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November 14, 2005

Advice No. 3538-A  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Supplemental - Annual Regulatory Account Balance Update for Rates Effective January 1, 2006**

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, 2006.

**Purpose**

This filing, made each year on or before October 15<sup>th</sup>, 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 2005 year-end regulatory account balances in rates effective January 1, 2006. This supplemental filing replaces in its entirety Advice No. (AL) 3538 filed on October 14, 2005, and adds a section for the El Paso Settlement Proceeds Memorandum Account<sup>1</sup> (EPSPMA) that requests permission to continue to refund in gas transportation rates, the Core Aggregation Transportation (CAT) customers' share of Settlement proceeds that are recorded to the EPSPMA. All other components of AL 3538 remain unchanged.

**Background**

The revenue requirements related to the regulatory account balances are amortized in rates over 12 months beginning each January 1<sup>st</sup>. 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, 2006. 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, 2006 effective date of such rates, including an adjustment for the Sempra-wide common electric generation rate.

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<sup>1</sup> The EPSPMA was established pursuant to D.03-10-087 and Advice No. 3318 which was approved on April 22, 2004

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:**

A \$20.0 million decrease in the total core transportation revenue requirement is proposed to amortize the projected year-end 2005 regulatory account balances. The decrease is primarily due to accumulated overcollections in the Cost of Service Revenue Requirement Memorandum Account (COSRRMA) and Research, Development, and Demonstration Expense Account (RDDEA) and decreased undercollections in the El Paso Turned-Back Capacity Balancing Account (EPTCBA) offset by decreased overcollections in the Core Fixed Cost Account (CFCA) as described below.

COSRRMA – Pursuant to Decision 03-12-057, SoCalGas established the COSRRMA to track the difference between authorized revenues in effect for the period January 1, 2004 through February 1, 2005, the implementation date for the Cost of Service (COS) Phase I decision, and the authorized revenues adopted in the COS decision prorated for the same period. The period for tracking the difference was extended through June 1, 2005, the implementation date for the COS Phase II decision. For the period, SoCalGas recorded an overcollection of \$26.5 million. The core revenue requirement allocation of this overcollection is \$23.6 million.

RDDEA – With the implementation of the COS, SoCalGas established a new cycle for tracking base margin research, development, and demonstration expenses effective January 1, 2004. As a result, SoCalGas closed the prior cycle ending December 31, 2003, resulting in an overcollection of \$4.2 million. The core revenue requirement allocation of this overcollection is \$3.7 million.

EPTCBA - Pursuant to AL 3416, SoCalGas was authorized to amortize in 2005 rates an EPTCBA undercollection of \$16.5 million. As contracts for the turned-back capacity begin to expire in 2006, costs net of brokered capacity revenues are projected to decrease. As a result, the projected EPTCBA amortization in rates effective January 1, 2006 is a \$7.6 million undercollection, which reflects a decrease in the revenue requirement of \$9.2 million. The core's revenue requirement allocation of this decrease is \$3.3 million.

CFCA - Core customer transportation rates are based on the average temperature year gas demand data. Pursuant to AL 3416, SoCalGas was authorized to amortize in 2005 rates a CFCA overcollection of \$58.8 million. The projected CFCA balance for amortization in 2006 rates is \$43.3 million overcollected, representing a revenue requirement increase of \$15.5 million.

EPSPMA - Pursuant to SoCalGas' Consolidated Rate Adjustments<sup>2</sup> filing for rates effective January 1, 2005, SoCalGas initially proposed the following refund plan for CAT customers:

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<sup>2</sup> Advice No. 3445 filed on December 29, 2004 and approved effective January 1, 2005.

“Pursuant to AL 3416, filed October 15, 2004, SoCalGas projected a \$0.2 million over collection for the EPSPMA to be refunded in 2005 rates to CAT customers. In connection with this year-end consolidated update rate filing, SoCalGas plans to refund the \$0.2 million to CAT customers on an equal cents per therm based on the authorized average year CAT throughput. The inclusion of the amortization component associated with the EPSPMA balance lowers 2005 CAT transportation rates, except for Natural Gas Vehicles (NGV), by 0.135 cents per therm. SoCalGas proposes that any residual balance in the EPSPMA at December 31, 2005 shall be transferred to the Core Fixed Cost Account (CFCA) and to discontinue the EPSPMA.”

