

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



July 22, 2015

**Advice Letters: 4632-G & 4632-G-A**

Southern California Gas Company  
Attention: Sid Newsom  
555 West Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

**SUBJECT: Request for Recovery of the Transmission Integrity Management Program  
Balancing Account (TIMPBA) Balance**

Dear Mr. Newsom:

Advice Letters 4632-G and 4632-G-A are effective as of June 22, 2015, per Resolution G-3499  
Ordering Paragraphs.

Sincerely,

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

Edward 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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April 11, 2014

Advice No. 4632  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Request for Recovery of the Transmission Integrity Management Program Balancing Account (TIMPBA) Balance**

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval for the recovery of its TIMPBA under collection balance as recorded at December 31, 2013, to be incorporated in SoCalGas' revenue requirement and rates effective no later than January 1, 2015. Following the issuance of a Commission resolution on this advice letter, SoCalGas would incorporate this rate change with the implementation of the next scheduled Commission-approved change to its transportation rates (e.g., SoCalGas 2013 Triennial Cost Allocation Proceeding), or on January 1, 2015, whichever is earlier.

**Purpose**

SoCalGas requests authority to recover the under collection recorded in its TIMPBA for reasonably incurred pipeline integrity-related expenses as of the end of 2013.

**Background**

SoCalGas' Transmission Integrity Management Program (TIMP) implements the federal regulatory requirements set forth in 49 CFR 192 Subpart O.<sup>1</sup> These federal pipeline regulations were first adopted effective February 14, 2004, following the passage of the Pipeline Safety Improvement Act of 2002 (PSIA), to promote the continued safe and reliable operation of the country's natural gas infrastructure. Under these regulations, operators of natural gas transmission pipelines are required to continuously identify threats to their pipelines in High Consequence Areas (HCAs), analyze the risks posed by those threats, conduct appropriate pipeline assessments at least once every seven years, collect information about the physical condition of their pipelines, and take actions to minimize applicable threats and integrity concerns before pipeline failures occur. SoCalGas' TIMP is designed to meet these regulatory

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<sup>1</sup> Subpart O is incorporated into the Commission's General Order 112-E.

requirements and objectives and SoCalGas' request for approval of funds for the TIMP in its 2012 General Rate Case (GRC) was based on the forecast costs of complying with these regulatory requirements and objectives.

In 2010, when SoCalGas initially filed its test year 2012 GRC application, SoCalGas did not request balancing account treatment for TIMP-related costs. With the passage of California Senate Bill (SB) 879 in 2011, codified as Public Utilities Code section 969, the adoption of additional TIMP-related regulations, high variability in first time assessments, as well as calls for heightened transmission integrity, SoCalGas revised its request in order to establish a two-way balancing account for TIMP-related costs, in accordance with Public Utilities Code section 969, which states:

*969. In any ratemaking proceeding in which the commission authorizes a gas corporation to recover expenses for the gas corporation's transmission pipeline integrity management program established pursuant to Subpart O (commencing with Section 192.901) of Part 192 of Title 49 of the United States Code or related capital expenditures for the maintenance and repair of transmission pipelines, the commission shall require the gas corporation to establish and maintain a balancing account for the recovery of those expenses. Any unspent moneys in the balancing account in the form of an accumulated account balance at the end of each rate case cycle, plus interest, shall be returned to ratepayers through a true-up filing. Nothing in this section is intended to interfere with the commission's discretion to establish a two-way balancing account.*

Pursuant to Commission Decision (D.) 13-05-010 approving SoCalGas' 2012 GRC application, the TIMPBA was established to record the difference between authorized and actual Operations and Maintenance (O&M) and capital-related costs associated with SoCalGas' TIMP. The TIMPBA is effective for the four-year GRC cycle ending December 31, 2015, or the effective date of SoCalGas' next GRC. Any over or under collected balance at the end of each year within the GRC cycle is to be carried over to the following year. In addition, in accordance with Finding of Fact 202 of D.13-05-010, any TIMP costs in excess of the corresponding authorized O&M and capital expenditures are subject to recovery through a Tier 3 advice letter filing.

In early 2010, when SoCalGas prepared its 2012 GRC application, SoCalGas did not anticipate the resources that would later be required to address the heightened focus on transmission integrity as a consequence of the pipeline rupture that occurred in Pacific Gas and Electric Company's transmission pipeline on September 10, 2010. Since the pipeline rupture in San Bruno, regulations such as "The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011" have led the Pipeline and Hazard Materials Safety Administration (PHMSA) to change its reporting requirements and review the existing transmission integrity requirements to identify areas for improvement.

