

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) Application 02-05-____
Demand-Side Management Program)
Year 1997, Energy Efficiency Program Year 2001,)
and Low-Income Program Years 2000 and 2001 in the)
2002 Annual Earnings Assessment Proceeding)
("AEAP"))
_____)

APPLICATION
OF
SOUTHERN CALIFORNIA GAS COMPANY

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Demand-Side Management Program)
Years 1997, Energy Efficiency Program Year 2001,)
and Low-Income Program Years 2000 and 2001 in)
the 2002 Annual Earnings Assessment Proceeding)
("AEAP"))
_____)

APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY

Southern California Gas Company ("SoCalGas") hereby initiates its 2002 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")¹ and to California Public Utilities Commission ("Commission" "CPUC") Decisions ("D.") 01-01-060 and 01-06-037 addressing Energy Efficiency ("EE") Program Year 2001 ("PY2001"). This proceeding is also 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 and D.01-06-082 which replaced the LIEE incentive mechanism with a flat two percent management fee and maintained the two-year collection schedule.

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, 2003, in order to permit SoCalGas to recover: (1) its total gas incentives

¹ 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.

claim for performance of its 2001 energy efficiency programs, (2) its first incentives claim for performance of its 2001 LIEE program and second incentives claim for performance of its 2000 LIEE program, and (3) its third earnings claim for performance of its 1997 DSM programs.

I.

OVERVIEW OF CLAIMS

SoCalGas' combined earnings claim for PY1997 Demand-Side Management programs, PY2001 Energy Efficiency programs, and PY2000 and PY2001 Low Income programs in this AEAP totals \$2,652,694.

SoCalGas' PY2001 energy efficiency incentive claim is \$1,330,461, plus interest, franchise fees, and uncollectibles in the amount of \$55,747. 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, 2003.

Set forth in Appendix A hereto is SoCalGas' earnings claim summary for PY2001 energy efficiency earnings.

SoCalGas' earnings claim for PY2000 and PY2001 Low Income programs is \$344,176. 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 authorization of the second 50% in the 2000 AEAP upon completion of a statewide first-year load impact evaluation of the PY1998 LIEE Program. SoCalGas, in this Application, applied the same schedule in determining the amount of PY2000 LIEE earnings to be collected. SoCalGas' PY2000 LIEE lifecycle incentive claim is \$211,502. SoCalGas' second earnings claim in this AEAP is \$105,751 (50% of the PY2000 lifecycle incentives) plus interest from July 1, 2001, franchise fees and uncollectibles in the amount of \$9,439. The same schedule was also used in determining the amount of PY2001 LIEE earnings to be collected. SoCalGas' PY2001 LIEE lifecycle incentive claim is \$439,553. SoCalGas' first earnings claim in this AEAP is \$219,777 (50% of the PY2001 lifecycle incentives) plus interest from July 1, 2002, franchise fees and uncollectibles in the amount of \$9,209. SoCalGas will file for the second 50% of its PY2001 LIEE incentive in the 2003 AEAP.

Set forth in Appendix B hereto is SoCalGas' PY2001 LIEE Shareholder Incentive Mechanism Earnings Calculations.

SoCalGas' PY1997 third earnings claim is \$716,000 plus interest, franchise fees, and uncollectibles in the amount of \$206,310. This PY1997 third earnings claim is the difference between 75% of the lifecycle shareholder incentive earnings for 1997 DSM programs and the sum of previous earnings claims for 1997 DSM programs. Set forth in Appendix C hereto is SoCalGas' earnings claim summary (Tables E-1, E-2, and E-3) for PY1997 earnings.

II. BACKGROUND

The purpose of this annual AEAP filing is to provide the Commission with the opportunity to review earnings claims from prior years' DSM energy efficiency programs, 2000 LIEE programs, and 2001 EE and LIEE programs. This AEAP specifically addresses SoCalGas' energy efficiency and low-income claim for PY2001 programs, SoCalGas' second incentives claim associated with the PY2000 LIEE program, and SoCalGas' third earnings claim for PY1997 earnings.

A. PY2001 ENERGY EFFICIENCY PROGRAMS

For SoCalGas' PY2001 energy efficiency programs, SoCalGas filed Application ("A.") 00-11-044 requesting approval of its 2001 energy efficiency program plans, budgets, and performance incentive award mechanism on November 15, 2000, consistent with: (1) CPUC D.99-08-021 and D.00-07-017, (2) Administrative Law Judge's Ruling Establishing Schedule and Process for PY2001 Energy Efficiency Program Planning, (3) the Ruling on Cost Effectiveness Issues for PY2001 Programs, (4) the Administrative Law Judge's Ruling Giving Direction for Program Year 2001 Planning and (5) the Assigned Commissioner's Ruling on Implementation of Public Utilities Code Section 399.15(b).

Opinion D.01-01-060, dated January 31, 2001, authorized utilities to implement their proposed PY2001 energy efficiency programs, as modified, and established the shareholder incentives mechanism for the program year effective January 1, 2001. Opinion D.01-01-060 did not adopt the market assessment evaluation studies and budgets for PY2001.

Opinion D.01-06-037, dated June 14, 2001, adopted the market assessment and evaluation studies and budgets for the program year.

B. PY2000 AND PY2001 LOW-INCOME ENERGY EFFICIENCY PROGRAMS

D.98-06-063 (“Order Modifying Resolution E-3515”), Ordering Paragraph 6, states that the existing incentive mechanism should continue to apply to LIEE programs. As such, SoCalGas applied the calculation methodology adopted for the LIEE 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 LIEE incentive claim for PY1998, as described in the 1999 AEAP Case Management Statement, provides for collection of the first 50% of the lifecycle claim upon approval of the 1999 AEAP and authorization and collection of the second 50% in the 2000 AEAP upon completion of a statewide first-year load impact evaluation of the PY1998 LIEE program.

A "First Year Load Impact Study of the 1998 Low-Income Energy Efficiency Programs," managed by SoCalGas, evaluated the LIEE programs for SoCalGas, San Diego Gas and Electric, Southern California Edison and Pacific Gas and Electric Company. This report summarized the results of a statistical analysis estimating first-year load impacts of elements by utility and fuel type and was filed with the Commission on April 17, 2000 as Publication #2093.

The Joint Recommendation adopted in D.00-09-038 proposed replacing the 1995 incentive mechanism for LIEE programs with a mechanism that provides incentives for all measures (as opposed to non-mandatory measures only), consistent with PUC Code 2790. For PY2000, the mechanism was based on the pre-measure savings as set forth in the Joint Recommendation and was adopted on a one-year trial basis.

D.01-06-082 replaced the LIEE incentive mechanism with a flat two percent management fee and retained the two-year collection period.

In this Application, SoCalGas is filing its claim for the second half of its PY2000 LIEE claim and the first half of its PY2001 LIEE claim, consistent with the PY1998 LIEE earnings collection schedule and D.01-06-082. SoCalGas will file for the second half of its PY2001 LIEE incentives in the 2003 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 PY1994 - PY1997 DSM programs is included with this Application as Exhibit SoCalGas-2C. Since no changes were made to the earnings claim for new activity for Pre-1998 programs, Chapter VIII contains no tables. However, E-tables documenting the third claim for PY1997 were provided to ORA, as a separate document, on April 15, 2002. The final E-tables, which identify and document the shareholder earnings currently claimed from SoCalGas' performance of its 1997 DSM programs, are contained in Appendix C of this Application. There are no other Pre-1998 earnings claims in this AEAP.

