

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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December 31, 2008

Advice Letter 3933

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

**Subject: Modification of Regulatory Accounts Pursuant to D.08-12-020
and Corresponding Revision to Rates Effective January 1, 2009**

Dear Mr. Deremer:

Advice Letter 3933 is effective December 24, 2008.

Sincerely,

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

Kenneth Lewis, Acting Director
Energy Division



Ken Deremer
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December 5, 2008

Advice No. 3933
(U 904 G)

Public Utilities Commission of the State of California

Subject: Modification of Regulatory Accounts Pursuant to Decision (D.) 08-12-020 and Corresponding Revision to Rates Effective January 1, 2009

In compliance with Ordering Paragraph (OP) 2 and 5 of Decision (D.) 08-12-020, dated December 4, 2008, Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B, and its revenue requirement and rates effective January 1, 2009.

Purpose

This filing revises existing tariffs consistent with the terms of the Settlement Agreement (SA) adopted by D.08-12-020 and revises SoCalGas' rates to incorporate the ratepayers' projected 2008 allocation of net revenues from the unbundled storage program and hub services in transportation rates effective January 1, 2009. In addition, pursuant to OP 5 of D.08-12-020, the protest period is shortened to 15 days to ensure Commission approval is obtained expeditiously, in order to provide sufficient time to incorporate this revenue requirement revision into the consolidated rate revision advice letter to be filed at least three days prior to January 1, 2009.

Background

On December 4, 2008, the Commission adopted the SA. The SA balances various interests of the settling parties to ensure that core and noncore customers will have sufficient storage services during the six-year term of the SA beginning on January 1, 2009, while providing monetary incentives to SoCalGas to expand the storage assets for the unbundled storage program. The SA, among other things, provides a sharing mechanism between ratepayers and shareholders for the 2008 net revenues from the sales of unbundled storage and hub services recorded in the Noncore Storage Memorandum Account (NSMA) and G-PAL Memorandum Account (GPMA), respectively, and continues the sharing mechanism for the Noncore Storage Balancing Account (NSBA) beginning on January 1, 2009.

Revision to the NSBA

Consistent with Paragraphs 15 and 19 of the SA, SoCalGas is revising its NSBA tariff to reflect the new sharing mechanism associated with its unbundled storage and hub services. Under the new sharing mechanism, net revenues (i.e., "storage earnings") received by SoCalGas through the unbundled storage program shall be shared between its ratepayers and shareholders in the following manner: the first \$15 million of net unbundled storage revenues shall be allocated on a 90/10 ratepayer/shareholder basis; the next \$15 million of net unbundled storage revenues shall be allocated on a 75/25 ratepayer/shareholder basis; and net unbundled storage revenues above \$30 million shall be allocated on a 50/50 ratepayer/shareholder basis. For purposes of calculating net storage revenues under this sharing mechanism, the cost of storage for the unbundled storage program shall be based on the embedded unit costs approved by the Commission in Phase 2 of the 2009 BCAP and as revised in each cost allocation proceeding during the term of the SA to reflect new embedded costs. In addition, SoCalGas will record net hub service revenues obtained through the System Operator Hub approved in D.07-12-019 in the NSBA since, pursuant to Paragraph 19 of the SA, these net revenues will be treated as net unbundled storage revenues for purposes of ratepayer/shareholder sharing mechanism as described herein. The shareholder allocation of cumulative storage earnings from the unbundled storage program, hub services, and any net revenues from storage expansions undertaken during the settlement period that are allocated to the unbundled storage program is capped at \$20 million annually.

Disposition of the NSMA

Consistent with Paragraph 17 of the SA, SoCalGas will transfer in December 2008 the ratepayers' estimated allocation of 2008 net revenues from the NSMA to the NSBA and adjust the NSMA to reflect the shareholders' estimated allocation in utility earnings¹. If there is any residual balance associated with 2008 activity as of January 1, 2009, appropriate adjustments will be made directly to the NSBA². Accordingly, SoCalGas will eliminate the NSMA effective December 31, 2008.

Consistent with the SA, SoCalGas will incorporate the ratepayers' estimated allocation of the 2008 net revenues in transportation rates effective on January 1, 2009 with the Commission's approval of the SA in 2008. Under the earnings sharing mechanism adopted in the SA, the ratepayers' allocation is \$32.076 million. (See Revenue Requirement Section for impact on customer rates.)

