

SOUTHERN CALIFORNIA GAS CO

Form 424B5

November 18, 2008

Table of Contents

Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-134289

**SUBJECT TO COMPLETION. DATED NOVEMBER 18, 2008**

**The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction 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.**

**PRELIMINARY PROSPECTUS SUPPLEMENT**

(To Prospectus dated June 7, 2006)

**\$**

**Southern California Gas Company**

**% First Mortgage Bonds, Series LL, Due**

The % First Mortgage Bonds, Series LL, Due will mature on , . Interest on the Series LL bonds will accrue from , 2008 and is payable on and of each year, beginning on , 2009. The Series LL bonds will be redeemable prior to maturity, at our option, at the redemption prices and under the circumstances described in this prospectus supplement.

	<b>Per Series LL Bond</b>	<b>Total</b>
Price to investors <sup>(1)</sup>	%	\$
Underwriting discounts	%	\$
Proceeds to Southern California Gas Company <sup>(1)</sup>	%	\$

<sup>(1)</sup> Plus accrued interest from November , 2008 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 LL bonds will be in book entry form through The Depository Trust Company on November , 2008.

*Joint Book-Running Managers*

**BNP PARIBAS**

**CALYON**

**J.P. Morgan**

**Blaylock Robert Van, LLC**

**Cabrera Capital Markets, LLC**

The date of this prospectus supplement is November , 2008.

**Table of Contents**

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 LL bonds and seeking offers to buy Series LL 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 LL bonds.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the Series LL 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.

**TABLE OF CONTENTS**  
**PROSPECTUS SUPPLEMENT**

<u>Forward-Looking Statements</u>	ii
<u>Southern California Gas Company</u>	S-1
<u>Use of Proceeds</u>	S-2
<u>Capitalization</u>	S-2
<u>Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</u>	S-3
<u>Supplemental Description of First Mortgage Bonds</u>	S-4
<u>Underwriting</u>	S-7
<u>Legal Matters</u>	S-9
<u>Experts</u>	S-9

**PROSPECTUS**

<u>About this Prospectus</u>	i
<u>Forward-Looking Statements</u>	i
<u>Southern California Gas Company</u>	1
<u>Use of Proceeds</u>	2
<u>Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</u>	2
<u>Description of Offered Securities</u>	3
<u>Description of Senior Debt Securities</u>	3
<u>Description of First Mortgage Bonds</u>	12
<u>Description of Preferred Stock</u>	24
<u>Global Securities</u>	27
<u>Plan of Distribution</u>	30
<u>Experts</u>	32
<u>Where You Can Find More Information</u>	32
<u>Incorporation by Reference</u>	33

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

This prospectus supplement and the accompanying prospectus and the documents they incorporate by reference may contain statements that are not historical fact and constitute forward-looking statements. When we use words such as believe, expect, anticipate, intend, depend, shall, plan, estimate, could, may, would, project, contemplate, potential, target, goals, or similar expressions, or when we discuss our intentions, we are making forward-looking statements. Forward-looking statements are necessarily based upon assumptions with respect to the future, involve risks and uncertainties and are not guarantees of performance. Factors, among others, that could cause our actual results and future actions to differ materially from those described in forward-looking statements include:

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

actions by the California Public Utilities Commission, California State Legislature, California Department of Water Resources, Federal Energy Regulatory Commission, Federal Reserve Board, U.K. Financial Services Authority and other regulatory bodies in the United States and other countries;

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 electric power, natural gas and liquefied 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;

the resolution of litigation; 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. These risks and uncertainties are discussed in more detail under "Risk Factors," "Business and Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in our reports 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 the accompanying prospectus.



**Table of Contents**

**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 approximately 20,000 square miles of service territory comprising most of southern California and part of central California. We provide natural gas service to approximately 20.3 million residential, commercial, industrial, utility electric generation and wholesale consumers through 5.7 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.

S-1

**Table of Contents****USE OF PROCEEDS**

The net proceeds from the sale of the Series LL bonds will become part of our general treasury funds and will be used to replenish amounts expended and to be expended for the expansion and improvement of our utility plant. 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, 2008 on an actual basis and on an as adjusted basis to reflect the sale of the Series LL bonds.

	September 30, 2008	
	Actual	As Adjusted (In millions)
<b>Long-Term Debt:</b>		
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 <sup>(1)</sup>	250	250
Floating Rate First Mortgage Bonds, Series JJ, Due 2009	100	100
5.75% First Mortgage Bonds, Series KK, Due 2035	250	250
% First Mortgage Bonds, Series LL, Due		
<b>Total first mortgage bonds</b>	<b>1,100</b>	
Other long-term debt	13	13
<b>Total long-term debt</b>	<b>1,113</b>	
<b>Shareholders' equity:</b>		
Preferred stock	22	22
Common stock	866	866
Retained earnings <sup>(2)</sup>	726	726
Accumulated other comprehensive income (loss)	(10)	(10)
<b>Total shareholders' equity<sup>(2)</sup></b>	<b>1,604</b>	<b>1,604</b>
<b>Total capitalization<sup>(2)</sup></b>	<b>\$ 2,717</b>	<b>\$</b>

<sup>(1)</sup> \$150 million of the First Mortgage Bonds, Series II, Due 2011 has been converted to variable rate debt by a fixed-to-floating rate swap.

<sup>(2)</sup> We expect that after the sale of the Series LL Bonds our Board of Directors will declare a \$175 million common stock dividend resulting in a reduction in like amount in retained earnings, total shareholders' equity and total capitalization.

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the ratios of our earnings to fixed charges and the ratio of our earnings to combined fixed charges and preferred dividends for each of the five years in the five-year period ended December 31, 2007 and for each of the nine-month periods ended September 30, 2007 and 2008:

	Years Ended December 31,					Nine Months Ended	
	2007	2006	2005	2004	2003	September 30, 2008	September 30, 2007
Ratio of Earnings to Fixed Charges	6.20	6.21	6.83	10.21	8.20	7.42	6.07
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	6.04	6.05	6.58	9.75	7.88	7.12	5.87

S-3



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**Table of Contents**

**SUPPLEMENTAL DESCRIPTION OF FIRST MORTGAGE BONDS**

The Series LL bonds offered by this prospectus supplement are a series of our first mortgage bonds as described below and in the accompanying prospectus. The Series LL bonds will be issued under a supplemental indenture between us, as issuer, and U.S. Bank National Association, as trustee. We have summarized below selected provisions of the supplemental indenture applicable to the Series LL bonds. The summary of the provisions of our first mortgage bonds contained in the accompanying prospectus applies to the provisions of the Series LL bonds, except that the summary of selected provisions of the Series LL bonds and the supplemental indenture set forth below supplements and, to the extent inconsistent, supersedes and replaces the description of the general terms and provisions of our first mortgage bonds and the indenture contained in the accompanying prospectus. This summary is not complete and is qualified by reference to provisions of the Series LL bonds and the indenture. Terms used in this section but not defined have the meanings given to those terms in the accompanying prospectus or, if not defined in the accompanying prospectus, in the supplemental indenture or the indenture.

**General**

The Series LL bonds will constitute a series of first mortgage bonds under the indenture, initially limited to \$       million aggregate principal amount.

The Series LL bonds will mature on       ,       . They will bear interest at the rate of       % per annum, accruing from November       , 2008. Interest on the Series LL bonds will be payable to the holders thereof semi-annually in arrears on       and       of each year, beginning       , 2009.

The Series LL bonds will be redeemable prior to maturity, at our option, at the prices set forth below under the caption       Optional Redemption. The Series LL bonds will not be subject to a sinking fund.

At September 30, 2008, we had outstanding \$1,100 million of first mortgage bonds and the net book value of the property subject to the first lien of the indenture was \$3.3 billion. Our earnings applicable to bond interest for the twelve months ended September 30, 2008 (without giving effect to the issuance of the Series LL bonds) were 14 times the annual interest requirements on the bonds then outstanding.