In addition, pipeline operators were not required to complete all of their first or "baseline" pipeline assessments under Subpart O until 2012. When SoCalGas developed its TIMP cost estimates back in 2010, it did not yet have a complete history of the cost of repairs or remediations that would be driven by those baseline assessment findings and did not yet have experience with addressing conflicts that

were later encountered when conducting assessments and remediations in sensitive areas.

In its 2012 GRC, SoCalGas forecast \$32.9 million TIMP-related O&M expense for the test year. In D.13-05-010, the Commission authorized \$28.6 million, a reduction of \$4.3 million or 13%. This reduction carried forward in 2013 as \$4.4 million.<sup>2</sup>

### **Projected TIMPBA Under Collection Balance**

As of December 31, 2013, the TIMPBA is \$29 million under collected (or 48% above the authorized revenue requirement of \$59.9 million for the combined 2012-2013 period). The recorded \$29 million under collection for the 2012–2013 period is comprised of O&M expenses of approximately \$28.1 million and TIMP-related capital expenses of approximately \$0.9 million. As described in greater detail below, this under collection is driven by three contributing factors. First, as noted above, in D.13-05-010, the Commission did not authorize SoCalGas to recover the entire forecast cost of implementing its TIMP. Rather, the Commission reduced the amount to be recovered by SoCalGas by \$4.3 million or 13%. This carried over into 2013 as \$4.4 million. Thus, approximately \$8.7 million of the under collection (30%) can be attributed to the reduced amount authorized for TIMP in D.13-05-010. Second, in 2010, when SoCalGas developed its forecast of TIMP-related costs for its 2012 GRC, it did not foresee conditions that ultimately led to increased TIMP-related costs. These unanticipated circumstances resulted in additional costs of about \$19.4 million (67%). Third, as a result of how capital expenditures are recovered and balanced, the actual amount recovered by SoCalGas for capital is approximately \$1 million less than forecast (3%).

Attachments A1 through A3 are provided to detail the actual costs incurred during the 2012-2013 period. Because the TIMPBA was not implemented until the GRC decision was issued in May 2013, Attachments A1 and A2 are provided only as pro forma statements of TIMP activity reflecting the timing of costs as actually incurred. Attachment A3 reflects TIMP activity recorded in the TIMPBA with the implementation of SoCalGas' 2012 GRC decision, beginning in May 2013, with a true-up of actual costs retroactive to January 1, 2012.

Table 1 below distinguishes the analysis of TIMP O&M and capital additions, from an actual and authorized perspective, from the actual TIMPBA under collection calculation recorded on SoCalGas' financial statements. As noted above and shown in Table 1, the primary cause of the TIMPBA under collection is overspending in TIMP O&M. The capital portion of the under collection is due to the balancing of capital costs on a revenue requirement basis (i.e., the depreciation, taxes and return associated with capital additions to utility ratebase) and not on a capital expenditures basis.<sup>3</sup> The balancing account treatment of capital costs as a contributing driver of the

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<sup>2</sup> Authorized values escalated 2.65% pursuant to post test-year attrition mechanism in D.13-05-010.

<sup>3</sup> Actual and authorized capital-related costs are based on capital additions related to TIMP projects commencing on or after January 1, 2012.

under collection is further explained in detail in the “Balancing of Capital-Related Costs” section below.

**Table 1**  
**TIMP Costs: Actual v. Authorized**

**SOUTHERN CALIFORNIA GAS COMPANY**  
**TRANSMISSION INTEGRITY MANAGEMENT PROGRAM - COSTS VS. BALANCING ACCOUNT - \$000**

TIMP O&M Spending and Capital Additions				TIMPBA Calculation (Revenue Requirements)					
	(a)	(b)	(c) = (a) - (b)		(d)	(e)	(f) = (d) - (e)	(g)	(h)=(f)+(g)
	Actual	Authorized	Over/ (Under) Spending		Actual	Authorized <sup>1/</sup>	Under/ (Over) Collection	Interest	TIMPBA Activity
<u>Year 2012:</u>				<u>Year 2012:<sup>2/</sup></u>					
O&M	40,816	28,612	12,204	O&M	40,816	28,612	12,204		12,204
Capital Additions	13,469	17,731	(4,262)	Capital-Related Costs	102	948	(846)		(846)
				Interest				3	3
Subtotal	<u>54,285</u>	<u>46,343</u>	<u>7,942</u>	Subtotal	<u>40,918</u>	<u>29,560</u>	<u>11,358</u>	<u>3</u>	<u>11,362</u>
<u>Year 2013:</u>				<u>Year 2013:</u>					
O&M	45,252	29,370	15,882	O&M	45,252	29,370	15,882		15,882
Capital Additions	29,715	17,731	11,984	Capital-Related Costs <sup>3/</sup>	2,673	973	1,700		1,700
				Cost of Capital Adjust.		(52)	52		52
				Interest				21	21
Subtotal	<u>74,967</u>	<u>47,101</u>	<u>27,866</u>	Subtotal	<u>47,925</u>	<u>30,291</u>	<u>17,634</u>	<u>21</u>	<u>17,655</u>
<u>Year 2012-2013:</u>				<u>Year 2012-2013:</u>					
O&M	86,068	57,982	28,086	O&M	86,068	57,982	28,086		28,086
Capital Additions	43,184	35,462	7,722	Capital-Related Costs	2,775	1,921	854		854
				Cost of Capital Adjust.	-	(52)	52		52
				Interest				24	24
Total	<u>129,252</u>	<u>93,444</u>	<u>35,808</u>	Total	<u>88,843</u>	<u>59,851</u>	<u>28,992</u>	<u>24</u>	<u>29,017</u>

