

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
Southern California Gas Company (U904G) )  
for Authority to Increase its Gas )  
Revenue Requirements to )  
Reflect its Accomplishments for )  
Demand-Side Management Program )  
Years 1996 and 1997, Energy Efficiency )  
Program Year 2000, and Low-Income )  
Program Years 1999 and 2000 in the 2001 )  
Annual Earnings Assessment Proceeding )  
("AEAP") )  
\_\_\_\_\_ )

Application 01-05-017

**APPLICATION**

**OF**

**SOUTHERN CALIFORNIA GAS COMPANY**

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Years 1996 and 1997, Energy Efficiency )  
Program Year 2000, and Low-Income )  
Program Years 1999 and 2000 in the 2001 )  
Annual Earnings Assessment Proceeding )  
("AEAP") )  
\_\_\_\_\_ )

**APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY**

Southern California Gas Company ("SoCalGas") hereby initiates its 2001 Annual Earnings Assessment Proceeding ("AEAP") pursuant to the "Protocols and Procedures For the Verification of Costs, Benefits, and Shareholder Earnings From Demand-Side Management Programs" ("Protocols"),<sup>1/</sup> pursuant to California Public Utilities Commission ("Commission") Decisions ("D.") 99-12-053, 00-07-017 and 00-05-019 addressing Energy Efficiency ("EE") Program Year 2000 ("PY 2000"), and consistent with the Joint Recommendation On The Program Year 2000 Low-Income Energy Efficiency Shareholder Incentive Mechanism: submitted on November 10, 1999 and identified as Exhibit 66 in Phase 2 of the 1999 AEAP.<sup>2/</sup> By this AEAP application, SoCalGas respectfully requests authority from the Commission to increase its gas revenue requirements for service rendered on and after January 1, 2002, in order to permit SoCalGas to recover: (1) its total gas incentives claim for performance of 2000 energy efficiency programs, (2) its first incentives claim for performance of its 2000 LIEE program and second incentives claim for performance of its 1999 LIEE program,

<sup>1/</sup> Adopted by California Public Utilities Commission Decision 93-05-063; revised in January 1997 pursuant to Decisions 94-05-063, 94-10-059, 94-12-021, 95-12-054, and 96-12-079.

(3) its second earnings claim for performance of 1997 Demand-Side Management ("DSM") programs that were committed in 1997 and paid out in 1999, and (4) its third earnings claim for performance of its 1996 DSM programs.

I.

**OVERVIEW OF CLAIMS**

SoCalGas' PY 2000 energy efficiency incentive claim is \$1,726,107, plus interest, franchise fees, and uncollectibles in the amount of \$96,924. SoCalGas requests that the recovery of the adopted incentive be collected in one year and therefore seeks approval of a change in rates effective January 1, 2002.

Set forth in Appendix A hereto is SoCalGas' earnings claim summary for PY 2000 energy efficiency earnings.

SoCalGas' PY99 LIEE lifecycle incentive claim is \$205,031. SoCalGas' second earnings claim for the PY99 program is \$102,515 (50% of the lifecycle incentive), plus interest from July 1, 2000, franchise fees, and uncollectibles in the amount of \$13,414. Decision 98-06-063 ("Order Modifying Resolution E-3515"), Ordering Paragraph 6, states that the existing incentive mechanism should continue to apply for low-income programs. As such, SoCalGas applied the calculation methodology adopted for the low-income program in D. 94-10-059 ("Interim Opinion on DSM Shareholder Incentives") to determine the amount of incentive excluding interest, franchise fees, and uncollectibles. The 1999 AEAP Case Management Statement, established the collection of the first 50% of the lifecycle claim upon approval of the 1999 AEAP and the second 50% to be authorized in the 2000 AEAP upon completion of a statewide first-year load impact evaluation of the PY98 LIEE Program. SoCalGas, in this Application, applied the same schedule in determining the amount of PY 2000 LIEE earnings to be collected. SoCalGas' PY 2000 LIEE lifecycle incentive claim is \$211,502. SoCalGas' first earnings claim in this AEAP is

\$105,751 (50% of the PY 2000 lifecycle incentives) plus interest from July 1, 2001, franchise fees and uncollectibles in the amount of \$7,900. SoCalGas will file for the second 50% of its PY 2000 LIEE incentive in the 2002 AEAP.

Set forth in Appendix B hereto is SoCalGas' Direct Assistance Program 2000 Shareholder Incentive Base Calculation.

SoCalGas' PY97 second earnings claim for Energy Edge program projects committed in 1997 and completed in 1999 is \$36,485 plus interest, franchise fees, and uncollectibles in the amount of \$4,774. This PY97 second earnings claim is the difference between 50% of the lifecycle shareholder incentive earnings for 1997 DSM programs and the previous earnings claim for 1997 DSM programs. Set forth in Appendix C hereto is SoCalGas' second earnings claim summary (Tables E-1, E-2, and E-3) for PY97 earnings.

SoCalGas' PY96 third earnings claim is \$315,602 plus interest, franchise fees, and uncollectibles in the amount of \$102,966. This PY96 third earnings claim is the difference between 75% of the lifecycle shareholder incentive earnings for 1996 DSM programs and the sum of previous earnings claims for 1996 DSM programs. Set forth in Appendix D hereto is SoCalGas' earnings claim summary (Tables E-1, E-2, and E-3) for PY96 earnings.

## II.

### **BACKGROUND**

The purpose of this annual AEAP filing is to provide Commission review of: (1) earnings claims from prior years' energy efficiency and DSM programs, 1999 LIEE programs, and 2000 EE and LIEE programs, and (2) modifications, if necessary, to the adopted M&E Protocols (as may be proposed by the California Demand Side Management Advisory Committee ("CADMAC")). This AEAP specifically addresses

SoCalGas' energy efficiency and low-income claim for PY 2000 programs, SoCalGas' second incentives claim associated with the PY99 LIEE program, SoCalGas' second earnings claim for PY97 earnings for projects installed and completed in 1999, SoCalGas' third earnings claim for PY96 earnings.

**A. PY 2000 ENERGY EFFICIENCY PROGRAMS**

For SoCalGas' PY 2000 energy efficiency programs, SoCalGas filed Application ("A.") 99-09-058 requesting approval of its 2000/2001 energy efficiency program plans, budgets, and performance incentive award mechanism on September 27, 1999, as required by the Assigned Commissioner's Ruling in Rulemaking 98-07-037, dated September 23, 1998.

Interim Opinion D. 99-12-053, dated December 16, 1999, authorized utilities to implement their proposed PY 2000 energy efficiency programs, as designed and budgeted, and the proposed MA&E studies and budgets effective January 1, 2000, subject to prospective modification in a final decision. Any mid-year modifications would be effective on a prospective basis. Interim Opinion D.99-12-053 did not adopt the proposed performance award mechanism for PY 2000.

D.00-05-019 adopted a cap of 7% of program expenditures for utility performance awards associated with PY 2000 and 2001 energy efficiency programs. Subsequently, SoCalGas on June 5, 2000, together with San Diego Gas & Electric Company, filed a Joint Petition for Modification to request that D.00-05-019 be modified to refer to a 7% cap based on authorized budgets. The Commission, in response to the Joint Petition, issued D.00-10-019 modifying D.00-05-019 to clarify that the adopted percentage performance award cap is to be applied to authorized program budgets.

The Final Decision (D.) 00-07-017, dated July 6, 2000, adopted revisions to PY 2000 energy efficiency programs, market assessment and evaluation studies and budgets pursuant to D.99-12-053. Performance award mechanisms and milestones for



PY 2000 were also modified to be consistent with D.00-05-019 and approved in D.00-07-017.

**B. PY 2000 and PY99 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

Decision 98-06-063 (“Order Modifying Resolution E-3515”) Ordering Paragraph 6 states that the existing incentive mechanism should continue to apply to low-income energy efficiency programs. As such, SoCalGas applied the calculation methodology adopted for the low-income energy efficiency program in D. 94-10-059 (“Interim Opinion on DSM Shareholder Incentives”) to determine the amount of incentive excluding interest, franchise fees, and uncollectibles. The recovery of the low-income energy efficiency incentive claim for PY98 and as described in the 1999 AEAP Case Management Statement establishes, upon approval of the 1999 AEAP, the collection of the first 50% of the lifecycle claim and the second 50% to be authorized in the 2000 AEAP upon completion of a statewide first-year load impact evaluation of the PY98 LIEE program.

SoCalGas is filing its claim for the second half of its PY99 LIEE claim and the first half of its PY 2000 LIEE claim consistent with the PY98 LIEE earnings collection schedule. SoCalGas will file for the second half of its PY 2000 LIEE incentives in the 2002 AEAP.

**C. PRE-1998 PROGRAMS**

For programs prior to 1998, AEAP applications to claim and recover earnings from prior years’ programs are governed specifically by Section I.C. of the Protocols (page 8) and Appendix C of the Protocols. SoCalGas’ shareholder earnings claims for prior year programs must be formally linked with Chapter VIII of SoCalGas’ Demand-Side Management: Energy Efficiency Programs Annual Report and Technical Appendix (“Annual Report”). The current Annual Report for PY94 - PY97 DSM programs is

included with this Application as Exhibit SoCalGas-2B. Since no earnings claim for new activity is being made for Pre-1998 programs, Chapter VIII contains no tables. However, E-tables documenting the third claim for PY96 and the second claim for PY97 for 1999 activity were provided to ORA, as a separate document, on April 13, 2001. The final E-tables, which identify and document the shareholder earnings currently claimed from SoCalGas' performance of its 1996 and 1997 DSM programs, is contained in Appendix C of this Application.

In D. 94-10-059 ("Interim Opinion on DSM Shareholder Incentives for Program Years 1995 through 1997"), the Commission adopted a new shareholder incentive mechanism for SoCalGas. Under this shared savings mechanism, shareholders earn at a fixed rate of 30% of a performance earnings basis that is based on net resource benefits with no cap, for both Residential and Nonresidential Portfolios, after meeting the 75% minimum performance standards (for the first earnings claim only). Additionally, there is a cost-effectiveness guarantee that requires shareholders to compensate ratepayers for 100% of any losses in resource benefits. This must be done on a portfolio basis across the four earnings claims. For those DSM programs that provide services where savings are difficult to quantify or that serve equity goals, a performance adder mechanism was adopted. This mechanism essentially allows the four major California investor-owned utilities ("Utilities") to earn 5% of expenditures once a minimum performance standard is achieved.

### III.

#### **SUMMARY OF PERFORMANCE FOR PY 2000 AND PY99 PROGRAMS**

##### **A. PY 2000 EARNINGS**

SoCalGas' 2000 non-low-income energy efficiency program performance under the adopted incentive mechanism produced an earnings claim of \$1,726,107. Appendix A contains SoCalGas' PY 2000 incentives claim summary. The 2000

incentive performance awards are presented based on two major categories, namely: Program Area (Residential, Nonresidential, New Construction), and Aggressive Implementation. Failure to achieve an award in any single category did not preclude the achievement of awards in any of the remaining categories. Some of the awards are scaled. The lower end of the scale yields no earnings and the higher end or greater yields the full award. Any intermediate value within the range yields an award proportionate to its level within the "scale" defined by the low and high response. The maximum total award resulting from SoCalGas' 2000 non-low-income energy efficiency programs was capped at \$2,032,000. The proposed incentive claim associated with 2000 efforts is \$1,726,107, which is categorized as follows:

- Residential Performance Award – There were seven milestones in the Residential Performance Award portion of the 2000 award mechanism. In 2000, SoCalGas achieved four of seven Residential Performance Award milestones, earning an award of \$384,999.
- Nonresidential Performance Award – There were nine milestones in the Nonresidential Performance Award portion of the 2000 award mechanism. In 2000, SoCalGas achieved four of nine Nonresidential Performance milestones, earning \$232,273.
- New Construction Performance Award – There were seven milestones in the New Construction Performance Award portion of the 2000 award mechanism. In 2000, SoCalGas achieved seven of the New Construction Performance milestones, earning \$684,090.
- Aggressive Implementation Award – The Aggressive Achievement Award can be achieved only after spending/committing 70% of the budget within a program area. The amount of award increases linearly to the maximum level set at the 95% spending/commitment target. Program area awards would be reduced by 10% for

each program (within the program area) that is less than 50% of the authorized budget. The maximum total award is \$424,745.

In the Residential Program Area, the earnings that could be achieved range between \$91,575 and \$130,821. Spending/commitment in this area represented 95.3%, earning \$130,821. No reductions to these earnings were required as all programs within the program area achieved at least a 50% spending/commitment level.

The earnings that could be achieved in the Nonresidential Program Area range between \$147,174 and \$210,249. Spending/commitment in this area represented 100.1%, earning \$210,249. No reductions to these earnings were required as all programs within the program area achieved at least a 50% spending/commitment level.

In the New Construction Program Area, the earnings that could be achieved range between \$58,573 and \$83,675. Spending/commitment in this area represented 103.1%, earning \$83,675. No reductions to these earnings were required as all programs within the program area achieved at least a 50% spending/commitment level.

Therefore, the total PY 2000 energy efficiency earnings amount requested by SoCalGas is \$1,823,032, including interest from July 1, 2001, and franchise fees and uncollectibles.

SoCalGas' award for the LIEE program is a total of \$211,502. Appendix B contains SoCalGas' Direct Assistance Program PY 2000 Shareholder Incentive Base Calculation. SoCalGas proposes to collect the PY2000 LIEE earnings in two earnings claims: 50% of the \$211,502, or \$105,751, to be authorized by the 2001 AEAP for collection in rates in 2002; and the remaining 50% to be authorized in the 2002 AEAP for collection in rates in 2003. A two-year collection period is consistent with the "Joint Recommendation On The Program Year 2000 Low-Income Energy Efficiency Shareholder Incentive Mechanism" submitted on November 10, 1999.<sup>1/</sup> Therefore, the

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<sup>1/</sup> Exhibit 66 in Phase 2 of the 1999 AEAP.

total PY 2000 LIEE earnings amount requested by SoCalGas in the first claim is \$113,651, including interest from July 1, 2001, and franchise fees and uncollectibles.

**B. PY99 EARNINGS**

The 1999 AEAP Case Management Statement established the collection of the first 50% of the LIEE lifecycle claim upon approval of the 1999 AEAP and the second 50% to be authorized in the 2000 AEAP upon completion of a statewide first-year load impact evaluation of the PY98 LIEE Program. SoCalGas jointly filed with PG&E, SCE, and SDG&E the first-year load impact evaluation of the PY98 LIEE program on April 17, 2000.

Therefore, consistent with the 1999 AEAP Case Management Statement, SoCalGas' second earnings claim for the PY99 LIEE program in this AEAP is \$115,929, including interest from July 1, 2000, and franchise fees and uncollectibles. Appendix B contains SoCalGas' Direct Assistance Program 2000 Shareholder Incentive Base Calculation.

#### IV.

### SUMMARY OF PERFORMANCE FOR PY97 AND PY96 PROGRAMS

#### A. PY97 EARNINGS FOR PROJECTS INSTALLED IN 1999 (SECOND EARNINGS CLAIM)

All of SoCalGas' DSM programs for 1997 were completed before the end of calendar year 1997, except for the Energy Edge program and the Residential Pilot Bidding program. The Energy Edge program involved some contracts that were entered into in 1997 under PY97 program rules, but were installed in subsequent years. This program is therefore eligible for earnings under the PY97 earnings mechanism pursuant to Decision 94-10-059, entitled "Interim Opinion on DSM Shareholder Incentives: Implementation Phase." SoCalGas' second year earnings claim for the PY97 program is subject to the shared savings incentive mechanism. Under this mechanism, earnings are calculated at 30% of a performance earnings basis. The performance earnings basis for this mechanism is defined as two-thirds of the Total Resource Cost net benefits plus one-third of the Utility Cost net benefits.

SoCalGas' 1997 Energy Edge program performance under the adopted incentive mechanism produced a projected lifecycle earnings of \$145,940. Appendix C contains SoCalGas' PY97 incentives claim summary. The second earnings claim of \$36,485 represents the second installment (50%) of the projected lifecycle earnings for PY97 projects committed in 1997 and completed in 1999. Therefore, the total PY97 earnings amount requested by SoCalGas is \$41,259, including interest from July 1, 2000, and franchise fees and uncollectibles.

