



J. Steve Rahon
Director
Tariffs & Regulatory Accounts

8315 Century Park Ct.
San Diego, CA 92123-1550
Tel: 858.654.1773
Fax 858.654.1788
srahon@SempraUtilities.com

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Advice No. 3416
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Annual Regulatory Account Balance Update for Rates Effective
January 1, 2005**

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, 2005.

Purpose

This filing, made each year on or before October 15th, complies 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 revises SoCalGas' rates to incorporate the projected 2004 year-end regulatory account balances in rates effective January 1, 2005.

Background

The revenue requirements related to the regulatory account balances 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, 2005. 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, 2005 effective date of such rates.

Included with this filing are an Annual Gas Transportation Revenues table summarizing revenue changes and present and proposed rates (Attachment B) and a Summary of Present and Proposed Regulatory Account Balances (Attachment C).

Customer Rate Impact

Core Customers:

The core transportation rate increase is primarily due to decreased overcollections in the Core Fixed Cost Account (CFCA) and amortization of the Post-Retirement Benefits Other Than Pensions (PBOPS) overcollection offset by an elimination of the Montebello True-up Tracking Account (MTTA) amortization as described below.

CFCA – Core customer transportation rates are based on the average temperature year gas demand data. Pursuant to Advice Letter (AL) 3302, SoCalGas was authorized to amortize in 2004 rates a CFCA overcollection of \$70.9 million. The projected CFCA balance for amortization in 2005 rates is \$58.8 million¹ overcollected, representing a revenue requirement increase of \$12.1 million.

PBOPS - Currently embedded in 2004 rates, SoCalGas is authorized to amortize PBOP overcollections of \$23.0 million related to the period 2002 – 2003. In amortizing the January 1, 2004 balance, the projected PBOP balance for amortization in 2005 rates is a minor overcollection, which reflects an increase in SoCalGas' revenue requirement of \$23.0 million. The core's revenue requirement allocation of this increase is \$20.4 million.

MTTA - Pursuant to AL 3302, SoCalGas was authorized to amortize in 2004 rates a MTTA undercollection of \$26.5 million. The MTTA balance was fully amortized, therefore for 2005 rates the MTTA is set to zero, which reflects a decrease in rates of \$26.5 million. The core's revenue requirement allocation of this decrease is \$18.6 million.

In addition, pursuant to AL 3318 and D.03-10-087 that established the El Paso Settlement Proceeds Memorandum Account (EPSPMA) related to the comprehensive settlement with the El Paso Natural Gas Company, SoCalGas projects a \$0.2 million overcollection for the EPSPMA as part of this annual regulatory account update. The EPSPMA balance will be refunded in 2005 rates to core aggregation transportation (CAT) customers on an equal cents per therm allocation based on the authorized average year annual CAT throughput.

Noncore Customers:

The noncore transportation rate increase is primarily due to undercollections in the Interstate Transition Cost Surcharge Account (ITCSA) and El Paso Turned-Back Capacity Balancing Account (EPTCBA) offset by the amortization of the Montebello True-up Tracking Account (MTTA) as described below.

ITCSA – As a result of lower brokered capacity revenues and the amortization of the 2003 overcollected balance during 2004, the ITCSA is projected to be \$3.0 million overcollected by year-end 2004. Weaknesses in the interstate capacity market are expected to continue through most of 2005. As a result, the ITCSA

¹ Projected CFCA balance includes undercollection of \$10 million for the Baseline Memorandum Account.

balance in rates effective January 1, 2005 is an \$18.7 million undercollection, which represents a revenue requirement increase of \$32.3 million.

EPTCBA – The projected EPTCBA balance as of December 31, 2004 is a \$4.2 million undercollection based on lower brokered capacity revenues for 2004. Weaknesses in the interstate capacity market are expected to continue in 2005. As a result, the EPTCBA amortization in rates effective January 1, 2005 is a \$16.9 million undercollection, which reflects an increase in rates of \$5.4 million. The noncore's revenue requirement allocation of this increase is \$3.5 million.

MTTA – As a result of fully amortizing the MTTA in 2004 rates, the noncore's revenue requirement allocation of this decrease is \$7.9 million.