Since a relatively minor amount is projected to be refunded in 2005 (i.e., less than \$40,000 due to low CAT throughput), SoCalGas proposes to not transfer the balance in the EPSPMA to the CFCA at the end of 2005 as indicated above but continue to refund the remaining balance through CAT transportation rates in 2006. In addition, to ensure that CAT customers receive their share of the Settlement proceeds in accordance with D.03-10-087, SoCalGas proposes to refund the remaining EPSPMA balance on an equal cent per therm based on historical CAT throughput. SoCalGas also proposes to transfer any residual balance in the EPSPMA at December 31, 2006 to the CFCA and discontinue the EPSPMA.

The major components of the core revenue requirement decrease are as follows:

Description	Core Revenue Requirement Increase / (Decrease) (in millions of \$)
Cost of Service Revenue Requirement Memo Account (COSRRMA)	(23.6)
Research Development Demonstration Expense Account (RDDEA)	(3.7)
El Paso Turned-Back Capacity Balancing Account (EPTCBA)	(3.3)
Core Fixed Cost Account (CFCA)	15.5
Other Regulatory Account Balances	(4.9)
<b>Total Core Revenue Requirement</b>	<b>(20.0)</b>

#### Noncore Customers:

A \$6.7 million increase in the total noncore transportation revenue requirement is necessary to amortize the projected year-end 2005 regulatory account balances. The increase is primarily due to undercollections in the Noncore Fixed Cost Account (NFCA) and Interstate Transition Cost Surcharge Account (ITCSA) offset by a decrease in the EPTCBA undercollection and accumulated overcollections in the COSRRMA as described below.

NFCA – The projected NFCA balance as of December 31, 2005 is a \$28.9 million undercollection primarily due to authorized throughput exceeding actual throughput for the year. This represents an increase in the revenue requirement of \$10.3

million compared to the \$18.6 million undercollection currently authorized in 2005 rates.

ITCSA – As a result of lower brokered capacity revenues than forecast for 2005, the ITCSA is projected to be \$5.3 million undercollected by year-end 2005. Weaknesses in the interstate capacity market are expected to continue through 2006. As a result, the projected ITCSA balance in rates effective January 1, 2006 is a \$24.2 million undercollection, which represents a revenue requirement increase of \$5.5 million.

EPTCBA – As noted above, the EPTCBA balance as of December 31, 2005 is projected to decrease by \$9.2 million compared to the undercollection currently authorized in 2005 rates. The noncore's revenue requirement allocation of this decrease is \$5.9 million.

COSRRMA – As noted above, the accumulated overcollections in the COSRRMA balance as of December 31, 2005 are projected to be \$26.5 million. The noncore's revenue requirement allocation of this overcollection is \$2.9 million.

The major components of the noncore revenue requirement increase are as follows:

Description	Noncore Revenue Requirement Increase / (Decrease) (in millions of \$)
Noncore Fixed Cost Account (NFCA)	10.3
Interstate Transition Cost Surcharge Account (ITCSA)	5.5
El Paso Turned-Back Capacity Balancing Account (EPTCBA)	(5.9)
Cost of Service Revenue Requirement Memo Account (COSRRMA)	(2.9)
Other Regulatory Account Balances	(0.3)
<b>Total Noncore Revenue Requirement</b>	<b>6.7</b>

### 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  
Attn: 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](mailto:jjr@cpuc.ca.gov)) and Honesto Gatchalian ([jnj@cpuc.ca.gov](mailto: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.

Attn: Sid Newsom  
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### **Effective Date**

SoCalGas believes that this filing is subject to Energy Division disposition, and therefore respectfully requests that this advice letter become effective January 1, 2006, which is more than thirty (30) calendar days after the date filed.

### **Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the parties on the service list in SoCalGas' Cost of Service A.02-12-027.