¹ Pursuant to Paragraph 17 of the SA, the 2008 net revenues recorded in the NSMA will be determined using a negotiated storage cost of \$31.5 million and will be shared between ratepayers and shareholders in the same manner as the net revenues associated with the unbundled storage program as described in Paragraph 15 of the SA.

² The difference between the actual unbundled storage revenues and a forecast of such revenues for December 2008 will be recorded directly to the NSBA and be subject to the storage earnings sharing calculation for 2009 as described in Paragraph 15 of the SA.

2008 Allocation Estimate - (M\$)

Storage/Hub Revenues (Jan-Nov)	69,908
Storage/Hub Revenues (Dec Estimate)	5,500
Total Storage/Hub Revenues	<u>75,408</u>
Cost Basis (Negotiated, net of FF&U)	<u>31,500</u>
Net Storage Revenues	<u><u>43,908</u></u>

Ratepayer Allocation:

90% of \$15 mil. =	13,500
75% of next \$15 mil.	11,250
50% >\$30 million	6,954
Balancing Account Interest	<u>372</u>
Total Ratepayer	<u><u>32,076</u></u>

Elimination of Other Regulatory Accounts

- **G-PAL Memorandum Account (GPMA)** – As discussed above, since net hub service revenues will be recorded to the NSBA and subject to the storage earnings sharing mechanism, SoCalGas will eliminate the GPMA. The 2008 net hub service revenues recorded in the GPMA will be treated in the same manner as the disposition of the net storage revenues recorded in the NSMA as described above (i.e., subject to the storage earnings calculation for 2008 with any true-up of the forecast of net revenues for December 2008 to be incorporated in the storage earnings calculation for 2009)³.
- **SDG&E Storage Memorandum Account (SDGESMA)** – Pursuant to Paragraph 20 of the SA and OP 3 of D.08-12-020, SoCalGas will eliminate its SDGESMA with no adjustment to the transportation rates of SDG&E or SoCalGas customers.
- **Southwest Gas Storage Memorandum Account (SGSMA) and Long Beach Storage Memorandum Account (LBSMA)** – Pursuant to OP 3 of D.08-12-020, SoCalGas will eliminate the SGSMA and LBSMA as the SA resolves, under Paragraphs 13 and 14, the core parity issues for Southwest Gas Company (SWG) and the City of Long Beach (Long Beach). These wholesale customers will be allocated storage capacity from the unbundled storage program at the same rates that are included in the SA for the combined customers of SDG&E/SoCalGas pursuant to the SA approved by the Commission, and as revised in future cost allocation proceedings to reflect new embedded costs. Similar to the disposition of the SDGESMA, the elimination of these memorandum accounts will result in no adjustment to the transportation rates of Long Beach, SWG or SoCalGas customers.

³ As of October 31, 2008, \$2.6 million was recorded in the GPMA. Estimates for November/December 2008 are not available at this time and are anticipated to be minimal.

January 1, 2009 Rates

SoCalGas' transportation revenue requirement will decrease by \$32.6 million (i.e., \$32.076 million plus franchise fees and uncollectibles). The core customer revenue requirement will decrease by \$11.7 million while the noncore customer revenue requirement will decrease by \$20.9 million as a result of the refund of the ratepayers' share of 2008 net revenues from the unbundled storage program and hub services.

The revision to transportation rates related to the refund will be consolidated with other Commission-authorized changes in SoCalGas' revenue requirement and rates that will be filed by advice letter at least three days prior to January 1, 2009, the effective date of such rates.

Revenue Requirement Impact by Class of Service

<u>Class of Service</u>	<u>Applicable Rate Schedules</u>	<u>Net M\$ Increase/(Decrease)</u>
Core	GR, GS, GM, GML, GO-SSA, GTO-SSA, GO-SSB, GTO-SSB, GO-AC, G-NGVR, GL, G-10 G-AC, GT-AC, G-EN, GT-EN, G-NGV	(11,670)
Noncore	GT-F, GT-I	(15,111)
Wholesale	GW-LB, GW-SD, GW-SWG, GW-VRN	(5,710)
Storage	G-BSS, G-LTS, G-AUC, G-TBS	
International		(125)
Unallocated Costs to NSMA		
<u>TOTAL</u>		<u>(32,616)</u>

Included with this filing is a Summary of Annual Gas Transportation Revenues (Attachment C).

