

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
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October 23, 2009

**Advice Letter 4017**

Ronald van der Leeden, Director  
Rates, Revenues and Tariffs  
555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

**Subject: Revisions to Pension Balancing Account (PBA) and Post-Retirement Benefits other than Pensions Balancing Account (PBOPBA) in Compliance with D.09-09-011**

Dear Mr. van der Leeden:

Advice Letter 4017 is effective September 21, 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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September 21, 2009

Advice No. 4017  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Revisions to Pension Balancing Account (PBA) and Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) in compliance with Decision (D.) 09-09-011**

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to its Preliminary Statement Part V, Balancing Accounts, applicable throughout its service territory, as shown on Attachment B.

**Purpose**

The filing complies with Ordering Paragraph (OP) 6 of D. 09-09-011 directing SoCalGas to

“file a Tier 1 advice letter with revised tariff sheets modifying its preliminary statement to add language describing the mechanism to amortize incremental pension contributions and incremental Post-Retirement Benefits Other than Pensions expenses in the Annual Balancing Account Advice Letter.”

**Background**

The settlement adopted in D. 08-07-046 dated July 31, 2008, in SoCalGas' Test Year 2008 General Rate Case (GRC), authorized SoCalGas to record in balancing accounts any differences between the forecast allowances for minimum pension fund contributions and actual contributions and the differences between the forecast allowances for other benefits and actual costs for other benefits. The differences would be recovered in SoCalGas' next GRC. On May 15, 2009, SoCalGas filed a petition for modification (PFM) of D. 08-07-046 requesting Commission approval of annual adjustments to its balancing accounts as actual contributions for pensions and other benefits are anticipated to be far in excess of the allowances included in current rates. In response to the PFM, the Commission signed on September 10, 2009, D. 09-09-011, which modified the ratemaking settlement adopted in D. 08-07-046 to allow the annual amortization of the contributions recorded in the PBA and

the PBOPBA that are incremental to the corresponding revenue requirement included in current base rates.<sup>1</sup>

### **Requested Revision**

Both the PBA and the PBOPBA are revised to delete the last sentence and replace it with the following:

Pursuant to D. 09-09-011, SoCalGas will amortize the [PBA/PBOPBA] balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year.

In addition, a reference to D. 09-09-011 is added to the third paragraphs.

### **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 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](mailto:mas@cpuc.ca.gov)) and Honesto Gatchalian ([inj@cpuc.ca.gov](mailto: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](mailto:snewsom@SempraUtilities.com)

### **Effective Date**

In compliance with OP 6 of D. 09-09-011, SoCalGas submits this as a Tier 1 advice letter (effective pending disposition). Therefore, SoCalGas will make the tariff sheets filed herein effective for service on and after September 21, 2009, the date filed.

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<sup>1</sup> Per OP 4 and 5 of D. 09-09-011.

**Notice**

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties in A.06-12-010, SoCalGas' TY 2008 GRC.

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Ronald van der Leeden  
Director  
Rates, Revenues & Tariffs

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 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) #: 4017

Subject of AL: Revisions to PBA and PBOPBA in Compliance with D.09-09-011

Keywords (choose from CPUC listing): Memorandum Accounts; Preliminary Statement

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

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

D.09-09-011

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 AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 9/21/09

No. of tariff sheets: 5

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 Statements Part V and TOCs

Service affected and changes proposed<sup>1</sup>: 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 5<sup>th</sup> Street, GT14D6**

**Los Angeles, CA 90013-1011**

**SNewsom@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4017**

**(See Attached Service Lists)**

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ATTACHMENT B  
Advice No. 4017

| Cal. P.U.C.<br>Sheet No. | Title of Sheet  | Cancelling Cal.<br>P.U.C. Sheet No. |
|--------------------------|---|-------------------------------------|
| Revised 45013-G          | PRELIMINARY STATEMENT - PART V -<br>BALANCING ACCOUNTS, PENSION<br>BALANCING ACCOUNT (PBA), Sheet 1   | Revised 43689-G                     |
| Revised 45014-G          | PRELIMINARY STATEMENT - PART V -<br>BALANCING ACCOUNTS, PENSION<br>BALANCING ACCOUNG (PBA), Sheet 2   | Revised 43690-G                     |
| Revised 45015-G          | PRELIMINARY STATEMENT - PART V -<br>BALANCING ACCOUNTS, POST-<br>RETIREMENT BENEFITS OTHER THAN<br>PENSIONS, BALANCING ACCOUNT<br>(PBOPBA), Sheet 1 | Revised 43691-G                     |
| Revised 45016-G          | PRELIMINARY STATEMENT - PART V -<br>BALANCING ACCOUNTS, POST-<br>RETIREMENT BENEFITS OTHER THAN<br>PENSIONS, BALANCING ACCOUNT<br>(PBOPBA), Sheet 2 | Revised 43692-G                     |
| Revised 45017-G          | TABLE OF CONTENTS   | Revised 45009-G                     |

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

Sheet 1

The PBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBA will continue for the four-year GRC cycle through December 31, 2011.

