

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 23, 2016

Ronald van der Leeden  
Director, Regulatory Affairs  
Southern California Gas Company  
555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

**Subject: Southern California Gas Company Advice Letter 4940 for establishment of the Aliso Canyon Revenue and Cost Memorandum Account in compliance with Decision (D.) 16-03-031**

Dear Mr. van der Leeden:

Southern California Gas Company (SoCalGas) Advice Letter (AL) 4940-A is effective as of this date with the tariffs made effective March 17, 2016, the date of Decision (D).16-03-031.

Background

On March 24, 2016, SoCalGas filed Advice Letter 4940 seeking authorization to establish a new memorandum account called the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA) in compliance with D.16-03-031. SoCalGas is currently collecting revenues from its customers for the normal, business-as-usual costs to own and operate a fully functional Aliso Canyon, even though gas is not being injected into Aliso Canyon at this time due to the recent gas leak. To protect the financial interests of SoCalGas' customers, D.16-03-031 ordered SoCalGas to establish a memorandum account, effective March 17, 2016 to track SoCalGas' Aliso Canyon storage field related authorized revenue requirements.

Protests and Reply

On April 13, 2016, the Utility Reform Network (TURN) and Southern California Generation Coalition (SCGC) filed a joint protest to AL 4940 arguing that SoCalGas was seeking to expand the scope of the memo account by using the term "actual costs" in lieu of the decision's language of "normal, business-as-usual costs."

In its reply to the protest, SoCalGas stated that the language is consistent with the intent of the decision and that the expanded language was necessary to include all of the relevant information to be tracked.

Discussion

Upon review and analysis, Energy Division staff agreed with TURN/SCGC that SoCalGas should use the exact language as stated in Ordering Paragraph 1 of D.16-03-031. In a letter from Energy Division dated July 11, 2016, SoCalGas was directed to file a supplement with revisions to the proposed tariff language to be consistent with the terminology used in D.16-03-031.

On July 12, 2016, SoCalGas filed Advice Letter 4940-A which included replacement tariff pages removing the term "actual costs" with "normal, business-as-usual" before each reference to costs. The supplemental filing was unopposed.

SoCalGas Advice Letter 4940-A is approved.

Sincerely,

Handwritten signature of Edward Randolph in cursive.

Edward Randolph  
Director, Energy Division

cc: Sid Newsom, SoCalGas  
Robert Finkelstein, TURN



Ronald van der Leeden

Director

Regulatory Affairs

555 W. Fifth Street, GT14D6  
Los Angeles, CA 90013-1011

Tel: 213.244.2009

Fax: 213.244.4957

RvanderLeeden@semprautilities.com

July 12, 2016

Advice No. 4940-A  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Supplement - Establishment of the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA) in Compliance with Decision (D.) 16-03-031**

Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (Commission) approval of modifications to its Preliminary Statement, Part VI, Memorandum Accounts, applicable throughout its service territory, as shown on Attachment A.

**Purpose**

This filing complies with Ordering Paragraph (OP) 1 of D.16-03-031, *Decision Requiring SoCalGas to Establish a Memorandum Account to Track its Authorized Revenues for the Aliso Canyon Storage Field*. D.16-03-031 orders SoCalGas to file a Tier 2 Advice Letter (AL) within five business days of the effective date of this decision to establish a memorandum account, effective immediately, to track its authorized revenue requirement and all revenues SoCalGas receives for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field (Aliso Canyon).

This supplemental filing complies with a letter from the Energy Division dated July 11, 2016, which noted that SoCalGas must file a supplement with revisions to the proposed tariff language to be consistent with the terminology used in D.16-03-031. Specifically, the letter directs SoCalGas to remove a reference to "actual costs" from the ACRCMA Preliminary Statement and include the phrase "normal, business-as-usual" before each reference to costs.

**Background**

SoCalGas owns and operates Aliso Canyon. On October 23, 2015, a gas leak was discovered at one of the gas wells at Aliso Canyon. On February 18, 2016, California state officials announced that the gas leak was permanently sealed.

SoCalGas' current rates and charges include costs to own and operate Aliso Canyon. Such costs include depreciation, rate-of-return, taxes, operations and maintenance, administrative and general, and all other direct and indirect costs that SoCalGas incurs to own and operate Aliso Canyon. SoCalGas' current rates and charges do not include any costs incurred by SoCalGas in response to the recent gas leak in Aliso Canyon because the Commission has not authorized SoCalGas to recover such costs.

On March 17, 2016, the Commission issued D.16-03-031 which, among other things, ordered the following:

1. Within five business days from the effective date of this order, stated below, Southern California Gas Company ("SoCalGas") shall submit to the Commission's Energy Division a Tier 2 advice letter to establish a memorandum account, effective immediately, to track SoCalGas' authorized revenue requirement and all revenues that SoCalGas receives for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field. Such costs include depreciation, rate-of-return, taxes, operations and maintenance, administrative and general, and all other direct and indirect costs that SoCalGas incurs to own and operate Aliso Canyon in the normal course of business. Such costs exclude expenses associated with the recent gas leak at Aliso Canyon.

### **Establishment of the ACRCMA**

SoCalGas establishes the ACRCMA to track the authorized revenue requirement and all revenues received for SoCalGas' normal, business-as-usual costs to own and operate Aliso Canyon in a Revenue Subaccount. Pursuant to OP 1 of D.16-03-031, the ACRCMA is established and requested to be made effective on March 17, 2016, which is the date of D.16-03-031.