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 compensation must be done on a portfolio basis across the four earnings claims. The Commission adopted a performance adder for those DSM programs that provide services where savings are difficult to quantify or which serve equity goals. 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 PY2001 AND PY2000 PROGRAMS

A. PY2001 EARNINGS

SoCalGas' 2001 non-low-income energy efficiency program performance under the adopted incentive mechanism produced an earnings claim of \$1,330,461.

Appendix A contains SoCalGas' PY2001 incentives claim summary. The 2001 incentive performance awards reflect three major milestone categories, namely: energy savings, market effects and performance adder for information programs. The maximum total award resulting from SoCalGas' 2001 non-low-income energy efficiency programs was capped at \$2.084 million. The proposed incentive claim associated with 2001 efforts is \$1,330,461, which is categorized as follows:

Energy Savings Award – D.01-01-060 set target minimum and maximum energy savings goals. These energy savings goals are summarized in the table below. The earnings award would be scaled based on the energy savings obtained, once the minimum was achieved. SoCalGas successfully exceeded the energy savings goals in some of the three program areas as shown in the table below alongside potential and achieved earnings.

Energy Savings Goals	Minimum	Maximum	Achieved	Maximum Potential Earnings	Claimed Earnings
kWh Goals	(million kWh)	(million kWh)	(million kWh)	(\$)	(\$)
Residential	4.6	5.7	1.2	100,000	-
Nonresidential	2.3	2.9	3.7	160,000	160,000
New Construction	10.4	13.0	8.2	70,000	-
<i>Total</i>				<i>330,000</i>	<i>160,000</i>
kW Goals	(megawatts)	(megawatts)	(megawatts)		
Residential	2.4	3.1	1.4	100,000	-
Nonresidential	0.5	0.7	1.0	160,000	160,000
New Construction	3.7	4.6	6.0	70,000	70,000
<i>Total</i>				<i>330,000</i>	<i>230,000</i>
Therm Goals	(million therms)	(million therms)	(million therms)		
Residential	1.8	2.2	1.7	300,000	-
Nonresidential	4.3	5.3	6.5	490,000	490,000
New Construction	0.3	0.4	0.4	210,000	210,000
<i>Total</i>				<i>1,000,000</i>	<i>700,000</i>
<i>Total Savings</i>				<i>1,660,000</i>	<i>1,090,000</i>
<i>Savings Bonus</i>				<i>104,000</i>	-
<i>Total Energy Savings Earnings</i>				<i>1,764,000</i>	<i>1,090,000</i>

In 2001, SoCalGas achieved energy savings totaling 13.1 million kilowatt hours, 8.4 megawatts, and 8.6 million therms, earning an award of \$1,090,000.

Market Effects Award – D.01-01-060 approved three market effects milestones.

These milestones represent quantifiable changes in the market in three program elements: Residential Contractor Program, Residential Appliance and Local Government Initiatives. Each milestone had two earnings levels, depending on achievement of specific targets. Details of these milestones are discussed in Attachment A of SoCalGas' testimony (Exhibit SoCalGas-1A). SoCalGas achieved the milestone in two of the three programs, as summarized in the table below.

Milestone Code	Program Element	Level 1 Award	Level 2 Award	Award Achieved
SCGR-1	Residential Contractor Program	\$100,000	\$70,000	\$100,000
SCGR-2	Residential Appliance	\$54,087	\$37,862	-
SCGNC-1	Local Government Initiatives	\$54,086	\$37,861	\$37,861
<i>Total Market Effects Award</i>		<i>\$208,173</i>	<i>\$145,723</i>	<i>\$137,861</i>

In 2001, SoCalGas achieved two of the three market effects milestones, earning an award of \$137,861.

Performance Adder Award – The performance adder milestone is a scalable milestone based on budget levels of SoCalGas’ information programs². The performance adder incentive is five percent of all program expenditures not to exceed \$110,000. In A.00-11-044, SoCalGas’ proposed budget for information programs was \$10.761 million. As a result of program modifications required by D.01-01-060, this budget was revised to \$9.604 million in the First Quarter 2001 Report. Actual expenditures on information programs during 2001 totaled \$8.510 million. Details are included in Attachment A of SoCalGas’ testimony (Exhibit SoCalGas-1A).

PY2001 Modified Budget	\$9,604,000
PY2001 Budget Expenditure	\$8,510,000
Scaled Earnings ³	\$102,600

In 2001, SoCalGas earned \$102,600 in performance adder incentive.

² The following program elements contribute to the Performance Adder Milestone Budget: Residential Upstream Gas A/C, Select Technologies Residential Appliances, Statewide Appliance Program, Residential Statewide Energy Guide, Energy Facts, CHEERS, Energy Efficiency Renovation Service, Advanced Water Heating Systems, Energy Resource Center, Energy Edge, Lodging Education Program, Coin Laundry and Dry Clean Education Program, Nonresidential HVAC Equipment Turnover, Nonresidential HVAC Training, Advanced Engine Technology, Statewide Savings by Design, Statewide Codes and Standards, and Local Government Initiatives.

³ Earnings are scaled such that \$110,000 is earned at 95% (\$9,123,800) of the modified budget being expended. Earnings would not be provided for expenditures that were less than 60% (\$5,762,400) of the modified budget.

Therefore, the total PY2001 energy efficiency earnings amount requested by SoCalGas is \$1,386,207, including interest from July 1, 2002, and franchise fees and uncollectibles.

SoCalGas' award for the 2001 LIEE program is a total of \$439,553. Appendix B contains PY2001 LIEE Shareholder Incentive Mechanism Earnings Calculations. SoCalGas proposes to collect the PY2001 LIEE earnings in two earnings claims: 50% of the \$439,553, or \$219,777, to be authorized by the 2002 AEAP for collection in rates in 2003; and the remaining 50% to be authorized in the 2003 AEAP for collection in rates in 2004. 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, 1999⁴ and reaffirmed in D.01-06-082. Therefore, the total PY2001 LIEE earnings amount requested by SoCalGas in the first claim is \$228,986, including interest from July 1, 2002, and franchise fees and uncollectibles.

B. PY2000 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 collection of the second 50% upon authorization of the 2000 AEAP and completion of a statewide first-year load impact evaluation of the PY1998 LIEE Program. On April 17, 2000, SoCalGas jointly filed with Pacific Gas and Electric, Southern California Edison and San Diego Gas & Electric the first-year load impact evaluation of the PY1998 LIEE.

⁴ Exhibit 66 in Phase 2 of the 1999 AEAP.

Therefore, consistent with the 1999 AEAP Case Management Statement, SoCalGas' second earnings claim for the PY2000 LIEE program in this AEAP is \$115,190, including interest from July 1, 2001, and franchise fees and uncollectibles.

IV.

SUMMARY OF PERFORMANCE FOR PRE-1998 PROGRAMS

A. PY1997 EARNINGS (THIRD EARNINGS CLAIM)

SoCalGas' third earnings claim for its 1997 DSM programs is \$716,000. This amount represents the difference between 75% of the revised projected lifecycle shareholder earnings for PY1997 (75% of \$2,865,000) and the sum of the previous two earnings claims for 1997. Appendix C contains SoCalGas' PY1997 incentives claim summary. Therefore, the total PY1997 earnings amount requested by SoCalGas is \$922,310, including interest from July 1, 1998, and franchise fees and uncollectibles.

In this Application, SoCalGas defers its request for the second earnings claim for its Residential Pilot Bidding program. Due to delays in the receipt of information from the program's contractor, SoCalGas has not completed its review of the information and resolved outstanding issues in time for this AEAP filing. Therefore, SoCalGas will submit its respective earnings claim in the 2003 AEAP.

