



J. Steve Rahon
Director
Tariffs & Regulatory Accounts

8330 Century Park Ct.
San Diego, CA 92123-1548
Tel: 858.654.1773
Fax 858.654.1788
srahon@SempraUtilities.com

December 15, 2005

Advice No. 3566
(U 904 G)

Public Utilities Commission of the State of California

Subject: Establishment of Two Separate Balancing Accounts for Energy Efficiency Programs

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its Preliminary Statement, Part V, Description of Regulatory Accounts - Balancing, as shown on Attachment B.

Purpose

This filing establishes two balancing accounts for SoCalGas' non-low-income energy efficiency (i.e., "Demand Side Management" or DSM) and low-income energy efficiency (i.e., "Direct Assistance Program" or DAP) programs.

Background

Pursuant to D.05-09-043, the Commission authorized the 2006-2008 energy efficiency portfolio plans and funding levels for Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), Southern California Edison Company (SCE), and Southern California Gas Company (SoCalGas). These plans place cost-effective energy efficiency at the forefront of utility resource acquisition, consistent with the goals of the Energy Action Plan and the Commission's energy efficiency policies. In a subsequent decision (D.05-11-011), the Commission approved the funding level for energy efficiency evaluation, measurement, and verification (EM&V) activities over the 2006-2008 program cycle period. For the three-year period, SoCalGas is authorized \$182.4 million, which includes \$13.4 million in program spending for EM&V activities.

Pursuant to D.05-12-026, the Commission authorized the funding requests for PG&E, SCE, SoCalGas and SDG&E's 2006-2007 low-income assistance programs. SoCalGas is authorized annual funding of \$33.3 million for its low-income energy efficiency programs over a two-year period.

SoCalGas' DSM and DAP programs are currently balanced in the Conservation Expense Account (CEA). With the adoption of SoCalGas' energy efficiency program funding,

SoCalGas proposes to establish beginning January 1, 2006 the Demand Side Management Balancing Account (DSMBA) and the Direct Assistance Program Balancing Account (DAPBA) for its non-low-income energy efficiency and low-income energy efficiency programs, respectively. The recording of the DSM and DAP activities into two separate balancing accounts will facilitate management's review of the balances in these accounts which are the responsibility of different organizations within SoCalGas. SoCalGas also believes that the separation of these program activities is consistent with the Commission's policy, as the funding levels for a specific program cycle period are approved through separate regulatory proceedings.

The balancing account procedures for these new balancing accounts will be the same as the procedures used in the CEA but will only record the respective post-2005 DSM and DAP activities. In addition, within each new balancing account, program activities will be maintained on a program cycle basis as approved by the Commission. SoCalGas plans to maintain the CEA for pre-2006 program cycle balances until the program cycle is completed (i.e., no further adjustments for outstanding commitments or amortization as authorized by the Commission).

Protests

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 of 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:

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) and to Honesto Gatchalian (ijnj@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

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and therefore respectively requests that this advice letter be approved January 14, 2006, which is 30 calendar days after the date filed.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A, which includes the interested parties in A.05-06-011 (Energy Efficiency Programs) and A.05-06-012 (Low-Income Assistance Programs).

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3566

(See Attached Service Lists)

Aglet Consumer Alliance
James Weil
jweil@aglet.org

Alcantar & Kahl
Elizabeth Westby
egw@a-klaw.com

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

BP Amoco, Reg. Affairs
Marianne Jones
501 West Lake Park Blvd.
Houston, TX 77079

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

CPUC - ORA
Galen Dunham
gsd@cpuc.ca.gov

CPUC - ORA
R. Mark Pocta
rmp@cpuc.ca.gov

CPUC - ORA
Jacqueline Greig
jnm@cpuc.ca.gov

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Anaheim
Ben Nakayama
Public Utilities Dept.
P. O. Box 3222
Anaheim, CA 92803

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Long Beach, Gas Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806-2385

City of Los Angeles
City Attorney
200 North Main Street, 800
Los Angeles, CA 90012

City of Pasadena - Water and Power
Dept.
Robert Sherick
rsherick@cityofpasadena.net