In this application, SoCalGas is deferring its request for the second earnings claim for its Residential Pilot Bidding program. Due to a delay in the receipt of information from the program's contractor, a review of the information and resolution of issues could not be completed in time for this AEAP filing. SoCalGas will therefore

submit its respective earnings claim in the 2002 AEAP or include it in the appropriate AEAP consistent with the earnings distribution schedule for third earnings claims.

**B. PY96 EARNINGS (THIRD EARNINGS CLAIM)**

SoCalGas' third earnings claim for its 1996 DSM programs is \$315,602, which represents the difference between 75% of the revised projected lifecycle shareholder earnings for PY1996 (75% of \$1,262,406 and the sum of the previous two earnings claims for 1996). Appendix D contains SoCalGas' PY96 incentives claim summary. Therefore, the total PY96 earnings amount requested by SoCalGas is \$418,568, including interest from July 1, 1997, and franchise fees and uncollectibles.

**V.**

**REQUEST TO CONSOLIDATE THE 2000 AEAP AND 2001 AEAP  
INTO ONE PROCEEDING**

The Administrative Law Judge's Ruling Deferring Schedule of Proceedings, dated October 18, 2000, postponed all further proceedings in the 2000 AEAP until an unspecified future date. The delay was, in part, predicated on the heavy workload and competing priorities resulting from the numerous energy efficiency proceedings which were being undertaken, including the Summer Initiative and the PY 2001 program planning process. Since that time, the Commission has issued numerous rulings and/or decisions in the many energy efficiency proceedings that were taking place concurrently.

In submitting the 2001 AEAP, the Commission will have before it the following 2000 AEAP and 2001 AEAP claims for review and approval: 1) pre-1998 DSM earnings (PY94, PY96 and PY97); 2) low-income energy efficiency earnings (PY98, PY99 and PY 2000); and, 3) non low-income energy efficiency earnings (PY99 and PY 2000). SoCalGas requests that the Commission combine the 2000 and 2001 AEAPs to avoid any further delay and action on the utilities' 2000 AEAP submittals. The consolidation of the 2000 and 2001 AEAPs represents an efficient use of time and resources of the

Commission, utilities and interested parties. Many of the parties that will participate in the 2000 AEAP will also be involved in the 2001 AEAP. The consolidation will also result in efficiencies in reviewing utility claims for which the first claim was filed in the 2000 AEAP and the second claim in the 2001 AEAP.

SoCalGas in Appendix E of this Application proposes for Commission consideration a consolidated AEAP schedule. This schedule provides sufficient time for all parties to review the filings of the utilities and a decision to be rendered on the utilities' requested earnings claims.

## VI.

### **ESTIMATED ANNUAL REVENUE REQUIREMENT CHANGES AND PROPOSED RATE CHANGES**

Amortization of the total earnings claim for PY96, PY97, PY99, and PY 2000 earnings of \$2,512,439 (which includes applicable interest from July 1, 1997 on PY96 earnings, from July 1, 2000 on PY97 earnings in 1999, from July 1, 2000 on PY99 LIEE earnings, from July 1, 2001 on PY 2000 earnings, and from July 1, 2001 on PY 2000 LIEE earnings, plus franchise fees and uncollectibles) will produce an equivalent annual base rate revenue requirement increase, over the current authorized base rate revenue requirements, of \$2,512,439. The foregoing proposed annual revenue requirement changes (*i.e.*, changes to the authorized margin) are requested to take effect on January 1, 2002.

The increases proposed in this application are based solely on the DSM, energy efficiency and LIEE incentive mechanisms described in this application and in Exhibits SoCalGas-1A and SoCalGas-1B. The total authorized level of revenue requirements for 2002 will also depend upon the Commission's decisions on other SoCalGas applications.

The proposed revenue requirement increases for each customer classification are identified in the following table:



**ESTIMATED REVENUE REQUIREMENT INCREASE  
EFFECTIVE JANUARY 1, 2002**

Customer Class	Proposed Revenue Requirement Increase (\$000)	(%)
<b>GAS CORE</b>		
Residential	\$1846	0.18 %
Commercial	\$548	0.27 %
Transportation	\$119	0.27%
<b>GAS NONCORE</b>		
Commercial/Industrial	0	0%
Cogeneration	0	0%
UEG	0	0%
<b>Total Gas</b>	<b>\$2512</b>	<b>0.18%</b>

Statements of SoCalGas' present rates and the proposed rates necessary to recover the requested revenue requirement increases on an annual basis (with an assumed effective date of January 1, 2002), are included herewith as Appendix F. SoCalGas requests that the gas distribution revenue requirement increases become effective in early 2002.

The proposed base rate revenue requirement change in Appendix I has been allocated on the basis of an equal percentage of gas margin across each customer class.

SoCalGas therefore requests that the gas revenue requirement increases become effective in early 2002 at the time of other changes then being proposed.

**VII.**

**STATUTORY AND PROCEDURAL REQUIREMENTS**

**A. SCOPING ISSUES – RULE 6**

Commission Rule 6(a) (1) requires SoCalGas to state in this application “the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.” SoCalGas proposes to categorize this application as a ratesetting proceeding. SoCalGas does not believe hearings will be necessary. The issues to be considered are (1) whether SoCalGas’ claims for earnings requested herein should be approved, (2) whether modifications to the Protocols (as may be proposed by CADMAC) should be approved, and (3) whether the 2000 AEAP and the 2001 AEAP proceeding should be consolidated. If hearings are necessary, this application can proceed according to the schedule proposed in Appendix E.

**B. STATUTORY AUTHORITY - RULE 15**

This application is made pursuant to Sections 451, 454, 491, 701, 728, and 729 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure, and prior decisions, orders, and resolutions of this Commission.

**C. LEGAL NAME AND CORRESPONDENCE - RULES 15(A) AND 15(B)**

The exact name of the applicant is Southern California Gas Company. SoCalGas is a corporation organized under the laws of the State of California. It is a gas corporation subject to the jurisdiction of this Commission, engaged in the business of providing public utility gas service in southern and central California. SoCalGas’ principal place of business is 555 West Fifth Street, Los Angeles, California 90013-1011. Its telephone number is (213) 244-2955. Its attorney in this matter is Alessandra M. Messineo Long.

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**D. ARTICLES OF INCORPORATION - RULE 16**

A certified copy of SoCalGas' Articles of Incorporation, as last amended, is currently on file with the Commission.

**E. FINANCIAL STATEMENT, BALANCE SHEET, AND INCOME STATEMENT - RULE 23(A)**

SoCalGas' Financial Statement and Balance Sheet as of December 31, 2000, and Income Statement for the period ended December 31, 2000 are attached to this application as Appendix G.

**F. PRESENT AND PROPOSED RATES - RULE 23(B) AND 23(C)**

A statement of SoCalGas' currently effective and proposed rates for gas service is set forth in Appendix F. SoCalGas' current rates and charges for gas service are contained in its gas tariffs and schedules on file with the Commission. These tariffs and schedules are filed with, and made effective by, the Commission in its decision, orders, resolutions, and approvals of advice letter filings made pursuant to Commission General Order 96-A.

**G. DESCRIPTION OF PROPERTY AND EQUIPMENT - RULE 23(D)**

A general description of SoCalGas' property and equipment was previously filed with the Commission in connection with SoCalGas' Application No. 96-03-053 and is incorporated herein by reference. A statement of account of the original cost and depreciation reserve attributable thereto is attached to this application as Appendix H.

**H. SUMMARY OF REVENUE CHANGES AND SUMMARY OF EARNINGS - RULE 23(E) AND (F)**

A summary of revenue changes and a summary of earnings as proposed herein, is attached to this application as Appendix I.

**I. INDEX TO APPENDICES AND EXHIBITS TO THIS APPLICATION -  
RULE 23(G)**

SoCalGas' submission in support of this application includes the following, which are incorporated herein by reference.

Appendices to Application:

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- Appendix J Proxy Statement
- Appendix K Service List of City, County, and State Officials
- Appendix L Service List of Potential Interested Parties

Exhibits to Application:

- SoCalGas-1A Testimony of Southern California Gas Company for Program Years 1996-97 Earnings
- SoCalGas-1B Testimony of Southern California Gas Company for Program Year 2000 Energy Efficiency Earnings and for Program Years 1999 and 2000 Low-Income Energy Efficiency Earnings
- SoCalGas-2A SoCalGas' Demand-Side Management: Energy Efficiency Programs Annual Report 2000 DSM Programs, May 2001 ("Annual Report")

SoCalGas-2B SoCalGas' Demand-Side Management: Energy Efficiency Programs  
Annual Report 1994-1997 DSM Programs, May 2001

SoCalGas-2C SoCalGas' Energy Efficiency Programs Annual Report Technical  
Appendix, May 2001

**J. DEPRECIATION - RULE 23(H)**

For financial statement purposes, depreciation of utility plant has been computed on a straight-line remaining life basis at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SoCalGas generally computes depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes, "flow through accounting" has been adopted for such properties. For tax property additions in years 1981 through 1986, SoCalGas has computed its tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SoCalGas has computed its tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, has normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

**K. PROXY STATEMENT - RULE 23(I)**

A copy of SoCalGas' latest Proxy Statement sent to its shareholders dated March 22, 2001 is included herein as Appendix J.

**L. STATEMENT PURSUANT TO RULE 23(L)**

The increase sought in this application does not reflect and pass through to customers only increased costs to SoCalGas for the services or commodities furnished by it.

**M. SERVICE OF NOTICE - RULE 24**

A list of the cities and counties affected by the rate changes resulting from this application is attached as Appendix K. The State of California is also a customer of SoCalGas whose rates would be affected by the proposed revisions. As provided in Rule 24, a notice describing in general terms the proposed revenue increases and rate changes will be mailed to the officials identified in Appendix K. The notice will state that a copy of this application and related attachments will be furnished by SoCalGas upon written request.

Within ten days following the filing of this application, SoCalGas will publish, at least once in a newspaper of general circulation in each county in which the changes proposed here will become effective, a notice, in general terms, of the changes proposed in this application. This notice will state that a copy of this application and related attachments may be examined at the Commission's offices and such offices of SoCalGas as are specified in its notice. A similar notice will be included in the regular bills mailed to all customers within 45 days of the filing date of this application.

SoCalGas will serve a copy of this application and related Exhibits on all parties of record to the 2000 AEAP proceeding (A.00-05-002, et al.) and to members of the Low-Income Advisory Board. SoCalGas will mail a Notice of Availability of this application and related exhibits to all parties of record in Rulemaking (R.) 98-07-037. The service lists for A.00-05-002, et al., and R. 98-07-037, identifying potentially interested parties, is attached as Appendix L to this application.

**VIII.**

**CONCLUSION**

SoCalGas respectfully requests the Commission order the proposed revenue requirement (margin) increases and other relief requested herein become effective January 1, 2002, and issue its decision:

- 1) Finding that under the energy efficiency performance incentive mechanism in effect for the 2000 programs, SoCalGas' total earnings claim for PY 2000 is \$1,726,107 plus interest, franchise fees, and uncollectibles of \$96,924 and this amount is to be collected in one year; finding that under the DSM shareholder incentive mechanisms in effect for the 1997 programs, SoCalGas' second earnings claim for 1997 DSM programs is \$36,485, plus interest, franchise fees, and uncollectibles of \$4,774, and finding that under the DSM shareholder incentive mechanisms in effect for the 1996 programs, SoCalGas' third earnings claim for 1996 DSM programs is \$315,602 plus interest, franchise fees, and uncollectibles of \$102,966; finding that SoCalGas' PY 2000 LIEE first incentive claim is \$105,751, plus interest, franchise fees and uncollectibles of \$7,900; and finding that SoCalGas' PY99 LIEE second earnings claim is \$102,515, plus interest, franchise fees and uncollectibles of \$13,414;
- 2) Authorizing and granting authority to SoCalGas to increase its authorized gas base rate revenue requirements by \$2,512,439 effective January 1, 2002;
- 3) Ordering that the increases in gas rates proposed in this application be made effective for service rendered on and after January 1, 2002;
- 4) Ordering consolidation of the 2000 AEAP and the 2001 AEAP;



- 5) Approving the modifications to the Protocols, if any, proposed by CADMAC; and
- 6) Granting such other, further, or different relief which this Commission finds to be just and reasonable.

Dated this 1st day of May 2001.

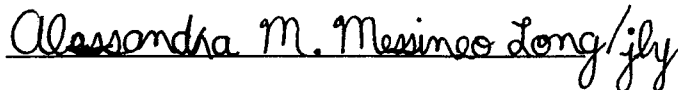
Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY



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Richard M. Morrow  
Vice President - Customer Services &  
Marketing



Alessandra M. Messineo Long  
Attorney for  
Southern California Gas Company

## VERIFICATION

I am an officer of the applicant corporation herein and am authorized to make this verification on its behalf. I am informed and believe that the matters stated in the foregoing document are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on May 1, 2001, at Los Angeles, California.

A handwritten signature in cursive script that reads "Richard M. Morrow".

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Richard M. Morrow  
Vice President - Customer Services &  
Marketing

**CERTIFICATE OF MAILING**

**(NOTICE OF MAILING)**

I hereby certify that in compliance with Rule 24 of the Commission's Rules of Practice and Procedures, within ten days after the filing of this "Application" with the Commission, I will cause a notice of the proposed changes in revenues and rates to be mailed to the cities and counties on the attached list.

By: Charles L. Sales III  
Charles Sales

Date: May 1, 2001

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the **APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY (U 904G)** has been sent to all parties of record in the 2000 AEAP (A.00-05-002, etc.) and to members of the Low Income Advisory Board, properly stamped and addressed. I have also sent a Notice of Availability of this Application to all parties of record in Rulemaking 98-07-037, properly stamped and addressed.

By: Charles L. Sales III  
Charles Sales

Date: May 1, 2001

**SouthernCaliforniaGasCompany**  
**AppendixA--REVISED**  
**PY2000EarningsClaimSummaryTable**

Milestone	AssociatedActivity	Potential	Earned
<b>ResidentialMilestones</b>			
R1	HomeEnergyFitness	31,818	-
R2	ResContractor	136,818	136,818
R3	ResContractor	136,818	136,818
R4	UpstreamWaterHeater	95,455	
R5	EnergyEfficiencyRenovation	63,636	63,636
R6	Spaceconditioning&WashersSelectTechnology	31,818	-
R7	StatewideResAppliance	47,727	47,727
<b>ResidentialSubtotal</b>		<b>544,090</b>	<b>384,999</b>
<b>NonresidentialMilestones</b>			
NR1	FoodserviceEquipment	31,818	-
NR2	SpaceConditioning	31,818	-
NR3	AdvancedWaterHeaterSystems	159,091	159,091
NR4	EnergyEdge	95,455	47,728
NR5	LodgingEducation	12,727	12,727
NR6	Drycleaner&LaundryEducation	12,727	12,727
NR7	UpstreamGasAirConditioning	15,909	-
NR8	Furnace/Kiln/Oven	159,091	-
NR9	GasEngines	63,636	-
<b>NonresidentialSubtotal</b>		<b>582,272</b>	<b>232,273</b>
<b>NewConstructionMilestones</b>			
NC1	EnergyAvantageHome	254,545	254,545
NC2	SavingsByDesign	47,727	47,727
NC3	CodesandStandards	31,818	31,818
NC4	LGCEE	63,636	63,636
NC5	SeminarProgramCoordination	127,273	127,273
NC6	Web-BasedEnergyEfficiencyLibrary	63,636	63,636
NC7	EmergingTechnologyCouncil	95,455	95,455
<b>NewConstructionSubtotal</b>		<b>684,090</b>	<b>684,090</b>
<b>AggressiveImplementationMilestones</b>			
AI-RES	ResidentialProgramArea	130,821	130,821
AI-NONRES	NonresidentialProgramArea	210,249	210,249
AI-NC	NewConstructionProgramArea	83,675	83,675
<b>AggressiveImplementationSubtotal</b>		<b>424,745</b>	<b>424,745</b>
<b>GrandTotal <sup>1</sup></b>		<b>2,235,197</b>	<b>1,726,107</b>

<sup>1</sup>Actualcapforearningswas\$2.032million

Revision: ResidentialUpstreamWaterHeatermilestonewasnotachieved. Therefore, \$95,455hasbeendeductedfromtheearningsclaimaspreviouslysubmitted.

