

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 2, 2013

Advice Letter 4499-G

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

SUBJECT: Revision of Annual Core Storage Inventory Target

Dear Ms. Prince:

Advice Letter 4499-G is effective as of June 28, 2013.

Sincerely,

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

Edward F. Randolph, Director
Energy Division



Rasha Prince
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.5141
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RPrince@semprautilities.com

May 29, 2013

Advice No. 4499
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of Annual Core Storage Inventory Target

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) a revision to its Preliminary Statement, Part VIII, Gas Cost Incentive Mechanism (GCIM), as shown in Attachment B.

Background

A. Annual Core Storage Inventory Target

SoCalGas' GCIM Preliminary Statement provides for the following annual core storage inventory target:

The Annual Storage Inventory target on November 1 is 82 Bcf of the physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions.¹

This target was first proposed by SoCalGas and the Division of Ratepayer Advocates (DRA) as part of the initial GCIM agreement back in 1993. This agreement was adopted by the Commission in Decision (D.) 94-03-076 and an annual core storage target has been a feature of SoCalGas' GCIM ever since. The target was initially set by the Commission at 70 Bcf, with a potential variance of +5/-5 BCF.²

In D.06-10-029 (Year 11 GCIM decision), the Commission adopted a Joint Recommendation from SoCalGas, DRA, and The Utility Reform Network (TURN) that changed the potential annual core storage target variance from +5/-5 Bcf to +5/-2 Bcf, and provided that "[i]f additional storage inventory capacity is allocated to SoCalGas' core beyond 70 Bcf, the core's October 31 physical inventory storage target will be increased by that amount."³

¹ Preliminary Statement, Part VIII, GCIM, Section C.7 (emphasis in original).

² D.94-03-076, mimeo., Appendix A (GCIM Agreement) at p. 12.

³ D.06-10-029, mimeo., at p. 7.

In D.07-12-019, the Commission approved the consolidation of SoCalGas and SDG&E's core portfolios, and adopted a combined core portfolio inventory capacity of 79 Bcf to reflect the inventory capacity held by SDG&E's core customers.⁴

B. 2009 BCAP Provisions

In D.08-12-020, the Commission adopted a settlement agreement (Settlement) in Phase 1 of SoCalGas' 2009 Biennial Cost Allocation Proceeding (BCAP). One of the provisions of this Settlement is that SoCalGas would use commercially reasonable efforts to expand storage inventory capacity by 7 Bcf over the period 2009-2014.⁵ Another Settlement provision provides that SoCalGas will allocate a portion of this proposed new inventory capacity to core customers, according to an estimated schedule that calls for four 1 Bcf increases in core inventory capacity – one each year from 2010 through 2013.⁶ SoCalGas was able to expand storage inventory capacity as proposed in the Settlement, and made 80 Bcf, 81 Bcf, and 82 Bcf of inventory capacity available to core customers in GCIM Years 17, 18, and 19, respectively.⁷

Proposal

SoCalGas proposes to update the core inventory target in its Preliminary Statement, Part VIII, from 82 Bcf to 83 Bcf to reflect the last Bcf of inventory capacity now available to core customers as of April 1, 2013. This change is consistent with the Commission's direction in D.06-10-029 that "[i]f additional storage inventory capacity is allocated to SoCalGas' core beyond 70 Bcf, the core's October 31 physical inventory storage target will be increased by that amount."⁸ The combined core has already been increasing its internal operational storage target with each recent increase in core storage inventory capacity, so this proposed tariff change would be consistent with SoCalGas' current operations as well.

This filing will not result in an increase or decrease in any rate or charge, conflict with any rate schedules or any rules, or cause the withdrawal of service.

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, which is June 18, 2013. 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

⁴ See D.07-12-019, mimeo., at 114 (Ordering Paragraph 4).

⁵ D.08-12-020, mimeo., at p.3 of Attachment 1 (Settlement Agreement, Section 6).

⁶ D.08-12-020, mimeo., at p.3 of Attachment 1 (Settlement Agreement, Section 7).

⁷ GCIM Year 17 covered the period April 1, 2010 through March 31, 2011, GCIM Year 18 covered the period April 1, 2011 through March 31, 2012, and GCIM Year 19 covered the period April 1, 2012 through March 31, 2013.

