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October 13, 2006

Advice No. 3668
(U 904 G)

Public Utilities Commission of the State of California

Subject: Annual Regulatory Account Balance Update for Rates Effective January 1, 2007

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to SoCalGas' revenue requirement and rates effective January 1, 2007.

Purpose

This filing, made each year on or before October 15th, complies with the longstanding practice of updating SoCalGas' revenue requirement for projected year-end regulatory account balances as established in Ordering Paragraph 2 of Decision (D.) 94-12-052. This filing revises SoCalGas' rates to incorporate the projected 2006 year-end regulatory account balances in transportation rates effective January 1, 2007.

Background

The revenue requirement related to the regulatory account balances are amortized in rates over 12 months beginning each January 1st. It should be noted that the revenue requirement herein does not include other revenue requirement adjustments authorized or expected to be authorized by the Commission for implementation in transportation rates effective January 1, 2007. SoCalGas will file an advice letter consolidating all Commission-authorized changes in its revenue requirements, and the related changes to its rates, at least three days prior to the January 1, 2007 effective date of such rates, including an adjustment for the Sempra-wide common electric generation rate.

Included with this filing are an Annual Gas Transportation Revenue table summarizing revenue changes and present and proposed rates (Attachment B) and a Summary of Present and Proposed Regulatory Account Balances (Attachment C).

Customer Rate Impact

Total

The SoCalGas revenue requirement will increase by a net \$21.8 million. The core customers revenue requirement will increase by \$51.2 million while the noncore customers revenue requirement will decrease by \$29.4 million as a result of the regulatory account balance update.

Core Customers

A \$51.2 million increase in the core transportation revenue requirement is necessary to amortize the projected year-end 2006 regulatory account balances. The increase is primarily due to amortization of the overcollected balance in the Core Fixed Cost Account (CFCA) and Cost of Service Revenue Requirement Memorandum Account (COSRRMA) offset partially by changes in the self-generation program as described below.

CFCA – Pursuant to Advice Letter (AL) 3538-A, SoCalGas was authorized to amortize in 2006 rates a CFCA overcollection of \$43.3 million. The projected CFCA balance for amortization in 2007 rates is \$10.8 million overcollected, representing a revenue requirement increase of \$32.5 million.

COSRRMA – Pursuant to AL 3538-A, SoCalGas was authorized to amortize in 2006 rates a COSRRMA overcollection of \$26.5 million. The projected COSRRMA balance for amortization in 2007 rates is \$0.7 million overcollected, representing a revenue requirement increase of \$25.8 million. The core's revenue requirement allocation of this increase is \$23.0 million.

SGPMA – Pursuant to SoCalGas' Consolidated Rate Adjustments filing for rates effective January 1, 2006, SoCalGas was authorized to amortize in 2006 rates a Self-Generation Program Memorandum Account (SGPMA) undercollection of \$43.6 million¹. The projected SGPMA balance for amortization in 2007 rates is \$24.7 million undercollected, representing a transportation revenue requirement decrease of \$18.9 million. The decrease is primarily due to the removal of the annual California Solar Initiative (CSI) revenue requirement in accordance with Senate Bill 1 mandating that CSI program costs will no longer be funded by customers through gas rates offset partially by the inclusion of the prospective 2007 revenue requirement for the non-solar self-generation incentive program pursuant to D.06-01-024. The core customers revenue requirement allocation of this decrease is \$6.8 million.

¹ Advice No. 3570 filed on December 28, 2005 was approved effective January 1, 2006.

The major components of the core revenue requirement increase are as follows:

Description	Core Revenue Requirement Increase / (Decrease) (in millions of \$)
Core Fixed Cost Account (CFCA)	32.5
Cost of Service Revenue Requirement Memo Account (COSRRMA)	23.0
Self-Generation Program Memorandum Account (SGPMA)	(6.8)
Other Regulatory Account Balances	2.5
Total Core Revenue Requirement	51.2

Noncore Customers

A \$29.4 million decrease in the total noncore transportation revenue requirement is proposed to amortize the projected year-end 2006 regulatory account balances. The decrease is primarily due to the expiration of the historical interstate gas pipeline capacity contract with the El Paso Natural Gas Company and changes in the self-generation program offset partially by increased undercollections in the Noncore Fixed Cost Account (NFCA) as described below.

ITCSA – Pursuant to AL 3538-A, SoCalGas was authorized to amortize in 2006 rates an Interstate Transition Cost Surcharge Account (ITCSA) undercollection of \$24.2 million. With the expiration of the Transportation Service Agreement with El Paso Natural Gas Company², effective September 1, 2006 interstate capacity reservation charges are no longer recovered in transportation rates but recovered through the procurement rate. The remaining ITCSA balance is projected to be \$2.0 million overcollected as of December 31, 2006, representing a revenue requirement decrease of \$26.2 million.

SGPMA – As noted above, the SGPMA balance as of December 31, 2006 is projected to decrease \$18.9 million compared to the balance currently authorized in 2006 rates. The noncore customers revenue requirement allocation of this decrease is \$12.1 million.