<sup>1/</sup> 2013 authorized O&M and capital-related revenue requirement increased by 2.65% attrition adjustment adopted in 2012 GRC decision.

<sup>2/</sup> Recorded in May 2013 with implementation of 2012 GRC.

<sup>3/</sup> 2013 actual capital-related costs also include the capital-related costs associated with capital expenditures from the prior year and impact of the 2013 Cost of Capital.

### **TIMP O&M Costs**

As noted above, in D.13-05-010, the Commission authorized \$28.6 million for 2012 TIMP O&M, a reduction of \$4.3 million or 13%. This reduction carried forward to 2013 as \$4.4 million.<sup>4</sup> Therefore, of the \$28.1 million overspend for O&M activities, \$8.7 million (31%), is attributable to this reduction of SoCalGas' request for test year 2012.

The remaining \$19.4 million of additional O&M expenses above authorized amounts relate to costs being higher in 2012 than initially forecast back in 2010. The O&M costs for TIMP, as requested vs as authorized, are summarized by year in the following Table 2:

<sup>4</sup> Authorized values escalated 2.65% pursuant to post test-year attrition mechanism in D.13-05-010.

**Table 2**  
**GRC TIMP O&M Forecast Summary (\$000)**

a	b	c	d	e	f
(000's) '09\$ Direct + V&S	2010 GRC \$	2011 GRC	2012 GRC	GRC Authorized	Diff GRC request vs. Auth
Program Mgt and Support	\$5,708	\$5,691	\$5,700	\$5,700	\$0
Assessments	\$14,752	\$16,782	\$24,760	\$20,760	\$(4,000)
Feature Study Data	\$3,698	\$0	\$0	\$0	\$0
Pipe Sampling, Pressure Reductions	\$288	\$96	\$0	\$0	\$0
Cathodic Protection Survey	\$1,024	\$0	\$0	\$0	\$0
Inflation Adjustment \$	\$588	\$1,262	\$2,483	\$2,152	\$(331)
Total	\$26,058	\$23,831	\$32,943	\$28,612	\$(4,331)

In 2010, there were several activities forecast to have no spending in test year 2012 (spending amounts were forecasted for years 2010 and 2011). The lack of a forecast for these activities in 2012 were due to the use of a zero-based forecasting methodology coupled with the fact that the 2012 GRC Application was filed prior to the adoption of incremental regulatory requirements that drove additional work in these categories.

A forecast for 2013 was not developed as part of the GRC. Costs incurred in 2013 were driven by assessments, program management and support costs, and completion of feature studies. SoCalGas is in the process of developing its 2014 and 2015 TIMP O&M forecasts and does not anticipate a reduction in expenses compared to prior years.

Actual and forecasted costs for the 2012 – 2013 time period compared to authorized are summarized as follows in Table 3.

**Table 3**  
**TIMP O&M Costs 2012 – 2013 Actuals (\$000)**

a	b	c	d	e	f	g	h
(000's) Direct + V&S	2012 Actual \$	2013 Actual \$	Total Actual (2012 + 2013)	GRC2012 Authorized	GRC 2013 Authorized	Total Authorized (2012 + 2013)	<u>Difference (Actual – Authorized)</u>
Program Mgt and Support	\$8,568	\$10,194	\$18,762	\$5,700	\$5,700	\$11,400	\$7,362
Assessments	\$28,443	\$29,045	\$57,488	\$20,760	\$20,760	\$41,520	\$15,968
Feature Study Data	\$3,151	\$4,444	\$7,595	\$0	\$0	\$0	\$7,595
Pipe Sampling, Pressure Reductions	\$626	\$1,104	\$1,730	\$0	\$0	\$0	\$1,730
Cathodic Protection Survey	\$28	\$465	\$493	\$0	\$0	\$0	\$493
Inflation Adjustment \$	na	na		\$2,152	\$2,910	\$5,062	(\$5,062)
Total	\$40,816	\$45,252	\$86,068	\$28,612	\$29,370	\$57,982	\$28,086

