

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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February 13, 2013

Advice Letter 4171-G

Rasha Prince, Director
Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

SUBJECT: Request for Authorization to Establish a Fee-Based Air Quality Emission Testing Service on a Non-Tariffed Basis

Dear Ms. Prince:

Advice Letter 4171-G has been withdrawn per Southern California Gas letter; received on February 6, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division



A  Sempra Energy utility®

Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
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Tel: 213.244.5141
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RPrince@semprautilities.com

February 6, 2013

Mr. Edward F. Randolph
Director, Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Withdrawal of SoCalGas Advice No. 4171

Southern California Gas Company (SoCalGas) hereby withdraws Advice No. 4171, filed on November 22, 2010. The purpose of this Advice Letter was to request authorization to establish a fee-based air quality emission testing service on a non-tariffed basis. Due to the passage of time since this was filed, SoCalGas has determined that the service is no longer needed.

Sincerely,

A handwritten signature in cursive script that reads "Rasha Prince".

Rasha Prince
Director, Regulatory Affairs

cc: Energy Division Tariff Unit
William Maguire, Energy Division
All recipients of AL 4171



Rasha Prince
Director
Regulatory Affairs

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November 22, 2010

Advice No. 4171
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Authorization to Establish a Fee-Based Air Quality Emission Testing Service on a Non-Tariffed Basis

Purpose

Southern California Gas Company (SoCalGas) hereby requests authorization from the California Public Utilities Commission (Commission) to establish a new non-tariffed product and service (NTP&S) to provide an air quality emission testing service to customers located within the South Coast Air Quality Management District (SCAQMD). The testing service would certify a customer's equipment with the requirements of SCAQMD Rules 1146 and 1146.1.

SoCalGas also modifies its Reward and Penalties Balancing Account (RPBA) to record the ratepayers' allocation of gross revenues generated from the program under the sharing mechanism proposed herein and submits applicable revisions to its Preliminary Statement Part V, Balancing Accounts, applicable throughout its service territory, as shown on Attachment B.

Background

This filing is made pursuant to Rule VII.E of the Affiliate Transaction Rules, which requires energy utilities to submit an advice letter describing any new category of NTP&S it proposes to offer. This letter is in compliance with all requirements of Rule VII.

Program Description

This program will offer customers with boilers located within the SCAQMD a fee-based air quality emission testing service in compliance with SCAQMD Rules 1146 and 1146.1. Recent changes to these rules make more frequent air quality emission testing necessary. With approximately 8,000-14,000+ certified emission tests being required annually, SoCalGas believes that the current competitive marketplace for this testing service is now inadequate to meet the anticipated future demand. By offering a fee-based air quality emission testing service on a limited basis, SoCalGas believes the competitive marketplace for this service will be enhanced. These services are directly related to the utility's core mission of providing safe and reliable gas service and will help ensure that customers' industrial gas equipment are within SCAQMD air quality emission mandates.

SoCalGas plans to use existing Industrial Service Technicians (IST) personnel to perform this work. The service will be provided on a limited basis to the extent that it can be integrated into the IST workload without compromising current duties. SoCalGas' proposed testing service would increase the total testing capability available in the marketplace today by less than 20%, a level which will help meet the demand for emissions testing without significantly impacting the marketplace.

SoCalGas would price the service at a market based rate to encourage competition, and will perform regular reviews to verify pricing is in line with the marketplace, while providing a nominal profit. The actual price that SoCalGas would charge would include the fully loaded costs to provide the service including overheads plus the authorized profit margin.

The SCAQMD Rules are described below:

Rule 1146 – Emissions of Oxides of Nitrogen (NOx) from Industrial, Institutional, and Commercial Boilers, Steam Generators, and Process Heaters

Applicability – Equipment rated greater than 5MM Btu/hr (approximately 1500 permitted boilers in SCAQMD area)

New Requirements in effect as of July 1, 2009

Check NOx emissions at least monthly or every 750 unit operating hours, whichever occurs later. Monitoring conducted with portable analyzer (SoCalGas can perform these tests). Three consecutive emission checks, without any adjustments to the oxygen sensor set points, then the unit may be checked quarterly or every 2000 unit operating hours, whichever occurs later. With six tests mandated on each boiler the first year (no failures), approximately 9000 tests would be required. Each additional year would only require four tests (no failures), or 6000 annually. A failed test mandates the entire process start over.

- This protocol would apply until there is an emission check indicating non-compliance.
- Units greater than or equal to 10mm Btu/hr require a source test every three years.
- Pre/post calibrations of flue-gas analyzer with EPA approved span/calibration gases
- Maintain documentation (pre/post calibration records, test results, etc.) on file for 90 days for SCAQMD Inspector to review.

