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October 15, 2002

Advice No. 3196
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Annual Regulatory Account Balance Update for Rates Effective
January 1, 2003**

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

Purpose

This filing, made each year on or before October 15th, is in compliance with the longstanding practice of updating SoCalGas' revenue requirements for projected year-end regulatory account balances as established in Ordering Paragraph 2 of Decision No. (D.) 94-12-052. This filing is to revise SoCalGas' rates to incorporate the projected 2002 year-end regulatory account balances in rates effective January 1, 2003.

Background

The revenue requirements related to balances in regulatory accounts are amortized in rates over 12 months beginning each January 1st. It should be noted that the revenue requirements herein do not include other revenue requirement adjustments authorized or expected to be authorized by the Commission for implementation in rates effective January 1, 2003. SoCalGas will file an advice letter consolidating all Commission-authorized changes in its revenue requirements, and the related changes to its rates, at least three days prior to the January 1, 2003 effective date of such rates.

Included with this filing are a Summary of Revenue Changes and Present and Proposed Rates (Attachment B) and a Summary of Regulatory Account Changes (Attachment C).

Customer Rate Impact**Core Customers:**

Gas transportation rates are based on the average temperature year gas demand data for setting rates adopted by the Commission in D.00-04-060. Pursuant to Advice No. 3072, SoCalGas was authorized to amortize in 2002 rates a Core Fixed Cost Account (CFCA) overcollection of \$0.8 million. In contrast, due to higher gas throughput above the average temperature year gas demand, the forecasted 2002 year-end CFCA balance is projected to be overcollected by approximately \$77.2 million. The revised CFCA forecast is the primary reason for the core transportation rate decrease described below.

Noncore Customers:

SoCalGas was authorized to amortize in 2002 rates a Noncore Fixed Cost Account (NFCA) overcollection of \$29.9 million and a PITCO/POPCO Transition Cost Account (PPTCA) overcollection of \$17.4 million of which \$11.1 million of the PPTCA overcollection was allocated to noncore customers. The completion of the noncore amortization of the \$41 million overcollection related to these regulatory account balances in current rates is the primary reason for the noncore transportation increase described below.

Regulatory Accounts

A decrease of \$69.8 million (or 5.2%) in the total core revenue requirement is necessary to amortize the projected year-end 2002 balances in the regulatory accounts. The major components of this revenue requirement decrease are as follows:

	Description	Core Revenue Requirement Increase/ (Decrease) <i>(in millions of \$)</i>
1/	Core Fixed Cost Account (CFCA)	(76.4)
2/	Research Royalty Memorandum Account (RRMA)	11.6
3/	Enhanced Oil Recovery Account (EORA)	(9.3)
4/	PITCO/POPCO Transition Cost Account (PPTCA)	6.2
5/	Noncore Storage Balancing Account (NSBA)	(4.1)
6/	Hazardous Substance Cost Recovery Account (HSCRA)	2.3
7/	Other regulatory account balances	(0.1)
	Total Core Revenue Requirement	(69.8)

An increase of \$41.9 million in the total noncore transportation revenue requirement is necessary to amortize the projected year-end 2002 balances in the regulatory accounts. The major components of this revenue requirement increase are as follows:

Description	Noncore Revenue Requirement Increase/ (Decrease) <i>(in millions of \$)</i>
1/ Noncore Fixed Cost Account (NFCA)	33.3
2/ PITCO/POPCO Transition Cost Account (PPTCA)	11.1
3/ Interstate Transition Cost Surcharge Account (ITCSA)	1.4
4/ Noncore Storage Balancing Account (NSBA)	(7.4)
5/ Hazardous Substance Cost Recovery Account (HSCRA)	4.2
6/ Other regulatory account balances	(0.7)
Total Noncore Revenue Requirement	41.9

The Sempra-Wide common Electric Generation (EG) rate adjustment associated with these regulatory account updates will decrease by \$4.5 million. This reduces the total noncore revenue increase to \$37.4 million (or 27% of the current noncore transportation requirement).

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 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 (ijnj@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
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 on January 1, 2003, which is more 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.98-10-012.

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Attachments

ATTACHMENT A

Advice No. 3196

(See Attached Service Lists)

