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September 10, 2004

Advice No. 3405
(U 904 G)

Public Utilities Commission of the State of California

Subject: New Schedule No. GT-DGN, Intrastate Transmission Service

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) a new Schedule No. GT-DGN, Intrastate Transmission Service, as shown on Attachment B.

Purpose

The purpose of this filing is to request Commission authorization to implement a new transmission service rate schedule, Schedule No. GT-DGN. Under Schedule No. GT-DGN, SoCalGas will offer firm and interruptible transmission service to the Distribuidora de Gas Natural de Mexicali, S. DE R.L. DE C.V (DGN) Mexicali border receipt point located in Calexico.

Background

In November of 1995, the government of Mexico issued regulations that allow for licenses to be granted to private companies to construct and operate natural gas transmission and distribution pipelines in Mexico. On August 12, 1996, after a competitive bidding process, the Mexican government awarded a license for natural gas distribution in the Mexicali area to DGN.

Subsequent to the issuance by the Mexican government of the license for distribution service in the Mexicali region, SoCalGas entered into negotiations with DGN for an agreement for SoCalGas to provide gas transportation service across its system to a border crossing point to be constructed at the California - Mexico border at Mexicali. Gas supplies and transportation upstream of the SoCalGas system would be the responsibility of DGN, not SoCalGas. On January 29, 1997, SoCalGas and DGN entered into an agreement for this transportation service.

The Gas Transportation Service Agreement (hereinafter referred to as the “Service Agreement”) between SoCalGas and DGN provides for firm service as defined in

SoCalGas' tariffs. Its terms are summarized as follows: firm service is for 25,200 decatherms per day. Service above the firm volume may be provided on an interruptible basis. The term of the contract is 12 years. SoCalGas is required to file with the Commission by the end of the eleventh year of the Service Agreement a tariff for service to be applicable after the twelfth year of the contract. The initial volumetric rate is 3.5 cents per therm, with annual escalation equal to GUPI less one-percentage point. The Service Agreement provides for a minimum monthly charge of 75% of the daily maximum quantity times the number of days in the month times the volumetric rate. There is also an exit fee in the case that DGN selects another transmission service provider during the 12-year term. There are Operational Flow Order provisions, fees for imbalances beyond allowed quantities, and a provision for dispute resolution that includes binding arbitration.

SoCalGas applied for and received approval from the Federal Energy Regulatory Commission (FERC) for construction of border crossing facilities and other necessary approvals to deliver gas to Mexicali pursuant to Section 3 of the federal Natural Gas Act. SoCalGas obtained FERC approval of the final location of the border crossing on May 16, 1997, (79 FERC ¶61,188). The FERC has also previously issued a declaratory order disclaiming jurisdiction to approve or regulate the rates or facilities of SoCalGas (other than the border crossing facility) that would be used to transport gas to Mexicali pursuant to the Service Agreement (68 FERC ¶61,277). SoCalGas proceeded to construct a 14.4 mile pipeline extension (designated Line 6903) from the prior terminus of its service on Lines 6001, to the border crossing location, and to construct the actual border crossing facilities approved by the FERC.

On March 10, 1997, SoCalGas filed A.97-03-015 with the Commission requesting approval of the Service Agreement. On July 16, 1997, the Commission issued D.97-07-062, granting SoCalGas interim authority to serve DGN under the terms of the Service Agreement, pending a final Commission decision.

On July 31, 1997, SoCalGas began service to DGN at the Mexicali border crossing and DGN then commenced service to customers in Mexicali. The Service Agreement with DGN was approved on December 3, 1998 when D.98-12-024 was issued.

Requirement for New Rate Schedule

On October 28, 2003 Thompson, a retail customer of DGN, contacted SoCalGas and requested natural gas transportation service to the Mexicali border. At this time, DGN is not willing to release any of their firm capacity. Therefore, because the Imperial Valley is a constrained area only interruptible transmission service is available until the next Open Season, which will be held in 2005.

