

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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January 18, 2008

Advice Letter 3804

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

Subject: Core Portfolio Combination Implementation Pursuant
to Decision 07-12-019

Dear Mr. Newsom:

Advice Letter 3804 is effective January 21, 2008.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division



Ken Deremer
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December 21, 2007

Advice No. 3804
(U 904 G)

Public Utilities Commission of the State of California

Subject: Core Portfolio Combination Implementation Pursuant to D.07-12-019

In compliance with Ordering Paragraph (OP) 4 and 35 of Decision (D.) 07-12-019, dated December 6, 2007, Southern California Gas Company (SoCalGas) hereby submits for filing revisions to its Preliminary Statement, Part V, Balancing Accounts, as shown on Attachment B. San Diego Gas & Electric Company (SDG&E) is concurrently making a related filing for changes in its tariffs associated with the core portfolio combination.

Purpose

This filing modifies the Purchased Gas Account (PGA) and gas transportation rates consistent with implementation of the core portfolio combination to be effective April 1, 2008, in compliance with D.07-12-019.

Background

On December 6, 2007, the Commission issued D.07-12-019 approving and denying, in part, SoCalGas and SDG&E's proposals to implement a range of revisions to the natural gas operations and service offerings of SoCalGas and SDG&E, related to core operations, unbundled storage, and provisions for expansion of storage capacities, among other things. In compliance with OP 35, SoCalGas is only filing this advice letter to implement the necessary tariff and rate changes associated with the implementation of the core portfolio combination. Separate advice letter(s) will be filed to implement the other tariff changes required by D.07-12-019 on or before January 21, 2008, as required by the decision.

Modification of Purchase Gas Account (PGA)

With the implementation of the core portfolio combination, SoCalGas revises its PGA to incorporate the following changes:

- Gas Costs – The PGA will balance the gas costs in the Single Gas Portfolio Account which includes all the gas purchased for SoCalGas and SDG&E's gas procurement customers. The cost of gas charged to the PGA will be based on the Single Gas Portfolio Weighted Average Cost of Gas (WACOG) which also includes interstate/intrastate pipeline capacity costs, carrying cost of storage inventory (CCSI) and financial transactions, net of proceeds from secondary market transactions such as core parking and loaning activities. The cost of gas charged to the PGA will also be reduced for operations-related gas costs such as company-use fuel and unaccounted-for gas (UAF) as these costs are recovered through each utility's fixed cost balancing accounts.
- Procurement Revenues – Under the core portfolio combination, a credit entry equal to SDG&E procurement revenues, net of franchise fees and uncollectible expenses, will be recorded in SoCalGas' PGA. Procurement revenues will be based on the monthly procurement rate established for each utility's core sales customers. The procurement rate will be calculated under current Commission approved methods and will be based upon an estimate of the Single Gas Portfolio WACOG and a common component for brokerage fees (see brokerage fee discussion below); therefore, the gas commodity rate for SoCalGas and SDG&E, before authorized franchise fees and uncollectible expenses, will be the same. The monthly procurement rate will also include a component for the amortization of the consolidated PGA balance as described below.

The monthly gas procurement rate will continue to be filed the last business day before the first of the month in which such rates become effective. SDG&E will change the timing of its monthly gas procurement rate filing to align with SoCalGas' procurement rate filing.

- PGA Amortization/SDG&E's PGA – To ensure a common component for amortization is also reflected in the monthly procurement rate effective with the implementation of the core portfolio combination, SDG&E's PGA balance at the time of consolidation will be transferred to SoCalGas' consolidated PGA mechanism and SDG&E's PGA mechanism will be eliminated. The balance in the consolidated PGA will be amortized consistent with SoCalGas' procedure adopted in D.98-07-068.
- Other Changes – SoCalGas is also eliminating the Subaccount structure of its PGA. Since SoCalGas no longer provides core subscription service and SDG&E will eliminate this service and noncore procurement service with the core portfolio combination, the Core Subscription Subaccount is no longer necessary and will be eliminated. In addition, since there are no take-or-pay agreements, the Take-or-Pay Subaccount is no longer necessary and will be eliminated. The remaining subaccounts can simply be reflected as line items in the PGA (e.g., authorized and actual core brokerage fees).

