



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

March 27, 2006

Advice No. 3614
(U 904 G)

Public Utilities Commission of the State of California

Subject: Allocation of FERC Settlement Proceeds Associated with the 2000-2001 Energy Crisis

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) a plan for the distribution of the proceeds from Federal Energy Regulatory Commission (FERC) settlements related to companies settling with the State of California for their involvement in the 2000-2001 energy crisis.

Purpose

Consistent with Decision (D.) 03-10-087, SoCalGas submits a plan for allocating the FERC settlement proceeds associated with the 2000-2001 energy crisis to core procurement, core subscription, and core aggregation transportation (CAT) customers. SoCalGas proposes to revise its Preliminary Statement to modify its existing Purchased Gas Account (PGA) and the El Paso Settlement Proceeds Memorandum Account (EPSPMA) to record the portion of these settlement proceeds that are allocable to SoCalGas core procurement and CAT customers. SoCalGas also submits a refund plan to distribute a portion of the FERC settlement proceeds to core subscription customers. Tariff revisions are shown on Attachment B.

Background

On June 4, 2003, El Paso Natural Gas Company (El Paso) entered into a settlement agreement with the State of California and other parties impacted by El Paso's involvement in the extremely high natural gas and electricity prices in California and several Western states during the 15-month period from March 1, 2000 through May 31, 2001. On December 3, 2003, SoCalGas filed a refund plan for the distribution of the settlement proceeds from El Paso to its core procurement, core subscription and CAT customers¹.

On October 11, 2005, Enron filed with the FERC for approval of a similar settlement with the State of California and other impacted parties². The Enron Settlement provides refunds

¹ SoCalGas' Advice Letter 3318 dated December 3, 2003 was approved by Commission Resolution G-3363 on April 22, 2004.

² The Enron and Reliant Settlements, which included a Joint Explanatory Statement that indicated CPUC approval of the settlement was obtained, was approved by FERC Order issued on November 30, 2005 and December 22, 2005, respectively, on FERC Docket No. EL00-95-000, *et al.*

against Enron's charges related to its transactions in the western energy markets during the 2000-2001 energy crisis. Under the Enron Settlement, settling parties are to receive nominal consideration exceeding \$1.5 billion which includes unsecured claims of \$875 million in the bankruptcy of Enron Power Marketing, Inc., and a \$600 million civil penalty. SoCalGas' portion of the Enron Settlement includes a \$0.2 million cash payment and an unsecured claim of approximately \$4.5 million.

On November 3, 2005, Reliant Energy (Reliant) also filed a similar settlement with the FERC². The Reliant Settlement resolves claims against Reliant for refunds, disgorgement of profits, billing adjustments and other monetary and non-monetary remedies associated with Reliant's involvement in the California and western energy markets during the period January 1, 2000 through June 20, 2001, and resolves certain civil claims that may have been or may be brought against Reliant. Under the Reliant Settlement, Reliant will provide at least \$0.512 billion in monetary consideration which includes the assignment of an estimated \$0.325 billion of Reliant's receivables and related interest. SoCalGas' portion of the Reliant Settlement is approximately \$3.5 million.

Purchased Gas Account (PGA)

The proceeds from FERC settlements associated with the 2000-2001 energy crisis will be recorded as a credit to the PGA; however, the payment received by SoCalGas shall be reduced by the portion allocable to core subscription and CAT customers as described below, less any applicable income taxes assessed by governmental taxing authorities. These credits to the PGA will have no impact on SoCalGas' Gas Cost Incentive Mechanism (GCIM) as these are revenue adjustments recorded in the PGA and not related to gas costs.

Refund Plan for Core Subscription Customers

SoCalGas proposes to allocate a portion of settlement proceeds associated with the 2000-2001 energy crisis to core subscription customers who were impacted by high natural gas prices during the period March 1, 2000 through May 31, 2001 and did not continue with core procurement service after core subscription service terminated on December 1, 2003. The core subscription customers' share of the settlement proceeds will be recorded in a separate interest-bearing refund liability account. For those core subscription customers currently receiving core procurement service, they will receive their refund through the PGA.