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Attachments



**ATTACHMENT A**  
**Advice No. 3538-A**

**(See Attached Service Lists)**

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**Attachment B**  
**Southern California Gas Company**  
**SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES**  
*Regulatory Account Balance Update 1/1/06*

	A	BCAP Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
			Revenues	Average Rate	Revenues	Average Rate	Revenues	Rates	Percent	
	B	C	D	E	F	G	H	I		
	(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)		
<b><u>CORE PROCUREMENT</u></b>										
1	Residential	2,484,024	\$1,121,395	\$0.45144	\$1,102,616	\$0.44388	(\$18,779)	(\$0.00756)	-2%	1
2	Large Master Meter	37,360	\$9,506	\$0.25444	\$9,223	\$0.24687	(\$283)	(\$0.00756)	-3%	2
3	Commercial & Industrial	700,113	\$207,020	\$0.29570	\$206,296	\$0.29466	(\$725)	(\$0.00104)	0%	3
4	Gas A/C	1,060	\$148	\$0.13974	\$152	\$0.14302	\$3	\$0.00328	2%	4
5	Gas Engine	15,240	\$3,076	\$0.20182	\$3,075	\$0.20175	(\$1)	(\$0.00007)	0%	5
6	<b>Total Core Procurement</b>	<b>3,237,796</b>	<b>\$1,341,145</b>	<b>\$0.41422</b>	<b>\$1,321,361</b>	<b>\$0.40811</b>	<b>(\$19,784)</b>	<b>(\$0.00611)</b>	<b>-1%</b>	<b>6</b>
<b><u>CORE TRANSPORTATION</u></b>										
7	Residential	25,091	\$11,222	\$0.44725	\$11,038	\$0.43992	(\$184)	(\$0.00733)	-2%	7
8	Large Master Meter	377	\$94	\$0.25025	\$92	\$0.24291	(\$3)	(\$0.00734)	-3%	8
9	Commercial & Industrial	134,522	\$37,201	\$0.27654	\$37,133	\$0.27604	(\$67)	(\$0.00050)	0%	9
10	Gas A/C	140	\$19	\$0.13555	\$19	\$0.13906	\$0	\$0.00350	3%	10
11	Gas Engine	800	\$158	\$0.19763	\$158	\$0.19779	\$0	\$0.00016	0%	11
12	<b>Total Core Transportation</b>	<b>160,930</b>	<b>\$48,694</b>	<b>\$0.30258</b>	<b>\$48,441</b>	<b>\$0.30100</b>	<b>(\$254)</b>	<b>(\$0.00158)</b>	<b>-1%</b>	<b>12</b>
13	<b>TOTAL CORE</b>	<b>3,398,727</b>	<b>\$1,389,839</b>	<b>\$0.40893</b>	<b>\$1,369,802</b>	<b>\$0.40303</b>	<b>(\$20,037)</b>	<b>(\$0.00590)</b>	<b>-1%</b>	<b>13</b>
<b><u>NONCORE</u></b>										
14	Commercial & Industrial	1,456,757	\$87,843	\$0.06030	\$88,715	\$0.06090	\$871	\$0.00060	1%	14
15	SoCalGas EG Stand-Alone	2,944,257	\$99,138	\$0.03367	\$102,695	\$0.03488	\$3,557	\$0.00121	4%	15
16	+ Sempra-Wide EG Adjustment	2,944,257	\$11,576	\$0.00393	\$11,576	\$0.00393	\$0	\$0.00000	0%	16
17	= Electric Generation Total	2,944,257	\$110,715	\$0.03760	\$114,272	\$0.03881	\$3,557	\$0.00121	3%	17
18	<b>Retail Noncore Total<sup>1</sup></b>	<b>4,401,014</b>	<b>\$198,558</b>	<b>\$0.04512</b>	<b>\$202,986</b>	<b>\$0.04612</b>	<b>\$4,428</b>	<b>\$0.00101</b>	<b>2%</b>	<b>18</b>
<b><u>WHOLESALE</u></b>										
19	Long Beach	77,821	\$2,511	\$0.03227	\$2,607	\$0.03350	\$96	\$0.00123	4%	19
20	SDG&E	1,445,680	\$38,283	\$0.02648	\$40,260	\$0.02785	\$1,977	\$0.00137	5%	20
21	Southwest Gas	91,672	\$2,773	\$0.03025	\$2,890	\$0.03152	\$117	\$0.00127	4%	21
22	City of Vernon	51,620	\$1,416	\$0.02743	\$1,484	\$0.02876	\$68	\$0.00132	5%	22
23	<b>Wholesale Total</b>	<b>1,666,793</b>	<b>\$44,983</b>	<b>\$0.02699</b>	<b>\$47,240</b>	<b>\$0.02834</b>	<b>\$2,257</b>	<b>\$0.00135</b>	<b>5%</b>	<b>23</b>
<b><u>INTERNATIONAL</u></b>										
24	Mexicali - DGN	36,419	\$1,067	\$0.02931	\$1,114	\$0.03060	\$47	\$0.00129	4%	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	\$13,297	n/a	\$13,297	n/a	\$0	n/a	0%	26
27	<b>SYSTEM TOTALS<sup>1</sup></b>	<b>9,502,953</b>	<b>\$1,668,745</b>	<b>\$0.17560</b>	<b>\$1,655,440</b>	<b>\$0.17420</b>	<b>(\$13,305)</b>	<b>(\$0.00140)</b>	<b>-1%</b>	<b>27</b>
28	<b>EOR Revenues</b>	<b>482,707</b>	<b>\$22,777</b>	<b>n/a</b>	<b>\$22,777</b>	<b>n/a</b>	<b>\$0</b>	<b>n/a</b>	<b>0%</b>	<b>28</b>

