

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 6, 2007

Advice Letter 3740

Mr. Sid Newsom
Regulatory Tariff Administration
Southern California Gas Company – GT14D6
555 West Fifth Street
Los Angeles, CA 90013-4957

Subject: 2006 PBR Shareable Earnings Filing

Dear Mr. Newsom:

Advice Letter 3740 is effective May 31, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



J. Steve Rahon
Director
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May 1, 2007

Advice No. 3740
(U 904 G)

Public Utilities Commission of the State of California

Subject: 2006 PBR Shareable Earnings Filing

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) its shareable earnings filing. This filing is made in compliance with Decision No. (D.) 05-03-023, dated March 17, 2005, and Preliminary Statement Part XI, Performance Based Regulation (PBR), in Phase II of SoCalGas' Cost of Service (COS) Application No. (A.) 02-12-027.

Purpose

As reported in Attachment B, this filing consists of: 1) earnings to be shared with ratepayers under the existing PBR mechanism; 2) rewards or penalties for customer service and safety performance indicators; 3) SoCalGas' performance on customer service monitor-only indicators; and 4) the results of the Core Pricing Flexibility program and Noncore Competitive Load Growth Opportunity program as adopted in D.97-07-054 and D.00-04-060, respectively.

For the year ended December 31, 2006, SoCalGas' actual Rate of Return (ROR) was 10.32% as compared to the authorized ROR of 8.68% resulting in sharing of \$40,573,415 between ratepayers and shareholders. The ratepayers' allocation of earnings above authorized levels, grossed-up for taxes and franchise fees and uncollectible costs, is \$22,501,000. SoCalGas exceeded the PBR benchmark on three of its five customer service and safety performance indicators resulting in a total award of \$828,000.

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 Maria Salinas (mas@cpuc.ca.gov) and to Honesto Gatchalian (jni@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 respectfully requests that this advice letter be approved May 31, 2007, 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 service list in A.06-12-010.

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 WATERContact Person: Sid NewsomPhone #: (213) 244-2846E-mail: snewsom@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) #: 3740Subject of AL: 2006 Shareable EarningsKeywords (choose from CPUC listing): PBRAL filing type: Monthly Quarterly Annual One-Time Other

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

D05-03-023Does AL replace a withdrawn or rejected AL? If so, identify the prior AL N/ASummarize differences between the AL and the prior withdrawn or rejected AL¹: N/AResolution Required? Yes NoRequested effective date: 5/31/07No. of tariff sheets: 0Estimated 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: N/AService affected and changes proposed¹: N/APending advice letters that revise the same tariff sheets: N/A**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****mas@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. 3740

(See Attached Service Lists)

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ATTACHMENT B

**SOUTHERN CALIFORNIA GAS COMPANY
(U 904 G)**

**COMPLIANCE WITH DECISION 05-03-023
PERFORMANCE-BASED RATEMAKING MECHANISM**

REPORT OF 2006 DATA

**Before the
Public Utilities Commission
of the
State of California**

May 1, 2007

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I. EXECUTIVE SUMMARY

The report constitutes an accumulation of annual reporting requirements pursuant to Decision (D.) 05-03-023, dated March 17, 2005, and Preliminary Statement Part XI, Performance Based Regulation (PBR), in Phase II of the Southern California Gas Company's (SoCalGas) Cost of Service (COS) Application No. 02-12-027. This decision adopted a PBR mechanism for SoCalGas with respect to the setting of the company's gas transportation rates. This report constitutes the summary of the final 2006 year-end results of operations under that mechanism, and includes a report on the earnings sharing and performance indicator results for the year ending December 31, 2006.

For the year ending December 31, 2006, SoCalGas' actual rate of return (ROR) was 10.32 percent, as compared to a 2006 authorized ROR of 8.68 percent. As a result, SoCalGas' actual ROR is greater than its authorized ROR by 1.64 percent, resulting in sharing of \$40,573,415 between ratepayers and shareholders under the PBR earnings sharing mechanism.

In addition, SoCalGas exceeded the PBR benchmarks on three of its five performance indicators for 2006. This resulted in a total reward of \$828,000. The 2006 performance indicators include incentives for employee safety, phone / office contact satisfaction, field visit satisfaction, call center responsiveness, and field service order appointments provided / percent made. This report also provides performance results for nine monitor-only indicators covering other areas of SoCalGas' customer service.