The authorized pension revenue requirement and the related actual pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBA records an adjustment for the difference in pension costs embedded in authorized and actual depreciation along with the related return.

Consistent with D. 92-12-015 which initially adopted the PBA regulatory mechanism and modified in D. 09-09-011, SoCalGas will maintain the PBA by making entries at the end of each month as follows:

O&M Component

- a. A debit/credit entry equal to the difference between:
  - 1. One-twelfth of the Utility's annual pension funding level currently embedded in rates, reduced by the component of authorized pension costs capitalized to utility ratebase and
  - 2. Actual pension expense, reduced by the component of pension costs capitalized to utility ratebase;

Depreciation/Return Component – Current Year

- b. Actual pension expense, reduced by the component of pension costs capitalized to utility ratebase;
  - 1. One-twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized pension costs capitalized to utility ratebase and
  - 2. The current month's actual pension costs embedded in recorded depreciation, including the return associated with the actual pension costs capitalized to utility ratebase;

Depreciation/Return Component – Prior Year(s) [i.e., beginning with the initial year of the cost of service or GRC period]

- c. A debit/credit entry equal to the difference between:

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4017  
DECISION NO. 09-09-011

ISSUED BY  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Sep 21, 2009  
EFFECTIVE Sep 21, 2009  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNG (PBA)

Sheet 2

(Continued)

Depreciation/Return Component – Prior Year(s) (Continued)

1. One-twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized pension costs capitalized to utility ratebase in prior years and
2. The corresponding pension costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual pension costs capitalized to utility ratebase in prior years;

Other Adjustments

- d. A debit or credit entry for amortization of pension refund /recovery in rates;
- e. An entry equal to the interest on the average of the balance in the account during the month using the interest rate described in Preliminary Statement, Part I, J. herein.

For the period of 2009 through the end of the current GRC cycle, annual pension contributions will be no greater than the ERISA minimum required funding amount. If the ERISA minimum exceeds the DRA estimate of pension expense (as identified in Exhibit DRA-27 in SoCalGas' GRC application 06-12-010) in any year, SoCalGas will file an advice letter containing the support calculation of the minimum ERISA contribution made. Pursuant to D. 09-09-011, SoCalGas will amortize the PBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year.

D  
N  
N

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4017  
DECISION NO. 09-09-011

ISSUED BY  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Sep 21, 2009  
EFFECTIVE Sep 21, 2009  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS  
BALANCING ACCOUNT (PBOPBA)

Sheet 1

The PBOPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the actual annual PBOP costs embedded in authorized rates with the actual tax-deductible contributions to the PBOP Trust. Pursuant to D-08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBOPBA will continue for the 4-year GRC cycle through December 31, 2011.

The authorized PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related PBOP costs capitalized in ratebase and inter-company PBOP costs (i.e., for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

Consistent with Decision (D.) 92-12-015 which initially adopted the PBOP regulatory mechanism and modified in D. 09-09-011, SoCalGas will maintain the PBOPBA by making entries at the end of each month as follows:

O&M Component

- a. A debit/credit entry equal to the difference between:
1. One-twelfth of the Utility's annual PBOP funding level currently embedded in rates, reduced by the component of authorized PBOP costs capitalized to utility ratebase and
  2. Actual tax-deductible PBOP contributions to the PBOP Trust, reduced by the component of PBOP costs capitalized to utility ratebase;

Depreciation/Return Component – Current Year

- b. A debit/credit entry equal to the difference, prorated for the year, between:
1. One-twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized PBOP costs capitalized to utility ratebase and
  2. The current month's actual PBOP costs embedded in recorded depreciation, including the return associated with the actual PBOP costs capitalized to utility ratebase;

Depreciation/Return Component – Prior Year(s) [i.e., beginning with the initial year of the cost of service or GRC period]

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4017  
DECISION NO. 09-09-011

ISSUED BY  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Sep 21, 2009  
EFFECTIVE Sep 21, 2009  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS  
BALANCING ACCOUNT (PBOPBA)

Sheet 2

(Continued)

Depreciation/Return Component – Prior Year(s) (Continued)

- c. A debit/credit entry equal to the difference between:
1. One-twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized PBOP costs capitalized to utility ratebase in prior years and
  2. The corresponding PBOP costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual PBOP costs capitalized to utility ratebase in prior years;

Other Adjustments

- d. A debit or credit entry for amortization of PBOP refund/recovery in rates; and
- e. An entry equal to the interest on the average of the balance in the account during the month using the interest rate described in Preliminary Statement, Part I, J. herein.

Pursuant to D. 09-09-011, SoCalGas will amortize the PBOPBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year.

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(TO BE INSERTED BY UTILITY)  
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(Continued)

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