The allocation of the total settlement proceeds to core subscription customers shall be based on the percentage of gas usage by core subscription customers to the total core and core subscription volumes used during the applicable period. Although the period may differ between settlements, the difference does not significantly impact the percentage allocated to core subscription customers, which has been relatively consistent from year to year. As such, to simplify the allocation process, SoCalGas proposes to use the same percentage (0.53%) that was used in the implementation of the El Paso Settlement Plan; however, that percentage would be applied to the proceeds that SoCalGas actually receives under the settlements³. In addition, to avoid the administrative burden of crediting a customer's account multiple times for small amounts, SoCalGas proposes to the extent possible to issue a one-time bill credit once all settlements associated with the 2000-2001 energy crisis have been completed. If it is anticipated that all the settlements will not be completed by the end of

³ This treatment differs from the El Paso Settlement Refund Plan where the core subscription and CAT customers' share were determined upfront to reduce the initial payment received under the El Paso Settlement. Since the Enron and Reliant Settlements do not involve payments over a long period, and future settlements are not anticipated to include such payment terms, determining an upfront allocation to these customers is unnecessary.

2006, SoCalGas proposes to credit customer accounts beginning in December 2006 and in December of each year thereafter, as necessary, to refund the core subscription customers' share of the FERC settlement proceeds. To determine the amount of the refund to core subscription customers, a refund rate will be calculated by dividing the balance in the refund liability account by the total core subscription volumes during the applicable period. This refund rate will be applied to core subscription customers' usage during the period. SoCalGas proposes to issue a bill credit to each eligible customer who was a core subscription customer during the applicable period and who does not currently receive core procurement service. Included as Attachment C to this filing is an example calculation.

Modification of the El Paso Settlement Proceeds Memorandum Account (EPSPMA)

The EPSPMA was established to record the proceeds from the El Paso Settlement that are allocable to CAT customers who were impacted by high natural gas prices during the period March 1, 2000 through May 31, 2001. The EPSPMA was established since CAT customers cannot receive a refund through the PGA. Consistent with the El Paso Settlement Refund Plan, SoCalGas proposes to use the same mechanism to record the CAT customers' share of all FERC settlement proceeds associated with the 2000-2001 energy crisis and change the name of the EPSPMA to the "*FERC Settlements Proceeds Memorandum Account (FSPMA)*".

In the El Paso Settlement Refund Plan, the allocation of the total settlement proceeds to CAT customers was based on the percentage of gas transported by CAT customers to the total core throughput during the preceding 12-month period prior to the time SoCalGas first received the settlement proceeds. Since the relative percentage of CAT throughput to total core throughput does not significantly differ from year to year, SoCalGas proposes to use the same allocation percentage of 0.80% as used in the implementation of the El Paso Settlement Refund Plan to allocate the CAT customers' share of the proceeds from settlements associated with the 2000-2001 energy crisis. Similar to the core subscription refund plan described above, SoCalGas proposes to allocate the CAT customers' share of these settlement proceeds based on amounts that SoCalGas actually receives under the settlements and record those allocated amounts to the FSPMA.

The balance in the FSPMA will be refunded in CAT rates in the next Biennial Cost Allocation Proceeding (BCAP) or annual October regulatory account balance update filing.

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

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and therefore respectively requests that this advice letter be approved April 26, 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 Rulemaking 03-07-008.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

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

E-mail: nmaralit@semprautilities.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 3614

Subject of AL: Allocation of FERC Settlement Proceeds Associated with the 2000-2001
Energy Crisis

Keywords (choose from CPUC listing): Refunds

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

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

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: _____ No. of tariff sheets: 6

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 V and Part VI and TOC

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:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West Fifth Street, ML GT14D6

Los Angeles, CA 90013-4957

snewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3614

(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
Pearlie Sabino
pzs@cpuc.ca.gov

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 & Oil Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806

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
Chet Parker
CParker@commerceenergy.com

Commerce Energy
Glenn Kinser
gkinser@commerceenergy.com

Commerce Energy
Lynelle Lund
llund@commerceenergy.com

Commerce Energy
Rommel Aganon
RAganon@commerceenergy.com

Commerce Energy
Tony Cusati
TCusati@commerceenergy.com

Commerce Energy
Pat Darish
pdarish@commerceenergy.com

Commerce Energy
Gary Morrow
GMorrow@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

Culver City Utilities
Heustace Lewis
Heustace.Lewis@culvercity.org

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
mglillette@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
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

PG&E Tariffs
Pacific Gas and Electric
PGETariffs@pge.com

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

BAKER, BURTON & LUNDY
BRAD N. BAKER
brad@bbisurflaw.com

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
GLORIA BELL
gbell@water.ca.gov

