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September 12, 2005

Advice No. 3528
(U 904 G)

Public Utilities Commission of the State of California

Subject: Change in Method of Recovery of Interstate Pipeline Capacity Reservation Costs

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

Consistent with the interstate capacity contracting procedures contained in SoCalGas' Phase I Proposal in Order Instituting Rulemaking (R.) 04-01-025 as approved by Decision (D.) 04-09-022, this filing is being made to propose tariff changes to facilitate recovery of interstate pipeline capacity reservation costs incurred under new transportation service agreements (TSAs) negotiated in compliance with D.04-09-022 through core procurement rates instead of transportation rates.

Background

R.04-01-025 was opened to ensure that California does not face a natural gas shortage in the future and directed the California utilities to file proposals addressing interstate pipeline capacity contracts, liquefied natural gas access and interstate pipeline access. D.04-09-022, was issued, in part, to address the Phase I proposal of SoCalGas, filed in compliance with R.04-01-025, on new interstate pipeline capacity contract procedures that allowed the utility to acquire core capacity in a more efficient and cost effective manner. In Ordering Paragraph (OP) 2 of D.04-09-022, the Commission approved the capacity contract approval procedures (Contracting Procedures) proposed by SoCalGas subject to the modifications described in D.04-09-022. SoCalGas' Phase I proposal on pages 26 and 27 stated:

“As the contract terms of SoCalGas' primary TSAs with Transwestern and El Paso expire in 2005 and 2006, all core procurement interstate pipeline costs will be recovered only from core procurement customers through the procurement charge and Purchased Gas Account (PGA), similar to the current procedure for interstate capacity used to serve core procurement customers that was not allocated in the BCAP.”

In compliance with D.04-09-022, SoCalGas filed two Expedited Advice Letters (EAL) requesting approval of new TSAs with El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern) that stated that all costs of capacity held by SoCalGas under the new TSAs would be recovered from core procurement customers through the PGA. Both EALs have been approved with the term of the new Transwestern TSA beginning November 1, 2005 and the term of the new El Paso TSA beginning September 1, 2006. In addition, in compliance with D.04-09-022, SoCalGas has received Commission approval from the Director of Energy Division for new interstate contracts with Kern River Pipeline Company.

This treatment is also consistent with the applicable terms of the Settlement Approved by the Commission in D.02-06-023 regarding cost recovery of additional interstate capacity agreements in the PGA.

In compliance with D.02-06-023 and D.04-09-022, SoCalGas is updating its Schedule No. G-CP, Gas Procurement for Core Customers. These tariff changes reflect that all interstate pipeline capacity costs, including reservation costs, held by SoCalGas under new TSAs entered into using the Contracting Procedures set forth in D.04-09-022 and the Settlement Agreement in D.02-06-023, are recorded to the PGA and recovered from core procurement customers through the gas procurement charge. Interstate pipeline capacity reservation costs for contracts entered into prior to D.02-06-023 and D.04-09-022, will continue to be recorded to the Core Fixed Cost Account (CFCA) and recovered through gas transportation rates until they expire.

Tariff Changes

Changes to Schedule No. G-CP, Gas Procurement for Core Customers

Cost recovery of interstate pipeline capacity reservation costs approved under the Contracting Procedures will be facilitated through core procurement rates as established under SoCalGas' core monthly pricing mechanism. To reflect this in SoCalGas' tariff, Schedule No. G-CP is being revised to include a statement that costs associated with interstate pipeline capacity contracts approved pursuant to D.04-09-022 are recovered as a component of the gas procurement rates published on the schedule. In addition, since Schedule No. G-CP currently does not address the treatment of reservation costs incurred under contracts for capacity entered pursuant to D.02-06-023, a statement to clarify that these reservation costs are also included in the gas procurement charge is being added. To incorporate these changes, the following language is being added to part (1) of the Schedule's G-CPNR, G-CPR and G-CPA rate descriptions: "including reservation charges associated with interstate pipeline capacity contracts entered into by the Utility pursuant to D.04-09-022 and D.02-06-023".