Regulatory Accounts

An increase of \$15.4 million in the total core transportation revenue requirement is necessary to amortize the projected year-end 2004 regulatory account balances. The major components of this revenue requirement increase are as follows:

Description	Core Revenue Requirement Increase/(Decrease) (in millions of \$)
Core fixed Cost Account (CFCA) ¹	12.1
Post-Retirement Benefits Other Than Pensions (PBOPs)	20.4
Montebello True-up Tracking Account (MTTA)	(18.6)
Other Regulatory Account Balances	1.5
Total Core Revenue Requirement	15.4

An increase of \$26.4 million in the total noncore transportation revenue requirement is necessary to amortize the projected year-end 2004 regulatory account balances. The major components of this revenue requirement increase are as follows:

Description	Noncore Revenue Requirement Increase/(Decrease) (in millions of \$)
Interstate Transition Cost Surcharge Account (ITCSA)	32.3
El Paso Turned-Back Capacity Balancing Account (EPTCBA)	3.5
Montebello True-up Tracking Account (MTTA)	(7.9)
Other Regulatory Account Balances	(1.5)
Total Noncore Revenue Requirement	26.4

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 (inj@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
Tariff Manager - GT14D6
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, 2005, 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 SoCalGas' Cost of Service A.02-12-027.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3416

(See Attached Service Lists)

ACN
Brian Spector
BSpector@acninc.com

ACN Energy
Gary Morrow
GMorrow@acninc.com

ACN Energy
Tony Cusati
tony.cusati@acnenergy.com

ACN Inc.
Glenn Kinser
gkinser@acninc.com

Aglet Consumer Alliance
James Weil
jweil@aglet.org

Alcantar & Kahl
Elizabeth Westby
egw@a-klaw.com

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

AFRPA/DD McClellan Attn: L. Baustian
3411 Olson Street, Room 105
McClellan, CA 95652-1003

BP Amoco, Reg. Affairs
Marianne Jones
501 West Lake Park Blvd.
Houston, TX 77079

BP EnergyCo.
J. M. Zaiontz
Zaiontj@bp.com

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Berliner, Camdon & Jimison
John Jimison
johnj@bcjlaw.com

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC
R. Mark Pocta
rmp@cpuc.ca.gov

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Anaheim
Ben Nakayama
Public Utilities Dept.
P. O. Box 3222
Anaheim, CA 92803

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Glendale
Larry Silva
lsilva@ci.glendale.ca.us

City of Lompoc
H. Paul Jones
100 Civic Center Plaza
Lompoc, CA 93438

City of Long Beach, Gas Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806-2385

City of Los Angeles
City Attorney
1700 City Hall East
Los Angeles, CA 90012

City of Pasadena
Manuel A. Robledo
150 S. Los Robles Ave., #200
Pasadena, CA 91101

City of Riverside
Stephen Aronson
saronson@ci.riverside.ca.us

City of Vernon
Kenneth J. DeDario
kdedario@ci.vernon.ca.us

Coral Energy
Walter Cinibulk
wcinibulk@coral-energy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

Pat Darish
pdarish@acninc.com

Davis Wright Tremaine, LLP
Christopher Hilen
chrishilen@dwt.com

Davis Wright Tremaine, LLP
Edward W. O'Neill
One Embarcadero Center, #600
San Francisco, CA 94111-3834

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Dept. of General Services
Deniese Earley
deniese.earley@dgs.ca.gov

Douglass & Liddell
liddell@energyattorney.com

Dan Douglass
douglass@energyattorney.com

Downey, Brand, Seymour & Rohwer
Ann Trowbridge
atrowbridge@dbsr.com

Downey, Brand, Seymour & Rohwer
Phil Stohr
pstohr@dbsr.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Duke Energy North America
Melanie Gillette
mlgillette@duke-energy.com

Dynegy
Joseph M. Paul
jmpa@dynegy.com

Gas Purchasing
BC Gas Utility Ltd.
16705 Fraser Highway
Surrey, British Columbia, V3S 2X7