SOUTHWEST GAS CORPORATION
ANDREW W. BETTWY
andy.bettwy@swgas.com

LAW OFFICES OF DANIEL W.
DOUGLASS
DANIEL W. DOUGLASS
douglass@energyattorney.com

SDG&E AND SOCALGAS
JOHN ELLIS
jellis@sempra.com

CALIF PUBLIC UTILITIES COMMISSION
Marshal B. Enderby
mbe@cpuc.ca.gov

LIEFF,GABRASER,HEIMANN&BERNST
EIN,LLP
ERIC B. FASTIFF
efastiff@lchb.com

THE UTILITY REFORM NETWORK
(TURN)
MICHEL PETER FLORIO
mflorio@turn.org

SOUTHWEST GAS CORPORATION
EDWARD B. GIESEKING
ed.gieseeking@swgas.com

GRUENEICH RESOURCE ADVOCATES
DIAN M. GRUENEICH
dgrueneich@gralegal.com

MORRISON & FOERSTER LLP
PETER W. HANSCHEN
phansch@mofo.com

THE UTILITY REFORM NETWORK
MARCEL HAWIGER
marcel@turn.org

SAN DIEGO GAS & ELECTRIC
COMPANY
GREGORY HEALY
ghealy@semprautilities.com

CALIF PUBLIC UTILITIES COMMISSION
Trina Horner
tah@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Kayode Kajopaiye
kok@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Susan P. Kennedy
sk1@cpuc.ca.gov

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
JEANNIE S. LEE
jslee@water.ca.gov

LUCE, FORWARD, HAMILTON &
SCRIPPS, LLP
JOHN W. LESLIE
jleslie@luce.com

CALIF PUBLIC UTILITIES COMMISSION
Donald J. Lafrenz
dlf@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Douglas M. Long
dug@cpuc.ca.gov

MCCARTHY & BERLIN, LLP
BARRY F. MCCARTHY
bmcc@mccarthylaw.com

GRUENEICH RESOURCE ADVOCATES
JACK MCGOWAN
docket-control@gralegal.com

PACIFIC GAS AND ELECTRIC CO.
ROBERT B. MCLENNAN
rbm4@pge.com

CALIF PUBLIC UTILITIES COMMISSION
Burton Mattson
bwm@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Harvey Y. Morris
hym@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Richard A. Myers
ram@cpuc.ca.gov

CALIFORNIA DEPARTMENT OF
WATER RESOURCES
JOHN PACHECO
jpacheco@water.ca.gov

SOUTHERN CALIFORNIA EDISON
COMPANY
DOUGLAS PORTER
douglas.porter@sce.com

CALIF PUBLIC UTILITIES COMMISSION
Wendy M Phelps
wmp@cpuc.ca.gov

CALIF PUBLIC UTILITIES COMMISSION
Robert M. Pocta
rmp@cpuc.ca.gov

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

**SCHOOL PROJECT UTILITY RATE
REDUCTION**
MICHAEL ROCHMAN
rochmanm@spurr.org

SOUTHWEST GAS CORPORATION
RANDALL W. SABLE
randy.sable@swgas.com

CALIF PUBLIC UTILITIES COMMISSION
Maria E. Stevens
mer@cpuc.ca.gov

SIMPSON PARTNERS LLP
ANDREW ULMER
andrew@simpsonpartners.com

CALIF PUBLIC UTILITIES COMMISSION
Hallie Yacknin
hsy@cpuc.ca.gov

ATTACHMENT B
Advice No. 3614

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40349-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 2	Revised 34820-G
Revised 40350-G	PRELIMINARY STATEMENT, PART V, DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING, Sheet 3	Revised 39670-G
Revised 40351-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 1	Revised 39472-G*
Revised 40352-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 17	Revised 38522-G
Revised 40353-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 18	Revised 39829-G
Revised 40354-G	TABLE OF CONTENTS	Revised 40342-G

PRELIMINARY STATEMENT

Sheet 2

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS

PURCHASED GAS ACCOUNT (PGA)

The PGA is a balancing account. The purpose of this account is to balance the recorded cost of gas bought for the Utility portfolio with revenue from the sale of that gas.