**Southern California Gas Company  
Direct Assistance Program 2000 Shareholder Incentive Base Calculation  
Appendix B**

Planned Unit Goal-Revised* Estimated Performance Incentive	25000 \$ 305,553										
Measure	1st year Therms <sup>1</sup>	Measure Life	Lifecycle savings	Installation Frequency	Total Lifecycle Therm Savings	Percent Savings	Incentive Amount	Total Incentive Amount			
attic insulation - sf	21.1	25	527.5	3242	1,710,155	29.31%	\$20.72	\$67,169			
attic insulation - mf	14.9	25	372.5	2165	806,463	13.82%	\$14.63	\$31,675			
low flow showerhead	8.8	3	26.4	24505	646,932	11.09%	\$1.04	\$25,409			
water heater blanket - sf	7.2	5	36	4484	161,424	2.77%	\$1.41	\$6,340			
water heater blanket - mf	6.8	5	34	2638	89,692	1.54%	\$1.34	\$3,523			
water heater blanket - mh	7.2	5	36	400	14,400	0.25%	\$1.41	\$566			
Building Envelope Repair-sf	5	10	50	14008	700,400	12.00%	\$1.96	\$27,509			
Building Envelope Repair-mf	3.6	10	36	8103	291,708	5.00%	\$1.41	\$11,457			
Building Envelope Repair-mh	5	10	50	1895	94,750	1.62%	\$1.96	\$3,721			
weatherstrip - sf	2.6	5	13.0	20716	269,387	4.62%	\$0.51	\$10,580			
caulking - sf	0.7	5	3.5	5570	19,474	0.33%	\$0.14	\$765			
weatherstrip - mf	1.8	5	9.2	17478	160,244	2.75%	\$0.36	\$6,294			
caulking - mf	0.6	5	2.8	5398	15,285	0.26%	\$0.11	\$600			
weatherstrip - mh	2.6	5	13.0	2740	35,620	0.61%	\$0.51	\$1,399			
caulking - mh	0.7	5	3.5	2485	8,628	0.15%	\$0.14	\$339			
evaporative cooler cover	2.6	3	7.8	662	5,164	0.09%	\$0.31	\$203			
pipe insulation	2.6	10	26	4214	109,564	1.88%	\$1.02	\$4,303			
faucet aerator	3.5	5	17.5	24554	429,695	7.36%	\$0.69	\$16,877			
switch/outlet gaskets	0.8	15	12	22140	265,680	4.55%	\$0.47	\$10,435			
<b>Total program savings:</b>					<b>5,834,664</b>	<b>100.00%</b>		<b>\$229,164</b>			

\*Revisions due to overstatement of w/s and caulking installation frequencies  
**PY 2000 forecasted earnings** \$ 305,553  
 (based on previous mechanism at 5% level)  
 25% allocated to Energy Education \$ 76,388  
 Furnace Repair & Rep., Inspections, & Training \$ 229,165  
 75% allocated to measure savings

**Earnings/therm for measures** \$0.0393  
**NON-SAVINGS MEASURES - REVISED**

**Southern California Gas Company  
Direct Assistance Program 2000 Shareholder Incentive Base Calculation  
Appendix B**

<b>Budget<sup>1,2,4</sup></b>	
Furnace repair/replace	\$3,675,000
Energy Education	\$848,750
Inspections	\$525,000
Training	\$225,531
<b>Total non-savings measures</b>	<b>\$5,274,281</b>

<b>Total PY2000 Forecasted Earnings<sup>5</sup></b>	<b>\$305,553</b>
<b>25% of earnings allocated for non-savings measures</b>	<b>\$76,388</b>
<b>% incentive on non-savings expenditures:</b>	<b>1.45%</b>

**Notes:**  
<sup>1</sup>Savings equal to ex-post measure impact from SoCalGas' 1996PY Measurement and Evaluation Study, CPUC Study #713.  
<sup>2</sup>Furnace repair/replacement services are considered non-saving, quality improvement measures.  
<sup>3</sup>SoCalGas includes inspections and training in participant incentives rather than in administration per Advice Letter 2525, Errata filed November 18, 1996.  
<sup>4</sup>Outreach and Assessment, though non-savings producing, result in measure installation, therefore, costs are not treated as non-savings expenditure.  
<sup>5</sup>Amount requested in PY 2000 earnings claim will be based on actual frequency of measure installation.  
*Revisions due to overstatement of weatherstripping and caulking installation frequencies*





**Table E-1**  
**Earnings Claim Summary Table: Shared Savings Program**  
**Program Year: 1997 (Energy Edge 1999 Completions,**  
**Southern California Gas Company**  
**(in thousands of 1997 Dollars)**

	SHARED SAVINGS PROGRAMS												Total w/MC
	Retrofit Energy Efficiency Incentive Programs						New Construction Programs			Portfolio			
	RWR	RAE	CEE	IEE	AEE	Total	Res	Nonres	Total	Res	Nonres	Total	
<b>FORECAST</b>													
Costs and Benefits For Earnings (000's \$)													
1 Measurement Costs													
2 Administration													
3 Program Incentives													
4 Program Costs													
8 Incremental Measure Costs, net (IMCn)													
9 Resource Benefits, net (RBn)													
<b>Target Earnings (000's \$)</b>													
16 Target Earnings Rate (TER) (%)													
17 Performance Earnings Basis, at target (PEB)													
18 Target Earnings													
TRC BCR, with Earnings													
UC BCR, with Earnings													
<b>RECORDED - FIRST EARNINGS CLAIM (2000 AEAP)</b>													
Costs and Benefits For Earnings (000's \$)													
Recorded Measurement Costs'													
Recorded Administration													
Recorded Program Incentives													
Recorded Incremental Measure Costs, net													
Recorded Resource Benefits, net													
Recorded Performance Earnings Basis (PEB)													
Recorded PEB/PEB (%) (Minimum 75%)													
Recorded Earnings													
TRC BCR, with Earnings													
UC BCR, with Earnings													
Earnings Distribution Share (1st Claim)													
Earnings Claim for Recovery (1st Claim)													
<b>Second Earnings Claim:</b>													
Revised Resource Benefits, net													
Recorded PEB													
Revised Earnings													
Earnings Distribution Share (2nd Claim)													
Recorded Earnings (for 2nd Claim)													
Earnings Recovered from 1st Claim													
Recorded Incremental Earnings													
<b>Third Earnings Claim:</b>													
Revised Resource Benefits, net													
Recorded PEB													
Revised Earnings													
Earnings Distribution Share (3rd Claim)													
Recorded Earnings (for 3rd Claim)													
Earnings Recovered from 1st and 2nd Claim													
Recorded Incremental Earnings													
<b>Fourth Earnings Claim:</b>													
Revised Resource Benefits, net													
Recorded PEB													
Revised Earnings													
Earnings Distribution Share (4th Claim)													
Recorded Earnings (for 4th Claim)													
Earnings Recovered from 1st, 2nd, and 3rd Claim													
Recorded Incremental Earnings													
<b>Total Earnings</b>													

**Table E-2**  
**Recorded Costs and Benefits for Shareholder Incentives Programs**  
**By End Use Element**  
**Program Year: 1997 (Energy Edge 1999 Completions)**  
**Program: Energy Edge (CEEI) [Page 1 of 1]**  
**(in thousands of 1997 Dollars)**

	End Use Totals			Number of Units			Average Per Unit (\$ dollars)		
	Energy Edge	n/a	TOTAL	Energy Edge	n/a	TOTAL	MISC(e)	n/a	TOTAL
<b>First Earnings Claim</b>									
1 Measurement Costs	n/a	n/a	n/a	1			n/a	n/a	n/a
2 Administration	126		126				\$ 126,552		
3 Program Incentives	126		126				\$ 126,552		
4 Program Costs	914		914				\$ 913,623		
5 Incremental Measure Costs, gross	1,314		1,314				\$ 1,313,633		
6 Resource Benefits, gross	0.75		0.75				\$ 685,367		
7 Net-to-Gross Ratio	685		685				\$ 985,225		
8 Incremental Measure Costs, net	685		685						
9 Resource Benefits, net	985		985						
<b>Second Earnings Claim</b>									
Revised Net Resource Benefits	985		985				\$ 985,225		
<b>Third Earnings Claim</b>									
Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fourth Earnings Claim</b>									
Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Please note: Program incentive costs for this program actually represent the allocated costs of Energy Edge studies for SCG customers; no incentives were actually given for individual measures or equipment. An individual study captures multiple measures and the study cost is allocated across measures covered by individual studies.

**Table E-3**  
**Components of Resource Benefit Values**  
**Program Year: 1997 (Energy Edge 1999 Completions)**  
**Program: Energy Edge (CEE) 1999 Project Completions**  
**Earnings Claim: 2nd Claim**  
**(1997 Dollars)**  
**Page 1 of 1**

Year	Average Load Impacts Per Unit (kWh)			MISC(e) Energy Edge											
	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms
1998	3,360,246.00	25,501.70	25,501.70												
1999	3,360,246.00	25,501.70	25,501.70												
2000	3,360,246.00	25,501.70	25,501.70												
2001	3,360,246.00	25,501.70	25,501.70												
2002	3,360,246.00	25,501.70	25,501.70												
2003	3,360,246.00	25,501.70	25,501.70												
2004	3,360,246.00	25,501.70	25,501.70												
2005	3,360,246.00	25,501.70	25,501.70												
2006	3,360,246.00	25,501.70	25,501.70												
2007	3,360,246.00	25,501.70	25,501.70												
2008	3,360,246.00	25,501.70	25,501.70												
2009															
2010															
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
SLM (Electricity)	#####	255,017.00													
PV															

Year	Average Load Impacts Per Unit (kWh)			MISC(e) Energy Edge											
	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms	kWh	Therms	Therms
1998															
1999															
2000															
2001															
2002															
2003															
2004															
2005															
2006															
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2008															
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2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
2021															
2022															
SLM (Electricity)															
PV															

# of Units:  
Resource Benefit (\$/000, gross)  
Net-to-Gross Ratio:  
Resource Benefit (\$/000, net)

Project Study Reference:  
Study used for Forecast  
Required: 1st LUY Study, 2nd Claim  
Required: Persistence, 3rd Claim  
Required: Persistence, 4th Claim

Notes:  
(1) Values reported in lower section are used to calculate PV for each end use element in a bottom-up approach, i.e., PV = RBy/# of units

**Table E-1**  
**Earnings Claim Summary Table: Performance Adder Programs**  
**Program Year: 1996**  
**Southern California Gas Company**

	PERFORMANCE ADDER PROGRAMS											SS & PA GRAND TOTAL	
	Energy Management Services Programs				Direct Assistance Programs			Portfolio					
	REMS	CEMS	EMS	AEMS	Total	Man	Non-Man	Total	Res	NRes	DAP		Total
<b>FORECAST</b>													
Costs and Benefits For Earnings (000's \$)													
1 Measurement Costs	273	438	449		1,160	313	169	482	273	887	482	1,642	1,991
2 Administration	629	2,647	1,171		4,448	2,605	724	3,329	629	3,819	3,329	7,776	9,812
3 Program Incentives	0	0	0		0	7,593	4,403	11,996	0	0	11,996	11,996	14,318
4 Program Costs	629	2,647	1,171		4,448	10,198	5,127	15,325	629	3,819	15,325	19,772	24,130
8 Incremental Measure Costs, net (IMCn)	209	409	0		618	7,593	3,838	11,431	209	409	11,431	12,049	16,763
9 Resource Benefits, net (RBn)	769	9,463	1,361		11,593	5,021	1,875	6,897	769	10,824	6,897	18,490	29,387
Target Earnings (000's \$)													
16 Target Earnings Rate (TER) (%)	5%	5%	5%	5%	5%	0%	5%	5%	5%	5%	5%	5%	6%
17 Performance Earnings Basis, at target (PEBt)	0	6,543	190		6,734	(5,177)	(2,875)	(8,052)	0	6,733	(8,052)	(1,318)	3,279
17a Target Earnings Basis	629	2,647	1,171		4,448	10,198	5,127	15,325	629	3,819	15,325	19,772	24,130
18 Target Earnings	31	132	59	0	222	0	256	256	0	337	(403)	(66)	1,418
TRC BCR, with Earnings	0.88	2.97	1.11		2.19	0.49	0.39	0.46	0.92	2.37	0.48	0.94	1.05
UC BCR, with Earnings	1.16	3.40	1.11		2.48	0.49	0.35	0.44	1.22	2.60	0.46	0.94	1.15
<b>RECORDED - FIRST EARNINGS CLAIM (1996 AEAP)</b>													
Costs and Benefits For Earnings (000's \$)													
Recorded Measurement Costs	NA	NA	NA		NA	NA	NA	NA		NA	NA	NA	NA
Recorded Administration	443	2,023	737		3,202	2,632	896	3,528	443	2,760	3,528	6,730	7,931
Recorded Program Incentives	0	0	0		0	7,334	4,779	12,113	0	0	12,113	12,113	13,524
Recorded Incremental Measure Costs, net	80	431	0		511	7,334	4,782	12,116	80	431	12,116	12,627	15,493
Recorded Resource Benefits, net	1,531	11,631	1,106		14,268	2,274	1,128	3,402	1,531	12,737	3,402	17,671	26,775
Recorded Performance Earnings Basis (PEB)	1,035	9,321	369		10,726	(7,692)	(4,549)	(12,241)	1,035	9,690	(12,241)	(1,515)	3,659
Recorded PEB/PEBt (%) (Minimum 75%)	229189%	142%	194%		159%				229189%	144%			112%
Recorded Earnings	21	102	29		152	0	227	227	21	132	227	379	1,932
TRC BCR, with Earnings	2.82	4.55	1.44		3.69	0.19	0.21	0.21	2.82	3.83	0.21	0.90	1.06
UC BCR, with Earnings	3.30	5.47	1.44		4.25	0.19	0.21	0.21	3.30	4.41	0.21	0.92	1.14
Earnings Distribution Share (1st Claim)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Earnings Claim for Recovery (1st Claim)	5	26	7		38	0	57	57	5	33	57	95	483
Second Earnings Claim:													
Revised Resource Benefits, net	1,531	4,540	1,106		7,178	2,274	1,128	3,402	1,531	5,646	3,402	10,580	17,105
Recorded PEB	1,035	2,230	369		3,635	(7,692)	(4,549)	(12,241)	1,035	2,599	(12,241)	(8,606)	(5,663)
Revised Earnings	21	102	29		152	0	227	227	21	132	227	379	1,262
Earnings Distribution Share (2nd Claim)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Recorded Earnings (for 2nd Claim)	10	51	15		76	0	113	113	10	66	113	190	631
Earnings Recovered from 1st Claim	5	26	7		38	0	57	57	5	33	57	95	483
Recorded Incremental Earnings	5	26	7		38	0	57	57	5	33	57	95	135
Third Earnings Claim:													
Revised Resource Benefits, net	1,531	4,540	1,106		7,178	2,274	1,128	3,402	1,531	5,646	3,402	10,580	17,105
Recorded PEB	1,035	2,230	369		3,635	(7,692)	(4,549)	(12,241)	1,035	2,599	(12,241)	(8,606)	(5,663)
Revised Earnings	21	102	29		152	0	227	227	21	132	227	379	1,262
Earnings Distribution Share (3rd Claim)	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Recorded Earnings (for 3rd Claim)	16	77	22		114	0	170	170	16	99	170	285	726
Earnings Recovered from 1st and 2nd Claim	10	51	15		76	0	113	113	10	66	113	190	230
Recorded Incremental Earnings	5	26	7		38	0	57	57	5	33	57	95	316
Fourth Earnings Claim:													
Revised Resource Benefits, net													
Recorded PEB													
Revised Earnings													
Earnings Distribution Share (4th Claim)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Recorded Earnings (for 4th Claim)													
Earnings Recovered from 1st, 2nd, and 3rd Claim													
Recorded Incremental Earnings													
<b>Total Earnings</b>	<b>\$ 16</b>	<b>\$ 77</b>	<b>\$ 22</b>	<b>\$ 0</b>	<b>\$ 114</b>	<b>\$ 0</b>	<b>\$ 170</b>	<b>\$ 170</b>	<b>\$ 16</b>	<b>\$ 99</b>	<b>\$ 170</b>	<b>\$ 285</b>	<b>\$ 933</b>

**Table E-1**  
**Earnings Claim Summary Table: Shared Savings Programs**  
**Program Year: 1996**  
**Southern California Gas Company**  
**(in thousands of 1996 Dollars)**