This filing will not create any deviations from SoCalGas' tariffs, cause withdrawal of service from any present customer, or impose any more or less restrictive conditions.

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and therefore respectfully requests that this filing become effective on November 1, 2005 which is more than 30 calendar days after the date filed.

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:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
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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Notice

A copy of this advice letter is being sent to the parties listed on Attachment A to this advice letter, which includes interested parties in R.04-01-025.

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(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3528

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 39578-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 1	Revised 37140-G
Revised 39579-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 2	Revised 39573-G
Revised 39580-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 3	Revised 39574-G
Revised 39581-G	Schedule No. G-CP, CORE PROCUREMENT SERVICE, Sheet 4	Revised 39553-G
Revised 39582-G	TABLE OF CONTENTS	Revised 39576-G
Revised 39583-G	TABLE OF CONTENTS	Revised 39577-G

Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 1

APPLICABILITY

Applicable for natural gas procurement service provided to core customers from the Utility's core portfolio, as defined in Rule No. 1. Service hereunder will be rendered in accordance with the provisions of the customer's otherwise-applicable rate schedule, as defined in Special Condition 2.

TERRITORY

Applicable throughout the service territory.

RATES

The residential and non-residential procurement charges will be subject to change monthly, as set forth in D.98-07-068. The adjusted procurement charge is subject to change monthly, as set forth in Resolution G-3357. The procurement charges will be based upon the estimated average price of flowing gas supplies during the injection season, and a blend of the weighted average estimated monthly price of flowing gas supplies and the estimated price of gas withdrawn from storage, when applicable. The Cross-Over Rate, as set forth in D.02-08-065, will be the higher of the procurement charge described above or the Adjusted Border Price, as described below. The Utility will file the core procurement charges and affected core service rate schedules on the last business day of the previous month, to be effective the first day of the following month; except the Cross-Over Rate. The Cross-Over Rate will be filed on or before the 9th calendar day of each month, to be effective the 10th calendar day of each month.

G-CPNR

This charge is for non-residential core service. Pursuant to D.96-08-037, Utility was authorized to change its non-residential procurement charge monthly beginning in January 1997.

The non-residential monthly gas procurement charge is comprised of: (1) the weighted average estimated cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068, including reservation charges associated with interstate pipeline capacity contracts entered into by the Utility pursuant to D.04-09-022 and D.02-06-023; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3528
 DECISION NO. D.04-09-022

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Sep 12, 2005
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Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 2

(Continued)

RATES (Continued)

G-CPNR (Continued)

Cost of Gas, per therm	83.787¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	83.988¢

G-CPNRC

This is the non-residential Cross-Over Rate authorized in D.02-08-065. This charge will be applicable for the first 12 months of service for: (1) customers who transfer from noncore service to core procurement service, except noncore customers who have been disqualified from noncore service and are required to return to core service; (2) non-residential core transportation customers who consumed over 50,000 therms in the last 12 months, unless such customer was returned to utility procurement because their gas supplier is no longer doing any business in California, or (3) non-residential core transportation customers with annual consumption over 50,000 therms who return to core procurement service and switch back to transportation only service within 90 days.

The monthly gas procurement charge is comprised of: (1) the higher of the Cost of Gas in the G-CPNR rate above, less authorized franchise fees and uncollectible expenses, or the Adjusted Border Price; (2) authorized franchise fees and uncollectible expenses; and (3) authorized core brokerage fee.

The Border Price is equal to the average of the first of the month "Southern Cal Border Avg." index from Natural Gas Intelligence and the "Bid Week, California-South, Delivered to Pipeline" index from Natural Gas Week. The Adjusted Border Price is equal to the Border Price less the currently authorized core interstate capacity costs included in core transportation rates.

Cost of Gas, (1) and (2) above, per therm	83.787¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	83.988¢

G-CPR

This charge is for residential service. Pursuant to D.96-08-037, Utility was authorized to change the residential gas procurement charge monthly concurrent with its implementation of the 1996 BCAP Decision (D.97-04-082).

