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December 29, 2005

Advice No. 3572
(U 904 G)

Public Utilities Commission of the State of California

Subject: Modification to the Self Generation Program Memorandum Account (SGPMA)

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

Purpose

This filing modifies the SGPMA to record the 2006 program costs and corresponding authorized revenue requirement associated with the California Solar Initiative (CSI) as adopted pursuant to Decision (D.) 05-12-044, dated December 15, 2005.

Background

Pursuant to D.05-12-044, the Commission authorized increased funding for California utilities by \$300 million in 2006 for solar photovoltaic technologies that are currently part of the Self-Generation Incentive Program (SGIP). The CSI responds to a policy proclamation by the Governor favoring solar development and strong interest by the State Legislature in an expanded solar incentives program in California. CSI is a long-term program to provide incentives for the installation of solar energy technologies in California over the next ten years.

Pursuant to Ordering Paragraph (OP) 2 of D.05-12-044, SoCalGas' allocation of the authorized increase in 2006 funding for solar technologies is \$27 million which may be recovered in SoCalGas' next rate change following the effective date of D.05-12-044, subject to review of program costs at any time. Consistent with OP 2 which provides for the prospective recovery of authorized CSI funding, SoCalGas proposes to modify its SGPMA beginning on January 1, 2006 to record program costs and authorized revenue requirement associated with the CSI¹.

¹ This was also stated in SoCalGas' Consolidated Rate Update Advice Letter 3570 filed on December 28, 2005.

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 (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
Tariff Manager - GT14D6
555 West Fifth Street
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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 respectfully requests that this advice letter be approved January 28, 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 R.04-03-017 (Distribution Generation OIR).

J. STEVE RAHON
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Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3572

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3572

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40055-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 13	Revised 38012-G
Revised 40056-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 14	Revised 38013-G
Revised 40057-G	TABLE OF CONTENTS	Revised 39978-G

PRELIMINARY STATEMENT

Sheet 13

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

SoCalGas shall maintain the GIRMA by making entries at the end of each month as follows:

- a. Debit entries for actual costs incurred by SoCalGas associated with the incremental expenditures described in the subaccounts above.
- b. Credit entries for revenues from rates to recover such cost as authorized by the Commission. Per D.01-12-018, revenues include pooling service fees, imbalance fees, net revenues from the sale or purchase of gas beyond tolerances provided under balancing rules, or portion of rights trading fees SoCalGas is entitled to retain under agreements with third-party providers of trading platforms.
- c. A debit entry equal to the incremental capital-related expenses incurred by SoCalGas associated with this program, such as depreciation, return on investment and related taxes.
- d. A debit entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The activity tracked in this account will be an exclusion in determining sharable earnings under SoCalGas' PBR sharing mechanism.

SELF-GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA)

The SGPMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the SGPMA is to record the incremental costs associated with SoCalGas' Self-Generation Program (SGP) as outlined in Commission Decision (D.) 02-02-026, dated February 7, 2002; D.01-09-012, dated September 6, 2001, D.01-07-028, dated July 12, 2001, D.01-03-073, dated March 27, 2001, and the California Solar Initiative (CSI) adopted in D.05-12-044, dated December 15, 2005. Self-generation, as defined in D.01-03-073, refers to distributed generation technologies, such as microturbines, small gas turbines, wind turbines, photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or cogeneration). Self-generation units, with a 1.5 MW maximum system size limit, are installed on the customer's side of the utility meter and provide electricity for all or a portion of that customer's electric load.

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The SGPMA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission. Amounts in the SGPMA will be included in transportation rates annually.

SoCalGas shall maintain the SGPMA by making entries at the end of each month as follows:

- a. A debit entry equal to the incremental O&M costs incurred by SoCalGas associated with this program, such as the costs of marketing, contract administration, regulatory reporting, program evaluation, and customer's incentives.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3572
 DECISION NO. 05-12-044

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 29, 2005
 EFFECTIVE Jan 28, 2006
 RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 14

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

SELF-GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA) (Continued)

- b. A debit entry equal to the incremental capital costs incurred by SoCalGas associated with this program, such as depreciation, return on investment and related taxes.
- c. A credit entry related to one-twelfth of the authorized CSI revenue requirement.
- d. A credit entry equal to the revenues from amortization rates as authorized by the Commission.
- e. A debit entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

A separate accounting of costs and benefits, by customer class, will be accomplished.

The total authorized program cost for SoCalGas is \$17 million annually over a four-year period beginning on March 27, 2001, and extending through December 31, 2004 as specified in Ordering Paragraph 1 of D. 01-03-073. Any unused funding can be carried over from one year to the next up to a maximum limit of \$68 million for the four-year period. SoCalGas may request approval to borrow against the annual budget of a subsequent year if program participation is larger than anticipated in the current year. The program was extended through December 31, 2007 in accordance with R.04-03-017. For 2006, an additional \$27 million is authorized for the CSI program.

Amounts in the SGPMA shall be amortized into SoCalGas' transportation rates on a uniform cent per therm basis annually. SoCalGas will file an advice letter to make this change in the October Biennial Cost Allocation Proceeding (BCAP) update filing each year with rates effective the following January 1st. Recovery of the undepreciated portion of the capital costs shall be authorized in the utility's next cost of service proceeding. Pursuant to D.05-12-044, SoCalGas may recover its share of the incremental amount authorized for the SGIP in the utility's next rate change following the effective date of D.05-12-044, subject to review of program costs at any time.

BASELINE MEMORANDUM ACCOUNT (BMA)

The BMA is an interest bearing memorandum account that is not recorded on the Utility's financial statements. The purpose of this account is to track the under/(over) collection of revenue recorded in the Core Fixed Cost Account (CFCA) as a result of changing the baseline allowances, and not rates, pursuant to D.02-04-026. In addition, the BMA will track the administrative costs associated with medical baseline program changes adopted in D.02-04-026. The administrative costs will also be reflected as an actual recorded entry to the CFCA. This under/(over) collection of revenue and administrative costs will be tracked beginning June 1, 2002.

Utility shall maintain the BMA by making entries at the end of each month as follows:

- a. A debit or credit entry equal to the recorded under/(over) collection of revenues associated with changes to baseline allowances.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3572
 DECISION NO. 05-12-044

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 29, 2005
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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3572
 DECISION NO. 05-12-044

ISSUED BY
Lee Schavrien
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(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 29, 2005
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