V.

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

Amortization of the total earnings claim for PY1997, PY2000, and PY2001 earnings of \$2,652,694, including interest ⁵, plus franchise fees and uncollectibles will produce an equivalent annual base rate revenue requirement increase, over the current authorized base rate revenue requirements, of \$2,652,694. The foregoing proposed annual revenue requirement changes (*i.e.*, changes to the authorized margin) are requested to take effect on January 1, 2003.

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, SoCalGas-1B, and SoCalGas-1C. The total authorized level of revenue requirements for 2003 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:

⁵ Applicable interest accrues from July 1, 1998 on PY1997 earnings, from July 1, 2001, on PY2000 LIEE earnings, from July 1, 2002 on PY2001 earnings, and from July 1, 2002 on PY2001 LIEE earnings,

**ESTIMATED REVENUE REQUIREMENT INCREASE
EFFECTIVE JANUARY 1, 2003**

Customer Class	Proposed Revenue Requirement Increase (\$000)	(%)
GAS CORE		
Residential	\$1949	0.18%
Commercial	\$578	0.28%
Transportation	\$125	0.27%
GAS NONCORE		
Commercial/Industrial	0	0%
Cogeneration	0	0%
UEG	0	0%
Total Gas	\$2653	0.18%

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, 2003), are included herewith as Appendix E. SoCalGas requests that the gas distribution revenue requirement increases become effective in early 2003.

The proposed base rate revenue requirement change in Appendix H 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 2003, concurrently with other changes then being proposed.

VI.

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 issue to be considered is whether SoCalGas’ claims for earnings requested herein should be approved. If hearings are necessary, this application can proceed according to the schedule proposed in Appendix D.

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). 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 (619) 699-5130. Its attorney in this matter is Vicki L. Thompson.

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D. ARTICLES OF INCORPORATION - RULE 16

A certified copy of SoCalGas' Articles of Incorporation, was filed with the Commission on October 1, 1998, in connection with A.98-10-012, and is incorporated herein by reference.

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

SoCalGas' Financial Statement and Balance Sheet as of December 31, 2001, and Income Statement for the period ended December 31, 2001 are attached to this application as Appendix F.

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 E. 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 A.02-03-047 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 G.

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 H.

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:

Appendix A	PY2001 Earnings Claim Summary Table
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Appendix K	Service List of Potential Interested Parties

Exhibits to Application:

- SoCalGas-1A Testimony of Southern California Gas Company for Program Year 2001 Energy Efficiency Earnings
- SoCalGas-1B Testimony of Southern California Gas Company for Program Years 2000 and 2001 Low-Income Energy Efficiency Earnings
- SoCalGas-1C Testimony of Southern California Gas Company for Program Year 1997 Earnings
- SoCalGas-2A SoCalGas' Demand-Side Management: Energy Efficiency Programs Annual Report 2001 DSM Programs, May 2002 ("Annual Report")
- SoCalGas-2B SoCalGas Low Income Energy Efficiency Program Annual Report Program Year 2001, May 2002 ("LIEE Annual Report")
- SoCalGas-2C SoCalGas' Demand-Side Management: Energy Efficiency Programs Annual Report 1994-1997 DSM Programs, May 2002
- SoCalGas-3A SoCalGas' Energy Efficiency Programs Annual Report Technical Appendix, May 2002
- SoCalGas-3B SoCalGas Low Income Energy Efficiency Program Annual Report Technical Appendix Program Year 2001, May 2002

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 26, 2002, is included herein as Appendix I.

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 J. 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 J. 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 2001 AEAP proceeding (A.01-05-017, et al.). SoCalGas will mail a Notice of Availability of this application and related exhibits to all parties of record in Rulemaking (R.) 01-08-028. The service lists for A.01-05-017, et al., and R.01-08-028, identifying potentially interested parties, is attached as Appendix K 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, 2003, and issue its decision:

- 1) Finding that under the energy efficiency performance incentive mechanism in effect for the 2001 programs, SoCalGas' total earnings claim for PY2001 is \$1,330,461 plus interest, franchise fees, and uncollectibles of \$55,747, and that this amount is to be collected in one year.
- 2) Finding that SoCalGas' PY2001 LIEE first incentive claim is \$219,777, plus interest, franchise fees and uncollectibles of \$9,209; and finding that SoCalGas' PY2000 LIEE second earnings claim is \$105,751, plus interest, franchise fees and uncollectibles of \$9,439.
- 3) Finding that under the DSM shareholder incentive mechanisms in effect for the 1997 programs, SoCalGas' third earnings claim for 1997 DSM programs is \$716,000 plus interest, franchise fees, and uncollectibles of \$206,310.
- 4) Authorizing and granting authority to SoCalGas to increase its authorized gas base rate revenue requirements by \$2,652,694 effective January 1, 2003, to be made effective for service rendered on and after January 1, 2003.

- 5) Granting such other, further, or different relief, which this Commission finds to be just and reasonable.

Dated this 1st day of May 2002.

Respectfully submitted,

SOUTHERN CALIFORNIA GAS COMPANY

Anne S. Smith
Vice President - Customer Service
Mass Markets

Vicki L. Thompson
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, 2002, at Los Angeles, California.

Anne S. Smith
Vice President - Customer Service
Mass Markets

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 Sales

Date: May 1, 2002

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 2001 AEAP (A.01-05-017, 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 01-08-028, properly stamped and addressed.

By: _____
Charles Sales

Date: May 1, 2002

Appendix A

**Southern California Gas Company
PY2001 Energy Efficiency Programs
Earnings Claim Summary Table**

Appendix A

Southern California Gas Company PY 2001 Energy Efficiency Programs Earnings Claim Summary Table

Milestone	Program Area/ Program	Potential Earnings (\$)	Claimed Earnings (\$)
Energy Savings			
Residential kWh	Residential / All Programs	100,000	-
Nonresidential kWh	Nonresidential / All Programs	160,000	160,000
New Construction	New Construction / All Programs	70,000	-
kW Savings			
Residential kW	Residential / All Programs	100,000	-
Nonresidential kW	Nonresidential / All Programs	160,000	160,000
New Construction kW	New Construction / All Programs	70,000	70,000
Therm Savings			
Residential therms	Residential / All Programs	300,000	-
Nonresidential therms	Nonresidential / All Programs	490,000	490,000
New Construction therms	New Construction / All Programs	210,000	210,000
Market Effects			
SCGR-1	Residential / Residential Contractor Program	100,000	100,000
SCGR-2	Residential / Appliance Program	54,087	-
SCGNC-1	New Construction / Local Government Initiatives ¹	54,087	37,861-
Performance Adder			
Performance Adder	All Program Area / various programs	110,000	102,600 ²
Savings Bonus			
Bonus for meeting all Savings goals		104,000	-
Total Earnings		2,082,174	1,330,461

¹ This market effect milestone involved a third party initiative aimed at school education regarding energy efficiency. It was reported upon in the residential program area although it was class as a New Construction program.

² Earnings are scaled such that \$110,000 is earned at 95% (\$9,123,800) of the modified budget being expended. Earnings would not be provided for expenditures that were less than 60% (\$5,762,400) of the modified budget.