In order to meet the needs of both DGN and their customer, SoCalGas proposes to file an advice letter to seek approval of a GT-SD like service that will provide transportation service to the Mexicali border. The proposed service complies with all of the conditions that were established for constrained areas in the Decision 02-11-073 that was issued on November 21, 2002 and incorporates most of the terms and conditions of the Service Agreement. The customer will be required to participate in an Open Season in order to request firm transportation service. Once a maximum daily quantity has been established, the customer will be subject to a minimum monthly charge as defined in the Service Agreement. The proposed transmission rate is the current transmission rate established in the Service Agreement and will change periodically to track the Service Agreement Transmission Rate. Our goal is to not discriminate against any party shipping to the Mexicali border receipt point. There will also be Operational Flow Order provisions, fees for imbalances beyond allowed quantities, and provisions for dispute resolutions that include binding arbitration. In addition, SoCalGas is currently at risk for the revenues associated with the Service Agreement and we propose to continue the same regulatory treatment for this service.

DGN will be responsible for establishing a tariff service to allow for the receipt of transported natural gas at the Mexicali border receipt point. Transportation quantities nominated for delivery into SoCalGas' system that are not confirmed by DGN for receipt into the DGN system will not be confirmed for delivery into the utility system.

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 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, 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.

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Authority for Advice Filing

This advice letter is being filed under the provisions of Section V.A of General Order No. 96-A which allow a utility to introduce new tariff sheets covering a service not heretofore furnished and to have such tariff sheets become effective for service on regular statutory notice.

In accordance with Section V.A of General Order No. 96-A, this filing will not result in an increase in any present rate or charge, nor will it deviate from or conflict with any current rate schedule or rule. Moreover, this advice letter will not cause the withdrawal of any service currently provided by SoCalGas or impose more restrictive service conditions on SoCalGas' customers.

Effective Date

SoCalGas believes approval of this advice letter does not require a resolution to be issued by the Commission, however, the Commission's Energy Division may determine that a resolution is warranted in this case.

SoCalGas respectfully requests that the tariff sheets filed herein be made effective for service on and after October 20, 2004, which is not less than forty (40) days regular statutory notice, or on such later date the Commission may direct by resolution.

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.04-01-025.

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ATTACHMENT A

Advice No. 3405

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ATTACHMENT B
Advice No. 3405

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 38230-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 1	
Original 38231-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 2	
Original 38232-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 3	
Original 38233-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 4	
Original 38234-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 5	
Original 38235-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 6	
Original 38236-G	Schedule No. GT-DGN, INTRASTATE TRANSMISSION SERVICE, Sheet 7	
Revised 38237-G	TABLE OF CONTENTS	Revised 38176-G
Revised 38238-G	TABLE OF CONTENTS	Revised 38229-G

Schedule No. GT-DGN Sheet 1
INTRASTATE TRANSMISSION SERVICE

APPLICABILITY

Applicable for firm and interruptible intrastate transmission service for delivery to the Distribuidora de Gas Natural de Mexicali, S. DE R.L. DE C.V ("DGN") Mexicali border receipt point located in Calexico.

TERRITORY

The Mexicali border meter delivery point shall be as specified as the sole point of delivery in the Master Services Contract, Schedule A, Intrastate Transmission Service.

RATES

Transmission Charges

The transmission charges for firm intrastate transmission service (GT-F12) and interruptible intrastate transmission service (GT-I12) shall be equal to the current Transmission Rate defined in the Gas Transportation Service Agreement with DGN.

GT-F12 Rate, per therm	4.183¢
GT-I12 Rate, per therm	4.183¢

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

The number of therms to be billed shall be all transportation quantities nominated for delivery by or on behalf of the customers into the utility system that are scheduled for delivery to the utility system.

SPECIAL CONDITIONS

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, customers served hereunder will be curtailed in accordance with Rule No. 23. Penalties for violation of curtailment shall apply as set forth in Rule No. 23.

(Continued)

Schedule No. GT-DGN Sheet 2
INTRASTATE TRANSMISSION SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

4. Terms and conditions of Rule No. 30 concerning Nominations in Excess of System Capacity and Winter Deliveries shall not apply to the transportation of customer-owned gas under this schedule. All other terms and conditions of Rule No. 30 shall apply to the transportation of customer-owned gas under this schedule.

5. Operational Flow Order: Customers will be subject to an Operational Flow Order ("OFO") for up to ten (10) days each year. If SoCalGas issues an OFO, customers will be required during the OFO period to deliver to system receipt points specified by SoCalGas' Gas Control Department an amount of gas equal to or greater than ninety percent (90%) of the SoCalGas' deliveries to the customer at the Mexicali Border Meter during the OFO period. SoCalGas shall notify customers of an OFO at least twenty-four (24) hours prior to the nomination deadline for the day or days the OFO is to be effective.