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
J. H. Patrick
hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Jacqueline Greig
jnm@cpuc.ca.gov

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

David Huard
dhuard@manatt.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Jeffer, Mangels, Butler & Marmaro
2 Embarcadero Center, 5th Floor
San Francisco, CA 94111

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LADWP
Nevenka Ubavich
nubavi@ladwp.com

LADWP
Randy Howard
P. O. Box 51111, Rm. 956
Los Angeles, CA 90051-0100

Law Offices of Diane I. Fellman
Diane Fellman
difellman@fellmanlaw.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Matthew Brady & Associates
 Matthew Brady
 matt@bradylawus.com

National Utility Service, Inc.
 Jim Boyle
 One Maynard Drive, P. O. Box 712
 Park Ridge, NJ 07656-0712

ORA
 Galen Dunham
 gsd@cpuc.ca.gov

PG&E
 Anita Smith
 aws4@pge.com

PG&E
 Sue Shaw
 sxs9@pge.com

PG&E
 Todd Novak
 tsn2@pge.com

PG&E
 Sharon Tatai
 skt2@pge.com

PG&E National Energy Group
 Eric Eisenman
 eric.eisenman@neg.pge.com

Pacific Gas & Electric Co.
 John Clarke
 jpc2@pge.com

Praxair Inc
 Rick Noger
 rick_noger@praxair.com

Questar Southern Trails
 Lenard Wright
 Lenard.Wright@Questar.com

Regulatory & Cogen Services, Inc.
 Donald W. Schoenbeck
 900 Washington Street, #780
 Vancouver, WA 98660

Richard Hairston & Co.
 Richard Hairston
 hairstonco@aol.com

Southern California Edison Co
 Fileroom Supervisor
 2244 Walnut Grove Ave., Room 290,
 GO1
 Rosemead, CA 91770

Southern California Edison Co
 Karyn Gansecki
 601 Van Ness Ave., #2040
 San Francisco, CA 94102

Southern California Edison Co.
 Colin E. Cushnie
 Colon.Cushnie@SCE.com

Southern California Edison Co.
 John Quinlan
 john.quinlan@sce.com

Southern California Edison Co.
 Kevin Cini
 Kevin.Cini@SCE.com

Southern California Edison Company
 Michael Alexander
 Michael.Alexander@sce.com

Southwest Gas Corp.
 John Hester
 P. O. Box 98510
 Las Vegas, NV 89193-8510

Suburban Water System
 Bob Kelly
 1211 E. Center Court Drive
 Covina, CA 91724

Sutherland, Asbill & Brennan
 Keith McCrea
 kmccrea@sablaw.com

TURN
 Marcel Hawiger
 marcel@turn.org

TURN
 Mike Florio
 mflorio@turn.org

The Mehle Law Firm PLLC
 Colette B. Mehle
 cmehle@mehlelaw.com

Transwestern Pipeline Co.
 Kelly Allen
 kelly.allen@enron.com

Vandenberg AFB
 Ken Padilla
 ken.padilla@vandenberg.af.mil

Western Manufactured Housing
 Communities Assoc.
 Sheila Day
 sheila@wma.org

ADAMS ELECTRICAL SAFETY
CONSULTING
WILLIAM P. ADAMS
716 BRETT AVENUE
ROHNERT PARK, CA 94928-4012

ALCANTAR & KAHL LLP
MICHAEL ALCANTAR
mpa@a-klaw.com

ENDEMAN, LINCOLN, TUREK &
HEATER LLP
JAMES C. ALLEN
jallen@elthlaw.com

CALIF PUBLIC UTILITIES COMMISSION
Joyce Alfton
alf@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Paul Angelopulo
pfa@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Bernard Ayanruoh
ben@cpuc.ca.gov

