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March 1, 2006

Advice No. 3603
(U 904 G)

Public Utilities Commission of the State of California

Subject: Establishment of the San Diego Gas & Electric Storage Memorandum Account (SDGESMA)

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

The purpose of this filing is to establish the SDGESMA to record the costs of storage charged to San Diego Gas & Electric Company (SDG&E) for the two-year period beginning April 1, 2006 to the extent that prices under the storage contract are above the scaled long-run marginal cost (LRMC) rates that SoCalGas charges for its own core customers.

Background

In compliance with Commission Decision No. 04-09-022 issued September 29, 2004, SDG&E filed for Commission approval of agreements titled Master Services Contract, Schedule I, Transaction Based Storage Service, dated February 3, 2006 (Agreements) between SDG&E and SoCalGas¹. The Agreements are for storage capacity for terms of one year each. One agreement is for the term April 1, 2006 through March 31, 2007 and the other agreement is for the term April 1, 2007 through March 31, 2008.

SDG&E Storage Memorandum Account

Pursuant to Resolution G-3378 which approved the current storage agreement between SDG&E and SoCalGas for the period April 1, 2005 through March 31, 2006, the Commission stated in Findings No. 10:

“The costs of storage at rates higher than what SoCalGas charges for its own core customers should be recorded in a SoCalGas memo account to be reviewed in the

¹ SDG&E Advice Letter No. 1595-G filed on February 8, 2006.

next SoCalGas/SDG&E BCAP, if not sooner. In the BCAP, or other appropriate proceeding, we may require that SoCalGas provide SDG&E core customers with firm storage at cost-based rates.”

In Ordering Paragraph (OP) 3 of Resolution G-3378, the Commission also stated:

“Costs of SDG&E storage over the rates that SoCalGas core customers pay will be considered in the next SoCalGas/SDG&E BCAP, if not sooner.”

SoCalGas did not establish the SDGESMA for the current storage agreement at that time as it was determined that the storage rates charged to SDG&E were actually lower than the scaled LRMC rates that SoCalGas charges for its own core customers. However, SoCalGas projects that the storage rates charged to SDG&E will be higher than SoCalGas' scaled LRMC storage rates under the new Agreements. Accordingly, SoCalGas plans to establish the SDGESMA effective April 1, 2006 to record the cost of storage differential associated with storage rates under the Agreements that are greater than SoCalGas' scaled LRMC core storage rates². The SDGESMA is an interest bearing memorandum account that is not recorded on the Utility's financial statements. Consistent with Resolution G-3378, the balance in the SDGESMA will be reviewed in SoCalGas and SDG&E's next BCAP or other appropriate proceeding.

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
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

² SoCalGas' scaled LRMC core storage rates are adjusted on January 1st of each calendar year.

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and therefore respectfully requests that this advice letter be approved March 31, 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.04-01-025.

J. STEVE RAHON
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Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY/ U 904 G**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Nena Maralit

Phone #: (213) 244-2822

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EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3603

Subject of AL: SDGE Storage Memorandum Account

Keywords (choose from CPUC listing): Storage; Memorandum Account

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D. 04-09-022 and Resolution G-3378

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 3/31/06 No. of tariff sheets: 3

Estimated system annual revenue effect: (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement Part VI and Table of Contents - General

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

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Attention: Tariff Unit

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San Francisco, CA 94102

jjr@cpuc.ca.gov and jjn@cpuc.ca.gov

Southern California Gas Company

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¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3603

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3603

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40295-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 1	Revised 39472-G*
Revised 40296-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 19	Original 39473-G*
Revised 40297-G	TABLE OF CONTENTS	Revised 40294-G

PRELIMINARY STATEMENT

Sheet 1

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

- PCB Expense Account (PCBEA)
- Research Development and Demonstration Expense Account (RDDEA)
- Curtailement Violation Penalty Account (CVPA)
- Economic Practicality Shortfall Memorandum Account (EPSMA)
- Catastrophic Event Memorandum Account (CEMA)
- Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
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- Vernon Rate Savings Memorandum Account (VRSMA)
- Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
- Earthquake Valve Installation Service Memorandum Account (EVISMA)
- Research Royalty Memorandum Account (RRMA)
- NGV Research Development & Demonstration Memorandum Account (RDDNGV)
- Intervenor Award Memorandum Account (IAMA)
- Z Factor Account (ZFA)
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- Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)
- Gas Industry Restructuring Memorandum Account (GIRMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Baseline Memorandum Account (BMA)
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- Annual Earnings Assessment Proceeding Memorandum Account (AEAPMA)
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- El Paso Settlement Proceeds Memorandum Account (EPSPMA)
- Interim Call Center Memorandum Account (ICCMA)
- Late Payment Charge Memorandum Account (LPCMA)
- San Diego Gas & Electric Storage Memorandum Account (SDGESMA)

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ISSUED BY
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 Vice President
 Regulatory Affairs

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