Rate Impact

In connection with the implementation of the core portfolio combination, gas transportation rates will be adjusted for the following items:

- **Carrying Cost of Storage Inventory (CCSI)** – Currently, the CCSI revenue requirement is recovered in gas transportation rates and balanced in SoCalGas' Core Fixed Cost Account (CFCA). However, under the core portfolio combination, the CCSI will be recovered through the single gas portfolio rate and balanced in the PGA. Therefore, SoCalGas plans to remove the CCSI transportation revenue requirement from gas transportation rates, and recover it through the procurement rate, effective with the implementation of the core portfolio combination. This change to the procurement rate will be made to the applicable tariffs in connection with SoCalGas' initial filing of the single core portfolio rate established for the month of April 2008.
- **Core Storage Capacity** – Pursuant to OP 4, the approved storage capacity for the combined core portfolio is 79 Billion Cubic Feet (Bcf), with daily injection capacity of 369 Million cubic feet per day (MMcf/d) and daily withdrawal capacity of 2,225 MMcf/d. The combined core storage costs will be allocated to SoCalGas core customers and SDG&E based on the methodology as proposed in Application 06-08-026 and adopted in D.07-12-019.

Brokerage Fees

Under the core portfolio combination, all core procurement customers of SoCalGas and SDG&E will pay the effective combined core brokerage fee of 0.1845 cents per therm as proposed in Application 06-08-026, which will be updated as necessary in SoCalGas/SDG&E's BCAP. The core brokerage fee is recovered through the procurement charge. This new brokerage fee change will be reflected in the applicable procurement tariffs in connection with SoCalGas' initial filing of the single core portfolio rate established for the month of April 2008.

General Rate Case (GRC) Impact

Pursuant to OP 5, SoCalGas and SDG&E are directed to reduce their requested Test Year 2008 revenue requirement under their GRC in order to pass on the estimated cost savings to core customers when such rates are implemented. However, since the specific quantification of the applicable revenue requirements reductions to reflect the consolidation of core procurement functions is deferred to the GRC, no rate impact is included in this filing but will be provided when GRC rates are implemented.

Revenue Requirement Impact by Class of Service

In connection with the implementation of the core portfolio combination, gas transportation revenue requirement, as detailed below, is anticipated to decrease by \$1.2 million (0.1%).

<u>Class of Service</u>	<u>Applicable Rate Schedules</u>	<u>Net M\$ Increase / (Decrease)</u>
Core	GR, GS, GM, GML, G-NGVR GO-AC, GL G-10, G-AC, GT-AC, G-EN GT-EN, G-NGV, GT-NGV	(\$1,214)
Noncore	GT-F, GT-I	0
Wholesale	GT-SD, GW-LB, GW-SD GW-SWG, GW-VRN	0
Storage	G-BSS, G-LTS, G-AUC, G-TBS	0
International		0
Unallocated Costs to NSBA		0
Total		<u>(\$1,214)</u>

The core transportation revenue requirement decrease above reflects the recovery of CCSI costs through the commodity rates, offset by a slight change of \$442,000 to the storage revenue requirement at this time. The transportation rate decrease due to CCSI is offset by the increase in gas procurement revenues. The SDG&E Core Seasonal Storage revenue will continue to be balanced through the Noncore Storage Balancing Account (NSBA) on an interim basis until the next BCAP decision.

Included in this filing is an Annual Gas Transportation Revenue table summarizing the revenue changes and present and proposed rates consistent with the Table above (Attachment C).

SoCalGas will file an advice letter consolidating this rate change along with all other Commission-authorized changes in its revenue requirements, and the related changes to its rates, at least three days prior to the April 1, 2008 effective date of such rates, including an adjustment for the Sempra-wide common EG rate.

Protest

Anyone may protest this Advice Letter to the California Public Utilities 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 must be received within 20 days of the date 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 should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. This filing is consistent with D.07-12-019 and therefore SoCalGas respectfully requests that this filing be approved on January 21, 2008, 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 A.06-08-026.

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) #: 3804

Subject of AL: Modification of Regulatory Account and Gas Transportation Rates related to the Implementation of Core Portfolio Combination

Keywords (choose from CPUC listing): Core , Portfolio

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

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

D07-12-019

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: 1/20/08

No. of tariff sheets: 2

Estimated system annual revenue effect (%): None

Estimated system average rate effect (%): None

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, Purchase Gas Account and TOC

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

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¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3804

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3804

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 42612-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 40866-G Revised 40867-G
Revised 42613-G	TABLE OF CONTENTS	Revised 42611-G

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1
PURCHASED GAS ACCOUNT (PGA)

The PGA is a balancing account. Effective April 1, 2008, the purpose of this account is to balance the recorded cost of gas bought for the Single Gas Portfolio to provide procurement service for both SoCalGas and SDG&E customers with the corresponding revenue from the sale of that gas. The Single Gas Portfolio, as adopted in Decision (D.) 07-12-019, is comprised of all gas purchases to serve the combined needs of SoCalGas and SDG&E as described in 1 below.