Although D.16-03-031 does not provide for the tracking of related costs associated with the operation of Aliso Canyon, SoCalGas believes that the Commission would and should find probative and relevant the normal, business-as-usual costs associated with Aliso Canyon business-as-usual operations, excluding expenses associated with the recent gas leak at Aliso Canyon. While the Commission's decision does not allow for costs to be tracked in the memorandum account itself, SoCalGas will also track the normal, business-as-usual costs in a subaccount of this memorandum account and submit this data to the Commission, such that the Commission can make an informed decision on how to treat the ACRCMA balance, and what portion, if any, should go to ratepayers. This should not in any way contravene the Commission's decision or intent, or constitute any impermissible ratemaking, as SoCalGas would be providing the Commission with facts and circumstances to aid the Commission in its decision making.

SoCalGas believes it should be provided the opportunity to justify its reasonably incurred costs (i.e., even at below normal operating conditions due to the gas leak), which would be used as a potential offset to the revenue requirement and other revenues, should the Commission determine that amounts should be refunded to ratepayers. In addition, to the extent that other revenues received by SoCalGas are determined to be refunded, SoCalGas should be allowed to appropriately adjust its applicable balancing accounts so that revenues subject to refund are not double counted.

**Protest**

Anyone may protest this AL 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 AL, which is August 1, 2016. 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.

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**

This filing is subject to Energy Division disposition and is classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. As indicated in OP 1, SoCalGas respectfully requests that this AL be approved August 11, 2016, which is thirty (30) calendar days after the date filed, with the tariffs made effective March 17, 2016, the date of D.16-03-031.

**Notice**

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list in Application 15-07-014. 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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Ronald van der Leeden  
Director, Regulatory Affairs

# 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) #: 4940-A

Subject of AL: Supplement - Establishment of the Aliso Canyon Revenue and Cost Memorandum Account (ACRCMA) in Compliance with Decision (D.) 16-03-031

Keywords (choose from CPUC listing): Memorandum Account

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

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

D.16-03-031

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: AL 8/11/16; Tariffs 3/17/16

No. of tariff sheets: 4

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 VI and TOCs

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

**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 5<sup>th</sup> Street, GT14D6  
Los Angeles, CA 90013-1011  
SNewsom@semprautilities.com  
Tariffs@socalgas.com

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

ATTACHMENT A  
Advice No. 4940-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Original 52838-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ALISO CANYON REVENUE AND COST MEMORANDUM ACCOUNT (ACRCMA), Sheet 1	Original 52439-G
Original 52839-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ALISO CANYON REVENUE AND COST MEMORANDUM ACCOUNT (ACRCMA), Sheet 2	Original 52440-G
Revised 52840-G Revised 52841-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 52796-G Revised 52737-G

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS  
ALISO CANYON REVENUE AND COST MEMORANDUM ACCOUNT (ACRCMA)

Sheet 1

1. Purpose

The ACRCMA is an interest-bearing memorandum account that is not recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 16-03-031, the purpose of this account is to track the authorized revenue requirement and revenues received to recover SoCalGas' normal, business-as-usual costs to own and operate its Aliso Canyon Gas Storage Field (Aliso Canyon). The authorized revenues will include any Aliso Canyon-related costs allocated to SDG&E and its customers. In addition, in order to ensure that the Commission can make an informed decision on the disposition of the ACRCMA balance, the ACRCMA will track the normal, business-as-usual costs associated with Aliso Canyon Storage Field operations, excluding expenses associated with the recent gas leak at Aliso Canyon. The ACRCMA is effective March 17, 2016, the date of the decision.

N  
N  
N

The ACRCMA shall consist of two subaccounts:

- 1) Revenue Subaccount tracks authorized revenue requirement and all revenues SoCalGas receives for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field; and
- 2) Cost Subaccount tracks the operating and maintenance (O&M) and capital-related costs SoCalGas incurs for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field.

2. Applicability

See Disposition section.

3. Rates

See Disposition Section.

4. Revenue Subaccount - Accounting Procedures

SoCalGas shall maintain this account by recording entries at the end of each month, net of FF&U, as follows:

- a. A credit entry equal to the authorized revenue requirement to recover SoCalGas' normal, business-as-usual costs to own and operate its Aliso Canyon Gas Storage Field including any Aliso Canyon-related costs allocated to SDG&E and its customers;
- b. A credit entry equal to all revenues that SoCalGas receives to recover its normal, business-as-usual costs to own and operate the Aliso Canyon Gas Storage Field;
- c. An entry to amortize the Revenue Subaccount balance as authorized by the Commission; and
- d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

N  
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N

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4940-A  
DECISION NO. 16-03-031

ISSUED BY  
**Dan Skopec**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Jul 12, 2016  
EFFECTIVE Mar 17, 2016  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 2  
ALISO CANYON REVENUE AND COST MEMORANDUM ACCOUNT (ACRCMA)

(Continued)

1. Cost Subaccount - Accounting Procedures

SoCalGas shall maintain this account by recording entries at the end of each month, net of applicable FF&U, as follows:

- a. A debit entry equal to the operating and maintenance (O&M) SoCalGas incurs for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field, excluding expenses associated with the recent gas leak at Aliso Canyon;
- b. A debit entry equal to the capital-related costs SoCalGas incurs for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field, excluding expenses associated with the recent gas leak at Aliso Canyon;
- c. An entry to amortize the Cost Subaccount balance as authorized by the Commission; and
- d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

2. Disposition

The disposition of this account will be addressed in Application (A.) 15-07-014, Phase 2 of SoCalGas' 2017 Triennial Cost Allocation Proceeding (TCAP), or other appropriate proceeding.

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

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PRELIMINARY STATEMENT (Continued)

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(Continued)

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