

PUBLIC UTILITIES COMMISSION

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February 23, 2005

Advice Letter 3462

Mr. Sid Newsom
Regulatory Tariff Administration
Southern California Gas Company – GT14D6
555 West Fifth Street
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Subject: Expedited advice letter for Transwestern capacity contracts, Decision 04-09-022

Dear Mr. Newsom:

Advice Letter 3462 is effective February 23, 2005. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



J. Steve Rahon
Director
Tariffs & Regulatory Accounts

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February 2, 2005

Advice No. 3462
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Public Utilities Commission of the State of California

**Subject: Expedited Advice Letter for Transwestern Capacity Contracts –
Decision 04-09-022**

Pursuant to the expedited advice letter filing and approval procedures adopted in D.04-09-022, Southern California Gas Company (SoCalGas) hereby requests approval by the California Public Utilities Commission (Commission) of a Letter Agreement (Attachment B) for two new Transportation Service Agreements (New TSAs) with Transwestern Pipeline Company (Transwestern) for transportation of natural gas supplies on behalf of SoCalGas' core procurement customers (Attachment C). This expedited advice letter requests Commission approval by February 23, 2005, consistent with the timeframe adopted for this process (see D.04-09-022, pp. 18, 26).

Purpose

In D.04-09-022, the Commission found that a clearly articulated process was needed for the expeditious processing and appropriate regulatory oversight of capacity contracts entered into by utilities on behalf of core customers. The Commission approved procedures for capacity contract approval that rely on consultation among SoCalGas and the Office of Ratepayer Advocates (ORA), The Utility Reform Network (TURN), and the Energy Division for all commitments for interstate capacity.

Under the expedited advice letter procedure approved in D.04-09-022, renegotiated contracts for capacity held by SoCalGas under existing TSAs expiring in 2005 with Transwestern may be submitted by expedited advice letter, seeking Commission approval within 21 days of the date the expedited advice letter is filed. The purpose of this expedited advice letter is to request approval of a Letter Agreement dated February 2, 2005 for New TSAs between Transwestern and SoCalGas for two capacity contracts for service beginning on November 1, 2005 on the expiration of SoCalGas' two existing contracts with Transwestern on October 31, 2005.

Background

The Commission recognized in D.04-09-022 that the upcoming expiration of SoCalGas' contracts with Transwestern would provide the opportunity to acquire capacity commitments with mixed terms and staggered termination dates, giving SoCalGas more flexibility in trying to reduce the delivered cost of gas to its core procurement customers (see e.g., D.04-09-022, p. 19). Thus, the Commission authorized SoCalGas to re-negotiate or terminate expiring contracts with Transwestern to achieve these expected benefits. SoCalGas realizes these objectives under the two New TSAs with Transwestern. The New TSAs have staggered termination dates, discounted reservation rates, and provide core customers with firm access to historically and forecasted lower-cost gas supplies in the San Juan Basin.

In compliance with D.04-09-022, SoCalGas has consulted extensively with representatives of ORA, TURN, and the Energy Division concerning the Letter Agreement for the New TSAs^{1/} throughout this process. SoCalGas is authorized to represent here that ORA and TURN recommend approval by the Commission of the Letter Agreement for New TSAs.

SoCalGas has held capacity on the Transwestern system under two TSAs: (1) Since 1989, TSA No. 8255, for 306,000 Decatherms (Dth)^{2/} per day with receipt points in the Permian Basin and a delivery point into SoCalGas' system at Needles, California; and (2) Since 1992, TSA No. 20715, for 200,000 Dth per day with receipt points in the San Juan Basin and a delivery point at Thoreau, New Mexico. The total delivered capacity is 306,000 Dth per day to Needles, California with a maximum delivered capacity of 200,000 Dth per day from the San Juan basin. All capacity under the two existing Transwestern TSAs is allocated to core customers. The primary term of the two existing Transwestern TSAs expires on October 31, 2005. SoCalGas has issued notices of termination and preserved its right of first refusal (ROFR) for existing Transwestern TSA Nos. 8255 and 20715 on December 10, 2004, consistent with the authorization granted in D.04-09-022.

Summary of New Capacity Contracts

Under the Letter Agreement for two New TSAs, each New TSA is for a term commencing November 1, 2005 and each specifies a maximum daily transportation quantity of 100,000 Dth per day from receipt point rights in the San Juan basin to Transwestern's Needles delivery point right at its interconnection with SoCalGas' system at the California-Arizona border. One New TSA extends through March 31, 2009 with ROFR and the second New TSA extends through March 31, 2011 with ROFR. All costs of Transwestern capacity held by SoCalGas under the Letter Agreement for two New TSAs will be recovered from core procurement customers through the Purchased Gas Account.