(Continued)

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Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 3

(Continued)

RATES (Continued)

G-CPR (Continued)

The monthly residential gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068, including reservation charges associated with interstate pipeline capacity contracts entered into by the Utility pursuant to D.04-09-022 and D.02-06-023; (2) authorized franchise fees and uncollectible expenses; (3) authorized core brokerage fee; (4) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068; and (5) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

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Cost of Gas, per therm	83.787¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	83.988¢

G-CPRC

This is the residential Cross-Over Rate authorized in D.02-08-065. This charge will be applicable for the first 12 months for: (1) residential core transportation customers who consumed over 50,000 therms in the last 12 months and who transfer to utility procurement, or (2) residential core transportation customers with annual consumption over 50,000 therms who return to core procurement service and switch back to transportation only service within 90 days.

The monthly gas procurement charge is comprised of: (1) the higher of the Cost of Gas in the G-CPR rate above, less authorized franchise fees and uncollectible expenses, or the Adjusted Border Price; (2) authorized franchise fees and uncollectible expenses; and (3) authorized core brokerage fee.

The Border Price is equal to the average of the first of the month "Southern Cal Border Avg." index from Natural Gas Intelligence and the "Bid Week, California-South, Delivered to Pipeline" index from Natural Gas Week. The Adjusted Border Price is equal to the Border Price less the currently authorized core interstate capacity costs included in core transportation rates.

Cost of Gas, (1) and (2) above, per therm	83.787¢
Brokerage Fee, per therm	<u>0.201¢</u>
Total Core Procurement Charge, per therm	83.988¢

The Border Price will be posted on the Utility's Internet web site at <http://www.socalgas.com>.

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Schedule No. G-CP
CORE PROCUREMENT SERVICE

Sheet 4

(Continued)

RATES (Continued)

G-CPA

This rate is for the purposes of calculating the municipal surcharge as defined in Schedule No. G-MSUR; the Buy-Back Rates as defined in Schedule No. G-IMB; involuntary diversions; and VCPPA deliveries as defined in Rule No. 23 and purchases of storage gas as defined in Rule No. 32. This rate is equivalent to the Core Subscription Procurement Charge, previously reported in Schedule No. G-CS, that was eliminated pursuant to Decision 01-12-018 and Resolution G-3357, effective December 1, 2003.

The monthly adjusted gas procurement charge is comprised of: (1) the weighted average cost of gas (WACOG) for the current month, derived in the manner set forth in D.98-07-068, including reservation charges associated with interstate pipeline capacity contracts entered into by the Utility pursuant to D.04-09-022 and D.02-06-023; (2) authorized franchise fees and uncollectible expenses; (3) any adjustments for over- or under-collection imbalance in the Core Purchased Gas Account (CPGA) imbalance band as defined and approved in D.98-07-068 and (4) an adjustment for the Gas Cost Incentive Mechanism (GCIM) reward/penalty pursuant to D.02-06-023. The charge is exclusive of (1) core storage gas withdrawals and (2) authorized core brokerage fee. The CPGA component is an adder in the case of an under-collection and a subtracter in the case of an over-collection.

Adjusted Core Procurement Charge, per therm 83.787¢

The current procurement charge will be posted on the Utility's Electronic Bulletin Board (EBB), as defined in Rule No. 1, and Internet web site at <http://www.socalgas.com/regulatory>.

The Utility will reflect all applicable taxes, fees, and surcharges and/or credits imposed as a result of providing service hereunder.

The number of therms to be billed will be determined in accordance with Rule No. 2.

SPECIAL CONDITIONS

1. Definitions of the principal terms used in this rate schedule and the Utility's other tariffs are provided in Rule No. 1.
2. Service provided hereunder is subject to the terms and conditions of the Utility's tariff schedules on file with the Commission. Charges for transmission service will be in accordance with the Utility's core transportation rate schedules. The terms and conditions in the customer's otherwise-applicable core procurement schedule apply.

(Continued)

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