

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 1, 2010

Advice Letter 4112

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

**Subject: Establishment of the Honor Rancho Storage
Memorandum Account (HRSMA)**

Dear Mr. van der Leeden:

Advice Letter 4112 is effective June 16, 2010.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Rasha Prince
Director
Regulatory Affairs

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May 17, 2010

Advice No. 4112
(U 904 G)

Public Utilities Commission of the State of California

Subject: Establishment of the Honor Rancho Storage Memorandum Account (HRSMA)

Southern California Gas Company (SoCalGas) hereby submits for filing revisions to its Preliminary Statement Part VI, Memorandum Accounts, applicable throughout its service territory, as shown on Attachment B.

Purpose

Pursuant to Ordering Paragraphs (OP) 5 and 7 of Decision (D.) 10-04-034, this filing seeks approval to establish the HRSMA as discussed below.

Background

On July 13, 2009, SoCalGas filed Application (A.) 09-07-014, to amend the Honor Rancho Certificate of Public Convenience and Necessity (CPCN). This application was part of the implementation of the Commission-approved settlement of Phase I of the 2009 Biennial Cost Allocation Proceeding (BCAP) (see D.08-12-020) and proposes the improvements necessary to add 5 billion cubic feet (Bcf) of inventory expansion at the Honor Rancho storage field. Among other things, this application also requests the Commission to approve the revenue requirement, rate treatment, and regulatory accounting for the Honor Rancho Expansion Project.

On April 22, 2010, the Commission granted an amendment to SoCalGas' CPCN in D.10-04-034. In accordance with that decision SoCalGas plans to establish the HRSMA as further described in the section below.

HRSMA

The HRSMA is an interest bearing account that is recorded on SoCalGas' financial statements. The HRSMA will consist of two subaccounts. The Project Cost Recovery (PCR) Subaccount of the HRSMA will record the incremental capital-related costs (such as depreciation, return on investment and related taxes) associated with the storage assets placed in service for the Honor Rancho Expansion Project, subject to the \$37.4 million cap applicable to capital costs. The actual cost of cushion gas procured will also be recorded in the PCR Subaccount. The

Operating and Maintenance (O&M) Expense Subaccount of the HRSMA will record actual incremental O&M expenses including any incremental oil revenues realized as a result of the Honor Rancho Expansion Project.

As proposed in A.09-07-014, SoCalGas plans to identify the incremental oil revenues by conducting an annual analysis of the liquids produced by the new liquid production wells to determine the ratio of hydrocarbons to other liquids. This will allow SoCalGas to calculate the barrels of oil produced each year by these wells, and this figure will then be multiplied by average oil prices for the year to determine the incremental oil revenues to record in this subaccount. In addition, for incremental O&M costs, SoCalGas plans to separately track certain incremental costs (e.g., maintenance of the electrical submersible pumps in the new liquid production wells specifically used in the storage expansion) that are directly associated with the Honor Rancho Expansion Project and other incremental O&M costs that vary with the increased inventory capacity that result from this project and record those costs in the O&M Subaccount of the HRSMA.

At the end of each year, the balance in the HRSMA (the combined balance of both subaccounts) will be allocated to core customers, to the Unbundled Storage Program, and to noncore customers. The portion allocated to the Unbundled Storage Program will be transferred to the Noncore Storage Balancing Account (NSBA). The remaining balance in the HRSMA associated with core storage and load balancing will be recovered in the following year's rates in connection with SoCalGas' annual regulatory account balance update filing pursuant to OP 6 of D.10-04-034. In connection with the advice letter seeking recovery of amounts in the HRSMA, SoCalGas will include detailed documentation supporting the reasonableness of the actual costs of the Honor Rancho Expansion Project, including the cost and quantity of cushion gas purchased.

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 of this Advice Letter, which is June 7, 2010. 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 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 on June 16, 2010, which is 30 calendar days from the date filed.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A which includes parties to A.09-07-014 and A.08-02-001.

Rasha Prince
Director – Regulatory Affairs

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) #: 4112

Subject of AL: Establish Honor Rancho Storage Memorandum Account

Keywords (choose from CPUC listing): Memorandum Account, Storage, Compliance

AL filing type: Monthly Quarterly Annual One-Time Other

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

D.10-04-034

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: 6/16/10

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 Part VI, TOC Gen

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. 4112

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 4112

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 46085-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 1	Revised 45976-G
Original 46086-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, HONOR RANCHO STORAGE MEMORANDUM ACCOUNT (HRSMA), Sheet 1	
Original 46087-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, HONOR RANCHO STORAGE MEMORANDUM ACCOUNT (HRSMA), Sheet 2	
Revised 46088-G Revised 46089-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 46056-G Revised 45979-G

