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September 27, 2002

Advice No. 3190  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Gas Cost Incentive Mechanism (GCIM)**

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B.

**Purpose**

The purpose of this advice letter is to 1) revise SoCalGas' Preliminary Statement, Part VIII, Gas Cost Incentive Mechanism (GCIM) to incorporate the changes set forth in the Settlement Agreement, 2) revise Preliminary Statement, Part V, Description of Regulatory Accounts - Balancing, by establishing the Gas Cost Rewards and Penalties Account (GCRPA) to balance shareholder rewards/penalties with disposition in monthly gas procurement rates, and 3) revise Schedule Nos. G-CP, G-CS, GW-LB, GW-SD, GW-SWG and GW-VRN to provide an adjustment to monthly gas procurement charges for the GCIM reward/penalty.

**Discussion**

In Decision No. 02-06-023, the Commission granted approval of the Settlement Agreement with modifications to SoCalGas' GCIM for Year Seven and beyond. A significant modification included changes to the sharing bands to minimize the potential impact of volatile gas markets on the GCIM award formula. Sharing bands above the benchmark will remain unchanged, with no sharing up to 2% above the benchmark and 50/50 sharing between ratepayers and shareholders if more than 2% above the benchmark. However, sharing bands below the benchmark have been modified which entitles shareholders to a 25% share when savings are between 1% and 5% under benchmark and a 10% share when savings exceed 5% under benchmark, subject to an overall cap on shareholder earnings at 1.5% of the actual annual gas commodity costs. Conversely, ratepayers retain all of the savings in the 0-1% range, 75% of savings in the 1-5% range, and 90% of the savings that are more than 5% below the benchmark.

Also reflected in the Settlement Agreement were other changes in the formula to calculate GCIM results:

- Starting in Year 8, the NYMEX Program will be eliminated as a benchmark index.
- Additional interstate transportation will be flowed through as a ratepayer cost as long as total transportation does not exceed transportation necessary for retail core load. Any transportation acquired in excess of that required for retail core load in a given month is subject to review in connection with the GCIM audit on an annual basis. Additionally, the 10% Border guideline is eliminated.
- The GCIM benchmark will be adjusted in recognition of the new El Paso Natural Gas Company non-SoCalGas receipt points (*i.e.*, PG&E-Topock, Mojave-Topock) allocated to SoCalGas. Similar to the current monthly border benchmark, the new points will be indexed to mutually agreed upon publication(s) and will be volume weighted by actual purchases and sales. If an index is not available for a delivery point, a mutually agreed upon substitute index (*i.e.*, % of another SoCalGas border index) will be utilized.

Beginning with GCIM Year Nine, SoCalGas will include the shareholder rewards/penalties of the GCIM from the most recent monthly report in the utility's core monthly gas pricing advice letter submitted to the Energy Division, with copies to ORA.

### **Protest**

Anyone may protest this Advice Letter to the 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 ([jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)) and Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto: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  
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555 West Fifth Street  
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**Effective Date**

SoCalGas respectfully requests that this advice letter be approved effective November 7, 2002, which is not less than forty (40) days regular statutory notice, with any rate changes to be effective the first of the month following approval of this advice letter.

**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.00-06-023.

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Attachments

**ATTACHMENT A**

**Advice No. 3190**

**(See Attached Service Lists)**

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ATTACHMENT B  
Advice No. 3190

