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December 22, 2004

Advice No. 3442  
U-904-G

Public Utilities Commission of the State of California

**Subject: Submission of Long-Term Storage Contract**

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) the attached long-term storage contract SoCalGas has executed with the following customer:

Occidental Energy Marketing, Inc

This filing is made in compliance with Section 9.4 and Ordering Paragraph 14 of Decision No. (D.) 93-02-013, dated February 3, 1993 in A.92-03-038/I.87-03-036.

For competitive and trade secret reasons the Contract, incorporated herein as Attachment C, is being supplied only to the Commission staff. SoCalGas requests the Contract remain confidential under the provisions of General Order No. 66-C and California Public Utilities Code Section 583.

**Information**

Under the Contract, SoCalGas will provide Occidental Energy Marketing, Inc. storage services for 5 years effective April 1, 2005. The Contract is fixed-price with a provision for escalation of the Contract's reservation charges.

Other key features of the contract are as follows:

**Storage Services**

|                  |  |
|------------------|--|
| Firm Inventory:  | 2,000,000 Decatherms                                 |
| Firm Withdrawal: | 10,000 Decatherms/Day                                |
| Firm Injection:  | 20,000 Decatherms/Day (April thru October each year) |

**Contract Services**

All of the annual inventory, firm injection, and firm withdrawal services subscribed under the Contract shall be provided by SoCalGas through existing storage facilities. Included in the contract is a Drive Gas clause that states that if during the term of the agreement the CPUC modifies the storage program in such a way that requires individual storage holders to maintain gas inventory for firm withdrawal capacity, then the Utility will provide firm withdrawal rights based on a deliverability curve.

**Reservation Charges**

The initial negotiated annual reservation charge under the Contract is set per SoCalGas' Schedule No. G-LTS which states "the Utility has pricing flexibility to charge different rates than those stated below provided the reservation charge is no higher than the maximum reservation charge allowed in the G-TBS tariff." Schedule No. G-TBS states, "the maximum reservation charge under G-TBS shall be no more than \$14.271 per decatherm of inventory capacity reserved."

This negotiated reservation charge is based on market conditions and customer needs for storage services. This charge is below the maximum reservation charge allowed. The calculation of the annual reservation charge is shown on Attachment B, which SoCalGas requests remain confidential under the provisions of General Order No. 66-C and California Public Utilities Code Section 583.

Beginning on April 1, 2006, and for each April 1 thereafter, the reservation charges for the Contract Year shall be adjusted based on the percentage difference between the Consumer Price Index - All Urban Consumers (CPI) for September, as published by the Bureau of Labor Statistics in December of the calendar year immediately preceding such April, and the September CPI published in December for the previous calendar year.

**Effective Date of Contract**

As demonstrated in this filing, the Contract filed hereunder meets the guidelines for storage service as authorized by the Commission in D.93-02-013. Accordingly, pursuant to Section 9.4 of D.93-02-013, the Contract should be considered approved on January 1, 2005, which is at least seven days from the date of this filing. Although the Contract is not effective until April 1, 2005, it is important that the Contract be approved before then because the Contract has trading value prior to its effective date. This value diminishes over time. This advice letter will not increase any rate or charge, conflict with any rate schedules or rules, nor cause the withdrawal of any service.

**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, 4<sup>th</sup> 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](mailto:jjr@cpuc.ca.gov)) and to Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto: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  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA 90013-1011  
Facsimile No. (213) 244-4957  
E-mail: [snewsom@SempraUtilities.com](mailto:snewsom@SempraUtilities.com)

**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.

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J. STEVE RAHON  
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Attachments

**ATTACHMENT A**

**Advice No. 3442**

**(See Attached Service List)**

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