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)
Intervenor Award Memorandum Account (IAMA)
Z Factor Account (ZFA)
Self-Generation Program Memorandum Account (SGPMA)
Blythe Operational Flow Requirement Memorandum Account (BOFRMA)
FERC Settlement Proceeds Memorandum Account (FSPMA)
Gain/Loss On Sale Memorandum Account (GLOSMA)
Affiliate Transfer Fee Account (ATFA)
Firm Access and Storage Rights Memorandum Account (FASRMA)
General Rate Case Revenue Requirements Memorandum Account (GRCRRMA)
System Reliability Memorandum Account (SRMA)
Fire Hazard Prevention Memorandum Account (FHPMA)
Disconnect Memorandum Account (DMA)
California Solar Initiative Thermal Program Memorandum Account (CSITPMA)
Honor Rancho Storage Memorandum Account (HRSMA)

N

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4112
DECISION NO. 10-04-034

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED May 17, 2010
EFFECTIVE Jun 16, 2010
RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
HONOR RANCHO STORAGE MEMORANDUM ACCOUNT (HRSMA)

Sheet 1

N
N

1. Purpose

The purpose of the HRSMA is to record the incremental costs and revenues associated with the Honor Rancho Expansion Project as filed in SoCalGas Application (A.) 09-07-014 and approved by Decision (D.) 10-04-034. The HRSMA is an interest bearing account and consists of two subaccounts. The Project Cost Recovery (PCR) Subaccount records the revenue requirements (i.e., capital-related costs) associated with the incremental storage assets, including cushion gas associated with the Honor Rancho Expansion Project. The Operating and Maintenance (O&M) Expense Subaccount records the actual incremental O&M expenses including any incremental oil revenues realized as a result of the Honor Rancho Expansion Project.

N

2. Applicability

This account shall apply to all gas customers.

3. Rates

See Disposition Section.

4. PCR Subaccount - Accounting Procedures

SoCalGas shall maintain the PCR Subaccount by recording entries at the end of each month as follows:

- a) A debit entry equal to the capital-related costs (such as depreciation, return on investment and related taxes) associated with the storage assets and cushion gas placed in service for the Honor Rancho Expansion Project;
- b) A debit entry equal to cost of cushion gas purchased;
- c) An entry for amortization of the account balance as authorized by the Commission, net of franchise fees and uncollectible (FF&U) costs; and
- d) 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.

N

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4112
DECISION NO. 10-04-034

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED May 17, 2010
EFFECTIVE Jun 16, 2010
RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
HONOR RANCHO STORAGE MEMORANDUM ACCOUNT (HRSMA)

Sheet 2

(Continued)

1. O&M Subaccount - Accounting Procedures

SoCalGas shall maintain the O&M Subaccount by recording entries at the end of each month as follows:

- a) A debit entry equal to incremental O&M expenses associated with the Honor Rancho Expansion Project;
- b) A credit entry equal to incremental oil revenues associated with the Honor Rancho Storage Expansion Project;
- c) An entry for amortization of the account balance as authorized by the Commission, net of FF&U; and
- d) 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.

2. Disposition

At the end of each year, the balance in the HRSMA (the combined balance of both subaccounts) will be allocated to core customers (60.1%), to the Unbundled Storage Program (36.9%), and to noncore customers (3%). The allocation will be based on the total inventory capacity after the expansion approved in D.08-12-020, the 2009 Biennial Cost Allocation Proceeding (BCAP) Phase I Settlement Decision. The portion allocated to the Unbundled Storage Program will be transferred to the Noncore Storage Balancing Account (NSBA) and be used to determine the allocation of net storage revenues between ratepayers and shareholders for the year under the Commission-adopted sharing mechanism. The remaining balance in the HRSMA associated with core storage and load balancing will be recovered in the following year's rates in connection with SoCalGas' annual regulatory account balance update filing, subject to a \$37.4 million cap applicable to capital costs and the reasonableness of the actual cost of the cushion gas procured. Once the project is complete and the corresponding revenue requirements are incorporated in base rates in connection with SoCalGas' General Rate Case, the HRSMA will be eliminated.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4112
DECISION NO. 10-04-034

2H14

ISSUED BY

Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED May 17, 2010
EFFECTIVE Jun 16, 2010

RESOLUTION NO. _____

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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Table of Contents--General and Preliminary Statement	46088-G,46089-G,45654-G
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Table of Contents--List of Cities and Communities Served	45168-G
Table of Contents--List of Contracts and Deviations	45168-G
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PRELIMINARY STATEMENT

Part I General Service Information	45597-G,24332-G,24333-G,24334-G,24749-G
Part II Summary of Rates and Charges	46034-G,46035-G,46036-G,46037-G,45701-G,45702-G 46038-G,45996-G,45606-G,45607-G,45608-G,46006-G,46007-G,46008-G,45612-G
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Enhanced Oil Recovery Account (EORA)	45277-G
Noncore Storage Balancing Account (NSBA)	44191-G,44192-G
California Alternate Rates for Energy Account (CAREA)	45882-G,45883-G
Hazardous Substance Cost Recovery Account (HSCRA)	40875-G, 40876-G,40877-G
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 Senior Vice President
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