

SOUTHERN CALIFORNIA GAS CO

Form 424B3

December 07, 2004

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The information in this preliminary prospectus supplement is not complete and may be changed without notice. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities nor are they soliciting offers to buy these securities in any state where the offer or sale is not permitted. These securities may not be sold nor may offers to buy be accepted before the prospectus supplement is delivered in final form.

Files Pursuant to Rule 424(b)(3)

Registration No. 333-110004

SUBJECT TO COMPLETION, DATED DECEMBER 7, 2004

PROSPECTUS SUPPLEMENT

(To Prospectus dated November 4, 2003)

\$

Southern California Gas Company

Floating Rate First Mortgage Bonds, Series JJ, Due

The Floating Rate First Mortgage Bonds, Series JJ, Due _____ will mature on _____. Interest on the Series JJ bonds will accrue from December _____, 2004 and is payable on March 1, June 1, September 1 and December 1 of each year, beginning on March 1, 2005. Interest on the Series JJ bonds will initially be equal to the 3 Month LIBOR Rate as of December _____, 2004 plus _____ % and will be reset on each interest payment date, beginning on March 1, 2005, based on the 3 Month LIBOR Rate plus _____ % per year. The Series JJ bonds are not redeemable prior to maturity.

	Per Series	
	JJ Bond	Total
Price to investors ⁽¹⁾	%	\$
Underwriting discounts	%	\$
Proceeds to Southern California Gas Company ⁽¹⁾	%	\$

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(1) Plus accrued interest from December , 2004 if settlement occurs after that date.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

It is expected that delivery of the Series JJ bonds will be in book entry form through The Depository Trust Company on December , 2004.

BNP PARIBAS

JPMorgan

The date of this prospectus supplement is December , 2004.

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are offering to sell Series JJ bonds and seeking offers to buy Series JJ bonds only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement and the accompanying prospectus may only be accurate as of their respective dates, regardless of the time of delivery of this prospectus supplement or the accompanying prospectus or any sale of the Series JJ bonds.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Series JJ bonds in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the accompanying prospectus come should inform themselves about and observe any such restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. See Underwriting.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus and the documents they incorporate by reference contain statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. When we use words like estimates, believes, expects, anticipates, plans, intends, may, could, would, should or similar expressions, or words or phrases that indicate a strategy or plans, we are making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. These statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others:

local, regional and national economic, competitive, political, legislative and regulatory conditions and developments;

actions by the California Public Utilities Commission, the California State Legislature, the Federal Energy Regulatory Commission and other regulatory bodies in the United States;

capital market conditions, inflation rates, interest rates and exchange rates;

energy and trading markets, including the timing and extent of changes in commodity prices;

the availability of natural gas;

weather conditions and conservation efforts;

war and terrorist attacks;

business, regulatory, environmental and legal decisions and requirements;

the status of deregulation of retail natural gas and electricity delivery;

the timing and success of business development efforts; and

other uncertainties, all of which are difficult to predict and many of which are beyond our control.

You are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which are discussed in more detail under **Business and Management's Discussion and Analysis of Financial Condition and Results of Operations** in our Annual Report on Form 10-K for the year ended December 31, 2003, our Quarterly Reports on Form 10-Q for the three-month periods ended March 31, 2004, June 30, 2004 and September 30, 2004, our Current Reports on Form 8-K filed September 30, 2004, October 27, 2004, November 5, 2004, November 17, 2004 and December 3, 2004, and the other documents on file with the Securities and Exchange Commission. You may obtain copies of these documents as described under **Where You Can Find More Information** in the accompanying prospectus.

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SOUTHERN CALIFORNIA GAS COMPANY

We are the nation's largest natural gas distribution utility. We own and operate a natural gas distribution, transmission and storage system supplying natural gas throughout a 23,000-square mile service territory comprising most of southern California and part of central California. We provide natural gas service to 20 million residential, commercial, industrial, utility electric generation and wholesale consumers through 5.5 million meters. We are an indirect subsidiary of Sempra Energy, a California-based Fortune 500 energy services holding company.

For additional information concerning us, you should refer to the information described under the caption "Where You Can Find More Information" in the accompanying prospectus.

Our offices are located at 555 West Fifth Street, Los Angeles, California 90013 and our telephone number is (213) 244-1200. The terms "we," "our" and "us" are used in this document for purposes of convenience and are intended to refer to Southern California Gas Company and/or its subsidiaries, either individually or collectively, as the context may require.

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We expect to use the net proceeds from the sale of the Series JJ bonds for general corporate purposes. We estimate that the expenses for this offering, excluding underwriting discounts, will be approximately \$250,000.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2004 on an actual basis and on an as adjusted basis to reflect the sale of the Series JJ bonds.