⁸ D.06-10-029, mimeo., at 7.

Copies of the protest should also be sent via e-mail to the attention of Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). 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 advice letter be approved June 28, 2013, which is 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 the interested parties in A.12-06-005, SoCalGas' Year 18 GCIM, A.08-02-001, 2009 BCAP, and A.11-11-002, 2013 TCAP.

Rasha Prince
Director
Regulatory Accounts

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) #: 4499

Subject of AL: GCIM Annual Storage Inventory Target

Keywords (choose from CPUC listing): Storage

AL filing type: Monthly Quarterly Annual One-Time Other

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

D.06-10-029

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: 6/28/13 No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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 VIII – GCIM and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: 4493

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
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4499

(See Attached Service Lists)

ATTACHMENT B
Advice No. 4499

| Cal. P.U.C. Sheet No. | Title of Sheet | Cancelling Cal. P.U.C. Sheet No. |
|--------------------------|--|-------------------------------------|
| Revised 49245-G | PRELIMINARY STATEMENT, PART VIII, GAS COST INCENTIVE MECHANISM, Sheet 5 | Revised 48686-G |
| Revised 49246-G | TABLE OF CONTENTS | Revised 49165-G |
| Revised 49247-G | TABLE OF CONTENTS | Revised 49084-G |

PRELIMINARY STATEMENT
PART VIII
GAS COST INCENTIVE MECHANISM

(Continued)

C. GAS COST INCENTIVE MECHANISM (GCIM) METHODOLOGY (Continued)

- k. Pursuant to Preliminary Statement, Part VI, Description of Regulatory Accounts - Memorandum, the Blythe Operational Flow Requirement Memorandum Account (BOFRMA) will record charges associated with the Utility Gas Procurement Department's purchasing and delivery of gas to sustain operational flows at Blythe. GCIM actual cost will be adjusted for charges or credits to the BOFRMA. Entries to this account, except for interest and amortization, along with related GCIM adjustments, ceased on April 1, 2009, the date the responsibility for managing minimum flow requirements for system reliability was transferred from the Utility Gas Procurement Department to the System Operator pursuant to D.07-12-019.

- 7. The Annual Storage Inventory target on November 1 is 83 Bcf of the physical gas supply, with an accepted variance of +0/-2 Bcf. This target does not include any park or net loan positions. If the November 1 target is not attained, deliveries must be made to insure that a minimum of 69 Bcf of actual physical gas in the core's inventory is reached by December 1. The January, February and March minimum month-end targets (equivalent to peak day minimums necessary for serving the core) must be met. Any deviation from these storage targets should be explained in SoCalGas' annual GCIM filing. SoCalGas has obtained agreement from DRA for a mid-season storage target of 47 Bcf as of July 31, 2013, which is a minimum storage level SoCalGas must meet unless otherwise agreed to by DRA and TURN. TURN was unable to participate in the review process for this most recent mid-season storage target due to time constraints. This target may include net loan positions.

- 8. Tolerance. To determine GCIM rewards or penalties, tolerance bands above or below the benchmark budget are used. Tolerance bands are calculated as a percentage of the monthly gas commodity portion of the benchmark budget and is added to or subtracted from the benchmark budget as "upper tolerance band" or "lower tolerance band" (sharing bands), respectively. The specific percentages are approved by the CPUC and may be redetermined in subsequent CPUC decisions (See Section 9).

- 9. Calculation of Rewards and Penalties Under GCIM
 - a. On an annual basis, actual total purchased gas costs are compared to the annual benchmark budget to determine if a reward/savings or penalty applies.

 - b. If actual total purchased gas costs for the incentive year are less than the annual benchmark budget, the difference constitutes a savings incentive to be shared between ratepayers and shareholders as defined by the Sharing Bands as follows:

| Sharing Band | Ratepayer | Shareholder |
|---------------|-----------|-------------|
| 0.0% -1.00% | 100% | 0% |
| 1.00% - 5.00% | 75% | 25% |
| 5.00% & Above | 90% | 10% |

The shareholder reward will be capped at 1.5% of the actual annual gas commodity costs.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4499
 DECISION NO. 06-10-029

ISSUED BY
Lee Schavrien
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)
 DATE FILED May 29, 2013
 EFFECTIVE Jun 28, 2013
 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.