In the table above, 2012 and 2013 TIMP spending is divided into six general categories—Program Management and Support, Assessments, Feature Study Data, Pipe Sampling and Pressure Reductions, Cathodic Protection Surveys, and Inflation Adjustment. SoCalGas consistently worked to improve the safety and reliability of its system over this period. Through system modifications and enhancements, SoCalGas increased the percentage of transmission system miles that are capable of being inspected using in-line inspection tools (or “Smart Pigs”) by roughly 6%. Since the beginning of 2012, the monies spent for Assessments in 2012 and 2013 included costs for the in-line inspection of approximately 1,021 miles of pipeline, the Direct Assessment (both External and Internal) of approximately 77 miles of pipe, 619 pipeline excavations and inspections (i.e. bell hole inspections), control surveys<sup>5</sup> of over 1,500 miles of pipeline and the repair of approximately 276 total anomalies. SoCalGas also expended considerable effort to sample pipelines and reduce the operating pressure in numerous areas of its system to further enhance and validate its safety.<sup>6</sup> Lastly, as a result of SoCalGas’ feature study data collection efforts, its system knowledge for the 3,500 miles of transmission pipeline has increased.

In addition, some projects that were initially contemplated to begin in 2013 were accelerated and initiated in 2012, and some costs that were contemplated back in

<sup>5</sup> Control surveys are used to spatially align vendor survey data, to accurately position bell hole excavations, and to align high pressure pipeline database geometry.

<sup>6</sup> Reducing the operating pressure of a pipeline enhances safety by reducing the level of stress placed on those segments.

2010 increased significantly (e.g., permit costs (both environmental and municipal) and contractor costs).

### **Balancing of Capital-Related Costs**

Capital investments are recovered through their associated capital-related costs, which are comprised of return on ratebase, taxes on return, depreciation, and ad valorem tax. When balancing capital-related costs, two ratemaking anomalies can occur and cause under collections that are not primarily related to differences between actual and authorized spending levels. First, authorized capital-related costs are established based on the monthly timing of when test year capital investment is placed in-service and on a monthly weighted-average ratebase. Consequently, if authorized monthly capital expenditures are reflected as capitalized later in the year, authorized ratebase is lower, resulting in the corresponding authorized capital-related costs reflecting only a partial year, or "stub year," recovery of the actual annual capital-related costs. This stub year recovery is permanent in the GRC cycle so it will continue in each of the three attrition years of the GRC cycle. In Table 4 below, the illustrative test year shortfall (which would be recorded as an under collection in the TIMPBA) is the difference between the \$1 million authorized capital-related costs and \$2 million recorded capital-related costs, or a shortfall of \$1 million in the test year. The shortfall in the test year will repeat in the subsequent attrition years.

The second anomaly occurs because recorded ratebase accumulates in the attrition years, such that capital-related costs increase and are balanced against a constant, partial-year authorized capital-related cost. In the table below, the test year shortfall is \$(1) million. Due to the accumulating ratebase, however, the shortfall increases to \$(2) million in the first attrition year, further increases to \$(4) million in the second attrition year, and further increases to \$(6) million in third attrition year, for a total shortfall of about \$(13) million for the total four- year cycle.

**Table 4**  
**Balanced Capital Illustration**

Illustrative 4 year cycle - \$Millions					
	TY	AY 1	AY 2	AY 3	Total
Authorized Capital Expenditures	10	10	10	10	40
Authorized Ratebase (partial year)	5	5	5	5	
Authorized Capital Related Costs	1	1	1	1	4
Recorded Capital Expenditures	10	10	10	10	40
Recorded Ratebase (partial year)	10	15	25	35	
Recorded Capital Related Costs	2	3	5	7	17
Capital Related Costs Shortfall	(1)	(2)	(4)	(6)	(13)



This disparity between authorized capital-related costs embedded in base rates and actual capital-related costs based on cumulative capital additions to ratebase is therefore expected to contribute to additional under collections in the TIMPBA in 2014 and 2015.

### **Incorporation of TIMPBA Revenue Requirement in Rates**

Upon a Commission resolution on this advice letter filing, SoCalGas will incorporate the TIMPBA balance in its next annual regulatory account balance update filing or consolidated rate filing, as appropriate, for rates effective January 1st of the following year, or other authorized rate changes that the Commission may authorize for implementation in transportation rates at that time (e.g., implementation of SoCalGas' TCAP). The TIMPBA amount will be amortized in gas transportation rates on an Equal Percent of Authorized Margin (EPAM) basis. See Attachment B for revenue requirement and rate impacts.