	September 30, 2004	
	Actual	As Adjusted
	(In millions)	
Debt:		
Short-term debt	\$	\$
Long-term debt (including current portion):		
First mortgage bonds:		
4.80% First Mortgage Bonds, Series GG, Due 2012	250	250
5.45% First Mortgage Bonds, Series HH, Due 2018	250	250
4.375% First Mortgage Bonds, Series II, Due 2011	250	250
Floating Rate First Mortgage Bonds, Series JJ, Due		
	_____	_____
Total first mortgage bonds	750	
Other long-term debt	15	15
	_____	_____
Total long-term debt	765	
	_____	_____
Total debt	765	
	_____	_____
Shareholders' equity:		
Preferred stock (11,000,000 shares authorized; 862,043 shares outstanding)	22	22
Common stock (100,000,000 shares authorized; 91,300,000 shares outstanding)	866	866
Retained earnings	515	515
Accumulated other comprehensive income	(3)	(3)
	_____	_____
Total shareholders' equity	1,400	1,400
	_____	_____
Total capitalization	\$ 2,165	\$
	_____	_____

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RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the years in the five-year period ended December 31, 2003 and for each of the nine-month periods ended September 30, 2003 and 2004:

	Nine Months						
	Years Ended December 31,					Ended	
	September 30,						
	2003	2002	2001	2000	1999	2004	2003
Ratio of Earnings to Fixed Charges	8.20	8.98	6.16	6.13	6.89	10.94	8.16

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The calculation agent will, upon the request of the holder of any Series JJ bond, provide the interest rate then in effect. The trustee will serve as the calculation agent until such time as we appoint a successor calculation

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agent. All calculations made by the calculation agent in the absence of manifest error shall be conclusive for all purposes and binding on us and the holders of the Series JJ bonds. We may appoint a successor calculation agent with the written consent of the trustee.

All percentages resulting from any calculation of the interest rate with respect to the Series JJ bonds will be rounded, if necessary, to the nearest one-hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards (for example, 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655) and 9.876544% (or .09876544) being rounded to 9.87654% (or .0987654)), and all dollar amounts in or resulting from any such calculation will be rounded to the nearest cent (with one-half cent being rounded upwards).

Interest on the Series JJ bonds will be computed on the basis of a 360-day year and the actual number of days in each quarterly interest period.

The Series JJ bonds will not be subject to a sinking fund.

At September 30, 2004, we had outstanding \$750 million of first mortgage bonds and the net book value of the property subject to a first lien of the indenture was \$2.7 billion.

Notice Regarding Remedies with Respect to Mortgaged Property

Any foreclosure on the mortgaged property by the trustee may be limited by applicable California law. Section 726 of the California Code of Civil Procedure provides that any action to recover on a debt or other right secured by a mortgage or a deed of trust on real property or an estate for years therein must comply with the provisions of that section, which provisions relate to and specify the procedures for the sale of encumbered property or an estate for years therein, the application of proceeds, the rendition in certain cases of a deficiency judgment, and other related matters. We advise you that in such an action or proceeding, the debtor may require the creditor to exhaust all of its security before a personal judgment may be obtained against the debtor for a deficiency. We also advise you that failure to comply with the provisions of Section 726 may result in the extinguishment of the liens on the mortgaged property and the loss of your right to a deficiency judgment. Section 580d of the California Code of Civil Procedure provides that no deficiency judgment shall be rendered on a note secured by a deed of trust or mortgage on real property after sale of the real property under the power of sale contained in such deed of trust or mortgage.

Defeasance

The defeasance provisions of the indenture will apply to the Series JJ bonds. However, with respect to the satisfaction of the indenture following the release of the mortgaged property (but not as a condition to the release of the mortgaged property), in addition to the conditions of defeasance specified in the indenture we will be required to deliver an opinion of counsel to the effect that a holder of Series JJ bonds will not recognize income, gain or loss for federal income tax purposes as a result of the defeasance and will be subject to federal income tax on the same amounts, at the same times and in the same manner as if that defeasance had not occurred. The opinion of counsel must be based upon a ruling of the Internal Revenue Service or a change in law after December 31, 2004.

Other

We may, from time to time, without notice to or the consent of the holders of the Series JJ bonds, increase the principal amount of this series of first mortgage bonds under the indenture and issue such increased principal amount (or any portion thereof). Any additional Series JJ bonds so issued shall have the same form and terms (other than the date of issuance, under certain circumstances, the date from which interest thereon shall begin to accrue and the first interest payment date) as the Series JJ bonds previously issued and shall form a single series with the Series JJ bonds.