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 35874-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 1 PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 12	Revised 34819-G
Original 35875-G		
Revised 35876-G*	PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 1 PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 2 PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 3 PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 4 PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 5 PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 6	Revised 31776-G
Revised 35877-G		Revised 31776-G
Revised 35878-G		Revised 31777-G
Revised 35879-G*		Revised 31778-G
Revised 35880-G		Revised 30523-G
Original 35881-G		Revised 30524-G
Revised 35882-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 1	Revised 35758-G
Revised 35883-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 2	Revised 35759-G
Revised 35884-G	Schedule No. G-CS, CORE SUBSCRIPTION NATURAL GAS SERVICE, Sheet 2	Revised 35760-G
Revised 35885-G	Schedule No. GW-LB, WHOLESALE NATURAL GAS SERVICE, Sheet 2	Revised 34254-G
Revised 35886-G	Schedule No. GW-SD, WHOLESALE NATURAL GAS SERVICE, Sheet 1	Revised 35762-G
Revised 35887-G	Schedule No. GW-SWG, WHOLESALE NATURAL GAS SERVICE, Sheet 2	Revised 34258-G
Revised 35888-G	Schedule No. GW-VRN, WHOLESALE NATURAL GAS SERVICE, Sheet 2	Revised 34260-G
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Revised 35890-G	TABLE OF CONTENTS	Revised 35872-G
Revised 35891-G	TABLE OF CONTENTS	Revised 35873-G

PRELIMINARY STATEMENT

Sheet 1

PART V  
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

A. GENERAL

Balancing accounts are those regulatory accounts where authorized expenses are compared with revenues from rates designed to recover those expenses. The resulting under- or overcollection, plus interested calculated in the manner described in Preliminary Statement, Part I, is recorded on the Utility's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts are to be amortized in rates.

B. LISTING OF BALANCING ACCOUNTS

Purchased Gas Account (PGA)

Core Fixed Cost Account (CFCA)

Noncore Fixed Cost Account (NFCA)

Enhanced Oil Recovery Account (EORA)

Noncore Storage Balancing Account (NSBA)

California Alternate Rates for Energy Account (CAREA)

Brokerage Fee Account (BFA)

Hazardous Substance Cost Recovery Account (HSCRA)

Natural Gas Vehicle Account (NGVA)

El Paso Turned-Back Capacity Balancing Account (EPTCBA)

Gas Cost Rewards and Penalties Account (GCRPA)

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(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 3190  
DECISION NO. 02-06-023

ISSUED BY  
**Lee Schavrien**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Sep 27, 2002  
EFFECTIVE Nov 7, 2002  
RESOLUTION NO. \_\_\_\_\_



PRELIMINARY STATEMENT  
PART VIII  
GAS COST INCENTIVE MECHANISM

Sheet 1

A. GENERAL

The Gas Cost Incentive Mechanism (GCIM) replaces the Reasonableness Review as a means of reviewing SoCalGas' natural gas purchasing activities for retail core (core) customers. The purpose of the GCIM is to provide market-based incentives to reduce the cost of gas to core customers and to provide appropriate objective standards against which to measure SoCalGas' performance in gas procurement and transportation functions on behalf of core customers.

On an annual basis, the GCIM provides SoCalGas with an incentive to achieve a cost of gas that is at or below the prevailing market price for gas, by establishing an annual benchmark budget. The actual gas costs incurred to meet the needs of core and any remaining core subscription customers (until such time as their current agreements expire) are measured against the annual benchmark budget. If the actual total gas cost is less than the annual benchmark budget, the cost savings is shared between ratepayers and shareholders based on a tiered formula with ratepayers receiving a progressively greater percentage of the GCIM gain over certain tolerances and within established sharing bands, subject to a cap on shareholders' benefit (see Section C.9). If the actual total gas cost is greater than the annual benchmark budget plus a specified tolerance, the excess cost penalty is split equally between shareholders and ratepayers. See Section C. for the detailed methodology used to calculate these components.

The commodity costs under the GCIM are recorded to SoCalGas' Purchased Gas Account (PGA). The transportation reservation charges for capacity reserved for the core are recorded to the Core Fixed Cost Account (CFCA). Any additional interstate capacity acquired in excess of that reserved for the core and intended for the core use will be treated similar to other gas commodity charges and included in the PGA.