| <u>GENERAL</u> | <u>Cal. P.U.C. Sheet No.</u> |
|--|---|
| Title Page | 40864-G |
| Table of Contents--General and Preliminary Statement | 49246-G,49093-G,49247-G |
| Table of Contents--Service Area Maps and Descriptions | 41970-G |
| Table of Contents--Rate Schedules | 49141-G,49164-G,48618-G |
| Table of Contents--List of Cities and Communities Served | 47970.1-G |
| Table of Contents--List of Contracts and Deviations | 47970.1-G |
| Table of Contents--Rules | 47374-G,48988-G |
| Table of Contents--Sample Forms | 48189-G,48989-G,47377-G,48990-G,48991-G |

PRELIMINARY STATEMENT

| | |
|---|--|
| Part I General Service Information | 45597-G,24332-G,24333-G,24334-G,48970-G |
| Part II Summary of Rates and Charges | 49125-G,49126-G,49127-G,48800-G,48705-G,49162-G 49095-G,46431-G,46432-G,48566-G,49104-G,49105-G,49106-G,48710-G |
| Part III Cost Allocation and Revenue Requirement | 45267-G,45268-G,45269-G,48711-G,47787-G |
| Part IV Income Tax Component of Contributions and Advances | 48774-G,24354-G |
| Part V Balancing Accounts | |
| Description and Listing of Balancing Accounts | 47157-G |
| Purchased Gas Account (PGA) | 49089-G,49090-G |
| Core Fixed Cost Account (CFCA) | 47158-G,47104-G |
| Noncore Fixed Cost Account (NFCA) | 47159-G,47106-G |
| Enhanced Oil Recovery Account (EORA) | 47160-G |
| Noncore Storage Balancing Account (NSBA) | 46962-G,46963-G |
| California Alternate Rates for Energy Account (CAREA) | 45882-G,45883-G |
| Hazardous Substance Cost Recovery Account (HSCRA) | 40875-G, 40876-G,40877-G |
| Gas Cost Rewards and Penalties Account (GCRPA) | 40881-G |
| Pension Balancing Account (PBA) | 45013-G,45014-G |
| Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) . | 45015-G,45016-G |

(Continued)

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TABLE OF CONTENTS

(Continued)

PRELIMINARY STATEMENT (Continued)

Part VI Memorandum Accounts (Continued)

Disconnect Memorandum Account (DMA) 45738-G
 California Solar Initiative Thermal Project Memorandum Account (CSITPMA) 45977-G
 Honor Rancho Storage Memorandum Account (HRSMA) 46086-G,46087-G
 Wildfire Expense Memorandum Account (WEMA) 46336-G
 Environmental Fee Memorandum Account (EFMA) 49324-G
 Natural Gas Appliance Testing Memorandum Account (NGATMA) 49323-G
 Energy Savings Assistance Programs Memorandum Account (ESAPMA) 48286-G
 General Rate Case Memorandum Account (GRCMA) 49325-G
 Pipeline Safety and Reliability Memorandum Account (PSRMA) 48111-G

Part VII Tracking Accounts

Description and Listing of Tracking Accounts 45286-G
 Other Hazardous Substance Tracking Account (OHSTA) 40921-G
 Vernon Revenue Tracking Account (VRTA) 40926-G
 Montebello True-Up Tracking Account (MTTA) 40927-G
 Native Gas Tracking Account (NGTA) 42598-G

Part VIII Gas Cost Incentive Mechanism (GCIM) 45890-G,45891-G,42774-G,45892-G
 49245-G,42777-G

Part IX Hazardous Substances Mechanism (HSM) 48973-G,26200-G,26201-G

Part XI Performance Based Regulation (PBR) 49326-G,49327-G,49328-G,49329-G
 49330-G,49331-G,49332-G,49333-G,49334-G
 49335-G,49336-G,49337-G,49338-G,49339-G,49340-G

Part XII Gain/Loss On Sale Mechanism 42134-G,42135-G,42136-G,42137-G,42138.1-G

Part XIII Native Gas Program Mechanism (NGPM) 42599-G, 42600-G, 42601-G, 42602-G
 42603-G, 42604-G, 42605-G

Part XIV Cost of Capital Mechanism (CCM) 49082-G

(TO BE INSERTED BY UTILITY)

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