



CPUC Ruling On Market Activities During California Energy Crisis Vindicates The Gas Company

LOS ANGELES, Dec. 16, 2004 -- The California Public Utilities Commission (CPUC) today rejected an earlier draft decision by an administrative law judge critical of the efforts of Southern California Gas Co. (The Gas Company) during California's energy crisis of 2000-2001.

The CPUC made its ruling after a two-year review of the evidence in the case.

"We are vindicated by today's CPUC ruling," said William L. Reed, senior vice president of regulatory and strategic planning at The Gas Company. "The Gas Company is proud of its success in keeping its customers' costs significantly lower than other utilities' during the energy crisis. During that time, we provided reliable service with no interruptions in supply and saved more than \$200 million in gas costs for our customers.

"We applaud the Commission for its thorough review of the facts in the case," Reed added. "The Gas Company always has acted with honesty and integrity, and our employees worked extremely hard to achieve outstanding results for our customers during the energy crisis of 2000-2001."

The CPUC voted today to reject a draft decision prepared by the administrative law judge that concluded that The Gas Company had acted inappropriately during the crisis. A majority of the commissioners agreed that the draft decision's conclusions were not supported by the evidence, and that The Gas Company's actions provided substantial benefits to its customers.

Now that the CPUC has rejected the draft decision, the assigned administrative law judge will have the task of rewriting the decision to reflect the comments of the majority of the CPUC commissioners. The revised draft decision would then be reissued and eligible for a vote before the full Commission as early as next month. In the meantime, any CPUC commissioner has the option of issuing an alternate decision in the case.

In November 2002, the CPUC launched its investigation looking into the causes of natural gas price increases at the California border from March 2000 through May 2001 and the potential effects of actions of the California electric and natural gas utilities. The CPUC also may review the actions of Southern California Edison and Pacific Gas & Electric in a later proceeding.

More than 700 pages of testimony from outside experts and officials of The Gas Company provided convincing evidence that unanticipated supply and demand "shocks" caused the high natural gas prices, Reed said. These included both uncontrollable acts of nature and reasonable responses by market participants to extreme market conditions. The shocks increased year-over-year demand by 322.7 billion cubic feet (Bcf), and decreased supply by 106.4 Bcf during the subject period.

"The evidence and history demonstrate that we were a leader in achieving the best possible results for our customers during the 2000-2001 natural gas crisis," said Reed.

The Gas Company is the nation's largest natural gas distribution utility, providing safe and reliable energy to 19.2 million consumers through 5.4 million meters. The company's service territory encompasses 23,000 square miles in most of central and Southern California. The Gas Company strives to provide exceptional customer service to enhance the quality of life in the community. The Gas Company is a regulated subsidiary of Sempra Energy (NYSE: SRE). Sempra Energy, based in San Diego, is a Fortune 500 energy services holding company. To learn more, go to www.socalgas.com.

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