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October 31, 2005

Advice No. 3543  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Update of Public Purpose Program Surcharge Rates Effective  
January 1, 2006**

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

**Purpose**

This Advice Letter submits updated Public Purpose Program (PPP) surcharge rates to be effective January 1, 2006.

**Background**

This filing is being made in compliance with Ordering Paragraph (OP) 22 of Decision No. (D.) 04-08-010, in Rulemaking (R.) 02-10-001, to update on an annual basis SoCalGas' surcharge rates to fund PPP programs, as authorized by Assembly Bill (AB) 1002. AB 1002 directs the Commission to establish a gas surcharge annually to fund certain natural gas related public purpose programs such as low-income customer assistance, energy efficiency, and research and development (R&D). Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and are ultimately appropriated back to utilities or other entities designated by the Commission to administer public purpose programs.

The Commission issued D.04-08-010 that addressed both the Phase 1 implementation issues on the gas surcharge rulemaking and Phase 2 administration of public purpose R&D. Pursuant to OP 10, SoCalGas is using the surcharge formula adopted in the decision for calculating the gas PPP surcharge rates. SoCalGas is using information provided by the Commission's Energy Division for calculating the gas surcharge rate as it relates to (1) the Commission and BOE administrative costs, (2) SoCalGas' portion of the statewide R&D budget, and (3) the interstate pipeline volumes from 2004 through the first quarter of 2005 to be used in computation of the surcharge rates as directed in D. 04-08-010. Furthermore, since SoCalGas' BCAP is more than three-years old, SoCalGas is using the three-year average for its available billed gas volumes in calculating the gas surcharge rates for the customer classes.

Revised Schedule No. G-PPPS

Schedule No. G-PPPS, as shown in Attachment B, updates the PPP surcharge rates for the costs detailed in the table below. SoCalGas' projection of program costs for 2006 reflects the amortization of the California Alternate Rates for Energy Account (CARE) balance forecasted as of December 31, 2005, forecasted 2006 CARE customer subsidy costs, and authorized CARE administration expenses and Low Income Energy Efficiency (LIEE) budget adopted in D.05-05-019<sup>1</sup> on May 13, 2005. The PPP surcharge rates also reflect an adjustment for a \$5.6 million LIEE funding shortfall, which includes interest of \$1.1 million, associated with Year 1998 as described in the section below.

The non-low income components of the PPP surcharge rates reflect the 2006 R&D budget of \$7.7 million, forecasted \$0.6 million R&D funding shortfall compared to the prior year's authorized budget level, and the energy efficiency (EE) budget adopted in D.05-09-043, reduced by amortization of the Conservation Expense Account (CEA) balance.

	(\$000)			
	CARE Costs	Non-CARE Costs	Admin Costs	Total
<u>2006 Program Budgets</u>				
LIEE		33,324.9		33,324.9
CARE	119,703.5			119,703.5
EE		44,323.2		44,323.2
RDD		7,683.7		7,683.7
<u>Administration Costs</u>				
CARE	4,108.3			4,108.3
BOE			214.1	214.1
CPUC			0	0
<u>Balancing Account Amortization - (over) / under collection</u>				
CAREA	18,470.9			18,470.9
CEA		(9,836.4)		(9,836.4)
RDDGSA (excluding interest)		601.6		601.6
<u>Other Adjustments</u>				
1998 LIEE Funding Shortfall (including interest)		5,627.1		5,627.1
Total PPP Costs	142,282.7	81,724.1	214.1	224,221.0

The PPP rates are listed for CARE and Non-CARE customers by major customer class, and reflect changes to the CARE and R&D components of the gas PPP surcharge. The 2006 PPP surcharge revenue requirement is higher by \$72.1 million (or 47.4 percent) compared to 2005, which is primarily caused by an increase in the approved EE program budget for 2006 compared to the prior year's budget level and increased in forecasted CARE amortization

<sup>1</sup> This order corrects errors appearing in Decision (D.) 05-04-052 which approves the 2005 low-income energy efficiency and CARE programs and funding for California utilities.

and subsidy costs. The impact of the updated PPP surcharge rates, by major customer class, is shown on Attachment C.

