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December 8, 2005

Advice No. 3561
(U 904 G)

Public Utilities Commission of the State of California

Subject: Compliance with Decision No. 05-11-027 – Proposed Procedures for Recovery of Well Work Project Costs

Southern California Gas Company (SoCalGas) hereby submits proposed procedures for recovering capital project costs from SoCalGas' California Alternate Rates for Energy (CARE) customers in compliance with Decision No. (D.) 05-11-027.

Purpose

This filing complies with Ordering Paragraph (OP) 3 of D.05-11-027, dated November 18, 2005, by establishing the necessary procedures for allocating to SoCalGas' CARE customers the well work costs associated with maintaining the deliverability capability at the Aliso and Goleta storage fields as a result of releasing the cushion gas to CARE customers pursuant to D.05-11-027.

Background

On October 6, 2005, the California Public Utilities Commission (Commission) held a full-panel hearing in Los Angeles to more closely study the impacts and to solicit proposals for providing low-income customers with greater bill protection this winter. Most of the proposals received relate to two existing programs: CARE, which provides discounted rates for qualifying low-income energy customers and the Low-Income Energy Efficiency Program, which provides weatherization and appliance replacement services for qualifying low-income customers.

In an effort to further the Commission's goals of providing low-income customers greater bill protection this winter, SoCalGas filed A.05-10-012 on October 11th to request Commission approval to transfer 4 BCF of storage cushion gas in-kind at book cost to CARE customers to help mitigate the impact of high natural gas prices this winter. In the application, SoCalGas proposed to transfer 4 BCF of gas to the core portfolio and allocate the avoided cost benefits solely to CARE customers.

D.05-11-027 approved the storage cushion gas withdrawal plans of SoCalGas as set forth in A.05-10-012 and authorized SoCalGas to flow through into CARE rates the estimated

cushion gas benefit that will result from the rework, reclassification, and transfer to CARE customers over the four-month period of December 2005 through March 2006.

Additionally, D.05-11-027 directed at OP 3:

The revenue requirement associated with the project costs shall be recovered from the CARE customers, unless changed by the Commission in this proceeding or in a Biennial Cost Allocation Proceeding of SoCalGas.

- a. SoCalGas shall file an advice letter within 20 days of today's date to establish the necessary procedures for allocating these costs to SoCalGas' CARE customers.

Proposed Procedures

Pursuant to OP 3 of D.05-11-027, following are SoCalGas' proposed procedures for allocating the project costs to SoCalGas' CARE customers:

1. The cost of the capital project will be rolled-in to authorized ratebase, offset with the removal of the book value of the cushion gas. The resulting base margin revenue requirements will be reduced by the annual authorized surcharge revenues that will be collected from CARE customers in determining transportation rates charged to customers.
2. The accounting treatment of the book value of the cushion gas will be recorded to the Purchased Gas Account (PGA) upon completion of the well work costs consistent with the cushion gas benefit provided to CARE customers over the four-month period of December 2005 through March 2006.
3. Over the useful life of the asset, a surcharge will be developed to recover from CARE customers the revenue requirements associated with the undepreciated book cost of the capital project costs. SoCalGas will file an advice letter to revise rates after the completion of the project, and the surcharge will be implemented after receiving Commission approval. It is anticipated that the project will be completed in the first quarter of 2006. The surcharge will be charged to CARE customers over the recovery period subject to further Commission review of the cost allocation in the next phase of this proceeding or in a subsequent BCAP.
4. The difference between the surcharge revenues billed to CARE customers and the annual authorized revenue requirement will be balanced in the Core Fixed Cost Account (CFCA). Although the difference balanced in the CFCA would be amortized in future rates charged to all core customers including non-CARE customers, SoCalGas anticipates the difference to be negligible and would avoid the unnecessary administrative burden in maintaining a separate tracking account.

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 received within 20 days of the date of this Advice Letter. 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 Jerry Royer (jjr@cpuc.ca.gov) and Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall 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
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Effective Date

This filing is in compliance with D.05-11-027 and, as such, SoCalGas believes it is subject to Energy Division disposition. Therefore SoCalGas requests that this filing be approved effective January 7, 2006, which is 30 days from the date filed.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes the service list for A.05-10-012 (Cushion Gas) and R.04-01-006 (CARE).

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Attachments

ATTACHMENT A

Advice No. 3561

(See Attached Service Lists)

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