

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 1, 2010

Advice Letter 4077

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

**Subject: Allocation of the Proceeds Associated with the Sempra Settlement
and Price Indexing Cases Settlement**

Dear Mr. van der Leeden:

Advice Letter 4077 is effective February 22, 2010.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Ronald van der Leeden
Director
Rates, Revenues & Tariffs

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February 22, 2010

Advice No. 4077
(U 904 G)

Public Utilities Commission of the State of California

Subject: Allocation of the Proceeds Associated with the Sempra Settlement and Price Indexing Cases Settlement

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) a plan for the distribution of the proceeds from the Sempra Settlement (Pipeline Cases) and the Price Indexing Cases Settlement (collectively the "Settlements").¹

Purpose

Pursuant to Ordering Paragraph (OP) 6 of Decision (D.) 10-01-024, SoCalGas submits a plan for allocating the proceeds associated with the Settlements to core procurement, core subscription, and core aggregation transportation (CAT) customers. SoCalGas revises its Preliminary Statement to modify its existing Purchased Gas Account (PGA) and the FERC Settlement Proceeds Memorandum Account (FSPMA) to record the portion of these Settlement proceeds that are allocable to SoCalGas core procurement and CAT customers, respectively. SoCalGas also submits a refund plan to distribute a portion of the Settlement proceeds to core subscription customers. Tariff revisions are shown on Attachment B.

Background

On July 30, 2009, the Commission granted a petition to open a rulemaking to examine how the proceeds from the Settlements should be allocated to the core customers of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), SoCalGas, Southwest Gas Company (SWG), and Long Beach Gas and Oil Department (Long Beach Gas).²

¹ The Sempra Settlement (Pipeline Cases) relates to a set of civil cases that were filed beginning in 2000, which alleged that major pipeline companies conspired to create a scarcity in the natural gas delivery market, which contributed to the energy crises of 2000-2001. D.10-01-024, mimeo., at 2 (fn. 2). The Price Indexing Cases refer to a set of civil cases that were filed beginning in 2003, which alleged that traders of natural gas manipulated the published price of natural gas in the California market during the period of 1999-2002 through prearranged sham transactions and false reporting of prices and volumes to the trade press. The Sempra Settlement and Price Indexing Cases were coordinated in the Superior Court of San Diego County under the title of "Natural Gas Antitrust Cases I-IV." D.10-01-024, mimeo., at 2 (fn. 3).

² According to the petition, Long Beach Gas had already received its 4.07% share of the core class proceeds from the Sempra Settlement.

On January 21, 2010, the Commission adopted in D.10-01-024 methodologies to allocate to core gas customers approximately \$110 million from the Settlements approved by the San Diego Superior Court. The allocation methodologies were based on those adopted by the Commission in D.03-10-087, which related to the El Paso Refund Settlement. Pursuant to D.10-01-024, the gas proceeds from the Settlements are allocated as follows: PG&E (46.7%), SDG&E (14.42%), SoCalGas (31.49%), SWG (3.32%), and Long Beach Gas (4.07%). Pursuant to OP 3 of D.10-01-024, the Commission also adopted the implementation procedures for the allocation of the gas proceeds as described below.

Purchased Gas Account (PGA)

The proceeds from the Settlements will be initially recorded as a credit to the PGA; however, the payment received by SoCalGas shall be reduced by the portion allocable to core subscription and CAT customers as described below, less any applicable income taxes assessed by governmental taxing authorities. The amount credited to the PGA will also include SDG&E's allocation for its core procurement customers since the core procurement portfolios of SoCalGas and SDG&E were combined in 2008 and managed by SoCalGas in accordance with D.07-12-019. The credits to the PGA will have no impact on SoCalGas' Gas Cost Incentive Mechanism (GCIM) as these are revenue adjustments recorded in the PGA and not related to gas costs. Included in Attachment C to this filing is an example of the distribution of the Settlement proceeds among core procurement, CAT and core subscription/noncore procurement customers.