BARKOVICH AND YAP, INC.
BARBARA R. BARKOVICH
brbarkovich@earthlink.net

SAN LUIS OBISPO MOTHERS FOR
PEACE
ROCHELLE BECKER
rochelle489@charter.net

MC CARTHY & BERLIN, LLP
C. SUSIE BERLIN
sberlin@mccarthyllaw.com

MANATT, PHELPS & PHILLIPS, LLP
ROGER A. BERLINER
rberliner@manatt.com

THE GREENLINING INSTITUTE
ITZEL BERRIO
iberrio@greenlining.org

SOUTHWEST GAS COMPANY
ANDREW WILSON BETTWY
andy.bettwy@swgas.com

LAW OFFICE OF WILLIAM H. BOOTH
WILLIAM H. BOOTH
wbooth@booth-law.com

ELLISON, SCHNEIDER & HARRIS, LLP
ANDREW B. BROWN
abb@eslawfirm.com

LATINO ISSUES FORUM
SUSAN E. BROWN
lifcentral@lif.org

MCCRACKEN, BYERS & HAESLOOP
DAVID J. BYERS
dbyers@landuselaw.com

CALIF PUBLIC UTILITIES COMMISSION
Valerie Beck
vjb@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Truman L. Burns
txb@cpuc.ca.gov

NATURAL RESOURCES DEFENSE
COUNCIL
SHERYL CARTER
scarter@nrdc.org

LOS ANGELES UNIFIED SCHOOL
DISTRICT
ANDREW S. CHEUNG
andrew.cheung@lausd.net

CITY AND COUNTY OF SAN
FRANCISCO
JOSEPH PETER COMO
joe.como@sfgov.org

GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
BRIAN T. CRAGG
bcragg@gmsr.com

CALIF PUBLIC UTILITIES COMMISSION
Robert C. Cagen
rcc@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Michael S Campbell
msc@cpuc.ca.gov

WESTERN MANUFACTURED HOUSING
COMMUNITIES
SHEILA DEY
sheila@wma.org

DOUGLASS & LIDDELL
DANIEL W. DOUGLASS
douglass@energyattorney.com

CALIF PUBLIC UTILITIES COMMISSION
Paul Douglas
psd@cpuc.ca.gov

THE TUILITY REFORM NETWORK
DANIEL EDINGTON
dedington@turn.org

SOUTHERN CALIFORNIA GAS
COMPANY
CHARLES ESHLEMAN
ceshleman@semprautilities.com

CALIF PUBLIC UTILITIES COMMISSION
Phillip Enis
pje@cpuc.ca.gov

LAW OFFICES OF DIANE I. FELLMAN
 DIANE I. FELLMAN
 difellman@fellmanlaw.com

THE UTILITY REFORM NETWORK
 ROBERT FINKELSTEIN
 bfinkelstein@turn.org

STEEFEL, LEVITT & WEISS, P.C.
 MARK FOGELMAN
 mfogelman@steeffel.com

THE UTILITY REFORM NETWORK
 MATTHEW FREEDMAN
 freedman@turn.org

DEPARTMENT OF THE NAVY
 NORMAN J. FURUTA
 norman.furuta@navy.mil

CALIF PUBLIC UTILITIES COMMISSION
 Julie A Fitch
 jf2@cpuc.ca.gov

LATINO ISSUES FORUM
 ENRIQUE GALLARDO
 enriqueg@lif.org

MANFRED F. GILDNER
 barontramp@aol.com

THE GREENLINING INSTITUTE
 ROBERT GNAIZDA
 rgnaizda@greenlining.org

PACIFIC GAS AND ELECTRIC
 COMPANY
 PATRICK G. GOLDEN
 pgg4@pge.com

THE UTILITY REFORM NETWORK
 HAYLEY GOODSON
 hayley@turn.org

LOWE'S COMPANIES, INC.
 JEFFREY E. GRAY
 jeff.e.gray@lowes.com

CALIF PUBLIC UTILITIES COMMISSION
 Patrick L. Gileau
 plg@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Eric Green
 eg1@cpuc.ca.gov