City of Riverside
Joanne Snowden
jsnowden@riversideca.gov

City of Vernon
Daniel Garcia
dgarcia@ci.vernon.ca.us

Commerce Energy
Gary Morrow
GMorrow@commerceenergy.com

Commerce Energy
Glenn Kinser
gkinser@commerceenergy.com

Commerce Energy
Lynelle Lund
llund@commerceenergy.com

Commerce Energy
Rommel Aganon
RAnanon@commerceenergy.com

Commerce Energy
Tony Cusati
TCusati@commerceenergy.com

Commerce Energy
Pat Darish
pdarish@commerceenergy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

Davis Wright Tremaine, LLP
Christopher Hilen
chrishilen@dwt.com

Davis Wright Tremaine, LLP
Edward W. O'Neill
One Embarcadero Center, #600
San Francisco, CA 94111-3834

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Douglass & Liddell
Dan Douglass
douglass@energyattorney.com

Douglass & Liddell
Donald C. Liddell
liddell@energyattorney.com

Downey, Brand, Seymour & Rohwer
Ann Trowbridge
atrowbridge@downeybrand.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Duke Energy North America
Melanie Gillette
mlgillette@duke-energy.com

Dynegy
Joseph M. Paul
jmpa@dynegy.com

Gas Purchasing
BC Gas Utility Ltd.
16705 Fraser Highway
Surrey, British Columbia, V3S 2X7

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
J. H. Patrick
hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Jeffer, Mangels, Butler & Marmaro
2 Embarcadero Center, 5th Floor
San Francisco, CA 94111

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LADWP
Nevenka Ubavich
nevenka.ubavich@ladwp.com

LADWP
Randy Howard
P. O. Box 51111, Rm. 956
Los Angeles, CA 90051-0100

Law Offices of Diane I. Fellman
Diane Fellman
diane_fellman@fpl.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Manatt Phelps Phillips
Margaret Snow
Msnow@manatt.com

Manatt Phelps Phillips
Randy Keen
rkeen@manatt.com

Manatt, Phelps & Phillips, LLP
David Huard
dhuard@manatt.com

March Joint Powers Authority
Lori Stone
PO Box 7480,
Moreno Valley, CA 92552

Matthew Brady & Associates
Matthew Brady
matt@bradylawus.com

National Utility Service, Inc.
Jim Boyle
One Maynard Drive, P. O. Box 712
Park Ridge, NJ 07656-0712

Pacific Gas & Electric Co.
John Clarke
jpc2@pge.com

Praxair Inc
Rick Noger
rick_noger@praxair.com

Questar Southern Trails
Lenard Wright
Lenard.Wright@Questar.com

R. W. Beck, Inc.
Catherine Elder
celder@rwbeck.com

Regulatory & Cogen Services, Inc.
Donald W. Schoenbeck
900 Washington Street, #780
Vancouver, WA 98660

Richard Hairston & Co.
Richard Hairston
hairstonco@aol.com

Southern California Edison Co
Fileroom Supervisor
2244 Walnut Grove Ave., Rm 290, GO1
Rosemead, CA 91770

Southern California Edison Co
Karyn Gansecki
601 Van Ness Ave., #2040
San Francisco, CA 94102