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ATTACHMENT B

Advice No. 3196

Summary of Transportation Revenue Changes

and

Summary of Present and Proposed Rates

Attachment B.1

SUMMARY OF TRANSPORTATION REVENUE CHANGES

SOUTHERN CALIFORNIA GAS COMPANY

Regulatory Account Update for January 1, 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	1,030,807	(51,014)	(4.716)
LARGE MASTER METERED	9,194	8,429	(765)	(8.323)
CORE COMMERCIAL & INDUSTRIAL	203,954	189,332	(14,622)	(7.169)
GAS A/C	157	134	(23)	(14.356)
GAS ENGINE	3,085	3,085	-	-
TOTAL CORE PROCUREMENT	<u>1,298,212</u>	<u>1,231,788</u>	<u>(66,423)</u>	<u>(5.117)</u>
CORE TRANSPORTATION:				
RESIDENTIAL	10,856	10,341	(515)	(4.747)
LARGE MASTER METERED	92	84	(8)	(8.419)
CORE COMMERCIAL & INDUSTRIAL	36,921	34,107	(2,814)	(7.621)
GAS A/C	20	17	(3)	(14.637)
GAS ENGINE	160	160	-	-
TOTAL CORE TRANSPORTATION	<u>48,049</u>	<u>44,709</u>	<u>(3,340)</u>	<u>(6.951)</u>
TOTAL CORE	<u>1,346,260</u>	<u>1,276,497</u>	<u>(69,763)</u>	<u>(5.182)</u>
NONCORE:				
COMMERCIAL & INDUSTRIAL	61,676	71,800	10,123	16.414
ELECTRIC GENERATION 1/	60,816	76,040	15,224	25.033
NONCORE SUBTOTAL	<u>122,492</u>	<u>147,840</u>	<u>25,347</u>	<u>20.693</u>
WHOLESALE				
LONG BEACH	1,282	1,801	518	40.416
SAN DIEGO GAS & ELECTRIC	14,751	25,104	10,353	70.184
SOUTHWEST	1,338	1,948	610	45.563
VERNON	616	959	343	55.635
TOTAL WHOLESALE	<u>17,988</u>	<u>29,813</u>	<u>11,824</u>	<u>65.732</u>
INTERNATIONAL				
DGN	500	742	242	48.396
UNBUNDLED STORAGE				
UNALLOC. COSTS TO NSBA (per J.R.)	21,000	21,000	-	-
NET CARE REVENUES	12,012	12,012	-	-
SYSTEM TOTAL	<u>2,050</u>	<u>2,050</u>	<u>-</u>	<u>-</u>
SYSTEM TOTAL	<u>1,522,304</u>	<u>1,489,954</u>	<u>(32,350)</u>	<u>(2.125)</u>
EOR REVENUES	<u>22,777</u>	<u>22,777</u>	<u>-</u>	<u>-</u>

1/ Includes Common EG Adjustment Change of -\$4452M.

ATTACHMENT B.2

SOUTHERN CALIFORNIA GAS COMPANY SUMMARY OF PRESENT AND PROPOSED RATES Regulatory Account Update for January 1, 2003

Class of Service		Current Rates Effective 09/01/2002 (a)	Proposed Rates Reflecting Reg. Account Update for January 1, 2003 (b)	Increase/Decrease		
				Rate (c)=(b)-(a)	% (d)=(c)/(a)	
CORE - TRANSPORTATION COMPONENT						
Residential						
Average Residential						
	Customer Charge	\$/month	\$5.00	\$5.00	-	-
	Baseline	c/th	26.842	24.823	(2.020)	-7.52%
	Non-Baseline	c/th	45.009	42.889	(2.121)	-4.71%
	Average Residential Rate	c/th	43.551	41.497	(2.054)	-4.72%
Non-Residential						
Core Commercial & Industrial						
	Customer Charge	\$/month	<u>Combined C/I</u> \$10.00/15.00	<u>Combined C/I</u> \$10.00/15.00	N/A	N/A
	Tier I (0-100 S, 250 W)	c/th	41.393	39.279	(2.114)	-5.11%
	Tier II (Tier I-4167)	c/th	24.307	22.241	(2.066)	-8.50%
	Tier III (>4167)	c/th	11.907	9.772	(2.136)	-17.93%
Gas Air Conditioning						
	Customer Charge	\$/month	\$150.00	\$150.00	-	-
	Volumetric Rate	c/th	12.102	9.977	(2.125)	-17.56%
Gas Engine						
	Customer Charge	\$/month	\$50.00	\$50.00	-	-
	Volumetric Rate	c/th	17.632	17.631	-	-
NONCORE - Average Transmission Rate						
Retail						
	Industrial	c/th	4.234	4.929	0.695	16.41%
	Electric Generation 1/	c/th	2.066	2.583	0.517	25.03%
Wholesale						
	Long Beach	c/th	1.648	2.314	0.666	40.42%
	SDG&E	c/th	1.020	1.737	0.716	70.18%
	Vernon	c/th	1.194	1.858	0.664	55.64%
	Southwest Gas	c/th	1.460	2.125	0.665	45.56%
UNBUNDLED STORAGE						
Annual Reservation						
	Injection	\$/Dthd	20.169	20.169	-	-
	Withdrawal	\$/Dthd	11.584	11.584	-	-
	Inventory	\$/Dth	0.214	0.214	-	-
Variable Charges						
	Injection	\$/Dth	0.0127	0.0127	-	-
	Withdrawal	\$/Dth	0.0177	0.0177	-	-
BROKERAGE FEES						
	Core	c/th	0.20100	0.20100	-	-
	Noncore	c/th	0.26600	0.26600	-	-

1/ Includes Common EG Adjustment Change of -0.151 c/therm.