	SHARED SAVINGS PROGRAMS												Total w/MC
	Retrofit Energy Efficiency Incentive Programs						New Const'n Prgrms			Portfolio			
	RWRI	RAE	CEE	IEE	AEE	Total	Res	Nres	Total	Res	Nonres	Total	
<b>FORECAST</b>													
Costs and Benefits For Earnings (000's \$)													
1 Measurement Costs			\$ 349			\$ 349					\$ 349	\$ 349	\$ 349
2 Administration		\$ 772	\$ 1,263			\$ 2,036				\$ 772	\$ 1,263	\$ 2,036	\$ 2,036
3 Program Incentives		\$ 708	\$ 1,614			\$ 2,322				\$ 708	\$ 1,614	\$ 2,322	\$ 2,322
4 Program Costs		\$ 1,480	\$ 2,877			\$ 4,357				\$ 1,480	\$ 2,877	\$ 4,357	\$ 4,357
8 Incremental Measure Costs, net (IMCn)		\$ 2,127	\$ 2,587			\$ 4,713				\$ 2,127	\$ 2,587	\$ 4,713	\$ 4,713
9 Resource Benefits, net (RBn)		\$ 4,459	\$ 6,438			\$10,898				\$4,459	\$ 6,438	\$ 10,898	\$ 10,898
Target Earnings (000's \$)													
16 Target Earnings Rate (TER) (%)		30%	30%			30%				30%	30%	30%	30%
17 Performance Earnings Basis, at target (PEBI)		\$ 2,033	\$ 2,913			\$ 4,946				\$ 2,033	\$ 2,913	\$ 4,946	\$ 4,946
17a Target Earnings Basis		\$ 1,480	\$ 2,877			\$ 4,357				\$ 1,480	\$ 2,877	\$ 4,357	\$ 4,357
18 Target Earnings		\$ 610	\$ 874			\$ 1,484				\$ 610	\$ 874	\$ 1,484	\$ 1,484
TRC BCR, with Earnings		1.27	1.36			1.32				1.27	1.36	1.32	1.32
UC BCR, with Earnings		2.13	1.72			1.87				2.13	1.72	1.87	1.87
<b>RECORDED - FIRST EARNINGS CLAIM (1995 AEAP)</b>													
Costs and Benefits For Earnings (000's \$)													
Recorded Measurement Costs <sup>1</sup>			\$ 349			\$ 349					\$ 349	\$ 349	\$ 349
Recorded Administration		\$ 561	\$ 640			\$ 1,201				\$ 561	\$ 640	\$ 1,201	\$ 1,201
Recorded Program Incentives		\$ 431	\$ 979			\$ 1,411				\$ 431	\$ 979	\$ 1,411	\$ 1,411
Recorded Incremental Measure Costs, net		\$ 1,216	\$ 1,651			\$ 2,866				\$ 1,216	\$ 1,651	\$ 2,866	\$ 2,866
Recorded Resource Benefits, net		\$ 3,076	\$ 6,029			\$ 9,105				\$ 3,076	\$ 6,029	\$ 9,105	\$ 9,105
Recorded Performance Earnings Basis (PEB)		\$ 1,561	\$ 3,962			\$ 5,523				\$ 1,561	\$ 3,962	\$ 5,523	\$ 5,174
Recorded PEB/PEBI (%) (Minimum 75%)		77%	136%			112%				77%	136%	112%	113%
Recorded Earnings		\$ 468	\$ 1,138			\$ 1,606				\$ 468	\$ 1,138	\$ 1,606	\$ 1,552
TRC BCR, with Earnings		1.37	1.76			1.60				1.37	1.76	1.60	1.62
UC BCR, with Earnings		2.11	2.19			2.16				2.11	2.19	2.16	2.19
Earnings Distribution Share (1st Claim)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Earnings Claim for Recovery (1st Claim)		\$ 117	\$ 284			\$ 401				\$ 117	\$ 284	\$ 401	\$ 388
Second Earnings Claim:													
Revised Resource Benefits, net		\$ 3,076	\$ 3,449			\$ 6,525				\$ 3,076	\$ 3,449	\$ 6,525	\$ 6,525
Recorded PEB		\$ 1,561	\$ 1,382			\$ 2,943				\$ 1,561	\$ 1,382	\$ 2,943	\$ 2,943
Revised Earnings		\$ 468	\$ 415			\$ 883				\$ 468	\$ 415	\$ 883	\$ 883
Earnings Distribution Share (2nd Claim)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Recorded Earnings (for 2nd Claim)		\$ 234	\$ 207			\$ 441				\$ 234	\$ 207	\$ 441	\$ 441
Earnings Recovered from 1st Claim		\$ 117	\$ 284			\$ 401				\$ 117	\$ 284	\$ 401	\$ 388
Recorded Incremental Earnings		\$ 117	\$ (77)			\$ 40				\$ 117	\$ (77)	\$ 40	\$ 40
Third Earnings Claim:													
Revised Resource Benefits, net		\$ 3,076	\$ 3,449			\$ 6,525				\$ 3,076	\$ 3,449	\$ 6,525	\$ 6,525
Recorded PEB		\$ 1,561	\$ 1,382			\$ 2,943				\$ 1,561	\$ 1,382	\$ 2,943	\$ 2,943
Revised Earnings		\$ 468	\$ 415			\$ 883				\$ 468	\$ 415	\$ 883	\$ 883
Earnings Distribution Share (3rd Claim)	75%	75%	75%	75%	75%	50%	75%	75%	75%	50%	50%	50%	50%
Recorded Earnings (for 3rd Claim)		\$ 351	\$ 311			\$ 662				\$ 351	\$ 311	\$ 662	\$ 441
Earnings Recovered from 1st and 2nd Claim		\$ 234	\$ 207			\$ 441				\$ 234	\$ 207	\$ 441	\$ 40
Recorded Incremental Earnings		\$ 117	\$ 104			\$ 221				\$ 117	\$ 104	\$ 221	\$ 221
Fourth Earnings Claim:													
Revised Resource Benefits, net													
Recorded PEB													
Revised Earnings													
Earnings Distribution Share (4th Claim)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Recorded Earnings (for 4th Claim)													
Earnings Recovered from 1st, 2nd, and 3rd Claim													
Recorded Incremental Earnings													
<b>Total Earnings</b>		<b>\$ 351</b>	<b>\$ 311</b>			<b>\$ 662</b>				<b>\$ 351</b>	<b>\$ 311</b>	<b>\$ 662</b>	<b>\$ 649</b>

<sup>1</sup> Measurement costs are not deducted from the program's PEB for the purposes of calculating the earnings at a program level. They are, however, deducted from the final PEB calculated in the column entitled "Total w/MC." This per D.94-10-059 pp 134 and CADMAC agreement on the format for this table.

**Table E-2**  
**Recorded Costs and Benefits for Shareholder Incentives Program:**  
**By End Use Element**  
**Program Year: 1996**  
**Program: Com'l Equipment Replacement (CEE) [Page 1 of 2] - Please note, Program Totals are on Page**  
**(In thousands of 1996 Dollars)**

	End Use Totals											Number of Units											Average Per Unit (\$ dollars)																									
	SPHT(g)			COOK(g)			Gas			Double for			19 Ceiling			SPHT(g)			COOK(g)			Gas			Double for			19 Ceiling			SPHT(g)			COOK(g)			Gas			Double for			19 Ceiling					
	Boilers	Boilers	Insulation	Boilers	Boilers	Insulation	Engines	Engines	Gas	Single Effect	Double Effect	Double Effect	Insulation	Boilers	Boilers	Insulation	Engines	Engines	Gas	Single Effect	Double Effect	Double Effect	Insulation	Boilers	Boilers	Insulation	Engines	Engines	Gas	Single Effect	Double Effect	Double Effect	Insulation	Boilers	Boilers	Insulation	Engines	Engines	Gas	Single Effect	Double Effect	Double Effect	Insulation					
<b>First Earnings Claim</b>																																																
1 Measurement Costs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a			
2 Administration	\$ 71	\$ 359	\$ 36	\$ 23	\$ 35	\$ 108	\$ 5	\$ 34	\$ 34	\$ 5	\$ 141	\$ 141	\$ 5	\$ 230	\$ 230	\$ 512	\$ 0.75	\$ 0.75	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384
3 Program Incentive	\$ 115	\$ 561	\$ 125	\$ 161	\$ 58	\$ 141	\$ 5	\$ 34	\$ 34	\$ 5	\$ 141	\$ 141	\$ 5	\$ 230	\$ 230	\$ 512	\$ 0.75	\$ 0.75	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384
4 Program Costs	\$ 187	\$ 921	\$ 161	\$ 58	\$ 141	\$ 141	\$ 5	\$ 34	\$ 34	\$ 5	\$ 141	\$ 141	\$ 5	\$ 230	\$ 230	\$ 512	\$ 0.75	\$ 0.75	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384	\$ 172	\$ 384	\$ 384
5 Incremental Measure Costs, gross	\$ 255	\$ 1,053	\$ 139	\$ 363	\$ 381	\$ 381	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75			
6 Resource Benefits, gross	\$ 538	\$ 5,468	\$ 745	\$ 381	\$ 381	\$ 381	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75			
7 Net-to-Gross Ratio	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75			
8 Incremental Measure Costs, net	\$ 191	\$ 789	\$ 104	\$ 287	\$ 285	\$ 285	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75			
9 Resource Benefits, net	\$ 403	\$ 4,101	\$ 559	\$ 285	\$ 285	\$ 285	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75	\$ 0.75						
<b>Second Earnings Claim</b>																																																
Revised Net Resource Benefits	\$ 200	\$ 2,375	\$ 277	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141			
<b>Third Earnings Claim</b>																																																
Revised Net Resource Benefits	\$ 200	\$ 2,375	\$ 277	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141	\$ 141			
<b>Fourth Earnings Claim</b>																																																
Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Table E-2**  
**Recorded Costs and Benefits for Shareholder Incentives Programs**  
**By End Use Element**  
**Program Year: 1996**  
**Program: Com'l Equipment Replacement (CEE) [Page 2 of 2]**  
**(in thousands of 1996 Dollars)**

	End Use Totals		Number of Units		Average Per Unit (\$ dollars)	
	Water Heating	Total	Water Heating	Total	Water Heating	Total
<b>First Earnings Claim</b>						
1 Measurement Costs						
2 Administration	\$ 38	\$ 640				
3 Program Incentives	\$ 109	\$ 979				
4 Program Costs	\$ 147	\$ 1,619	65,783		n/a	n/a
5 Incremental Measure Costs, gross	\$ 142	\$ 2,201				
6 Resource Benefits, gross	\$ 396	\$ 8,039				
7 Net-to-Gross Ratio	0.75	0.75				
8 Incremental Measure Costs, net	\$ 107	\$ 1,651				
9 Resource Benefits, net	\$ 297	\$ 6,029				
<b>Second Earnings Claim</b>						
Revised Net Resource Benefits	\$ 147	\$ 3,449				
<b>Third Earnings Claim</b>						
Revised Net Resource Benefits	\$ 147	\$ 3,449				
<b>Fourth Earnings Claim</b>						
Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A

**Table E-3**

**Components of Resource Benefit Values**

**Program Year: 1996**

**Program: Com'l Equipment Replacement (CEEI)**

**Earnings Claim: Third Claim**

**(1996 Dollars)**

**Page 1 of 2**

Year	SPHT(g) Boilers		COOK(g) Cooking		MSC(g) Gas Engines		AC(g) A/C - Double for Single Effect		AC(g) A/C - Double Effect		SPHT(g) R-19 Ceiling Insulation	
	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms
1996	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
1997	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
1998	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
1999	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2000	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2001	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2002	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2003	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2004	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2005	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2006	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2007	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2008	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2009	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2010	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2011	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2012	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2013	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2014	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2015	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2016	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2017	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2018	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2019	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
2020	1,664.69	456.78	5,494.50	32,165.95	5,494.50	32,165.95	1.86	4,527.00	1.86	4,527.00	1.86	4,527.00
SUM (Lifecycle)	24,970.34	5,461.35	82,417.50	482,489.23	82,417.50	482,489.23	1.86	90,540.00	1.86	90,540.00	1.86	90,540.00
PV	\$ 5,742	\$ 1,827	\$ 18,952	\$ 107,645	\$ 18,952	\$ 107,645						\$ 6,866

# of Units:	SPHT(g) Boilers		COOK(g) Cooking		MSC(g) Gas Engines		AC(g) A/C - Double for Single Effect		AC(g) A/C - Double Effect		SPHT(g) R-19 Ceiling Insulation	
	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms	kWh	Therms
Resource Benefit (\$000, gross):	\$ 46	266	\$ 1,733	19	\$ 369	188	\$ 2	60				
Net-to-Gross Ratio:	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75				
Resource Benefit (\$000, net):	\$ 200	200	\$ 2,375	277	\$ 277	141	\$ 141	310				
Impact Study References:	Study ID #											
Study used for Forecast	Study ID #											
Required 1st LIY Study, 2nd Clair	Study ID #											
Required Persistence, 3rd Clair	Study ID #											
Required Persistence, 4th Clair	Study ID #											

Notes:  
 (1) Values reported in lower section are used to calculate PV for each end use element in a 'bottom-up' approach, i.e., PV=RBg#/of unit



Table E-3

Components of Resource Benefit Values

Program Year: 1996

Program: Com1 Equipment Replacement (CEE)

Earnings Claim: Third Claim

(1996 Dollars)

Page 2 of 2

Year	WATH(g) Water Heating			Therms			kW			kWh			Therms		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
1996			251.46												
1997			251.46												
1998			251.46												
1999			251.46												
2000			251.46												
2001			251.46												
2002			251.46												
2003			251.46												
2004			251.46												
2005			251.46												
2006			251.46												
2007			251.46												
2008			251.46												
2009			251.46												
2010			251.46												
2011															
2012															
2013															
2014															
2015															
2016															
2017															
2018															
2019															
2020															
SUM (Lifecycle)						3,771.91									
PV						\$									

# of Units:	WATH(g) Water Heating			Therms			kW			kWh			Therms		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
Resource Benefit (\$000, gross):			210												
Net-to-Gross Ratio:			\$			196									
Resource Benefit (\$000, net):						0.75									
Impact Study References:						147									
Study used for Forecast															
Required 1st LIY Study, 2nd Claim															
Required Persistence, 3rd Claim															
Required Persistence, 4th Claim															

Notes:  
 (1) Values reported in lower section are used to calculate PV for each end use element in a 'bottom-up' approach, i.e., PV=RBg#/of unit

**Table E-2**  
**Recorded Costs and Benefits for Shareholder Incentives Program**  
**By End Use Element**  
**Program Year: 1996**  
**Program: Res Energy Efficiency Incentives (REEI - Delta ProTech Bidding**  
**(in thousands of 1996 Dollars)**

	End Use Totals (\$ thousands)		Number of Units		Average Per Unit (\$ dollars)	
	WATH(G)	Total	WATH(G)		WATH(G)	
<b>First Earnings Claim</b>						
1 Measurement Costs			345			
2 Administration	\$ 561	\$ 561			\$ 1,625	
3 Program Incentives	\$ 431	\$ 431			\$ 1,250	
4 Program Costs	\$ 992	\$ 992			\$ 2,875	
5 Incremental Measure Costs, gross	\$ 1,216	\$ 1,216			\$ 3,523	
6 Resource Benefits, gross	\$ 3,076	\$ 3,076			\$ 8,915	
7 Net-to-Gross Ratio	1.00	1.00			NA	NA
8 Incremental Measure Costs, net	\$ 1,216	\$ 1,216			\$ 3,523	
9 Resource Benefits, net	\$ 3,076	\$ 3,076			\$ 8,915	
<b>Second Earnings Claim</b>						
Revised Net Resource Benefits	\$ 3,076	\$ 3,076			\$ 8,915	
<b>Third Earnings Claim</b>						
Revised Net Resource Benefits	\$ 3,076	\$ 3,076				
<b>Fourth Earnings Claim</b>						
Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A

**Table E-3**

**Components of Resource Benefit Values**

**Program Year: 1996**

**Program: Res Energy Efficiency Incentives (REEI - Delta ProTech Bidding)**

**Earnings Claim: Third Claim**

**(1996 Dollars)**

**Page 1 of 1**

**Average Load Impacts Per Unit (Gross)**

Year	WATHT(g)			kW	kWh	Therms	kW	kWh	Therms
	kW	kWh	Therms						
1996			2,079.00						
1997			2,079.00						
1998			2,079.00						
1999			2,079.00						
2000			2,079.00						
2001			2,079.00						
2002			2,079.00						
2003			2,079.00						
2004			2,079.00						
2005			2,079.00						
2006			2,079.00						
2007			2,079.00						
2008			2,079.00						
2009			2,079.00						
2010			2,079.00						
2011									
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
SUM (Lifecycle)			31,185.00						
PV			\$ 8,915						