NFCA – The projected NFCA balance as of December 31, 2006 is a \$41.8 million undercollection primarily due to authorized throughput exceeding actual throughput for the year. This represents an increase in the revenue requirement of \$12.9 million compared to the \$28.9 million undercollection currently authorized in 2006 rates.

² Advice no. 3644 filed on July 17, 2006 was approved effective September 1, 2006.

The major components of the noncore revenue requirement decrease are as follows:

Description	Noncore Revenue Requirement Increase / (Decrease) (in millions of \$)
Interstate Transition Cost Surcharge Account (ITCSA)	(26.2)
Self-Generation Program Memorandum Account (SGPMA)	(12.1)
Noncore Fixed Cost Account (NFCA)	12.9
Other Regulatory Account Balances	(4.0)
Total Noncore Revenue Requirement	(29.4)

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 become effective January 1, 2007, which is more than thirty (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 parties on the service list in SoCalGas' Cost of Service A.02-12-027.

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

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) #: 3668

Subject of AL: Annual Regulatory Account Balance Update for Rates Effective
January 1, 2007

Keywords (choose from CPUC listing): Balancing Account, Compliance, Core, Non-Core,
Memorandum Account, Decrease Rates, Increase Rates, Transportation Rates

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

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

D94-12-052

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: 1/1/07 No. of tariff sheets: 0

Estimated system annual revenue effect: (%): 1%

Estimated system average rate effect (%): 1%

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: _____

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

505 Van Ness Avenue

San Francisco, CA 94102

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

Southern California Gas Company

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¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3668

(See Attached Service Lists)

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TABLE SCG-1
Southern California Gas Company
SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES
Annual Regulatory Account Update

	BCAP Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Revenues	Average Rate	Revenues	Average Rate	Revenues	Rates	Percent	
A	B	C	D	E	F	G	H	I	
	(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)	
CORE PROCUREMENT									
1 Residential	2,484,024	\$1,055,326	\$0.42485	\$1,096,136	\$0.44127	\$40,810	\$0.01643	4%	1
2 Large Master Meter	37,360	\$8,233	\$0.22037	\$8,845	\$0.23675	\$612	\$0.01638	7%	2
3 Commercial & Industrial	700,113	\$187,806	\$0.26825	\$195,815	\$0.27969	\$8,009	\$0.01144	4%	3
4 Gas A/C	1,060	\$119	\$0.11233	\$129	\$0.12193	\$10	\$0.00960	9%	4
5 Gas Engine	15,240	\$2,140	\$0.14040	\$1,985	\$0.13022	(\$155)	(\$0.01018)	-7%	5
6 Total Core Procurement	3,237,796	\$1,253,623	\$0.38718	\$1,302,909	\$0.40241	\$49,286	\$0.01522	4%	6
CORE TRANSPORTATION									
7 Residential	25,091	\$10,562	\$0.42095	\$11,059	\$0.44076	\$497	\$0.01982	5%	7
8 Large Master Meter	377	\$82	\$0.21647	\$89	\$0.23623	\$7	\$0.01977	9%	8
9 Commercial & Industrial	134,522	\$33,723	\$0.25069	\$35,183	\$0.26154	\$1,460	\$0.01085	4%	9
10 Gas A/C	140	\$16	\$0.11182	\$17	\$0.12142	\$1	\$0.00960	9%	10
11 Gas Engine	800	\$112	\$0.13989	\$104	\$0.12971	(\$8)	(\$0.01018)	-7%	11
12 Total Core Transportation	160,930	\$44,495	\$0.27648	\$46,452	\$0.28865	\$1,958	\$0.01216	4%	12
13 TOTAL CORE	3,398,727	\$1,298,118	\$0.38194	\$1,349,361	\$0.39702	\$51,244	\$0.01508	4%	13
NONCORE									
14 Commercial & Industrial	1,456,757	\$95,504	\$0.06556	\$89,203	\$0.06123	(\$6,301)	(\$0.00433)	-7%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$113,573	\$0.03857	\$99,252	\$0.03371	(\$14,321)	(\$0.00486)	-13%	15
16 + Sempra-Wide EG Adjustment	2,944,257	\$16,749	\$0.00569	\$16,749	\$0.00569	\$0	\$0.00000	0%	16
17 = Electric Generation Total	2,944,257	\$130,322	\$0.04426	\$116,001	\$0.03940	(\$14,321)	(\$0.00486)	-11%	17
18 Retail Noncore Total 1	4,401,014	\$225,826	\$0.05131	\$205,204	\$0.04663	(\$20,622)	(\$0.00469)	-9%	18
WHOLESALE									
19 Long Beach	77,821	\$2,888	\$0.03712	\$2,506	\$0.03220	(\$382)	(\$0.00491)	-13%	19
20 SDG&E	1,445,680	\$45,235	\$0.03129	\$37,696	\$0.02607	(\$7,539)	(\$0.00522)	-17%	20
21 Southwest Gas	91,672	\$3,214	\$0.03506	\$2,760	\$0.03011	(\$454)	(\$0.00496)	-14%	21
22 City of Vernon	51,620	\$1,663	\$0.03222	\$1,405	\$0.02722	(\$258)	(\$0.00500)	-16%	22
23 Wholesale Total	1,666,793	\$53,001	\$0.03180	\$44,367	\$0.02662	(\$8,634)	(\$0.00518)	-16%	23
INTERNATIONAL									
24 Mexicali - DGN	36,419	\$1,243	\$0.03412	\$1,062	\$0.02915	(\$181)	(\$0.00497)	-15%	24
25 Unbundled Storage	n/a	\$21,000	n/a	\$21,000	n/a	\$0	n/a	0%	25
26 Unallocated Costs to NSBA	n/a	\$14,574	n/a	\$14,574	n/a	\$0	n/a	0%	26
27 SYSTEM TOTALS 1	9,502,953	\$1,613,762	\$0.16982	\$1,635,568	\$0.17211	\$21,807	\$0.00229	1%	27
28 EOR Revenues	482,707	\$22,777	n/a	\$22,777	n/a	\$0	n/a	0%	28

