



July 1, 2002

**J. Steve Rahon**  
**Director**  
**Tariffs & Regulatory Accounts**

8315 Century Park Court  
San Diego, CA 92123-1550  
Tel: 858.654.1773  
Fax: 858.654.1788  
srahon@semprautilities.com

Advice No. 3166  
(U 904 G)

Public Utilities Commission of the State of California

**Subject:** Pacific Enterprises/Enova Corporation 2002 Merger Credit

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) a plan to implement customer and shareholder sharing of savings from the Pacific Enterprises/Enova Corporation merger as ordered in Decision (D.) 98-03-073.

**Background**

In D.98-03-073, the Commission granted approval of the proposed merger of Pacific Enterprises and Enova Corporation and ordered SoCalGas and San Diego Gas & Electric (SDG&E) to share, in total, \$336.3 million in forecast merger savings with the regulated utilities' customers and Sempra Energy<sup>1</sup> shareholders. These forecast merger savings over five years are allocated \$174.9 million to customers and \$161.5 million to shareholders. The total customer savings over five years are allocated 67.4% to SoCalGas (\$117.9 million) and 32.6% to SDG&E (\$57.0 million). Customer savings are provided through annual merger bill credits.

D.98-03-073 ordered each utility to file an advice letter with the Commission indicating the procedures to be used in disbursing these merger bill credits<sup>2</sup>. By Advice Letter No. 2725, SoCalGas submitted its plan to implement customer and shareholder sharing of savings from the merger as ordered in D.98-03-073. D.98-03-073 also ordered SoCalGas to file a compliance advice letter no later than July 1 in subsequent years 1999 through 2002, setting the amount of the merger bill credit.

This advice letter requests authority to issue a credit of \$32,909,000 as authorized by D.98-03-073 plus \$204,000 of undistributed bill credits from 2001 for a total distribution of \$33,113,000 beginning September 1, 2002. (See Table 2 below).

Attachment E of SoCalGas Advice No. 2725 details the annual allocation of net savings among customer classes for each utility and is incorporated herein as Attachment B.

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<sup>1</sup> Sempra Energy is the name of the merged parent companies (Pacific Enterprises and Enova) of SoCalGas and SDG&E.

<sup>2</sup> Ordering Paragraph 2(d), pg. 146.

### **Customer Bill Credit Methodology**

The annual SoCalGas customer bill credit amounts as ordered in D.98-03-073 are summarized in Table 1:

**Table 1: Annual Customer Bill Credits (\$MM)**

<u>SoCalGas</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Total</u>
50% Sharing	8.0	13.6	21.5	25.6	28.3	97.0
Reg. Acct. Savings	<u>3.8</u>	<u>4.0</u>	<u>4.2</u>	<u>4.3</u>	<u>4.6</u>	<u>20.9</u>
<b>Bill Credit</b>	<b>11.8</b>	<b>17.6</b>	<b>25.7</b>	<b>29.9</b>	<b>32.9</b>	<b>117.9</b>

The specific elements of the methodology to implement the annual bill credits, unchanged from the prior year, are as follows:

- This represents the final bill credit as authorized in D.98-03-073. However, with the delay of SoCalGas' PBR, 100% of SoCalGas' estimated 2003 merger savings of \$83.6 million is ordered to be refunded to ratepayers in the same manner as current merger savings are refunded<sup>3</sup>.
- Residential customers will receive a fixed amount per active meter<sup>4</sup>. The residential bill credit will be calculated as *total annual merger savings allocated to residential customers, as set forth in Table 2, divided by the total number of active meters*. Residential customers include single family, multi-family and small master meter (<100,000 therms annually) customers. Master metered customers who submeter, such as mobile home parks, receive a bill credit equal to one credit for each submeter plus one credit for the master meter paid to the master meter owner. Pursuant to Public Utilities Code § 739.5, the master meter customer must pass through to each submetered customer served by the master meter, the credit received for that submeter.

