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December 20, 2002

Advice No. 3217
(U 904 G)

Public Utilities Commission of the State of California

Subject: Noncore Fixed Cost Account – 100% Balancing Account Treatment

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

Pursuant to the Ordering Paragraph of Decision (D.) 02-12-017, this filing revises Preliminary Statement Part V, Description of Regulatory Accounts – Balancing, to update the Noncore Fixed Cost Account (NFCA) to provide for 100% balancing account protection for the recovery of authorized noncore revenue requirements effective January 1, 2003 and continuing until a decision is issued in SoCalGas' next Biennial Cost Allocation Proceeding (BCAP).

Information

Pursuant to D.02-12-017, the Commission approved 100% balancing account protection of SoCalGas' noncore revenue requirements; however, the Commission emphasized that this decision shall not set a precedent for or against whatever it shall adopt in the next BCAP. The approval of the interim 100% balancing account treatment is not intended to contradict or supercede the Comprehensive Settlement Agreement (CSA), as modified, adopted in the Gas Industry Restructuring (GIR) D.01-12-018 which would place SoCalGas 100% at-risk for recovery of unbundled backbone transmission and storage costs. Should the GIR decision be implemented prior to the date the new BCAP rates go into effect, SoCalGas will limit the 100% balancing account protection to noncore local transmission and distribution revenues until a decision is rendered in SoCalGas' next BCAP.

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 must be received within 20 days of the date 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 (jjr@cpuc.ca.gov) and to Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest should 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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Facsimile No. (213) 244-4957
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Effective Date

This filing is made in compliance to D.02-12-017; therefore, SoCalGas respectfully requests that this advice letter be approved on January 1, 2003.

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 interested parties in A.01-09-024.

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Attachments

ATTACHMENT A

Advice No. 3217

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3217

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 36095-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 4	Revised 34821-G
Revised 36096-G	TABLE OF CONTENTS	Revised 36094-G

PRELIMINARY STATEMENT

Sheet 4

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

NONCORE FIXED COST ACCOUNT (NFCA)

The NFCA is an interest-bearing balancing account. The purpose of this account is to balance the difference between noncore costs (authorized margin, transition, and actual non-gas fixed costs) and noncore revenues. Noncore revenues exclude EOR and unbundled storage revenues and revenues from (1) non-tariff contracts for service to DGN, (2) future non-tariff contracts with Sempra Energy affiliates not subject to competitive bidding, and (3) Competitive Load Growth Opportunities for noncore Rule No. 38 and Red Team incentive revenues. Pursuant to D.02-12-017, the Commission authorized 100% balancing account protection effective January 1, 2003 until the date the new BCAP rates go into effect. In the event that Gas Industry Restructuring D.01-12-018 is implemented prior to the next BCAP, 100% balancing account protection will be limited to noncore local transmission and distribution revenues.

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On a monthly basis, SoCalGas maintains this account as follows:

SoCalGas debits this account with 100% of the seasonally forecasted noncore and wholesale revenues excluding the transactions stated above less F&U.

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SoCalGas credits this account with 100% of the actual noncore and wholesale revenues excluding the transactions stated above less F&U.

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In addition, SoCalGas adjusts this account to amortize previously accumulated overcollected or undercollected balances to reflect payment to, or recovery from, ratepayers.

ENHANCED OIL RECOVERY ACCOUNT (EORA)

This EORA is a balancing account. The purpose of this account is to balance recorded EOR revenue with forecasted EOR revenues.

The Utility shall maintain the EORA by making entries at the end of each month as follows:

- a. A debit entry equal to one-twelfth of the forecasted EOR revenue amount used to offset the revenue requirement in the most recent annual cost-allocation proceeding;
- b. A debit entry equal to the amortization of the forecasted revision date EORA balance;
- c. A credit entry equal to 3.0 cents per therm plus 75 percent of EOR non-gas revenue under contracts signed on or before December 3, 1986, and an amount equal to the short-run marginal cost plus 95 percent of EOR non-gas revenue under contracts signed subsequent to December 3, 1986. EOR non-gas revenue shall equal revenue from EOR customers excluding the following:

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3217
 DECISION NO. 02-12-017

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 20, 2002
 EFFECTIVE Jan 1, 2003
 RESOLUTION NO. _____

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVISE LETTER NO. 3217
 DECISION NO. 02-12-017

ISSUED BY
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(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 20, 2002
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