# of Units:  
 Resource Benefit (\$000, gross):  
 Net-to-Gross Ratio:  
 Resource Benefit (\$000, net):

Impact Study References:  
 Study used for Forecast  
 Required 1st LIY Study, 2nd Claim  
 Required Persistence, 3rd Claim  
 Required Persistence, 4th Claim

WATHT(g)			0			0		
kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
		345						
		\$ 3,076						
		1.00			1.00			1.00
		\$ 3,076						
Study ID #			Study ID #			Study ID #		

**Notes:**

(1) Values reported in lower section are used to calculate PV for each end use element in a 'bottom-up' approach, i.e., PV=RBg/# of units

**PROPOSED 2000/2001 CONSOLIDATED  
AEAP PROCEDURAL SCHEDULE**

<b>EARNINGS CLAIM SCHEDULE</b>	<b>DATE</b>
Submission of Studies for DSM Earnings Claims	March 1
Draft Pre-1998 DSM Earnings Tables	2000 AEAP - April 17, 2000 2001 AEAP - April 13, 2001
DSM Annual Summary and Technical Appendix (Pre-98 Commitments)	May 1
EE Annual Summary and Technical Appendix	
Utilities Earning Claim Application	May 1
Prehearing Conference	May 22
CADMAC Testimony	June 15
ORA Testimony	July 3
Other Intervenor's Testimony	July 3
Utility Reply Testimony	July 24
Energy Division's Independent Reviewers Report	August 14
Utility Reply Testimony to Independent Reviewers Report	August 28
Case Management Statement	September 10
Hearings (If Necessary)	September 17 - September 21
Opening Briefs	September 28
Reply Briefs	October 12
Proposed Decision	November
Final Decision	December

**SOUTHERN CALIFORNIA GAS COMPANY  
SUMMARY OF PRESENT AND PROPOSED RATES  
2001 AEAP Incentive Errata Application**

Class of Service		Current Rates Effective 1/01/2001 (a)	Proposed Rates Reflecting 2001 AEAP Incentive Errata Application (b)	Increase/Decrease		
				Rate (c)=(b)-(a)	% (d)=(c)/(a)	
<b>CORE - TRANSPORTATION COMPONENT</b>						
<b>Residential</b>						
<b>Average Residential</b>						
	Customer Charge	\$/month	\$5.00	\$5.00	-	0.00%
	Baseline	¢/th	24.505	24.579	0.073	0.30%
	Non-Baseline	¢/th	42.494	42.571	0.077	0.18%
	<u>Average Residential Rate</u>	¢/th	<u>41.154</u>	<u>41.228</u>	<u>0.074</u>	<u>0.18%</u>
<b>Non-Residential</b>						
<b>Core Commercial &amp; Industrial</b>						
	Customer Charge	\$/month	<u>Combined C/I</u> \$10.00/15.00	<u>Combined C/I</u> \$10.00/15.00	-	0.00%
	Tier I (0-100 S, 250 W)	¢/th	39.012	39.087	0.075	0.19%
	Tier II (Tier I-4167)	¢/th	22.451	22.525	0.074	0.33%
	Tier III (>4167)	¢/th	9.478	9.552	0.074	0.78%
<b>Gas Air Conditioning</b>						
	Customer Charge	\$/month	\$150.00	\$150.00	-	0.00%
	Volumetric Rate	¢/th	8.021	8.095	0.074	0.92%
<b>Gas Engine</b>						
	Customer Charge	\$/month	\$50.00	\$50.00	-	0.00%
	Volumetric Rate	¢/th	18.057	18.057	-	0.00%
<b>NONCORE - Average Transmission Rate</b>						
<b>Retail</b>						
	Industrial	¢/th	4.393	4.393	-	0.00%
	Electric Generation 1_/	¢/th	2.600	2.600	-	0.00%
<b>Wholesale</b>						
	Long Beach	¢/th	2.058	2.058	-	0.00%
	SDG&E	¢/th	1.383	1.383	-	0.00%
	Vernon	¢/th	1.596	1.596	-	0.00%
<b>UNBUNDLED STORAGE</b>						
<b>Annual Reservation</b>						
	Injection	\$/Dthd	20.169	20.169	-	0.00%
	Withdrawal	\$/Dthd	11.584	11.584	-	0.00%
	Inventory	\$/Dth	0.214	0.214	-	0.00%
<b>Variable Charges</b>						
	Injection	\$/Dth	0.0127	0.0127	-	0.00%
	Withdrawal	\$/Dth	0.0177	0.0177	-	0.00%
<b>BROKERAGE FEES</b>						
	Core	¢/th	0.20100	0.20100	-	0.00%
	Noncore	¢/th	0.26600	0.26600	-	0.00%

1\_/ Includes Common EG Adjustment Change of 0.000 ¢/therm.

Residential Upstream Waterheater Milestone was not achieved. Therefore, \$95,455 was deducted from initial application.

[Revised as of July 27, 2001]

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
 STATEMENTS OF CONSOLIDATED INCOME  
 Dollars in millions

For the years ended December 31	2000	1999	1998
	-----	-----	-----
Operating Revenues	\$2,854	\$2,569	\$2,427
Operating Expenses			
Cost of natural gas distributed	1,361	1,032	913
Operation and maintenance	695	738	798
Depreciation	263	260	254
Income taxes	173	179	126
Other taxes and franchise payments	96	92	98
Total operating expenses	2,588	2,301	2,189
Operating Income	266	268	238
Other Income and (Deductions)			
Interest income	27	16	4
Regulatory interest	(12)	(14)	--
Allowance for equity funds used during construction	3	--	3
Taxes on non-operating income	(10)	(3)	(2)
Other - net	7	(6)	(4)
Total	15	(7)	1
Income Before Interest Charges	281	261	239
Interest Charges			
Long-term debt	68	74	75
Other	8	(12)	6
Allowance for borrowed funds used during construction	(2)	(2)	(1)
Total	74	60	80
Net Income	207	201	159
Preferred Dividend Requirements	1	1	1
Earnings Applicable to Common Shares	\$ 206	\$ 200	\$ 158
	=====	=====	=====

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

Balance at December 31	2000 -----	1999 -----
<b>ASSETS</b>		
Utility plant - at original cost	\$6,314	\$6,160
Accumulated depreciation	(3,557)	(3,339)
Utility plant - net	----- 2,757 -----	----- 2,821 -----
<b>Current assets</b>		
Cash and cash equivalents	205	11
Accounts receivable - trade (less allowance for doubtful receivables of \$19 in 2000 and \$16 in 1999)	589	280
Accounts and notes receivable - other	83	14
Due from affiliates	214	73
Deferred income taxes	74	25
Inventories	67	78
Other	80	5
Total current assets	----- 1,312 -----	----- 486 -----
Regulatory assets	12	91
Investments and other assets	35	54
Total	----- \$4,116 =====	----- \$3,452 =====

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
Dollars in millions

Balance at December 31	2000	1999
	-----	-----
<b>CAPITALIZATION AND LIABILITIES</b>		
Capitalization		
Common stock	\$ 835	\$ 835
Retained earnings	453	447
Accumulated other comprehensive income (loss)	(1)	6
	-----	-----
Total common equity	1,287	1,288
Preferred stock	22	22
Long-term debt	821	939
	-----	-----
Total capitalization	2,130	2,249
	-----	-----
Current liabilities		
Accounts payable - trade	368	159
Accounts payable - other	44	50
Regulatory balancing accounts - net	463	154
Income taxes payable	90	4
Interest payable	26	29
Current portion of long-term debt	120	30
Other	300	205
	-----	-----
Total current liabilities	1,411	631
	-----	-----
Deferred credits and other liabilities		
Customer advances for construction	16	27
Deferred income taxes	314	319
Deferred investment tax credits	53	56
Deferred credits and other liabilities	192	170
	-----	-----
Total deferred credits and other liabilities	575	572
	-----	-----
Contingencies and commitments (Note 10)		
	-----	-----
Total	\$4,116	\$3,452
	=====	=====

See notes to Consolidated Financial Statements.



SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
 STATEMENTS OF CONSOLIDATED CASH FLOWS  
 Dollars in millions

For the years ended December 31	2000	1999	1998
	-----	-----	-----
<b>Cash Flows From Operating Activities</b>			
Net Income	\$ 207	\$ 201	\$ 159
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	263	260	254
Deferred income taxes and investment tax credits	(4)	133	(169)
Other - net	23	(62)	(33)
Changes in working capital components			
Accounts receivable	(378)	154	46
Inventories	11	(18)	(24)
Other current assets	(75)	1	(1)
Accounts payable	203	(18)	(13)
Income taxes payable	86	(26)	(9)
Due to/from affiliates	(3)	(83)	81
Regulatory balancing accounts	309	36	484
Other current liabilities	92	6	7
	-----	-----	-----
Net cash provided by operating activities	734	584	782
	-----	-----	-----
<b>Cash Flows from Investing Activities</b>			
Capital expenditures	(198)	(146)	(128)
Loan to affiliate	(132)	(101)	--
Other - net	21	17	22
	-----	-----	-----
Net cash used in investing activities	(309)	(230)	(106)
	-----	-----	-----
<b>Cash Flows from Financing Activities</b>			
Dividends paid	(201)	(279)	(166)
Redemption of preferred stock	--	--	(75)
Issuance of long-term debt	--	--	75
Payment of long-term debt	(30)	(75)	(148)
Increase (decrease) in short-term debt	--	--	(351)
	-----	-----	-----
Net cash used in financing activities	(231)	(354)	(665)
	-----	-----	-----
Increase in cash and cash equivalents	194	--	11
Cash and cash equivalents, January 1	11	11	--
	-----	-----	-----
Cash and cash equivalents, December 31	\$ 205	\$ 11	\$ 11
	=====	=====	=====
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Income tax payments, net of refunds	\$ 101	\$ 100	\$ 302
	=====	=====	=====
Interest payments, net of amount capitalized	\$ 77	\$ 77	\$ 86
	=====	=====	=====

See notes to Consolidated Financial Statements.

SOUTHERN CALIFORNIA GAS COMPANY AND SUBSIDIARIES  
 STATEMENTS OF CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY  
 For the years ended December 31, 2000, 1999, 1998  
 Dollars in millions

	Comprehensive Income	Preferred Stock	Common Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 1997		\$ 97	\$ 835	\$ 535		\$1,467
Net income/comprehensive income	\$ 159			159		159
Preferred stock dividends declared				(1)		(1)
Common stock dividends declared				(168)		(168)
Redemption of preferred stock		(75)				(75)
Balance at December 31, 1998		22	835	525		1,382
Net income	201			201		201
Other comprehensive income (loss):						
Available-for-sale securities	10				\$ 10	10
Pension	(4)				(4)	(4)
Comprehensive income	\$ 207					
Preferred stock dividends declared				(1)		(1)
Common stock dividends declared				(278)		(278)
Balance at December 31, 1999		22	835	447	6	1,310
Net income	207			207		207
Other comprehensive income (loss):						
Available-for-sale securities	(10)				(10)	(10)
Pension	3				3	3
Comprehensive income	\$ 200					
Preferred stock dividends declared				(1)		(1)
Common stock dividends declared				(200)		(200)
Balance at December 31, 2000		\$ 22	\$ 835	\$ 453	\$ (1)	\$1,309

See notes to Consolidated Financial Statements.

**SOUTHERN CALIFORNIA GAS COMPANY**  
**PLANT INVESTMENT AND ACCUMULATED DEPRECIATION**  
**AS OF DECEMBER 31, 2000**

Account	Original Cost	Accumulated Reserve
<b>Intangible Plant</b>		
301 Organization	\$ 76,456.94	\$ -
302 Franchise & Consents	498,639.31	-
	<hr/>	
Total Intangible Plant	575,096.25	-

**Underground Storage Plant**

350 Land	6,916,537.40	-
350 Storage Rights	24,502,543.01	(20,070,269.78)
350 Rights of Way	33,933.32	3,210.76
351 Structures & Improvement	24,771,769.06	(16,248,901.64)
352 Wells	185,252,200.98	(118,358,109.16)
353 Lines	85,165,983.56	(81,892,561.13)
354 Compressor Station Equipment	96,213,462.60	(70,657,911.34)
355 Measuring & Reg. Equipment	1,736,431.04	(1,665,779.25)
356 Purification Equipment	65,619,837.00	(43,906,074.29)
357 Other Equipment	4,474,751.19	(1,640,364.10)
	<hr/>	
Total Underground Storage Plant	494,687,449.16	(354,436,759.93)

**Transmission Plant**

365.1 Land	1,910,359.11	(23.26)
365.2 Land Rights	19,792,072.00	(9,261,093.99)
366 Structures and Improvement	24,057,641.63	(17,253,202.05)
367 Mains	596,311,372.10	(385,536,465.22)
368 Compressor Station Equipment	114,944,577.41	(69,608,295.92)
369 Measuring & Reg. Sta. Equipment	35,978,887.41	(22,394,275.62)
371 Other Equipment	4,766,042.18	(2,561,508.98)
	<hr/>	
Total Transmission Plant	797,760,951.84	(506,614,865.04)

**Distribution Plant**

374 Land & Land Rights	27,438,677.65	(12,264.07)
375 Structures & Improvements	120,618,417.47	(26,656,820.77)
376 Mains	2,063,464,377.86	(1,040,149,902.93)
378 Measuring & Reg. Sta. Equipment	39,365,055.77	(22,273,087.42)

380	Services	1,523,335,319.25	(1,108,976,391.53)
381	Meters & Regulators	303,622,369.30	(121,448,318.46)
382	Meter Installations	202,934,222.93	(147,652,780.46)
383	Gas Regulators	89,792,200.66	(29,746,345.91)
387	Other Equipment	17,286,618.67	(11,411,023.30)
	Total Distribution Plant	4,387,857,259.56	(2,508,326,934.85)

**General Plant**

389	Land	1,507,204.69	(2,350.69)
390	Structure & Land Improvement	84,584,850.02	(47,143,837.01)
391	Office Furniture & Equipment	218,618,545.25	(78,529,009.20)
392	Transportation Equipment	1,536,686.60	(889,539.71)
393	Stores Equipment	1,186,976.97	(920,803.70)
394	Tools, Shop and Garage Equipment	37,255,829.32	(12,781,466.28)
395	Laboratory Equipment	6,281,848.19	(2,572,934.53)
396	Power Operated Equipment	94,373.47	16,036.06
397	Communication Equipment	105,855,522.57	(38,792,223.33)
398	Miscellaneous Equipment	10,635,041.47	(2,419,531.61)
	Total General Plant	467,556,878.55	(184,035,660.00)
	<b>Total Gas Plant in Service</b>	<b>\$ 6,148,437,635.36</b>	<b>\$(3,553,414,219.82)</b>

**As of March 2001, SoCalGas reflects the following mileage quantities on its books:**

**2,846 miles of Transmission Pipeline**  
**45,251 miles of Distribution Mains**  
**44,608 miles of Service Lines**

# SUMMARY OF TRANSPORTATION REVENUE CHANGES

## SOUTHERN CALIFORNIA GAS COMPANY

### 2001 AEAP Incentive Errata Application

	BCAP REVENUES AT RATES IN EFFECT 1/01/2001 (M\$) (A)	REVENUES AT PROPOSED RATES (M\$) (B)	INCREASE (DECREASE) (M\$) (C=B-A)	CHANGE (%) (D=C/A)
<b>CORE PROCUREMENT:</b>				
RESIDENTIAL	1,022,279	1,024,125	1,846	0.181
LARGE MASTER METERED	8,332	8,359	28	0.332
CORE COMMERCIAL & INDUSTRIAL	189,493	190,013	519	0.274
GAS A/C	114	114	1	0.691
GAS ENGINE	3,150	3,150	-	-
<b>TOTAL CORE PROCUREMENT</b>	<b>1,223,368</b>	<b>1,225,761</b>	<b>2,394</b>	<b>0.196</b>
<b>CORE TRANSPORTATION:</b>				
RESIDENTIAL	10,255	10,273	19	0.182
LARGE MASTER METERED	83	83	0	0.337
CORE COMMERCIAL & INDUSTRIAL	34,109	34,209	100	0.292
GAS A/C	15	15	0	0.712
GAS ENGINE	163	163	-	-
<b>TOTAL CORE TRANSPORTATION</b>	<b>44,625</b>	<b>44,744</b>	<b>119</b>	<b>0.266</b>
<b>TOTAL CORE</b>	<b>1,267,993</b>	<b>1,270,505</b>	<b>2,512</b>	<b>0.198</b>
<b>NONCORE:</b>				
COMMERCIAL & INDUSTRIAL	64,002	64,002	-	-
ELECTRIC GENERATION 1/ NONCORE SUBTOTAL	76,550	76,550	-	-
	140,553	140,553	-	-
<b>WHOLESALE</b>				
LONG BEACH	1,602	1,602	-	-
SAN DIEGO GAS & ELECTRIC	19,998	19,998	-	-
SOUTHWEST	1,711	1,711	-	-
VERNON	824	824	-	-
<b>TOTAL WHOLESALE</b>	<b>24,134</b>	<b>24,134</b>	<b>-</b>	<b>-</b>
<b>INTERNATIONAL</b>				
DGN	648	648	-	-
UNBUNDLED STORAGE	21,000	21,000	-	-
UNALLOC. COSTS TO NSBA (per J.R.)	11,878	11,878	-	-
NET CARE REVENUES	2,050	2,050	-	-
<b>SYSTEM TOTAL</b>	<b>1,468,256</b>	<b>1,470,768</b>	<b>2,512</b>	<b>0.171</b>
<b>TOTAL CARE REVENUES</b>	<b>8,567</b>	<b>8,567</b>	<b>-</b>	<b>-</b>
<b>TOTAL PPP REVENUES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EOR REVENUES</b>	<b>22,777</b>	<b>22,777</b>	<b>-</b>	<b>-</b>

1/ Includes Common EG Adjustment Change of \$000M.