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The Series JJ bonds initially will be issued in book-entry form and represented by one or more global notes deposited with, or on behalf of, The Depository Trust Company, as Depository, and registered in the name of Cede & Co., its nominee. This means that you will not be entitled to receive a certificate for the Series JJ bonds that you purchase except under the limited circumstances described under the caption "Global Securities" of the accompanying prospectus.

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Under the terms and subject to the conditions contained in an underwriting agreement, dated as of December , 2004, the underwriters named below have severally agreed to purchase, and we have agreed to sell to them, severally, the respective principal amount of the Series JJ bonds set forth opposite their respective names below.

<u>Underwriter</u>	<u>Principal Amount of Series JJ Bonds</u>
BNP Paribas Securities Corp.	\$
J.P. Morgan Securities Inc.	
Total	\$

The underwriting agreement provides that the obligation of the several underwriters to pay for and accept delivery of the Series JJ bonds is subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all the Series JJ bonds if any are taken.

We have been advised by the underwriters that the underwriters propose to offer the Series JJ bonds to the public initially at the price to investors set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of % of the principal amount per Series JJ bond. The underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount of the Series JJ bonds on sales to certain other dealers. After the initial public offering, the price to investors and concessions may be changed.

The Series JJ bonds are a new issue of securities with no established trading market. There can be no assurance of a secondary market for the Series JJ bonds or the continued liquidity of such market if one develops. The underwriters have informed us that they intend to make a market in the Series JJ bonds but are under no obligation to do so and such market making may be terminated at any time without notice.

In order to facilitate the offering of the Series JJ bonds, BNP Paribas Securities Corp. and J.P. Morgan Securities Inc., or any of their affiliates, may engage in transactions that stabilize, maintain or otherwise affect the price of the Series JJ bonds. Specifically, the underwriters may overallocate in connection with the offering, creating a short position in the Series JJ bonds for their own account. In addition, to cover overallocations or to stabilize the price of the Series JJ bonds, the underwriters may bid for, and purchase, the Series JJ bonds in the open market. The underwriters may reclaim selling concessions allowed to an underwriter or dealer for distributing the Series JJ bonds in the offering if the underwriters repurchase previously distributed Series JJ bonds in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series JJ bonds above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that any of the transactions described above may have on the price of the Series JJ bonds. In addition, neither we nor any of the underwriters makes any representation that the transactions will be engaged in or that the transactions, once commenced, will not be discontinued without notice.

J.P. Morgan Securities (JPMorgan) will make the Series JJ bonds available for distribution on the Internet through a proprietary Web site and/or a third-party system operated by MarketAxess Corporation, an Internet-based communications technology provider. MarketAxess Corporation is providing the system as a conduit for communications between JPMorgan and its customers and is not a party to any transactions. MarketAxess Corporation, a registered broker-dealer, will receive compensation from JPMorgan based on transactions JPMorgan conducts through the system. JPMorgan will make the Series JJ bonds available to its customers

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through the Internet distributions, whether made through a proprietary or third-party system, on the same terms as distributions made through other channels.

The underwriters and certain of their affiliates and associates may engage in transactions with us, and/or perform services, including investment banking and general financing and banking services, for us in the ordinary course of business.

We have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act of 1933, as amended, or contribute to payments which the underwriters may be required to make in respect thereof.

Expenses payable by us in connection with the offering of the Series JJ bonds, excluding underwriting discounts, are estimated at \$250,000.

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LEGAL MATTERS

Gary W. Kyle, Chief Corporate Counsel of Sempra Energy, our ultimate parent company, will pass upon the validity of the Series JJ bonds and various other legal matters relating to the issuance and sale of the Series JJ bonds. Latham & Watkins LLP, Los Angeles, California, will pass upon certain legal matters relating to the issuance and sale of the Series JJ bonds on our behalf. Sidley Austin Brown & Wood LLP, San Francisco, California, will act as counsel for the underwriters. Paul C. Pringle, a partner of Sidley Austin Brown & Wood LLP, owns 2,445 shares of common stock and 1,000 Equity Units of Sempra Energy.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of December 31, 2003 and 2002 and for each of the three years in the period ended December 31, 2003 incorporated by reference into Southern California Gas Company's registration statement on Form S-3 filed with the SEC on October 27, 2003 have been audited by Deloitte & Touche LLP, an independent registered accounting firm, as stated in its reports, which are incorporated herein by reference.