ATTACHMENT C

Advice No. 3196

Summary of Regulatory Account Changes

ATTACHMENT C

SOUTHERN CALIFORNIA GAS COMPANY SOCALGAS PRESENT AND PROPOSED REGULATORY ACCOUNT BALANCES¹

Account Name	9/01/02 Amortization			Proposed 01/01/03 Amortization			Proposed Change		
	Core	Noncore	Total System	Core	Noncore	Total System	Core	Noncore	Total System
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	(\$000s)								
(1)									
1. Affiliate Transfer Fee Memorandum Account (ATFA)	(146)	(18)	(164)	(55)	(7)	(62)	91	11	102
2. Brokerage Fee Account (BFA)	0	42	42	N/A	47	47	0	5	5
3. Catastrophic Event Memorandum Account (Northridge)	(48)	(6)	(54)	0	0	0	48	6	54
4. Catastrophic Event Memorandum Account Double Refund Tracking Account	(0)	(0)	(0)	0	0	0	0	0	1
5. Conservation Expense Account (CEA) ²	0	0	0	0	0	0	0	0	0
6. Core Fixed Cost Account (CFCA)	(811)	N/A	(811)	(77,248)	N/A	(77,248)	(76,437)	N/A	(76,437)
7. Economic Practicality Shortfall Memorandum Account (EPSMA)	0	(104)	(104)	N/A	130	130	0	234	234
8. Enhanced Oil Recovery Account (EORA)	14,090	1,436	15,526	4,747	484	5,231	(9,343)	(952)	(10,295)
9. Hazardous Substance Cost-Recovery Account (HSCRA)	2,314	4,150	6,463	4,653	8,345	12,998	2,339	4,195	6,534
10. Interstate Transition Cost Surcharge Account (ITCSA)	N/A	1,499	1,499	N/A	2,881	2,881	N/A	1,382	1,382
11. Intervenor Award Memorandum Account (IAMMA)	136	245	381	17	31	49	(119)	(213)	(332)
12. Montebello Refund Memorandum Account (MRMA)	(131)	(16)	(148)	0	0	0	131	16	148
13. Natural Gas Vehicle Account (NGV)	816	1,118	1,934	(962)	(1,318)	(2,281)	(1,778)	(2,436)	(4,214)
14. Noncore Cost/Revenue Memorandum Account (NCRMA)	(47)	(76)	(124)	0	0	0	47	76	124
15. Noncore Fixed Cost Account (NFCA)	N/A	(29,945)	(29,945)	N/A	3,320	3,320	N/A	33,265	33,265
16. Noncore Fixed Costs Tracking Account (CCSI subaccount)	0	51	51	0	(24)	(24)	0	(75)	(75)
17. Noncore Fixed Costs Tracking Account (MPO subaccount)	0	167	167	0	0	0	0	(167)	(167)
18. Noncore Fixed Costs Tracking Account (TOP subaccount)	0	0	0	0	0	0	0	(0)	(0)
19. Noncore Storage Balancing Account (unsubscribed)	3,259	5,845	9,104	(841)	(1,508)	(2,349)	(4,100)	(7,353)	(11,453)
20. Noncore Storage Balancing Account (subscribed)	0	7	7	0	0	0	0	(7)	(7)
21. PTCO/POPCO Transition Cost Account (PPTCA)	(6,216)	(11,149)	(17,364)	(39)	(69)	(108)	6,177	11,079	17,256
22. Post-Retirement Benefits Other Than Pensions (PBOPS) ³	(36,982)	(4,629)	(41,611)	(35,849)	(4,486)	(40,336)	1,132	143	1,275
23. Research, Development and Demonstration Expense Account (RDDEA) ²	268	34	301	0	0	0	(268)	(34)	(301)
24. Research Royalty Memorandum Account (RRMA)	(11,793)	(1,476)	(13,269)	(205)	(26)	(230)	11,588	1,451	13,039
25. Self-Generation Program Balancing Account (SGPPA)	0	0	0	687	1,233	1,920	687	1,233	1,920
26. Zone Rate Credit Limitation Tracking Account (ZRCLTA)	(39)	(5)	(44)	0	0	0	39	5	44
27. Balancing Account Subtotal	(35,331)	(32,833)	(68,164)	(105,094)	9,032	(96,062)	(69,763)	41,865	(27,898)

Notes:

^{1/} Balances include franchise fees and uncollectibles (FF&U).

^{2/} In the Conservation Expense Account and the Research, Development, and Demonstration Expense Account, the projected overcollections resulting from the DAP, DAP and RDD activity in this forecast will be carried forward for disposition in future proceedings.

^{3/} Represents the amortization of the remaining overcollection associated with the PBOPS overfunding during 1998-2001.