Residential Upstream Waterheater Milestone was not achieved. Therefore, \$95,455 was deducted from initial application.

[Revised as of July 27, 2001]

**Southern California Gas Company**  
**Summary of Earnings - 2000 Actual**  
**(Millions of dollars)**

<b>Line No.</b>	<b>Item</b>	
1.	Operating revenue	\$ 2,854
2.	Operating expenses	<u>2,588</u>
3.	Net Operating revenues	<u>266</u>
4.	Weighted average rate base	2,329
5.	Rate of return <sup>1</sup>	9.49%

<sup>1</sup> Authorized cost of capital

# SOUTHERN CALIFORNIA GAS COMPANY

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## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

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The Annual Meeting of Shareholders of Southern California Gas Company will be held on May 10, 2001 at 10:30 a.m. at the offices of Sempra Energy, 101 Ash Street, San Diego, California, for the following purposes:

- (1) To elect directors for the ensuing year.
- (2) To transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 22, 2001 are entitled to notice of and to vote at the Annual Meeting.

The Annual Meeting is a business-only meeting. It will not include any presentations by management.

**Only shareholders of Southern California Gas Company may attend the Annual Meeting. Shareholders who own shares registered in their names will be admitted to the meeting upon verification of record share ownership. Shareholders who own shares through banks, brokerage firms, nominees or other account custodians must present proof of beneficial share ownership (such as a brokerage account statement) to be admitted.**

By Order of the Board of Directors

Los Angeles, California  
March 22, 2001





# **SOUTHERN CALIFORNIA GAS COMPANY**

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## **INFORMATION STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS**

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**WE ARE NOT ASKING YOU FOR A PROXY AND  
YOU ARE REQUESTED NOT TO SEND US A PROXY.**

Southern California Gas Company ("SoCalGas" or the "Gas Company") is providing this Information Statement in connection with its Annual Meeting of Shareholders to be held on May 10, 2001. It is being mailed to shareholders commencing April 5, 2001.

### **SOUTHERN CALIFORNIA GAS COMPANY**

SoCalGas is a direct subsidiary of Pacific Enterprises and an indirect subsidiary of Sempra Energy. It is a public utility supplying natural gas throughout most of Southern and portions of Central California. It is the nation's largest natural gas distribution utility.

SoCalGas became an indirect subsidiary of Sempra Energy upon the June 26, 1998 completion of a business combination of Pacific Enterprises (the direct parent corporation of SoCalGas) and Enova Corporation (the direct parent corporation of San Diego Gas & Electric Company). In the combination, Pacific Enterprises and Enova Corporation became separate subsidiaries of Sempra Energy, a newly formed holding company, and Pacific Enterprises Common Stock and Enova Corporation Common Stock were converted into Sempra Energy Common Stock. Shares of SoCalGas and San Diego Gas & Electric Company ("SDG&E") were unaffected by the business combination and remain outstanding.

SoCalGas' principal executive offices are located at The Gas Company Tower, 555 West Fifth Street, Los Angeles, California. Its telephone number is (213) 244-1200.

### **OUTSTANDING SHARES AND VOTING RIGHTS**

Shareholders who are present at the Annual Meeting will be entitled to one vote for each of the Gas Company's shares which they held of record at the close of business on March 22, 2001. At that date, the outstanding shares consisted of 91,300,000 shares of Common Stock and 862,043 shares of Preferred Stock. All of the shares of Common Stock and 50,877 shares of Preferred Stock (together representing over 99% of the outstanding shares) are owned by Pacific Enterprises.

In electing directors, shareholders will be entitled to cumulate votes if any shareholder gives notice at the meeting, and prior to the voting, of an intention to cumulate votes. If that notice is given, all shareholders will be entitled to twelve votes (the number of directors to be elected) for each of their shares and may cast all of their votes for any one director candidate whose name has been placed in nomination prior to the voting or distribute their votes among two or more such candidates in such proportions as they may determine.

In voting upon other matters properly presented to the Annual Meeting, each shareholder will be entitled to one vote for each share of SoCalGas Common or Preferred Stock.

## GOVERNANCE OF THE COMPANY

### Board of Directors

The business and affairs of the Gas Company are managed under the direction of its Board of Directors in accordance with the California General Corporation Law as implemented by SoCalGas' Articles of Incorporation and By-laws. Members of the board are kept informed through various reports routinely sent to them as well as by operating and financial presentations made at board and committee meetings by officers and others.

Shareholders who wish to suggest qualified candidates for consideration by the Corporate Governance Committee as directors of the Gas Company should write to: Corporate Secretary, Southern California Gas Company, The Gas Company Tower, 555 West Fifth Street, Los Angeles, California, 90013, stating in detail the qualifications of the suggested candidates.

During 2000, the Board of Directors held ten meetings. Each director attended at least 75% of the combined number of meetings of the board and board committees of which he or she was a member, other than Ms. Burr, who attended 74% of such meetings. The standing committees listed below assisted the board in carrying out its duties.

### Committees Of the Board

<u>Audit</u>	<u>Compensation</u>	<u>Corporate Governance</u>	<u>Executive</u>	<u>Finance</u>	<u>Public Policy</u>
Richard A. Collato, <i>Chair</i>	Richard J. Stegemeier, <i>Chair</i>	Hyla H. Berteau, <i>Chair</i>	Edwin A. Guiles, <i>Chair</i>	Daniel W. Derbes, <i>Chair</i>	Herbert L. Carter, <i>Chair</i>
Ann L. Burr	Hyla H. Berteau	Ann L. Burr	Herbert L. Carter	Richard A. Collato	William D. Jones
Daniel W. Derbes	Ralph R. Ocampo	Richard J. Stegemeier	Daniel W. Derbes	Wilford D. Godbold, Jr.	Ralph R. Ocampo
Wilford D. Godbold, Jr.	Thomas C. Stickel	Diana L. Walker	Richard J. Stegemeier	William D. Jones	William G. Ouchi
William G. Ouchi			Thomas C. Stickel	Diana L. Walker	

#### *Audit Committee*

The Audit Committee met six times in 2000. Its duties and responsibilities include:

- Assisting the Board of Directors in fulfilling its oversight responsibilities for management's conduct of the financial reporting processes.
- Recommending to the board the selection of independent auditors.

The charter of the Audit Committee is reprinted as the appendix to this Information Statement.

#### *Compensation Committee*

The Compensation Committee met six times in 2000. Its duties and responsibilities include:

- Establishing overall strategy with respect to compensation for directors and senior officers.
- Evaluating the performance of the Chairman and the President for compensation purposes.
- Reviewing and approving individual salary adjustments and awards under incentive plans for senior officers.
- Overseeing executive succession plans.

*Corporate Governance Committee*

The Corporate Governance Committee met three times in 2000. Its duties and responsibilities include:

- Reviewing and recommending nominees for election as directors.
- Assessing the performance of the Board of Directors.
- Developing guidelines for board composition.
- Reviewing and considering issues relating to corporate governance.

*Executive Committee*

The Executive Committee did not meet in 2000. The committee meets on call during the intervals between board meetings and, subject to the limitations imposed by law, has all the authority of the board.

*Finance Committee*

The Finance Committee met five times in 2000. Its duties and responsibilities include:

- Reviewing long term and short term financial requirements and financing plans.
- Reviewing trading operations, financial guarantees and derivatives positions and exposure.
- Reviewing pension plan investment results and insurance coverages.

*Public Policy Committee*

The Public Policy Committee met twice in 2000. Its duties and responsibilities include:

- Reviewing public policy issues affecting the Gas Company, including ethnic, social and political trends.
- Reviewing employment and contracting policies, consumer issues and community relations.
- Reviewing charitable and political contributions and programs.

**Directors' Compensation**

All of the directors of the Gas Company are also directors or officers of Sempra Energy. They are not separately compensated for services as directors of the Gas Company.

Directors of Sempra Energy who are not also employees receive the following retainer and fees for services as directors of Sempra Energy and its subsidiaries:

Annual retainer . . . . .	\$35,000
Attendance fee for each Board meeting . . . . .	\$ 1,000
Attendance fee for each Committee meeting . . . . .	\$ 1,000
Additional meeting fee for each Committee meeting chaired . . . . .	\$ 1,000

Each director must elect to receive an annual minimum of \$9,000 of his or her director's fees in shares of Sempra Energy Common Stock or to defer that amount into phantom shares of Sempra Energy Common Stock. Directors also may elect to receive the balance of their fees in shares of Sempra Energy Common Stock instead of cash or to defer the balance into an interest-bearing account, a phantom investment fund, or phantom shares of Sempra Energy Common Stock.

Upon becoming a director, each non-employee director of Sempra Energy is granted a ten-year option to purchase 15,000 shares of Sempra Energy Common Stock. At each annual meeting of Sempra Energy (other than the annual meeting that coincides with or first follows the director's election to the board) each

non-employee director who continues to serve as a director is granted an additional ten-year option for 5,000 shares. Each option is granted at an option exercise price equal to the fair market value of the option shares at the date the option is granted and becomes fully exercisable commencing with the first annual meeting of Sempra Energy following the date of the grant or upon the director's earlier death, disability, retirement or involuntary termination of board service other than for cause.

Non-employee directors of Sempra Energy who were directors of Pacific Enterprises or Enova Corporation at the time of the business combination of the two companies (currently all of the non-employee directors) continue to accrue retirement benefits (subject to certain maximum years of service credit) for service as non-employee directors of Sempra Energy. Benefits commence upon the later of retirement as a director or attaining age 65 and continue for a maximum period equal to the director's combined years of service as a director of Sempra Energy and Pacific Enterprises or Enova Corporation. The annual benefit is the sum of Sempra Energy's then current annual retainer and ten times the then current board meeting fee.

### **INDEPENDENT AUDITORS**

Representatives of Deloitte & Touche LLP, independent auditors for SoCalGas, are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and to respond to appropriate questions from shareholders.

#### **Audit Fees**

Fees of Deloitte & Touche LLP for the audit of the Gas Company's 2000 financial statements were \$421,900.

#### **All Other Fees**

Fees of Deloitte & Touche LLP for all other services provided to SoCalGas for 2000 were \$5,400. The Audit Committee of the Board of Directors has considered whether the provision of these services is compatible with maintaining the independence of Deloitte & Touche LLP.

### **AUDIT COMMITTEE REPORT**

In accordance with its written charter adopted by the Board of Directors, the Audit Committee of the Board assists the Board in fulfilling its oversight responsibilities for management's conduct of Sempra Energy's financial reporting processes. The Committee consists of five independent directors.

The Audit Committee reviewed the audited financial statements of the Gas Company for the year ended December 31, 2000, with management and Deloitte & Touche LLP, the Gas Company's independent auditors.

The Audit Committee has discussed and reviewed with Deloitte & Touche LLP all the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). It has also received and reviewed the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Deloitte & Touche LLP their independence.

Based on this review and discussions, the Audit Committee recommended to the Board of Directors that the Gas Company's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2000, for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

Richard A. Collato, *Chair*  
Ann L. Burr  
Daniel W. Derbes  
Wilford D. Godbold, Jr.  
William G. Ouchi

March 6, 2001

## SHARE OWNERSHIP

All of the outstanding SoCalGas Common Stock is owned by Pacific Enterprises and none of the Gas Company's directors or executive officers owns any SoCalGas Preferred Stock.

The following table sets forth the number of shares of Sempra Energy Common Stock beneficially owned at February 15, 2001 by each director, by each of the current executive officers of the Gas Company named in the compensation tables of this Information Statement and by all directors and executive officers of the Gas Company as a group. These shares, in the aggregate, represent less than 1% of Sempra Energy's outstanding shares.

### Sempra Energy Common Stock

<u>Name</u>	<u>Current Beneficial Holdings</u>	<u>Shares Subject To Exercisable Options(A)</u>	<u>Phantom Shares(B)</u>	<u>Total</u>
Hyla H. Berteau . . . . .	9,630	25,000	5,256	39,886
Ann L. Burr . . . . .	2,315	25,000	—	27,315
Herbert L. Carter . . . . .	1,604	25,000	8,373	34,977
Richard A. Collato . . . . .	4,566	25,000	—	29,566
Daniel W. Derbes . . . . .	6,145	25,000	114	31,259
Wilford D. Godbold, Jr. . . . .	3,006	25,000	3,195	31,201
Edwin A. Guiles . . . . .	22,906	61,835	14,071	98,812
William D. Jones . . . . .	2,690	25,000	—	27,690
Richard M. Morrow . . . . .	15,800	58,316	914	75,030
Ralph R. Ocampo . . . . .	14,702	25,000	9,463	49,165
William G. Ouchi . . . . .	10,000	25,000	114	35,114
Roy M. Rawlings . . . . .	9,632	64,886	1,525	76,043
Anne S. Smith . . . . .	6,986	68,813	1,782	77,581
Richard J. Stegemeier (C) . . . . .	1,618	25,000	—	26,618
Lee M. Stewart . . . . .	17,429	123,964	2,534	143,927
Thomas C. Stickel . . . . .	2,059	25,000	114	27,173
Diana L. Walker . . . . .	986	25,000	114	26,100
Directors and Executive Officers as a group (17 persons) . . . . .	132,074	677,814	47,569	857,457

- (A) Shares which may be acquired through the exercise of stock options that are exercisable on or before May 15, 2001.
- (B) Represents deferred compensation deemed invested in shares of Sempra Energy Common Stock. These phantom shares cannot be voted or transferred but track the performance of Sempra Energy Common Stock.
- (C) Mr. Stegemeier will retire as a director before the Annual Meeting and the authorized number of directors will be reduced to twelve to reflect his retirement.

Share ownership guidelines have been established for directors and officers to further strengthen the link between performance and compensation. For non-employee directors the guideline is ownership of a number of shares having a market value equal to four times the annual retainer. For officers, the guidelines are:

<u>SoCalGas Executive Level</u>	<u>Sempra Energy Share Ownership Guidelines</u>
Chairman . . . . .	3 × Base Salary
Presidents of Business Units . . . . .	2 × Base Salary
Vice Presidents . . . . .	1 × Base Salary

In setting the guidelines the board considered then current share ownership levels and the desirability of encouraging further share ownership. The officer guidelines were established in 1998 and the director guidelines in 2000. They are expected to be met or exceeded within five years from adoption. For purposes of the guidelines, shares owned include phantom shares into which compensation is deferred and the vested portion of certain in-the-money stock options as well as shares owned directly or through benefit plans.

Sempra Energy has approximately 185,000 shareholders. The only person known to Sempra Energy to own more than 5% of its shares is Barclays Trust and Banking Company (Japan) Ltd. (Ebisu Prime Square Tower, 1-1-39 Hiroo, Shibuya-Ku, Tokyo, Japan 150-8402), which on February 14, 2001 reported that it and related entities, held 10,326,404 shares of Sempra Energy Common Stock as to which they had sole dispositive power (including 9,456,885 shares as to which they had sole voting power) in trust accounts for the economic benefit of the beneficiaries of those accounts. These shares represent approximately 5% of the outstanding Sempra Energy Common Stock.