SoCalGas also anticipates it will continue to record under collections in its TIMPBA due to O&M spending above authorized levels and the balancing of capital-related costs (see "Balancing of Capital-Related Costs" section above) during the remainder of the GRC period. SoCalGas intends to file additional Tier 3 advice letters for recovery of under collections in its TIMPBA in future rates once there is greater certainty of projected under collected balances for those years.<sup>7</sup>

### **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 May 1, 2014. 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 the Energy Division Tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto: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.

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<sup>7</sup> Under collections in SoCalGas' Distribution Integrity Management Program Balancing Account (DIMPBA), if any, will also be included in future Tier 3 advice letter filings for recovery in rates.

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 Findings of Fact No. 202 of D.13-05-010, this advice letter is designated as Tier 3 pursuant to General Order (GO) 96-B and, as such, requires a Commission Resolution to approve. SoCalGas respectfully requests that this filing be made effective after Commission approval for implementation and inclusion in rates effective January 1 following a Commission resolution on this advice letter or other date SoCalGas is authorized to revise its rates.

**Notice**

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list in A.10-12-006, SoCalGas' TY 2012 GRC. Address change requests to the GO 96-B should be directed by electronic mail to [tariffs@socalgas.com](mailto:tariffs@socalgas.com) or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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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) #: 4632

Subject of AL: Request for Recovery of the Transmission Integrity Management Program Balancing Account (TIMPBA) Balance

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 #:

D.13-05-010

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: 1/1 after Resolution is issued No. of tariff sheets: 0

Estimated system annual revenue effect (%): 1.3%

Estimated system average rate effect (%): 1.3%

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: None

Service affected and changes proposed<sup>1</sup> See Advice Letter

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**

[EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@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](mailto:SNewsom@semprautilities.com)

[tariffs@socalgas.com](mailto:tariffs@socalgas.com)

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

**ATTACHMENT A**

**Advice No. 4632**

**A1 – Pro Forma: Transmission Integrity Management Program  
Balancing Account (TIMPBA) Year 2012**

**A2 – Pro Forma: Transmission Integrity Management Program  
Balancing Account (TIMPBA) Year 2013**

**A3 – Transmission Integrity Management Program  
Balancing Account (TIMPBA) Year 2013**

**ATTACHMENT A1**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**PRO FORMA: TRANSMISSION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (TIMPBA)**  
**Year 2012**

(Over) / Under Collection (\$000)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	act	act	act	act	act	act	act	act	act	act	act	act	
Beginning Balance	-	(2,192)	(2,769)	(221)	(1,776)	(1,357)	3,320	2,677	2,816	4,129	4,024	4,638	-
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Beginning Balance	-	(2,192)	(2,769)	(221)	(1,776)	(1,357)	3,320	2,677	2,816	4,129	4,024	4,638	-
O&M Costs	271	1,887	5,012	908	2,882	7,138	1,816	2,597	3,770	2,344	3,051	9,139	40,816
Capital-Related Costs													
Depreciation	-	-	-	-	0	0	1	1	1	2	4	8	15
Return	-	-	-	0	0	1	2	2	4	8	17	33	68
Income Taxes	-	-	-	0	0	1	1	1	2	3	5	6	18
Total Cost	271	1,887	5,012	908	2,883	7,140	1,820	2,601	3,776	2,357	3,077	9,186	40,918
Authorized Cost	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	29,560
Amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	2,463	29,560
Net activity	(2,192)	(577)	2,548	(1,555)	420	4,677	(643)	138	1,313	(106)	613	6,722	11,358
Current Month Interest**:	(0)	(0)	(0)	(0)	(0)	0	1	1	1	1	1	1	3
Total Current Month Activity	(2,192)	(577)	2,548	(1,555)	419	4,677	(643)	139	1,314	(106)	614	6,724	11,362
Ending Balance	(2,192)	(2,769)	(221)	(1,776)	(1,357)	3,320	2,677	2,816	4,129	4,024	4,638	11,362	11,362

\*\* Interest applied to average monthly balance as follows: (((Beg. Bal.+(Beg. Bal.+Current Month Adjustment))/2)\*(Int.Rate/12)

**Interest Assumption:**   0.14%   0.14%   0.17%   0.18%   0.20%   0.19%   0.21%   0.22%   0.20%   0.20%   0.19%   0.20%

**Assumptions:**

1/ 2012 activity is based on actual recorded data. 2012 activity recorded in 2013 with GRC implementation.

2/ Pipeline Integrity gas purchases and sales are included in O&M costs.