**Optional Redemption**

We may redeem all or any part of the Series LL bonds, at our option at any time or from time to time, at the prices set forth below. The redemption price for the Series LL bonds to be redeemed on any redemption date will be equal to the greater of the following amounts:

100% of the principal amount of the Series LL bonds being redeemed on the redemption date; or

the sum of the present values of the remaining scheduled payments of principal and interest on the Series LL bonds being redeemed on that redemption date (not including any portion of any payments of accrued and unpaid interest to the redemption date) discounted to the redemption date on a semiannual basis at the Adjusted Treasury Rate (as defined below) plus       basis points, as determined by the Independent Investment Banker (as defined below), plus, in each case, accrued and unpaid interest thereon to the redemption date. Notwithstanding the foregoing, installments of interest on Series LL bonds that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the Series LL bonds and the indenture. The redemption price will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each registered holder of the Series LL bonds to be redeemed. Once notice of redemption is mailed, the

## **Table of Contents**

Series LL bonds called for redemption will become due and payable on the redemption date and at the applicable redemption price, plus accrued and unpaid interest to the redemption date. Redemption will not be conditional upon receipt by the trustee of monies sufficient to pay the redemption price.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the Series LL bonds or portions thereof called for redemption. We will pay the redemption price and any accrued interest once the Series LL bonds are surrendered for redemption. If only a portion of the Series LL bonds are redeemed, the trustee will deliver new Series LL bonds for the remaining portion without charge.

*Adjusted Treasury Rate* means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

*Comparable Treasury Issue* means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Series LL bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series LL bonds.

*Comparable Treasury Price* means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, or (B) if only one Reference Treasury Dealer Quotation is received, such Quotation.

*Independent Investment Banker* means one of the Reference Treasury Dealers appointed by us to act as the Independent Investment Banker.

*Reference Treasury Dealer* means (A) BNP Paribas Securities Corp. or J.P. Morgan Securities Inc. (or their respective affiliates which are Primary Treasury Dealers) and their respective successors; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), we will substitute therefor another Primary Treasury Dealer; and (B) any other Primary Treasury Dealer(s) selected by us.

*Reference Treasury Dealer Quotation* means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 5:00 p.m. (New York City time) on the third business day preceding such redemption date.

In the event that we elect to redeem only a portion of the Series LL bonds, the bonds to be redeemed shall be selected in accordance with the procedures of The Depository Trust Company, in the case of bonds represented by a global security, or by the trustee by a method the trustee deems to be fair and appropriate, in the case of bonds that are not represented by a global security.

## **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

## **Table of Contents**

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 LL 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 LL 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 November 17, 2008.

### **Other**

We may, from time to time, without notice to or the consent of the holders of the Series LL 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 LL 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 LL bonds previously issued and shall form a single series with the Series LL bonds.

The Series LL 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 LL bonds that you purchase except under the limited circumstances described under the caption "Global Securities" of the accompanying prospectus.

**Table of Contents****UNDERWRITING**

Under the terms and subject to the conditions contained in an underwriting agreement, the underwriters named below have agreed, severally and not jointly, to purchase, and we have agreed to sell to them, severally and not jointly, the respective principal amount of the Series LL bonds set forth opposite their respective names below.

<b>Underwriter</b>	<b>Principal Amount of Series LL Bonds</b>
BNP Paribas Securities Corp.	\$
Calyon Securities (USA) Inc.	
J.P. Morgan Securities Inc.	
Blaylock Robert Van, LLC	
Cabrera Capital Markets, LLC	
Total	\$

The underwriting agreement provides that the obligation of the several underwriters to pay for and accept delivery of the Series LL 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 LL bonds if any are taken.

We have been advised by the underwriters that the underwriters propose to offer the Series LL 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 LL bond. The underwriters may allow, and such dealers may reallow, a concession not in excess of % of the principal amount of the Series LL bonds on sales to certain other dealers. After the initial public offering, the price to investors and concessions may be changed.

The Series LL bonds are a new issue of securities with no established trading market. There can be no assurance of a secondary market for the Series LL 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 LL 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 LL bonds, BNP Paribas Securities Corp., Calyon Securities (USA) Inc. or 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 LL bonds. Specifically, the underwriters may overallocate in connection with the offering, creating a short position in the Series LL bonds for their own account. In addition, to cover overallocations or to stabilize the price of the Series LL bonds, the underwriters may bid for, and purchase, the Series LL bonds in the open market. The underwriters may reclaim selling concessions allowed to an underwriter or dealer for distributing the Series LL bonds in the offering if the underwriters repurchase previously distributed Series LL 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 LL 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.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased Series LL bonds sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the Series LL bonds. As a result, the price of the Series LL bonds may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

**Table of Contents**

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 LL 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.

Certain of the underwriters and/or their affiliates have acted as lenders, and/or performed certain investment banking and advisory and general financing, trustee and commercial banking services for us and/or our affiliates from time to time for which they have received customary fees and expenses.

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 for which they may receive customary fees and expenses.

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 LL bonds, excluding underwriting discounts, are estimated at \$250,000.

**Table of Contents**

**LEGAL MATTERS**

Gary W. Kyle, Chief Corporate Counsel of Sempra Energy, our ultimate parent company, will pass upon the validity of the Series LL bonds and various other legal matters relating to the issuance and sale of the Series LL bonds. Latham & Watkins LLP, Los Angeles, California, will pass upon certain legal matters relating to the issuance and sale of the Series LL bonds on our behalf. Sidley Austin LLP, San Francisco, California, will act as counsel for the underwriters. Paul Pringle is a partner of Sidley Austin LLP and owns 3,594 shares of common stock of Sempra Energy.

**EXPERTS**

The consolidated financial statements as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, incorporated by reference in this prospectus supplement from Southern California Gas Company's annual report on Form 10-K for the year ended December 31, 2007, and the effectiveness of Southern California Gas Company's internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports incorporated by reference herein (which reports (1) express an unqualified opinion on the consolidated financial statements and include an explanatory paragraph relating to the adoption of new accounting standards, and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting), and have been so incorporated in reliance upon the reports of such firms given upon their authority as experts in accounting and auditing.

**Table of Contents**

**PROSPECTUS**

**\$1,000,000,000**

**SOUTHERN CALIFORNIA GAS COMPANY**

**Senior Debt Securities**

**First Mortgage Bonds**

**Preferred Stock**

We may offer and sell senior debt securities, first mortgage bonds and preferred stock from time to time in one or more offerings. The senior debt securities, the first mortgage bonds and the preferred stock are collectively referred to in this prospectus as the offered securities. This prospectus provides you with a general description of the offered securities.

Each time we sell offered securities we will provide a supplement to this prospectus that contains specific information about the offering and the terms of the particular offered securities being offered at that time. The supplement may also add, update or change information contained in this prospectus. You should carefully read this prospectus and the accompanying prospectus supplement before you invest in any of the offered securities.

