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October 1, 2002

Advice No. 3193
(U 904 G)

Public Utilities Commission of the State of California

Subject: Annual PBR Rate Adjustment for 2003

Southern California Gas Company (SoCalGas) hereby submits for filing and approval by the California Public Utilities Commission (Commission) revisions to its revenue requirement and rates effective January 1, 2003.

This filing is made in compliance with Ordering Paragraph 7 of Decision No. (D.) 97-07-054, dated July 16, 1997, in SoCalGas' Performance Based Regulation (PBR) Application No. (A.) 95-06-002.

Purpose

This filing implements the annual PBR rate adjustment for 2003. This filing of the PBR indexing and adjustment mechanism is only for the elements of inflation (measured as the Gas Utility Price Index or "GUPI"), productivity, and customer growth.

The overall net rate change is an increase in base margin of \$48 million (3.31%) over SoCalGas' current base margin of \$1,453 million. The increase in SoCalGas' base margin consists of the following components: the GUPI escalation and productivity factors which combine to increase margin per customer to \$288.55 (1.58%), and a forecasted number of customers of 5,200,449.

The PBR indexing formula calculation and GUPI are detailed in Attachments B and C. The revised rates resulting from this increase in SoCalGas' base margin are shown in Attachment D.

PBR Indexing Mechanism

The indexing formula for 2003 is:

$$\begin{aligned}\text{Total Base Margin} &= \text{Base Margin per Customer} \times \text{Forecasted Number of Customers} \\ &= \$288.55 \times 5,200,449 \\ &= \$1,500,583.348^1\end{aligned}$$

The Base Margin per Customer includes adjustments for inflation (GUPI) and productivity of 4.08% and -2.50%, respectively. The forecasted number of customers includes 1.38% customer growth over the number of customers for June 2002.

It should be noted that additional PBR rate adjustments are expected to be authorized by the Commission prior to the end of this year. SoCalGas PBR Sharable Earnings Advice No. 3167 requests a 2001 PBR customer count-related true-up of negative \$4,646,835, Safety Incentives earned in the amount of \$460,000, recovery of mobilehome master meter conversion costs of \$167,094, and the ratepayer portion of sharable earnings of \$17,522,000.

After the Commission issues a ruling on each of these and other matters related to 2003 rates, SoCalGas will file an advice letter, including appropriate tariff schedules, to consolidate all of the rate changes resulting from the above-mentioned Commission actions. That filing will include an update of the Sempra-Wide Adjustment to the SoCalGas/San Diego Gas & Electric's Electric Generation (EG) rate, which is common to both utilities. SoCalGas proposes that the second advice letter be filed at least three days prior to the effective date (January 1, 2003) of such rates.

Protests

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 this advice letter was filed with the Commission. 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 (jjr@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.

¹ Both the GUPI escalation and the base margin per customer have further decimal places which are not shown here for the sake of brevity. When the *exact* (multi-decimal-place) base margin per customer is multiplied by the forecasted number of customers, the result is exactly \$1,500,583,348.

Attn: Sid Newsom
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Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

SoCalGas respectfully requests that this advice letter be approved on November 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 the parties listed on Attachment A to this advice letter, which includes the parties on the service list in A.95-06-002.

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Attachments

ATTACHMENT A

Advice No. 3193

(See Attached Service Lists)

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Attachment B
Advice No. 3193

Indexing Formula (Per D.97-07-054)

Total Base Margin for 2002 =

Base Margin per Customer x forecasted # of customers
+ Z Factor Adjustment

Where:

Base Margin per Customer in 2003 =	\$288.55	[See (A) below]
Forecasted # of customers for 2003 =	5,200,449	[See (B) below]
Z Factor Adjustment =	0	[See (C) below]

Total Base Margin in 2003	\$288.55 X 5,200,449	\$1,500,583,348
Base Margin in 2002		\$1,452,544,792
Incremental Change		<u><u>\$48,038,556</u></u>

Attachment B Advice No. 3193

Indexing Formula (Per D.97-07-054) (continued)

(A) Base Margin per Customer (BMPC)

2002 Base Margin (per AL 3070; 5,113,472 meters X \$284.07 per meter):	\$1,452,564,004
Adjustment for Montebello mineral rights recession (D.00-09-034)	<u>(\$19,212)</u>
Total 2002 Base Margin:	\$1,452,544,792
2002 Base Margin per Customer (\$1,452,564,004 / 5,113,472 meters)	284.06

Calculation of 2003 PBR Update:

BMPC in 2003 = (BMPC in 2002) x (1 + GUPI Escalation – Productivity)	
\$284.06 X (1 + 4.0793969% - 2.5%) =	\$288.55

Calculation of GUPI Escalation (adjusted inflation factor):