Rule 1146.1 – NOx requirements for boilers rated between 2MM – 5MM Btu/hr (approximately 1150 permitted boilers in SCAQMD area)

Requirements in effect as of July 1, 2009

- Equipment falling under Rule 1146.1 requires a quarterly emissions test.

Four consecutive emissions tests, without any adjustments to the oxygen sensor points, allow the unit to be checked semi-annually or every 4,000 unit operating hours, whichever occurs later. This protocol is followed until there is an emissions check indicating non-compliance. With five tests mandated on each boiler the first year (no failures), approximately 5750 tests would be required. Each additional year would only require two tests (no failures), or 2300 annually. A failed test mandates the entire process start over.

SoCalGas will introduce the proposed service through a limited distribution of brochures to Commercial/Industrial customers, and will have information on the service available on the SoCalGas internet site. Account Executives will be trained to answer customer questions. Other than these indirect efforts, SoCalGas will take no direct efforts to market the service. Strict guidelines will ensure:

1. Correct and consistent information about the Certified Emissions Testing services is conveyed.
2. Notification that the Certified Emissions Testing service is a fee-based service, and is not part of SoCalGas' tariffed utility service.
3. No hard sell communications will be permitted.

SoCalGas' existing utility service will not be affected adversely by the implementation of this service. During emergencies and high workload times, the fee-based air quality emission testing services would be suspended to enable all IST staff to be dedicated to support customer issues. SoCalGas will regularly monitor service levels and resources to ensure that the program does not adversely affect other utility services.

To avoid any "hard sell" behavior, SoCalGas' ISTs and Account Executives will not receive any incentives for sales levels achieved in this program. The IST's performance will continue to be objectively measured using company metrics and work load standards.

Regarding liability, all liability for the activity pursuant to the program will be borne by SoCalGas shareholders. Ratepayers will be protected from any fee-based emissions testing service liability. Additionally, all incremental costs will be tracked separately. The program will pay the costs associated with the usage of ratepayer assets. Gross revenues will be shared 90/10 by shareholders and ratepayers as proposed within this advice letter.

SoCalGas anticipates that the fee-based emission service will launch about 6-9 months after Commission approval of the program.

Customer Benefits

SoCalGas' goals in providing this service are to enhance customer service and to support the competitive marketplace for emission testing services, which will make it easier for customers to comply with SCAQMD requirements. The Certified Emissions Testing Service will provide industrial customers with several benefits including:

- Value – customer can get a certified emission test from the utility at a competitive price.
- Choice – customer has the option of using the utility to help keep the utility compliant with new SCAQMD air quality guidelines.
- Trust – customers trust the utility's expertise, and will have the option of utilizing the utility to stay compliant with the new air quality guidelines.
- Protection – customers value the utility's exceptional reputation, knowing the utility will stand behind its service.

All of the benefits above contribute to a positive customer experience through the enhanced service offering, resulting in higher customer satisfaction.

Sharing Mechanism

SoCalGas proposes to use an earnings sharing mechanism for the fee-based air quality emission testing service offering. Under this mechanism, SoCalGas will allocate gross revenues 90% to shareholders and 10% to ratepayers. SoCalGas believes this proposed mechanism offers the best method of sharing non-tariffed revenues generated by the certified emissions testing services because it:

- Utilizes utility assets to the fullest.
- Addresses properly any incremental resources.
- Has potential for broader application to accommodate adjoining Air Quality Management Districts that implement similar air quality mandates.
- Creates the appropriate incentive for the utility to maximize earnings.

The ratepayer allocation will be recorded in SoCalGas' Rewards and Penalties Balancing Account (RPBA). SoCalGas anticipates that there will be a 12-month ramp-up period before the program is in full operation. During this ramp-up period, the primary focus will be the successful installation of the required infrastructure, brochure design and printing, implementation of the IST training, IT enhancements, and debugging any IT issues that may arise.

SoCalGas estimates that it would serve less than 20% of the total market demand for fee-based air quality emission testing pursuant to the requirement of SCAQMD rules 1146 and 1146.1. SoCalGas estimates that gross revenues of \$6.8 – 11.4 million could be generated with estimated program costs of \$4.7 - 7.2 million over 11 years.