Finally, this report includes information on SoCalGas' net incremental revenues associated with its Core Pricing Flexibility and Noncore Competitive Load Growth Opportunities programs.

II. Earnings Sharing Results

A. Background

SoCalGas' PBR, as adopted in D.05-03-023, provides for a sharing of earnings between ratepayers and shareholders on a progressive basis as earnings exceed the authorized ROR. The PBR authorizes a mechanism by which earnings are shared within "bands" above a benchmark ROR on rate base. Shareholders will retain 100% of the earnings up to 50 basis points (0.50%) above the benchmark ROR. Between 51 basis points and 300 basis points above the benchmark are 6 bands with progressive sharing of earnings between shareholders and ratepayers. Within the bands, the shareholder share of earnings rises stepwise from 25% to 75%, as the ratepayer share correspondingly declines from 75% to 25%, as identified in the table below. If earnings exceed 300 basis points above the benchmark, the earnings sharing mechanism will automatically be suspended and the Commission will conduct a formal regulatory review to determine what, if any, changes in the ratemaking mechanism are required. Earnings below the authorized ROR are absorbed 100% by shareholders. Specifics of the sharing mechanism are detailed in Preliminary Statement Part XI, Performance Based Regulation.

The benchmark ROR was 8.68% for the year 2006 as last updated pursuant to Advice No. 3199-A, SoCalGas' Market Indexed Capital Adjustment Mechanism (MICAM) filing, and effective January 1, 2003.

The following table summarizes the shareholder / ratepayer sharing percentages within the various bands:

<u>Bands</u>	<u>Basis Points</u>	<u>Shareholder %</u>	<u>Ratepayer %</u>
Inner	00-50	100%	00%
1	51-100	25%	75%
2	101-125	35%	65%
3	126-150	45%	55%
4	151-175	55%	45%
5	176-200	65%	35%
6	201-300	75%	25%
Outer	301-above	Suspension	

B. Earnings Sharing Update

SoCalGas' 2006 net operating income (NOI) was \$266,396,360. After adjustments pursuant to SoCalGas' PBR, NOI subject to PBR sharing (i.e., PBR Shareable Earnings) was \$255,562,433. The authorized return was \$214,989,018; therefore, PBR Shareable Earnings totaled \$40,573,415 for 2006. The shareholder portion is \$22,315,378 and the ratepayer portion before gross-up is \$18,258,037. Pursuant to SoCalGas' PBR, the ratepayer portion is "grossed-up" to achieve sharing of tax and FF&U benefits. The grossed-up portion distributed to ratepayers will be \$22,501,000.

The following table calculates the NOI subject to sharing between ratepayer and shareholders.

PBR Rate Base ROR Sharing Calculation		
Net Operating Income		\$266,396,360 (1)
Less: PBR Adjustments (pre-tax):		
NFCA	\$124,125 (2)	
NSBA	(25,821,306)	
EOR Incentives	(951,090)	
NGV Sharing	(844,399)	
DSM Award	(10,514,635)	
Montebello Storage Facility	(1,355,586) (3)	
GCIM Award per GCRPA	(14,405,388) (4)	
Affiliate Compliance Audit / Oil Costs	228,960 (5)	
Legal Settlements	38,266,667 (6)	
Global Appliance Technology	(539,625) (7)	
Playa Del Rey	(2,472,831) (8)	
Total Pre-Tax Adjustment	(18,285,108)	
Less: Taxes	40.75% (7,451,182)	
PBR Adjustment (After Tax)		(10,833,927)
Total Net Operating Income	10.32%	<u>\$255,562,433</u>
Ratepayer portion (before gross-up)		18,258,037
Shareholder Portion		22,315,378
Authorized Return	8.68%	214,989,018
Total		<u>\$255,562,433</u>
Ratepayer Portion Gross-up:		
Average Ratepayer Sharing percentage {r}	45.00%	
Combined FF&U and Income Tax factor {t}	41.90%	
Ratepayer Portion Grossed-up (ratepayer / (1 - r * t))		<u>\$22,501,000</u>

Notes:

(1) Net Operating Revenues as reported on SoCalGas SEC 10K report adjusted for contingent liabilities as required for financial reporting purposes under GAAP but not authorized by the CPUC for ratemaking purposes.