Appendix B

**Southern California Gas Company
PY2001 LIEE Shareholder Incentive Mechanism
Earnings Calculations**

Appendix B

Southern California Gas Company PY2001 LIEE Shareholder Incentive Mechanism Earnings Calculations

Projected

Gas Measures	1st Year Therms	Measure Life	Lifecycle Therm Savings	Installation Frequency	1st Year Therm Savings	Total Lifecycle Therm Savings
Big Six Measures						
- Attic Insulation - SF	24.6	25	615	1,800	44,280	1,107,000
- Attic Insulation - MF	20.0	25	500	900	18,000	450,000
- Water Heater Blanket - SF	7.6	5	38	2,241	17,034	85,168
- Water Heater Blanket - MH	7.6	5	38	105	798	3,990
- Water Heater Blanket - MF	7.4	5	37	1,104	8,169	40,843
- Low Flow Showerhead	9.4	10	94	17,965	168,871	1,688,710
- Door Weatherstripping - SF	2.7	5	14	13,419	36,231	181,157
- Door Weatherstripping - MH	2.7	5	14	1,250	3,375	16,875
- Door Weatherstripping - MF	2.3	5	11	7,779	17,503	87,514
- Caulking - SF	0.9	5	5	9,635	8,672	43,358
- Caulking - MH	0.9	5	5	1,133	1,020	5,099
- Caulking - MF	0.8	5	4	6,510	4,883	24,413
- Building Envelope Repair -SF	6.1	10	61	14,572	88,888	888,878
- Building Envelope Repair -MH	6.1	10	61	1,107	6,751	67,513
- Building Envelope Repair - MF	5.0	10	50	6,821	34,107	341,073
Subtotal Big Six Measures					458,580	5,031,588
Other Measures						
- Evaporative Cooler/ Air Conditioner Covers	2.6	3	8	7225	18,786	56,358
- Water Heater Pipe Wrap	2.6	15	39	2727	7,090	106,346
- Faucet Aerators	3.5	5	18	20781	72,733	363,664
- Cover Plates/Gaskets	0.8	15	12	18,125	14,500	217,505
Subtotal Other Measures					113,109	743,873
Total Therm Savings Estimate					571,689	5,775,461

Appendix B

Southern California Gas Company PY2001 LIEE Shareholder Incentive Mechanism Earnings Calculations

Actual

Gas Measures	1st Year Therms	Measure Life	Lifecycle Therm Savings	Installation Frequency	1st Year Therm Savings	Total Lifecycle Therm Savings
Big Six Measures						
- Attic Insulation - SF	24.6	25	615	1,358	33,407	835,170
- Attic Insulation - MF	20.0	25	500	498	9,960	249,000
- Water Heater Blanket - SF/MH	7.6	5	38	2,609	19,828	99,142
- Water Heater Blanket - MF	7.4	5	37	1,687	12,484	62,419
- Low Flow Showerhead	9.4	10	94	29,934	281,380	2,813,796
- Door Weatherstripping - SF/MH	2.7	5	14	16,395	44,267	221,333
- Door Weatherstripping - MF	2.3	5	12	16,335	37,571	187,853
- Caulking - SF/MH	0.9	5	5	2,415	2,174	10,868
- Caulking - MF	0.7	5	4	998	699	3,493
- Building Envelope Repair -SF/MH	6.1	10	61	14,129	86,187	861,869
- Building Envelope Repair - MF	5.0	10	50	15,162	75,810	758,100
Subtotal Big Six Measures					603,765	6,103,042
Other Measures						
- Evaporative Cooler/ Air Conditioner Covers	2.6	3	8	1,197	3,112	9,337
- Water Heater Pipe Wrap	2.6	15	39	2,371	6,165	92,469
- Faucet Aerators	3.5	5	18	31,544	110,404	552,020
- Cover Plates/Gaskets	0.8	15	12	28,597	22,878	343,164
Subtotal Other Measures					142,558	996,990
Total Therm Savings					746,323	7,100,031

Appendix B

**Southern California Gas Company
 PY2001 LIEE Shareholder Incentive Mechanism
 Earnings Calculations
 Program Expenditures**

LIEE Program	YTD Expenditures
Energy Efficiency	
- Gas Appliances	\$5,560,771
- Electric Appliances	\$0
- Weatherization	\$11,508,939
- Outreach & Assessment	\$1,716,929
Energy Education	
- In-Home & Workshops	\$730,604
Energy Efficiency TOTAL	\$19,517,243
Landlord Rebate Pilots	
- Refrigerator	\$0
- A/C Replacement - Room	\$0
- A/C Replacement - Central	\$0
Pilots	
- Pilot (A)	\$0
- Pilot (B)	\$0
Pilots TOTAL	\$0
Training Center	\$207,217
Inspections	\$434,453
Advertising	\$124,708
M&E Studies	\$0
Regulatory Compliance	\$0
Other Administration	\$1,694,041
Indirect Costs	\$0
Admin TOTAL	\$2,460,419
Oversight Costs	
- LIAB Start-up	\$0
- LIAB PY Past Year	\$0
- LIAB PY Present Year	\$0
- CPUC Energy Division	\$0
Oversight Costs TOTAL	\$0
TOTAL COSTS	\$21,977,662
Flat % Fee	2.00%
Proposed Earnings	\$439,553

Expenditures associated with an Appliance Accrual, M&E, Regulatory Compliance, Indirect Contract Management Costs and Energy Division excluded from Earnings Calculations.

Appendix C

PY1997 Third Earnings Claim Summary Tables

Table E-1
Earnings Claim Summary Table: Shared Savings Program:
Program Year: 1997
Southern California Gas Company
(in thousands of 1997 Dollars)