To ensure core procurement customers of SoCalGas and SDG&E separately receive the appropriate monies allocated under the Settlements, the monthly procurement rate for SoCalGas and SDG&E will include a credit based upon the Settlement proceeds awarded individually to SoCalGas and SDG&E. Proceeds received from the Settlements will be returned to the respective utility's core procurement customers over a single winter month by including the Settlement proceeds as a credit in the separate core procurement rates for each utility using the demand forecast for the month that the proceeds will be returned.

Refund Plan for Core Subscription Customers

SoCalGas plans to allocate a portion of the Settlements to core subscription customers who were impacted by high natural gas prices during the period March 1, 2000 through May 31, 2001 and did not continue with core procurement service after core subscription service terminated on December 1, 2003. The core subscription customers' share of the Settlement proceeds will be recorded in a separate interest-bearing refund liability account. For those core subscription customers currently receiving core procurement service, they will receive their refund through the PGA.

The allocation of the total Settlement proceeds to core subscription customers shall be based on the percentage of gas usage by core subscription customers to the total core and core subscription volumes used during the applicable period. Since the applicable period associated with the El Paso Refund Settlement is predominately the same period associated with the Settlements, SoCalGas plans to use the same percentage (0.53%) that was used in the implementation of the El Paso Refund Settlement Plan. The core subscription customers' share will be calculated by applying the percentage to the proceeds that SoCalGas actually receives under the Settlements. To determine the amount of the refund to core subscription customers, a refund rate will be calculated by dividing the balance in the refund liability account by the total core subscription volumes during the applicable period. This refund rate will be applied to core subscription customers' individual usage during the period. SoCalGas

proposes to issue bill credits to eligible customers who are still SoCalGas customers but not currently receiving core procurement service and refund checks to eligible customers who are no longer served by SoCalGas.

FERC Settlement Proceeds Memorandum Account (FSPMA)

The FSPMA was established to record the proceeds from the El Paso Settlement and other FERC settlements that are allocable to CAT customers who were impacted by high natural gas prices during the period March 1, 2000 through May 31, 2001. The FSPMA was established since CAT customers cannot receive a refund through the PGA. Consistent with the El Paso Settlement Refund Plan, SoCalGas plans to use the same mechanism to record the CAT customers' share of the proceeds associated with the Settlements and accordingly modifies the FSPMA tariff language to reflect the recording of this activity.

In the El Paso Settlement Refund Plan, the allocation of the total Settlement proceeds to CAT customers was based on the percentage of gas transported by CAT customers to the total core throughput during the preceding 12-month period prior to the time SoCalGas first received the Settlement proceeds. SoCalGas used a 0.80% allocation percentage for CAT customers in the El Paso Settlement Refund Plan.³ However, for the Settlements, SoCalGas plans to use a 2.14% allocation percentage based on more recent 2009 data. Similar to the core subscription refund plan described above, SoCalGas plans to allocate the CAT customers' share of these Settlement proceeds by applying the percentage to the proceeds that SoCalGas actually receives under the Settlements and record those allocated amounts to the FSPMA.

The balance in the FSPMA will be refunded in CAT rates in connection with SoCalGas' annual October regulatory account balance update filing.

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.

³ In the El Paso Refund Plan filed in Advice Letter 3318, the CAT allocation was originally estimated at 1.08% and later revised to 0.80% in Advice Letter 3614.

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 Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to Attachment A of D.10-01-024 and GO 96-B. SoCalGas respectfully requests that this advice letter be effective on the date filed, February 22, 2010.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A, which includes the interested parties in Rulemaking 09-07-029.

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) #: 4077

Subject of AL: Allocation of the Proceeds Associated with the Sempra Settlement and Price Indexing Cases Settlements

Keywords (choose from CPUC listing): Balancing Account, Memorandum Account

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

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

D10-01-024

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: 2/22/10

No. of tariff sheets: 5

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: Preliminary Statement V, PGA; Preliminary Statement VI, FSPMA and TOC - General

Service affected and changes proposed¹: NA

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. 4077

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 4077

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 45754-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 44460-G
Revised 45755-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 2	Revised 44460-G
Revised 45756-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, FERC SETTLEMENT PROCEEDS , MEMORANDUM ACCOUNT (FSPMA), Sheet 1	Revised 40914-G
Revised 45757-G	TABLE OF CONTENTS	Revised 45753-G
Revised 45758-G	TABLE OF CONTENTS	Revised 45740-G

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 1

The PGA is a balancing account. Effective April 1, 2008, the purpose of this account is to balance the recorded cost of gas for the Single Gas Portfolio to provide procurement service for both SoCalGas and SDG&E customers with the corresponding revenue from the sale of that gas. The Single Gas Portfolio, as adopted in Decision (D.) 07-12-019, is comprised of all gas purchases to serve the combined needs of SoCalGas and SDG&E.