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. At the direction of the Commission SoCalGas has been authorized a shortened protest period; therefore the protest must be made in writing and received within 15 days of the date this advice letter was filed with the Commission. 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 (inj@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 a modified Tier 2 (effective after staff approval) pursuant to GO 96-B, subject to a shortened protest period and Commission approval less than the 30 days after filing. This filing is consistent with D.08-12-020 and therefore SoCalGas respectfully requests that this filing be approved on December 22, 2008, which is 17 days after the date filed, for implementation and inclusion in rates effective on January 1, 2009.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the interested parties in A.08-02-001.

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) #: 3933

Subject of AL: Modification to Regulatory Accounts Pursuant to D.08-12-020 and Corresponding Revisions to Rates Effective 1/1/2009

Keywords (choose from CPUC listing): BCAP; Storage; Balancing Account; Memorandum Account

AL filing type: Monthly Quarterly Annual One-Time Other

AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.08-12-020

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: 12/22/08

No. of tariff sheets: 6

Estimated system annual revenue effect (%): -2.1%

Estimated system average rate effect (%): -2.1%

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: NSBA, TOCs

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. 3933

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3933

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 44191-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE STORAGE BALANCING ACCOUNT (NSBA), Sheet 1	Revised 43306-G*
Original 44192-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE STORAGE BALANCING ACCOUNT (NSBA), Sheet 2	
Revised 44193-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 1	Revised 43307-G**
Revised 44194-G	TABLE OF CONTENTS	Revised 44165-G
Revised 44195-G	TABLE OF CONTENTS	Revised 43408-G**
Revised 44196-G	TABLE OF CONTENTS	Revised 43963-G*

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NONCORE STORAGE BALANCING ACCOUNT (NSBA)

Sheet 2

(Continued)

- d. An entry to adjust for the shareholders' allocation of net revenues [i.e., entries (a) through (c)] from unbundled storage and hub services in accordance with sharing mechanism described below;
- e. An entry equal to the amortization of the forecasted remaining balance less F&U; and
- f. 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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5. Earnings Sharing Mechanism

The Settlement Agreement adopted in Decision 08-12-020 in Phase 1 of SoCalGas' 2009 BCAP provides a sharing mechanism between ratepayers and shareholders for the 2008 net revenues from the sales of unbundled storage and hub services and continues the sharing mechanism for the NSBA over a six-year period beginning on January 1, 2009. As such, the cumulative net revenues as recorded in entries (a) through (c) above will be allocated 90/10 for the first \$15 million, then 75/25 for the next \$15 million and 50/50 for net revenues above \$30 million between ratepayers and shareholders, respectively, subject to an annual shareholder earnings cap of \$20 million.

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6. Disposition

The balance of the NSBA shall be allocated in the Utility's cost allocation proceedings to all customers and incorporated in rates in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1 of the following year.

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N

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3933
 DECISION NO. 08-12-020

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Dec 5, 2008
 EFFECTIVE Jan 1, 2009
 RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS

Sheet 1

A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

- PCB Expense Account (PCBEA)
- Research Development and Demonstration Expense Account (RDDEA)
- Curtailement Violation Penalty Account (CVPA)
- Economic Practicality Shortfall Memorandum Account (EPSMA)
- Catastrophic Event Memorandum Account (CEMA)
- Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
- Vernon Rate Savings Memorandum Account (VRSMA)
- Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
- Research Royalty Memorandum Account (RRMA)
- NGV Research Development & Demonstration Memorandum Account (RDDNGV)
- Intervenor Award Memorandum Account (IAMA)
- Z Factor Account (ZFA)
- Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)
- Gas Industry Restructuring Memorandum Account (GIRMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Baseline Memorandum Account (BMA)
- Blythe Operational Flow Requirement Memorandum Account (BOFRMA)
- Cost of Service Revenue Requirement Memorandum Account (COSRRMA)
- FERC Settlement Proceeds Memorandum Account (FSPMA)
- Late Payment Charge Memorandum Account (LPCMA)
- Gain/Loss On Sale Memorandum Account (GLOSMA)
- Affiliate Transfer Fee Account (ATFA)
- Firm Access and Storage Rights Memorandum Account (FASRMA)
- Otay Mesa System Reliability Memorandum Account (OMSRMA)
- General Rate Case Revenue Requirements Memorandum Account (GRCRRMA)
- 2009-2011 Energy Efficiency Memorandum Account (EEMA)