An initial estimate of costs that could be incurred over the next 11 years is shown below. Depending upon the IST resources actually available, changes to market demand, and other factors, actual future costs could vary significantly from those described below:

- Infrastructure improvements – \$272,000
 - Calibration Station equipment (\$102,000)
 - Installation costs (labor and overhead) – (\$170,000)
- Annual On-Going Costs (\$958,000)
 - Cylinder Rental Fees (\$236,000)
 - Calibration Gas Refills (\$438,000)
 - Instrument Sensor Replacements (\$234,000)
 - Calibration Gas Re-Certifications (\$50,000)
- Mobile calibration stations (\$140,000)
 - (2 vehicles equipped to carry calibration gas)– (\$140,000)
- Technology – \$255,000
 - Programming to create a new charge type for this service (\$20,000)
 - Programming for the billing, tracking, and accounting of the new charge(s) (\$235,000)
- Field Services Costs - \$3.773 million
 - Industrial Service Technician Training Costs (\$30,000)
 - Industrial Service Technician (labor and overheads) Costs (\$3.743 million)
- Advertising Costs - \$4,000
 - Brochure Development – (\$1,000)
 - Brochure Printing – (\$3,000)

- Program Management – \$85,000
 - Program tracking and monitoring, customer complaint resolution, and contract administration – (\$70,000)
 - Facilities Project Management costs – (\$15,000)

SoCalGas will separately identify and track revenues generated by this new service offering, and include this information in the annual report required by the Commission, including usage of utility assets and the allocation of gross revenues to ratepayers. In order to appropriately track all of the associated costs and revenues of the fee-based air quality emission testing program, SoCalGas will establish a unique internal order to allow it to track revenues and costs of the program. The costs associated with this service will include costs such as, but not limited to, any test equipment or supplies, all associated labor costs to implement the service offering including IST time, service management, employee training and, marketing or brochure costs and all related overhead costs.

Compliance with Rule VII of the Affiliate Transaction Rules

Rule VII of the Affiliate Transaction Rules sets forth the requirements for a utility to offer non-tariffed products and services.

Rule VII.C.4 -- Rule VII.C.4 sets forth the following conditions that must be met for an energy utility to offer a non-tariffed product or service:

- a. *The non-tariffed product or service utilizes a portion of a utility asset or capacity;*
- b. *Such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;*
- c. *The involved portion of such asset or capacity may be used to offer the product or service on a non-tariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;*
- d. *The products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risking being incurred by utility ratepayers and no undue diversion of utility management attention; and*
- e. *The utility's offering of such non-tariffed product or service does not violate any law, regulation, or Commission policy regarding anti-competitive practices.*

SoCalGas' fee-based air quality emission testing service is in compliance with the requirements of Rule VII.C.4 because SoCalGas will use existing utility assets and employees to offer the service to participating customers. The existing utility assets associated with the fee-based air quality emission testing services include the assets that were acquired for the purpose of tariffed utility service in order to provide safe, reliable, and efficient service. These assets include SoCalGas distribution bases buildings and facilities, and online resources.

Utility assets and labor used to offer the fee-based air quality emission testing services will be primarily IST personnel, overhead, and equipment. Some additional equipment, such as test gases, bracing, trucks, etc. will be purchased with the costs being allocated to the program. The program will not affect the cost, quality, or reliability of tariffed utility products and services. The incremental work involved with this program will be done by existing workforce and the cost of the incremental work charged to the program. In the event of a major emergency such as an earthquake, a powerful storm or major outage that requires a high level of emergency response,

SoCalGas would suspend offering the program so that all SoCalGas resources could be deployed to deal with the emergency.

SoCalGas' shareholders will be responsible for all risk associated with the fee-based air quality emission testing service. SoCalGas will record all of the associated costs and revenues for this program in a unique internal order number. This will ensure proper accounting procedures are met. Program revenues will pay for all costs incurred by the program. Any costs that exceed revenues will be borne by SoCalGas' shareholders. Gross revenues realized will be shared 90/10 between SoCalGas shareholders and ratepayers.

SoCalGas will offer the fee-based air quality emission testing service using existing SoCalGas facilities and personnel. The program will not unduly divert utility management attention from tariffed utility services.

SoCalGas' fee-based air quality emission testing service does not violate any laws, regulations, or Commission policies regarding anti-competitive practices. The relevant market for the program is the emission service testing market which already includes several competitors. SoCalGas' marketing of the program will be very low key, and no customer will have any obligation to use the service.

Rule VII.D – Rule VII.D sets forth the following general conditions that must be met before a utility can offer any new non-tariffed products and services. A utility may offer new non-tariffed products and services only if the Commission has adopted and the utility has established:

- 1. A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a non-tariffed basis.*
- 2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.*
- 3. Periodic reporting requirements regarding pertinent information related to non-tariffed products and services; and*
- 4. Periodic auditing of the costs allocated to and the revenues derived from non-tariffed products and services.*

SoCalGas proposes to report program revenues and the related earnings allocation from this program in an annual report in compliance with Rule VII.H. In Rule VII.H, the Commission requires that the SoCalGas Report provide a brief description of the non-tariffed product and service categories it offers, costs allocated to and revenues derived from each category and information on the proportion of relevant utility assets used to cover each category of product and service. This report will include the allocation of gross revenues between ratepayers and shareholders. Thus, the information in this report will satisfy the Commission's requirement in Rule VII.E.