(2) Represents prior period billing adjustments subject to NFCA sharing mechanism per D.00-04-060.

(3) Represents shareholder allocation of net proceeds per D.01-04-081.

(4) Represents calculated GCIM award recorded in GCRPA per D.02-06-023.

(5) Represents shareholder affiliate compliance costs per D.97-12-088.

(6) Represents costs related to the Continental Forge Settlement.

(7) Represents 50% shareholder allocation in accordance with the research royalties mechanism..

(8) Represents shareholder allocation of gain on sale of land at Play Del Rey per D.06-05-041.

The tables below detail the shareholder and ratepayer allocations by the sharing bands:

PBR ROR Sharing Calculation				
Bands	Basis Points		Operating Income	
	Beg	End	Beg	End
Inner	0	50	\$214,989,018	\$227,373,178
1	51	100	227,373,178	239,757,338
2	101	125	239,757,338	245,949,418
3	126	150	245,949,418	252,141,498
4	151	175	252,141,498	258,333,578
5	176	200	258,333,578	264,525,658
6	201	300	264,525,658	289,293,978
Outer	301	above	289,293,978	

Bands	Shareholder		Ratepayer		Avg RP %	Total
	%	Amount	%	Amount		
Inner	100%	\$12,384,160	0%	\$0	0.00%	\$12,384,160
1	25%	3,096,040	75%	9,288,120	37.50%	12,384,160
2	35%	2,167,228	65%	4,024,852	43.00%	6,192,080
3	45%	2,786,436	55%	3,405,644	45.00%	6,192,080
4	55%	1,881,514	45%	1,539,421	45.00%	3,420,935
5	65%		35%			
6	75%		25%			
Outer	Suspension					
Total		\$22,315,378		\$18,258,037	45.00%	\$40,573,415

Adjusted Recorded Net Operating Income	\$255,562,433
Weighted Average Rate Base	2,476,832,000
Authorized ROR	8.68%
Recorded ROR	10.32%
Differential	1.64%

III. Performance Indicator Results

A. Employee Safety

Rewards or penalties for employee safety are determined based on the Federal Occupational Safety and Health Administration (OSHA) frequency standard, measuring the regulated utility's OSHA recordable lost-time and non-lost-time injuries and illnesses against total utility working hours. For the year ending December 31, 2006, SoCalGas experienced 382 lost time and non-lost time incidents. The 382 total OSHA recordable incidents result in a frequency of 6.11.

The calculation of the OSHA Frequency is as follows:

Employee Safety	2006
Total OSHA Recordable Cases	382
x 100 employees at 2,000 hours / year	200,000
= Total OSHA Recordable Hours	76,400,000
/ Total utility year-to-date work hours	12,494,755
= Total OSHA Frequency	6.11

For 2006, rewards and penalties for Employee Safety Performance Indicator are based on the following parameters:

Benchmark:	6.19
Deadband:	6.02 – 6.36
Liveband:	+/- 2.0
Unit of Change:	0.01
Incentive per unit:	\$25,000 / 0.01
Maximum incentive:	+/- \$5,000,000

For 2006, SoCalGas' performance for the Employee Safety Performance Indicator was below the benchmark, but within the deadband. As a result, there is no reward or penalty.

During 2006, SoCalGas continued to make significant efforts to focus on employee safety issues. The executive safety council made significant strides in addressing barriers and employee concerns. Each Vice-President implemented safety action plans. An extensive ergonomic study was conducted of occupations that have the highest frequency of strains and sprains. Pilot programs on exercising and stretching proved to be successful and have been expanded to additional bases in 2007.

B. Customer Service Performance Indicators

SoCalGas' performance on its four Customer Service Performance Indicators is measured to ensure appropriate service quality levels are maintained. Rewards or penalties are assessed on the performance of the four indicators as detailed below.