### 1998 Direct Assistance Program (DAP) Funding Shortfall

In SoCalGas' Performance Based Regulation (PBR) D.97-07-054, the Commission initially adopted SoCalGas' proposal to reduce the DAP funding from \$18 million to \$12 million. The adopted funding level was incorporated in rates effective August 1, 1997 and continued at that level into 1998<sup>2</sup>. Subsequently, by D.98-07-060, Ordering Paragraph 2, the Commission granted the Office of Ratepayer Advocates (ORA) petition to modify D.97-07-054 as follows:

2. *D.97-07-054 is modified as follows:*

- a. *The first sentence of the third paragraph at page 67 is replaced with the sentence, "We retain the \$18 million DAP funding level in recognition of the policy established in D.97-02-014."*

In D.97-02-014, Ordering Paragraph 7, the Commission directed that the annual funding for gas energy efficiency and low income assistance programs be established initially at 1996 levels. Accordingly, SoCalGas filed Advice Letter 2738 to increase the DAP funding level by \$6 million in rates effective on October 7, 1998.

Later in D.01-05-033, Ordering Paragraph 2, the Commission authorized \$14.8 million of carryover funding, including interest, associated with Years 1997-2000, for the rapid deployment of low-income assistance programs during the energy crisis. The authorized carryover funds reflected that SoCalGas had collected in rates the entire \$18 million authorized DAP funding in 1998. Since SoCalGas made the 1998 rate change on a prospective basis with no adjustment to collect the DAP funding difference for the period January 1, 1998 through the date prior to October 7, only \$13.5 million was actually collected in 1998. Nevertheless, by the end of 2002, SoCalGas had spent the authorized carryover funds as directed by the Commission in D.01-05-033 and consequently recorded an undercollection in its Conservation Expense Account (CEA) for the 1997-2003 DAP program cycle.

SoCalGas proposes to recover the \$4.5 million DAP funding shortfall including interest for the carryover funding that had been authorized by D.01-05-033. Consistent with that decision, SoCalGas requests the related \$1.1 million of interest based on the simple interest method to recover the cost of funding the program costs at authorized levels as directed by the Commission in D.01-05-033.

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<sup>2</sup> Pursuant to Advice No. 2631 approved on October 7, 1997 and incorporated in SoCalGas' Consolidated Advice No. 2659 for rates effective January 1, 1998.

<sup>3</sup> The interest amount was determined by distributing a prorated amount of the \$4.5 million shortfall to each month of the period January through September 1998 and applying interest at the 3-month commercial paper rate from January 1, 1998 through December 31, 2005.

**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 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](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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Facsimile No. (213) 244-4957  
E-Mail: [snewsom@semprautilities.com](mailto:snewsom@semprautilities.com)

**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.

**Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the interested parties in R.04-01-006. Workpapers have been provided to the Energy Division pursuant to D.04-08-010. Copies of the workpapers can be made available to other parties upon request by contacting the address in the Protest section above.

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Attachments



**ATTACHMENT A**

**Advice No. 3543**

**(See Attached Service Lists)**

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ATTACHMENT B  
Advice No. 3543

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 39790-G	PRELIMINARY STATEMENT, PART II, SUMMARY OF RATES AND CHARGES, Sheet 9	Revised 38848-G*
Revised 39791-G	Schedule No. G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 1	Revised 38849-G
Revised 39792-G	TABLE OF CONTENTS	Revised 39757-G
Revised 39793-G	TABLE OF CONTENTS	Revised 39789-G

PRELIMINARY STATEMENT  
 PART II  
SUMMARY OF RATES AND CHARGES

Sheet 9

(Continued)

TAX SURCHARGE TO FUND PUBLIC PURPOSE PROGRAMS

Schedule G-PPPS

<u>Customer Class</u>	<u>Tax Surcharge</u>	
	<u>For all service, per meter, per month</u>	
	<u>CARE Customer</u>	<u>Non-CARE Customer</u>
	(¢/therm)	(¢/therm)
Core		
Residential	2.302	5.322
Commercial/Industrial	1.942	4.961
Gas Air Conditioning	1.552	4.572
Gas Engine	N/A	4.621
Natural Gas Vehicle	N/A	3.020
Noncore		
Commercial/Industrial	N/A	3.220