^{1/} The Amendments to the New TSA's are being submitted to Commission Staff pursuant to the confidentiality provisions of Public Utilities Code §583 and General Order 66-C, and to TURN pursuant to the confidentiality provisions of a non-disclosure agreement.

^{2/} Dth is equivalent to MMBtu (million British thermal units).

Each New TSA specifies a discounted reservation rate equal to the lesser of: (1) Transwestern's effective maximum applicable California reservation rate, or (2):

- For the Initial Period of November 1, 2005 through October 31, 2006, 22 cents per MMBtu per day, at Transwestern's currently applicable fuel rate of 4.75%. If during any portion of the Initial Period, Transwestern's applicable fuel rate is lowered to 3.2% or less, then the discounted reservation rate shall be increased to 30 cents per MMBtu per day
- For the Secondary Period of November 1, 2006 through March 31, 2009 under the first New TSA and November 1, 2006 through March 31, 2011 under the second New TSA, 30 cents per MMBtu per day, at an applicable fuel rate of not more than 3.2% to be effective on or before November 1, 2006.

SoCalGas would also pay Transwestern's applicable tariff commodity rate of 1.64 cents per MMBtu, FERC's Annual Charge Adjustment surcharge of 0.19 cents per MMBtu, and the applicable fuel rate.

SoCalGas' discounted reservation rate is less than Transwestern's current maximum applicable California reservation rate of 36.59 cents per MMBtu per day.

In the event that Commission approval is not received by March 4, 2005, this Letter Agreement will terminate and SoCalGas would have until March 18 to negotiate a new contract with Transwestern. If no new contract is agreed to, SoCalGas' ROFR expires and Transwestern would post this capacity on its electronic bulletin board as generally available capacity. Transwestern would then retain the right to reject any offer for capacity at less than maximum tariff rate.

Effective Date

SoCalGas requests that this filing be approved and made effective on February 23, 2005, which is 21 days from the date of this filing.

This advice letter will not affect any other rate or charge, conflict with any rate schedules or rules, nor cause the withdrawal of any service.

Protest

Anyone may protest this expedited advice letter by sending a letter to the Commission by February 14, 2005, which is 10 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. 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
Facsimile: (415) 703-2200

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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Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent electronically or via U.S. mail to parties shown on Attachment A, which includes interested parties in R.04-01-025.

J. STEVE RAHON
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Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3462

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ATTACHMENT B

Advice No. 3462

**Letter Agreement with
Transwestern Pipeline Company**

Transwestern Pipeline Company

Shelley Corman
Sr. Vice President & Chief Commercial Officer

February 2, 2005

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Southern California Gas Company
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Ladies and Gentlemen:

Southern California Gas Company ("SoCalGas") and Transwestern Pipeline Company, LLC ("Transwestern") (jointly, "the Parties") hereby agree to enter into the two Transportation Service Agreements attached hereto and incorporated herein (the "New TSAs"), subject to approval of this Letter Agreement by the California Public Utilities Commission ("CPUC") as set forth herein.

Generally, each New TSA is for a term commencing November 1, 2005, and each specifies a maximum daily transportation quantity of 100,000 Dth per day from receipt points in the San Juan Basin to Transwestern's Needles delivery point at its interconnection with the SoCalGas system. One New TSA extends through March 31, 2011, and the second New TSA extends through March 31, 2009. Each New TSA specifies a discounted reservation rate as stated in the "Amendment to Firm Transportation Agreement" thereto.

Within five business days of execution of this Letter Agreement, SoCalGas will file an Expedited Advice Letter with the CPUC requesting approval of this Letter Agreement for the New TSAs pursuant to the CPUC's Decision (D.)04-09-022.

SoCalGas will notify Transwestern immediately upon receipt of CPUC approval of the Expedited Advice Letter and this Letter Agreement in form and substance reasonably acceptable to SoCalGas. The Parties will have their authorized representatives execute each of the New TSAs, in the form attached hereto without modification or alteration (except such modifications or alterations as are acceptable to the Parties), within five business days of SoCalGas' receipt of such CPUC approval.

Upon execution of the New TSAs, Transwestern and SoCalGas shall support the discounted reservation rate, fuel, and receipt/delivery point provisions of the New TSAs in any rate case or other regulatory process. Transwestern and SoCalGas may take such positions as they elect on any other issue(s) in any such rate case or other regulatory process.