**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 June 7, 2006

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>ABOUT THIS PROSPECTUS</u>	i
<u>FORWARD-LOOKING STATEMENTS</u>	i
<u>SOUTHERN CALIFORNIA GAS COMPANY</u>	1
<u>USE OF PROCEEDS</u>	2
<u>RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS</u>	2
<u>DESCRIPTION OF OFFERED SECURITIES</u>	3
<u>DESCRIPTION OF SENIOR DEBT SECURITIES</u>	3
<u>DESCRIPTION OF FIRST MORTGAGE BONDS</u>	12
<u>DESCRIPTION OF PREFERRED STOCK</u>	24
<u>GLOBAL SECURITIES</u>	27
<u>PLAN OF DISTRIBUTION</u>	30
<u>LEGAL MATTERS</u>	32
<u>EXPERTS</u>	32
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	32
<u>INCORPORATION BY REFERENCE</u>	33



**Table of Contents**

**ABOUT THIS PROSPECTUS**

This prospectus is part of a shelf registration statement that we filed with the United States Securities and Exchange Commission, or the SEC. By using a shelf registration statement, we may sell up to \$1,000,000,000 aggregate offering price of any combination of the offered securities described in this prospectus from time to time and in one or more offerings. This prospectus only provides you with a general description of the offered securities that we may offer. Each time we sell offered securities, we will provide a supplement to this prospectus that contains specific information about the particular terms of the offered securities being offered at that time. The supplement may also add, update or change information contained in this prospectus. Before purchasing any securities, 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 the accompanying prospectus supplement. 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 offered securities 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 dates on their respective covers. Our business, financial condition, results of operations and prospects may have changed since those dates.

**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, 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 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 price and 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;

the resolution of litigation; 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. These risks and uncertainties are discussed in more detail under the captions **Business and Risk Factors**, **Management's Discussion and Analysis of Financial Condition and Results of Operations** and elsewhere in our annual report, and in other reports and documents on file with the SEC. You may obtain copies of these reports and documents as described under the caption **Where You Can Find More Information** in this prospectus.

**Table of Contents**

**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 20,000-square mile service territory comprising most of southern California and part of central California. We provide natural gas service to 19.8 million residential, commercial, industrial, utility electric generation and wholesale consumers through 5.6 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.

**Table of Contents****USE OF PROCEEDS**

Unless stated otherwise in the applicable prospectus supplement, we will use the net proceeds from the sale of the offered securities to expand and improve 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 AND PREFERRED STOCK DIVIDENDS**

The following table sets forth the ratio of our earnings to fixed charges and the ratio of our earnings to combined fixed charges and preferred dividends for each of the five years in the five-year period ended December 31, 2005 and for the three-month period ended March 31, 2006:

	<b>Three Months Ended</b>		<b>Years Ended December 31,</b>			
	<b>March 31,</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
	<b>2006</b>					
Ratio of Earnings to Fixed Charges	5.30	6.83	10.21	8.20	8.98	6.16
Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends	5.05	6.58	9.75	7.88	8.63	6.00

## **Table of Contents**

### **DESCRIPTION OF OFFERED SECURITIES**

The following is a general description of the terms and provisions of the offered securities. These summaries are not meant to be a complete description of each offered security. This prospectus and any prospectus supplement will contain the material terms and conditions for each offered security. A prospectus supplement may add, update or change the terms and conditions of the offered securities as described in this prospectus. For more information about the offered securities, please refer to:

the indenture between us and U.S. Bank Trust National Association, as trustee, relating to the issuance of each series of senior debt securities by us (the senior debt indenture );

the first mortgage indenture between us and U.S. Bank National Association, as trustee, together with the applicable supplemental indentures (as so supplemented, the mortgage indenture ); and

the description of our preferred stock contained in our articles of incorporation.

Forms of these documents are filed as exhibits to the registration statement. The indentures are subject to and governed by the Trust Indenture Act of 1939, as amended, and may be supplemented or amended from time to time following their execution.

### **DESCRIPTION OF SENIOR DEBT SECURITIES**

Unless indicated differently in a prospectus supplement, the following is a general description of the terms and provisions of the senior debt securities we may offer and sell by this prospectus. In this section, references to indenture mean the senior debt indenture.

The senior debt securities will be governed by the indenture. The indenture gives us broad authority to set the particular terms of each series of senior debt securities, including the right to modify certain of the terms contained in the indenture. The particular terms of a series of senior debt securities and the extent, if any, to which the particular terms of the issue modify the terms of the indenture will be described in the prospectus supplement relating to such series of senior debt securities.

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 senior debt securities 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. We also include references in parentheses to particular sections of the indenture. Whenever we refer to particular sections or defined terms of the indenture in this prospectus or in a prospectus supplement, the sections or defined terms are incorporated by reference into this prospectus or into the prospectus supplement. This summary also is subject to and qualified by reference to the description of the terms of a particular series of senior debt securities described in the applicable prospectus supplement.

#### **General**

We may issue an unlimited amount of senior debt securities under the indenture in one or more series. We are not required to issue all senior debt securities of one series at the same time and, unless otherwise provided in a prospectus supplement, we may reopen a series, without the consent of the holders of the senior debt securities of that series, for issuances of additional senior debt securities of that series. The senior debt securities will be our unsecured obligations.

Prior to the issuance of each series of senior debt securities, the terms of the particular securities will be specified in either a supplemental indenture or a board resolution and one or more officers' certificates. We refer you to the applicable prospectus supplement for a description of the following terms of each series of senior debt securities:

the title of the senior debt securities;



## **Table of Contents**

any limit upon the aggregate principal amount of the senior debt securities;

the date or dates on which principal will be payable or the method of determining such date or dates;

the rate or rates or method of determination of interest; the date or dates from which interest will accrue; the dates on which interest will be payable, which we refer to as the interest payment dates; the manner (if any) of determination of such interest payment dates; and any record dates for the interest payable on the interest payment dates;

any obligation or option we have to redeem or purchase senior debt securities, or any option of the registered holder to require us to redeem or repurchase senior debt securities, and the terms and conditions upon which the senior debt securities will be redeemed or purchased;

the denominations in which the senior debt securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof;

whether the senior debt securities are to be issued in whole or in part in the form of one or more global debt securities and, if so, the identity of the depository for the global debt securities; and

any other terms of the senior debt securities that may be different from those described below.

(See Section 301.)

## **Ranking**

The senior debt securities will be our unsecured and unsubordinated obligations. The indebtedness represented by the senior debt securities will rank equally with all our other unsecured and unsubordinated debt. The senior debt securities are our obligations exclusively, and are not the obligations of our subsidiaries or our parent. Although the senior debt securities will be our senior unsubordinated obligations, the outstanding first mortgage bonds will have a claim to the assets securing the first mortgage bonds prior to any claim by holders of the senior debt securities.

## **Payment of Senior Debt Securities Interest**

We will pay interest on the senior debt securities on each interest payment date by check mailed to the person in whose name the senior debt securities are registered as of the close of business on the regular record date relating to the interest payment date.

However, if we default in paying interest on a senior debt security, we will pay defaulted interest in either of the two following ways:

We will first propose to the trustee a payment date for the defaulted interest. Next, the trustee will choose a special record date for determining which registered holders are entitled to the payment. The special record date will be from 10 to 15 days before the proposed payment date. Finally, we will pay the defaulted interest on the payment date to the registered holder of the senior debt securities as of the close of business on the special record date.

Alternatively, we can propose to the trustee any other lawful manner of payment that is consistent with the requirements of any securities exchange on which the senior debt securities are listed for trading. If the trustee thinks the proposal is practicable, payment will be made as proposed.

(See Section 307.)

**Payment of Senior Debt Securities Principal**

We will pay principal of and any premium on the senior debt securities at stated maturity, upon redemption or otherwise, upon presentation of the senior debt securities at the office of the trustee, as paying agent. Any



## **Table of Contents**

other paying agent initially designated for the senior debt securities of a particular series will be named in the applicable prospectus supplement. In our discretion, we may appoint one or more additional paying agents and security registrars and designate one or more additional places for payment and for registration of transfer. Unless otherwise specified in the applicable prospectus supplement, a place for payment and registration of transfer of the senior debt securities will be provided in the Borough of Manhattan, the City of New York, New York. (See Section 1002.)

If any interest payment date, redemption date or the maturity date of the senior debt securities is not a business day at any place of payment, then payment of the principal, premium, if any, and interest may be made on the next business day at that place of payment. In that case, no interest will accrue on the amount payable for the period from and after the applicable interest payment date, redemption date or maturity date, as the case may be.