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 Single Gas Portfolio Account during the month, which includes all gas purchased for SoCalGas and SDG&E's procurement customers. Gas purchases are net of costs allocated to company use fuel and unaccounted for gas. The Single Gas Portfolio also includes interstate/intrastate pipeline capacity costs, carrying cost of storage inventory and financial transactions, net of proceeds from secondary market transactions such as core parking and loaning activities.
2. Credit entries equal to the procurement revenue from the sale of gas delivered to SoCalGas and SDG&E customers, including revenues associated with noncore standby and buyback services during the month, excluding the allowance for F&U.
3. An entry equal to amortization of the forecasted PGA balance, excluding the allowance for F&U.
4. A credit entry equal to the brokerage fee charged to core customers less the allowance for F&U.
5. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.
6. 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.
7. 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, CAT customers and SDG&E's noncore procurement customers.
8. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3804
 DECISION NO. 07-12-019

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 21, 2007
 EFFECTIVE Jan 21, 2008
 RESOLUTION NO. _____

Attachment C

TABLE SCG-1**Southern California Gas Company****SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES**

Consolidated Rate Change for January 1, 2007 w/Omnibus Decision w/o allocation change v12/21/2007

	A	BCAP Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)		
			B	C	D	E	F	G	H
		(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)
	CORE PROCUREMENT								
1	Residential	2,484,024	\$1,122,768	\$0.45200	\$1,121,155	\$0.45135	(\$1,613)	(\$0.00065)	0%
2	Large Master Meter	37,360	\$9,045	\$0.24211	\$9,021	\$0.24146	(\$24)	(\$0.00065)	0%
3	Commercial & Industrial	700,113	\$200,585	\$0.28650	\$200,895	\$0.28695	\$311	\$0.00044	0%
4	Gas A/C	1,060	\$132	\$0.12465	\$132	\$0.12428	(\$0)	(\$0.00037)	0%
5	Gas Engine	15,240	\$1,983	\$0.13012	\$1,975	\$0.12962	(\$8)	(\$0.00051)	0%
6	Total Core Procurement	3,237,796	\$1,334,513	\$0.41217	\$1,333,178	\$0.41175	(\$1,335)	(\$0.00041)	0%
	CORE TRANSPORTATION²								
7	Residential	25,091	\$11,328	\$0.45148	\$11,325	\$0.45135	(\$3)	(\$0.00014)	0%
8	Large Master Meter	377	\$91	\$0.24160	\$91	\$0.24146	(\$0)	(\$0.00014)	0%
9	Commercial & Industrial	134,522	\$36,049	\$0.26798	\$36,174	\$0.26891	\$125	\$0.00093	0%
10	Gas A/C	140	\$17	\$0.12414	\$17	\$0.12428	\$0	\$0.00014	0%
11	Gas Engine	800	\$104	\$0.12961	\$104	\$0.12962	\$0	\$0.00000	0%
12	Total Core Transportation	160,930	\$47,589	\$0.29571	\$47,711	\$0.29647	\$122	\$0.00076	0%
13	TOTAL CORE	3,398,727	\$1,382,103	\$0.40665	\$1,380,889	\$0.40630	(\$1,214)	(\$0.00036)	0%
	NONCORE								
14	Commercial & Industrial	1,456,757	\$90,457	\$0.06209	\$90,457	\$0.06209	(\$0)	(\$0.00000)	0%
15	SoCalGas EG Stand-Alone	2,944,257	\$99,726	\$0.03387	\$99,726	\$0.03387	(\$0)	(\$0.00000)	0%
16	+ Sempra-Wide EG Adjustment	2,944,257	\$16,041	\$0.00545	\$16,041	\$0.00545	(\$0)	(\$0.00000)	0%
17	= Electric Generation Total	2,944,257	\$115,767	\$0.03932	\$115,767	\$0.03932	(\$0)	(\$0.00000)	0%
18	Retail Noncore Total¹	4,401,014	\$206,224	\$0.04686	\$206,224	\$0.04686	(\$0)	(\$0.00000)	0%
	WHOLESALE								
19	Long Beach	77,821	\$2,515	\$0.03231	\$2,515	\$0.03231	(\$0)	(\$0.00000)	0%
20	SDG&E	1,445,680	\$37,675	\$0.02606	\$37,675	\$0.02606	(\$0)	(\$0.00000)	0%
21	Southwest Gas	91,672	\$2,766	\$0.03017	\$2,766	\$0.03017	(\$0)	(\$0.00000)	0%
22	City of Vernon	51,620	\$1,406	\$0.02723	\$1,406	\$0.02723	(\$0)	(\$0.00000)	0%
23	Wholesale Total	1,666,793	\$44,361	\$0.02661	\$44,361	\$0.02661	(\$0)	(\$0.00000)	0%
	INTERNATIONAL								
24	Mexicali - DGN	36,419	\$1,063	\$0.02919	\$1,063	\$0.02919	(\$0)	(\$0.00000)	0%
25	Unbundled Storage	n/a	\$21,000	n/a	\$21,000	n/a	\$0	n/a	0%
26	Unallocated Costs to NSBA	n/a	\$15,499	n/a	\$15,499	n/a	\$0	n/a	0%
27	SYSTEM TOTALS¹	9,502,953	\$1,670,250	\$0.17576	\$1,669,036	\$0.17563	(\$1,214)	(\$0.00013)	-0.1%
28	EOR Revenues	482,707	\$22,777	n/a	\$22,777	n/a	\$0	n/a	0%

¹ Does not include EOR revenues shown at Line 28.