Non-residential customers will receive a bill credit based on billed volumes. The first bill credit was based on billed volumes over the period January 1, 1998 through July 31, 1998. Bill credits provided in the years 1999 through 2003 shall be based on billed volumes over the subsequent 12-months August through July periods. The merger credit will be calculated as *total annual merger savings allocated to each non-residential customer class, as set forth in Table 2, divided by total billed volumes in the customer class and then multiplied by individual customer billed volumes*. Non-residential includes large

<sup>3</sup> Pursuant to Decision 01-10-030 which approved SoCalGas and SDG&E's request for a one-year deferral of their cost of service/performance-based ratemaking applications.

<sup>4</sup> "Active meter" refers to a bill account receiving service on the day a one-time scan of the customer database is performed.

master meter, commercial, industrial, UEG, cogeneration and wholesale customers, but excludes enhanced oil recovery, aggregator, marketer, storage and natural gas vehicles customers.

- During late August of each year, SoCalGas' Customer Information System (CIS) will do a one-time scan of the customer database to determine which customers are eligible for a merger credit and whether the credit is a fixed amount or volumetric. CIS will calculate the merger credit for all customers, and the merger credit will be posted to their accounts. The merger credit will apply to subsequent bills until fully exhausted.
- The merger credit will include the applicable utility user's tax credit since the tax is based on the total bill amount. The merger credit will have no impact on the calculation of franchise fees and uncollectible expenses since they are bundled in the tariffed rate.
- For customers on the Level Pay Plan (LPP), their LPP amount will be reduced by the merger credit until the credit is exhausted.
- Low-income customers will receive the full merger credit.
- If an adjustment to a customer's bill credit is necessary, an offsetting entry will be made into the Merger Credit Tracking Account (see Section IV, SoCalGas Advice No. 2725). Any balance in this account will be added to or deducted from the following year's bill credit amount. Any balance in this account as of July 31, 2004 will be included in rates through the next annual regulatory account update.
- SoCalGas will include a "bill message" on the customer's bill describing the credit and provide published notices of the merger credit and how a customer who did not receive a merger credit may request an account review.

### **Customer Class Allocations**

As provided in Section V of SoCalGas Advice No. 2725, the underlying allocation of the bill credits among customer classes will remain unchanged unless the equal percent of marginal cost allocation factors contained in D.97-04-082 are revised in other proceedings.

Bill credits allocated for distribution during September 2001 were under distributed by \$204,000. Table 2 shows how actual undistributed allocations are added back to the 2002 authorized distribution by customer class:

Table 2: Adjusted Customer Class Allocation

<b>Customer Class</b>	<b>2002 Credit</b>	<b>From 2001</b>	<b>2002 Total</b>
<b>Core:</b>			
Residential	24,711	187	24,898
Core Commercial/Industrial	4,466		4,466
Gas A/C	3		3
Gas Engines	79		79
<b>Noncore (including Wholesale):</b>			
Commercial/Industrial	1605	8	1613
Electric Generation	1468	7	1,475
Long Beach	36		36
SDG&E	503	2	505
Southwest	38		38
<b>Total</b>	<b>32,909</b>	<b>204</b>	<b>33,113</b>

### **SDG&E Gas-Fired Generation Facilities**

Ordering paragraph 2.b. of D.98-03-073 requires that SDG&E divest itself of its gas-fired generation facilities on or before December 31, 1999. SDG&E complied with the order, selling its facilities during 1999. SoCalGas Advice No. 2725, Attachment E, allocated to SDG&E a \$253,000 credit for 1999, related to gas usage at these and other gas-fired facilities under SoCalGas' Schedule No. GT-SD. For the September 1999 credit, SoCalGas allocated the entire credit to SDG&E. SDG&E distributed the allocated credit to SoCalGas customers under the GT-SD tariff based on volumetric usage. Credit amounts due in subsequent years will be made by SoCalGas directly to GT-SD tariff customers.

### **Change in Customer Class**

The Utility Electric Generation (UEG) class and the Cogeneration class were combined into the Electric Generation (EG) class during the 1999 Merger Credit period. The amounts allocated by SoCalGas Advice No. 2725, Attachment E, for UEG and Cogeneration customers will be combined in subsequent years in the EG class. Advice No. 2725, Attachment E, presented in this Advice as Table B, will be adjusted to reflect this customer class combination.