### **Form; Transfers; Exchanges**

The senior debt securities initially will be issued in book-entry form and represented by one or more global securities 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 senior debt securities that you purchase except under the limited circumstances described below under the caption Global Securities. If any of the senior debt securities are issued in certificated form they will be issued only in fully registered form without coupons, in denominations of \$1,000 and integral multiples of \$1,000.

So long as the senior debt securities are in book-entry form, you will receive payments and may transfer senior debt securities only through the facilities of DTC and its direct and indirect participants as described below under the caption Global Securities. We will maintain an office or agency in the Borough of Manhattan, The City of New York where notices and demands in respect of the senior debt securities and the indenture may be delivered to us and where certificated senior debt securities including the senior debt securities may be surrendered for payment, registration of transfer or exchange. That office or agency will initially be an office of the trustee, which is currently located at 100 Wall Street, Suite 1600, New York, New York 10005.

You may have your senior debt securities divided into senior debt securities of smaller authorized denominations, or combined into senior debt securities of larger authorized denominations, as long as the total principal amount is not changed. This is called an exchange. (See Section 305.)

You may exchange or transfer senior debt securities at the office of the trustee. The trustee acts as our agent for registering senior debt securities in the names of holders and transferring senior debt securities. We may appoint another agent or act as our own agent for this purpose. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also perform transfers. (See Section 305.)

In our discretion, we may change the place for registration of transfer of the senior debt securities and may remove and/or appoint one or more additional security registrars. (See Sections 305 and 1002.)

Except as otherwise provided in a prospectus supplement, there will be no service charge for any transfer or exchange of the senior debt securities, but you may be required to pay a sum sufficient to cover any tax or other governmental charge payable by us in connection with the transfer or exchange. We may block the transfer or exchange of (a) senior debt securities during a period of 15 days prior to giving any notice of redemption or (b) any senior debt security selected for redemption in whole or in part, except the unredeemed portion of any senior debt security being redeemed in part. (See Section 305.)

### **Optional Redemption**

The redemption provisions, if any, applicable to the senior debt securities will be set forth in the applicable prospectus supplement.

## **Table of Contents**

We will mail notice of any redemption at least 30 days, but not more than 60 days, before the redemption date to each registered holder of the senior debt securities to be redeemed. Once notice of redemption is mailed, the senior debt securities called for redemption will become due and payable on the redemption date and at the applicable redemption price, plus accrued and unpaid interest to the redemption date. If we elect to redeem all or a portion of the senior debt securities, that redemption will not be conditional upon receipt by the paying agent or the trustee of monies sufficient to pay the redemption price. (See Section 1104.)

Senior debt securities will cease to bear interest on the redemption date. We will pay the redemption price and any accrued interest once the senior debt securities are surrendered for redemption. (See Section 1105.) If only part of a senior debt security is redeemed, the trustee will deliver new senior debt securities of the same series for the remaining portion without charge. (See Section 1106.) Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the senior debt securities or portions thereof called for redemption.

In the event that we elect to redeem only a portion of the senior debt securities, the senior debt securities to be redeemed will be selected in accordance with the procedures of The Depository Trust Company, in the case of senior debt securities represented by a global security, or by the trustee by a method the trustee deems to be fair and appropriate, in the case of senior debt securities that are not represented by a global security.

## **Events of Default**

An event of default occurs with respect to the senior debt securities of any series if:

we do not pay any interest on any senior debt securities of the applicable series within 30 days of the due date;

we do not pay any principal of or premium on any senior debt securities of the applicable series on the due date;

we remain in breach of a covenant or warranty (excluding covenants and warranties solely applicable to another series of debt securities issued under the indenture) in the indenture or the senior debt securities of the applicable series for 60 days after we receive a written notice of default stating we are in breach and requiring remedy of the breach; the notice must be sent by either the trustee or registered holders of at least 25% of the principal amount of the outstanding senior debt securities of the affected series;

default occurs under any bond, note, debenture or other instrument evidencing any indebtedness for money borrowed by us, excluding our subsidiaries (including a default with respect to any other series of senior debt securities issued under the indenture), or under any mortgage, indenture or other instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by us, or the payment of which is guaranteed by us, whether such indebtedness or guarantee exists on the date of the indenture or is issued or entered into following the date of the indenture, if:

(A) either:

(i) such default results from the failure to pay any such indebtedness when due; or

(ii) as a result of such default the maturity of such indebtedness has been accelerated prior to its expressed maturity; and  
(B) the principal amount of such indebtedness, together with the principal amount of any other such indebtedness in default for failure to pay any such indebtedness when due or the maturity of which has been so accelerated, aggregates at least \$25 million;

we file for bankruptcy or other specified events in bankruptcy, insolvency, receivership or reorganization occur; or

any other event of default specified in the prospectus supplement for such series occurs.

## **Table of Contents**

(See Section 501.)

No event of default with respect to a series of senior debt securities necessarily constitutes an event of default with respect to the senior debt securities of any other series issued under the indenture.

### **Remedies**

#### *Acceleration*

If an event of default occurs and is continuing with respect to any series of senior debt securities, then either the trustee or the registered holders of at least 25% in principal amount of the outstanding senior debt securities of that series may declare the principal amount of all of the senior debt securities of that series, together with accrued and unpaid interest thereon, to be due and payable immediately. (See Section 502.)

#### *Rescission of Acceleration*

After the declaration of acceleration has been made with respect to any series of senior debt securities and before the trustee has obtained a judgment or decree for payment of the money due, the declaration and its consequences will be rescinded and annulled, if:

(a) we pay or deposit with the trustee a sum sufficient to pay:

all overdue interest on the senior debt securities of that series, other than interest which has become due by declaration of acceleration;

the principal of and any premium on the senior debt securities of that series which have become due, otherwise than by the declaration of acceleration, and overdue interest on these amounts;

interest on overdue interest, other than interest which has become due by declaration of acceleration, on the senior debt securities of that series to the extent lawful; and

all amounts due to the trustee under the indenture; and

(b) all events of default with respect to the senior debt securities of that series, other than the nonpayment of the principal and interest which has become due solely by the declaration of acceleration, have been cured or waived as provided in the indenture.

(See Section 502.)

For more information as to waiver of defaults, see [Waiver of Default and of Compliance](#) below.

#### *Control by Registered Holders; Limitations*

If an event of default with respect to the senior debt securities of any series occurs and is continuing, the registered holders of a majority in principal amount of the outstanding senior debt securities of that series, voting as a single class, without regard to the holders of outstanding senior debt securities of any other series that may also be in default, will have the right to direct the time, method and place of:

conducting any proceeding for any remedy available to the trustee with respect to the senior debt securities of that series; and

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exercising any trust or power conferred on the trustee with respect to the senior debt securities of that series. These rights of registered holders to give directions are subject to the following limitations:

the registered holders' directions do not conflict with any law or the indenture; and

## **Table of Contents**

the direction is not unduly prejudicial to the rights of holders of the senior debt securities of that series who do not join in that action. The trustee may also take any other action it deems proper which is consistent with the registered holders' direction. (See Sections 512 and 603.)

In addition, the indenture provides that no registered holder of senior debt securities of any series will have any right to institute any proceeding, judicial or otherwise, with respect to the indenture or for the appointment of a receiver or for any other remedy under the indenture unless:

that registered holder has previously given the trustee written notice of a continuing event of default;

the registered holders of at least 25% in aggregate principal amount of the outstanding senior debt securities of that series have made written request to the trustee to institute proceedings in respect of that event of default and have offered the trustee reasonable indemnity against costs and liabilities incurred in complying with the request; and

for 60 days after receipt of the notice, the trustee has failed to institute a proceeding and no direction inconsistent with the request has been given to the trustee during the 60-day period by the registered holders of a majority in aggregate principal amount of outstanding senior debt securities of that series.