Employee savings and stock ownership plans of Sempra Energy and its subsidiaries held 24,325,246 shares of Sempra Energy Common Stock (approximately 12% of the outstanding shares) for the benefit of employees at February 15, 2001.

## ELECTION OF DIRECTORS

The Gas Company's Board of Directors will consist of twelve directors upon giving effect to the retirement of a director who will retire before the Annual Meeting of Shareholders and a corresponding reduction in the authorized number of directors. At the Annual Meeting, twelve directors (comprising the entire authorized number of directors) will be elected to hold office until the next Annual Meeting and until their successors have been elected and qualified. The twelve director candidates receiving the greatest number of votes will be elected as directors.

The names of the Board of Directors' twelve nominees for election as directors and biographical information regarding each nominee are set forth below. Each nominee is currently a director of the Gas Company and also of SDG&E. Each nominee (other than Mr. Guiles) is also a director of Pacific Enterprises and Sempra Energy. Unless otherwise noted, each nominee has held his or her principal occupation or other positions with the same or predecessor organizations for at least the last five years.



**Hyla H. Berteau, 60**, has been a director since 1993. She is a realtor with Prudential California, a real estate sales company. She is a trustee of Lewis & Clark College, a director of Orange County Community Foundation, and a former commissioner of the California Horse Racing Board. For a number of years she has been involved in leadership positions with various other cultural, educational and health organizations in the Orange County and Los Angeles areas. Mrs. Berteau was a co-commissioner of gymnastics and a member of the executive staff for the 1984 Olympics.



**Ann L. Burr, 54**, has been a director since 1998. She is an Executive Vice President of Time Warner Cable. She is the former President of Time Warner Communications in Rochester, New York and Time Warner Cable in San Diego. Ms. Burr is a trustee of the Rochester Institute of Technology. She served as Chair of the Board of Directors of the California Cable Television Association and chaired its Telecommunications Policy Committee. She is a former Chair of the Greater San Diego Chamber of Commerce Board of Directors and the founder and former Chair of the Chamber's Business Roundtable for Education and the San Diego Communications Council.



**Herbert L. Carter, DPA, 67**, has been a director since 1993. He has served as President of California State University, Dominguez Hills, and Executive Vice Chancellor Emeritus and Trustee Professor of Public Administration of the California State University System. He was President and Chief Executive Officer of United Way of Greater Los Angeles from 1992 until 1995, and Executive Vice Chancellor of the California State University System from 1987 until 1992. Dr. Carter is a director of Golden State Mutual Insurance Company, and has served as a member of the Board of Councilors of the School of Public Administration, University of Southern California and the Board of Regents of Loyola Marymount University.



**Richard A. Collato, 57**, has been a director since 1998. He is President and Chief Executive Officer of the YMCA of San Diego County. He is a former director of Y-Mutual Ltd., a reinsurance company, and The Bank of San Diego. Mr. Collato is a former trustee of Springfield College, and currently is a trustee of the YMCA Retirement Fund and Bauce Foundation, and a director of Micro Vision Optical, Inc. and Project Design Consultants.





**Daniel W. Derbes, 70**, has been a director since 1998. He is President of Signal Ventures. From 1985 until 1988, he was President of Allied-Signal International Inc. and Executive Vice President of Allied-Signal Inc., a multi-national advanced technologies company. Mr. Derbes is Chairman of the Board of Directors of WD-40 Company and a trustee of the University of San Diego.



**Wilford D. Godbold, Jr., 62**, has been a director since 1993. He is the retired President and Chief Executive Officer of ZERO Corporation, an international manufacturer primarily of enclosures and thermal management equipment for the electronics market. He is a director of Ceradyne, Inc. and K2, Inc., a trustee of the Wellness Community, a past President of the Board of Trustees of Marlborough School and a past Chairman of the Board of the California Chamber of Commerce and The Employers Group.



**Edwin A. Guiles, 51**, became a director in 2000. He is Chairman, President and President of Energy Distribution Services of Southern California Gas Company, Chairman of SDG&E and Group President—Regulated Business Units of Sempra Energy. Mr. Guiles is a member of the boards of the California Chamber of Commerce and San Diego County YMCA. He formerly served as planning commissioner for the City of Chula Vista, and is a former director of the Arthritis Foundation, Wellness Communities and San Diego Development Council.



**William D. Jones, 45**, has been a director since 1998. He is the President and Chief Executive Officer and a director of CityLink Investment Corporation. From 1989 to 1993, he served as General Manager/Senior Asset Manager and Investment Manager with certain real estate subsidiaries of The Prudential. Prior to joining The Prudential, he served as a San Diego City Council member from 1982 to 1987. Mr. Jones is Chairman of the Board of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, and a trustee of the University of San Diego. He is a former director of The Price Real Estate Investment Trust.



**Ralph R. Ocampo, M.D., F.A.C.S., 69**, has been a director since 1998. He is a practicing surgeon, Governor of the American College of Surgeons, past President of the California Medical Association and a Clinical Professor of Surgery at the University of California, San Diego.



**William G. Ouchi, Ph.D., 57**, has been a director since 1998. He is the Sanford and Betty Sigoloff Professor in Corporate Renewal in the Anderson Graduate School of Management at UCLA. Dr. Ouchi is a director of Allegheny Technologies, EduVoice, FirstFed Financial Corp., and Water-Pik Technologies. He is a trustee of Williams College and a director of KCET Public Service Television.



**Thomas C. Stickel**, 51, has been a director since 1998. He is the Chairman, Chief Executive Officer and founder of University Ventures Network. He is the founder of Americana Partners Capital Group, Inc. He previously was the Chairman, Chief Executive Officer and President of TCS Enterprises, Inc. and the Bank of Southern California, both of which he founded. Mr. Stickel is Chairman of the Board of Onyx Acceptance Corporation, a director of Blue Shield of California and Del Mar Thoroughbred Club and Vice Chairman of the California Chamber of Commerce.



**Diana L. Walker**, 59, has been a director since 1993. Mrs. Walker is a partner and General Counsel of the law firm of O'Melveny & Myers LLP. She is a former director of United Way of Greater Los Angeles, and Emeritus Governor and former Chair of the Board of Governors of the Institute for Corporate Counsel, a former trustee of Marlborough School and a member of various professional organizations. O'Melveny & Myers LLP provides legal services to Sempra Energy and its subsidiaries.

## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Gas Company became an indirect subsidiary of Sempra Energy in connection with a business combination of Pacific Enterprises (the direct parent of the Gas Company) and Enova Corporation (the direct parent of SDG&E) that was completed on June 26, 1998.

The Boards of Directors of the Gas Company, SDG&E and Sempra Energy each maintain a Compensation Committee comprised of independent directors. The directors comprising the three committees are identical and the committees typically meet in joint session.

The Compensation Committees have the responsibility for establishing compensation principles and strategies, as well as designing a compensation program for executive officers. Their responsibilities also include administering a base salary program, executive annual and long term incentive plans, and executive benefit and perquisite programs.

During 2000, the Compensation Committees conducted a review of the executive compensation programs and policies of Sempra Energy and its subsidiaries that were originally developed in 1998 in connection with the business combination of Pacific Enterprises and Enova Corporation and were designed to assist the companies in realizing the key objective of creating superior shareholder value in a rapidly changing and increasingly competitive business environment. The committees engaged nationally recognized compensation and benefit consultants to assist with this review. The committees, also with the assistance of a nationally recognized compensation firm, also reviewed board compensation during 2000.

### Compensation Principles and Strategies

In developing compensation principles and strategies, the Compensation Committees considered the current and prospective business environment for Sempra Energy and its subsidiaries and took into account numerous factors, including:

- The rapidly changing and increasingly competitive environment in which Sempra Energy and its subsidiaries operate.
- The need to retain experienced executives of outstanding ability and to motivate them to achieve superior performance.
- The need to attract executive talent from broader markets as the utility and energy industries continue to rapidly evolve.
- The need to strongly link executive compensation to both annual and long term corporate, business unit and individual performance.
- The need to strongly align the interests of executives with those of shareholders.

As a result of this review, the Compensation Committees approved the continuation of the compensation program developed in 1998 and designed to meet these objectives and encourage executives to achieve superior shareholder returns. The program includes the following elements.

- An emphasis on "pay-for-performance" with a substantial portion of total compensation reflecting corporate, business unit and individual performance.
- An emphasis on stock incentives closely aligning the interests of executives with those of shareholders.
- An emphasis on total compensation with base salaries generally targeted at or near median general industry levels for comparable sized companies and with the annual cash and long term equity incentives providing opportunities to earn total compensation at significantly higher levels for superior corporate, business unit and individual performance.

- An appropriate balance of short term and long term compensation to retain talented executives, reward effective long term strategic results and encourage share ownership.
- An emphasis on placing at risk, through equity and other performance-based incentives, a greater portion of an executive's total compensation as levels of responsibility increase.

The Compensation Committees also considered provisions of the Internal Revenue Code limiting to \$1 million the annual amount of compensation, other than compensation that qualifies as "qualified performance-based compensation," that publicly held corporations may deduct for federal income tax purposes as compensation expense for each of certain executive officers. The committees consider tax deductibility to be an important factor but only one factor to be considered in evaluating any executive officer compensation program. Accordingly, the committees intend to design programs that will maximize federal income tax deductions for compensation expense to the extent that doing so is consistent with the compensation principles and strategies of Sempra Energy and its subsidiaries. The committees believe, however, that there are circumstances in which the interests of shareholders may be best served by providing compensation that is not fully tax deductible, and may exercise discretion to provide compensation (including incentive awards under the Sempra Energy Long Term Incentive Plan) that will not qualify as a tax deductible compensation expense.

### **Compensation Program**

The primary components of the compensation program of Sempra Energy and its subsidiaries are base salaries, annual cash incentive opportunities and long term equity and equity-based incentive opportunities.

#### *Base Salaries*

Base salaries for executives are reviewed annually and, in general, are targeted at the median of salaries for general industry companies of similar size to Sempra Energy. This strategy, along with annual and long term incentive opportunities at general industry levels, is intended to allow Sempra Energy and its subsidiaries to retain and attract top quality executive talent. However, the committees will continue to monitor this strategy as the markets for executive talent change. In determining base salary adjustments, the committees also take into account individual performance, executive responsibilities, market characteristics and other factors.

Survey data for assessing base salaries are based upon companies in the Fortune 1000 and size-adjusted based upon Sempra Energy's revenues using regression analysis. The Compensation Committees believe that the Fortune 1000 appropriately reflects the broad group with which Sempra Energy and its subsidiaries compete to retain and attract highly skilled and talented executives.

Annual base salaries for executive officers of Sempra Energy and its subsidiaries have been set at the approximate mid-point of these salary data. For 2000, an annual base salary of \$520,000 was established for Warren I. Mitchell, Chairman of SoCalGas and SDG&E and Group President—Regulated Business Units of Sempra Energy. Upon Mr. Mitchell's retirement, Edwin A. Guiles became Chairman of SoCalGas and SDG&E and Group President—Regulated Business Units of Sempra Energy at an annual base salary of \$470,000.

#### *Annual Incentives*

Annual cash bonus performance-based incentive opportunities are provided to executive officers through the Sempra Energy Executive Incentive Plan. This plan permits the payment of bonuses based upon the attainment of objective financial performance goals. Bonus opportunities vary with the individual officer's position and prospective contribution to the attainment of these goals and no bonuses are paid unless a threshold performance level is attained for the related performance period. Bonus opportunities increase for performance above the threshold level. Performance at targeted levels is intended to compensate executive officers with bonuses at the mid-point for bonuses for comparable levels of responsibility at Fortune 1000 companies.

For 2000, Executive Incentive Plan award levels were based on attainment of earnings per share goals with target award levels of 70% of base salary for Group Presidents, 50% of base salary for SoCalGas Presidents of Business Units, and 45% of base salary for SoCalGas Vice Presidents, with maximum award levels ranging from 140% to 90% of base salary. Performance for the year resulted in cash bonuses of \$364,000 for Mr. Mitchell (prorated for period of service) and \$468,900 for Mr. Guiles, with corresponding lesser amounts to other executive officers. Mr. Guiles also received a special recognition bonus of \$35,800 relating to his services at SDG&E.

#### *Long Term Incentives*

Long term incentive opportunities are provided by equity and equity-based awards under Sempra Energy's 1998 Long Term Incentive Plan. The plan permits a wide variety of equity and equity-based incentive awards to allow the Compensation Committees to respond to changes in market conditions and compensation practices

During 2000, Sempra Energy granted to executives and other employees of Sempra Energy and its subsidiaries non-qualified stock options to purchase Sempra Energy Common Stock. These option grants to executive officers of the Gas Company are described in this Proxy Statement under the caption "Executive Compensation—Stock Options and Stock Appreciation Rights."

#### **Share Ownership Guidelines**

The Compensation Committees believe that a commitment to increased share ownership by executives of Sempra Energy and its subsidiaries is an important element in aligning the interests of executives with those of shareholders. This belief has influenced the design of compensation plans and, in addition, stock ownership guidelines have been established to further strengthen the link between corporate performance and compensation. These guidelines are summarized under the caption "Share Ownership."

#### COMPENSATION COMMITTEE

Richard J. Stegemeier, *Chair*  
Hyla H. Berteau  
Ralph R. Ocampo  
Thomas C. Stickel

March 6, 2001

## EXECUTIVE COMPENSATION

### Summary of Cash and Other Compensation

The table below summarizes, for the last three years, the compensation paid or accrued by Sempra Energy and its predecessors and subsidiaries to each of the executive officers of the Gas Company named in the table.

**Summary Compensation Table**

Name and Principal Position	Year	Annual Compensation		Long Term Compensation		All Other Compensation (C)
		Salary \$	Bonus \$	Awards	Payouts	
				Securities Underlying Options / SARS (#)	LTIP Payouts (\$ (A) (B))	
Edwin A. Guiles (D) . . . . .	2000	\$373,740	\$504,700	73,500	\$ 35,685	\$ 39,933
Chairman, President and	1999	\$304,731	\$243,750	54,500	\$ 46,273	\$ 46,931
President of Energy	1998	\$284,539	\$278,525	32,520	\$ 74,388	\$ 438,727
Distribution Services						
Lee M. Stewart . . . . .	2000	\$297,029	\$298,000	70,600	\$ -0-	\$ 40,895
President of Energy	1999	\$288,659	\$235,544	50,500	\$ -0-	\$ 40,855
Transportation Services	1998	\$264,813	\$222,951	65,135	\$ -0-	\$ 316,488
Roy M. Rawlings . . . . .	2000	\$224,259	\$178,700	35,600	\$ -0-	\$ 36,529
Vice President	1999	\$216,895	\$177,795	25,500	\$ -0-	\$ 33,417
	1998	\$204,099	\$166,635	28,138	\$ -0-	\$ 177,295
Richard M. Morrow . . . . .	2000	\$205,397	\$163,600	32,600	\$ -0-	\$ 27,884
Vice President	1999	\$195,415	\$160,380	23,000	\$ -0-	\$ 26,920
	1998	\$181,664	\$143,474	26,354	\$ -0-	\$ 89,225
Anne S. Smith . . . . .	2000	\$202,221	\$161,200	32,100	\$ -0-	\$ 28,352
Vice President	1999	\$188,767	\$155,034	22,200	\$ -0-	\$ 23,902
	1998	\$186,682	\$137,600	25,842	\$ -0-	\$ 10,731
Warren I. Mitchell (E) . . . . .	2000	\$269,135	\$364,000	191,600	\$233,504	\$1,964,126
Chairman and President	1999	\$474,769	\$498,750	128,700	\$ -0-	\$ 61,368
	1998	\$437,409	\$506,230	140,296	\$ -0-	\$ 816,659
Debra L. Reed (F) . . . . .	2000	\$160,328	\$182,500	73,500	\$ -0-	\$ 37,315
President of Energy	1999	\$298,732	\$243,750	52,300	\$ -0-	\$ 38,432
Distribution Services	1998	\$282,646	\$237,526	66,355	\$ -0-	\$ 326,134

(A) Long term incentive plan payouts represent the fair market value of shares of restricted stock for which forfeiture and transfer restrictions terminated during the year based upon satisfaction of long term performance goals. No shares of restricted stock were granted in 2000.