	Escalator for 2003	True-up for 2002	True-up for 2001	True-up for 2000
Components:	1.024840	1.014238	0.999754	1.001557
	Fs	Fc/Fc	R(c-1)/F(c-1)	RR(c-2)/R(c-2)
GUPI formula = [Fs * (Fc/Fc) * (R(c-1)/F(c-1)) * (RR(c-2)/R(c-2))] - 1 =	0.040793969			
where:				
forecasted GUPI year-to-year escalator for period s, the subject period -- made in period c	Fs=		1.02484	
forecasted GUPI year-to-year escalator for period c, the current period -- made in period c	Fc=		1.03468	
forecasted GUPI year-to-year escalator for period c -- made in period (c-1)	Fc=		1.02016	
forecasted GUPI year-to-year escalator for period (c-1) -- made in period (c-1)	F(c-1)=		1.01251	
recorded GUPI year-to-year escalator for period (c-1) -- as recorded in period c	R(c-1)=		1.01226	
recorded GUPI year-to-year escalator for period (c-2) -- as recorded in period (c-1)	R(c-2)=		1.05751	
revised recorded GUPI year-to-year escalator for period (c-2) -- as recorded in period c	RR(c-2)=		1.05915	
		Years		Date
File name	s=	2003		
gupi022.xls	c=	2002	Latest forecast made:	Sept. 9, 2002
gupi012.xls	(c-1)=	2001	Previous forecast made:	Sept. 10, 2001
	(c-2)=	2000		

**Attachment B
Advice No. 3193**

**Indexing Formula (Per D.97-07-054)
(continued)**

(B) Forecasted # of Customers (Per Advice No. 2617-A)

Forecasted # of C's	= Recorded Active Meters in June c x (1 + growth rate c)	
	= 5,129,876 x (1 + 1.375720%)	5,200,449

Where:

Recorded Active Customers in June 2001 =	5,060,261	1/
Recorded Active Customers in June 2002 =	5,129,876	2/

1/ June 2001 Active Customers are per Advice No. 3070.

2/ June 2002 total Active Meters from Report E08P25-1	5,133,811
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Less: Net meter-conversion adjustments from July 1998 through June 2002	<u>3,935</u>
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Adjusted Recorded Active Meters in June 2002	<u><u>5,129,876</u></u>
--	-------------------------

Growth rate	= % growth from June 2001 to June 2002	
	= (5,129,876 - 5,060,261) / 5,060,261	1.375720%

(C) Z Factor Adjustment

There is no Z factor adjustment at this time.

Attachment C Advice No. 3193

Gas Utility Price Index (GUPI) Data

September 9, 2002		
Year	GUPI	% Chg
1997	100	0.14%
1998	99.03248363	-0.97%
1999	103.474804	4.49%
2000	109.595638	5.92%
2001	110.9398189	1.23%
2002	114.7871853	3.47%
2003	117.6384836	2.48%
2004	121.3983916	3.20%
2005	124.1141351	2.24%
2006	127.8560917	3.01%
2007	130.4799555	2.05%

Sources of GUPI inputs (GUPI022.XLS):
 DRI-WEFA Second Quarter 2002 Utility Cost Trend Forecast:
 (hardcopy = DRI-WEFA Power Planner, 2nd Quarter 2002)
 -- Utility wages
 -- Total Non-Labor Gas O&M Costs
 -- Total Gas Plant Construction and Equipment Costs - Pacific Coast
 DRI-WEFA September 2002 forecast of the US Economy
 -- Rental Cost of Capital for Public Utilities
 -- Chained Price Index--Public Utilities

September 10, 2001		
Year	GUPI	% Chg
1997	100	2.18%
1998	99.0041	-1.00%
1999	103.3976	4.44%
2000	109.3436	5.75%
2001	110.7119	1.25%
2002	112.9433	2.02%
2003	116.2937	2.97%
2004	118.6573	2.03%
2005	121.6292	2.50%
2006	125.0353	2.80%
2007	128.5693	2.83%

Sources of GUPI inputs (GUPI012.XLS):
 DRI Second Quarter 2001 Utility Cost Trend Forecast:
 (hardcopy = Utility Cost & Price Review, 2nd Quarter 2001)
 -- Utility wages
 -- Total Non-Labor Gas O&M Costs
 -- Total Gas Plant Construction and Equipment Costs - Pacific Coast
 DRI September 2001 TRENDLONG forecast of the US Economy
 -- Rental Cost of Capital for Public Utilities
 -- Chained Price Index--Public Utilities