	SHARED SAVINGS PROGRAMS												
	Retrofit Energy Efficiency Incentive Programs					New Construction Progr			Portfolio			Total w/MC	
	RWRI	RAEI	CEEI	IEEI	AEEI	Total	Res	Nres	Tot	Res	Nonres		Total
FORECAST													
Costs and Benefits For Earnings (000's \$)													
1 Measurement Costs			\$ 333	\$ 100		\$ 433					\$ 433	\$ 433	\$ 433
2 Administration		\$ 1,606	\$ 1,021	\$ 202		\$ 2,830				\$ 1,606	\$ 1,224	\$ 2,830	\$ 2,830
3 Program Incentives		\$ 1,346	\$ 1,510	\$ 131		\$ 2,986				\$ 1,346	\$ 1,641	\$ 2,986	\$ 2,986
4 Program Costs		\$ 2,952	\$ 2,531	\$ 333		\$ 5,816				\$ 2,952	\$ 2,864	\$ 5,816	\$ 5,816
8 Incremental Measure Costs, net (IMCn)		\$ 4,041	\$ 2,769	\$ 329		\$ 7,139				\$ 4,041	\$ 3,098	\$ 7,139	\$ 7,139
9 Resource Benefits, net (RBn)		\$ 7,612	\$ 6,576	\$ 1,054		\$15,242				\$ 7,612	\$ 7,630	\$15,242	\$ 15,242
Target Earnings (000's \$)													
16 Target Earnings Rate (TER) (%)		30%	30%	30%		30%				30%	30%	30%	30%
17 Performance Earnings Basis, at target (PEB)		\$ 2,863	\$ 3,206	\$ 589		\$ 6,658				\$ 2,863	\$ 3,794	\$ 6,658	\$ 6,224
17a Target Earnings Basis		\$ 2,952	\$ 2,531	\$ 333		\$ 5,816				\$ 2,952	\$ 2,864	\$ 5,816	\$ 5,816
18 Target Earnings:		\$ 859	\$ 962	\$ 100		\$ 1,921				\$ 859	\$ 1,138	\$ 1,997	\$ 1,997
TRC BCR, with Earnings:		1.17	1.38	1.67		1.28				1.17	1.40	1.27	1.27
UC BCR, with Earnings:		2.00	1.88	2.43		1.97				2.00	1.91	1.95	1.95
RECORDED - FIRST EARNINGS CLAIM (1998 AEAP)													
Costs and Benefits For Earnings (000's \$)													
Recorded Measurement Costs ¹			\$ 333	\$ 100		\$ 433					\$ 433	\$ 433	\$ 433
Recorded Administration		\$ 780	\$ 925	\$ 134		\$ 1,839				\$ 780	\$ 1,059	\$ 1,839	\$ 1,839
Recorded Program Incentives		\$ 633	\$ 1,383	\$ 837		\$ 2,852				\$ 633	\$ 2,220	\$ 2,852	\$ 2,852
Recorded Incremental Measure Costs, net		\$ 1,660	\$ 2,495	\$ 886		\$ 5,042				\$ 1,660	\$ 3,382	\$ 5,042	\$ 5,042
Recorded Resource Benefits, net		\$ 3,750	\$ 5,690	\$ 5,791		\$15,231				\$ 3,750	\$ 11,481	\$ 15,231	\$ 15,231
Recorded Performance Earnings Basis (PEB)		\$ 1,652	\$ 2,641	\$ 4,787		\$ 9,080				\$ 1,652	\$ 7,428	\$ 9,080	\$ 8,647
Recorded PEB/PEB (%) (Minimum 75%)		58%	82%	813%		136%				58%	196%	136%	139%
Recorded Earnings:		\$ 496	\$ 792	\$ 1,436		\$ 2,724				\$ 496	\$ 2,228	\$ 2,724	\$ 2,594
TRC BCR, with Earnings:		1.28	1.35	2.36		1.59				1.28	1.72	1.59	1.61
UC BCR, with Earnings:		1.96	1.84	2.41		2.05				1.96	2.08	2.05	2.09
Earnings Distribution Share (1st Claim)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Earnings Claim for Recovery (1st Claim)		\$ 124	\$ 198	\$ 359		\$ 681				\$ 124	\$ 557	\$ 681	\$ 649
Second Earnings Claim:													
Revised Resource Benefits, net		\$ 3,750	\$ 5,690	\$ 5,791		\$15,231				\$ 3,750	\$ 11,481	\$ 15,231	\$ 15,231
Recorded PEB		\$ 1,652	\$ 2,641	\$ 4,787		\$ 9,080				\$ 1,652	\$ 7,428	\$ 9,080	\$ 8,647
Revised Earnings:		\$ 496	\$ 792	\$ 1,436		\$ 2,724				\$ 496	\$ 2,228	\$ 2,724	\$ 2,594
Earnings Distribution Share (2nd Claim)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Recorded Earnings (for 2nd Claim)		\$ 248	\$ 396	\$ 718		\$ 1,362				\$ 248	\$ 1,114	\$ 1,362	\$ 1,297
Earnings Recovered from 1st Claim		\$ 124	\$ 198	\$ 359		\$ 681				\$ 124	\$ 557	\$ 681	\$ 649
Recorded Incremental Earnings:		\$ 124	\$ 198	\$ 359		\$ 681				\$ 124	\$ 557	\$ 681	\$ 649
Third Earnings Claim (2002 AEAP):													
Revised Resource Benefits, net		\$ 3,750	\$ 5,690	\$ 5,791		\$15,231				\$ 3,750	\$ 11,481	\$ 15,231	\$ 15,231
Recorded PEB		\$ 1,652	\$ 2,641	\$ 4,787		\$ 9,080				\$ 1,652	\$ 7,428	\$ 9,080	\$ 8,647
Revised Earnings:		\$ 496	\$ 792	\$ 1,436		\$ 2,724				\$ 496	\$ 2,228	\$ 2,724	\$ 2,594
Earnings Distribution Share (3rd Claim)	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Recorded Earnings (for 3rd Claim)		\$ 372	\$ 594	\$ 1,077		\$ 2,043				\$ 372	\$ 1,671	\$ 2,043	\$ 1,946
Earnings Recovered from 1st and 2nd Claim		\$ 248	\$ 396	\$ 718		\$ 1,362				\$ 248	\$ 1,114	\$ 1,362	\$ 1,297
Recorded Incremental Earnings:		\$ 124	\$ 198	\$ 359		\$ 681				\$ 124	\$ 557	\$ 681	\$ 649
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:													
Total Earnings:		\$ 372	\$ 594	\$ 1,077		\$ 2,043				\$ 372	\$ 1,671	\$ 2,043	\$ 1,946

¹ 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 Programs

By End Use Element

Program Year: 1997

Program: Com'l Equipment Replacement (CEEI) [Page 1 of 2] -- Please note, Program Totals are on Page 2

(in thousands of 1997 Dollars)

	End Use Totals						Number of Units						Average Per Unit (\$ dollars)					
	SPHT(g)	COOK(g)	Gas	Double for	Double	19 Ceiling	SPHT(g)	COOK(g)	Gas	Double for	Double	19 Ceiling	SPHT(g)	COOK(g)	MISC(g) Gas	Double for	AC(g) A/C -	19 Ceiling
	Boilers	Cooking	Engines	Single Effect	Effect	Insulation	Boilers	Cooking	Engines	Single	Effect	Insulation	Boilers	Cooking	Engines	Single Effect	Double Effect	Insulation
First Earnings Claim																		
1 Measurement Costs	n/a	n/a	n/a	n/a	n/a	n/a	75,775	215,297	13,560			1,797,192	n/a	n/a	n/a	n/a	n/a	n/a
2 Administration	\$ 28	\$ 641	\$ 125			\$ 65							\$ 0.37	\$ 2.98	\$ 9.19			\$ 0.04
3 Program Incentives	\$ 92	\$ 662	\$ 358			\$ 178							\$ 1.21	\$ 3.07	\$ 26.41			\$ 0.10
4 Program Costs	\$ 120	\$ 1,302	\$ 483			\$ 243							\$ 1.58	\$ 6.05	\$ 35.60			\$ 0.14
5 Incremental Measure Costs, gross	\$ 145	\$ 1,362	\$ 458			\$ 1,242							\$ 1.91	\$ 6.32	\$ 33.78			\$ 0.69
6 Resource Benefits, gross	\$ 270	\$ 4,433	\$ 1,755			\$ 880							\$ 3.56	\$ 20.59	\$ 129.42			\$ 0.49
7 Net-to-Gross Ratio	0.75	0.75	0.75	0.75	0.75	0.75												
8 Incremental Measure Costs, net	\$ 108	\$ 1,021	\$ 344			\$ 931							\$ 1.43	\$ 4.74	\$ 25.33			\$ 0.52
9 Resource Benefits, net	\$ 202	\$ 3,325	\$ 1,316			\$ 660							\$ 2.67	\$ 15.44	\$ 97.06			\$ 0.37
Second Earnings Claim																		
Revised Net Resource Benefits	\$ 202	\$ 3,325	\$ 1,316			\$ 660							\$ 2.67	\$ 15.44	\$ 97.06			\$ 0.37
Third Earnings Claim (2002 AEAP)																		
Revised Net Resource Benefits	\$ 202	\$ 3,325	\$ 1,316			\$ 660							\$ 2.67	\$ 15.44	\$ 97.06			\$ 0.37
Fourth Earnings Claim	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
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

Table E-2

Recorded Costs and Benefits for Shareholder Incentives Programs

By End Use Element

Program Year: 1997

Program: Com1 Equipment Replacement (CEEI) [Page 2 of 2]