Southern California Edison Co.
Colin E. Cushnie
Colin.Cushnie@SCE.com

Southern California Edison Co.
Kevin Cini
Kevin.Cini@SCE.com

Southern California Edison Co.
John Quinlan
john.quinlan@sce.com

Southern California Edison Company
Michael Alexander
Michael.Alexander@sce.com

Southwest Gas Corp.
John Hester
P. O. Box 98510
Las Vegas, NV 89193-8510

Suburban Water System
Bob Kelly
1211 E. Center Court Drive
Covina, CA 91724

Sutherland, Asbill & Brennan
Keith McCrea
kmccrea@sablaw.com

TURN
Marcel Hawiger
marcel@turn.org

TURN
Mike Florio
mflorio@turn.org

The Mehle Law Firm PLLC
Colette B. Mehle
cmehle@mehlelaw.com

Trans Canada
Ben Johnson
Ben_Johnson@transcanada.com

Trans Canada
John Roscher
john_roscher@transcanada.com

Western Manufactured Housing
Communities Assoc.
Sheila Day
sheila@wma.org

ECOLOGY ACTION, INC.
MAHLON ALDRIDGE
 emahlon@ecoact.org

PROCTOR ENGINEERING GROUP
PATTY AVERY
 patty@proctoreng.com

CALIFORNIA ENERGY COMMISSION
SYLVIA L. BENDER
 sbender@energy.state.ca.us

CALIFORNIANS FOR RENEWABLE ENERGY, INC.
MICHAEL E. BOYD
 michaelboyd@sbcglobal.net

CALIFORNIANS FOR RENEWABLE ENERGY, INC.
LYNNE BROWN
 l_brown123@hotmail.com

NATURAL RESOURCES DEFENSE COUNCIL
AUDREY CHANG
 achang@nrdc.org

NAESCO
DAVE CLARK
 davidclarkfamily@yahoo.com

SOUTHERN CALIFORNIA EDISON
LARRY R. COPE
 larry.cope@sce.com

ECOS CONSULTING
RICHARD H. COUNIHAN
 rcounihan@ecosconsulting.com

CALIF PUBLIC UTILITIES COMMISSION
Cheryl Cox
 cxc@cpuc.ca.gov

PACIFIC GAS AND ELECTRIC COMPANY
FRANK DIAZ
 fdd3@pge.com

CALIFORNIA PUBLIC UTILITIES COMMISSION
LOS ANGELES DOCKET OFFICE
 LAdocket@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Tim G Drew
 zap@cpuc.ca.gov

UCONS, LLP
TOM ECKHART
 tom@ucons.com

SESCO, INC.
RICHARD M. ESTEVES
 sesco@optonline.net

GABRIELLI LAW OFFICE
JOHN C. GABRIELLI
 gabriellilaw@sbcglobal.net

WOMEN'S ENERGY MATTERS
GEORGE
 wem@igc.org

ICF CONSULTING
MICHAEL J. GIBBS
 mgibbs@icfconsulting.com

NATIONAL ASSOCIATION OF ENERGY SERVICE
DONALD GILLIGAN
 d.d.gilligan@worldnet.att.net

THE UTILITY REFORM NETWORK
HAYLEY GOODSON
 hayley@turn.org

MEG GOTTSTEIN
 meg@cpuc.ca.gov

JOHN GOULD
 johnwgould@comcast.net

CALIF PUBLIC UTILITIES COMMISSION
Nora Y. Gatchalian
 nyg@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Meg Gottstein
 meg@cpuc.ca.gov

STEPHEN F. HALL
 stephenhall@telus.net

LAW OFFICES OF STEPHAN C. VOLKER
JOSHUA HARRIS
 jharris@volkerlaw.com

CONSOL
MIKE HODGSON
 mhodgson@consol.ws

VALLEY ENERGY EFFICIENCY CORP
MARSHALL B. HUNT
 mhunt@cityofdavis.org

MANATT PHELPS & PHILLIPS, LLP
RANDALL W. KEEN
 pucservice@manatt.com

BEVILACQUA-KNIGHT INC
ROBERT L. KNIGHT
 rknight@bki.com

ABAG
GERALD L. LAHR
 JerryL@abag.ca.gov

JODY LONDON CONSULTING
JODY S. LONDON
 jody_london_consulting@earthlink.net

CALIF PUBLIC UTILITIES COMMISSION
Peter Lai
 ppl@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Diana L. Lee
dil@cpuc.ca.gov