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PROSPECTUS

\$700,000,000

SOUTHERN CALIFORNIA GAS COMPANY

First Mortgage Bonds

We may offer and sell first mortgage bonds from time to time in one or more offerings. This prospectus provides you with a general description of the bonds we may offer.

Each time we sell bonds we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the bonds being offered. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and the accompanying prospectus supplement, together with the additional information described under the heading **Where You Can Find More Information**, before you invest in any of our bonds.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 4, 2003

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ABOUT THIS PROSPECTUS

This prospectus is part of a shelf registration statement that we filed with the United States Securities and Exchange Commission. By using a shelf registration statement, we may sell up to \$700,000,000 aggregate principal amount of bonds, determined based upon the issue price at stated principal or at a discount from stated principal, from time to time and in one or more offerings. This prospectus only provides you with a general description of the bonds that we may offer. Each time we sell bonds, we will provide a supplement to this prospectus that contains specific information about the terms of the bonds. The supplement may also add, update or change information contained in this prospectus. Before purchasing bonds, you should carefully read both this prospectus and the accompanying prospectus supplement, together with the additional information described under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus and in any supplement to this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We will not make an offer to sell the bonds in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and the accompanying prospectus supplement is accurate only as of the date on their respective covers. Our business, financial condition, results of operations and prospects may have changed since that date.

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FORWARD-LOOKING STATEMENTS

This prospectus, any accompanying prospectus supplement and the documents they incorporate by reference may contain statements that are not historical fact and constitute forward-looking statements. When we use words like believes, expects, anticipates, intends, plans, estimates, would, should or similar expressions, or when we discuss our strategy or plans, we are making forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Our future results may differ materially from those expressed in these forward-looking statements. These statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others:

local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments;

actions by the California Public Utilities Commission, the California State Legislature, the California Department of Water Resources and the Federal Energy Regulatory Commission;

capital market conditions, inflation rates, interest rates and exchange rates;

energy and trading markets, including the timing and extent of changes in commodity prices;

weather conditions and conservation efforts;

war and terrorist attacks;

business, regulatory and legal decisions;

the pace of deregulation of retail natural gas and electricity delivery;

the timing and success of business development efforts; and

other uncertainties, all of which are difficult to predict and many of which are beyond our control.

You are cautioned not to rely unduly on any forward-looking statements and are urged to review and consider carefully the risks, uncertainties and other factors which are discussed in more detail under Business and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2002, our Quarterly Reports on Form 10-Q for the three-month periods ended March 31, 2003 and June 30, 2003, and other documents on file with the Securities and Exchange Commission. You may obtain copies of these documents as described under Where You Can Find More Information in this prospectus.

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WHERE YOU CAN FIND MORE INFORMATION

Available Information

We file reports, proxy statements and other information with the SEC. You can read and copy information we file with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Further information on the operation of the SEC's Public Reference Room in Washington, D.C. can be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains reports, proxy statements and other information about issuers, such as us, who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

This prospectus is part of a registration statement that we filed with the SEC. The full registration statement may be obtained from the SEC or from us, as indicated below. The indenture and other documents establishing the terms of the offered securities are filed as exhibits to the registration statement. Statements in this prospectus about these documents are summaries. You should refer to the actual documents for a more complete description of the relevant matters.

Incorporation by Reference

The rules of the SEC allow us to incorporate by reference information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, and later information that we file with the SEC will automatically update and supersede that information. This prospectus incorporates by reference the documents set forth below that have been previously filed with the SEC. These documents contain important information about us.

SEC Filings (File No. 001-01402)

Period

Annual Report on Form 10-K	Year Ended December 31, 2002
Quarterly Report on Form 10-Q	Three-month period ended March 31, 2003
Quarterly Report on Form 10-Q	Three-month period ended June 30, 2003
Current Report on Form 8-K	Dated September 2, 2003

We are also incorporating by reference all additional documents that we file with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, between the date of this prospectus and the termination of the offering of securities described in this prospectus.

We will provide without charge to each person to whom a copy of this prospectus has been delivered a copy of any or all of the information that has been incorporated by reference in this prospectus. You may request a copy of these filings by writing or telephoning us at:

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Southern California Gas Company

555 West Fifth Street

Los Angeles, California 90013-1011

Attention: Corporate Secretary

Telephone: (213) 244-1200

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SOUTHERN CALIFORNIA GAS COMPANY

We are the nation's largest natural gas distribution utility. We own and operate a natural gas distribution, transmission and storage system supplying natural gas throughout a 23,000-square mile service territory comprising most of southern California and part of central California. We provide natural gas service to 18.9 million residential, commercial, industrial, utility electric generation and wholesale consumers through 5.3 million meters. We are an indirect subsidiary of Sempra Energy, a California-based Fortune 500 energy services holding company.