(B) The aggregate holdings/value of restricted stock held on December 31, 2000 by the individuals listed in the table are: 6,172 shares/\$143,499 for Mr. Guiles; 4,908 shares/\$114,111 for Mr. Stewart; 2,656 shares/\$61,752 for Mr. Rawlings; 2,304 shares/\$53,568 for Mr. Morrow; 2,260 shares/\$52,545 for Ms. Smith, 0 shares/\$0 for Mr. Mitchell; and 5,212 shares/\$121,179 for Ms. Reed. Regular quarterly dividends are paid on restricted stock held by these individuals.

(C) All other compensation includes amounts paid as (i) interest on deferred compensation above 120% of the applicable federal rate, (ii) life insurance premiums, (iii) financial and estate planning services, (iv) contributions to defined benefit plans and related supplemental plans, and (v) car allowances. The respective amounts paid in 2000 were \$446, \$6,453, \$5,809, \$19,725 and \$7,500 for Mr. Guiles, \$4,918,

\$1,070, \$10,550, \$17,357 and \$7,000 for Mr. Stewart; \$11,147, \$952, \$7,000, \$10,430, and \$7,000 for Mr. Rawlings; \$-0-, \$1,534, \$7,000, \$12,350 and \$7,000 for Mr. Morrow; \$3,791, \$124, \$5,517, \$11,920 and \$7,000 for Ms. Smith; \$7,533, \$21,975, \$10,000, \$24,330 and \$3,635 for Mr. Mitchell, and \$1,263, \$435, \$10,000, \$18,617 and \$7,000 for Ms. Reed.

Amounts for Mr. Mitchell for 2000 also include \$1,896,653 paid upon his retirement and are reflective of amounts he was entitled to receive under his employment agreement with Sempra Energy.

Amounts for 1998 also include incentive/retention bonus accruals under agreements entered into in 1997 in connection with the business combination of Pacific Enterprises and Enova Corporation. These amounts are \$405,000 for Mr. Guiles, \$292,500 for Mr. Stewart, \$156,600 for Mr. Rawlings, \$72,065 for Mr. Morrow, \$136,228 for Ms. Smith, \$782,000 for Mr. Mitchell and \$303,750 for Ms. Reed.

(D) Mr. Guiles became Chairman, President and President of Energy Distribution Services of SoCalGas and Group President—Regulated Business Units of Sempra Energy in June 2000. Amounts for prior periods include amounts paid as an executive officer of SDG&E of which he continues to remain Chairman.

(E) Mr. Mitchell retired in July 2000.

(F) Ms. Reed transferred in June 2000 to become President of SDG&E.

### Stock Options and Stock Appreciation Rights

The following table contains information concerning the grant of stock options during 2000 to the executive officers of the Gas Company named in the Summary Compensation Table. All options are to purchase Sempra Energy Common Stock, were granted at an exercise price of 100% of the fair market value of the option shares on the date of the grant and are for a ten-year term subject to earlier expiration following termination of employment.

#### Option / SAR Grants in 2000

<u>Name</u>	<u>Number of Shares Underlying Options / SARs Granted (#) (A)</u>	<u>% of Total Options / SARs Granted to Employees in 2000</u>	<u>Exercise Price (\$/Sh)</u>	<u>Expiration Date</u>	<u>Grant Date Present Value</u>
Edwin A. Guiles . . . . .	73,500	1.69%	\$19.06	02/08/10	\$279,300
Lee M. Stewart . . . . .	70,600	1.63%	\$19.06	02/08/10	\$268,280
Roy A. Rawlings . . . . .	35,600	0.82%	\$19.06	02/08/10	\$135,280
Richard M. Morrow . . . . .	32,600	0.75%	\$19.06	02/08/10	\$123,880
Anne S. Smith . . . . .	32,100	0.74%	\$19.06	02/08/10	\$121,980
Warren I. Mitchell . . . . .	191,600	4.42%	\$19.06	02/08/10	\$728,080
Debra L. Reed . . . . .	73,500	1.69%	\$19.06	02/08/10	\$279,300

(A) Exercisable in cumulative installments of one-fourth of the shares initially subject to the option on each of the first four anniversaries of the grant date.

Sempra Energy used a modified Black-Scholes option pricing model to develop the theoretical values set forth under the "Grant Date Present Value" column. Grant date present value was \$3.80 based on the following assumptions: share volatility—19.35%; dividend yield—5.26%; risk-free rate of return—6.71%; and outstanding term—10 years.

The following table contains information with respect to the executive officers of the Gas Company named in the Summary Compensation Table concerning the exercise of options and stock appreciation rights during 2000 and unexercised options and stock appreciation rights held on December 31, 2000.

### Option / SAR Exercises and Holdings

Name	Shares Acquired on Exercise (#)	Value Realized	Number of Securities Underlying Unexercised Options / SARs at Year-End (#)		Value of Unexercised In-the-Money Options / SARs at Year-End \$(A)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Edwin A. Guiles	-0-	\$ -0-	29,860	130,560	\$ 30,600	\$399,581
Lee M. Stewart	22,557	\$ 60,747	82,411	135,403	\$119,670	\$380,856
Roy A. Rawlings	-0-	\$ -0-	53,452	66,914	\$176,042	\$192,106
Richard M. Morrow	-0-	\$ -0-	40,657	61,147	\$ 94,223	\$175,325
Anne S. Smith	-0-	\$ -0-	51,479	59,791	\$174,185	\$171,881
Warren I. Mitchell	360,902	\$563,798	155,334	-0-	\$ -0-	\$ -0-
Debra L. Reed	15,000	\$ 40,395	91,028	140,263	\$160,734	\$396,038

(A) The exercise price of outstanding options ranges from \$16.12 to \$27.92.

### Pension Plans

The following table shows the estimated single life annual pension annuity benefit provided to the executive officers of the Gas Company named in the Summary Compensation Table under the Sempra Energy Supplemental Executive Retirement Plan (combined with benefits payable under the other pension plans of the Gas Company and its affiliates in which the officers also participate) based on the specified compensation levels and years of credited service and retirement at age 65.

**Pension Plan Table**  
(\$000's)

Pension Plan Compensation	Years of Service				
	5	10	20	30	40
\$ 400	\$ 80	\$160	\$240	\$250	\$260
\$ 600	\$120	\$240	\$360	\$375	\$390
\$ 800	\$160	\$320	\$480	\$500	\$520
\$1,000	\$200	\$400	\$600	\$625	\$650
\$1,200	\$240	\$480	\$720	\$750	\$780

Pension benefits are based on average salary for the highest two years of service and the average of the three highest annual bonuses during the last ten years of service. Years of service includes service with subsidiaries and number 28 years for Mr. Guiles, 33 years for Mr. Stewart, 27 years for Mr. Rawlings, 26 years for Mr. Morrow, 23 years for Ms. Smith, 42 years for Mr. Mitchell, and 22 years for Ms. Reed.

Mr. Guiles is entitled to pension benefits at the greater of that provided by Sempra Energy's pension plans or that to which he would have been entitled under the Enova Corporation pension plans (including a supplemental pension plan) had those plans remained in effect. Under the Enova Corporation plans and retirement after attaining age 62, Mr. Guiles would be entitled to a monthly pension benefit of 60% of his final pay. Final pay is defined as the monthly base pay rate in effect during the month immediately preceding retirement, plus one-twelfth of the average of the highest three years' gross bonus awards. The plans provide for reduced pension benefits for retirement between the ages of 55 and 61, and surviving spouse and disability benefits equal to 50% and 100%, respectively, of pension benefits.



## Employment-Related Agreements

Sempra Energy has entered into a severance agreement with each of the Gas Company's executive officers providing for the payment of benefits in the event Sempra Energy and its subsidiaries terminate the executive's employment (other than for cause, death or disability) or the executive terminates his or her employment for good reason.

The benefits payable under the severance agreements include (i) a lump sum cash payment equal to the executive's annual base salary and average annual bonus for the two years prior to termination multiplied, in certain cases depending upon the officer's position, by as much as 200%; (ii) continuation of health benefits for a period of two years; and (iii) financial planning and outplacement services. In addition, if the termination occurs within two years after a change in control of Sempra Energy, (i) the lump sum cash payment multiple is increased to as much as 300%; (ii) all equity-based incentive awards immediately vest and become exercisable or payable and all restrictions on the awards immediately lapse; (iii) all deferred compensation is paid out in a lump sum; (iv) a lump sum cash payment is made equal to the present value of the executive's benefits under the Supplemental Executive Retirement Plan calculated as if the executive had attained age 62 (or, if the executive is older than 62, based on the executive's actual age) and applying certain early retirement factors; and (v) continued life, disability, accident and health insurance for two years. The agreements also provide for a gross up payment to offset the effects of any excise tax imposed on the executive under Section 4999 of the Internal Revenue Code.

Good reason is defined in the severance agreements to include the assignment to the executive of duties materially inconsistent with those appropriate for an executive of Sempra Energy and its subsidiaries, a material reduction in the executive's overall standing and responsibilities within Sempra Energy and its subsidiaries and a material reduction in the executive's annualized compensation and benefit opportunities other than across-the-board reductions affecting all similarly situated executives of comparable rank. In addition, following a change in control of Sempra Energy, good reason also includes an adverse change in the executive's title, authority, duties, responsibilities or reporting lines, a 10% or greater reduction in the executive's annualized compensation and benefit opportunities, relocation of the executive's principal place of employment by more than 30 miles, and a substantial increase in business travel obligations. A change in control is defined to include the acquisition by one person or group of 20% or more of the voting power of Sempra Energy's shares; the election of a new majority of the board comprised of individuals who are not recommended for election by two-thirds of the current directors or successors to the current directors who were so recommended for election; certain mergers, consolidations or sales of assets that result in the shareholders of Sempra Energy owning less than 60% of the voting power of Sempra Energy or of the surviving entity or its parent; and shareholder approval of the liquidation or dissolution of Sempra Energy.

## **SHAREHOLDER PROPOSALS**

Shareholders intending to bring any business before an Annual Meeting of Shareholders of the Gas Company, including nominations of persons for election as directors, must give written notice to the Secretary of SoCalGas of the business to be presented. The notice must be received at the Gas Company's offices within the specified periods and must be accompanied by the information required by the By-laws. A copy of these By-law requirements will be provided upon request in writing to the Secretary of the Gas Company.

The period for notice of business to be brought by shareholders before the 2001 Annual Meeting of Shareholders has expired. The period for the receipt by SoCalGas of notice of business to be brought by shareholders before the 2002 Annual Meeting of Shareholders will commence on January 10, 2002 and end on March 11, 2002.

## **ANNUAL REPORTS**

The Gas Company's Annual Report to the Securities and Exchange Commission on Form 10-K is being mailed to shareholders together with this Information Statement.

**SOUTHERN CALIFORNIA GAS COMPANY  
AUDIT COMMITTEE CHARTER**

**Role**

The primary purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for management's conduct of the Company's financial reporting processes.

**Membership and Meetings**

The Audit Committee shall be comprised of not less than three members of the Board of Directors. The Committee's composition will meet the requirements of the New York Stock Exchange. Accordingly, the members of the Audit Committee will be directors:

- None of whom have any relationship to the Company that may interfere with the exercise of independence from management and the Company; and
- All of whom, as determined by the Board of Directors in its business judgment, are financially literate or will become financially literate within a reasonable period of time after appointment to the Committee and at least one of whom, as so determined by the Board of Directors, has accounting or related financial management expertise.

The Audit Committee will establish its meeting schedule, including executive sessions with management, internal audit staff and the outside auditors.

**Responsibilities**

The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing the financial statements. Additionally, the Company's financial management including the internal audit staff, as well as the outside auditors, have more time, knowledge and more detailed information of the Company than does the Audit Committee. Consequently, the Audit Committee's role is one of oversight and it does not provide any expert assurance or certification as to the Company's financial statements or the work of the outside auditors or that of the internal audit staff. However, the outside auditor and the director of internal audit are ultimately accountable to the Board of Directors and the Audit Committee.

The following functions are the common recurring activities of the Audit Committee in carrying out its oversight function:

- The Audit Committee will review and discuss with management the audited financial statements.
- The Audit Committee will discuss with the outside auditors the matters required to be discussed by Statement of Auditing Standards No. 61.
- The Audit Committee will:
  - Annually request from the outside auditors, a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board No. 1;
  - Discuss with the outside auditors any such disclosed relationships and their impact on the outside auditors' independence; and
  - Recommend that the Board of Directors take appropriate action in response to the outside auditors' report to satisfy itself of the auditors' independence.
- The Audit Committee will discuss with management, the director of internal audit and the outside auditors the adequacy of the Company's internal controls.

In compliance with Rule 24, Applicant will mail a notice to the following, stating in general terms its proposed decision.

State of California

To the Attorney General and the Department of General Services.

Counties

To the County Counsel (or District Attorney if the County has no County Counsel) and the County Clerk in the following counties:

Fresno	Los Angeles	San Luis Obispo
Imperial	Orange	Santa Barbara
Kern	Riverside	Tulare
Kings	San Bernardino	Ventura

Municipal Corporations

To the City Attorney and the City Clerk of the following municipal corporations:

Adelanto	California City	Duarte
Agoura Hills	Calipatria	El Centro
Alhambra	Camarillo	El Monte
Anaheim	Canyon Lake	El Segundo
Arcadia	Carpinteria	Exeter
Arroyo Grande	Carson	Farmersville
Artesia	Cathedral City	Fillmore
Arvin	Cerritos	Fontana
Atascadero	Chino	Fountain Valley
Avenal	Claremont	Fowler
Azusa	Coachella	Fullerton
Bakersfield	Colton	Garden Grove
Baldwin Park	Commerce	Gardena
Banning	Compton	Glendale
Beaumont	Corcoran	Glendora
Bell	Corona	Grand Terrace
Bell Gardens	Costa Mesa	Grover Beach
Bellflower	Covina	Guadalupe
Beverly Hills	Cudahy	Hanford
Big Bear Lake	Culver City	Hawaiian Gardens
Blythe	Cypress	Hawthorne
Bradbury	Dana Point	Hemet
Brawley	Delano	Hermosa Beach
Brea	Desert Hot Springs	Hesperia
Buena Park	Diamond Bar	Hidden Hills
Burbank	Dinuba	Highland
Calexico	Downey	Holtville

Municipal Corporations  
(Continued)

Huntington Beach	Murieta	Sanger
Huntington Park	Needles	Santa Ana
Imperial	Newport Beach	Santa Barbara
Indian Wells	Norco	Santa Clarita
Indio	Norwalk	Santa Fe Springs
Industry	Ojai	Santa Maria
Inglewood	Ontario	Santa Monica
Irvine	Orange	Santa Paula
Irwindale	Orange Cove	Seal Beach
Kingsburg	Oxnard	Selma
La Canada Flintridge	Palm Desert	Shafter
La Habra	Palm Springs	Sierra Madre
La Habra Heights	Palmdale	Signal Hill
La Mirada	Palos Verdes Estates	Simi Valley
La Palma	Paramount	Solvang
La Puente	Parlier	South El Monte
La Quinta	Pasadena	South Gate
La Verne	Paso Robles	South Pasadena
Laguna Beach	Perris	Stanton
Laguna Niguel	Pico Rivera	Taft
Lake Elsinore	Pismo Beach	Tehachapi
Lakewood	Placentia	Temecula
Lancaster	Pomona	Temple City
Lawndale	Port Hueneme	Thousand Oaks
Lemoore	Porterville	Torrance
Lindsey	Rancho Cucamonga	Tulare
Loma Linda	Rancho Mirage	Tustin
Lomita	Rancho Palos Verdes	Upland
Lompoc	Redlands	Ventura
Long Beach	Redondo Beach	Vernon
Los Alamitos	Reedley	Victorville
Los Angeles	Rialto	Villa Park
Lynwood	Riverside	Visalia
Manhattan Beach	Rolling Hills	Walnut
Maricopa	Rolling Hills Estates	Wasco
Maywood	Rosemead	West Covina
McFarland	San Bernardino	West Hollywood
Mission Viejo	San Clemente	Westlake Village
Monrovia	San Dimas	Westminster
Montclair	San Fernando	Westmorland
Montebello	San Gabriel	Whittier
Monterey Park	San Jacinto	Woodlake
Moorpark	San Juan Capistrano	Yorba Linda
Moreno Valley	San Luis Obispo	Yucaipa
Morro Bay	San Marino	

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