

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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December 21, 2007

Advice Letter 3781

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

Subject: Annual Regulatory Account Balance Update for
Rates Effective January 1, 2008

Dear Mr. Newsom:

Advice Letter 3781 is effective January 1, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division



Ken Deremer
Director
Tariffs & Regulatory Accounts

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October 15, 2007

Advice No. 3781
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Annual Regulatory Account Balance Update for Rates Effective
January 1, 2008**

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, 2008.

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.) No. 94-12-052. This filing revises SoCalGas' rates to incorporate the projected 2007 year-end regulatory account balances in transportation rates effective January 1, 2008.

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, 2008. 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, 2008 effective date of such rates.

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 transportation revenue requirement will decrease by a net \$11.0 million. The core customers revenue requirement will increase by \$5.1 million while the noncore customers revenue requirement will decrease by \$16.1 million as a result of the regulatory account balance update¹.

Core Customers

A \$5.1 million increase in the core transportation revenue requirement is necessary to amortize the projected year-end 2007 regulatory account balances. The increase is primarily due to amortization of the undercollected balance in the Core Fixed Cost Account (CFCA) offset partially by changes in the self-generation program and amortization of the overcollected balance in the Gain / Loss on Sale Memorandum Account (GLOSMA) as described below.

CFCA – Pursuant to Advice Letter (AL) 3668, SoCalGas was authorized to amortize in 2007 rates a CFCA overcollection of \$10.8 million. The projected CFCA balance for amortization in 2008 rates is \$9.9 million undercollected, representing a revenue requirement increase of \$20.7 million.

Self-Generation Program Memorandum Account (SGPMA) – Pursuant to SoCalGas' Consolidated Rate Adjustments filing for rates effective January 1, 2007, SoCalGas was authorized to amortize in 2007 rates a SGPMA undercollection of \$20.7 million. The projected SGPMA balance for amortization in 2008 rates is zero². The decrease in the revenue requirement is due to the removal of the \$8 million prospective revenue requirement for 2007 as the Commission has not adopted funding levels beyond 2007³ and a decrease in the SGPMA undercollected balance. The core customers revenue requirement allocation of this decrease is \$7.4 million.

GLOSMA – Pursuant to the Gain on Sale Decision (D.) 06-05-041 as modified by D.06-12-043 and Resolution G-3399⁴, SoCalGas established the GLOSMA to record the ratepayer's allocation of after tax gains and losses associated with the sale of utility assets. Pursuant to D.06-04-032, SoCalGas sold land associated with 36 undeveloped lots at its Playa del Rey storage facility for which SoCalGas recorded the ratepayer portion of \$3.9 million of the gain on sale in the GLOSMA for amortization in 2008 rates. The core customers revenue requirement allocation of this gain is \$3.5 million.

¹ Excludes impact of System Integration proceeding (Advice No. 3771 approved effective 1/1/08) and 2006 PBR shareable Earnings filing (Advice No. 3740 approved effective 5/31/07) which will be included as part of SoCalGas' Consolidated annual filing for 2007.

² Although the SGPMA is forecast to be overcollected by \$3.9 million as of December 31, 2007, SoCalGas proposes to not amortize the overcollected balance but instead utilize the overcollection to fund anticipated program expenses in 2008.

³ Although not approved as of the date of this filing, SoCalGas anticipates that the Commission will authorize a 2008 prospective revenue requirement by the end of the year which would then be included in SoCalGas' consolidated year-end rate filing.

⁴ SoCalGas filed compliance supplemental AL 3642-A on August 6, 2007.

The major components of the core revenue requirement increase are as follows⁵:

Description	Core Revenue Requirement Increase / (Decrease) (in millions of \$)
CFCA	20.7
SGPMA	(7.4)
GLOSMA	(3.5)
Other Regulatory Accounts - net	(4.7)
Total Core Revenue Requirement	5.1

Noncore Customers

A \$16.1 million decrease in the total noncore transportation revenue requirement is proposed to amortize the projected year-end 2007 regulatory account balances. The decrease is primarily due to changes in the self-generation program and amortization of the overcollected balance in the Noncore Storage Balancing Account (NSBA) as described below.

SGPMA – As noted above, the SGPMA balance for amortization in 2008 rates is projected to decrease \$20.7 million compared to the balance currently authorized in 2007 rates. The noncore customers revenue requirement allocation of this decrease is \$13.3 million.

NSBA – Pursuant to AL 3668, SoCalGas was authorized to amortize in 2007 rates a NSBA overcollection of \$12.5 million. The projected NSBA balance for amortization in 2008 rates is \$17.6 million overcollected, representing a revenue requirement decrease of \$5.1 million. The noncore customers revenue requirement allocation of this decrease is \$3.3 million.