RESCUE
DANIEL W. MEEK
dan@meek.net

CALIFORNIA ENERGY COMMISSION
MICHAEL MESSENGER
Mmesseng@energy.state.ca.us

ENERGY ECONOMICS, INC.
CYNTHIA MITCHELL
ckmitchell1@sbcglobal.net

CALIF PUBLIC UTILITIES COMMISSION
Ariana Merlino
ru4@cpuc.ca.gov

EFFICIENCY PARTNERSHIP
NICOLE NASSER
nnasser@fypower.org

PACIFIC GAS AND ELECTRIC COMPANY
CHONDA J. NWAMU
cjh3@pge.com

POWERS ENGINEERING
WILLIAM E. POWERS
bpowers@powersengineering.com

CALIF PUBLIC UTILITIES COMMISSION
Brian C Prusnek
bcp@cpuc.ca.gov

CENTER FOR SMALL BUSINESS
HANK RYAN
hankryan2003@yahoo.com

CALIFORNIANS FOR RENEWABLE ENERGY, INC.
ROBERT SARVEY
sarveybob@aol.com

AMERICAN SYNERGY CORPORATION
STEVEN R. SHALLENBERGER
shallenbgr@aol.com

SHAWN SMALLWOOD, PH.D.
puma@davis.com

CITY AND COUNTY OF SAN FRANCISCO
JEANNE SOLE
jeanne.sole@sfgov.org

SAN DIEGO GAS & ELECTRIC COMPANY
VICKI L. THOMPSON
vthompson@sempra.com

PACIFIC GAS AND ELECTRIC COMPANY
JAMES TURNURE
jtt8@pge.com

CALIF PUBLIC UTILITIES COMMISSION
Jeorge S Tagnipes
jst@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Christine S Tam
tam@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Zenaida G. Tapawan-Conway
ztc@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Laura J. Tudisco
ljt@cpuc.ca.gov

NATURAL RESOURCES DEFENSE COUNCIL
DEVRA WANG
dwang@nrdc.org

PACIFIC GAS AND ELECTRIC COMPANY
JOSEPHINE WU
jwwd@pge.com

SAN DIEGO GAS & ELECTRIC COMPANY
JOY C. YAMAGATA
jyamagata@semprautilities.com

SOUTHERN CALIFORNIA GAS COMPANY
MARZIA ZAFAR
mzafar@semprautilities.com

CALIFORNIA FOR RENEWABLE ENERGY, INC.
RESIDENT, BAYVIEW HUNTERS POINT
24 HARBOR ROAD
SAN FRANCISCO, CA 94124

PACIFICORP
CHRISTY OMOHUNDRO
christy.omohundro@pacificorp.com

SOUTHERN CALIFORNIA EDISON
COMPANY
CASE ADMINISTRATION
case.admin@sce.com

CONSUMER AFFAIRS CONSULTANT
BARBARA R. ALEXANDER
barbalex@ctel.net

CALIF PUBLIC UTILITIES COMMISSION
Zaida Amaya-Pineda
zca@cpuc.ca.gov

SEMPRA ENERGY
GEORGETTA J. BAKER
gbaker@sempra.com

SEMPRA ENERGY
GEORGETTA J. BAKER
gbaker@sempra.com

SEMPRA ENERGY
GEORGETTA J. BAKER
gbaker@sempra.com

COOPER, WHITE & COOPER ,L.L.P.
JEFFREY F. BECK
smalllecs@cwclaw.com

PACIFIC GAS AND ELECTRIC
COMPANY
MARGARET D. BROWN
mdbk@pge.com

PACIFIC GAS AND ELECTRIC
COMPANY
MARGARET DEB. BROWN
mdbk@pge.com

LATINO ISSUES FORUM
SUSAN E. BROWN
lifcentral@lif.org

GOODIN MACBRIDE SQUERI RITCHIE
& DAY LLP
JOHN L. CLARK
jclark@gmssr.com

SOUTHWEST GAS CORPORATION
A. BROOKS CONGDON
brooks.congdon@swgas.com

SOUTHERN CALIFORNIA EDISON
LARRY R. COPE
larry.cope@sce.com

WEST COAST GAS CO., INC.
RAYMOND J. CZAHR
westgas@aol.com

WEST COAST GAS COMPANY
RAYMOND J. CZAHR, C.P.A.
9203 BEATTY DRIVE
SACRAMENTO, CA 95826

CALIF PUBLIC UTILITIES COMMISSION
Eugene Cadenasso
cpe@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Mariana C Campbell
mcl@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Theresa Cho
tcx@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Cheryl Cox
cxc@cpuc.ca.gov