1. Phone / Office Contact Satisfaction

This Performance Indicator represents a composite measure of the customers' satisfaction with their overall experience with SoCalGas' Customer Contact Center (CCC) and Branch Offices. As noted in the table below, SoCalGas achieved an 88.3% customer satisfaction result for the year ended December 31, 2006.

Phone / Office Contact Satisfaction	2006
<u>Results:</u> (measured as percent of ratings 8-10 on 0-10 scale)	
1st quarter	88.3%
2nd quarter	88.5%
3rd quarter	88.1%
4th quarter	88.4%
Annual Result	88.3%

For 2006, rewards and penalties for the Phone / Office Contact Satisfaction Performance Indicator are based on the following parameters:

Benchmark:	83.4%
Deadband:	84.4% – 82.4%
Liveband:	+/- 5%
Unit of Change:	0.1
Incentive per unit:	\$10,000 / 0.1
Maximum incentive:	+/- \$500,000

For 2006, SoCalGas' performance for the Phone / Office Contact Satisfaction Performance Indicator resulted in a \$390,000 reward. The reward is calculated as follows:

Benchmark	83.4
Result Achieved	88.3

	4.9
Less deadband	1.0

Units above Benchmark	3.9
	÷
Unit of change	0.1

Units per change	39
	X
Incentive per unit	\$10,000

Reward	\$390,000

Activities to enhance and improve SoCalGas' performance in this area are similar to those for the Field Visit Satisfaction Performance Indicator. As such, refer to write-up below.

2. Field Visit Satisfaction

This Performance Indicator represents a measure of the customers' satisfaction with their overall experience with a field service visit. As noted in the table below, SoCalGas achieved a 95.4% customer satisfaction result for the year ended December 31, 2006.

Field Visit Satisfaction	2006
<u>Results:</u> (measured as percent of ratings 8-10 on 0-10 scale)	
1st quarter	95.2%
2nd quarter	95.2%
3rd quarter	95.3%
4th quarter	95.7%
Annual Result	95.4%

For 2006, rewards and penalties for the Field Visit Satisfaction Performance Indicator are based on the following parameters:

Benchmark:	94.1%
Deadband:	95.1% – 93.1%
Liveband:	+/- 5%
Unit of Change:	0.1
Incentive per unit:	\$10,000 / 0.1
Maximum incentive:	+/- \$500,000

For 2006, SoCalGas' performance for the Field Visit Satisfaction Performance Indicator resulted in a \$30,000 reward. The reward is calculated as follows:

Benchmark	94.1
Result Achieved	95.4

	1.3
Less deadband	1.0

Units above Benchmark	0.3
	÷
Unit of change	0.1

Units per change	3
	X
Incentive per unit	\$10,000

Reward	\$30,000

As the company continues to focus on improving and enhancing customer satisfaction performance in customer contact and field service visits, SoCalGas has undertaken various measures and activities including the following:

- Customer Satisfaction Survey Team - The Customer Satisfaction Team met three times during the year to review customer satisfaction survey results, discuss customer needs and expectations, and share ideas and recommendations for improving customer service.
- Focus on Key Drivers of Customer Satisfaction - Key drivers of customer satisfaction were identified through analysis of the previous year's results and were presented to appropriate operational groups. Training and improvement efforts focused on specific elements of service that were identified as most important to the customer.
- Review of Customer Questionnaires - On a weekly basis, managers review copies of completed questionnaires documenting customer comments and ratings on SoCalGas' performance to quickly address any negative trends. In addition, customer service operating teams review comments and complaints to identify opportunities for coaching and for training to improve customer service.
- Employee Recognition Program - In maintaining employee focus on customer service, SoCalGas continues to award superior customer service through its employee recognition program.

3. Call Center Responsiveness

This Performance Indicator represents a measure of how quickly SoCalGas responds to customer calls. As noted in the table below, SoCalGas responded to 81.7% of calls within 60 seconds for the year ended December 31, 2006.

Call Center Responsiveness	2006
Calls Answered within 60 seconds	8,493,778
/ Total Calls Offered	10,397,054
= Percent of Calls Accepted within 60 seconds	81.7%

For 2006, rewards and penalties for the Call Center Responsiveness performance indicator are based on the following parameters:

Benchmark:	80% within 60 seconds
Deadband:	82% – 78%
Liveband:	+/- 5%
Unit of Change:	0.1
Incentive per unit:	\$30,000 / 0.1
Maximum incentive:	+/- \$1,500,000

For 2006, SoCalGas' performance for the Call Center Responsiveness Performance Indicator exceeded the benchmark, but was within the deadband. As a result, there is no reward or penalty.

