



February 4, 2002

Advice No. 3118
(U 904 G)

Public Utilities Commission of the State of California

Subject: Compliance Filing to Extend LEV Bridge Funding

Southern California Gas Company (SoCalGas) hereby submits for filing revisions to its tariffs, applicable throughout its service territory, as shown on Attachment B.

This filing is made in compliance with Ordering Paragraph No. 9 of Resolution G-3322, issued January 23, 2002.

Purpose

This filing is made pursuant to Resolution G-3322, which ordered SoCalGas to amend any tariff provisions to reflect the authorization granted by this Resolution.

Background

The California Public Utilities Commission (Commission) has authorized SoCalGas' LEV program since 1992. Decision 95-11-035 authorized \$35.305 million for a 6-year LEV program that expired on December 31, 2001. SoCalGas filed Advice No. 3022 on April 30, 2001 requesting bridge funding for the existing LEV program until the later of December 31, 2002, or the issuance of a final decision in SoCalGas' next base margin proceeding. The Commission issued Resolution G-3322 on January 23, 2002 extending bridge funding until December 31, 2002.

Information

Pursuant to Ordering Paragraph No. 9 of Resolution G-3322, SoCalGas has amended Preliminary Statement, Part V, Description of Regulatory Accounts - Balancing, and Preliminary Statement, Part VI, Description of Regulatory Accounts - Memorandum, to reflect the authorization granted, as shown on Attachment B. The existing LEV program contains two (2) regulatory accounts, Natural Gas Vehicle Account (NGVA) which balances actual program costs with actual revenues, and NGV RD&D Memorandum Account (RDDNGV) which tracks NGV-related research, development and demonstration program costs. Per Commission order SoCalGas reconciles the regulatory accounts in each Biannual Cost Application Proceeding (BCAP) filing. If

there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase rates to recover the balance. However, since program spending in 2002 is limited to the amount authorized by Resolution G-3322 and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels. The authorized level for the LEV program for 2002 is \$5.554 million of balancing account funding, a level below that authorized by D.95-11-035. In the event that SoCalGas has over-collected for the LEV program, rates will be reduced to reflect the over-collection in the next BCAP filing.

Conclusion

This filing is made to comply with Ordering Paragraph No. 9 of Resolution G-3322, which ordered SoCalGas to amend its tariff provisions to reflect the authorization granted by Resolution G-3322. As such, SoCalGas has revised the two (2) regulatory accounts for its LEV program to reflect the authorization granted by Resolution G-3322, as shown on Attachment B.

Protest

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division - IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jrr@cpuc.ca.gov) and Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

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Los Angeles, CA 90013-1011
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Effective Date

Per Ordering Paragraph No. 9 of Resolution G-3322, this advice letter was made effective on January 23, 2002, but conditioned upon review of the Energy Division.

Notice

In accordance with Section III.G. of General Order No. 96-A, a copy of this advice letter is being sent to the parties listed on Attachment A, which includes the service list for Resolution G-3322 (I.91-10-029).

LEE SCHAVRIEN
Vice President
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Attachments

ATTACHMENT A

Advice No. 3118

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3118

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 34682-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 11	Revised 34004-G
Revised 34683-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 10	Revised 34287-G
Revised 34684-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 11	Revised 34288-G
Revised 34685-G	TABLE OF CONTENTS, GENERAL AND PRELIMINARY STATEMENTS, Sheet 1	Revised 34621-G

PRELIMINARY STATEMENT

Sheet 11

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

NATURAL GAS VEHICLE ACCOUNT (NGVA)

The NGVA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance actual natural gas vehicle (NGV) program costs with actual NGV program net revenues. D.92-01-021 (NGV Pilot) established the NGVA, and D.95-11-035 (Low Emission Vehicles) authorized SoCalGas to continue using this account for the six-year NGV program period of December 21, 1995, through December 20, 2001. Resoulution G-3322 authorized SoCalGas to continue to use this account through December 31, 2002.

In addition to the ratepayer-funded NGV program authorized by D.95-11-035, Resolution G-3191a authorized a throughput sharing mechanism for ratepayers and SoCalGas shareholders. In return for shareholder-funded NGV promotional expenses, shareholders get a portion of the revenue on throughput above a schedule proscribed in Resolution G-3191a.

The NGVA consists of the following two subaccounts: Natural Gas Vehicle Operations Account (NGVOA), and Natural Gas Vehicle Revenue Account (NGVRA). On a monthly basis, SoCalGas maintains these subaccounts as follows:

SoCalGas debits the NGVOA for operation and maintenance costs associated with compressed natural gas (CNG) fueling stations, incremental vehicle lease payments for SoCalGas fleet NGVs, program support activities, labor overhead costs and related taxes, and audit expenses, if any. SoCalGas also makes an entry to amortize prior balances resulting from the net of the NGVRA and NGVOA.