The major components of the noncore revenue requirement decrease are as follows⁴:

Description	Noncore Revenue Requirement Increase / (Decrease) (in millions of \$)
SGPMA	(13.3)
NSBA	(3.3)
Other Regulatory Accounts - net	0.5
Total Noncore Revenue Requirement	(16.1)

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

⁵ Amounts shown include franchise fees and uncollectibles.

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 (inj@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 should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. This filing is consistent with D.94-12-052 and therefore SoCalGas respectfully requests that this filing be approved on November 14, 2007, which is 30 days after the date filed, for implementation and inclusion in rates effective January 1, 2008.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A to this advice letter, which includes the interested parties in A.06-12-010.

Ken Deremer
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: 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) #: 3781

Subject of AL: Annual Regulatory Account Balance Update for Rates Effective
January 1, 2008

Keywords (choose from CPUC listing): Balancing Account, Compliance, Core, Non-core

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 No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 1/1/08

No. of tariff sheets: 0

Estimated system annual revenue effect (%): -0.7%

Estimated system average rate effect (%): -0.7%

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: None

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

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 Ave.

San Francisco, CA 94102

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West Fifth Street, GT14D6

Los Angeles, CA 90013-1011

snewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3781

(See Attached Service Lists)

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ATTACHMENT B

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)	(%)	
<u>CORE PROCUREMENT</u>									
1 Residential	2,484,024	\$1,122,768	\$0.45200	\$1,126,138	\$0.45335	\$3,370	\$0.00136	0%	1
2 Large Master Meter	37,360	\$9,045	\$0.24211	\$9,095	\$0.24346	\$50	\$0.00135	1%	2
3 Commercial & Industrial	700,113	\$200,585	\$0.28650	\$201,991	\$0.28851	\$1,407	\$0.00201	1%	3
4 Gas A/C	1,060	\$132	\$0.12465	\$135	\$0.12722	\$3	\$0.00257	2%	4
5 Gas Engine	15,240	\$1,983	\$0.13012	\$1,983	\$0.13014	\$0	\$0.00002	0%	5
6 Total Core Procurement	3,237,796	\$1,334,513	\$0.41217	\$1,339,343	\$0.41366	\$4,830	\$0.00149	0%	6
<u>CORE TRANSPORTATION 2</u>									
7 Residential	25,091	\$11,328	\$0.45148	\$11,362	\$0.45284	\$34	\$0.00136	0%	7
8 Large Master Meter	377	\$91	\$0.24160	\$92	\$0.24295	\$1	\$0.00135	1%	8
9 Commercial & Industrial	134,522	\$36,049	\$0.26798	\$36,325	\$0.27003	\$277	\$0.00206	1%	9
10 Gas A/C	140	\$17	\$0.12414	\$18	\$0.12671	\$0	\$0.00257	2%	10
11 Gas Engine	800	\$104	\$0.12961	\$104	\$0.12963	\$0	\$0.00002	0%	11
12 Total Core Transportation	160,930	\$47,589	\$0.29571	\$47,901	\$0.29765	\$311	\$0.00194	1%	12
13 TOTAL CORE	3,398,727	\$1,382,103	\$0.40665	\$1,387,244	\$0.40817	\$5,141	\$0.00151	0%	13
<u>NONCORE</u>									
14 Commercial & Industrial	1,456,757	\$90,457	\$0.06209	\$86,433	\$0.05933	(\$4,024)	(\$0.00276)	-4%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$99,726	\$0.03387	\$91,836	\$0.03119	(\$7,890)	(\$0.00268)	-8%	15
16 + Sempra-Wide EG Adjustment	2,944,257	\$16,041	\$0.00545	\$16,041	\$0.00545	\$0	\$0.00000	0%	16
17 = Electric Generation Total	2,944,257	\$115,767	\$0.03932	\$107,877	\$0.03664	(\$7,890)	(\$0.00268)	-7%	17