(in thousands of 1997 Dollars)

		End Use Totals					Number of Units				Average Per Unit (\$ dollars)			
		Water Heating	Engine Driven	Condensing Boilers	Heat Retriever	Total	Water Heating	Engine Driven	Condensing Boilers	Heat Retriever	Water Heating	Engine Driven	Condensing Boilers	Heat Retriever
1	Measurement Costs	n/a	n/a	n/a	n/a		52,041		825	5,400	n/a	n/a	n/a	n/a
2	Administration	\$ 65		\$ 0	\$ 1	\$ 925					\$ 1.26		\$ 0.43	\$ 0.17
3	Program Incentives	\$ 88		\$ 1	\$ 4	\$ 1,383					\$ 1.69		\$ 1.56	\$ 0.68
4	Program Costs	\$ 153		\$ 2	\$ 5	\$ 2,307					\$ 2.95		\$ 2.00	\$ 0.85
5	Incremental Measure Costs, gross	\$ 105		\$ 1	\$ 15	\$ 3,327					\$ 2.01		\$ 1.56	\$ 2.77
6	Resource Benefits, gross	\$ 236		\$ 2	\$ 11	\$ 7,587					\$ 4.53		\$ 2.56	\$ 2.05
7	Net-to-Gross Ratio	0.75	0.75	0.75	0.75	0.75					NA	NA	NA	NA
8	Incremental Measure Costs, net	\$ 79		\$ 1	\$ 11	\$ 2,495					\$ 1.51		\$ 1.17	\$ 2.08
9	Resource Benefits, net	\$ 177		\$ 2	\$ 8	\$ 5,690					\$ 3.40		\$ 1.92	\$ 1.53
Second Earnings Claim														
	Revised Net Resource Benefits	\$ 177		\$ 2	\$ 8	\$ 5,690					\$ 3.40		\$ 1.92	\$ 1.53
Third Earnings Claim (2002 AEAP)														
	Revised Net Resource Benefits	\$ 177		\$ 2	\$ 8	\$ 5,690					\$ 3.40		\$ 1.92	\$ 1.53
Fourth Earnings Claim		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
	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

Table E-3
 Components of Resource Benefit Values
 Program Year: 1997
 Program: Com'l Equipment Replacement (CEEI)
 Earnings Claim: Third Year (2002 AEAP)
 (1997 Dollars)
 Page 1 of 2

Average Load Impacts Per Unit (Gross)

Year	SPHT(g) Boilers			COOK(g) Cooking			MISC(g) Gas Engines			AC(g) A/C - Double for Single Effect			AC(g) A/C - Double Effect			SPHT(g) R-19 Ceiling Insulation		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
1997			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
1998			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
1999			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2000			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2001			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2002			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2003			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2004			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2005			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2006			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2007			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2008			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2009			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2010			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2011			1,532.97			868.57			6,690.32				177.14	413,543.00		2.05	##	1,616.66
2012																2.05	##	1,616.66
2013																2.05	##	1,616.66
2014																2.05	##	1,616.66
2015																2.05	##	1,616.66
2016																2.05	##	1,616.66
2017																		
2018																		
2019																		
2020																		
2021																		
SUM (Lifecycle)			22,994.51			10,422.81			100,354.83				177.14	6,203,145.00		2.05	##	32,333.30
PV			\$ 5,508			\$ 2,720			\$ 24,040									\$ 12,396

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

SPHT(g) Boilers	COOK(g) Cooking			MISC(g) Gas Engines			AC(g) A/C - Double for Single Effect	AC(g) A/C - Double Effect			SPHT(g) R-19 Ceiling Insulation			
kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
		49			1,630			73						71
		\$ 270			\$ 4,433			\$ 1,755						\$ 880
		0.75			0.75			0.75			0.75			0.75
		\$ 202			\$ 3,325			\$ 1,316						\$ 660
Study ID #	Study ID #			Study ID #			Study ID #	Study ID #			Study ID #			

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

Table E-3

Components of Resource Benefit Values

Program Year: 1997

Program: Com'l Equipment Replacement (CEEI)

Earnings Claim: Third Year (2002 AEAP)

(1997 Dollars)

Page 2 of 2

Average Load Impacts Per Unit (Gross)

Year	WATHT(g) Water Heating			AC(g) A/C - Engine Driven			SPHT(g) Condensing Boilers			SPHT(g) Flue Heat Retriever		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
1997			269.08	147.46	325,579.00				588.82			2,645.82
1998			269.08	147.46	325,579.00				588.82			2,645.82
1999			269.08	147.46	325,579.00				588.82			2,645.82
2000			269.08	147.46	325,579.00				588.82			2,645.82
2001			269.08	147.46	325,579.00				588.82			2,645.82
2002			269.08	147.46	325,579.00				588.82			2,645.82
2003			269.08	147.46	325,579.00				588.82			2,645.82
2004			269.08	147.46	325,579.00				588.82			2,645.82
2005			269.08	147.46	325,579.00				588.82			2,645.82
2006			269.08	147.46	325,579.00				588.82			2,645.82
2007			269.08	147.46	325,579.00				588.82			2,645.82
2008			269.08	147.46	325,579.00				588.82			2,645.82
2009			269.08	147.46	325,579.00				588.82			2,645.82
2010			269.08	147.46	325,579.00				588.82			2,645.82
2011			269.08	147.46	325,579.00				588.82			2,645.82
2012												2,645.82
2013												2,645.82
2014												2,645.82
2015												2,645.82
2016												2,645.82
2017												
2018												
2019												
2020												
2021												
SUM (Lifecycle)			4,036.24	147.46	4,883,685.00				8,832.25			52,916.50
PV			\$ 1,043						\$ 2,116			\$ 11,047

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

	WATHT(g) Water Heating			AC(g) A/C - Engine Driven			SPHT(g) Condensing Boilers			SPHT(g) Flue Heat Retriever		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
			226						1			1
			\$ 236						\$ 2			\$ 11
			0.75			0.75			0.75			0.75
			\$ 177						\$ 2			\$ 8
Impact Study References:	Study ID #			Study ID #			Study ID #			Study ID #		
Study used for Forecast												
Required 1st LIY Study, 2nd Claim												
Required Persistence, 3rd Claim												
Required Persistence, 4th Claim												

Table E-3

Components of Resource Benefit Values

Program Year: 1997

Program: Industrial Energy Efficiency Incentives (IEEI)

Earnings Claim: Third Year (2002 AEAP)

(1997 Dollars)

Page 1 of 1

Average Load Impacts Per Unit (Gross)

Year	MISC(g) Heat Recovery			MISC(g) Furnace/Kiln/Oven			MISC(g) Energy Efficiency Custom Option		
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
1997			16,841.97			12,490.15			757.62
1998			16,841.97			12,490.15			757.62
1999			16,841.97			12,490.15			757.62
2000			16,841.97			12,490.15			757.62
2001			16,841.97			12,490.15			757.62
2002			16,841.97			12,490.15			757.62
2003			16,841.97			12,490.15			757.62
2004			16,841.97			12,490.15			757.62
2005			16,841.97			12,490.15			757.62
2006			16,841.97			12,490.15			757.62
2007			16,841.97			12,490.15			757.62
2008			16,841.97			12,490.15			757.62
2009			16,841.97			12,490.15			757.62
2010			16,841.97			12,490.15			757.62
2011			16,841.97			12,490.15			757.62
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
2021									
SUM (Lifecycle)			252,629.51			187,352.30			11,364.34
PV			\$ 80,124			\$ 59,421			\$ 3,604