6. OFO Nonperformance: Customer will be subject to the applicable OFO curtailment period penalty or Unauthorized Overpull Transmission Fee if customer's daily allocated volume at specified Receipt Point(s) is ninety percent (90%) or less of customers delivered quantity to the Mexicali Border Meter on any day(s) during a curtailment period or when an OFO period is in effect.

7. OFO Curtailment Period Penalty: Customer shall pay a charge of ten dollars per therm ($10 per therm) for the difference between ninety percent (90%) of customer's delivered volumes to the Mexicali Border meter and the daily allocated volumes at SoCalGas' specified Receipt Point(s) on the days that the OFO is called into effect during a curtailment period.

8. Schedule No. G-IMB shall not apply to the transportation of customer-owned gas under this schedule.

9. The contract term for firm intrastate transmission service shall be two years.

10. Utility shall offer firm intrastate transmission service only to customers whose volumes qualify as follows:

    a. Firm Interstate Customers: Firm intrastate transmission shall be available for volumes delivered through firm interstate capacity rights or where Customer purchases or receives (1) gas delivered to Utility interconnection with an interstate pipeline on a firm basis, (2) intrastate California supplies delivered directly into the Utility's system, or (3) supplies that are delivered from the Utility's storage facilities, provided that the Utility has sufficient capacity to receive and redeliver all such volumes on a firm basis.

(Continued)

Schedule No. GT-DGN Sheet 3
INTRASTATE TRANSMISSION SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

10. (continued)

b. Interruptible Interstate, Existing Capacity: Firm intrastate transmission shall be available for volumes delivered by Customer or Customer's shipper to the Utility on an interruptible basis through interstate pipeline capacity in existence as of November 6, 1991 to the extent and so long as (1) the capacity of the interstate pipeline is not expanded so as to create a mismatch of interstate and intrastate capacity, and (2) the Utility has adequate intrastate system capacity to receive and redeliver all such volumes on a firm basis.

The Utility shall have no obligation to build new facilities to provide firm intrastate service for Customer's volumes delivered to the Utility on an interruptible basis through interstate pipeline capacity in existence as of November 6, 1991.

c. Interruptible Interstate, New Capacity: Firm intrastate transmission service shall be available for Customer's volumes delivered to the Utility on an interruptible basis across a new interstate pipeline or an expansion of an existing pipeline (as of November 6, 1991) provided that (1) Customer has given assurances acceptable to the Utility that any costs associated with enhancements of the Utility's intrastate system which are necessary to provide firm intrastate transmission service will be recovered by the Utility, (2) required enhancements are approved by the CPUC and are constructed and placed in service, and (3) the Utility has determined that it can physically provide firm intrastate service for all volumes.

11. Commencing April 1, 2003, pursuant to CPUC Decision No. 02-11-073, all firm noncore deliveries will be under partial requirements service. Full requirements service is not available.

12. Hourly Scheduled Quantity (HSQ) is the quantity awarded in an open season and to be delivered each hour under Sequence 2 of the Constrained Area Amendment to Master Services Contract, Schedule A, Intrastate Transmission Service, Form 6597-14 (Amendment), under this rate schedule.

13. Monthly Scheduled Quantity (MSQ) is the quantity awarded in an open season and to be delivered each month under Sequence 2 of the Amendment under this rate schedule. For customers bidding hourly, the MSQ under this rate schedule is equivalent to the summation of HSQs for the month.

14. If during any billing period, the customer’s firm noncore usage is less than 75% of customer’s firm noncore MSQ, the customer will be assessed use-or-pay charges equal to 80% of the transmission charges multiplied by the difference between 75% of the customer’s firm noncore MSQ and the customer’s firm noncore usage for that month.

(Continued)

Schedule No. GT-DGN Sheet 4
INTRASTATE TRANSMISSION SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

15. The maximum hourly quantity (in therms) the customer is entitled to use during an interruptible service curtailment is equal to the core MSQs for the month *divided by* operating days specified for that Sequence 1 in the Amendment *divided by* 24 hours. In addition, the customer is authorized to use either: (a) the firm noncore MSQs for the month *divided by* operating days specified for that Sequence 2 in the Amendment *divided by* 24 hours for customer's who bid monthly MSQs; or (b) the stated HSQ for the specific hour, day, month and year awarded for customers who bid hourly HSQ.

