

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 8, 2008

Advice Letter 3881

Ken Deremer
Director
Tariffs & Regulatory Accounts
8330 Century Park Court CP32C
San Diego, CA 92123-1548

Subject: GCIM Mid-Season Storage Target

Dear Mr. Deremer:

Advice Letter 3881 is effective August 9, 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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July 10, 2008

Advice No. 3881
(U 904 G)

Public Utilities Commission of the State of California

Subject: GCIM Mid-Season Storage Target

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) a revision to its Preliminary Statement, Part VIII, Gas Cost Incentive Mechanism (GCIM), as shown on Attachment B.

Purpose

Pursuant to Decision (D.) 06-10-029, SoCalGas is filing a revision to its Preliminary Statement, Part VIII, GCIM, to reflect a mid-season minimum core-purchased inventory target for GCIM Year 15.

Information

SoCalGas filed Application (A.)05-06-030 regarding Year 11 (2004-2005) of its GCIM on June 15, 2005. The Commission, in D.06-10-029, approved A.05-06-030 along with a Joint Recommendation as negotiated by the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), and SoCalGas to modify SoCalGas' management and use of gas storage capacity dedicated to core customers. As a part of this Joint Recommendation, SoCalGas must obtain agreement from DRA and TURN for mid-season core-purchased inventory targets which must be met unless otherwise agreed to by DRA and TURN. It was also ruled that each of these changes would be reflected in SoCalGas' GCIM tariff. The Commission approved the Joint Recommendation in Ordering Paragraph 3 of D.06-10-029.

D.06-10-029 established a minimum core-purchased inventory of 49 Bcf on July 31, 2006. For years beyond 2006, SoCalGas is required to "obtain agreement from DRA and TURN for mid-season core-purchased inventory targets which must be met unless otherwise agreed to by DRA and TURN. Each of these changes would be reflected in SoCalGas' GCIM tariff."¹

SoCalGas has obtained agreement from DRA and TURN for a mid-season minimum storage target of 51 Bcf as of July 31, 2008. The following is added to the end of Section C.7 of Preliminary Statement, Part VIII, GCIM:

¹ D.06-10-029, p. 8.

"SoCalGas has obtained agreement from DRA and TURN for a mid-season storage target of 51 Bcf as of July 31, 2008, which is a minimum storage level SoCalGas must meet unless otherwise agreed to by DRA and TURN. This target may include net loan positions."

This filing will not result in an increase or decrease in any rate or charge, conflict with any rate schedules or any rules, or cause the withdrawal of service.

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 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
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 Maria Salinas (mas@cpuc.ca.gov) and Honesto Gatchalian (jnj@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 should be classified as Tier 2 (effective after staff approval) pursuant to GO-96-B. SoCalGas respectfully requests that this advice letter be approved August 9, 2008, which is 30 calendar days after the date filed. Additionally, SoCalGas respectfully requests that the tariff sheets as shown in Attachment B be effective for service on and after July 31, 2008, to be coincident with the date of the mid-season storage target set forth herein.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the parties in A.07-06-021, SoCalGas Year 13 GCIM.

KEN DEREMER
Director
Tariffs and Regulatory Accounts

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) #: 3881

Subject of AL: GCIM Mid Season Storage Target

Keywords (choose from CPUC listing): Storage

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

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

D.06-10-029

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: 7/31/08

No. of tariff sheets: 3

Estimated system annual revenue effect (%): n/a

Estimated system average rate effect (%): n/a

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: PSVIII-GCIM and TOCs

Service affected and changes proposed¹: Add Mid Season Storage Target

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 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

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snewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3881

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3881

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 43587-G	PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 5	Revised 42776-G
Revised 43588-G	TABLE OF CONTENTS	Revised 43560-G
Revised 43589-G	TABLE OF CONTENTS	Revised 43409-G*

PRELIMINARY STATEMENT
PART VIII
GAS COST INCENTIVE MECHANISM

Sheet 5

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

- k. Pursuant to Preliminary Statement, Part VI, Description of Regulatory Accounts - Memorandum, the Blythe Operational Flow Requirement Memorandum Account (BOFRMA) will record charges associated with the Utility Gas Procurement Department's purchasing and delivery of gas to sustain operational flows at Blythe. GCIM actual cost will be adjusted for charges or credits to the BOFRMA. Entries to this account, except for interest and amortization, along with related GCIM adjustments, will cease once the responsibility for managing minimum flow requirements for system reliability is transferred from the Utility Gas Procurement Department to the System Operator pursuant to D.07-12-019.

- 7. The Annual Storage Inventory target on November 1 is 79 Bcf of the physical gas supply, with an accepted variance of +5/-2 Bcf. This target does not include any park or net loan positions. If the November 1 target is not attained, deliveries must be made to insure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. The January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these storage targets should be explained in SoCalGas' annual GCIM filing. SoCalGas has obtained agreement from DRA and TURN for a mid-season storage target of 51 Bcf as of July 31, 2008, which is a minimum storage level SoCalGas must meet unless otherwise agreed to by DRA and TURN. This target may include net loan positions.

- 8. Tolerance. To determine GCIM rewards or penalties, tolerance bands above or below the benchmark budget are used. Tolerance bands are calculated as a percentage of the monthly gas commodity portion of the benchmark budget and is added to or subtracted from the benchmark budget as "upper tolerance band" or "lower tolerance band" (sharing bands), respectively. The specific percentages are approved by the CPUC and may be redetermined in subsequent CPUC decisions (See Section 9).

- 9. Calculation of Rewards and Penalties Under GCIM
 - a. On an annual basis, actual total purchased gas costs are compared to the annual benchmark budget to determine if a reward/savings or penalty applies.

 - b. If actual total purchased gas costs for the incentive year are less than the annual benchmark budget, the difference constitutes a savings incentive to be shared between ratepayers and shareholders as defined by the Sharing Bands as follows:

Sharing Band	Ratepayer	Shareholder
0.0% -1.00%	100%	0%
1.00% - 5.00%	75%	25%
5.00% & Above	90%	10%

The shareholder reward will be capped at 1.5% of the actual annual gas commodity costs.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3881
 DECISION NO. 06-10-029

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jul 10, 2008
 EFFECTIVE Aug 9, 2008
 RESOLUTION NO. _____

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Table of Contents--List of Cities and Communities Served	40149.1-G
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(Continued)

(TO BE INSERTED BY UTILITY)
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Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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(TO BE INSERTED BY UTILITY)
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ISSUED BY
Lee Schavrien
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