For additional information concerning us, you should refer to the information described under the caption "Where You Can Find More Information" in this prospectus.

Our offices are located at 555 West Fifth Street, Los Angeles, California 90013, and our telephone number is (213) 244-1200. The terms "we," "our" and "us" are used in this prospectus for purposes of convenience and are intended to refer to Southern California Gas Company and/or its subsidiaries, either individually or collectively, as the context may require.

USE OF PROCEEDS

The net proceeds from the sale of the bonds will become part of our general treasury funds and will be applied to the expansion and improvement of our utility plant, to refund and retire indebtedness, for working capital and other general corporate purposes and to replenish funds previously expended for these purposes.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for each of the years in the five-year period ended December 31, 2002 and for each of the six-month periods ended June 30, 2002 and 2003:

	Years Ended December 31,					Six Months Ended	
	2002	2001	2000	1999	1998	June 30, 2003	June 30, 2002
Ratio of Earnings to Fixed Charges	8.98	6.16	6.13	6.89	4.38	7.33	8.96

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DESCRIPTION OF FIRST MORTGAGE BONDS

The following is a general description of the terms and provisions of the bonds we may offer and sell with this prospectus. The summary is not meant to be a complete description. This prospectus and any accompanying prospectus supplement will contain the material terms and conditions for each series of bonds. The accompanying prospectus supplement may add, update or change the terms and conditions of a particular series of bonds from the terms and conditions described in this prospectus.

The indenture gives us authority to set the particular terms of each series of bonds as described in the indenture. Under the indenture, we may decide whether the bonds of a particular series will be redeemable, convertible into shares of stock, bonds, notes or other obligations, issuable as coupon bonds, fully registered bonds without coupons or, if provided in a supplemental indenture, as global securities, and whether the bonds are entitled to the benefits of any purchase, sinking, improvement, renewal or trust fund. For more information about the bonds offered by us, please refer to the indenture between us and U.S. Bank National Association, as trustee, together with the applicable supplemental indentures (as so supplemented, the indenture). The indenture is filed as an exhibit to the registration statement.

The indenture is subject to and governed by the Trust Indenture Act of 1939, as amended, and may be supplemented or amended from time to time. The indenture contains the full legal text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the bonds or the indenture. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including definitions of terms used in the indenture. The parenthetical section references in the following description refer to particular sections of the indenture. Capitalized defined terms used in this description have the meanings given to them in the indenture. Whenever we refer to particular sections or defined terms of the indenture in this prospectus or in a prospectus supplement, these sections or defined terms are incorporated by reference into this prospectus or in a prospectus supplement. This summary also is subject to and qualified by reference to the description of the terms of a particular series of bonds described in the applicable prospectus supplement.

General

We may issue bonds under the indenture in one or more series, subject to the limitations described below under the caption Issuance of Additional Bonds. Bonds may be issued in denominations of \$1,000, \$5,000, \$10,000, \$25,000 or multiples of \$25,000. Unless specified otherwise in the applicable prospectus supplement, the bonds will be issued in book-entry form as described under the caption Global Securities in this prospectus. Bonds will be payable, exchangeable for bonds of other authorized denominations and transferable at the principal office of the trustee, in San Francisco, California and each place designated for payment, including the Borough of Manhattan, City of New York, New York. (Section 2.01)

Prior to the issuance of each series of bonds, the terms and conditions of the particular series of bonds will be determined by our Board of Directors or a committee of directors and specified in a supplemental indenture. We refer you to the applicable prospectus supplement for a description of the following terms of each series of bonds:

the title or designation of the bonds;

the aggregate principal amount of the bonds in such series;

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the date or dates on which principal will be payable or how to determine the dates;

the rate or rates or method of determining interest, the date from which interest will accrue, the dates on which interest will be payable, which we refer to as the interest payment dates, and any record dates for the interest payable on the interest payment dates;

whether we will have any obligation or option to redeem, purchase or repay bonds of such series prior to their maturity and the terms and conditions upon which the bonds may be redeemed, purchased or repaid;

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whether the bonds will be entitled to the benefits of any purchase, sinking, improvement, renewal or trust fund;

whether the bonds will be convertible into shares of stock, bonds, notes or other obligations and/or have warrants providing for the purchase of shares of stock, bonds, notes or other obligations;

whether the bonds will be issuable as coupon bonds, fully registered bonds without coupons or, if provided in a supplemental indenture, as global securities; and

any other terms and conditions of the bonds that may supplement those described below. (Section 2.01)