16. Curtailment violation charges will apply hourly for any quantities consumed that exceed those authorized by hour at the following charges:
    $1 per therm for hours 1 through 5 of the curtailment event;
    $3 per therm for hours 6 through 8 of the curtailment event; and
    $10 per therm for each hour after hour 8 through end of the curtailment event.

17. For any period where the firm bids exceed firm capacity; all bids that exceed the customers' historic usage will be reduced to historic usage. The historic usage will be equal to the customer's peak day usage for that month within the most recent 12 months. Peak day usage will be divided by 24 to determine historic hourly usage. If firm capacity remains over-subscribed after customers' bids have been reduced to historic usage, the utility shall first award available firm capacity pro-rata based on historic usage. If firm capacity is not over-subscribed after customers' bids have been awarded based on historic usage, quantities bid in excess of the customer's historic usage and quantities submitted by new customers will be awarded on a pro-rata basis.

18. Noncore customers eligible to participate in the open season that do not submit a bid shall be placed on an interruptible noncore rate schedule. Any potential noncore eligible customer, offered an opportunity to bid for firm noncore service, but declines to bid, or was not awarded sufficient firm capacity, may not elect core service during the period covered by the open season.

19. A Minimum Monthly Charge shall only apply if SoCalGas' total charges to a customer for service in a particular month fail to exceed the Minimum Monthly Charge. The Minimum Monthly Charge is inclusive of the transmission rate charges for that month. The Minimum Monthly Charge shall be calculated as follows: (1) for the first calendar month of the initial term it is zero; (2) for each month thereafter, the Minimum Monthly Charge will be equal to75% of the applicable minimum daily quantity (the "Minimum Daily Quantity") multiplied by the number of days in the current month multiplied by SoCalGas' transmission rate. Until the first October following the Commencement Date the Minimum Daily Quantity each month shall equal the customer's average daily nomination during the previous month. In the first October of the initial term and each October of the initial term thereafter, the Minimum Daily Quantity for the next twelve (12) calendar months shall be calculated based upon the highest average daily nomination in the previous peak months of July, August, and September.

(Continued)

SPECIAL CONDITIONS (Continued)

20. Customer may elect interruptible intrastate transmission service for all or part of its requirements. The minimum contract term for such service shall be one month.

21. Customers are required to pay SoCalGas in U.S. Dollars for all services provided by SoCalGas within nineteen (19) days of receipt of the bill. Should the customer fail to pay any bill in full by the due date, a late payment charge shall accrue monthly on the unpaid balance from the due date through the date that the unpaid balance is paid in full, at the rate of 1/12 of the most recent month's publication of the interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, G.13. In the event of a billing dispute, the customer shall pay the undisputed portion of the bill to SoCalGas, and the disputed portion (if in excess of $10,000) into an interest bearing escrow account established by the parties to hold such amounts until the dispute is resolved. Any payment to the escrow account shall not be deemed a waiver of the customers right to a refund.

22. By mutual agreement, the Utility and non-affiliated customers, may negotiate interruptible intrastate transmission charges for a term of service of less than five years without CPUC approval. Any such negotiated transmission charges shall be set forth in the customer's service contract. All such service contracts must be submitted by letter to the CPUC and made available for public inspection. No other charges under this schedule shall be negotiable unless CPUC approval is first obtained.

23. All contracts for a term of service of five years or longer ("long-term") meeting the guidelines set forth in Decision No. 92-11-052 must be filed for prior CPUC approval under the CPUC's Expedited Application Docket (EAD) procedure adopted in Decision No. 92-11-052. All other long-term contracts must be filed by advice letter for prior CPUC approval.

24. Customers who receive gas transportation service from an alternate service provider may be subject to the provisions of Schedule No. GT-PS, Peaking Service.

25. Transportation quantities nominated for delivery into the utility system that are not confirmed by DGN for receipt into the DGN system will not be confirmed for delivery into the utility system.