Attachment D
Advice No. 3193

SUMMARY OF TRANSPORTATION REVENUE CHANGES

SOUTHERN CALIFORNIA GAS COMPANY

Annual PBR Rate Adjustment for 2003

	BCAP REVENUES AT RATES IN EFFECT 09/01/2002 <u>(M\$)</u> (A)	REVENUES AT PROPOSED RATES <u>(M\$)</u> (B)	INCREASE (DECREASE) <u>(M\$)</u> (C=B-A)	CHANGE <u>(%)</u> (D=C/A)
CORE PROCUREMENT:				
RESIDENTIAL	1,081,822	1,115,630	33,808	3.125
LARGE MASTER METERED	9,194	9,459	264	2.874
CORE COMMERCIAL & INDUSTRIAL	203,954	210,106	6,152	3.017
GAS A/C	157	161	4	2.591
GAS ENGINE	3,085	3,085	-	-
TOTAL CORE PROCUREMENT	<u>1,298,212</u>	<u>1,338,440</u>	<u>40,229</u>	<u>3.099</u>
CORE TRANSPORTATION:				
RESIDENTIAL	10,856	11,198	341	3.146
LARGE MASTER METERED	92	94	3	2.908
CORE COMMERCIAL & INDUSTRIAL	36,921	38,043	1,122	3.040
GAS A/C	20	21	1	2.642
GAS ENGINE	160	160	-	-
TOTAL CORE TRANSPORTATION	<u>48,049</u>	<u>49,516</u>	<u>1,467</u>	<u>3.053</u>
TOTAL CORE	<u>1,346,260</u>	<u>1,387,956</u>	<u>41,696</u>	<u>3.097</u>
NONCORE:				
COMMERCIAL & INDUSTRIAL	61,676	63,951	2,274	3.687
ELECTRIC GENERATION 1_/	60,816	62,407	1,591	2.616
NONCORE SUBTOTAL	<u>122,492</u>	<u>126,358</u>	<u>3,865</u>	<u>3.156</u>
WHOLESALE				
LONG BEACH	1,282	1,333	50	3.922
SAN DIEGO GAS & ELECTRIC	14,751	15,460	709	4.808
SOUTHWEST	1,338	1,392	53	3.979
VERNON	616	643	26	0.043
TOTAL WHOLESALE	<u>17,988</u>	<u>18,828</u>	<u>839</u>	<u>4.665</u>
INTERNATIONAL				
DGN	500	520	20	0.041
UNBUNDLED STORAGE				
UNALLOC. COSTS TO NSBA (per J.R.)	21,000	21,000	-	-
NET CARE REVENUES	12,012	13,140	1,128	0.094
SYSTEM TOTAL	<u>2,050</u>	<u>2,050</u>	<u>-</u>	<u>-</u>
SYSTEM TOTAL	<u>1,522,304</u>	<u>1,569,852</u>	<u>47,549</u>	<u>3.123</u>
TOTAL ALLOCATED PPP REVENUES	124,160	124,160	-	-
UNALLOCATED PPP REVENUES	32	32	-	-
EOR REVENUES	22,777	22,777	-	-

1_/ Includes Common EG Adjustment Change of -\$490M.

**Attachment D
Advice No. 3193**

**SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF PRESENT AND PROPOSED RATES
Annual PBR Rate Adjustment for 2003**

Class of Service		Current	Proposed Rates	Increase/Decrease		
		Rates Effective 9/01/2002 (a)	Reflecting Annual PBR Rate Adjustment for 2003 (b)	Rate (c)=(b)-(a)	% (d)=(c)/(a)	
CORE - TRANSPORTATION COMPONENT						
Residential						
Average Residential						
	Customer Charge	\$/month	\$5.00	\$5.00	-	0.00%
	Baseline	¢/th	26.842	28.181	1.338	4.99%
	<u>Non-Baseline</u>	¢/th	<u>45.009</u>	<u>46.414</u>	<u>1.405</u>	<u>3.12%</u>
	Average Residential Rate	¢/th	43.551	44.912	1.361	3.13%
Non-Residential						
Core Commercial & Industrial						
			<u>Combined C/I</u>	<u>Combined C/I</u>		
	Customer Charge	\$/month	\$10.00/15.00	\$10.00/15.00	N/A	N/A
	Tier I (0-100 S, 250 W)	¢/th	41.393	43.890	2.498	6.03%
	Tier II (Tier I-4167)	¢/th	24.307	24.826	0.519	2.14%
	Tier III (>4167)	¢/th	11.907	12.278	0.370	3.11%
Gas Air Conditioning						
	Customer Charge	\$/month	\$150.00	\$150.00	-	0.00%
	Volumetric Rate	¢/th	12.102	12.485	0.384	3.17%
Gas Engine						
	Customer Charge	\$/month	\$50.00	\$50.00	-	0.00%
	Volumetric Rate	¢/th	17.632	17.632	-	0.00%
NONCORE - Average Transmission Rate						
Retail						
	Industrial	¢/th	4.234	4.390	0.156	3.69%
	Electric Generation 1_/	¢/th	2.066	2.120	0.054	2.62%
Wholesale						
	Long Beach	¢/th	1.648	1.713	0.065	3.92%
	SDG&E	¢/th	1.020	1.069	0.049	4.81%
	Vernon	¢/th	1.194	1.245	0.051	4.29%
	Southwest Gas	¢/th	1.460	1.518	0.058	3.98%
UNBUNDLED STORAGE						
Annual Reservation						
	Injection	\$/Dthd	20.169	20.169	-	0.00%
	Withdrawal	\$/Dthd	11.584	11.584	-	0.00%
	Inventory	\$/Dth	0.214	0.214	-	0.00%
Variable Charges						
	Injection	\$/Dth	0.0127	0.0127	-	0.00%
	Withdrawal	\$/Dth	0.0177	0.0177	-	0.00%
BROKERAGE FEES						
	Core	¢/th	0.20100	0.20100	-	0.00%
	Noncore	¢/th	0.26600	0.26600	-	0.00%

1_/ Includes Common EG Adjustment Change of -0.017 ¢/therm.