In an ongoing effort to improve Call Center Responsiveness, SoCalGas' Customer Contact Center (CCC) places considerable focus on adequate and well-trained Customer Service Representatives recognizing that optimal staffing is a key component to Call Center Responsiveness. Along with staffing, SoCalGas' CCC emphasizes effective and efficient call handling in an effort to minimize handle time and, in turn, increase responsiveness. Additional focus is being given to the Interactive Voice Response (IVR) unit and On-line Customer Service Options. As IVR and on-line utilization increase, SoCalGas is moving forward with technology and programming enhancements that will improve customers' experience in both areas.

4. Field Service Order Appointments Provided / Percent Made

This Performance Indicator represents a measure of the frequency with which SoCalGas provides customers with service window appointments and the frequency with which SoCalGas meets those commitments. As noted in the table below, SoCalGas provided appointments for 55.71% of all eligible field service orders and met 99.37% of those appointments for the year ended December 31, 2006.

Field Service Order Appointments Provided / Percent Made		2006
Appointments Provided		657,689
/ Number of Eligible Orders		1,180,565
= Percent of Appointments Provided		55.71%
Percent of Appointments Met		99.37%

For 2006, there are seven bands by which the Field Service Order Appointments Provided is assessed in terms of Percentage of On-Time Arrivals (Percent Made). The maximum reward or penalty is +/- \$600,000 and is assessed in increments of \$12,000 per each 0.1% change in Percent On-Time Arrivals (Percent Made) within each of the seven Percent Appointments Provided bands. The parameters for targets, deadbands, and livebands for the seven bands are as follows:

Field Service Order Appointments Provided / Percent Made 2006				
Band	Target	Deadband	Liveband	
			Penalty	Reward
35% or Below	100.00%	none	95.01% - 100%	none
>35% - 40%	99.01%	99.01 - 100%	94.01% - 99%	none
>40% - 45%	99.01%	none	94.01% - 99%	99.01% - 100%
>45% - 50%	98.01%	none	93.01% - 98%	98.01% - 100%
>50% - 55%	97.01%	none	92.01% - 97%	97.01% - 100%
>55% - 60%	96.01%	none	91.01% - 96%	96.01% - 100%
>60%	95.01%	none	90.01% - 95%	95.01% - 100%

For 2006, SoCalGas' performance for the Field Service Order Appointments Provided / Percent Made Performance Indicator resulted in a reward of \$408,000. SoCalGas' 55.71% of appointments provided falls within the ">55% - 60%" band. Using the parameters of this band, the reward is calculated as follows:

Benchmark	96.01
Result Achieved	99.37

	3.36
Less deadband	0.00

Units above Benchmark ¹	3.4
	÷
Unit of change	0.1

Units per change	34
	X
Incentive per unit	\$12,000

Reward	\$408,000

¹ Rounded to nearest tenth of a percent to calculate reward.

C. Customer Service Monitor-only Indicators

In addition to the Performance Indicators listed above, the Commission adopted nine additional indicators to measure service quality levels. The table below provides results on a quarterly basis for each of these monitor-only indicators for the year ended December 31, 2006.