B. EFFECTIVE DATES

1. A three-year experimental GCIM was approved in D.94-03-076, effective April 1, 1994. The GCIM program was modified and extended for two years by D.97-06-061, effective April 1, 1997. The GCIM program extension remained in effect through March 31, 1999.
2. Pursuant to D.98-12-057, the GCIM is extended on an annual basis for 12-month cycles, beginning in Year 6, the period April 1, 1999 through March 31, 2000, unless the mechanism is modified or discontinued by further order of the Commission.
3. D.02-06-023 approved a Settlement Agreement sponsored by the Commission's Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN) and SoCalGas, with amendments, which further modifies the GCIM and extended it for Year 7 (April 1, 2000 through March 31, 2001) and beyond, on an annual basis until further modified or terminated upon Commission Order.

(Continued)

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**Lee Schavrien**  
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PRELIMINARY STATEMENT  
 PART VIII  
GAS COST INCENTIVE MECHANISM

Sheet 2

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY

1. On an annual basis, the GCIM compares the actual cost of SoCalGas' purchases to an annual benchmark budget. The annual benchmark budget is the sum of twelve monthly benchmark budget amounts.
2. The Monthly Benchmark Budget is the sum of monthly benchmark gas commodity costs, monthly benchmark commodity transportation costs, and monthly benchmark transportation reservation charges.
3. Monthly benchmark gas commodity costs are calculated at the mainline for interstate purchases and the border for border purchases. The Monthly Benchmark Gas Commodity Cost is the product of the Mainline Gas Commodity Reference Price times the volumes purchased at the mainline plus the product of the Border Gas Commodity Reference Prices times the volumes purchased at the respective border locations.
  - a. The Mainline Gas Commodity Reference Price consists of the weighted average of published indices from two specified gas industry publications for the mainline trading points for each of two southwest U.S. production basins in which SoCalGas procures its gas supplies. It equals the product of pipeline and basin weights applied to pipeline and basin specific indices reported in each of the specified publications. Each weight equals the ratio of the actual gas purchased from a specific pipeline [El Paso Natural Gas Company (El Paso) or Transwestern Pipeline Company (Transwestern)] and basin (Permian or San Juan) to the total gas purchased during the month by SoCalGas at the mainline on both pipelines. Since SoCalGas' purchases from the Anadarko basin are minimal, these volumes are included in SoCalGas' Permian purchases for purposes of developing weighting factors. If one publication does not report an index value for a specific basin-pipeline combination for a given month, the Mainline Gas Commodity Reference Price will use the corresponding index value from the other publication.
  - b. The Border Gas Commodity Reference Prices are based on the simple average of two published indices. The Southern California Border Average indices will be used for border purchases, including purchases from California and Federal Offshore production, and purchases made at the California border (with the exception of volumes purchased and sold at non-SoCalGas receipt points on El Paso pipeline).

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The Border Gas Commodity Reference Price for these Non-SoCalGas receipt points will be the simple average of published indices at each of these respective receipt points. Transactions at Non-SoCalGas receipt points (e.g. PG&E-Topock and Mojave-Topock) will be tracked separately and the value of interstate capacity dedicated to the core associated with transactions at these receipt points will flow entirely to SoCalGas' core ratepayers.

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PRELIMINARY STATEMENT  
 PART VIII  
GAS COST INCENTIVE MECHANISM

Sheet 3

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

4. The Monthly Benchmark Commodity Transportation Costs are the product of pipeline weighted commodity firm transportation rates multiplied by the total net volumes of gas actually purchased at the mainline points on El Paso and Transwestern (net of fuel) and transported via firm transportation agreements. Additional interstate transportation costs will be flowed through as a ratepayer cost as long as total transportation does not exceed transportation necessary for retail core load.

5. Monthly Benchmark Transportation Reservation Charges are the pipeline transportation reservation charges for total core capacity reserved on Transwestern and El Paso, as determined in SoCalGas' Biennial Cost Allocation Proceeding (BCAP), plus core subscription transportation reservation charges (until the expiration of the last few core subscription agreements), minus those reservation charges paid directly to interstate pipelines by core aggregators. San Juan Lateral reservation charges and all transportation reservation charges associated with additional core capacity are included as adjustments to the GCIM benchmark budget with no benefit to shareholders. Any transportation that is acquired in excess of that required for retail core load in a given month is subject to annual GCIM review.