ARNOLD & PORTER
 JAMES I. HAM
 James_Ham@aporter.com

MORRISON & FOERSTER LLP
 PETER W. HANSCHEN
 phansch@mofo.com

UTIL. WORKERS UNION OF AMERICA,
 AFL-CIO
 MARTA HARRIS
 unionmarti@aol.com

THE UTILITY REFORM NETWORK
 MARCEL HAWIGER
 marcel@turn.org

ASSOCIATION OF CALIFORNIA
 WATER AGENCIES
 LON W. HOUSE
 lwhouse@innercite.com

MANATT, PHELPS & PHILLIPS, LLP
 DAVID L. HUARD
 dhuard@manatt.com

CALIF PUBLIC UTILITIES COMMISSION
 Peter Hanson
 pgh@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Maxine Harrison
 omh@cpuc.ca.gov

CATHOLIC HEALTHCARE WEST
 DAVID JONES
 djones2@chw.edu

ADAMS BROADWELL JOSEPH &
 CARDOZO
 MARC D. JOSEPH
 mdjoseph@adamsbroadwell.com

CALIF PUBLIC UTILITIES COMMISSION
 William Julian li
 bj2@cpuc.ca.gov

ALCANTAR & KAHL, LLP
 EVELYN KAHL
 ek@a-klaw.com

MANATT, PHELPS & PHILLIPS, LLP
 RANDALL W. KEEN
 pucservice@manatt.com

ELLISON, SCHNEIDER & HARRIS LLP
 DOUGLAS K. KERNER
 dkk@eslawfirm.com

DOUGLASS & LIDDELL
 GREGORY S.G. KLATT
 klatt@energyattorney.com

CALIF PUBLIC UTILITIES COMMISSION
 Laura L. Krannawitter
 llk@cpuc.ca.gov

CPUC
 ELIZABETH L. LEAVENGOOD
 ell@cpuc.ca.gov

HANNA AND MORTON, LLP
 SCOTT A. LEHECKA
 slehecka@hanmor.com

LUCE, FORWARD, HAMILTON &
 SCRIPPS, LLP
 JOHN W. LESLIE
 jleslie@luce.com

**CALIFORNIA FARM BUREAU
FEDERATION
RONALD LIEBERT
rliebert@cbbf.com**

**CALIF PUBLIC UTILITIES COMMISSION
Donald J. Lafrenz
dlf@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Douglas M. Long
dug@cpuc.ca.gov**

**GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
THOMAS J. MACBRIDE, JR.
tmacbride@gmssr.com**

**UTILITY WORKERS UNION OF
AMERICA
JAVIER MANZANO
javier1@uwua132.org**

**JBS ENERGY
BILL MARCUS
bill@jbsenergy.com**

**DAVID MARCUS
dmarcus2@mindspring.com**

**SUTHERLAND, ASBILL & BRENNAN
KEITH MCCREA
keith.mccrea@sablaw.com**

**SOUTHERN CALIFORNIA EDISON
COMPANY
FRANK MCNULTY
francis.mcnulty@sce.com**

**SEMPRA ENERGY
KEITH W. MELVILLE
kmelville@sempra.com**

**CALIFORNIA FARM BUREAU
FEDERATION
KAREN NORENE MILLS
kmills@cbbf.com**

**KERN RIVER GAS TRANSMISSION
COMPANY
MARK C. MOENCH
mark.moench@kernrivergas.com**

**WESTERN MANUFACTURED HOUSING
COMM. SVCS.
IRENE K. MOOSEN
irene@igc.org**

**S. F. COMMUNITY POWER
COOPERATIVE
STEVEN MOSS
steven@moss.net**

**CALIF PUBLIC UTILITIES COMMISSION
Laura A. Martin
lra@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Richard A. Myers
ram@cpuc.ca.gov**

**PACIFIC GAS AND ELECTRIC
COMPANY
ANDREW L. NIVEN
aln2@pge.com**

**SIERRA PACIFIC POWER CO.
DAVID NORRIS
dnorris@sppc.com**

**CA DISABLED VETS BUSNSS ENTERP
ALLIANCE
KEVIN K. O'CONNOR
kkolabs@earthlink.net**

**HANNA AND MORTON LLP
NORMAN A. PEDERSEN
npedersen@hanmor.com**

**SDG&E
AMY PETERS
apeters@semprautilities.com**

**ANDERSON & POOLE
EDWARD G. POOLE
epoole@adplaw.com**

**PATRICK J. POWER
pjpowerlaw@aol.com**

**CALIF PUBLIC UTILITIES COMMISSION
Marion Peleo
map@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Robert M. Pocha
rmp@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Anne W. Premo
awp@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Nicolas B Procos
nbp@cpuc.ca.gov**