In the event SoCalGas has not received such CPUC approval on or before March 4, 2005, this Letter Agreement shall terminate as of such date, and Transwestern shall notify SoCalGas on March 4, 2005 as to the terms of any acceptable bids Transwestern has received in response to the posting on December 13, 2004, of notice of available capacity held under Transportation Service Agreements Nos. 8255 and 20715, pursuant to Transwestern's tariff provisions concerning Right of First Refusal.

If this meets with your understanding and acceptance, please so indicate by having your authorized representative sign and date below.

Sincerely,

Transwestern Pipeline Company

By: J Kelley Connor
Title: Sec. Vice President
Date: 2/2/2005

Agreed to and Accepted by:

Southern California Gas Company *JMP
AK*
By: Debra L. Reed
Title: President
Date: 2/2/2005

ATTACHMENT C

Advice No. 3462

**Two New Transportation Service Agreements
With Transwestern Pipeline Company**

**Form of Service Agreement - Form M
Rate Schedule FTS-1**

Date: _____, 2005

**Shipper's Name
for Notices:**

**Southern California Gas Company
555 West 5th Street, ML GT24E1
Los Angeles, California 90013
Attn: Gas Supply Manager**

**Address for
Notices and Invoice (If different)**

**Southern California Gas Company
555 West 5th Street, ML GT24E1
Los Angeles, California 90013
Attn: Finance and Administration Manager**

Contract Number:

Terms: For a Primary Term from November 1, 2005 through March 31, 2009, subject to a Right of First Refusal to extend this Agreement in accordance with the provisions of Section 13 of Transporter's FTS-1 Rate Schedule.

Rate: Unless Transporter agrees to charge Shipper: (i) a discounted rate below the maximum rate; or (ii) a negotiated rate either below the minimum rate or above the maximum rate, set forth on the currently effective rate sheets for Rate Schedules FTS-1, Shipper shall pay Transporter each month for transportation service rendered hereunder at the maximum rates or charges in effect from time to time under Rate Schedule FTS-1, or any effective superseding rate schedule on file with the Commission.

This transportation shall be provided pursuant to Subpart G (Blanket) of Part 284 of the Federal Energy Regulatory Commission's regulations.

The contract maximum daily transportation quantities and primary receipt and delivery points are set forth on Appendix A, attached hereto and incorporated herein.

Other: The parties agree that a facsimile of this agreement, when properly executed and transmitted, shall be considered for all purposes to be an original contract, and shall be deemed for all purposes to be signed and constitute a binding agreement. To submit a transportation service agreement via FAX, the entire agreement must be faxed to Transwestern Market Services. The agreement must also be properly and fully executed. Upon Transwestern's acceptance and execution, an executed copy will be returned via FAX to the number appearing on the faxed offer or such other number as directed.

Any notice, statement, or bill provided for in this Agreement shall be in writing and shall be considered as having been given if delivered personally, or if mailed by United States mail, postage prepaid, or if sent by express mail, overnight delivery, telex, telecopy or other mutually agreeable means of electronic transmission, to Shipper when sent to the address set forth on this Agreement and to Transwestern when sent to the following:

All Notices/Accounting Matters:

Transwestern Pipeline Company, LLC
P.O. Box 4657
Houston, Texas 77210-4657
Attn: Market Services

Payments to Designated Depository:

Transwestern Pipeline Company, LLC
Account No. 304153427
ABA No. 021000021
Bank: JP Morgan Chase, NY

This Agreement shall incorporate and in all respects shall be subject to the "General Terms and Conditions" and the applicable Rate Schedule(s) set forth in Transwestern's FERC Gas Tariff, as may be revised from time to time. Transwestern may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or other provisions set forth in the applicable Rate Schedule(s) and the "GENERAL TERMS AND CONDITIONS" in Transwestern's FERC Gas Tariff, and

ATTACHMENT C

Transwestern shall have the right to place such changes in effect in accordance with the NGA, and this Transportation Service Agreement shall be deemed to include such changes and any changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

Transwestern Pipeline Company LLC

By: _____
Title: Senior Vice President

Southern California Gas Company

By: _____
Title: _____

Appendix A
to
Gas Transportation Agreement
Contract
Between
Transwestern Pipeline Company, LLC
and
SOUTHERN CALIFORNIA GAS COMPANY
Date Range: November 1, 2005 to March 31, 2009

MAXIMUM DAILY TRANSPORTATION QUANTITY (MAXDTQ): 100,000 Dth

Primary Point of Receipt (1) (2)	Point Name	Maximum Daily Receipt Quantity (3)
56498	BLOOMFIELD COMPRESSOR	100,000 Dth
Primary Point of Delivery (4)	Point Name	Maximum Daily Delivery Quantity(3)
10487	SOCAL NEEDLES	100,000 Dth

(1) For purposes of this Appendix, any receipt point on Transwestern's system may be used as an alternate Receipt Point, subject to the terms and conditions of Rate Schedule FTS-1.