(Continued)

SPECIAL CONDITIONS (Continued)

26. If any dispute arises out of this service SoCalGas and the customer shall make a good-faith effort to informally resolve the dispute in a timely manner. If either SoCalGas or the customer believe that a dispute cannot be resolved through the informal dispute resolution process may provide a written notice to the other that it would like to conduct a formal mediation process. The entire mediation process form the date of receipt of such notification until a decision from the mediator shall not last more than forty-five (45) days unless the time is mutually extended by SoCalGas and the customer. One (1) arbitrator with over fifteen (15) years of diverse professional experience in various segments of the natural gas industry who has not previously been employed by SoCalGas or the customer, and who has no direct or indirect interest in SoCalGas or the customer, the contract or the subject matter of the dispute, will be agreed upon by both SoCalGas and the customer, and such arbitrator shall hear both sides of the dispute through oral and written testimony. The mediator shall make a written recommendation as to an equitable resolution. No discovery will be allowed through this process unless mutually agreed upon by SoCalGas and the customer. Such mediator’s recommendation is not binding, but SoCalGas and the customer agree to attempt to resolve the dispute on the basis of this recommendation.

27. Any dispute or need for interpretation arising out of the contract which cannot be resolved after discussion between SoCalGas, the customer and/or the mediation process, shall be submitted to binding arbitration by three (3) arbitrators each with over fifteen (15) years of diverse professional experience in various segments of the natural gas industry who has not previously been employed by SoCalGas or the customer, and who has no direct or indirect interest in SoCalGas or the customer, the contract or the subject matter of the dispute. Each party shall choose an arbitrator. The third arbitrator shall either be as mutually agreed upon by no later than thirty (30) days after notice from either party requesting arbitration, or, failing agreement, shall be selected under the expedited rules of the American Arbitration Association. Neither party shall be subject to payment of any fees to such organization, unless agreed to in writing by both SoCalGas and the customer. Unless otherwise mutually agreed, no arbitrator shall handle more than one (1) arbitration proceeding concerning this service. Such arbitration shall be held at a location to be mutually agreed, or, failing agreement, in Los Angeles, California. Such binding arbitration shall be in lieu of litigation in any state or federal court.

(Continued)

SPECIAL CONDITIONS (Continued)

28. Time shall be of the essence in any arbitration, which shall be subject to the following rules:

    a. The hearing shall be held as expeditiously as reasonably possible, but in no event shall it commence later than one hundred twenty (120) days from the date the arbitrator is selected;
    b. A written arbitrators' decision determining all the issues submitted shall be rendered not later than forty-five (45) days following submission of the matter for decision (no arbitration decision shall provide for "continuing jurisdiction" as to future matters);
    c. In the event that the arbitration requires a decision (1) as to the allocation or payment of any monetary amounts or valuations to be reduced to monetary amounts, or (2) the methodology or accuracy of any calculation related thereto, the arbitrators shall select the position of that party which the arbitrators believe most appropriate under the circumstances;
    d. Pending such decision, the parties shall continue to operate under the contract as on the date arbitration is requested; however, the arbitrators should consider specifically the appropriateness of retroactive adjustments proposed by the parties;
    e. The arbitrators shall establish such rules for discovery and submission of evidence (including compelling testimony, information, documents or evidence) as deemed appropriate under the circumstances of the dispute, having due regard to a timely resolution of the matter.
    f. The arbitrators shall consider the failure of any party to provide evidence, participate in the hearing or otherwise fail to facilitate completion of the hearing; provided, however, no actions or inactions of a party shall be permitted to delay or prevent the arbitrator from rendering a timely decision, or subsequent enforcement of such decision.
    g. The allocation of the costs of arbitration shall be considered by the arbitrators to balance the equities between parties, and, for example, the entire costs of the proceeding, including reasonable attorneys fees (for in-house and outside counsel), may be awarded to the prevailing party;
    h. The parties hereby waive any and all rights to a "stay" of the arbitration pending litigation under Section 1281.2 of the California Code of Civil Procedure or otherwise;
    i. An arbitration award shall be final conclusive and binding on both parties, and may be filed in any appropriate court for enforcement. In the event it is necessary to enforce such award, all costs of enforcement, including reasonable attorney fees (for in-house or outside counsel), shall be payable by the party against whom such award is enforced; and
    j. The parties may agree on such other rules as they deem necessary, but in the event a subject is not covered herein and if the parties fail to agree thereon, the rules of the American Arbitration Association shall apply to the extent not inconsistent with the rules specified above; provided, however, in no event shall this provision on arbitration be construed to mean that an arbitration will be held under the auspices of the American Arbitration Association, and /or subject to any payments of fees to such organization, unless agreed to in writing by both parties.

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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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