

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

November 21, 2008

Advice Letter 3910

Ken Deremer
Director
Tariffs & Regulatory Accounts
8330 Century Park Court CP32C
San Diego, CA 92123-1548**Subject: Annual Regulatory Account Balance Update for
Rates Effective January 1, 2009**

Dear Mr. Deremer:

Advice Letter 3910 is effective January 1, 2009.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting Director
Energy Division



Ken Deremer
Director
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October 15, 2008

Advice No. 3910
(U 904 G)

Public Utilities Commission of the State of California

Subject: Annual Regulatory Account Balance Update for Rates Effective January 1, 2009

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its revenue requirement and rates effective January 1, 2009.

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 2008 year-end regulatory account balances in transportation rates effective January 1, 2009.

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, 2009. 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, 2009 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 \$13.8 million. The core customer revenue requirement will increase by \$12.3 million while the noncore customer revenue requirement will decrease by \$26.1 million as a result of the regulatory account balance update.¹

Core Customers

A \$12.3 million increase in the core transportation revenue requirement is necessary to amortize the projected year-end 2008 regulatory account balances. The increase is primarily due to amortization of the undercollected balance in the Core Fixed Cost Account (CFCA) offset partially by the overcollected balance in the General Rate Case Revenue Requirement Memorandum Account (GRCRRMA) as described below.

CFCA – Pursuant to Advice No. (AL) 3781, SoCalGas was authorized to amortize in 2008 rates a CFCA undercollection of \$9.8 million. The projected CFCA balance for amortization in 2009 rates is \$78.8 million undercollected, representing a revenue requirement increase of \$69.0 million. The increase in the projected undercollected balance is primarily due to implementation of the GRCRRMA as noted below.

GRCRRMA – Pursuant to D.07-12-053, SoCalGas was authorized to establish the GRCRRMA effective January 1, 2008 to track the shortfall or overcollection resulting from the difference between the rates currently in effect and the final rates adopted in Phase 1 of SoCalGas' 2008 General Rate Case application.² In recording the activity in the GRCRRMA, SoCalGas recorded appropriate adjustments to the CFCA and Noncore Fixed Cost Account (NFCA) to ensure that the adopted GRC base margin revenue requirement is properly recovered through its regulatory accounts. The GRCRRMA is projected to be \$59.7 million overcollected as of December 31, 2008, of which the core portion is \$56.3 million. SoCalGas will amortize the projected overcollected balance in 2009 rates among its customer classes on an equal percent of marginal cost (EPMC) basis. Any residual balance remaining at the end of 2009 will be transferred to the CFCA and NFCA based on the same allocation methodology.

The major components of the core revenue requirement increase are as follows:³

¹ Excludes impact of 2007 PBR Shareable Earnings filing which will be included as part of SoCalGas' consolidated annual filing for 2008.

² SoCalGas filed AL 3811 on December 31, 2007 to establish the GRCRRMA. AL 3811 was approved on February 28, 2008.

³ Amounts shown include franchise fees and uncollectibles.

Description	Core Revenue Requirement Increase / (Decrease) (in millions of \$)
CFCA	69.0
GRCRRMA	(56.3)
Other Regulatory Accounts - net	(0.4)
Total Core Revenue Requirement	12.3

Noncore Customers

A \$26.1 million decrease in the total noncore transportation revenue requirement is proposed to amortize the projected year-end 2008 regulatory account balances. The decrease is primarily due to changes in the amortization of the undercollected balances in the NFCA and Hazardous Substance Cost Recovery Account (HSCRA) and overcollected balance in the Noncore Storage Balancing Account (NSBA), and establishment of the GRCRRMA as described below.

NFCA – Pursuant to AL 3781, SoCalGas was authorized to amortize in 2008 rates a NFCA undercollection of \$42.1 million. The projected NFCA balance for amortization in 2009 rates is \$20.4 million undercollected, representing a revenue requirement decrease of \$21.7 million. The decrease in the projected undercollected balance is primarily due to implementation of System Integration,⁴ establishment of the GRCRRMA, and amortization of a higher than actual 2007 year-end undercollected balance.