- a. The PGA consists of six subaccounts. They are:
 - 1. The Core Subaccount which tracks the cost of gas procured for core customers and revenues from the sale of that gas.
 - 2. The Core-Subscription Subaccount which tracks the cost of gas procured for core-subscription customers and revenues from the sale of that gas.
 - 3. The Noncore Standby Service Subaccount which tracks the cost of gas purchases and the revenues from the sale of gas procured to provide standby procurement service for noncore customers.
 - 4. The Excess Core Supply Subaccount which tracks the cost of gas purchases and the revenues from the sale of excess core supplies.
 - 5. The Take-or-Pay Subaccount which tracks revenue from take-or-pay charges that core-subscription customers incur.
 - 6. The Core Brokerage Fee Subaccount which tracks revenues from the core brokerage fee and the authorized core brokerage fee.
- b. The Utility shall maintain the PGA by making entries at the end of each month as follows:
 - 1. A debit entry equal to the recorded gas cost in the Utility Portfolio Account during the month, which includes all gas purchased for procurement customers.
 - 2. Credit entries equal to the procurement revenue from the sale of gas delivered during the month and amortization of the forecasted revision date PGA balance, excluding the allowance for F&U.
 - 3. A credit entry equal to the brokerage fee charged to core customers less the allowance for F & U.
 - 4. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3614
 DECISION NO. 03-10-087

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Mar 27, 2006
 EFFECTIVE Apr 26, 2006
 RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 3

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

PURCHASED GAS ACCOUNT (PGA) (Continued)

5. A credit entry equal to the El Paso settlement proceeds received pursuant to the Master Settlement Agreement approved by the FERC and CPUC (D.03-10-087). The first payment received will be reduced by the estimated net present value of refunds due to core subscription and core aggregation transportation (CAT) customers.
6. A credit entry equal to the FERC settlement proceeds associated with the 2000-2001 energy crisis. The settlement proceeds received shall be reduced by the amount allocable to core subscription and CAT customers.
7. An entry equal to the interest on the average of the balance in the account during the month, excluding the core-subscription subaccount, calculated in the manner described in Preliminary Statement, Part I, J.

CORE FIXED COST ACCOUNT (CFCA)

The CFCA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between authorized margin, transition, and other non-gas fixed costs allocated to the core market with revenues intended to recover these costs.

On a monthly basis, SoCalGas maintains this account as follows:

SoCalGas debits this account with the core portion of the following costs: gas margin costs, transition costs, and other non-gas operating costs.

SoCalGas credits this account with the core portion of the following revenues: transmission revenues from core deliveries; revenues from the sale of core storage capacity rights; base revenues that would have been collected from customers absent the core pricing flexibility program; and other revenues that the Commission has directed SoCalGas to allocate to the core market. Pursuant to D.03-10-017, revenues also include core's allocation of the capital component of FIG (fiber optic cable in gas pipelines) revenues associated with the use of the gas distribution system until superseded by ratemaking adopted in SoCalGas' 2004 PBR/Cost of Service Proceeding (A.02-12-027).

In addition, SoCalGas adjusts this account to amortize previously accumulated overcollected or undercollected balances, after adjustment for the portion allocable to the NGV customer class, to reflect payment to, or recovery from, ratepayers. Pursuant to Resolution G-3380, on an annual basis, SoCalGas shall transfer a portion of the CFCA over or under collection balance that is allocable to the NGV customer class to the Natural Gas Vehicle Account (NGVA). SoCalGas also adjusts this account to reflect volumetric differences associated with the core amortization recorded in other regulatory accounts.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3614
 DECISION NO. 03-10-087

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Mar 27, 2006
 EFFECTIVE Apr 26, 2006
 RESOLUTION NO. _____

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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)
- Interstate Capacity Step Down Account (ICSDA)
- 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)
- Tax Interest Account (TIA)
- Energy Efficiency/DSM Memorandum Account (EEDSMMA)
- Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)
- Gas Industry Restructuring Memorandum Account (GIRMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Baseline Memorandum Account (BMA)
- Blythe Operational Flow Requirement Memorandum Account (BOFRMA)
- Annual Earnings Assessment Proceeding Memorandum Account (AEAPMA)
- Cost of Service Revenue Requirement Memorandum Account (COSRRMA)
- FERC Settlement Proceeds Memorandum Account (FSPMA)
- Interim Call Center Memorandum Account (ICCMA)
- Late Payment Charge Memorandum Account (LPCMA)
- San Diego Gas & Electric Storage Memorandum Account (SDGESMA)

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 3614
DECISION NO. 03-10-087

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Mar 27, 2006
EFFECTIVE Apr 26, 2006
RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 17

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

COST OF SERVICE REVENUE REQUIREMENT MEMORANDUM ACCOUNT (COSRRMA)
 (Continued)