**ATTACHMENT A2**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**PRO FORMA: TRANSMISSION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (TIMPBA)**  
**Year 2013**

(Over) / Under Collection (\$000)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	act	act	act	act	act	act	act	act	act	act	act	act	
Beginning Balance	11,362	9,233	10,176	13,790	14,099	17,008	21,197	21,189	21,848	24,494	24,970	25,464	11,362
Prior Period Adjustment													-
Adjusted Beginning Balance	11,362	9,233	10,176	13,790	14,099	17,008	21,197	21,189	21,848	24,494	24,970	25,464	11,362
O&M Costs	324	3,314	5,963	2,640	5,215	6,502	2,269	2,928	4,909	2,746	2,730	5,713	45,252
Capital-Related Costs													
Depreciation	17	34	39	42	47	26	50	52	58	53	55	75	548
Return	63	80	90	100	115	127	133	136	136	138	174	225	1,516
Income Taxes	(10)	33	38	43	49	51	57	59	60	58	51	57	546
Property Taxes	-	6	6	6	6	6	6	6	6	6	6	6	63
Total Cost	394	3,466	6,136	2,831	5,432	6,712	2,515	3,181	5,168	2,999	3,016	6,075	47,925
Authorized Cost	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	30,291
Amortization													-
Total Revenue	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	2,524	30,291
Net activity	(2,130)	942	3,612	307	2,907	4,188	(10)	657	2,644	475	491	3,551	17,634
Current Month Interest**:	2	1	2	2	2	2	2	2	2	2	2	2	21
Total Current Month Activity	(2,129)	944	3,614	308	2,909	4,190	(8)	659	2,646	476	494	3,553	17,655
Ending Balance	9,233	10,176	13,790	14,099	17,008	21,197	21,189	21,848	24,494	24,970	25,464	29,017	29,017

\*\* Interest applied to average monthly balance as follows: (((Beg. Bal.+(Beg. Bal.+Current Month Adjustment))/2)\*(Int.Rate/12)

**Interest Assumption:**   0.20%   0.16%   0.17%   0.15%   0.12%   0.10%   0.10%   0.11%   0.09%   0.08%   0.11%   0.09%

**Assumptions:**

- 1/ 2012 activity and activity January through April 2013 was recorded in the TIMPBA with SoCalGas' GRC implementation in May 2013 in compliance with CPUC Decision 13-05-010.
- 2/ January through October 2013 activity is based on actual recorded activity. November through December 2013 activity is based on forecasted spending for the remainder of the year. (Source: TIMP Program)
- 3/ Forecasted annual O&M spending is allocated evenly throughout the year.
- 4/ Assumptions for forecasted capital-related costs are the same as those used for planning purposes. (Source: Financial and Ratebase Services; Tax Department)
- 5/ Pipeline Integrity gas purchases and sales are included in O&M costs.

**ATTACHMENT A3**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**TRANSMISSION INTEGRITY MANAGEMENT PROGRAM BALANCING ACCOUNT (TIMPBA)**  
**Year 2013**

(Over) / Under Collection (\$)

SAP Account Number 1150588

	Jan-13	Feb-13	Mar-13	Apr-13	May-13 <sup>1/</sup>	Jun-13 <sup>2/</sup>	Jul-13 <sup>3/</sup>	Aug-13	Sep-13 <sup>4/</sup>	Oct-13	Nov-13	Dec-13	Total
					rec	rec	rec	rec	rec	rec	rec	rec	
Beginning Balance	-	-	-	-	-	16,117,032	20,271,216	20,214,517	20,837,809	24,493,960	24,970,407	25,464,024	-
Prior Period Adjustment (PPA)					10,686,996	(8,834)	(33)		683,394				11,361,523
Adjusted Beginning Balance	-	-	-	-	10,686,996	16,108,198	20,271,183	20,214,517	21,521,203	24,493,960	24,970,407	25,464,024	11,361,523
<b>Costs:</b>													
O&M Costs <sup>5/</sup>					17,443,158	6,514,537	2,268,652	2,928,387	4,908,983	2,745,730	2,729,686	5,713,054	45,252,187
Capital-Related Costs													
Depreciation					180,085	25,833	50,279	52,068	58,007	52,525	54,971	74,601	548,369
Income Taxes					185,630	58,887	56,765	67,389	12,563	57,506	51,039	56,637	546,416
Return					515,759	142,662	146,368	153,984	19,927	137,575	174,148	225,086	1,515,509
Property Taxes <sup>6/</sup>									45,696	5,712	5,712	5,712	62,832
Total Costs:	-	-	-	-	18,324,632	6,741,919	2,522,064	3,201,828	5,045,176	2,999,048	3,015,556	6,075,090	47,925,313
<b>Revenues:</b>													
Authorized Cost Amortization					12,902,085	2,580,417	2,580,417	2,580,417	2,074,914	2,524,250	2,524,250	2,524,250	30,291,000
Total Revenues:	-	-	-	-	12,902,085	2,580,417	2,580,417	2,580,417	2,074,914	2,524,250	2,524,250	2,524,250	30,291,000
Net Cost / (Revenue)	-	-	-	-	5,422,547	4,161,502	(58,353)	621,411	2,970,262	474,798	491,306	3,550,840	17,634,313
Current Month Interest**	-	-	-	-	7,489	1,516	1,687	1,881	2,495	1,649	2,311	2,043	21,071
Current Month Activity	-	-	-	-	5,430,036	4,163,018	(56,666)	623,292	2,972,757	476,447	493,617	3,552,883	17,655,384
Ending Balance	-	-	-	-	16,117,032	20,271,216	20,214,517	20,837,809	24,493,960	24,970,407	25,464,024	29,016,907	29,016,907