HSCRA – Pursuant to AL 3781, SoCalGas was authorized to amortize in 2008 rates a HSCRA undercollection of \$17.0 million. The projected HSCRA balance for amortization in 2009 rates is \$6.1 million undercollected, resulting in a revenue requirement decrease of \$10.9 million. The decrease is due to lower forecasted expenses for 2008 and amortization of a higher than actual 2007 year-end undercollected balance. The noncore revenue requirement allocation of this balance is \$7.0 million.

GRCRRMA – As noted above, the GRCRRMA is projected to be \$59.7 million overcollected as of December 31, 2008. The noncore revenue requirement allocation of this balance is \$3.4 million.

NSBA – Pursuant to AL 3781, SoCalGas was authorized to amortize in 2008 rates a NSBA overcollection of \$17.5 million. The projected NSBA balance for amortization in 2009 rates is \$2.2 million overcollected, representing a revenue requirement increase of \$15.3 million. The decrease in the overcollection in the NSBA is due to the recording of 2008 authorized costs and related revenues for the unbundled storage program to the Noncore Storage Memorandum Account (NSMA), which will be addressed in the current Biennial Cost

⁴ Pursuant to D.06-04-033 and D.06-12-031, System Integration, Firm Access Rights, and Off-System Delivery, SoCalGas filed AL 3706-A and 3706-B which, among other things, established the Integrated Transmission Balancing Account (SI subaccount) to track the authorized transmission system revenue requirement and corresponding transmission revenues. The noncore allocation (excluding EOR) of these costs and revenues were previously tracked in NFCA.

Allocation Proceeding (BCAP).⁵ The noncore customer revenue requirement allocation of this decrease is \$9.8 million.

The major components of the noncore revenue requirement decrease are as follows:³

Description	Noncore Revenue Requirement Increase / (Decrease) (in millions of \$)
NFCA	(21.7)
HSCRA	(7.0)
GRCRRMA	(3.4)
NSBA	9.8
Other Regulatory Accounts - net	(3.8)
Total Noncore Revenue Requirement	(26.1)

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 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

⁵ Pursuant to D 07-12-019, SoCalGas filed AL 3812-A to establish the NSMA effective January 1, 2008. AL 3812-A was approved on February 20, 2008.

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 it be approved on November 14, 2008, which is 30 days after the date filed, for implementation and inclusion in rates effective January 1, 2009.

Notice

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

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) #: 3910

Subject of AL: 2009 Annual Regulatory Account Balance Update

Keywords (choose from CPUC listing): Contracts

AL filing type: Monthly Quarterly Annual One-Time Other

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: AL: 11/14/08 Rate: 1/1/09

No. of tariff sheets: 0

Estimated system annual revenue effect (%): -0.9%

Estimated system average rate effect (%): -0.9%

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: _____

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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Los Angeles, CA 90013-1011

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¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3910

(See Attached Service Lists)