The small and large industrial and the commercial core customer classes (Rate Schedule Nos. G-10 and G-20) were combined beginning June 1, 2000. Allocations for the September 2000 Merger Credit were prorated. Classes will be combined in subsequent years.

**Protests**

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, 4<sup>th</sup> Floor  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jir@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.

Attn: Sid Newsom  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No. (213) 244-4957  
E-Mail: snewsom@semprautilities.com

**Effective Date**

SoCalGas respectfully requests that this advice letter be approved effective August 10, 2002, which is not less than forty (40) days regular statutory notice.

**Notice**

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to all parties listed on Attachment A to this advice letter, which includes the service list in A.96-10-038.

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J. STEVE RAHON  
Director  
Tariff and Regulatory Accounts

Attachments

**ATTACHMENT A**

**Advice No. 3166**

**See Attached Service Lists**

ACN Energy  
Hans Herzog  
hans.herzog@acnenergy.com

ACN Energy  
Mark Warno  
mark.warno@acnenergy.com

ACN Energy  
Tony Cusati  
tony.cusati@acnenergy.com

AFBCA/DB March  
3430 Bundy Ave., Bldg. 3408  
March AFC, CA 92518-1504

Aglet Consumer Alliance  
James Weil  
jweil@aglet.org

Alcantar & Kahl  
Elizabeth Westby  
egw@a-klaw.com

Alcantar & Kahl  
Kari Harteloo  
klc@a-klaw.com

Alcantar & Kahl LLP  
Phil Vizcarra  
120 Montgomery Street, Ste 2200  
San Francisco, CA 94104

BP Amoco, Reg. Affairs  
Marianne Jones  
501 West Lake Park Blvd.  
Houston, TX 77079

Barkovich & Yap  
Catherine E. Yap  
ceyap@earthlink.net

Berliner, Camdon & Jimison  
John Jimison  
johnj@bcjlaw.com

Beta Consulting  
John Burkholder  
burkee@cts.com

CPUC  
Consumer Affairs Branch  
505 Van Ness Ave., #2003  
San Francisco, CA 94102

CPUC  
Energy Rate Design & Econ.  
505 Van Ness Ave., Rm. 4002  
San Francisco, CA 94102

CSC Energy  
Ron McKillip  
rmckilli@csc.com

California Energy Market  
Lulu Weinzimer  
luluw@newsdata.com

Calpine Corp  
Avis Clark  
aclark@calpine.com

City of Anaheim  
Ben Nakayama  
Public Utilities Dept.  
P. O. Box 3222  
Anaheim, CA 92803

City of Azusa  
Light & Power Dept.  
215 E. Foothill Blvd.  
Azusa, CA 91702

City of Banning  
Paul Toor  
P. O. Box 998  
Banning, CA 92220

City of Burbank  
Fred Fletcher/Ronald Davis  
164 West Magnolia Blvd., Box 631  
Burbank, CA 91503-0631

City of Colton  
Thomas K. Clarke  
650 N. La Cadena Drive  
Colton, CA 92324

City of Glendale  
Larry Silva  
lsilva@ci.glendale.ca.us

City of Lompoc  
H. Paul Jones  
100 Civic Center Plaza  
Lompoc, CA 93438

City of Long Beach, Gas Dept.  
Chris Garner  
2400 East Spring Street  
Long Beach, CA 90806-2385

City of Los Angeles  
City Attorney  
1700 City Hall East  
Los Angeles, CA 90012

City of Pasadena  
Manuel A. Robledo  
150 S. Los Robles Ave., #200  
Pasadena, CA 91101

City of Riverside  
Stephen Aronson  
saronson@ci.riverside.ca.us

City of Vernon  
Kenneth J. DeDario  
kdedario@ci.vernon.ca.us

Coral Energy  
Walter Cinibulk  
wcinibulk@coral-energy.com

County of Los Angeles  
Otto Radtke  
1100 Northeastern Ave., Rm. 101  
Los Angeles, CA 90063

