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October 31, 2006

Advice No. 3674
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Update of Public Purpose Program Surcharge Rates Effective
January 1, 2007**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B.

Purpose

This Advice Letter submits updated Public Purpose Program (PPP) surcharge rates to be effective January 1, 2007.

Background

This filing is being made in compliance with Ordering Paragraph (OP) 22 of Decision No. (D.) 04-08-010, in Rulemaking (R.) 02-10-001, to update on an annual basis SoCalGas' surcharge rates to fund PPP programs, as authorized by Assembly Bill (AB) 1002. AB 1002 directs the Commission to establish a gas surcharge annually to fund certain natural gas related public purpose programs such as the low-income California Alternate Rates for Energy (CARE), energy efficiency, and research and development (R&D). Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and are ultimately appropriated back to the utilities or other entities designated by the Commission to administer public purpose programs.

The Commission issued D.04-08-010 that addressed both the Phase 1 surcharge implementation issues (Phase 1) and Phase 2 administration of public purpose R&D (Phase 2). Pursuant to OP 10, SoCalGas is using the surcharge formula adopted in the decision for calculating the gas PPP surcharge rates. SoCalGas is using information provided by the Commission's Energy Division for calculating the gas surcharge rate as it relates to (1) the Commission and BOE administrative costs, (2) SoCalGas' portion of the statewide R&D budget, and (3) the interstate pipeline volumes from 2005 through the first quarter of 2006 to be used in computation of the surcharge rates as directed in D. 04-08-010. Furthermore, since SoCalGas' BCAP is more than three-years old, SoCalGas is using the three-year

average for its available billed gas volumes in calculating the gas surcharge rates for the customer classes.

Revised Schedule No. G-PPPS

Schedule No. G-PPPS, as shown in Attachment B, updates the PPP surcharge rates for the costs detailed in the table below. SoCalGas' projection of program costs for 2007 reflects the amortization of the California Alternate Rates for Energy Account (CARE) balance forecasted as of December 31, 2006, forecasted 2007 CARE customer subsidy costs, and authorized CARE administration expenses and Low Income Energy Efficiency (LIEE) budgets adopted in D.05-12-026 on December 15, 2005 and modified by D.06-04-001 on April 4, 2006.

The non-low income components of the PPP surcharge rates reflect the 2007 R&D budget of \$9.1 million, forecasted \$0.4 million R&D funding shortfall compared to the prior year's authorized budget level, and the energy efficiency (EE) budget adopted in D.05-09-043 and modified pursuant to D.05-11-011 and SoCalGas AL 3559.

	(\$000)			
	CARE Costs	Non-CARE Costs	Admin Costs	Total
<u>2007 Program Budgets</u>				
LIEE		33,324.9		33,324.9
CARE	116,564.0			116,564.0
EE		60,941.0		60,941.0
RDD		9,086.7		9,086.7
<u>Administration Costs</u>				
CARE	4,714.2			4,714.2
BOE			205.0	205.0
CPUC			0	0
<u>Balancing Account Amortization - (over) / under collection</u>				
CARE	(10,107.0)			(10,107.0)
RDDGSA (excluding interest)		426.0		426.0
Total PPP Costs	111,171.2	103,778.6	205.0	215,154.8

The PPP rates are listed for CARE and Non-CARE customers by major customer class, and reflect changes to the CARE and R&D components of the gas PPP surcharge. The 2007 PPP surcharge revenue requirement is lower by \$9.1 million (or 4.0 percent) compared to the 2006 PPP surcharge revenue requirement, which is primarily caused by a change in the amortization of a CAREA undercollection balance currently in 2006 rates to a forecasted CAREA overcollection balance proposed in 2007 rates and a decrease in the forecasted CARE subsidy costs. The decrease in the PPP surcharge revenue requirement is offset by an increase in the approved EE program budget for 2007 compared to the prior year's

budget level. The impact of the updated PPP surcharge rates, by major customer class, is shown on Attachment C.

Protest

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 this advice letter was filed with the Commission. 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
Attention: 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 Honesto Gatchalian (inj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall 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 respectfully requests that this advice letter become effective January 1, 2007.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the interested parties in R.04-01-006. Workpapers have been provided to the Energy Division pursuant to D.04-08-010. Copies of the workpapers can be made available to other parties upon request by contacting the address in the Protest section above.

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: Sid Newsom

Phone #: (213) 244-2846

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) #: 3674

Subject of AL: Update of Public Purpose Program Surcharge Rates Effective 1/1/07

Keywords (choose from CPUC listing): Public Purpose Program; Surcharges

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

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

D.04-08-010

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: 4

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 II; Schedule G-PPPS and TOCs

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. 3674

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3674

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 41161-G	PRELIMINARY STATEMENT, PART II, SUMMARY OF RATES AND CHARGES, Sheet 10	Revised 40234-G*
Revised 41162-G	Schedule No. G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 1	Revised 39791-G
Revised 41163-G	TABLE OF CONTENTS	Revised 41115-G
Revised 41164-G	TABLE OF CONTENTS	Revised 41116-G