18 Retail Noncore Total 1	4,401,014	\$206,224	\$0.04686	\$194,310	\$0.04415	(\$11,914)	(\$0.00271)	-6%	18
<u>WHOLESALE</u>									
19 Long Beach	77,821	\$2,515	\$0.03231	\$2,306	\$0.02963	(\$209)	(\$0.00268)	-8%	19
20 SDG&E	1,445,680	\$37,675	\$0.02606	\$34,150	\$0.02362	(\$3,525)	(\$0.00244)	-9%	20
21 Southwest Gas	91,672	\$2,766	\$0.03017	\$2,521	\$0.02749	(\$245)	(\$0.00267)	-9%	21
22 City of Vernon	51,620	\$1,406	\$0.02723	\$1,268	\$0.02456	(\$138)	(\$0.00267)	-10%	22
23 Wholesale Total	1,666,793	\$44,361	\$0.02661	\$40,244	\$0.02414	(\$4,116)	(\$0.00247)	-9%	23
<u>INTERNATIONAL</u>									
24 Mexicali - DGN	36,419	\$1,063	\$0.02919	\$966	\$0.02652	(\$97)	(\$0.00267)	-9%	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	\$15,499	n/a	\$15,499	n/a	\$0	n/a	0%	26
27 SYSTEM TOTALS 1	9,502,953	\$1,670,250	\$0.17576	\$1,659,264	\$0.17461	(\$10,986)	(\$0.00116)	-0.7%	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)	1/01/07 Amortization			Proposed 01/01/08 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 Transfer Fee Account (ATFA)	(\$101)	(\$13)	(\$113)	(\$179)	(\$22)	(\$201)	(\$78)	(\$10)	(\$88)
2. Brokerage Fee Account (BFA)	\$0	\$0	\$0	\$0	\$177	\$177	\$0	\$177	\$177
3. Core Fixed Cost Account (CFCA)	(\$10,794)	\$0	(\$10,794)	\$9,870	\$0	\$9,870	\$20,665	\$0	\$20,665
4. Cost of Service RRQ Memo Account (COSRRMA)	(\$585)	(\$73)	(\$658)	\$0	\$0	\$0	\$585	\$73	\$658
5. Economic Practicality Shortfall Memo Account (EPSMA)	\$0	\$191	\$191	\$0	\$199	\$199	\$0	\$8	\$8
6. El Paso Turned-Back Capacity Balancing Acct (EPTCBA)	\$728	\$1,306	\$2,034	(\$503)	(\$903)	(\$1,406)	(\$1,231)	(\$2,209)	(\$3,440)
7. Enhanced Oil Recovery Account (EORA)	\$5,636	\$575	\$6,210	\$4,805	\$490	\$5,295	(\$831)	(\$85)	(\$915)
8. Gain/Loss on Sale Memorandum Account (GLOSMA)	\$0	\$0	\$0	(\$3,483)	(\$436)	(\$3,919)	(\$3,483)	(\$436)	(\$3,919)
9. Hazardous Substance Cost Recovery Account (HSCRA)	\$4,773	\$8,565	\$13,339	\$6,081	\$10,911	\$16,991	\$1,307	\$2,345	\$3,652
10. Interstate Trans. Cost Surcharge Account (ITCSA)	\$0	(\$2,004)	(\$2,004)	\$0	(\$288)	(\$288)	\$0	\$1,716	\$1,716
11. Intervenor Award Memorandum Account (IAMA)	\$21	\$37	\$58	\$60	\$108	\$169	\$40	\$71	\$111
12. Late Payment Charge Memorandum Account (LPCMA)	\$0	\$0	\$0	(\$1,224)	(\$153)	(\$1,378)	(\$1,224)	(\$153)	(\$1,378)
13. Montebello True-Up Tracking Account (MTTA)	\$1,210	\$518	\$1,728	\$0	\$0	\$0	(\$1,210)	(\$518)	(\$1,728)
14. Natural Gas Vehicles Account	(\$1,428)	(\$1,957)	(\$3,385)	(\$2,198)	(\$3,012)	(\$5,210)	(\$770)	(\$1,055)	(\$1,825)
15. Noncore Fixed Cost Account (NFCA)	\$0	\$41,859	\$41,859	\$0	\$42,243	\$42,243	\$0	\$383	\$383
16. Noncore Fixed Cost Tracking Account (NFCTA)	\$0	\$117	\$117	\$0	\$182	\$182	\$0	\$65	\$65
17. Noncore Storage Balancing Account (NSBA)	(\$4,472)	(\$8,025)	(\$12,497)	(\$6,293)	(\$11,291)	(\$17,584)	(\$1,820)	(\$3,266)	(\$5,087)
18. RD&D Expense Account (RDDEA)	\$0	\$0	\$0	(\$97)	(\$12)	(\$109)	(\$97)	(\$12)	(\$109)
19. Research Royalty Memorandum Account (RRMA)	(\$253)	(\$32)	(\$285)	(\$427)	(\$53)	(\$480)	(\$173)	(\$22)	(\$195)
20. Self-Generation Program Memorandum Account (SGPMA)	\$7,417	\$13,309	\$20,726	\$0	\$0	\$0	(\$7,417)	(\$13,309)	(\$20,726)
21. Wheeler Ridge Firm Access Charge Memo Acct (WRFACMA)	(\$879)	(\$110)	(\$989)	\$0	\$0	\$0	\$879	\$110	\$989
22.									
23. Subtotal Balancing Accounts	\$1,272	\$54,264	\$55,536	\$6,413	\$38,137	\$44,550	\$5,141	(\$16,127)	(\$10,986)

Notes:

1. Balances shown include franchise fees and uncollectibles expenses.