Davis, Wright, Tremaine  
Judy Pau  
judypau@dwt.com

Downey, Brand, Seymour & Rohwer  
Ann Trowbridge  
atrowbridge@dbsr.com

Dynegy  
Joseph M. Paul  
jmpa@dynegy.com

Energy Law Group, LLP  
Andrew Skaff  
askaff@energy-law-group.com

Gas Purchasing  
BC Gas Utility Ltd.  
16705 Fraser Highway  
Surrey, British Columbia, Canada V3S  
2X7

Goodin, MacBride, Squeri  
J. H. Patrick  
hpatrick@gmssr.com

Imperial Irrigation District  
K. S. Noller  
P. O. Box 937  
Imperial, CA 92251

Jones, Day, Reavis, & Pogue  
Norman A. Pedersen, Esq.  
555 West 5th Street, #4600  
Los Angeles, CA 90013-1025

Law Offices of William H. Booth  
William Booth  
wbooth@booth-law.com

Crossborder Energy  
Tom Beach  
tomb@crossborderenergy.com

Dept. of General Services  
Celia Torres  
celia.torres@dgs.ca.gov

Downey, Brand, Seymour & Rohwer  
Phil Stohr  
pstohr@dbsr.com

Edson & Modisette  
925 L Street, Ste 1490  
Sacramento, CA 95814

Energy Law Group, LLP  
Diane Fellman  
difellman@energy-law-group.com

General Services Administration  
Dir., Public Utility Services Div.  
Public Bldgs. Serv., Rm. 7325  
18th and F Streets, N.W.  
Washington, D.C. 20405

Goodin, MacBride, Squeri  
James D. Squeri  
jsqueri@gmssr.com

JBS Energy  
Jeff Nahigian  
jeff@jbsenergy.com

LADWP  
Nevenka Ubavich  
nubavi@ladwp.com

LeBoeuf, Lamb, Greene  
Christopher Hilén  
chilen@llgm.com

Davis Wright Tremaine, LLP  
Edward W. O'Neill  
One Embarcadero Center, #600  
San Francisco, CA 94111-3834

Dan Douglass  
douglass@energyattorney.com

Downey, Brand, Seymour & Rohwer  
Dan Carroll  
dcarroll@dbsr.com

El Paso Natural Gas Company  
Richard O. Baish  
P. O. Box 1492  
El Paso, TX 79978

Enserch Gas Marketing, Inc.  
Cathy Hawes  
353 Sacramento, St., Suite 400  
San Francisco, CA 94111

General Services Administration  
Facilities Management (9PM-FT)  
450 Golden Gate Ave.  
San Francisco, CA 94102-3611

David Huard  
dhuard@manatt.com

Jeffer, Mangels, Butler & Marmaro  
One Sansome Street, 12th Floor  
San Francisco, CA 94104-4430

LADWP  
Randy Howard  
P. O. Box 51111, Rm. 956  
Los Angeles, CA 90051-0100

Luce, Forward, Hamilton & Scripps  
John Leslie  
jleslie@luce.com



MRW & Associates  
Robert Weisenmiller  
mrw@mrwassoc.com

Matthew Brady & Associates  
Matthew Brady  
matt@bradylawus.com

National Utility Service, Inc.  
Jim Boyle  
One Maynard Drive, P. O. Box 712  
Park Ridge, NJ 07656-0712

Navigant Consulting, Inc.  
Katie Elder  
katie\_elder@rmiinc.com

Office of Energy Assessments  
Bill Knox  
bill.knox@dgs.ca.gov

PG&E National Energy Group  
Eric Eisenman  
eric.eisenman@neg.pge.com

Pacific Gas & Electric Co.  
John Clarke  
Regulatory R77 Beale, B30A B10C  
San Francisco, CA 94105

Praxair Inc  
Rick Noger  
rick\_noger@praxair.com

Questar Southern Trails  
Lenard Wright  
lenardw@questar.com

Regulatory & Cogen Services, Inc.  
Donald W. Schoenbeck  
900 Washington Street, #1000  
Vancouver, WA 98660

Richard Hairston & Co.  
Richard Hairston  
hairstonco@aol.com

Southern California Edison Co  
Fileroom Supervisor  
2244 Walnut Grove Ave., Room 290,  
GO1  
Rosemead, CA 91770