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SURCHARGE TO FUND PUC UTILITIES REIMBURSEMENT ACCOUNT

Schedule G-SRF

Surcharge, per therm ..... 0.000¢

TRANSPORTED GAS MUNICIPAL SURCHARGE

Schedule G-MSUR

Outside the City of Los Angeles ..... 1.5534%  
 Within the City of Los Angeles ..... 2.0000%

(Continued)

(TO BE INSERTED BY UTILITY)  
 ADVICE LETTER NO. 3543  
 DECISION NO. 04-08-010

ISSUED BY  
**Lee Schavrien**  
 Vice President  
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED Oct 31, 2005  
 EFFECTIVE Jan 1, 2006  
 RESOLUTION NO. \_\_\_\_\_

Schedule No. G-PPPS  
PUBLIC PURPOSE PROGRAMS SURCHARGE

Sheet 1

APPLICABILITY

Applicable to all gas sales and transportation services rendered under all tariff rate schedules authorized by the Commission. Customers will have a gas public purpose program (PPP) surcharge as a separate line item on their bills unless they are exempt\* (e.g. Electric Generation including cogeneration, Enhanced Oil Recovery, Wholesale service, and consumption of natural gas which California is prohibited from taxing under the United States Constitution or the California Constitution, as referenced in Section 896 of the Public Utilities Code. (See also the California Energy Resources Surcharge Regulation Sections 2315 and 2316 as identifying exempt customers.) California Alternate Rates for Energy (CARE) customers will receive the surcharge excluding CARE program costs along with applicable customers receiving sales for street lighting.

TERRITORY

This schedule is applicable within the entire territory served by Utility.

RATES

<u>Customer Class</u>	<u>PPP Surcharge**</u>	
	<u>For all service, per meter, per month</u>	
	<u>CARE Customer***</u> (¢/therm)	<u>Non-CARE Customer</u> (¢/therm)
Core		
Residential	2.302	5.322
Commercial/Industrial	1.942	4.961
Gas Air Conditioning	1.552	4.572
Gas Engine	N/A	4.621
Natural Gas Vehicle	N/A	3.020
Noncore		
Commercial/Industrial	N/A	3.220

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\* Commission Resolution G-3303, dated December 21, 2000, references Sections 896, 897, and 898 of Assembly Bill (AB) 1002 regarding consumers of natural gas who are exempt from the tax surcharge. Section 896 states "Consumption means the use or employment of natural gas. Consumption does not include the use or employment of natural gas to generate power for sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas which this state is prohibited from taxing under the United States Constitution or the California Constitution." Section 897 states "Nothing in this article impairs the rights and obligations of parties to contracts approved by the Commission, as the rights and obligations were interpreted as of January 1, 1998." Section 898 is in reference to a municipality, district, or

(Continued)

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## Attachment C

### SUMMARY OF PPP SURCHARGE RATES SOUTHERN CALIFORNIA GAS COMPANY PPP Surcharge Update for 1/1/2006

Customer Class	CARE Customers			Non-CARE Customers		
	2005	2006	% Change	2005	2006	% Change
( a )	¢/th ( b )	¢/th ( c )	% ( d )	¢/th ( e )	¢/th ( f )	% ( g )
<b><u>Core</u></b>						
1. Residential	2.003	2.302	15%	3.802	5.322	40%
2. Commercial/Industrial	1.642	1.942	18%	3.440	4.961	44%
3. Gas Air Conditioning	0.085	1.552	1720%	1.884	4.572	143%
4. Gas Engine	N/A	N/A	N/A	2.115	4.621	119%
5. Natural Gas Vehicle	N/A	N/A	N/A	1.799	3.020	68%
<b><u>Noncore</u></b>						
6. Commercial/Industrial	N/A	N/A	N/A	1.828	3.220	76%
	<b>2005</b>	<b>2006</b>	<b>Rev Change</b>	<b>% Change</b>		
	<b>M\$</b>	<b>M\$</b>	<b>M\$</b>	<b>%</b>		
7. System Total Revenue <sup>1</sup>	152,111	224,221	72,110	47.4%		