Furthermore, no registered holder will be entitled to institute any action if and to the extent that the action would disturb or prejudice the rights of other registered holders of senior debt securities. (See Section 507.)

However, each registered holder has an absolute and unconditional right to receive payment when due and to bring a suit to enforce that right. (See Section 508.)

### *Notice of Default*

The trustee is required to give the registered holders of senior debt securities of the affected series notice of any default under the indenture to the extent required by the Trust Indenture Act; except that in the case of an event of default of the character specified above in the third bullet under the caption "Events of Default," no notice will be given to such registered holders until at least 30 days after the occurrence of the default. The Trust Indenture Act currently permits the trustee to withhold notices of default (except for certain payment defaults) if the trustee in good faith determines the withholding of the notice to be in the interests of the registered holders. (See Section 602.)

We will furnish the trustee with an annual statement as to our compliance with the conditions and covenants in the indenture. (See Section 1005.)

### *Waiver of Default and of Compliance*

The registered holders of a majority in aggregate principal amount of the outstanding senior debt securities of any series, voting as a single class, without regard to the holders of outstanding senior debt securities of any other series, may waive, on behalf of all registered holders of the senior debt securities of that series, any past default under the indenture, except a default in the payment of principal, premium or interest, or with respect to compliance with certain provisions of the indenture that cannot be amended without the consent of the registered holder of each outstanding senior debt security of that series. (See Section 513.)

Compliance with certain covenants in the indenture or otherwise provided with respect to senior debt securities of any series may be waived by the registered holders of a majority in aggregate principal amount of the senior debt securities of that series. (See Section 1006.)

## **Table of Contents**

### **Consolidation, Merger and Conveyance of Assets as an Entirety; No Financial Covenants**

We have agreed not to consolidate or merge with or into any other entity, or to sell, transfer, lease or otherwise convey any of our property and assets as an entirety or substantially as an entirety to any entity, unless:

we are the continuing entity (in the case of a merger) or the successor entity formed by such consolidation or into which we are merged or which acquires by sale, transfer, lease or other conveyance our property and assets, as an entirety or substantially as an entirety, is a corporation organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, and expressly assumes, by supplemental indenture, the due and punctual payment of the principal, premium and interest on all the senior debt securities and the performance of all of the covenants under the indenture; and

immediately after giving effect to the transaction, no event of default, and no event which after notice or lapse of time or both would become an event of default, has or will have occurred and be continuing.

The indenture does not contain any financial or other similar restrictive covenants.

(See Section 801.)

### **Modification of Indenture**

#### *Without Registered Holder Consent*

Without the consent of any registered holders of senior debt securities, we and the trustee may enter into one or more supplemental indentures for any of the following purposes:

to evidence the succession of another entity to us; or

to add one or more covenants for the benefit of the holders of all or any series of senior debt securities or to surrender any right or power conferred upon us; or

to add any additional events of default for all or any series of senior debt securities; or to change or eliminate any provision of the indenture so long as the change or elimination does not apply to any senior debt securities entitled to the benefit of such provision; or to add any new provision to the indenture, in addition to the provisions which may otherwise be added to the indenture pursuant to the other clauses of this paragraph, so long as the addition does not apply to any outstanding senior debt securities; or

to provide security for the senior debt securities of any series; or

to establish the form or terms of senior debt securities of any series, as permitted by the indenture; or

to evidence and provide for the acceptance of appointment of a separate or successor trustee; or

to cure any ambiguity, defect or inconsistency or to make any other changes with respect to any series of senior debt securities that do not adversely affect the interests of the holders of senior debt securities of that series in any material respect.

(See Section 901.)

*With Registered Holder Consent*

Subject to the following sentence, we and the trustee may, with some exceptions, amend or modify the indenture with the consent of the registered holders of at least a majority in aggregate principal amount of the senior debt securities of each series affected by the amendment or modification. However, no amendment or modification may, without the consent of the registered holder of each outstanding senior debt security affected thereby:

change the stated maturity of the principal or interest on any senior debt security or reduce the principal amount, interest or premium payable or change any place of payment where or the currency in which any senior debt security is payable, or impair the right to bring suit to enforce any payment;



## **Table of Contents**

reduce the percentages of registered holders whose consent is required for any supplemental indenture or waiver; or

modify certain of the provisions in the indenture relating to supplemental indentures and waivers of certain covenants and past defaults.

A supplemental indenture which changes or eliminates any provision of the indenture expressly included solely for the benefit of holders of senior debt securities of one or more particular series will be deemed not to affect the interests under the indenture of the holders of senior debt securities of any other series.

(See Section 902.)

### **Defeasance**

The indenture provides, unless the terms of the particular series of senior debt securities provide otherwise, that we may, upon satisfying several conditions, be discharged from our obligations, with some exceptions, with respect to any series of senior debt securities, which we refer to as defeasance.

One condition we must satisfy is the irrevocable deposit with the trustee, in trust, of money and/or government obligations which, through the scheduled payment of principal and interest on those obligations, would provide sufficient funds to pay the principal of and any premium and interest on those senior debt securities on the maturity dates of the payments or upon redemption.

In addition, we will be required to deliver an opinion of counsel to the effect that a holder of senior debt securities 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 the date of the indenture.

(See Article XIII.)

### **Satisfaction and Discharge**

The indenture will cease to be of further effect with respect to any series of senior debt securities, and we will be deemed to have satisfied and discharged all of our obligations under the indenture, except as noted below, when:

all outstanding senior debt securities of such series have become due or will become due within one year at their stated maturity or on a redemption date; and

we deposit with the trustee, in trust, funds that are sufficient to pay and discharge all remaining indebtedness on the outstanding senior debt securities of such series.

We will remain obligated to pay all other amounts due under the indenture and to perform certain ministerial tasks as described in the indenture.

(See Section 401.)

### **Resignation and Removal of the Trustee; Deemed Resignation**

The trustee with respect to any series of senior debt securities may resign at any time by giving us written notice. The trustee may also be removed with respect to the senior debt securities of any series by act of the registered holders of a majority in principal amount of the then outstanding senior debt securities of such series.

## **Table of Contents**

No resignation or removal of the trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the indenture. Under certain circumstances, we may appoint a successor trustee with respect to such series and if the successor trustee accepts, the trustee will be deemed to have resigned. (See Section 610.)

## **Miscellaneous Provisions**

The indenture provides that certain senior debt securities, including those for which payment or redemption money has been deposited or set aside in trust as described under the caption *Satisfaction and Discharge* above, will not be deemed to be outstanding in determining whether the registered holders of the requisite principal amount of the outstanding senior debt securities have given or taken any demand, direction, consent or other action under the indenture as of any date, or are present at a meeting of registered holders for quorum purposes. (See Section 101.)

We will be entitled to set any day as a record date for the purpose of determining the registered holders of outstanding senior debt securities of any series entitled to give or take any demand, direction, consent or other action under the indenture, in the manner and subject to the limitations provided in the indenture. In certain circumstances, the trustee also will be entitled to set a record date for action by registered holders of any series. If a record date is set for any action to be taken by registered holders of particular senior debt securities, the action may be taken only by persons who are registered holders of the respective senior debt securities on the record date. (See Section 104.)

## **Governing Law**

The indenture and the related senior debt securities will be governed by and construed in accordance with the laws of the State of New York. (See Section 112.)

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**Table of Contents**

**DESCRIPTION OF FIRST MORTGAGE BONDS**

Unless indicated differently in a prospectus supplement, 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. In this section, references to "indenture" mean the mortgage indenture.

