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December 20, 2004

Advice No. 3440
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Modification of the Cost of Service Revenue Requirements
Memorandum Account (COSRRMA) in compliance with
Decision 04-12-009**

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to SoCalGas' tariff schedules, applicable throughout its service territory, as shown on Attachment B.

Purpose

This filing revises Preliminary Statement, Part VI, Description of Regulatory Accounts – Memorandum, Cost of Service (COS) Revenue Requirement Memorandum Account (COSRRMA). Pursuant to Ordering Paragraphs 2 and 4 of Decision (D.) 04-12-009, SoCalGas modifies its COSRRMA to track the shortfall or overcollection related to the base rate authorized margin for 2005 as may be authorized by the Commission in Phase 2 of Application (A.) 02-12-027.

Background

The COSRRMA was established pursuant to D.03-12-057 and Advice Letter (AL) 3331¹ to track the difference between authorized revenues in effect for the period January 1, 2004 through the date prior to the rates adopted in Application (A.) 02-12-027 and the authorized revenues adopted in COS phase 1 decision.

With an anticipated final Commission decision on Phase 2 of the COS proceeding not being issued before the beginning of 2005, SoCalGas filed a Petition for Modification (PFM) of D.03-12-057 on September 30, 2004, for interim rate relief that would allow SoCalGas to extend the life of the COSRRMA beyond 2004. On December 2, 2004, the PFM was approved by the Commission in D.04-12-009 which authorized the extension of

¹ AL 3331 was approved by Energy Division letter dated January 21, 2004.

the COSRRMA until a Phase 2 decision in A.02-12-027 on SoCalGas' post-test year 2004 ratemaking mechanism applicable to 2005.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

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 (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.

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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 January 1, 2005, pursuant to D.04-12-009.

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' COS A.02-12-027.

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ATTACHMENT B
Advice No. 3440

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 38521-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 16	Revised 38015-G
Revised 38522-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 17	Revised 38016-G
Revised 38523-G	TABLE OF CONTENTS	Revised 38516-G

PRELIMINARY STATEMENT

Sheet 16

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

ANNUAL EARNINGS ASSESSMENT PROCEEDING MEMORANDUM ACCOUNT (AEAPMA)

The AEAPMA is an interest bearing memorandum account that is recorded on SoCalGas' financial statements. Pursuant to Decision 03-08-028, the AEAPMA is established to track SoCalGas' earnings claims for Low Income Energy Efficiency (LIEE) Program Years (PY) 1999 through 2001 until the Energy Division verifies installations for PY2000 and expenditure data for PY1999, PY2000 and PY2001.

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

- a. A debit entry equal to the SoCalGas' earnings claims pending Commission verification of program expenditures and program participation.
- b. A credit entry equal to one-twelfth of the authorized revenue to amortize the account balance in rates upon Commission approval.
- c. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

COST OF SERVICE REVENUE REQUIREMENT MEMORANDUM ACCOUNT (COSRRMA)

The COSRRMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. Pursuant to Decision (D.) 03-12-057, the purpose of this account is to record the shortfall or overcollection resulting from the difference between authorized base margin revenues recovered under currently authorized rates and the final 2004 revenue requirement adopted by the Commission in a Phase 1 decision for Application (A.) 02-12-027. Pursuant to D.04-12-009, the COSRRMA is expanded to record the shortfall or overcollection resulting from the difference between authorized base margin revenues recovered under currently authorized rates and the final 2005 revenue requirement adopted by the Commission in a Phase 2 decision for A. 02-12-027. The entries recorded to the account shall reflect the shortfall or overcollection of revenues effective from January 1, 2004 until the effective date of rates established in a Phase 2 decision for A.02-12-027.

Utility shall maintain the COSRRMA by making the following entries:

- a. A debit entry equal to the pro rata allocation of SoCalGas' annual base margin revenue requirement adopted in A.02-12-027 for the period January 1, 2004 until the effective date of rates adopted in a Phase 1 decision for A.02-12-027. This entry will be recorded once the decision is approved.
- b. A debit entry equal to the pro rata allocation of SoCalGas' annual base margin revenue requirement adopted in A.02-12-027 for the period January 1, 2005 until the effective date of rates adopted in a Phase 2 decision for A.02-12-027. This entry will be recorded once the decision is approved.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3440
 DECISION NO. 04-12-009

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 20, 2004
 EFFECTIVE Jan 1, 2005
 RESOLUTION NO. _____

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PRELIMINARY STATEMENT

Sheet 17

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

COST OF SERVICE REVENUE REQUIREMENT MEMORANDUM ACCOUNT (COSRRMA)

(Continued)

- c. A credit entry equal to the pro rata allocation of SoCalGas' currently authorized annual base margin revenue requirement for each month beginning January 1, 2004 until the effective date of rates adopted in a Phase 1 decision for A.02-12-027. This entry will be recorded once the decision is approved. T
- d. A credit entry equal to the pro rata allocation of SoCalGas' currently authorized annual base margin revenue requirement for each month beginning January 1, 2005 until the effective date of rates adopted in a Phase 2 decision for A.02-12-027. This entry will be recorded once the decision is approved. N
- e. On a monthly basis, an entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J. T

The disposition of the COSRRMA balance shall be determined in phase 2 of SoCalGas' COS proceeding (A.02-12-027) or in SoCalGas' next annual regulatory account update filing. T

EL PASO SETTLEMENT PROCEEDS MEMORANDUM ACCOUNT (EPSPMA)

The EPSPMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. The purpose of this account is to track the El Paso Settlement proceeds allocable to core aggregation customers pursuant to CPUC Decision 03-10-087. The EPSPMA will be effective upon receipt of the first settlement proceeds from El Paso Natural Gas Company (El Paso).

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

- a. A credit entry equal to the net present value of the El Paso Settlement proceeds allocable to core aggregation customers. The allocation of the proceeds shall be based on the percentage of gas transported by core aggregation customers to the total core throughput during the preceding 12-month period prior to the time the Utility first receives the settlement proceeds.
- b. A debit entry equal to the El Paso Settlement proceeds refunded in core aggregation transportation rates.
- c. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J. T

The disposition of the EPSPMA balance shall be determined in SoCalGas' Biennial Cost Allocation Proceeding (BCAP) or its next annual regulatory account balance update filing. T

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVISE LETTER NO. 3440
 DECISION NO. 04-12-009

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 20, 2004
 EFFECTIVE Jan 1, 2005
 RESOLUTION NO. _____

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(Continued)

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