The Utility shall maintain the PGA by making entries at the end of each month as follows:

1. A debit entry equal to the recorded gas cost in the Single Gas Portfolio Account during the month, which includes all gas and transmission access rights purchased for SoCalGas and SDG&E's procurement customers. Costs associated with the Utility System Operator providing transportation imbalance services under Schedule No. G-IMB to the Utility Gas Procurement Department will be included concurrent with the Utility Gas Procurement Department being relieved of its responsibility for minimum flow requirements. Gas purchases are net of costs allocated to company use fuel and unaccounted for gas. The Single Gas Portfolio also includes interstate and PG&E pipeline capacity costs, carrying cost of storage inventory and financial transactions, net of proceeds from secondary market transactions such as core parking, loaning, and transmission access rights activities.
2. Credit entries equal to the procurement revenue, which includes recovery of transmission access rights, from the sale of gas delivered to SoCalGas and SDG&E customers, including revenues associated with noncore standby and buyback services under Schedule No. G-IMB during the month, excluding the allowance for F&U.
3. An entry equal to amortization of the forecasted PGA balance, excluding the allowance for F&U.
4. A credit entry equal to the brokerage fee charged to core customers less the allowance for F&U.
5. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.
6. A credit entry equal to the El Paso settlement proceeds received pursuant to the Master Settlement Agreement approved by the FERC and CPUC (D.03-10-087). The first payment received will be reduced by the estimated net present value of refunds due to core subscription and core aggregation transportation (CAT) customers.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4077
DECISION NO. 10-01-024

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Feb 22, 2010
EFFECTIVE Feb 22, 2010
RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 2

(Continued)

- | | | |
|----|---|------------------|
| 7. | A credit entry equal to the settlement proceeds associated with the Sempra Settlement (Pipeline Cases) and the Price Indexing Cases Settlement pursuant to D.10-01-024. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers | N

N |
| 8. | A credit entry equal to the FERC settlement proceeds associated with the 2000-2001 energy crisis. The settlement proceeds received shall be reduced by the amount allocable to core subscription, CAT customers and SDG&E's noncore procurement customers. | T,L
L
L |
| 9. | 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. | T,L
L |

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4077
 DECISION NO. 10-01-024

2H14

ISSUED BY

Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Feb 22, 2010
 EFFECTIVE Feb 22, 2010
 RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
FERC SETTLEMENT PROCEEDS
MEMORANDUM ACCOUNT (FSPMA)

The FSPMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. The original purpose of this account (originally established as the El Paso Settlement Proceeds Memorandum Account) was to track solely the El Paso Settlement proceeds allocable to core aggregation transportation (CAT) customers pursuant to CPUC Decision (D.) 03-10-087. The memorandum account was made effective upon receipt of the first settlement proceeds from El Paso Natural Gas Company (El Paso). The FSPMA will also record the CAT customers' share of all FERC settlement proceeds received from other companies settling with the State of California for their involvement in the 2000-2001 energy crisis and the Sempra Settlement (Pipeline Cases) and Price Indexing Cases Settlement pursuant to D.10-01-024.