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ATTACHMENT C

Advice No. 3933

Summary of Annual Gas Transportation Revenues

TABLE SCG-1
Southern California Gas Company

SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES
NSBA Regulatory Account

	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	\$1,094,996	\$0.44082	(\$8,574)	(\$0.00345)	-1%	1
2 Large Master Meter	37,360	\$8,677	\$0.23225	\$8,548	\$0.22881	(\$129)	(\$0.00344)	-1%	2
3 Commercial & Industrial	700,113	\$197,668	\$0.28234	\$195,256	\$0.27889	(\$2,412)	(\$0.00345)	-1%	3
4 Gas A/C	1,060	\$132	\$0.12445	\$128	\$0.12102	(\$4)	(\$0.00344)	-3%	4
5 Gas Engine	15,240	\$1,771	\$0.11622	\$1,771	\$0.11619	(\$0)	(\$0.00003)	0%	5
6 Total Core Procurement	3,237,796	\$1,311,818	\$0.40516	\$1,300,699	\$0.40172	(\$11,118)	(\$0.00343)	-1%	6
CORE TRANSPORTATION²									
7 Residential	25,091	\$11,147	\$0.44427	\$11,061	\$0.44082	(\$87)	(\$0.00345)	-1%	7
8 Large Master Meter	377	\$88	\$0.23225	\$86	\$0.22881	(\$1)	(\$0.00344)	-1%	8
9 Commercial & Industrial	134,522	\$35,492	\$0.26384	\$35,029	\$0.26039	(\$463)	(\$0.00344)	-1%	9
10 Gas A/C	140	\$17	\$0.12445	\$17	\$0.12102	(\$0)	(\$0.00344)	-3%	10
11 Gas Engine	800	\$93	\$0.11622	\$93	\$0.11619	(\$0)	(\$0.00003)	0%	11
12 Total Core Transportation	160,930	\$46,837	\$0.29104	\$46,286	\$0.28761	(\$552)	(\$0.00343)	-1%	12
13 TOTAL CORE	3,398,727	\$1,358,655	\$0.39975	\$1,346,985	\$0.39632	(\$11,670)	(\$0.00343)	-1%	13
NONCORE									
14 Commercial & Industrial	1,456,757	\$82,766	\$0.05682	\$77,764	\$0.05338	(\$5,002)	(\$0.00343)	-6%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$85,892	\$0.02917	\$75,782	\$0.02574	(\$10,109)	(\$0.00343)	-12%	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	\$77,465	\$0.02631	(\$10,109)	(\$0.00343)	-12%	17
18 Retail Noncore Total ¹	4,401,014	\$170,340	\$0.03870	\$155,229	\$0.03527	(\$15,111)	(\$0.00343)	-9%	18
WHOLESALE									
19 Long Beach	77,821	\$2,176	\$0.02796	\$1,909	\$0.02454	(\$267)	(\$0.00343)	-12%	19
20 SDG&E	1,445,680	\$14,588	\$0.01009	\$9,636	\$0.00667	(\$4,952)	(\$0.00343)	-34%	20
21 Southwest Gas	91,672	\$2,364	\$0.02579	\$2,050	\$0.02237	(\$314)	(\$0.00343)	-13%	21
22 City of Vernon	51,620	\$1,172	\$0.02271	\$995	\$0.01928	(\$177)	(\$0.00343)	-15%	22
23 Wholesale Total	1,666,793	\$20,301	\$0.01218	\$14,591	\$0.00875	(\$5,710)	(\$0.00343)	-28%	23
INTERNATIONAL									
24 Mexicali - DGN	36,419	\$898	\$0.02467	\$774	\$0.02124	(\$125)	(\$0.00343)	-14%	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	\$1,553,969	\$0.16352	(\$32,616)	(\$0.00343)	-2.1%	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.