PRELIMINARY STATEMENT
 PART II
SUMMARY OF RATES AND CHARGES

Sheet 10

(Continued)

TAX SURCHARGE TO FUND PUBLIC PURPOSE PROGRAMS

Schedule G-PPPS

<u>Customer Class</u>	<u>Tax Surcharge</u>	
	<u>For all service, per meter, per month</u>	
	<u>CARE Customer</u>	<u>Non-CARE Customer</u>
	(¢/therm)	(¢/therm)
Core		
Residential	2.518	4.910
Commercial/Industrial	3.246	5.639
Gas Air Conditioning	2.893	5.285
Gas Engine	N/A	5.431
Natural Gas Vehicle	N/A	2.392
Noncore		
Commercial/Industrial	N/A	2.732

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SURCHARGE TO FUND PUC UTILITIES REIMBURSEMENT ACCOUNT

Schedule G-SRF

Surcharge, per therm 0.076¢

TRANSPORTED GAS MUNICIPAL SURCHARGE

Schedule G-MSUR

Outside the City of Los Angeles 1.5534%
 Within the City of Los Angeles 2.0000%

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3674
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Oct 31, 2006
 EFFECTIVE Jan 1, 2007
 RESOLUTION NO. _____

Schedule No. G-PPPS
PUBLIC PURPOSE PROGRAMS SURCHARGE

Sheet 1

APPLICABILITY

Applicable to all gas sales and transportation services rendered under all tariff rate schedules authorized by the Commission. Customers will have a gas public purpose program (PPP) surcharge as a separate line item on their bills unless they are exempt* (e.g. Electric Generation including cogeneration, Enhanced Oil Recovery, Wholesale service, and consumption of natural gas which California is prohibited from taxing under the United States Constitution or the California Constitution, as referenced in Section 896 of the Public Utilities Code. (See also the California Energy Resources Surcharge Regulation Sections 2315 and 2316 as identifying exempt customers.) California Alternate Rates for Energy (CARE) customers will receive the surcharge excluding CARE program costs along with applicable customers receiving sales for street lighting.

TERRITORY

This schedule is applicable within the entire territory served by Utility.

RATES

<u>Customer Class</u>	<u>PPP Surcharge**</u>	
	<u>For all service, per meter, per month</u>	
	<u>CARE Customer***</u> (¢/therm)	<u>Non-CARE Customer</u> (¢/therm)
Core		
Residential	2.518	4.910
Commercial/Industrial	3.246	5.639
Gas Air Conditioning	2.893	5.285
Gas Engine	N/A	5.431
Natural Gas Vehicle	N/A	2.392
Noncore		
Commercial/Industrial	N/A	2.732

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* Commission Resolution G-3303, dated December 21, 2000, references Sections 896, 897, and 898 of Assembly Bill (AB) 1002 regarding consumers of natural gas who are exempt from the tax surcharge. Section 896 states "Consumption means the use or employment of natural gas. Consumption does not include the use or employment of natural gas to generate power for sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas which this state is prohibited from taxing under the United States Constitution or the California Constitution." Section 897 states "Nothing in this article impairs the rights and obligations of parties to contracts approved by the Commission, as the rights and obligations were interpreted as of January 1, 1998." Section 898 is in reference to a municipality, district, or

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3674
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Oct 31, 2006
 EFFECTIVE Jan 1, 2007
 RESOLUTION NO. _____

TABLE OF CONTENTS

(Continued)

GT-SD	Intrastate Transmission Service	40036-G,30593-G,30594-G,36311-G
GT-PS	Peaking Service	40037-G,40038-G,40039-G,40040-G 40041-G,40042-G,35955-G,35956-G,37942-G
GW-LB	Wholesale Natural Gas Service	40043-G,38061-G,38062-G 38063-G,38064-G
GW-SD	Wholesale Natural Gas Service	40044-G,37949-G,37950-G 37951-G
GW-SWG	Wholesale Natural Gas Service	40045-G,37953-G,37954-G,37955-G
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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3674
 DECISION NO.
 348

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Oct 31, 2006
 EFFECTIVE Jan 1, 2007
 RESOLUTION NO. _____

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Attachment C

SUMMARY OF PPP SURCHARGE RATES SOUTHERN CALIFORNIA GAS COMPANY PPP Surcharge Update for 1/1/2007

Customer Class	CARE Customers			Non-CARE Customers		
	2006	2007	% Change	2006	2007	% Change
(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Core</u>						
1. Residential	2.302	2.518	9%	5.322	4.910	-8%
2. Commercial/Industrial	1.942	3.246	67%	4.961	5.639	14%
3. Gas Air Conditioning	1.552	2.893	86%	4.572	5.285	16%
4. Gas Engine	N/A	N/A	N/A	4.621	5.431	18%
5. Natural Gas Vehicle	N/A	N/A	N/A	3.020	2.392	-21%
<u>Noncore</u>						
6. Commercial/Industrial	N/A	N/A	N/A	3.221	2.732	-15%
	2006	2007	Rev Change	% Change		
	M\$	M\$	M\$	%		
7. System Total Revenue ¹	224,221	215,155	(9,066)	-4.0%		