\*\* Interest applied to average monthly balance as follows: (((Beg. Bal.+(Beg. Bal.+Current Month Adjustment))/2)\*(Int.Rate/12)

Interest rate:	0.20%	0.16%	0.17%	0.15%	0.12%	0.10%	0.10%	0.11%	0.09%	0.08%	0.11%	0.09%
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**Notes:**

<sup>1/</sup>The 2012 GRC Decision 13-05-010 authorizes the creation of the Transmission Integrity Management Program Balancing Account (TIMPBA) to balance actual TIMP O&M and capital costs and the associated authorized costs. Adjustment were recorded in May 2013 and applied retroactively beginning January 1, 2012 as detailed below.

	2012 YTD	Apr 2013 YTD	May 2013	May YTD
Authorized cost:	(30,251,004)	(10,321,668)	(2,580,417)	(12,902,085)
O&M costs:	40,824,950	12,228,576	5,214,582	17,443,158
Capital-related costs:	110,277	647,924	233,550	881,474
Net PI Gas Purchase/Sale:	-	-	-	-
Interest:	2,740	6,020	1,468	7,488
<b>PPA:</b>	<b>10,686,963</b>	<b>2,560,852</b>	<b>2,869,183</b>	<b>5,430,035</b>

<sup>2/</sup>PPA: \$8,834 is the 2012 net sale of gas transactions for Pipeline Integrity work (\$526,087 purchase & \$534,921 sale).

<sup>3/</sup>PPA: \$33 is an interest revenue true up for 2012 due to the inclusion of PI gas transactions.

	Income Taxes	Return	Authorized Costs	Interest	Total
<sup>4/</sup> 2012 True-Up:					
Recorded	21,334	73,641	(30,251,004)	2,740	(30,153,289)
Revised	18,457	68,228	(29,560,000)	3,420	(29,469,895)
<b>PPA:</b>	<b>(2,877)</b>	<b>(5,413)</b>	<b>691,004</b>	<b>680</b>	<b>683,394</b>
<sup>4/</sup> 2013 YTD True-Up:					
Recorded	368,671	958,773	(20,643,336)	12,573	(19,303,319)
Revised	381,019	982,040	(22,718,250)	15,068	(21,340,123)
<b>Current Month Activity:</b>	<b>12,348</b>	<b>23,267</b>	<b>(2,074,914)</b>	<b>2,495</b>	<b>(2,036,804)</b>

<sup>5/</sup>Pipeline Integrity gas purchases and sales are included in O&M costs.

**ATTACHMENT B**

**Advice No. 4632**

**Revenue Requirement and Rate Impacts**



**Attachment B**  
**Natural Gas Transportation Rate Revenues**  
**Southern California Gas Company**  
**January 2015 Rates**