Southern California Edison Co  
Karyn Gansecki  
601 Van Ness Ave., #2040  
San Francisco, CA 94102

Southern California Edison Co.  
Colin E. Cushnice  
cushnice@sce.com

Southern California Edison Co.  
John Quinlan  
john.quinlan@sce.com

Southern California Edison Co.  
Kevin Cini  
cinikr@sce.com

Southern California Edison Company  
Martin Collette  
martin.collette@sce.com

Southwest Gas Corp.  
Edward Zub  
P. O. Box 98510  
Las Vegas, NV 89193-8510

Suburban Water System  
Bob Kelly  
1211 E. Center Court Drive  
Covina, CA 91724

Sutherland, Asbill & Brennan  
Keith McCrea  
kmccrea@sablaw.com

TURN  
Marcel Hawiger  
marcel@turn.org

TURN  
Mike Florio  
mflorio@turn.org

Transwestern Pipeline Co.  
Glen R. Hass  
glen.hass@enron.com

Vandenberg AFB  
Ken Padilla  
ken.padilla@vandenberg.af.mil

Western Division, Naval Facilities  
Engineering Code 1642  
900 Commodore Dr.  
San Bruno, CA 94066-2402

White & Case  
Regulatory Affairs  
regaffairs@sf.whitecase.com



**Attachment B\***  
**Advice No. 3166**

\* Replicates SoCalGas Advice No. 2725, Attachment E  
Adjusted for Consolidation of Customer Classes & EPMC as Adopted in 1999 BCAP

**Pacific Enterprises/Enova Corp Merger Savings Credit**

**SoCalGas Customer-Class Allocations**

**Synergy Savings to SoCalGas Customers (\$000)**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Total</u>
Net Savings for Bill Credit After Transfer From Regulatory Accounts	\$11,848	\$17,547	\$25,643	\$29,902	\$32,909	\$117,849

**SoCalGas Customer Allocations (\$000)**

<u>Customer Class</u>	<u>Factor<sup>1</sup></u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Factor<sup>2</sup></u>	<u>2001</u>	<u>2002</u>	<u>Total</u>
Core:								
Residential	75.9%	8,999	13,326	19,476	75.1%	22,454	24,711	88,966
G-10	14.1%	1,668	2,471	3,611				7,750
G-20	0.3%	38	56	82				175
G-10 <sup>3</sup>					13.6%	4,058	4,466	8,524
Gas A/C	0.0%	3	5	7	0.0%	3	3	21
Gas Engines	0.2%	22	33	48	0.2%	72	79	254
Noncore (including Wholesale <sup>4</sup> ):								
Comm/Ind	4.0%	469	694	1,015	4.9%	1,451	1,596	5,225
Cogen	1.1%	134	198					332
UEG	2.5%	299	443					743
Electric Generation	3.7%			937	4.4%	1,327	1,461	3,725
Long Beach	0.2%	21	31	46	0.1%	32	35	166
SDG&E	1.4%	171	253	370	1.5%	455	500	1,749
Southwest	0.2%	24	36	52	0.1%	34	38	183
Vernon <sup>5</sup>					0.1%	17	19	36
<b>Total:</b>	<b>100.0%</b>	<b>11,848</b>	<b>17,547</b>	<b>25,643</b>	<b>100%</b>	<b>29,902</b>	<b>32,909</b>	<b>117,849</b>

<sup>1</sup> SoCalGas' merger savings for 1998 - 2000 are allocated to each customer class based on equal percentage of marginal cost as adopted in the 1996 BCAP.

<sup>2</sup> SoCalGas' merger savings for 2001 - 2002 are allocated to each customer class based on equal percentage of marginal cost as adopted in the 1999 BCAP and scaled to annual net savings to account for excluded non-residential customer classes.

<sup>3</sup> Core G-10 and G-20 combined beginning June 1, 2000.

<sup>4</sup> DGN (Mexico) not extended any portion of merger savings credit.

<sup>5</sup> The city of Vernon developed a distribution network for its customers, which are primarily Large C&I, and is currently a wholesale customer of SoCalGas. Proposed share of merger savings extended on such merits.