<sup>1</sup> Does not include EOR revenues shown at Line 28.

## ATTACHMENT C

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

Account Name (1)	6/01/05 Amortization			Proposed 01/01/06 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. Aliso/Goleta Tracking Account (AGTA)	0	107	107	0	0	0	0	(107)	(107)
2. Brokerage Fee Account (BFA)	0	131	131	0	(72)	(72)	0	(204)	(204)
3. Core Fixed Cost Account (CFCA) <sup>2/</sup>	(58,821)	0	(58,821)	(43,286)	0	(43,286)	15,536	0	15,536
4. Cost of Service Revenue Requirement Memorandum Acct (COSRRMA)	0	0	0	(23,586)	(2,955)	(26,541)	(23,586)	(2,955)	(26,541)
5. Economic Practicality Shortfall Memorandum Account (EPSMA)	0	186	186	0	191	191	0	5	5
6. El Paso Settlement Proceeds Memorandum Account (EPSPMA)	(218)	0	(218)	(181)	0	(181)	36	0	36
7. El Paso Turned-Back Capacity Balancing Account (EPTCBA)	6,045	10,846	16,891	2,737	4,912	7,649	(3,307)	(5,934)	(9,241)
8. Enhanced Oil Recovery Account (EORA)	8,997	917	9,915	6,122	624	6,746	(2,875)	(293)	(3,168)
9. Hazardous Substance Cost Recovery Account (HSCRA)	4,606	8,264	12,870	5,472	9,819	15,291	866	1,555	2,421
10. Interstate Transition Cost Surcharge Account (ITCSA)	0	18,659	18,659	0	24,160	24,160	0	5,501	5,501
11. Intervenor Award Memorandum Account (IAMA)	12	21	32	203	364	567	191	343	535
12. Montebello True-Up Tracking Account (MITA)	0	0	0	(3,020)	(1,294)	(4,315)	(3,020)	(1,294)	(4,315)
13. Natural Gas Vehicles Account (NGVA)	(2,024)	(2,774)	(4,798)	(2,118)	(2,903)	(5,020)	(94)	(128)	(222)
14. Noncore Fixed Cost Account (NFCA)	0	18,614	18,614	0	28,933	28,933	0	10,319	10,319
15. Noncore Fixed Cost Tracking Account (CCSI subaccount)	0	(95)	(95)	0	(27)	(27)	0	68	68
16. Noncore Storage Balancing Account (NSBA)	102	183	285	(1,593)	(2,859)	(4,453)	(1,695)	(3,042)	(4,737)
17. PITCO/POPCO Transition Cost Account (PPTCA)	(518)	(929)	(1,447)	0	0	0	518	929	1,447
18. Post Retirement Benefits Other than Pensions (PBOPS)	(10)	(1)	(11)	0	0	0	10	1	11
19. Research, Development & Demonstration Expense Account (RDDEA)	0	0	0	(3,709)	(464)	(4,173)	(3,709)	(464)	(4,173)
20. Research Royalty Memorandum Account (RRMA)	(44)	(5)	(49)	(331)	(41)	(372)	(287)	(36)	(323)
21. Self-Generation Program Memorandum Account (SGPMA)	4,371	7,844	12,215	5,748	10,313	16,061	1,376	2,469	3,846
22. Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)	(854)	(107)	(961)	(851)	(107)	(958)	3	0	3
<b>23. Balancing Account Subtotal</b>	<b>(38,356)</b>	<b>61,861</b>	<b>23,505</b>	<b>(58,393)</b>	<b>68,594</b>	<b>10,200</b>	<b>(20,037)</b>	<b>6,733</b>	<b>(13,305)</b>

Notes:

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