

SOUTHERN CALIFORNIA GAS COMPANY

NOTICE OF PROPOSED INCREASE IN GAS RATES

APPLICATION NO. 02-12-027

On December 20, 2002, Southern California Gas Company (SoCalGas) filed an application with the California Public Utilities Commission (Commission) requesting authority to increase its base rates, effective January 1, 2004. SoCalGas' application covers its costs of providing natural gas distribution, transmission and underground storage services (but not the cost of the natural gas itself). SoCalGas' application includes a detailed forecast of these costs for 2004. SoCalGas also proposes a formula for adjusting its base rates in 2005 through 2008 to reflect the impacts of inflation, offset by improved productivity, on the cost of service per customer. SoCalGas believes its request is necessary to continue to deliver safe and reliable service to all of its customers.

WHAT THIS MEANS TO YOU

If the Commission approves SoCalGas' proposal, a typical residential customer using 46 therms per month will see an average monthly bill increase beginning in January 2004 of \$1.69. A typical average monthly gas bill will increase from \$38.10 (at present rates) to \$39.79 (at proposed rates). This is an increase of 4.4% in the average monthly bill. The percentages shown do not necessarily reflect the changes that you may see in your bill. Changes in individual bills vary with how much energy each customer uses. The following chart shows the gas rate increase SoCalGas is requesting for 2004. The proposed rates were determined by dividing the proposed gas revenues by the last forecast of annual gas sales adopted by the Commission.

Proposed Gas Increase

Customer Class	Proposed Revenue Increase		Proposed Rate Increase	
	(\$000)	Percent	(Cents/Therm)	Percent
Residential (Core) ¹	92,517	8.4%	3.6	8.4%
Commercial/Industrial (Core)	19,566	8.0	2.3	8.0
Commercial/Industrial (Noncore) ¹	6,112	9.9	0.4	9.9
Electric Generation	6,448	10.6	0.2	10.6
Wholesale	2,282	12.7	0.1	12.7
International	55	11.1	0.2	11.1
NSBA Allocation ²	3,048	25.4	NA	25.4
System Total³	130,028	8.5%	1.3	8.5%

1) Core Customers primarily use smaller amounts of gas, and include residential and small commercial and industrial gas users. Noncore Customers are larger commercial and industrial gas users.

2) Costs allocated to the Noncore Storage Balancing Account and recovered in rates the following year.

3) Revenue and rate changes are for gas distribution, transmission and storage and exclude the cost of the natural gas itself. System totals exclude Public Purpose Program and Enhanced Oil Recovery revenues.

WHAT YOU CAN DO

Before acting on SoCalGas' application, the Commission is expected to hold formal evidentiary hearings. They will be open to the public and will analyze the need for the requested increase. At these hearings, the Commission will receive 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.

If you would like to send comments or to participate in this proceeding, write to the Commission's Public Advisor's Office at 320 West Fourth Street, Suite 500, Los Angeles, CA 90013, or by e-mail to Public.advisor.la@cpuc.ca.gov. If public participation hearings are held to gather additional comments from customers, notice of the dates, times and locations will be provided to you by separate notice. Any letters received from you will be circulated to the five Commissioners 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. 02-12-027 (SoCalGas 2004 Cost of Service). Please indicate if you would like a response to your letter, otherwise none will be sent.

You may inspect a copy of the application at the address listed below or obtain a copy of the application by writing to:

Ron van der Leeden
Regulatory Affairs Department
Southern California Gas Company
555 West Fifth Street
Los Angeles, CA 90013-1011

You may also view a copy of the application at the company web site: www.socalgas.com/regulatory.

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



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