated programs including income-qualified subsidy programs, conservation and research and development.

† Present Revenues include all bundled service costs including those services unbundled by D.01-12-018.

‡ Proposed Amended Revenues for the core include an estimate for the costs related to services unbundled by D.01-12-018 (primarily certain transmission and storage services), however revenues for noncore customers do not.

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

WHAT YOU CAN DO

Before acting on SoCalGas' Amendment, the Commission will hold formal evidentiary hearings that will be open to the public and devoted to analyzing the need for the requested rate changes. At these hearings, 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 the proposals, the Commission will issue a decision.

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