

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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June 1, 2009

Advice Letter 3986

Ronald van der Leeden, Director
Rates, Revenues and Tariffs
8330 Century Park Court CP32C
San Diego, CA 92123-1548

Subject: 2008 PBR Safety Performance Filing

Dear Mr. van der Leeden:

Advice Letter 3986 is effective May 31, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Ronald van der Leeden
Director
Rates, Revenues & Tariffs

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May 1, 2009

Advice No. 3986
(U 904 G)

Public Utilities Commission of the State of California

Subject: 2008 PBR Safety Performance Filing

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) its 2008 performance filing. This filing is made in compliance with Decision No. (D.) 08-07-046, and Preliminary Statement Part XI, Performance Based Regulation (PBR), in SoCalGas' General Rate Case (GRC) Application No. (A.) 06-12-010.

Background

On July 31, 2008, the Commission issued D.08-07-046 adopting, among other things, the Settlement Agreements regarding SoCalGas' revenue requirements for its Test Year 2008 GRC and post-test year ratemaking and incentive proposals. The GRC period covers a minimum of four years beginning January 1, 2008.

Pursuant to the adopted 2008 GRC decision and its adopted tariffs¹, SoCalGas is subject to the performance incentive for employee safety².

Purpose

The purpose of this filing is to report the reward or penalty for the Employee Safety Performance Indicator and, consistent with previous filings, the results of the Core Pricing Flexibility Program and Noncore Competitive Load Growth Opportunity Program as adopted in D.97-07-054 and D.00-04-060, respectively, and continued in the 2008 GRC.

Employee Safety Performance Indicator

Rewards and penalties for employee safety are determined based on the Federal Occupational Safety and Health Administration (OSHA) frequency standard, measuring the regulated utility's OSHA recordable lost time and non-lost time injuries and illnesses against total utility working hours. For the year ending December 31, 2008, SoCalGas experienced

¹ Advice No. 3890 was approved on October 6, 2008 and made effective January 1, 2008.

² Pursuant to the GRC decision, on August 29, 2008 SoCalGas sent a letter to the Executive Director of the Commission accepting only the performance incentive for employee safety. SoCalGas filed Advice No. 3900 to revise its PBR Preliminary Statement accordingly, which was approved on November 7, 2008 and made effective September 8, 2008.

369 lost time and non-lost time incidents. The 369 total OSHA recordable incidents result in a frequency of 5.85.

Employee Safety		2008
Total OSHA Recordable Cases		369
x 100 employees at 2,000 hours / year		200,000
= Total OSHA Recordable Hours		73,800,000
/ Total utility year-to-date work hours		12,613,175
= Total OSHA Frequency		5.85

For 2008, the reward and penalty for the Employee Safety Performance Indicator are based on the following parameters:

Employee Safety		2008
Benchmark		6.10
Deadband		5.93 - 6.27
Penalty Liveband		6.28 - 7.48
Reward Liveband		4.72 - 5.92
Incentive Rate		\$25,000/.01
Maximum Reward / Penalty		\$3,000,000

For 2008, SoCalGas' performance for its Employee Safety Performance Indicator resulted in a \$200,000 reward calculated as follows:

Employee Safety		2008
Benchmark		6.10
Results Achieved		5.85
Results better than Benchmark		0.25
Less Deadband		0.17
Units above Benchmark		0.08
Conversion Factor		0.01
Units of Change for Reward		8
Incentive per Unit		\$25,000
Reward		\$200,000

Upon approval of this advice letter by the Commission, SoCalGas will record the reward in its Rewards and Penalties Balancing Account for amortization in rates.

During 2008, SoCalGas provided continued focus in the following areas contributing to its Employee Safety success: (1) the Executive Safety Council provided leadership and critical directional decision-making for strategic safety initiatives and continued with its employee dialogue sessions to gain a deeper understanding of front-line safety issues and concerns; (2) statistical tracking of injuries and vehicle incident data to provide insight into preventive solutions; (3) performance of individual job observations to help define and reinforce safe behaviors; (4) employee and management involvement opportunities including safety committees and incident evaluation teams; and (5) wellness through health fairs, health screenings, and stretching programs.

Pursuant to the 2008 GRC, SoCalGas is required to perform an annual internal audit to ensure the incentive mechanism for employee safety is implemented, operated, and calculated correctly and fairly. The internal audit report will disclose all audit findings and recommend any corrective actions. The employee safety award presented herein has been verified as a result of the audit, the details of which are provided in a separate letter to the Commission in accordance with the reporting requirements adopted in the 2008 GRC and incorporated in SoCalGas' Preliminary Statement Part XI, PBR³. The letter to the Commission will provide details of the internal audit and related findings.

Core Pricing Flexibility Program

In D.97-07-054 and D.98-01-040, the Commission authorized a Core Pricing Flexibility program for SoCalGas as detailed in Section K.2 of AL 2687-A. This program remained unchanged with the approval of the 2008 GRC proceeding. Under this arrangement, SoCalGas' shareholders are responsible for any reduction in core revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Core Fixed Cost Account to account for this arrangement. The Core Pricing Flexibility program produced incremental net revenues in the amount of \$255,421 for 2008.

Noncore Competitive Load Growth Opportunities Program

In D.00-04-060, the Commission authorized SoCalGas' revenue treatment for new negotiated contracts that are part of a California Red Team economic development effort and contracts where Rule 38 shareholder funding has been used. This program remained unchanged with the approval of the 2008 GRC proceeding. Under this arrangement, SoCalGas' shareholders are responsible for any reduction in noncore revenues that may occur due to discounting, and likewise receive the benefit of any resulting gains. The Commission has authorized SoCalGas to adjust its Noncore Fixed Cost Account to account for this arrangement. The Noncore Competitive Load Growth Opportunities program produced incremental net revenues in the amount of \$573,699 for 2008.

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 must be

³ Internal audit reports (both SoCalGas and SDG&E) were submitted on April 28, 2009 to the Director of the Energy Division, Director of the Consumer Protection and Safety Division, and the Director of the Division of Ratepayer Advocates. The internal audit reports are held confidential pursuant to the Commission's General Order 66-C and Public Utilities Code Section 583.

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 (jnj@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. SoCalGas respectfully requests that this filing be approved May 31, 2009, which is thirty (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 parties on the service list in A.06-12-010.

Ronald van der Leeden
Director
Rates, Revenues & Tariffs

Attachment

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 904G)**

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) #: 3986

Subject of AL: 2008 Safety Performance Filing

Keywords (choose from CPUC listing): PBR, GRC

AL filing type: Monthly Quarterly Annual One-Time Other

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

D08-07-046, D05-03-023

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: 5/31/09

No. of tariff sheets: 0

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

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 5th Street, GT14D6

Los Angeles, CA 90013-1011

SNewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 3986

(See Attached Service Lists)

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