¹ Does not include EOR revenues shown at Line 28.

ATTACHMENT C

SOUTHERN CALIFORNIA GAS COMPANY SOCALGAS PRESENT AND PROPOSED REGULATORY ACCOUNT BALANCES (M\$)

Account Name (1)	1/01/06 Amortization			Proposed 01/01/07 Amortization			Proposed Change		
	Core (2)	Noncore (3)	Total System (4)	Core (5)	Noncore (6)	Total System (7)	Core (8)	Noncore (9)	Total System (10)
REGULATORY ACCOUNTS									
1. Affiliate Transaction Tracking Acct (AFTA)	-	-	-	(101)	(13)	(113)	(101)	(13)	(113)
2. Brokerage Fee Account (BFA)	-	(72)	(72)	-	-	-	-	72	72
3. Core Fixed Cost Account (CFCA) (2)	(43,286)	-	(43,286)	(10,794)	-	(10,794)	32,491	-	32,491
4. Cost of Service RRQ Memo Acct (COSRRMA)	(23,585)	(2,956)	(26,541)	(585)	(73)	(658)	23,000	2,883	25,883
5. Economic Practicality Shortfall Memo Acct (EPSMA)	-	191	191	-	191	191	-	(0)	(0)
6. El Paso Turned-Back Capacity Bal Acct (EPTCBA)	2,737	4,912	7,649	728	1,306	2,034	(2,010)	(3,606)	(5,616)
7. Enhanced Oil Recovery Account (EORA)	6,122	624	6,746	5,636	575	6,210	(487)	(50)	(536)
8. FERC Settlement Proceeds Memo Acct (FSPMA)	(181)	-	(181)	-	-	-	181	-	181
9. Hazardous Substance Cost Recovery Acct (HSCRA)	5,472	9,819	15,291	4,773	8,565	13,339	(699)	(1,253)	(1,952)
10. Interstate Trans. Cost Surcharge Account (ITCSA)	-	24,160	24,160	-	(2,004)	(2,004)	-	(26,164)	(26,164)
11. Intervenor Award Memorandum Acct (IAMA)	203	364	567	21	37	58	(182)	(327)	(509)
12. Montebello True-Up Tracking Acct (MTTA)	(3,020)	(1,294)	(4,315)	1,210	518	1,728	4,230	1,813	6,043
13. Natural Gas Vehicles Acct (NGVA)	(2,118)	(2,903)	(5,020)	(1,428)	(1,957)	(3,385)	690	946	1,635
14. Noncore Fixed Cost Account (NFCA)	-	28,933	28,933	-	41,859	41,859	-	12,927	12,927
15. Noncore Fixed Cost Tracking Account (CCSI)	-	(27)	(27)	-	117	117	-	144	144
16. Noncore Storage Balancing Acct (NSBA)	(1,593)	(2,859)	(4,453)	(4,472)	(8,025)	(12,497)	(2,879)	(5,166)	(8,044)
17. RD&D Expense Acct (RDDEA)	(3,709)	(465)	(4,173)	-	-	-	3,709	465	4,173
18. Research Royalty Memo Acct (RRMA)	(331)	(41)	(372)	(253)	(32)	(285)	77	10	87
19. Self-Generation Program Memo Account (SGPMA)	15,589	27,973	43,563	8,839	15,860	24,699	(6,751)	(12,113)	(18,864)
20. Wheeler Ridge Firm Access Charge Memo Acct (WRFACMA)	(851)	(107)	(958)	(879)	(110)	(989)	(28)	(4)	(32)
22. Subtotal Balancing Accounts	(48,550)	86,252	37,702	2,693	56,815	59,508	51,244	(29,437)	21,807

Notes:

1. Balances shown include franchise fees and uncollectibles expenses.
2. Includes BMA.