(2) Shipper agrees to tender, or cause to be tendered, gas for transportation at the Point(s) of Receipt identified above at pressures sufficient to effect delivery into Transporter's facilities not to exceed the maximum allowable operating pressure; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to enable Shipper to effectuate said deliveries.

(3) Aggregate may not exceed MAXDTQ as shown above.

(4) Transporter agrees to transport and deliver gas to Shipper, or for Shipper's account, at the above Point(s) of Delivery; provided, however, Transporter shall have no obligation to provide compression and/or alter its system operation to effectuate said deliveries.

**Form of Service Agreement - Form M
Rate Schedule FTS-1**

Date: _____, 2005

**Shipper's Name
for Notices:**

**Southern California Gas Company
555 West 5th Street, ML GT24E1
Los Angeles, California 90013
Attn: Gas Supply Manager**

**Address for
Notices and Invoice (If different)**

**Southern California Gas Company
555 West 5th Street, ML GT24E1
Los Angeles, California 90013
Attn: Finance and Administration Manager**

Contract Number:

Terms: For a Primary Term from November 1, 2005 through March 31, 2011, subject to a Right of First Refusal to extend this Agreement in accordance with the provisions of Section 13 of Transporter's FTS-1 Rate Schedule.

Rate: Unless Transporter agrees to charge Shipper: (i) a discounted rate below the maximum rate; or (ii) a negotiated rate either below the minimum rate or above the maximum rate, set forth on the currently effective rate sheets for Rate Schedules FTS-1, Shipper shall pay Transporter each month for transportation service rendered hereunder at the maximum rates or charges in effect from time to time under Rate Schedule FTS-1, or any effective superseding rate schedule on file with the Commission.

This transportation shall be provided pursuant to Subpart G (Blanket) of Part 284 of the Federal Energy Regulatory Commission's regulations.

The contract maximum daily transportation quantities and primary receipt and delivery points are set forth on Appendix A, attached hereto and incorporated herein.

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All Notices/Accounting Matters:

Transwestern Pipeline Company, LLC
P.O. Box 4657
Houston, Texas 77210-4657
Attn: Market Services

Payments to Designated Depository:

Transwestern Pipeline Company, LLC
Account No. 304153427
ABA No. 021000021
Bank: JP Morgan Chase, NY

This Agreement shall incorporate and in all respects shall be subject to the "General Terms and Conditions" and the applicable Rate Schedule(s) set forth in Transwestern's FERC Gas Tariff, as may be revised from time to time. Transwestern may file and seek Commission approval under Section 4 of the Natural Gas Act (NGA) at any time and from time to time to change any rates, charges or other provisions set forth in the applicable Rate Schedule(s) and the "GENERAL TERMS AND CONDITIONS" in Transwestern's FERC Gas Tariff, and

ATTACHMENT C

Transwestern shall have the right to place such changes in effect in accordance with the NGA, and this Transportation Service Agreement shall be deemed to include such changes and any changes which become effective by operation of law and Commission Order, without prejudice to Shipper's right to protest the same.

Transwestern Pipeline Company, LLC

By: _____
Title: Senior Vice President

Southern California Gas Company

By: _____
Title: _____

Appendix A
to
Gas Transportation Agreement
Contract
Between
Transwestern Pipeline Company, LLC
and
SOUTHERN CALIFORNIA GAS COMPANY
Date Range: November 1, 2005 to March 31, 2011

MAXIMUM DAILY TRANSPORTATION QUANTITY (MAXDTQ): 100,000 Dth

Primary Point of Receipt (1) (2)	Point Name	Maximum Daily Receipt Quantity (3)
56498	BLOOMFIELD COMPRESSOR	100,000 Dth
Primary Point of Delivery (4)	Point Name	Maximum Daily Delivery Quantity(3)
10487	SOCAL NEEDLES	100,000 Dth

(1) For purposes of this Appendix, any receipt point on Transwestern's system may be used as an alternate Receipt Point, subject to the terms and conditions of Rate Schedule FTS-1.

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