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

MISC(g) Heat Recovery	MISC(g) Furnace/Kiln/Oven	MISC(g) Energy Efficiency Custom Option						
kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
		12			79			573
		\$ 961			\$ 4,694			\$ 2,065
		0.75			0.75			0.75
		\$ 721			\$ 3,521			\$ 1,549
Study ID #			Study ID #			Study ID #		

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

Table E-2
 Recorded Costs and Benefits for Shareholder Incentives Programs
 By End Use Element
 Program Year: 1997
 Program: Res Energy Efficiency Incentives (REEI - Delta Protech Bidding)
 (in thousands of 1997 Dollars)

	End Use Totals (\$ thousands)				Number of Units			Average Per Unit (\$ dollars)		
	WATHT(g)			Total	WATHT(g)			WATHT(g)		
First Earnings Claim										
1	Measurement Costs				481					
2	Administration	\$ 780		\$ 780				\$ 1,622		
3	Program Incentives	\$ 633		\$ 633				\$ 1,315		
4	Program Costs	\$ 1,413		\$ 1,413				\$ 2,938		
5	Incremental Measure Costs, gross	\$ 1,660		\$ 1,660				\$ 3,452		
6	Resource Benefits, gross	\$ 3,750		\$ 3,750				\$ 7,797		
7	Net-to-Gross Ratio	1.00	1.00	1.00				NA	NA	NA
8	Incremental Measure Costs, net	\$ 1,660		\$ 1,660				\$ 3,452		
9	Resource Benefits, net	\$ 3,750		\$ 3,750				\$ 7,797		
Second Earnings Claim										
	Revised Net Resource Benefits	\$ 3,750		\$ 3,750				\$ 7,797		
Third Earnings Claim										
	Revised Net Resource Benefits	\$ 3,750		\$ 3,750				\$ 7,797		
Fourth Earnings Claim										
	Revised Net Resource Benefits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Table E-3

Components of Resource Benefit Values

Program Year: 1997

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

Earnings Claim: Third Year (2002 AEAP)

(1997 Dollars)

Page 1 of 1

Average Load Impacts Per Unit (Gross)

Year	WATHT(g)								
	kW	kWh	Therms	kW	kWh	Therms	kW	kWh	Therms
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			2,079.00						
2012									
2013									
2014									
2015									
2016									
2017									
2018									
2019									
2020									
2021									
SUM (Lifecycle)			31,185.00						
PV			\$ 7,797						

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
		481						
		\$ 3,750						
		1.00			1.00			1.00
		\$ 3,750						
Study ID #			Study ID #			Study ID #		

Table E-1
Earnings Claim Summary Table: Performance Adder Program:
Program Year: 1997
Southern California Gas Company

	PERFORMANCE ADDER PROGRAMS												SS & PA GRAND TOTAL
	Energy Management Services Programs					Direct Assistance Programs			Portfolio				
	REMS	CEMS	IEMS	AEMS	Total	Man	Non-Man	Total	Res	NRes	DAP	Total	
FORECAST													
Costs and Benefits For Earnings (000's \$)													
1 Measurement Costs	160	429	350		939	306	166	472	160	779	472	1,411	1,844
2 Administration	540	2,467	733		3,740	1,377	693	2,070	540	3,200	2,070	5,810	8,639
3 Program Incentives	0	0	0		0	8,666	4,264	-12,930	0	0	12,930	12,930	15,917
4 Program Costs	540	2,467	733		3,740	10,043	4,957	15,000	540	3,200	15,000	18,740	24,556
8 Incremental Measure Costs, net (IMCn)	209	400	0		609	8,666	4,264	-12,930	209	400	12,930	13,540	20,679
9 Resource Benefits, net (RBn)	1,290	8,927	1,267		11,484	2,834	1,324	4,158	1,290	10,194	4,158	15,642	30,884
Target Earnings (000's \$)													
16 Target Earnings Rate (TER) (%)	5%	5%	5%	5%	5%	0%	5%	5%	5%	5%	5%	5%	7%
17 Performance Earnings Basis, at target (PEBt)	610	6,193	534		7,338	(7,209)	(3,633)	(10,842)	610	6,728	(10,842)	(3,504)	2,720
17a Target Earnings Basis	540	2,467	733		3,740	10,043	4,957	15,000	540	3,200	15,000	18,740	24,556
18 Target Earnings:	27	123	37	0	187	0	248	248	31	336	(542)	(175)	1,822
TRC BCR, with Earnings	1.66	2.99	1.65		2.53	0.28	0.25	0.27	1.65	2.59	0.29	0.82	0.99
UC BCR, with Earnings	2.27	3.45	1.65		2.92	0.28	0.25	0.27	2.26	2.88	0.29	0.84	1.17
RECORDED - FIRST EARNINGS CLAIM (1998 AEAP)													
Costs and Benefits For Earnings (000's \$)													
Recorded Measurement Costs	NA	NA	NA		NA	NA	NA	NA	NA	NA	NA	NA	
Recorded Administration	410	2,175	631		3,216	1,097	658	1,755	410	2,806	1,755	4,971	6,810
Recorded Program Incentives	0	0	0		0	8,228	3,479	-11,707	0	0	11,707	11,707	14,560
Recorded Incremental Measure Costs, net	80	400	0		480	7,683	3,479	-11,161	80	400	11,161	11,641	16,683
Recorded Resource Benefits, net	1,300	9,779	781		11,861	1,836	1,215	3,051	1,300	10,560	3,051	14,912	30,143
Recorded Performance Earnings Basis (PEB)	837	7,337	151		8,325	(7,125)	(2,922)	(10,047)	837	7,488	(10,047)	(1,722)	6,924
Recorded PEB/PEBt (%) (Minimum 75%)	137%	118%	28%		113%				137%	111%			255%
Recorded Earnings:	19	87	0		106	0	165	165	19	87	165	271	2,865
TRC BCR, with Earnings	2.56	3.67	1.24		3.12	0.28	0.23	0.23	2.56	3.21	0.23	0.88	1.14
UC BCR, with Earnings	3.03	4.32	1.24		3.57	0.28	0.22	0.22	3.03	3.65	0.22	0.88	1.24
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	22	0		26	0	41	41	5	22	41	68	716
Second Earnings Claim:													
Revised Resource Benefits, net	1,300	9,779	781		11,861		1,215	1,215	1,300	10,560	1,215	13,076	28,307
Recorded PEB	837	7,337	151		8,325		(2,922)	(2,922)	837	7,488	(2,922)	5,403	14,050
Revised Earnings	19	87	0		106		165	165	19	87	165	271	2,865
Earnings Distribution Share (2nd Claim)	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Recorded Earnings (for 2nd Claim)	9	44	0		53		83	83	9	44	83	136	1,433
Earnings Recovered from 1st Claim	5	22	0		26		41	41	5	22	41	68	716
Recorded Incremental Earnings:	5	22	0		26		41	41	5	22	41	68	716
Third Earnings Claim (2002 AEAP):													
Revised Resource Benefits, net	1,300	9,779	781		11,861		1,215	1,215	1,300	10,560	1,215	13,076	28,307
Recorded PEB	865	6,512	521		7,898		796	796	865	7,033	796	8,695	17,341
Revised Earnings	19	87	0		106		165	165	19	87	165	271	2,865
Earnings Distribution Share (3rd Claim)	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Recorded Earnings (for 3rd Claim)	14	65	0		79		124	124	14	65	124	203	2,149
Earnings Recovered from 1st and 2nd Claim	9	44	0		53		83	83	9	44	83	136	1,433
Recorded Incremental Earnings:	5	22	0		26		41	41	5	22	41	68	716
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%	
Recorded Earnings (for 4th Claim)													
Earnings Recovered from 1st, 2nd, and 3rd Claim													
Recorded Incremental Earnings:													
Total Earnings:	\$ 14	\$ 65	\$ 0	\$ 0	\$ 79	\$ 0	\$ 124	\$ 124	\$ 14	\$ 65	\$ 124	\$ 203	\$ 2,149