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 integral 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;

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;

## **Table of Contents**

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;

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)

### **Issuance of Additional Bonds**

Additional bonds secured by the indenture may be issued in a maximum aggregate principal amount equal to the sum of:

66<sup>2</sup>/<sub>3</sub>% of the Net Bondable Value of Property Additions that have not been applied to other indenture purposes; (Section 4.04)

100% of the amount of cash deposited with the trustee for the purpose of issuing additional bonds; (Section 4.05) and

100% of the aggregate principal amount of Refundable Bonds, which include bonds that have been retired by payment at maturity, redemption or purchase (other than through sinking fund payments or other funds deposited with the trustee as Mortgaged Property) and not applied to other indenture purposes. (Section 4.06)

However, the aggregate principal amount of bonds that we can issue under the indenture may not exceed 50% of our Net Investment in Mortgaged Property, after giving effect to the issuance of such additional bonds. (Section 4.01) In addition, no additional bonds may be issued under the indenture (except under certain circumstances relating to those issued on the basis of Refundable Bonds) unless the Net Earnings of the Corporation Available for Interest for any 12 consecutive months in the past 15 months equals at least twice our interest charges on the sum of (i) all the bonds outstanding under the indenture, including such additional bonds, (ii) in the event of a consolidation, merger or transfer of assets, the indebtedness of any successor corporation maturing more than one year from the date of its issuance, but only if such successor corporation does not secure the bonds with a lien on all of its property, other than Excepted Property, and (iii) all of our indebtedness secured by any of the Mortgaged Property in priority to or *pari passu* with the lien securing the bonds. (Section 4.03) Other than as described above, the indenture does not limit the amount of indebtedness that we may incur. However, our issuance of long-term indebtedness is regulated by the California Public Utilities Commission.

Additional bonds which may be issued may vary from any existing bonds as to maturity, interest rate, redemption, sinking fund and in certain other respects as described above under the caption General.

### **Security for the Bonds**

The bonds will be secured by the indenture which constitutes a first lien upon all of our real and personal property, other than Excepted Property, subject to Permissible Encumbrances, purchase money liens and liens on property at the time of acquisition. All of the bonds issued under the indenture will be equally and ratably secured by the indenture, subject to the provisions relating to any sinking or similar fund for the benefit of any bonds of a particular series.



## **Table of Contents**

Subject to such limitations and exceptions, all property acquired by us after the date of the indenture will be further security as described in the indenture. (Section 5.09) In addition, the indenture creates a prior lien on the Mortgaged Property to secure the trustees' right to compensation, reimbursement and indemnity. (Section 14.10)

### **Ranking**

The bonds of each series will be our secured and unsubordinated obligations and will rank equal in right of payment with all other bonds issued under the indenture. The bonds will rank first in right of payment with respect to proceeds from Mortgaged Property, and otherwise will rank equal in right of payment with all of our other unsubordinated and unsecured indebtedness. The bonds are our obligations exclusively, and are not the obligations of any of our subsidiaries or affiliates.

### **Payment of Bonds Principal and Interest**

We will pay principal of the bonds at stated maturity, upon redemption or otherwise, upon presentation of the bonds at the office of the trustee, as our paying agent. We will make payments on the bonds to the Depository Trust Company ( DTC ) or its nominee, as the registered owner of the bonds, by wire transfer of immediately available funds. If the securities are issued in definitive certificate form under the limited circumstances described below under the caption Global Securities, we will have the option of paying interest by check mailed to the addresses of the persons entitled to payment or by wire transfer to bank accounts in the United States designated in writing to the trustee at least 15 days before the applicable payment date by the persons entitled to payment.

### **Form; Transfers; Exchanges**

Bonds may be issued in denominations of \$1,000, \$5,000, \$10,000, \$25,000 or integral multiples of \$25,000. The bonds will be issued in book-entry form represented by one or more global securities deposited with, or on behalf of, DTC, as depository, and registered in the name of Cede & Co., its nominee. You will not be entitled to receive a certificate for the bonds that you purchase except under the limited circumstances described below under the caption Global Securities.

You will receive payments and may transfer bonds only through the facilities of DTC and its direct and indirect participants as described below under the caption Global Securities. We will maintain an office or agency where notices and demands in respect of the bonds and the indenture may be delivered to us and where certificated bonds may be surrendered for payment, registration of transfer or exchange, which will be at the principal office of the trustee, in San Francisco, California, and each other place specified by the trustee, including the Borough of Manhattan, City of New York, New York. (Sections 2.01 and 2.03)

### **Optional Redemption**

Unless specified otherwise in an applicable prospectus supplement, we may redeem at our option at any time or from time to time all or any part of the bonds that we may offer and sell by this prospectus at the redemption price specified for the respective series of bonds. In the event that we elect to redeem only a portion of a series of bonds, the bonds to be redeemed shall be selected in accordance with DTC's procedures, in the case of bonds represented by a global security, or by the trustee by a method the trustee deems to be fair and appropriate, in the case of bonds that are not represented by a global security. (Section 7.01)

We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each holder of the bonds to be redeemed. (Section 7.02) On or prior to the redemption date, we will deposit with the trustee a sum of money sufficient to redeem the bonds. (Section 7.03) Upon surrender of the bonds, we will pay the holders of the surrendered bonds the principal and accrued interest of the redeemed bonds or, if only a portion of the principal of a particular bond is being redeemed, that portion of the principal and interest attributable to such redeemed portion. (Sections 7.04 and 7.05) All of the bonds redeemed and paid shall be cancelled. (Section 7.06)

## **Table of Contents**

### **Renewal Fund**

We will pay to the trustee annually on April 1, as a renewal fund, an amount equal to (1) the amounts actually appropriated by us from earnings during the preceding calendar year as provisions for depreciation, depletion and retirements of Mortgaged Property and, if such appropriations are calculated on a sinking fund or similar compound interest method, including the portion thereof representing interest accrual as well as the portion thereof representing the annuity charge, *minus* (2) credits, taken at our option, for:

payments in cash or bonds made by us to a sinking fund or a similar fund under which cash paid to the trustee is to be used only to retire bonds;

the lesser of the cost or fair value of specified property additions purchased, constructed or otherwise acquired by us; and

the principal amount of bonds delivered to the trustee for such purpose, which will not be available for any other indenture purpose, including the issuance of additional bonds. (Section 8.02)

Renewal fund payments that we pay in cash may, at our option:

be withdrawn by us, subject to certain conditions, in an amount equal to the lesser of the cost or fair value of specified property additions purchased, constructed or otherwise acquired by us, or in an amount equal to the amount of Refundable Bonds made the basis for withdrawal; or

be applied to the purchase or redemption of any outstanding bonds.

At our election, the amount of any required renewal fund payment may be reduced by an amount equal to the amount of cash which, assuming that the renewal fund payments required to be made pursuant to the indenture had actually been made in cash, could at the time be withdrawn under the indenture. (Section 8.06) Any payments that we make to the renewal fund are in addition to the expenditures we are required to make for maintenance.