TABLE SCG-2

Southern California Gas Company

SUMMARY OF CORE PROCUREMENT CUSTOMER TRANSPORTATION RATES

Consolidated Rate Change for January 1, 2007 w/Omnibus Decision w/o allocation change v12/21/2007

	Customers / Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Revenues	Rate	Revenues	Rate	Revenues	Rates	Percent	
A	B	C	D	E	F	G	H	I	
	(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)	
RESIDENTIAL									
1	Customer Charge								
2	Single Family	3,060,513	\$183,631	\$5.00	\$183,631	\$5.00	\$0	\$0.00	0%
3	Multi-Family	1,470,953	\$88,257	\$5.00	\$88,257	\$5.00	\$0	\$0.00	0%
4	Small Master Metered	117,058	\$7,023	\$5.00	\$7,023	\$5.00	\$0	\$0.00	0%
5	Submeter Credit		(\$16,255)	\$0.30805	(\$16,255)	\$0.30805	\$0	\$0.00000	0%
6	Tier I Volumetric	1,647,777	\$469,111	\$0.28469	\$468,059	\$0.28405	(\$1,053)	(\$0.00064)	0%
7	Tier II Volumetric	836,246	\$391,001	\$0.46757	\$390,440	\$0.46690	(\$561)	(\$0.00067)	0%
8	Residential Total / Average	2,484,024	\$1,122,768	\$0.45200	\$1,121,155	\$0.45135	(\$1,613)	(\$0.00065)	0%
LARGE MASTER METERED									
9	Customer Charge	181	\$668	\$307.28	\$668	\$307.28	\$0	\$0.00	0%
10	Tier I Volumetric	27,646	\$5,625	\$0.20345	\$5,607	\$0.20281	(\$18)	(\$0.00064)	0%
11	Tier II Volumetric	9,713	\$2,752	\$0.28335	\$2,746	\$0.28267	(\$7)	(\$0.00068)	0%
12	LMM Total / Average	37,360	\$9,045	\$0.24211	\$9,021	\$0.24146	(\$24)	(\$0.00065)	0%
CORE COMMERCIAL & INDUSTRIAL ^{1/}									
13	Customer Charge I	69,935	\$8,392	\$10.00	\$8,392	\$10.00	\$0	\$0.00	0%
14	Customer Charge II	100,830	\$18,149	\$15.00	\$18,149	\$15.00	\$0	\$0.00	0%
15	Tier I Volumetric	137,078	\$62,962	\$0.45931	\$63,067	\$0.46008	\$105	\$0.00077	0%
16	Tier II Volumetric	432,510	\$102,982	\$0.23810	\$103,170	\$0.23854	\$188	\$0.00043	0%
17	Tier III Volumetric	130,525	\$8,100	\$0.06205	\$8,117	\$0.06219	\$18	\$0.00013	0%
18	Core C&I Total / Average	700,113	\$200,585	\$0.28650	\$200,895	\$0.28695	\$311	\$0.00044	0%
GAS AIR CONDITIONING									
19	Customer Charge	16	\$29	\$150.00	\$29	\$150.00	\$0	\$0.00	0%
20	Volumetric	1,060	\$104	\$0.09765	\$103	\$0.09728	(\$0)	(\$0.00037)	0%
21	Gas AC Total / Average	1,060	\$132	\$0.12465	\$132	\$0.12428	(\$0)	(\$0.00037)	0%
GAS ENGINE									
22	Customer Charge	663	\$398	\$50.00	\$398	\$50.00	\$0	\$0.00	0%
23	Volumetric	15,240	\$1,585	\$0.10401	\$1,577	\$0.10351	(\$8)	(\$0.00051)	0%
24	Gas Engine Total / Average	15,240	\$1,983	\$0.13012	\$1,975	\$0.12962	(\$8)	(\$0.00051)	0%

^{1/} Customer Charge I applicable to all customers with annual usage less than 1,000 therms / year. Customer Charge II applicable to all other customers.
Tier 1 usage equals the first 250 therms per month in December - March, and the first 100 therms per month in April - November.
Tier 2 usage equals the first 4,167 therms per month less Tier 1 usage. All excess usage is billed at the Tier 3 rate.