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**UTILITY CONSUMERS' ACTION
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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)	(%)	
CORE PROCUREMENT									
1 Residential	2,484,024	\$1,103,569	\$0.44427	\$1,108,710	\$0.44634	\$5,140	\$0.00207	0%	1
2 Large Master Meter	37,360	\$8,677	\$0.23225	\$8,753	\$0.23428	\$76	\$0.00203	1%	2
3 Commercial & Industrial	700,113	\$197,668	\$0.28234	\$203,490	\$0.29065	\$5,822	\$0.00832	3%	3
4 Gas A/C	1,060	\$132	\$0.12445	\$148	\$0.13931	\$16	\$0.01485	12%	4
5 Gas Engine	15,240	\$1,771	\$0.11622	\$1,773	\$0.11636	\$2	\$0.00013	0%	5
6 Total Core Procurement	3,237,796	\$1,311,818	\$0.40516	\$1,322,873	\$0.40857	\$11,056	\$0.00341	1%	6
CORE TRANSPORTATION 2									
7 Residential	25,091	\$11,147	\$0.44427	\$11,209	\$0.44674	\$62	\$0.00247	1%	7
8 Large Master Meter	377	\$88	\$0.23225	\$89	\$0.23468	\$1	\$0.00243	1%	8
9 Commercial & Industrial	134,522	\$35,492	\$0.26384	\$36,701	\$0.27283	\$1,209	\$0.00899	3%	9
10 Gas A/C	140	\$17	\$0.12445	\$20	\$0.13931	\$2	\$0.01485	12%	10
11 Gas Engine	800	\$93	\$0.11622	\$93	\$0.11636	\$0	\$0.00013	0%	11
12 Total Core Transportation	160,930	\$46,837	\$0.29104	\$48,112	\$0.29896	\$1,274	\$0.00792	3%	12
13 TOTAL CORE	3,398,727	\$1,358,655	\$0.39975	\$1,370,985	\$0.40338	\$12,330	\$0.00363	1%	13
NONCORE									
14 Commercial & Industrial	1,456,757	\$82,766	\$0.05682	\$74,787	\$0.05134	(\$7,979)	(\$0.00548)	-10%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$85,892	\$0.02917	\$73,355	\$0.02491	(\$12,537)	(\$0.00426)	-15%	15
16 + Sempra-Wide EG Adjustment	2,944,257	\$1,683	\$0.00057	\$1,683	\$0.00057	\$0	\$0.00000	0%	16
17 = Electric Generation Total	2,944,257	\$87,574	\$0.02974	\$75,037	\$0.02549	(\$12,537)	(\$0.00426)	-14%	17
18 Retail Noncore Total 1	4,401,014	\$170,340	\$0.03870	\$149,825	\$0.03404	(\$20,516)	(\$0.00466)	-12%	18
WHOLESALE									
19 Long Beach	77,821	\$2,176	\$0.02796	\$1,858	\$0.02388	(\$318)	(\$0.00408)	-15%	19
20 SDG&E	1,445,680	\$14,588	\$0.01009	\$10,012	\$0.00693	(\$4,576)	(\$0.00317)	-31%	20
21 Southwest Gas	91,672	\$2,364	\$0.02579	\$1,998	\$0.02179	(\$367)	(\$0.00400)	-16%	21
22 City of Vernon	51,620	\$1,172	\$0.02271	\$969	\$0.01877	(\$203)	(\$0.00394)	-17%	22
23 Wholesale Total	1,666,793	\$20,301	\$0.01218	\$14,837	\$0.00890	(\$5,464)	(\$0.00328)	-27%	23
INTERNATIONAL									
24 Mexicali - DGN	36,419	\$898	\$0.02467	\$752	\$0.02066	(\$146)	(\$0.00401)	-16%	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	\$15,390	n/a	\$15,390	n/a	(\$0)	n/a	0%	26
27 SYSTEM TOTALS 1	9,502,953	\$1,586,584	\$0.16696	\$1,572,789	\$0.16551	(\$13,796)	(\$0.00145)	-0.9%	27
28 EOR Revenues	482,707	\$22,779	n/a	\$22,779	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)	Authorized 01/01/08 Amortization			Proposed 01/01/09 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 Transaction Tracking Acct (AFTA)	(\$189)	(\$12)	(\$201)	(\$80)	(\$5)	(\$84)	\$110	\$7	\$116