**CALIF PUBLIC UTILITIES COMMISSION
Terrie D Prosper
tdp@cpuc.ca.gov**

**PACIFIC GAS AND ELECTRIC
COMPANY
MICHAEL REIDENBACH
jmrb@pge.com**

**CALIFORNIA PUBLIC UTILITIES
COMMISSION
J. JASON REIGER
jzr@cpuc.ca.gov**

CALIFORNIA DVBE ALLIANCE
DANIEL W. ROBERTS
 danielwroberts@hmpage.com

CALIF PUBLIC UTILITIES COMMISSION
 Manuel Ramirez
 mizr@cpuc.ca.gov

CALIFORNIA CABLE & TELECOMMUNICATIONS
GLENN SEMOW
 gsemow@calcable.org

UTILITY CONSUMERS' ACTION NETWORK
MICHAEL SHAMES
 mshames@ucan.org

ALCANTAR & ELSESSER
NORA E. SHERIFF
 nes@a-klaw.com

GOODIN MACBRIDE SQUERI RITCHIE & DAY LLP
JAMES D. SQUERI
 jsqueri@gmssr.com

MODESTO IRRIGATION DISTRICT
SCOTT T. STEFFEN
 scottst@mid.org

SEMPRA ENERGY
GLEN J. SULLIVAN
 gsullivan@sempra.com

CALIF PUBLIC UTILITIES COMMISSION
 Danilo E. Sanchez
 des@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 James E. Scarff
 jes@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Laura Lei Strain
 lls@cpuc.ca.gov

CALIFORNIA ENERGY COMMISSION
JENNIFER TACHERA
 jtachera@energy.state.ca.us

DOWNEY, BRAND, SEYMOUR & ROHWER
ANN L. TROWBRIDGE
 atrowbridge@downeybrand.com

CALIF PUBLIC UTILITIES COMMISSION
 Pamela T. Thompson
 ptt@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Laura J. Tudisco
 ljt@cpuc.ca.gov