Performance Indicator	2006	1st qtr	2nd qtr	3rd qtr	4th qtr
A Level of busy signals 1/	0.517%	0.661%	0.468%	0.245%	0.694%
B Estimated meter reads 2/	1.27%	1.21%	1.22%	1.29%	1.35%
C Leak response time 3/	92.99%	91.87%	94.42%	93.42%	93.23%
D Missed appointments 4/	1,392	N/A	330	331	731
E Problems resolved on first visit 5/	92.4%	92.4%	92.0%	92.6%	92.6%
F Elapsed time 6/	3.16	2.54	2.51	3.15	4.42
G Percentage of abandoned calls 7/	3.8%	3.4%	3.3%	2.6%	5.9%
H Shortest time to CSR 8/					
Leaks/downed lines/outages	64 seconds	64 sec	64 sec	64 sec	64 sec
Billing/Credit	198 seconds	198 sec	198 sec	198 sec	198 sec
Start/stop service	222 seconds	222 sec	222 sec	222 sec	222 sec
I Complaints 9/					
Credit & Collections	1,538	710	419	229	180
Customer Assistance	161	59	32	26	44
Customer Contact Centers	2,175	606	556	468	545
Marketing	130	34	40	34	22
Direct Access	278	68	96	74	40
Dispatch	74	24	11	17	22
Meter Reading	6,705	1,957	1,616	1,459	1,673
Other	244	85	59	36	64
Rates/Prices	34	28	3	1	2
Customer Field Services	7,028	1,997	1,612	1,580	1,839
Unsafe Driving (Northern)	42	9	11	14	8
Billing / Bill Design	323	130	72	57	64
Total Complaints	18,732	5,707	4,527	3,995	4,503

Notes:

1/ Represents the combined total of busy signals and busy messages in the Call Center.

2/ Percentage of total meter reads that resulted in an estimated bill.

3/ Percentage of leak calls responded to within 30 minutes Monday through Saturday between 7 am. and 5 pm. and within 45 minutes during other times.

4/ Appointments missed subject to the service guarantee. Began in second quarter 2006.

5/ Percentage of survey respondents indicating their problems were resolved on the first service call.

6/ Number of days from the time a customer requests a field service order to the time that SoCalGas arrives at the customer's premises.

7/ A call is classified as abandoned if a caller hangs up while waiting to speak to a customer service representative (CSR) or after choosing to complete an automated transaction.

8/ The times indicated will only vary between quarters with menu changes.

Shortest number of minutes (for a new caller) between the call connection to the first menu and the menu choice for the CSR.

9/ Number of complaints recorded in the SoCalGas Complaint Tracking System.

D. Summary of Performance Indicator Results

The following table summarizes SoCalGas' Performance Indicator results for the year ended December 31, 2006:

Performance Indicator Results For Year Ended December 31, 2006	Reward / (Penalty)
Employee Safety	\$0
Phone / Office Contact Satisfaction	390,000
Field Visit Satisfaction	30,000
Call Center Responsiveness	0
Field Service Order Appointments Provided / Percent Made	408,000
Total Reward	<u>\$828,000</u>

IV. Other PBR Programs

A. Core Pricing Flexibility Program

In D.97-07-054 and D.98-01-040, the Commission authorized a Core Pricing Flexibility program for SoCalGas as detailed in Section K.2 of AL 2687-A. This program remained unchanged with the approval of the 2004 COS proceeding. Under this arrangement, SoCalGas shareholders are responsible for any reduction in core revenues that may occur due to discounting, while revenue gains will be shared between ratepayers and shareholders in accordance with the PBR sharing mechanism. The Commission has authorized a Core Fixed Cost Account (CFCA) adjusting mechanism to adjust the CFCA by revenue gains to be shared between ratepayers and shareholders.

The Core Pricing Flexibility program produced incremental net revenues, which are included in SoCalGas' NOI, in the amount of \$413,866.²

B. Noncore Competitive Load Growth Opportunities Program

In D.00-04-060, the Commission authorized SoCalGas' revenue treatment for new negotiated contracts that are part of a California Red Team economic development effort and contracts where Rule 38 shareholder funding has been used. This program remained unchanged with the approval of the 2004 COS proceeding. Under this arrangement, SoCalGas shareholders are responsible for any reduction in noncore revenues that may occur due to discounting, while revenue gains will be shared between ratepayers and shareholders in accordance with the PBR sharing mechanism. The Commission has authorized a Noncore Fixed Cost Account (NFCA) adjusting mechanism to adjust the NFCA by revenue gains to be shared between ratepayers and shareholders.

The noncore competitive Load Growth Opportunities program produced incremental net revenues, which are included in SoCalGas' NOI, in the amount of \$796,393.²

² The data presented here is for information only per Preliminary Statement XI, items K and L. The incremental net revenues have been included in the Net Operating Income listed in the table in Section II. B. of this report and are subject to PBR sharing.