DEPARTMENT OF COMMUNITY
SERVICES
TIMOTHY DAYONOT
tdayonot@csd.ca.gov

CALIFORNIA PUBLIC UTILITIES
COMMISSION
LOS ANGELES DOCKET OFFICE
ladocket@cpuc.ca.gov

MOUNTAIN UTILITIES
JOHN DUTCHER
ralf1241a@cs.com

CALIF PUBLIC UTILITIES COMMISSION
Karen A Degannes
kdg@cpuc.ca.gov

SESCO, INC.
RICHARD ESTEVES
sesco@optonline.net

CALIF PUBLIC UTILITIES COMMISSION
Gilbert Escamilla
gil@cpuc.ca.gov

THE UTILITY REFORM NETWORK
BOB FINKELSTEIN
bfinkelstein@turn.org

CALIF PUBLIC UTILITIES COMMISSION
Hazlyn Fortune
hcf@cpuc.ca.gov

RELIABLE ENERGY MANAGEMENT,
INC.
RON GARCIA
ron@reenergy.com

SOUTHWEST GAS CORPORATION
ANITA L. HART
anita.hart@swgas.com

JAMES HODGES
hodgesjl@surewest.net

CALIF PUBLIC UTILITIES COMMISSION
Jessica T. Hecht
jhe@cpuc.ca.gov

SOUTHWEST GAS CORPORATION
BRIDGET A. JENSEN
bridget.branigan@swgas.com

DEPT OF COMMUNITY ACTION
 MARIA JUAREZ
 mjuarez@riversidedpss.org

OFFICE OF STATE SENATOR MARTHA
 ESCUTIA
 BILL JULIAN
 bill.julian@sen.ca.gov

DISABILITY RIGHTS ADVOCATES
 MARY-LEE E. KIMBER
 pucservice@dralegal.org

HEMSTREET ASSOCIATES
 IRINA KRISHPINOVICH
 krishpinovich@comcast.net

ALPINE NATURAL GAS OPERATING
 COMPANY
 MICHAEL LAMOND
 anginc@goldrush.com

EL CONCILIO OF SAN MATEO
 ORTENSIA LOPEZ
 or10sia@aol.com

CALIF PUBLIC UTILITIES COMMISSION
 F. Joseph Leonard
 rat@cpuc.ca.gov

RESCUE
 DANIEL W. MEEK
 dan@meek.net

SOUTHERN CALIFORNIA GAS
 COMPANY
 MARGARET MOORE
 mmoore@semprautilities.com

SOCAL WATER/BEAR VALLEY
 ELECTRIC
 RONALD MOORE
 kswitzer@scwater.com

SIERRA PACIFIC POWER COMPANY
 DAVID M. NORRIS
 dnorris@sppc.com

SOUTHWEST GAS CORPORATION
 VALERIE J. ONTIVEROZ
 valerie.ontiveroz@swgas.com

SIERRA PACIFIC POWER CO.
 LARRY RACKLEY
 lrackley@sppc.com

CALIF PUBLIC UTILITIES COMMISSION
 Manuel Ramirez
 mzm@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Sarvjit S. Randhawa
 ssr@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Rashid A Rashid
 rhd@cpuc.ca.gov

COOPER, WHITE & COOPER, LLP
 MARK P. SCHREIBER
 mschreiber@cwclaw.com

ASSERT
 RICHARD SHAW
 r-l-shaw@msn.com

SOUTHERN CALIFORNIA WATER
 COMPANY
 KEITH SWITZER
 kswitzer@scwater.com

CALIF PUBLIC UTILITIES COMMISSION
 Sarita Sarvate
 sbs@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Terrie J. Tannehill
 tjt@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Thomas W. Thompson
 ttt@cpuc.ca.gov