Appendix D

2002 Annual Earnings Assessment Proceeding Schedule

**PROPOSED 2002 AEAP
PROCEDURAL SCHEDULE**

EARNINGS CLAIM SCHEDULE	DATE
Submission of Studies for DSM Earnings Claims	March 1
Draft Pre-1998 DSM Earnings Tables	April 15
Demand-Side Management, Energy Efficiency, Low Income and Energy Efficiency Annual Summary and Technical Appendix Reports	May 1
Demand Response Programs Annual Summary Report	
Utilities Earning Claim Application	May 1
Prehearing Conference	May 22
CADMAC Testimony	June 17
ORA Testimony	August 23
Other Intervenor's Testimony	August 23
Utility Reply Testimony	September 9
Energy Division's Independent Reviewers Report	September 23
Utility Reply Testimony to Independent Reviewers Report	October 7
Case Management Statement	October 21
Hearings (If Necessary)	October 28 – November 1
Opening Briefs	November 8
Reply Briefs	November 15
Proposed Decision	December
Final Decision	January 2003

Appendix E

Statement of Present and Proposed Rates (Gas)

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF PRESENT AND PROPOSED RATES
2002 AEAP Incentive Application**

Class of Service		Current Rates Effective 1/25/2002 (a)	Proposed Rates Reflecting 2002 AEAP Incentive (b)	Increase/Decrease		
				Rate (c)=(b)-(a)	% (d)=(c)/(a)	
CORE - TRANSPORTATION COMPONENT						
Residential						
Average Residential						
	Customer Charge	\$/month	\$5.00	\$5.00	-	0.00%
	Baseline	c/th	26.232	26.309	0.077	0.29%
	Non-Baseline	c/th	44.368	44.449	0.081	0.18%
	Average Residential Rate	c/th	42.930	43.009	0.078	0.18%
Non-Residential						
Core Commercial & Industrial						
			<u>Combined C/I</u>	<u>Combined C/I</u>		
	Customer Charge	\$/month	\$10.00/15.00	\$10.00/15.00	-	0.00%
	Tier I (0-100 S, 250 W)	c/th	40.769	40.848	0.079	0.19%
	Tier II (Tier I-4167)	c/th	23.688	23.766	0.078	0.33%
	Tier III (>4167)	c/th	11.289	11.367	0.078	0.69%
Gas Air Conditioning						
	Customer Charge	\$/month	\$150.00	\$150.00	-	0.00%
	Volumetric Rate	c/th	11.483	11.561	0.078	0.68%
Gas Engine						
	Customer Charge	\$/month	\$50.00	\$50.00	-	0.00%
	Volumetric Rate	c/th	17.631	17.631	-	0.00%
NONCORE - Average Transmission Rate						
Retail						
	Industrial	c/th	4.086	4.086	-	0.00%
	Electric Generation 1_	c/th	1.922	1.922	-	0.00%
Wholesale						
	Long Beach	c/th	1.500	1.500	-	0.00%
	SDG&E	c/th	0.873	0.873	-	0.00%
	Southwest Gas	c/th	1.313	1.313	-	0.00%
	Vernon	c/th	1.047	1.047	-	0.00%
UNBUNDLED STORAGE						
Annual Reservation						
	Injection	\$/Dthd	20.169	20.169	-	0.00%
	Withdrawal	\$/Dthd	11.584	11.584	-	0.00%
	Inventory	\$/Dth	0.214	0.214	-	0.00%
Variable Charges						
	Injection	\$/Dth	0.0127	0.0127	-	0.00%
	Withdrawal	\$/Dth	0.0177	0.0177	-	0.00%
BROKERAGE FEES						
	Core	c/th	0.20100	0.20100	-	0.00%
	Noncore	c/th	0.26600	0.26600	-	0.00%

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

Appendix F

Financial Statement, Balance Sheet and Income Sheet
(see printed version)

Appendix G

Statement of Original Cost and Depreciation Reserve
(see printed version)

Appendix H

Summary of Revenue Changes and Summary of Earnings

SUMMARY OF TRANSPORTATION REVENUE CHANGES

SOUTHERN CALIFORNIA GAS COMPANY

2002 AEAP Incentive Application

	BCAP REVENUES AT RATES IN EFFECT 1/25/2002 (M\$) (A)	REVENUES AT PROPOSED RATES (M\$) (B)	INCREASE (DECREASE) (M\$) (C=B-A)	CHANGE (%) (D=C/A)
CORE PROCUREMENT:				
RESIDENTIAL	1,066,393	1,068,342	1,949	0.183
LARGE MASTER METERED	8,963	8,992	29	0.326
CORE COMMERCIAL & INDUSTRIAL ^{1/}	199,613	200,162	548	0.275
GAS A/C	150	151	1	0.551
GAS ENGINE	3,085	3,085	-	-
TOTAL CORE PROCUREMENT	1,278,204	1,280,731	2,527	0.198
CORE TRANSPORTATION:				
RESIDENTIAL	10,700	10,720	20	0.184
LARGE MASTER METERED	89	90	0	0.330
CORE COMMERCIAL & INDUSTRIAL ^{1/}	36,087	36,192	105	0.292
GAS A/C	19	20	0	0.560
GAS ENGINE	160	160	-	-
TOTAL CORE TRANSPORTATION	47,056	47,181	125	0.267
TOTAL CORE	1,325,260	1,327,913	2,653	0.200
NONCORE:				
COMMERCIAL & INDUSTRIAL	59,529	59,529	-	-
ELECTRIC GENERATION 1_ [/]	56,579	56,579	-	-
NONCORE SUBTOTAL	116,108	116,108	-	-
WHOLESALE				
LONG BEACH	1,168	1,168	-	-
SAN DIEGO GAS & ELECTRIC	12,620	12,620	-	-
SOUTHWEST	1,203	1,203	-	-
VERNON	540	540	-	-
TOTAL WHOLESALE	15,531	15,531	-	-
INTERNATIONAL				
DGN	446	446	-	-
UNBUNDLED STORAGE	21,000	21,000	-	-
UNALLOC. COSTS TO NSBA (per J.R.)	12,012	12,012	-	-
NET CARE REVENUES	2,050	2,050	-	-
SYSTEM TOTAL	1,492,408	1,495,060	2,653	0.178
TOTAL CARE REVENUES	-	-	-	-
TOTAL PPP REVENUES	124,192	124,192	-	-
EOR REVENUES	22,777	22,777	-	-

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

Summary of Earnings

(see printed version)

Appendix I

Proxy Statement
(see printed version)

Appendix J

Service List of City, County and State Officials
(see printed version)

Appendix K

Service List of Potential Interested Parties

Service List in A.01-05-017

Georgetta Baker
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San Diego, CA 92101

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Insulation Contractors Association
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Sacramento, CA 95814

Christopher Danforth
CPUC
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San Francisco, CA 94102-3214

Tim Drew
CPUC
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San Francisco, CA 94102-3214

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Portland, OR 97219

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Natural Resources Defense Council
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William Nelson
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James Scarff
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