Utility shall maintain the FSPMA by making entries at the end of each month as follows:

- a. A credit entry equal to the net present value of the El Paso Settlement proceeds allocable to CAT customers. The allocation of the proceeds shall be based on the percentage of gas transported by CAT customers to the total core throughput during the preceding 12-month period prior to the time the Utility first receives the settlement proceeds.
- b. A credit entry equal to FERC settlement proceeds associated with the 2000-2001 energy crisis and the Sempra Settlement and Price Indexing Cases Settlement that are allocable to CAT customers. The allocation of the settlement proceeds shall be based on the same allocation percentage determined in the implementation of the El Paso Refund Plan.
- c. A debit entry equal to the FERC Settlement proceeds refunded in CAT rates.
- d. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The disposition of the FSPMA balance shall be determined in SoCalGas' Biennial Cost Allocation Proceeding (BCAP) or its next annual regulatory account balance update filing.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4077
 DECISION NO. 10-01-024

1C10

ISSUED BY

Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Feb 22, 2010
 EFFECTIVE Feb 22, 2010
 RESOLUTION NO. _____

N
N

N

TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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PRELIMINARY STATEMENT

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4077
 DECISION NO. 10-01-024

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Feb 22, 2010
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Sempra Energy Utilities
Allocation of Sempra Settlement (Pipeline Cases) and
Price Indexing Cases Settlement

Total Forecasted Settlement Proceeds:

	Total Est Settlement	SoCalGas Allocation	SDG&E Allocation	Other Utilities Allocation	Total
Allocation % Per D.10-01-024 (excluding Long Beach Gas) ^{1/} Sempra Settlement (Pipeline Cases) ²	\$62,600,000	32.83% \$20,549,088	15.03% \$9,409,903	52.14% \$32,641,009	100.00% \$62,600,000
Allocation % Per D.10-01-024 Price Indexing Cases Settlement	\$50,500,000	31.49% \$15,902,450	14.42% \$7,282,100	54.09% \$27,315,450	100% \$50,500,000
Total (\$)	\$113,100,000	\$36,451,538 <i>(a)</i>	\$16,692,003 <i>(d)</i>	\$59,956,459	\$113,100,000
Less:					
Allocation to Core Subscription and Noncore ^{3/} Customers:		<u>SoCalGas</u>	<u>SDG&E</u>		
<i>March 1, 2000 through May 31, 2001:</i>					
Total core and noncore ^{3/} gas throughput volumes (MDTH)		466,310	73,260		
Core subscription and noncore ^{3/} throughput (MDTH) - Estimate		2,467	8,221		
Core subscription and noncore ^{3/} allocation of Settlement ^{4/}		0.53% <i>(b)</i>	11.22% <i>(e)</i>		
				\$192,825 <i>(a) x (b)</i>	\$1,873,123 <i>(d) x (e)</i>
Allocation to Core Aggregation Transportation Customers:					
Total Gas Throughput, excluding noncore for prior 12 months		355,679	48,389		
CAT Throughput for the prior 12 months (MDTH)		7,607	2,949		
CAT Allocation of Settlement ^{5/}		2.14% <i>(c)</i>	6.09% <i>(f)</i>		
				\$779,626 <i>(a) x (c)</i>	\$1,017,228 <i>(d) x (f)</i>
Estimated Allocation to SoCalGas/SDG&E Core Procurement Customers		\$35,479,087 <i>(g)</i>	\$13,801,653 <i>(h)</i>		
Estimated Allocation to be recorded to SoCalGas' Purchased Gas Account [<i>(g)</i> + <i>(h)</i>]		\$49,280,740			

^{1/} Since Long Beach Gas has already been paid for its share of the Sempra Settlement proceeds, the allocation for the remaining four utilities are revised as follows:

	Allocation % Per D.10-01-024	Adjusted Allocation %
PG&E	46.70%	48.68%
SoCalGas	31.49%	32.83%
SDG&E	14.42%	15.03%
Southwest Gas	3.32%	3.46%
	95.93%	
Long Beach Gas	4.07%	
Total percentage:	100.00%	100.00%

^{2/} SoCalGas received \$29,958,991 for the Sempra Settlement on February 3, 2010. The settlement proceeds exclude interest which will be settled on a later date.

^{3/} Noncore procurement customers are only applicable to SDG&E.

^{4/} Allocation is the same percentages used in the El Paso Settlement Refund Plan as filed in SoCalGas Advice Letter 3318 and SDG&E Advice Letter 1592-G.

^{5/} For SoCalGas and SDG&E, CAT percentages were based on 2009 data.