### **Consolidation, Merger and Transfer of Assets**

Nothing in the indenture or in the bonds outstanding under the indenture prevents us from consolidating or merging with or into any corporation or selling all of our property as an entirety subject to the continuing lien of the indenture, *provided* that:

the terms of the consolidation, merger or sale preserve and do not impair the lien or the security under the indenture, and the rights and powers of the trustee and the holders of the bonds outstanding under the indenture;

in the case of a merger or consolidation, the successor corporation expressly assumes the payment of the principal and interest of all the bonds and the performance and observance of all of the covenants and conditions of the indenture; and

in the case of a sale of all of our property as an entirety, the corporation to which we sell all our property assumes the due and punctual payment of principal and interest of all the bonds outstanding under the indenture, assumes the performance of all covenants and conditions of the indenture and executes and delivers an indenture to the trustee whereby the purchasing corporation agrees to assume such payment and performance and charge therewith the property so taken over. (Section 15.01)

### **Certain Covenants**

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Subject to the terms of the indenture and in addition to the covenants otherwise specified above, we will:

keep, or cause to be kept, proper records and accounts of corporate dealings, including proper and complete records reflecting our capital and property accounts, and we will furnish statements upon demand as reasonably required by the trustee; (Section 5.06)



**Table of Contents**

not voluntarily create any lien or charge that would be prior to the lien of the indenture upon the Mortgaged Property, other than purchase money liens and any other liens existing on property at the time such property was acquired by us; (Section 5.09)

pay or cause to be discharged all taxes, assessments, lawful claims and mechanics liens, which, if unpaid, might be given priority over the lien of the indenture; however, no such lien shall be a breach of the indenture if we are disputing it in good faith; (Section 5.09, 5.10)

file the indenture and any supplemental indenture as may be necessary to preserve and protect the security of the bondholders; (Section 5.11)

maintain, preserve and keep the mortgaged properties in good repair, working order and condition; (Section 5.15) and

maintain insurance on, or self-insure, the Mortgaged Property against losses or damages as are usually insured against by companies similarly situated and operating like properties. (Section 5.16)

**Events of Default**

The following events are defined for all purposes of the indenture (except where the term is otherwise defined for specific purposes) as events of default :

failure to pay the principal of any bond secured by the indenture when it becomes due and payable, whether at maturity, as therein expressed, or by declaration or otherwise;

failure to pay interest upon any bond secured by the indenture for a period of 30 days after it becomes due and payable;

failure to pay any installment of the sinking fund or renewal fund required by the indenture or of any sinking fund or analogous fund required by any supplemental indenture, for a period of 30 days after it becomes due and payable;

the expiration of a period of 60 days following:

the adjudication of us as bankrupt by any court of competent jurisdiction;

the entry of an order approving a petition seeking the reorganization of us under the Federal Bankruptcy Laws or any other applicable law or statute of the United States of America, or any state thereof; or

the appointment of a trustee or a receiver of all or substantially all of our property; unless during such period such adjudication, order or appointment of a receiver or trustee shall be vacated;

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the filing by us of a voluntary petition in bankruptcy or the making of an assignment for the benefit of creditors; our consenting to the appointment of a receiver or trustee of all or any part of our property; the filing by us of a petition or answer seeking reorganization under the Federal Bankruptcy Laws, or any other applicable law or statute of the United States of America, or of any state thereof; or the filing by us of a petition to take advantage of any insolvency act; and

our failure to perform any other covenant or agreement contained in the indenture or any supplemental indenture or in any bond secured by the indenture for a period of 60 days following the mailing by the trustee to us of a written demand that such failure be cured, such failure not having been cured in the meantime. (Section 9.02)

## **Table of Contents**

### **Remedies**

#### *Acceleration*

Upon the occurrence of an event of default, the trustee may, and upon the written request of the holders of a majority in principal amount of all bonds outstanding under the indenture shall, declare the principal amount of all of the bonds outstanding under the indenture, together with accrued and unpaid interest thereon, to be immediately due and payable. (Section 9.05)

#### *Rescission of Acceleration*

At any time after the principal of the bonds shall have been declared due and payable and before any sale of the Mortgaged Property shall have been made pursuant to the indenture,

all interest in arrears upon such bonds with interest on overdue installments of interest, to the extent that payment of such interest on interest shall be legally enforceable, at the same rate as was borne by the respective bonds on which installments of interest may be overdue,

together with reasonable charges and expenses of the trustee, its agents and attorneys, and

all other sums which may be due under the indenture, except the principal of such bonds as shall not have become due and payable by their terms,

shall either be paid by us to those entitled thereto (or to the trustee for their account) or be collected out of the Mortgaged Property, and all other defaults existing under the indenture known to the trustee shall have been cured or provision deemed by the trustee to be adequate therefor shall have been made, or shall have been waived as provided in the indenture, then and in every such case:

- (a) the holders of the majority in principal amount of the bonds then outstanding, by written notice to us and the trustee may waive such default and rescind and annul such declaration and its consequences, or
- (b) if in declaring the principal due, the trustee shall have acted without any request of the bondholders, or upon the request of the holders of less than 25% in principal amount of the bonds outstanding at the time of such request, and if there shall not have been delivered to the trustee and to us written directions to the contrary by the holders of not less than a majority in principal amount of the bonds then outstanding, then such default and its consequences *ipso facto* shall be deemed to be waived, or
- (c) if all such principal and interest which shall have matured otherwise than by such declarations shall have been made good and all other defaults cured or provided for or waived within 30 days after such declaration, then, without regard to any directions by the bondholders, all such defaults and their consequences *ipso facto* shall be deemed to be waived; and the parties shall be restored to their respective rights and obligations under the indenture as if no default had occurred; but no such waiver of any particular default shall extend to or affect or be deemed a waiver of any other default or impair any right consequent thereon. (Section 9.05)

#### *Remedies with Respect to Mortgaged Property*

To the extent permitted by law, upon the occurrence of an event of default the trustee may take actual possession of and enter, hold, use, operate and manage all of the Mortgaged Property and conduct the business, either personally or through the trustee's agents. If the trustee takes such action, the trustee will receive the rents, income, issues and profits from the Mortgaged Property and, after deducting the costs and expenses of taking, holding, operating and managing the Mortgaged Property, including reasonable compensation to the trustee and its agents and counsel, taxes, assessments and expenses for any repairs, alterations and improvements, will apply such money first to interest owed and then to principal. (Section 9.04)

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If one or more events of default occurs and continues without remedy for the designated period, the trustee may sell the Mortgaged Property or take appropriate judicial proceedings for the enforcement and protection of its rights and the rights of the bondholders. (Section 9.06)

## **Table of Contents**

### *Control by Holders; Limitations*

The holders of a majority in principal amount of the bonds outstanding under the indenture will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power given to the trustee. The holders of a majority in principal amount of the bonds of any series will have the right, on behalf of all holders of the bonds of such series, to consent to the waiving of any past default and its consequences, other than a payment default. (Sections 9.22 and 9.28)

In addition, the indenture provides that no holder of bonds will have any right to institute any suit, action or proceeding, at law or in equity, for the foreclosure of the indenture, the execution of any trust with respect to the indenture, the appointment of a receiver, or for any other remedy under the indenture unless:

the holder has previously given the trustee written notice of a continuing event of default;

the holders of at least a majority in principal amount of the outstanding bonds have made written request upon the trustee and afforded the trustee a reasonable opportunity to exercise its powers under the indenture or institute the action, suit or proceeding in its own name;

the trustee has been offered reasonable security and indemnity against costs and liabilities incurred to comply with the request; and

the trustee has refused or failed to comply with the request within a reasonable time or to take other appropriate action for the enforcement of the indenture. (Section 9.20)

No holder will be entitled to institute any action to affect, disturb or prejudice the lien of the indenture, or to enforce any right under the indenture, except in the manner specified in the indenture, and actions must be instituted and maintained only according to the procedures established by the indenture and for the equal benefit of all bondholders. Each registered holder, however, has an unimpaired and unaffected right to receive payment when due and to bring a suit to enforce that right, unless this action would impair the lien of the indenture. (Sections 9.20 and 9.21)

### **Notice of Default**

The trustee is required to give the bondholders notice of any default under the indenture known to the trustee, unless the default has been cured within 90 days after the occurrence of the default; *provided, however*, that except in the case of default in the payment of principal or interest of any bonds, or in the payment of any Maintenance and Sinking Fund installment, the trustee may withhold notice of default if and so long as our Board of Directors, the executive committee of our Board of Directors or a trust committee of directors and/or responsible officers of the trustee in good faith determine that the withholding of notice is in the interest of the bondholders. (Section 9.03)