VERIZON HAWAII TEL.
 LESLIE ALAN UEOKA
 les.ueoka@verizon.com

THE GREENLINING INSTITUTE
 CHRIS VAETH
 chrisv@greenlining.org

STOEL RIVES LLP
 WILLIAM W. WESTERFIELD, III
 wwwesterfield@stoel.com

SAN DIEGO GAS & ELECTRIC
 COMPANY
 YOLE WHITING
 ywhiting@semprautilities.com

WINEGARD ENERGY, INC
 WALLIS J. WINEGAR
 wallis@winegardenergy.com

PACIFIC GAS AND ELECTRIC
 COMPANY
 JOSEPHINE WU
 jwwd@pge.com

CALIF PUBLIC UTILITIES COMMISSION
 Donna L. Wagoner
 dlw@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
 Ivy Walker
 imw@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Josie Webb
wbb@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Steven A. Weissman
saw@cpuc.ca.gov

**SOUTHERN CALIFORNIA GAS
COMPANY**
JOY YAMAGATA
jyamagata@semprautilities.com

**SOUTHERN CALIFORNIA GAS
COMPANY**
MARZIA ZAFAR
mzafar@semprautilities.com

ATTACHMENT B
Advice No. 3566

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 39964-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 1	Revised 38681-G*
Revised 39965-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 18	Original 39511-G
Revised 39966-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 20	Original 39513-G
Original 39967-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 21	
Original 39968-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 22	
Original 39969-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 23	
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PRELIMINARY STATEMENT

Sheet 1

PART V

DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

A. GENERAL

Balancing accounts are those regulatory accounts where authorized expenses are compared with revenues from rates designed to recover those expenses. The resulting under or overcollection, plus interest calculated in the manner described in Preliminary Statement, Part I, is recorded on the Utility's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts are to be amortized in rates.

B. LISTING OF BALANCING ACCOUNTS

- Purchased Gas Account (PGA)
- Core Fixed Cost Account (CFCA)
- Noncore Fixed Cost Account (NFCA)
- Enhanced Oil Recovery Account (EORA)
- Noncore Storage Balancing Account (NSBA)
- California Alternate Rates for Energy Account (CAREA)
- Brokerage Fee Account (BFA)
- Hazardous Substance Cost Recovery Account (HSCRA)
- Natural Gas Vehicle Account (NGVA)
- El Paso Turned-Back Capacity Balancing Account (EPTCBA)
- Gas Cost Rewards and Penalties Account (GCRPA)
- Pension Balancing Account (PBA)
- Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)
- Conservation Expense Account (CEA)
- Research Development and Demonstration Gas Surcharge Account (RDDGSA)
- Demand Side Management Balancing Account (DSMBA)
- Direct Assistance Program Balancing Account (DAPBA)

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3566
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 15, 2005
 EFFECTIVE Jan 14, 2006
 RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 18

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

CONSERVATION EXPENSE ACCOUNT (CEA)

The CEA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between gas surcharge funds reimbursed from the State and actual energy efficiency program costs associated with pre-2006 program cycles. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge Decision (D.) 04-08-010. The CEA covers non-low-income (i.e., "Demand Side Management" or DSM) and low-income (i.e., "Direct Assistance Program" or DAP) energy efficiency programs. The CEA also tracks the costs associated with the On-Bill Financing (OBF) Program adopted in Decision 05-09-043.

SoCalGas maintains this account by making monthly entries as follows:

- a. A debit entry equal to actual DSM and DAP costs (e.g., conservation costs, low-income weatherization costs, and other marketing program costs);
- b. A debit entry equal to the cost of funds calculated at the utilities' authorized weighted average cost of capital rate (8.43%) on the average monthly balance of net funds loaned for the OBF Program;
- c. A debit entry equal to actual cost of defaults associated with the OBF Program;
- d. A credit entry equal to the surcharge for the energy efficiency programs from the recorded gas PPO surcharge billed for the month, net of actual bad debts write-offs;
- e. A debit entry equal to the surcharge for the energy efficiency programs from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;
- f. A debit entry equal to surcharge for the energy efficiency programs related to the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- g. A credit entry equal to the surcharge for the energy efficiency programs from the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;

(Continued)

(TO BE INSERTED BY UTILITY)
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 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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PRELIMINARY STATEMENT

Sheet 23

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

DIRECT ASSISTANCE PROGRAM BALANCING ACCOUNT (DAPBA) (Continued)

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

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