SoCalGas will maximize its utilization of firm interstate capacity and its purchases from the basin and mainline receipt points. Capacity utilization is deemed reasonable if SoCalGas nominates at least 95% of its unreleased capacity rights in a given month. The transportation necessary for retail core load will be determined after giving consideration to the performance of the interstate pipeline capacity, including cuts and pipeline maintenance.

All commitments for capacity will be communicated to the ORA and TURN. Commitments in excess of two years will be made with the consultation of the ORA and TURN.

6. The Actual Total Annual Purchased Gas Costs are the sum of the twelve monthly total actual gas commodity costs plus the sum of the twelve monthly commodity transportation costs, plus the sum of the twelve monthly transportation reservation charges (as calculated in C.5 above). The following adjustments are made to the Actual Total Annual Purchased Gas Costs:

a. The actual cost of gas for California and Federal Offshore contracts are included in the actual purchased gas costs measured by the GCIM. The actual cost of California and Federal Offshore gas purchases are reduced by an amount equal to the Minimum Purchase Obligation (MPO) costs allocated to the noncore in rates.

b. Any revenues generated through the release of core interstate pipeline capacity on El Paso and Transwestern (including the San Juan Lateral) are to be credited to the actual costs.

c. Interstate exchange revenues are treated as credits to actual gas commodity costs.

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PRELIMINARY STATEMENT  
PART VIII  
GAS COST INCENTIVE MECHANISM

Sheet 4

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

6. (continued)

- d. Core gas sales will be used as a tool to reduce costs to core customers similar to other utilities and will be credited to actual gas commodity costs. T,D  
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- e. California Energy Hub (Hub) net revenues are included as a credit to the GCIM actual costs. On a monthly basis, the Hub net revenues are cleared from a separate Hub account and allocated to the PGA. T,L  
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- f. Commodity cost refunds credited to the PGA are credited to the actual cost of gas in the month during which SoCalGas receives the refund. T
- g. Surcharge adjustments to the core cost of gas are treated as an additional cost in the month during which SoCalGas is billed. If the surcharge occurs due to adjustments across more than one incentive mechanism cycle, the monthly actual cost of gas will be recalculated to reflect any GCIM impacts. T
- h. Any prospective refunds, surcharges, penalties, liabilities, or adjustments to purchases made during the term of the GCIM, specifically in conjunction with existing long-term contracts, shall be included as actual gas costs and are not subject to subsequent reasonableness review absent fraud or abuse. T
- i. Gains and losses from futures and over-the-counter financial transactions, including transaction costs will be recorded in the PGA, and included in GCIM actual commodity costs. T  
T

7. The Annual Storage Inventory target on November 1 is 70.0 Bcf of the physical gas supply, with an accepted variance of +5/-5 Bcf. If the November 1 target is not attained, deliveries must be made to insure that a minimum of 60 Bcf of actual physical gas in the core's inventory is reached by December 1. The January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these storage targets should be explained in SoCalGas' annual GCIM filing. N  
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8. Tolerance T

To determine GCIM rewards or penalties, tolerance bands above or below the benchmark budget are used. Tolerance bands are calculated as a percentage of the monthly gas commodity portion of the benchmark budget and is added to or subtracted from the benchmark budget as "upper tolerance band" or "lower tolerance band" (sharing bands), respectively. The specific percentages are approved by the CPUC and may be redetermined in subsequent CPUC decisions (See Section 9). T  
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(Continued)

(TO BE INSERTED BY UTILITY)  
 ADVICE LETTER NO. 3190  
 DECISION NO. 02-06-023

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**Lee Schavrien**  
 Vice President  
 Regulatory Affairs

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PRELIMINARY STATEMENT  
PART VIII  
GAS COST INCENTIVE MECHANISM

Sheet 5

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

9. Calculation of Rewards and Penalties Under GCIM

- a. On an annual basis, actual total purchased gas costs are compared to the annual benchmark budget to determine if a reward/savings or penalty applies.
- b. If actual total purchased gas costs for the incentive year are less than the annual benchmark budget, the difference constitutes a savings incentive to be shared between ratepayers and shareholders as defined by the Sharing Bands as follows:

Sharing Band	Ratepayer	Shareholder
0.0% -1.00%	100%	0%
1.00% - 5.00%	75%	25%
5.00% & Above	90%	10%

The shareholder reward will be capped at 1.5% of the actual annual gas commodity costs.