SIMPSON PARTNERS LLP
ANDREW ULMER
 andrew@simpsonpartners.com

SEMPRA
RONALD VAN DER LEEDEN
 rvanderleeden@semprautilities.com

CALIF PUBLIC UTILITIES COMMISSION
 Maria Vanko
 mv1@cpuc.ca.gov

PACIFIC GAS AND ELECTRIC COMPANY
CHRISTOPHER J. WARNER
 cjw5@pge.com

AGLET CONSUMER ALLIANCE
JAMES WEIL
 jweil@aglet.org

ALCANTAR & KAHL, LLP
ELIZABETH WESTBY
 egw@a-klaw.com

SAN DIEGO GAS & ELECTRIC
BRUCE J. WILLIAMS
 bwilliams@semprautilities.com

CALIFORNIA ENERGY COMMISSION
BILL WOOD
 bwood@energy.state.ca.us

CALIF PUBLIC UTILITIES COMMISSION
 Steven A. Weissman
 saw@cpuc.ca.gov

CALIFORNIA LEAGUE OF FOOD PROCESSORS
ED YATES
 ed@clfp.com

SEMPRA ENERGY UTILITIES
MARZIA ZAFAR
 mzafar@semprautilities.com

LOCAL 483 UTILITY WORKERS UNION
DENNIS ZUKOWSKI
 dennis@local483.org

ATTACHMENT B

Advice No. 3416

Summary of Annual Gas Transportation Revenues

Southern California Gas Company

SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES

Regulatory Account Balances Update 1/1/05

	BCAP Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Revenues	Average Rate	Revenues	Average Rate	Revenues	Rates	Percent	
A	B	C	D	E	F	G	H	I	
	(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)	
CORE PROCUREMENT									
1 Residential	2,484,024	\$1,112,476	\$0.44785	\$1,127,540	\$0.45392	\$15,064	\$0.00606	1%	1
2 Large Master Meter	37,360	\$9,340	\$0.25000	\$9,567	\$0.25607	\$227	\$0.00607	2%	2
3 Commercial & Industrial	700,113	\$207,850	\$0.29688	\$208,044	\$0.29716	\$194	\$0.00028	0%	3
4 Gas A/C	1,060	\$152	\$0.14377	\$149	\$0.14047	(\$3)	(\$0.00330)	-2%	4
5 Gas Engine	15,240	\$3,085	\$0.20243	\$3,085	\$0.20243	(\$0)	(\$0.00000)	0%	5
6 Total Core Procurement	3,237,796	\$1,332,903	\$0.41167	\$1,348,385	\$0.41645	\$15,482	\$0.00478	1%	6
CORE TRANSPORTATION									
7 Residential	25,091	\$11,166	\$0.44501	\$11,284	\$0.44972	\$118	\$0.00471	1%	7
8 Large Master Meter	377	\$93	\$0.24716	\$95	\$0.25188	\$2	\$0.00472	2%	8
9 Commercial & Industrial	134,522	\$37,567	\$0.27927	\$37,390	\$0.27794	(\$178)	(\$0.00132)	0%	9
10 Gas A/C	140	\$20	\$0.14093	\$19	\$0.13628	(\$1)	(\$0.00465)	-3%	10
11 Gas Engine	800	\$160	\$0.19958	\$159	\$0.19823	(\$1)	(\$0.00135)	-1%	11
12 Total Core Transportation	160,930	\$49,006	\$0.30452	\$48,946	\$0.30415	(\$60)	(\$0.00037)	0%	12
13 TOTAL CORE	3,398,727	\$1,381,909	\$0.40660	\$1,397,331	\$0.41113	\$15,422	\$0.00454	1%	13
NONCORE									
14 Commercial & Industrial	1,456,757	\$81,356	\$0.05585	\$88,258	\$0.06059	\$6,902	\$0.00474	8%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$87,425	\$0.02969	\$99,535	\$0.03381	\$12,109	\$0.00411	14%	15
16 + Sempra-Wide EG Adjustment	2,944,257	\$8,823	\$0.00300	\$8,823	\$0.00300	\$0	\$0.00000	0%	16
17 = Electric Generation Total	2,944,257	\$96,248	\$0.03269	\$108,358	\$0.03680	\$12,109	\$0.00411	13%	17
18 Retail Noncore Total ¹	4,401,014	\$177,605	\$0.04036	\$196,616	\$0.04468	\$19,011	\$0.00432	11%	18
WHOLESALE									
19 Long Beach	77,821	\$2,200	\$0.02827	\$2,517	\$0.03234	\$317	\$0.00407	14%	19
20 SDG&E	1,445,680	\$32,043	\$0.02216	\$38,360	\$0.02653	\$6,316	\$0.00437	20%	20
21 Southwest Gas	91,672	\$2,409	\$0.02627	\$2,779	\$0.03031	\$370	\$0.00404	15%	21
22 City of Vernon	51,620	\$1,213	\$0.02349	\$1,419	\$0.02749	\$206	\$0.00400	17%	22
23 Wholesale Total	1,666,793	\$37,865	\$0.02272	\$45,074	\$0.02704	\$7,210	\$0.00433	19%	23
INTERNATIONAL									
24 Mexicali - DGN	36,419	\$923	\$0.02535	\$1,070	\$0.02937	\$146	\$0.00402	16%	24
25 Unbundled Storage	n/a	\$21,000	n/a	\$21,000	n/a	\$0	n/a	0%	25
26 Unallocated Costs to NSBA	n/a	\$13,473	n/a	\$13,473	n/a	(\$0)	n/a	0%	26
27 SYSTEM TOTALS ¹	9,502,953	\$1,632,775	\$0.17182	\$1,674,564	\$0.17622	\$41,789	\$0.00440	3%	27
28 EOR Revenues	482,707	\$22,777	n/a	\$22,777	n/a	\$0	n/a	0%	28

¹ Does not include EOR revenues shown at Line 28.