Furthermore, to ensure compliance with the requirements of Rule VII, SoCalGas will use its biennial independent audit of compliance as required by Affiliate Transaction Rule VI.C to review its fee based air quality emission testing services program.

Rule VII.E.1 -- Prior to offering a new category of non-tariffed products and services, the Commission requires the utility to file an advice letter showing it meets the requirements set forth in Rule VII.E.1 as follows:

- a. *Demonstrate compliance with these rules;*
- b. *Address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;*
- c. *Address the potential impact of the new product or service on competition in the relevant market, including but not limited to, the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market;*

SoCalGas' fee-based air quality emission testing service complies with all other applicable Affiliate Transaction Rules. None of SoCalGas' affiliates will participate as service providers for the fee-based emissions testing service program.

SoCalGas believes that the fee-based air quality emission testing service will have a positive effect on the market by modestly increasing competition for an existing service. The testing service would increase the total testing capacity available in the marketplace by less than 20%, a level which would help meet the demand for emission testing without detrimentally impacting the marketplace.

SoCalGas' shareholders will bear the risk of this service while customers will benefit from a more competitive marketplace. SoCalGas' ratepayers will benefit by improved utilization of the assets dedicated to ratepayer services at no incremental cost and a share of the net revenues generated by the program.

This advice filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule.

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 December 12, 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 Advice Letter should be classified as Tier 3 and, as such, requires a resolution to be issued by the Commission. SoCalGas respectfully requests that such a resolution be placed on the Commission's meeting agenda on January 27, 2011.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A.

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) #: 4171

Subject of AL: Request for Authorization to Establish a Fee-Based Air Quality Emission Testing Service on a Non-Tariffed Basis Effective

Keywords (choose from CPUC listing): Balancing Account

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

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

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: 1/27/11

No. of tariff sheets: 4

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 V, Balancing Accounts, TOC - General

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: 4124

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. 4171

(See Attached Service List)

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Sheila Day
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ATTACHMENT B
Advice No. 4171

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 46566-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)	Original 43695-G
Original 46567-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)	Original 43695-G
Revised 46568-G	TABLE OF CONTENTS	Revised 46565-G
Revised 46569-G	TABLE OF CONTENTS	Revised 46224-G*

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

Sheet 1

1. Purpose

The RPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), the RPBA will record the Utility's rewards and penalties associated with the performance indicators adopted in the GRC's post-test year (PTY) mechanism. In addition, the RPBA will record rewards and penalties based on incentive mechanisms associated with SoCalGas' energy efficiency programs. The RPBA also records the ratepayers' share of revenues associated with SoCalGas' non-tariffed products and services, as approved by the Commission.

The RPBA shall be divided into two subaccounts: 1) Rewards and Penalties (R&P) and 2) Non-Tariffed Products & Services (NTP&S).

2. Applicability

This account shall apply to gas customers.

3. Rates

The projected year-end RPBA balance will be applied to gas rates as described in item 6 below.

4. Accounting Procedures

SoCalGas maintains this account by making monthly entries as follows:

- a) A debit entry for rewards associated with performance indicators on the PTY mechanism as addressed in Preliminary Statement, Part XI, PBR,
- b) A debit entry for rewards based on the incentive mechanism associated with SoCalGas' energy efficiency programs,
- c) A credit entry for penalties associated with performance indicators on the PTY mechanism as addressed in Preliminary Statement, Part XI, PBR,
- d) A credit entry for penalties based on the incentive mechanism associated with SoCalGas' energy efficiency programs,
- e) An entry to amortize the previous year's balance, 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.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4171
DECISION NO.

ISSUED BY
Lee Schavrien
Senior Vice President

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

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

Sheet 2

(Continued)

1. Accounting Procedures – NTP&S Subaccount

SoCalGas maintains this account by making monthly entries as follows:

- a) A credit entry for the ratepayers' 10% allocation of gross revenues associated with applicable Commission-approved non-tariffed products and services,
- b) An entry to amortize the previous year's balance, and
- c) 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

In each annual October regulatory account balance update filing, SoCalGas will amortize the year-end overcollected or undercollected balance in the R&P Subaccount and any overcollected balance in the NTP&S Subaccount effective January 1 of the following year. The disposition of both subaccounts in the RPBA will be allocated on an Equal Percent of Marginal Cost (EPMC) basis.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4171
 DECISION NO.
 2W12

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Nov 22, 2010
 EFFECTIVE _____
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