- c. If the actual total purchased gas costs are above the benchmark budget plus the upper tolerance band of 2%, then the difference constitutes a cost penalty, and the portion over this amount will be shared 50/50 between shareholders and ratepayers. If emergencies such as force majeure events (e.g. earthquakes and pipeline failures) cause the cost to be above benchmark, then ratepayers would absorb these incremental costs associated with that event.

D. BALANCING ACCOUNT TREATMENT OF REWARDS AND PENALTIES

Effective GCIM Year 9 (April 1, 2002 through March 31, 2003), SoCalGas will include the shareholder results of the GCIM from the most recent monthly report in the core monthly gas pricing advice letters submitted to the Energy Division, with copies to ORA. SoCalGas will maintain an interest bearing balancing account associated with shareholder rewards and penalties. On June 15 of each year, SoCalGas will file its annual GCIM application to the Commission describing, in detail, the results of the GCIM over the past year. ORA will conduct its annual audit and issue its monitoring and evaluation report by October 15 of each year. Any agreed upon adjustments in the shareholder incentive award or penalty for the past year will be reflected in SoCalGas' next core monthly gas pricing advice letter or as mutually agreed upon by SoCalGas and ORA.

(Continued)

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Schedule No. G-CP  
CORE PROCUREMENT SERVICE

Sheet 1

APPLICABILITY

Applicable for natural gas procurement service provided to core customers from the Utility's core portfolio, as defined in Rule No. 1. Service hereunder will be rendered in accordance with the provisions of the customer's otherwise-applicable rate schedule, as defined Special Condition 2.

TERRITORY

Applicable throughout the service territory.

RATES

Procurement Charges

The residential and non-residential procurement charges will be subject to change monthly, as set forth in D.98-07-068. The procurement charges will be based upon the estimated average price of flowing gas supplies during the injection season, and a blend of the weighted average estimated monthly price of flowing gas supplies and the estimated price of gas withdrawn from storage, when applicable. The procurement charges will be made effective on the first calendar day of the month. The Utility will file the core procurement charges and affected core service rate schedules on the last business day of the previous month.

G-CPNR

This charge is for non-residential core service as defined above. Pursuant to D.96-08-037, SoCalGas was authorized to change its non-residential procurement charge monthly beginning in January 1997.

The non-residential monthly gas procurement charge is comprised of: (1) the weighted average estimated cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

Cost of Gas, per therm .....	27.642¢
Brokerage Fee, per therm .....	<u>0.201¢</u>
Total Core Procurement Charge, per therm .....	27.843¢

(Continued)

(TO BE INSERTED BY UTILITY)  
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Schedule No. G-CP  
CORE PROCUREMENT SERVICE

Sheet 2

(Continued)

RATES (continued)

G-CPR

This charge is for residential service as defined above. Pursuant to D.96-08-037, SoCalGas was authorized to change the residential gas procurement charge monthly concurrent with its implementation of the 1996 BCAP Decision (D.97-04-082).

The monthly residential gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under- collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtractor in the case of an over-collection.

Cost of Gas, per therm .....	27.642¢
Brokerage Fee, per therm .....	<u>0.201¢</u>
Total Core Procurement Charge, per therm .....	27.843¢

The current procurement charge will be posted on the Utility's GasSelect electronic bulletin board and Internet web site at <http://www.socalgas.com/regulatory>.

The Utility will reflect all applicable taxes, fees, and surcharges and/or credits imposed as a result of providing service hereunder.

The number of therms to be billed will be determined in accordance with Rule No. 2.

SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule and the Utility's other tariffs are provided in Rule No. 1.
2. Service provided hereunder is subject to the terms and conditions of the Utility's tariff schedules on file with the Commission. Charges for transmission service will be in accordance with the Utility's core transportation rate schedules. The terms and conditions in the customer's otherwise-applicable core procurement schedule apply.

(Continued)

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Schedule No. G-CS  
CORE SUBSCRIPTION NATURAL GAS SERVICE

Sheet 2

(Continued)

RATES (continued)

Procurement Charges

Cost of Gas, per therm .....	17.340¢
Brokerage Fee, per therm .....	<u>0.266¢</u>
Total Procurement Charges, per therm .....	17.606¢

The procurement charge will be filed on the last business day of each month to become effective on the first calendar day of the following month. The procurement charge is comprised of (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner approved in D.98-07-068, including authorized franchise fees and uncollectible expenses, an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023, and any other applicable adjustments; and (2) an authorized brokerage fee.

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Interstate Transition Cost Surcharge (ITCS)

ITCS-GCS, per therm .....	0.025¢
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The ITCS, as defined in Rule No. 1, recovers certain interstate capacity costs and applies to all service under this schedule except for that service identified in Rule No. 1 as being exempt. The ITCS under this schedule shall include an additional allocation of any capacity costs that are associated with core subscription service.

Reservation Charges

Rate, per therm .....	3.382¢
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The core subscription reservation charge is determined on all volumetric basis and is calculated based on actual gas usage in therms.

Transmission Charges

G-CS3D, Commercial/Industrial Distribution Level

Rate, per therm

Tier I	0 - 20,833 Therms .....	9.244¢
Tier II	20,834 - 83,333 Therms .....	5.711¢
Tier III	83,334 - 166,667 Therms .....	3.451¢
Tier IV	Over 166,667 Therms .....	1.836¢

(Continued)

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Schedule No. GW-LB  
WHOLESALE NATURAL GAS SERVICE

Sheet 2

(Continued)

RATES (Continued)

Procurement Charge (Continued)

The procurement charge will be filed on the last business day of each month to become effective on the first calendar day of the following month. The procurement charge is comprised of (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner approved in D.98-07-068, including authorized franchise fees, an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023, and any other applicable adjustments; and (2) an authorized brokerage fee.

Reservation Charges

G-CS7, Core Subscription

Rate, per therm ..... 3.382¢

The core subscription reservation charge is determined on an all volumetric basis and is calculated based on actual gas usage in therms..

Rates may be adjusted to reflect any applicable taxes, franchise or other fees, regulatory surcharges, and interstate or intrastate pipeline charges that may occur.

The number of therms to be billed shall be determined in accordance with Rule No. 2.

SPECIAL CONDITIONS

GENERAL

1. Definitions of the principal terms used in this schedule are contained in Rule No. 1.
2. As a condition precedent to service under this schedule, an executed Master Services Contract, Schedule A, Intrastate Transmission Service (Form Nos. 6597 and 6597-1) is required. All contracts, rates and conditions are subject to revision and modification as a result of Commission order.
3. In the event of curtailment, Customer will be curtailed in accordance with Rule No. 23. Penalties for violation of curtailment shall apply as set forth in Rule No. 23. If service to Customer's Priority 1 and 2A customers is in jeopardy, such customers shall be served in parity with Utility's Priority 1 and 2A customers as set forth in Rule No. 23.

(Continued)

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Schedule No. GW-SD  
WHOLESALE NATURAL GAS SERVICE

Sheet 1

APPLICABILITY

Applicable for core subscription and intrastate transmission service for San Diego Gas & Electric Company ("Customer").

TERRITORY

Delivery points shall be as specified in the Customer's Master Services Contract, Schedule A, Wholesale Intrastate Transmission Service.