ATTACHMENT C

Advice No. 3416

Present and Proposed Regulatory Account Balances

ATTACHMENT C

SOUTHERN CALIFORNIA GAS COMPANY SOCALGAS PRESENT AND PROPOSED REGULATORY ACCOUNT BALANCES (M\$)

Account Name (1)	4/01/04 Amortization			Proposed 01/01/05 Amortization			Proposed Change		
	Core (2)	Noncore (3)	Total System (4)	Core (5)	Noncore (6)	Total System (7)	Core (8)	Noncore (9)	Total System (10)
1. Affiliate Transfer Fee Memorandum Account (ATFA)	(47)	(6)	(53)	0	0	0	47	6	53
2. Aliso/Goleta Tracking Account (AGTA)	0	23	23	0	107	107	0	84	84
3. Brokerage Fee Account (BFA)	0	5	5	0	131	131	0	126	126
4. Catastrophic Event Memorandum Account (Northridge)	(1)	(0)	(1)	0	0	0	1	0	1
5. Core Fixed Cost Account (CFCA) ²	(70,929)	0	(70,929)	(58,869)	0	(58,869)	12,060	0	12,060
6. Economic Practicality Shortfall Memorandum Account (EPSMA)	0	(13)	(13)	0	187	187	0	199	199
7. El Paso Settlement Proceeds Memo Acct (EPSPMA)	0	0	0	(218)	0	(218)	(218)	0	(218)
8. El Paso Turned-Back Capacity Bal Acct (EPTCBA)	4,111	7,374	11,486	6,049	10,850	16,900	1,938	3,476	5,414
9. Enhanced Oil Recovery Account (EORA)	7,562	771	8,333	9,005	918	9,922	1,442	147	1,589
10. Hazardous Substance Cost-Recovery Account (HSCRA)	4,271	7,661	11,932	4,609	8,267	12,877	338	607	945
11. Interstate Transition Cost Surcharge Account (ITCSA)	0	(13,666)	(13,666)	0	18,667	18,667	0	32,332	32,332
12. Intervenor Award Memorandum Account (IAMA)	88	157	245	12	21	32	(76)	(137)	(213)
13. Montebello True-Up Tracking Account (MTTA)	18,554	7,952	26,506	0	0	0	(18,554)	(7,952)	(26,506)
14. Natural Gas Vehicle Account (NGVA)	(714)	(979)	(1,693)	(2,026)	(2,776)	(4,802)	(1,312)	(1,798)	(3,109)
15. Noncore Fixed Cost Account (NFCA)	0	17,007	17,007	0	18,621	18,621	0	1,614	1,614
16. Noncore Fixed Costs Tracking Account (CCSI subaccount)	0	(7)	(7)	0	(95)	(95)	0	(88)	(88)
17. Noncore Fixed Costs Tracking Account (MPO subaccount)	0	(1)	(1)	0	0	0	0	1	1
18. Noncore Storage Balancing Account (NSBA)	200	359	559	102	183	285	(98)	(176)	(274)
19. PITCO/POPCO Transition Cost Account (PPTCA)	(217)	(389)	(606)	(518)	(929)	(1,447)	(301)	(540)	(841)
20. Post-Retirement Benefits Other Than Pensions (PBOPS)	(20,410)	(2,555)	(22,965)	(10)	(1)	(11)	20,400	2,554	22,954
21. Research, Development & Demonstration Expense Account (RDDEA)	(0)	(0)	(0)	0	0	0	0	0	0
22. Reseach Royalty Memorandum Account (RRMA)	(22)	(3)	(24)	(44)	(5)	(49)	(22)	(3)	(25)
23. Self-Generation Program Balancing Account (SGPBA)	6,807	12,208	19,015	4,375	7,847	12,222	(2,432)	(4,361)	(6,793)
24. Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)	(3,062)	(383)	(3,446)	(855)	(107)	(962)	2,207	276	2,484
25. Balancing Account Subtotal	(53,809)	35,517	(18,292)	(38,387)	61,884	23,497	15,422	26,367	41,789

Notes:

1. Balances shown include franchise fees and uncollectibles expenses.
2. Includes the Baseline Memorandum Account (BMA).