### **Modification of the Indenture**

The indenture may be modified by the consent of the holders of at least 66 2/3% in principal amount of the bonds then outstanding, or in the event that less than all of the bonds of a particular series of bonds outstanding are affected by the modification, by the consent of the holders of 66 2/3% in principal amount of the bonds of such series affected. The right of any holder to receive payment of principal and interest when due or the right of any holder to enforce such payment may not be changed without the consent of such holder. (Section 16.05)

### **Defeasance, Cancellation and Discharge**

The lien on our property securing the bonds will be cancelled and discharged when the principal of and interest on the bonds has been paid or when we deposit with the trustee sufficient funds to repay the principal of and interest on all then outstanding bonds, and we request that the Mortgaged Property revert to us and that the lien be cancelled and discharged. Unless we request cancellation and discharge, the lien created by the indenture will not be cancelled and discharged, but shall remain in place for the issuance of future bonds pursuant to the terms of the indenture. (Sections 11.01 and 11.02)



## **Table of Contents**

### **Release Provisions**

Unless an event of default has occurred and is continuing, we may, free from the lien of the indenture and at any time, without any release by the trustee, sell, exchange or dispose of obsolete machinery or equipment, provided we replace the machinery and equipment with other machinery and equipment of equivalent or greater value. (Section 10.02) In the absence of the occurrence and continuance of an event of default, we may also at any time and from time to time, without any release by the trustee:

cancel or modify our rights-of-way, leases or contracts, other than rights-of-way for transmission lines which require a release from the trustee;

surrender or modify any franchise or governmental consent or permit, so long as we may still conduct our business in the same territory for the same time;

abandon the operation of any of our properties if the operation of such property is not necessary or important for the operation of our other systems and plants or where such abandonment is deemed to be advisable;

produce, mine, sell or dispose of gas, oil, coal or other minerals, if any, lying or being within or under any real property which is part of the Mortgaged Property; and/or

dispose of, in the ordinary course of business, fuel, repair parts, repair material, operating supplies and commodities that comprise stock or merchandise kept for sale, manufactured commodities, gas and other personal property manufactured or acquired for sale in the ordinary course of business. (Section 10.03)

The indenture also contains provisions for the release of property by the trustee (i) upon a sale or exchange of such property provided that we receive compensation equal to the fair value of the property and that the release is advantageous to the conduct of the business and will not impair the Mortgaged Property, and (ii) for property taken by eminent domain, and in each case provided that the proceeds of any sale, exchange or taking by eminent domain are deposited with the trustee. (Sections 10.04, 10.05)

### **Evidence of Compliance**

The indenture provides that we will furnish to the trustee officers' certificates, engineer's certificates and, in certain cases, independent engineer's certificates and independent accountant's certificates in connection with the authentication of any bonds, the release or release and substitution of property and certain other matters, and opinions of counsel as to the lien of the indenture and certain other matters.

### **Concerning the Trustee**

U.S. Bank National Association, a national banking association, duly organized and existing under the laws of the United States of America, has been appointed as the trustee. The principal office of the trustee is located at 500 South Hope Street, Suite 500, Los Angeles, California, 90071.

The trustee may resign at any time by giving us written notice and by publishing notice in a required newspaper. The resignation will be effective either on the date specified in the notice or on the date of appointment of a successor trustee. The holders of a majority in principal amount of the outstanding bonds may remove the trustee by signing, acknowledging, and filing with the trustee a written instrument or concurrent written instruments. Under certain circumstances, we may appoint a successor trustee. (Sections 14.16 and 14.17)

### **No Liability for Stockholders, Directors and Officers**

None of our present, past or future stockholders, directors or officers will be liable for any payments of principal or interest on the bonds, or for any claim based on any payment of principal or interest, or on the indenture or any supplemental indenture. (Article XII)





## Table of Contents

### Defined Terms

Set forth below are certain defined terms used in the indenture and in this description. Reference is made to the indenture for complete definitions of all such terms, as well as any other capitalized terms used in this prospectus for which no definition is provided:

*Excepted Property* means, notwithstanding anything contained in the granting clauses of the indenture, from the property thereby mortgaged, conveyed in trust, and/or pledged, all of the following property, whether now owned by the Company or hereafter acquired by it:

- (a) All bills, notes and accounts receivable, cash on hand or in bank, contracts and operating agreements, other than those subjected to the lien of the indenture pursuant to the indenture, chooses in action, and the Company's interest in existing leases in which the Company is lessor and in leases hereafter made of portions of the Mortgaged Property in which the Company is lessor;
- (b) Gas, manufactured commodities and other personal property manufactured or acquired for sale in the ordinary course of business; commodities and appliances constituting the whole or any part of stock or merchandise kept for sale; and fuel, repair parts, repair material and operating supplies;
- (c) All motor vehicles and tools therefor;
- (d) Gas, coal, oil or other minerals (when produced or severed);
- (e) Bonds, notes, conditional sales contracts and other evidences of indebtedness, and shares of stock, and other certificates of interest, other than those which may be actually delivered to the trustee pursuant to the indenture, or any subsequent provisions of the indenture;
- (f) Any gas and/or oil acreage, gas and/or oil wells, gas and/or oil reserves, or gas and/or oil leaseholds hereafter acquired by the Company, or any property or equipment now or hereafter owned by the Company and used for the development of gas and/or oil acreage or for the drilling for or production of gas and/or oil from such acreage; and
- (g) Certain real property as described in the indenture.

*Mortgaged Property* means as of any particular time the property which at said time is covered or intended to be covered by the lien of the indenture; *provided* that moneys held by the trustee in trust for the payment, at maturity or on a date fixed for redemption, of specific bonds shall not be deemed to be a part of the mortgaged property.

*Net Bondable Value of Property Additions* means, at any particular time, the aggregate of the cost to the Company or, as to such property additions which have not been retired, the fair value to the Company, if the fair value is less than cost, of all gross property additions purchased, constructed or otherwise acquired by the Company, after deducting therefrom the amounts specified in the following paragraphs (1), (2) and (3) and the greater of the amounts specified in the following paragraphs (A) or (B) after each of the amounts specified in said paragraphs (A) and (B) has been reduced by the amount of all credits taken on the basis of cash and bonds delivered to the trustee:

- (1) the aggregate of:

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- (i) the amount of all cash previously deposited with the trustee which shall have been withdrawn on the basis of property additions;
- (ii) the amount by which cash, provided to be deposited with the trustee pursuant to any provision of the indenture, has been reduced on the basis of property additions;
- (iii) the amount of all credits taken pursuant to the indenture on the basis of property additions; and
- (iv) the amount by which all credits taken pursuant to the indenture on the basis of property additions shall exceed whichever is the greater of the amounts specified in paragraphs (A) or (B) of this definition;

**Table of Contents**

- (2) 150% of the amount of all cash withdrawn pursuant to the indenture;
- (3) 150% of the aggregate principal amount of additional bonds previously authenticated and delivered pursuant to the indenture upon the basis of property additions; and
- (A) the sum of all appropriations of earnings for depreciation of bondable property made on or after January 1, 1955; or
- (B) the aggregate of:
  - (i) the bonded cost of all bondable property previously (but on or after January 1, 1955) retired, excepting property to an amount not exceeding \$5,000,000 owned by the Company on October 1, 1940, and built for the manufacture of gas from oil, and excepting property mentioned in paragraph (ii) next following;
  - (ii) the excess, if any, of the bonded cost of all bondable property
    - (a) previously (but on or after January 1, 1955) released from the lien of the indenture, over the fair value thereof to the Company at the time of its release, as stated in an engineer's certificate filed with the trustee or, if an independent engineer's certificate is filed, then as stated in such independent engineer's certificate,
    - (b) previously (but on or after January 1, 1955) taken by exercise of a power of eminent domain, over the proceeds paid to the trustee, and