SCG 2014 RD Model TIMPBA AL v4-8-2014

	Present Rates			Proposed Rates			Changes		
	Jan-1-14	Proposed	Jan-1-14	Jan-1-15	Proposed	Jan-1-15	Revenue	Rate	% Rate
	Volumes	Rate	Revenues	Volumes	Rate	Revenues	Change	Change	change
	Mth	\$/therm	\$000's	Mth	\$/therm	\$000's	\$000's	\$/therm	%
	A	B	C	D	E	F	G	H	I
<b>CORE</b>									
Residential	2,483,989	\$0.61537	\$1,528,573	2,483,989	\$0.62424	\$1,550,594	\$22,021	\$0.00887	1.4%
Commercial & Industrial	970,519	\$0.32356	\$314,017	970,519	\$0.32883	\$319,131	\$5,115	\$0.00527	1.6%
NGV - Pre SempraWide	117,231	\$0.10094	\$11,834	117,231	\$0.10219	\$11,980	\$146	\$0.00125	1.2%
SempraWide Adjustment	117,231	(\$0.00512)	(\$600)	117,231	(\$0.00525)	(\$615)	(\$15)	(\$0.00013)	2.5%
NGV - Post SempraWide	117,231	\$0.09583	\$11,234	117,231	\$0.09694	\$11,365	\$131	\$0.00112	1.2%
Gas A/C	1,210	\$0.09350	\$113	1,210	\$0.09462	\$115	\$1	\$0.00112	1.2%
Gas Engine	18,080	\$0.11605	\$2,098	18,080	\$0.11753	\$2,125	\$27	\$0.00148	1.3%
<b>Total Core</b>	<b>3,591,030</b>	<b>\$0.51685</b>	<b>\$1,856,035</b>	<b>3,591,030</b>	<b>\$0.52445</b>	<b>\$1,883,329</b>	<b>\$27,295</b>	<b>\$0.00760</b>	<b>1.5%</b>
<b>NONCORE COMMERCIAL &amp; INDUSTRIAL</b>									
Distribution Level Service	982,465	\$0.07628	\$74,940	982,465	\$0.07736	\$76,004	\$1,064	\$0.00108	1.4%
Transmission Level Service (2)	457,697	\$0.02055	\$9,407	457,697	\$0.02078	\$9,510	\$103	\$0.00023	1.1%
<b>Total Noncore C&amp;I</b>	<b>1,440,163</b>	<b>\$0.05857</b>	<b>\$84,347</b>	<b>1,440,163</b>	<b>\$0.05938</b>	<b>\$85,514</b>	<b>\$1,168</b>	<b>\$0.00081</b>	<b>1.4%</b>
<b>NONCORE ELECTRIC GENERATION</b>									
Distribution Level Service									
Pre Sempra Wide	353,995	\$0.03460	\$12,250	353,995	\$0.03507	\$12,414	\$164	\$0.00046	1.3%
Sempra Wide Adjustment	353,995	(\$0.00553)	(\$1,956)	353,995	(\$0.00564)	(\$1,996)	(\$40)	(\$0.00011)	2.0%
Distribution Level Post Sempra Wide	353,995	\$0.02908	\$10,293	353,995	\$0.02943	\$10,418	\$125	\$0.00035	1.2%
Transmission Level Service (2)	2,472,969	\$0.01920	\$47,492	2,472,969	\$0.01943	\$48,051	\$558	\$0.00023	1.2%
<b>Total Electric Generation</b>	<b>2,826,964</b>	<b>\$0.02044</b>	<b>\$57,785</b>	<b>2,826,964</b>	<b>\$0.02068</b>	<b>\$58,468</b>	<b>683</b>	<b>\$0.00024</b>	<b>\$0</b>
<b>TOTAL RETAIL NONCORE</b>	<b>4,267,127</b>	<b>\$0.03331</b>	<b>\$142,132</b>	<b>4,267,127</b>	<b>\$0.03374</b>	<b>\$143,983</b>	<b>\$1,851</b>	<b>\$0.00043</b>	<b>1.3%</b>
<b>WHOLESALE &amp; INTERNATIONAL (excluding SDG&amp;E)</b>	<b>368,955</b>	<b>\$0.01933</b>	<b>\$7,048</b>	<b>368,955</b>	<b>\$0.01933</b>	<b>\$7,131</b>	<b>\$83</b>	<b>(\$0.00127)</b>	<b>-6.2%</b>
<b>OTHER SERVICES (SDG&amp;E, UBS, &amp; BTS)</b>	<b>1,230,285</b>		<b>\$197,111</b>	<b>1,230,285</b>		<b>\$197,260</b>	<b>\$2,667</b>		
<b>SYSTEM TOTALw/SL,FAR, TLS, SW</b>	<b>9,457,396</b>	<b>\$0.23287</b>	<b>\$2,202,326</b>	<b>9,457,396</b>	<b>\$0.23597</b>	<b>\$2,231,704</b>	<b>\$29,378</b>	<b>\$0.00311</b>	<b>1.3%</b>
EOR Revenues	156,187	\$0.02427	\$3,790	156,187	\$0.02456	\$3,836	\$46	\$0.00029	1.2%
<b>Total Throughput w/EOR Mth/yr</b>	<b>9,613,583</b>			<b>9,613,583</b>					

- 1) These rates are for Natural Gas Transportation Service from "Citygate to Meter". The BTS rate is for service from Receipt Point to Citygate.
- 2) These Transmission Level Service "TLS" amounts represent the average transmission rate, see Table 5 or detail list of TLS rates.
- 3) All rates include Franchise Fees & Uncollectible charges