RATES

Procurement Charges

G-CS8, Core Subscription Service

Cost of Gas, per therm .....	17.256¢
Brokerage Fee, per therm .....	<u>0.266¢</u>
Total Procurement Charge, per therm .....	17.522¢

The procurement charge will be filed on the last business day of each month to become effective on the first calendar day of the following month. The procurement charge is comprised of (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner approved in D.98-07-068, including authorized franchise fees, an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023, and any other applicable adjustments; and (2) an authorized brokerage fee.

N  
 N,T

Reservation Charges

G-CS8, Core Subscription Service

Rate, per therm .....	3.382¢
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The core subscription reservation charge is determined on an all volumetric basis and is calculated based on actual gas usage in therms.

(Continued)

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Schedule No. GW-SWG  
WHOLESALE NATURAL GAS SERVICE

Sheet 2

(Continued)

RATES (Continued)

The procurement charge will be filed on the last business day of each month to become effective on the first calendar day of the following month. The procurement charge is comprised of (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner approved in D.98-07-068, including authorized franchise fees, an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023, and any other applicable adjustments; and (2) an authorized brokerage fee.

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Core Subscription Reservation Charges

G-CS9, Core Subscription

Rate, per therm ..... 3.382¢

The core subscription reservation charge is determined on an all volumetric basis and is calculated based on actual gas usage in therms.

Storage Reservation Charges

Rate, per year ..... \$1,192,118

The annual storage reservation charge set forth above shall be escalated annually as of each January 1 during the Contract term in accordance with the storage reservation charge escalation provisions set forth in the Contract. The annual reservation charge shall be billed in twelve equal monthly installments.

The above storage reservation charge shall be in lieu of the reservation charges set forth in Schedule No. G-LTS. The variable charges set forth in Schedule No. G-LTS shall be applicable to storage service hereunder.

Minimum Charge

The minimum monthly charge shall be the core subscription reservation charge, if applicable.

Billing Adjustments

Billing adjustments may be necessary to reflect changes in quantities used in developing prior periods' transportation charges.

Rates may be adjusted to reflect any applicable taxes, franchise or other fees, regulatory surcharges, and interstate or intrastate pipeline charges that may occur.

The number of therms to be billed shall be determined in accordance with Rule No. 2.

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Schedule No. GW-VRN  
WHOLESALE NATURAL GAS SERVICE

Sheet 2

(Continued)

RATES (Continued)

Procurement Charges (Continued)

The procurement charge will be filed on the last business day of each month to become effective on the first calendar day of the following month. The procurement charge is comprised of (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner approved in D.98-07-068, including authorized franchise fees, an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023, and any other applicable adjustments; and (2) an authorized brokerage fee.

Reservation Charges

G-CS10, Core Subscription

Rate, per therm ..... 3.382¢

The core subscription reservation charge is determined on an all volumetric basis and is calculated based on actual gas usage in therms.

Minimum Charge

The minimum monthly charge shall be the core subscription reservation charge if applicable.

Billing Adjustments

Billing adjustments may be necessary to reflect changes in quantities used in developing prior periods' transportation charges.

Rates may be adjusted to reflect any applicable taxes, franchise or other fees, regulatory surcharges, and interstate or intrastate pipeline charges that may occur.

The number of therms to be billed shall be determined in accordance with Rule No. 2.

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Part VII Description of Regulatory Accounts-Tracking .....	34372-G,34373-G,34374-G 34375-G,34376-G,34377-G,34378-G,34379-G
Part VIII Gas Cost Incentive Mechanism (GCIM) .....	35876-G,35877-G,35878-G,35879-G 35880-G,35881-G
Part IX Hazardous Substances Mechanism (HSM) .....	26199-G,26200-G,26201-G
Part X Global Settlement .....	32530-G,32531-G,32532-G,32533-G

(Continued)

(TO BE INSERTED BY UTILITY)  
 ADVICE LETTER NO. 3190  
 DECISION NO. 02-06-023

ISSUED BY  
**Lee Schavrien**  
 Vice President  
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED Sep 27, 2002  
 EFFECTIVE Nov 7, 2002  
 RESOLUTION NO. \_\_\_\_\_

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