2. Brokerage Fee Acct (BFA)	\$0	\$177	\$177	\$0	\$0	\$0	\$0	(\$177)	(\$177)
3. Core Fixed Cost Account (CFCA)	\$9,852	\$0	\$9,852	\$78,815	\$0	\$78,815	\$68,963	\$0	\$68,963
4. Economic Practicality Shortfall Memo Acct	\$0	\$199	\$199	\$0	\$141	\$141	\$0	(\$58)	(\$58)
5. El Paso Turned-Back Capacity Bal Acct (EPTCBA)	(\$502)	(\$902)	(\$1,404)	\$0	\$0	\$0	\$502	\$902	\$1,404
6. Enhanced Oil Recovery Account CORE	\$4,796	\$0	\$4,796	\$2,021	\$0	\$2,021	(\$2,774)	\$0	(\$2,774)
7. Enhanced Oil Recovery Account NONCORE	\$0	\$489	\$489	\$0	\$206	\$206	\$0	(\$283)	(\$283)
8. FERC Settlement Proceeds Memo Account (FPSMA)	\$0	\$0	\$0	\$22	\$0	\$22	\$22	\$0	\$22
9. Gain/Loss on Sale Memorandum Account (GLOSMA)	(\$3,687)	(\$225)	(\$3,912)	(\$85)	(\$5)	(\$90)	\$3,602	\$220	\$3,822
10. GRC Revenue Requirement Memo Account (GRCRRMA)				(\$56,283)	(\$3,439)	(\$59,721)	(\$56,283)	(\$3,439)	(\$59,721)
11. Hazardous Substance Cost Recovery Acct (HSCRA)	\$6,069	\$10,893	\$16,962	\$2,173	\$3,900	\$6,073	(\$3,896)	(\$6,993)	(\$10,889)
12. Integrated Transmission Balancing Account (SI subacct)				\$385	\$476	\$861	\$385	\$476	\$861
13. Interstate Trans. Cost Surcharge Account (ITCSA)	\$0	(\$288)	(\$288)	\$0	\$0	\$0	\$0	\$288	\$288
14. Intervenor Award Memo Acct (IAMA)	\$60	\$108	\$169	\$47	\$85	\$132	(\$13)	(\$24)	(\$37)
15. Late Payment Charge Memorandum Account (LPCMA)	(\$1,296)	(\$79)	(\$1,375)	\$0	\$0	\$0	\$1,296	\$79	\$1,375
16. Montebello True-Up Tracking Acct (MTTA)	\$0	\$0	\$0	(\$2,792)	(\$1,197)	(\$3,989)	(\$2,792)	(\$1,197)	(\$3,989)
17. Natural Gas Vehicles Acct (NGVA)	(\$2,194)	(\$3,007)	(\$5,201)	(\$5,030)	(\$6,895)	(\$11,925)	(\$2,836)	(\$3,888)	(\$6,724)
18. Noncore Fixed Cost Account (NFCA)	\$0	\$42,174	\$42,174	\$0	\$20,429	\$20,429	\$0	(\$21,745)	(\$21,745)
19. Noncore Fixed Cost Tracking Account (CCSI)	\$0	\$181	\$181	\$0	\$0	\$0	\$0	(\$181)	(\$181)
20. Noncore Storage Balancing Acct (NSBA)	(\$6,281)	(\$11,273)	(\$17,554)	(\$791)	(\$1,419)	(\$2,210)	\$5,490	\$9,854	\$15,344
21. Pension Balancing Account (PBA)	(\$4,551)	(\$278)	(\$4,829)	(\$4,551)	(\$278)	(\$4,829)	\$0	(\$0)	\$0
22. Post Retire Benefits Other than Pensions Balancing Acct PBOPB/	(\$34,711)	(\$2,120)	(\$36,832)	(\$34,711)	(\$2,121)	(\$36,832)	\$0	(\$0)	\$0
23. RD&D Expense Acct	(\$102)	(\$6)	(\$109)	\$0	\$0	\$0	\$102	\$6	\$109
24. Research Royalty Memo Account (RRMA)	(\$452)	(\$28)	(\$479)	\$0	\$0	\$0	\$452	\$28	\$479
25. Self-Generation Program Memo Account (SGPMA)	\$2,911	\$5,224	\$8,135	\$2,911	\$5,224	\$8,135	\$0	\$0	\$0
26. Subtotal Balancing Accounts	(\$30,278)	\$41,228	\$10,951	(\$17,948)	\$15,103	(\$2,845)	\$12,330	(\$26,125)	(\$13,796)

Notes:

- Balances shown include franchise fees and uncollectibles expenses.