- c. A credit entry equal to the pro rata allocation of SoCalGas' currently authorized annual base margin revenue requirement for each month beginning January 1, 2004 until the effective date of rates adopted in a Phase 1 decision for A.02-12-027. This entry will be recorded once the decision is approved.
- d. A credit entry equal to the pro rata allocation of SoCalGas' currently authorized annual base margin revenue requirement for each month beginning January 1, 2005 until the effective date of rates adopted in a Phase 2 decision for A.02-12-027. This entry will be recorded once the decision is approved.
- e. On a monthly basis, an 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 disposition of the COSRRMA balance shall be determined in phase 2 of SoCalGas' COS proceeding (A.02-12-027) or in SoCalGas' next annual regulatory account update filing.

FERC SETTLEMENT PROCEEDS MEMORANDUM ACCOUNT (FSPMA)

The FSPMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. The original purpose of this account (originally established as the El Paso Settlement Proceeds Memorandum Account) was to track solely the El Paso Settlement proceeds allocable to core aggregation transportation (CAT) customers pursuant to CPUC Decision 03-10-087. The memorandum account was made effective upon receipt of the first settlement proceeds from El Paso Natural Gas Company (El Paso). The FSPMA will also record the CAT customers' share of all FERC settlement proceeds received from other companies settling with the State of California for their involvement in the 2000-2001 energy crisis.

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

- a. A credit entry equal to the net present value of the El Paso Settlement proceeds allocable to CAT customers. The allocation of the proceeds shall be based on the percentage of gas transported by CAT customers to the total core throughput during the preceding 12-month period prior to the time the Utility first receives the settlement proceeds.

(Continued)

(TO BE INSERTED BY UTILITY)
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PRELIMINARY STATEMENT

Sheet 18

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

FERC SETTLEMENT PROCEEDS MEMORANDUM ACCOUNT (FSPMA) (Continued)

- b. A credit entry equal to FERC settlement proceeds associated with the 2000-2001 energy crisis that are allocable to CAT customers. The allocation of the settlement proceeds shall be based on the same allocation percentage determined in the implementation of the El Paso Refund Plan.
- c. A debit entry equal to the FERC Settlement proceeds refunded in CAT rates.
- d. An 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.

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The disposition of the FSPMA balance shall be determined in SoCalGas' Biennial Cost Allocation Proceeding (BCAP) or its next annual regulatory account balance update filing.

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INTERIM CALL CENTER MEMORANDUM ACCOUNT (ICCMA)

The purpose of the Interim Call Center Memorandum Account (ICCMA) is to record and recover the incremental labor and indirect expenses incurred as a result of the CARE related program activities for the period beginning January 1, 2005 as directed by D.05-04-052. The costs recorded to the ICCMA shall reflect those call center expenses that are not currently recovered through base rates authorized in the utility's Cost of Service Decision (D.04-12-015).

The Utility shall maintain the ICCMA by making entries to this account at the end of each month as follows:

- a. An entry equal to the utility's incremental costs incurred for labor and indirect call center expenses assigned to the CARE program.
- b. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry in 4.a. at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

CARE related call center costs will be recorded to the ICCMA until such time as they are reviewed by the Commission and authorized for recovery by the Commission through base rates in SoCalGas' next general rate case, or in a separate proceeding initiated by a formal application.

(Continued)

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(Continued)

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Southern California Gas Company Advice Letter 3614 - Attachment C

Allocation of FERC Settlements Associated with the 2000-2001 Energy Crisis Core Subscription Customers Example Refund Rate Calculation

FERC Settlement Proceeds Received 1/	\$ 3,035,360
Multiply by Core Subscription Percentage 2/	0.53%
Core Subscription Proceeds Allocation	\$ 16,087
Divide by Core Subscription Volumes (Dth) 2/	2,467,000
Core Subscription Customers Refund Rate (\$/Dth)	0.0065
Estimated Refund Percentage Administered by Bill Credit	33%
Estimated Refund Amount Administered by Bill Credit	\$ 5,309
Estimated Refund Amount Administered through the PGA	\$ 10,778

1/ On February 16, 2006, SoCalGas received \$194,978.69 as a partial distribution from its unsecured claim in Enron's bankruptcy. On March 8, 2006, SoCalGas received \$2,840,380.93 as a partial distribution from the Reliant Settlement.

2/ SoCalGas Advice Letter 3318 dated December 3, 2003 was approved by Commission Resolution G-3363 on April 22, 2004.