SoCalGas credits the NGVRA with NGV revenues, and debits the NGVRA for the cost of gas, company use and lost and unaccounted for gas costs, and electricity costs associated with making CNG, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from (to) ratepayers, pursuant to Commission order, SoCalGas will increase (decrease) rates to recover the balance. However, since program spending in 2002 is limited to the amount authorized in Resolution G-3322 and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3118
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Feb 4, 2002
 EFFECTIVE Jan 23, 2002
 RESOLUTION NO. G-3322

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PRELIMINARY STATEMENT

Sheet 10

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

EARTHQUAKE VALVE INSTALLATION SERVICE MEMORANDUM ACCOUNT (EVISMA)

The EVISMA is a memorandum account recorded on SoCalGas' financial statements. Pursuant to D.96-09-044, EVISMA was established to track all costs and revenues associated with implementing the Earthquake Valve Installation Service Program. The Earthquake Valve Installation Service Program is entirely funded by SoCalGas' shareholders.

The SoCalGas maintains the EVISMA by making monthly entries as follows: a) debits for actual costs associated with program, and b) credits for all revenues collected from customers in the program.

RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA)

The RRMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. D.93-12-043 (TY94 GRC) authorized SoCalGas to establish this account to track actual revenues from ratepayer-funded research programs. D.97-07-054 (PBR) added the following revenue sharing program: a) ratepayers get 100% of revenues from projects underway or completed prior to 1/1/98, and b) ratepayers and shareholders equally split the revenues from projects that start after 1/1/98.

SoCalGas maintains this account by making monthly entries as follows: a) debits for funds returned to ratepayers in rates, and b) credit entries for ratepayer's portions of actual research royalties, licensing fees, and other revenues.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission order, SoCalGas will decrease rates to return the balance plus interest to ratepayers.

NGV RD&D MEMORANDUM ACCOUNT (RDDNGV)

The RDDNGV is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track actual NGV-related research, development and demonstration (RD&D) program costs. D.93-12-043 (TY94 GRC) authorized SoCalGas to track NGV-related RD&D expenses separate from other RD&D costs; and D.95-11-035 (LEV) authorized SoCalGas to use this account for the six-year period December 21, 1995, through December 20, 2001. Resolution G-3322 authorized SoCalGas to continue the use of the account through December 31, 2002.

SoCalGas maintains this account by making monthly entries as follows: a) a debit for actual NGV-related research, development, and demonstration expenses plus interest; and b) a credit for amortization of costs that are being collected in rates, if any.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3118
DECISION NO.

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Feb 4, 2002
EFFECTIVE Jan 23, 2002
RESOLUTION NO. G-3322

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PRELIMINARY STATEMENT

Sheet 11

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

NGV RD&D MEMORANDUM ACCOUNT (RDDNGV) (Continued)

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase rates to recover the balance. However, since program spending in 2002 is limited to the amount authorized by Resolution G-3322 and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

INTERVENOR AWARD MEMORANDUM ACCOUNT (IAMA)

The IAMA is a memorandum account, the balance of which is recorded on the Utility's financial statements. The purpose of the IAMA is to track intervenor compensation payments authorized by the Commission. The balance in the IAMA will be addressed in the Utility's Biennial Cost Allocation Proceeding (BCAP).

Each month the Utility will debit the IAMA an amount equal to the intervenor compensation payments authorized by the Commission and recorded during the month.

Z FACTOR ACCOUNT (ZFA)

The ZFA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track costs associated with events that are potential "Z Factors." Z Factors are exogenous and unforeseen events largely beyond SoCalGas' control that have a material impact on SoCalGas' costs. D.97-07-054 (PBR), Conclusion of Law 16, authorized SoCalGas to establish the ZFA to allow Z Factor costs to be handled outside the PBR mechanism. Examples of Z Factors include, but are not limited to, accounting rule changes, new government mandates, and tax law changes. For more detail on Z Factors, see Preliminary Statement Part XI, section E.

SoCalGas maintains the ZFA by adding sub-accounts, and making appropriate accounting entries to each sub-account. When a potential Z Factor event occurs, SoCalGas will promptly advise the Commission of its occurrence, and add a new sub-account to the ZFA. Once the sub-account is established, SoCalGas maintains the sub-account(s) by making monthly entries as follows: debits for actual Z Factor costs related to the corresponding event; and credits for the amortization of prior sub-account balances, as authorized by the Commission, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed, taking into consideration the \$5,000,000 deductible which is applicable to each qualifying Z Factor event.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3118
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Feb 4, 2002
 EFFECTIVE Jan 23, 2002
 RESOLUTION NO. G-3322

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 N,D

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3118
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Feb 4, 2002
 EFFECTIVE Jan 23, 2002
 RESOLUTION NO. G-3322

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