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October 31, 2005

ADVICE LETTER 1563-G
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: UPDATE OF PUBLIC PURPOSE PROGRAM GAS SURCHARGE RATES
EFFECTIVE JANUARY 1, 2006**

San Diego Gas & Electric Company (SDG&E) hereby transmits for filing the following changes to its gas tariffs, as shown on Attachment A.

PURPOSE

The purpose of this Advice Letter is to submit updated Public Purpose Programs (PPP) gas surcharge rates to be effective January 1, 2006.

BACKGROUND

Pursuant to Ordering Paragraph (OP) 22 of D.04-08-010 in Rulemaking (R.) 02-10-001, SDG&E is updating its gas surcharge rates to fund PPP, as authorized by Assembly Bill (AB) 1002. AB 1002 directs the Commission to establish a gas surcharge annually to fund certain natural gas related PPP such as low-income customer assistance, energy efficiency, and research and development (R&D). Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and are ultimately appropriated back to utilities or other entities designated by the California Public Utilities Commission (Commission) to administer PPP.

On August 19, 2004, the Commission issued D.04-08-010 that addressed both the Phase 1 implementation issues on the gas surcharge rulemaking and Phase 2 administration of public purpose R&D. Pursuant to OP 10, SDG&E is using the surcharge formula adopted in the decision for calculating the gas PPP surcharge rates. In addition, the gas surcharge rates do not include franchise fees and uncollectibles (F&U). SDG&E is using information provided by the Energy Division for calculating the gas surcharge rates as it relates to (1) the Commission and BOE administrative costs, (2) SDG&E's portion of the \$12 million statewide R&D budget, and (3) reflects SDG&E's non-exempt interstate pipeline gas volumes are zero. Furthermore, since SDG&E's Biennial Cost Allocation Proceeding (BCAP) decision is more than three-years old, SDG&E is using the three-year average for its available billed gas volumes in calculating the gas surcharge rates for the customer classes.

Revised Schedule G-PPPS, as shown on Attachment A, updates the PPP surcharge rates to reflect SDG&E's projections of the California Alternative Rates for Energy (CARE) balancing account as of December 31, 2005, CARE customer consumption, and CARE administration expenses of \$2.3 million adopted in D.05-07-007. The allocation to the gas department is \$640,840. PPP surcharge rates also reflect the gas portion of SDG&E's Low Income Energy Efficiency (LIEE) budget in the

amount of \$6.1 million, adopted in D.05-05-019 on May 13, 2005. The LIEE budget is allocated 50% gas and 50% electric, as requested in SDG&E Advice Letter 1468-E/1361-G filed on January 14, 2003 and approved by the Commission on February 20, 2003, and remains in effect until further Commission order. As part of its 2006/2007 LIEE application (A.05-06-013) filed June 1, 2005, SDG&E requested the Commission restore its 2006/2007 LIEE budgets to the higher 2004 levels set at \$13.4 million and requested authorization to allocate the \$13.4 million budget with 43% to gas and 57% to electric programs. If the Commission's final decision on the 2006/2007 LIEE application is issued before year-end 2005 approving SDG&E's request, SDG&E intends to reflect a decreased revenue requirement of approximately \$400,000 in its gas year-end consolidated filing.

The non-low income cost components reflect SDG&E's share of the 2006 R&D budget of \$728,161 provided by the Energy Division and the energy efficiency (EE) budget of \$5.3 million adopted in D.05-09-043.

The PPP rates are listed for CARE and Non-CARE customers by major customer class, and reflect changes to the CARE, LIEE, R&D and EE component of the gas PPP surcharge.

The 2006 PPP surcharge revenue requirement is higher by \$7.9 million (or 41 percent) compared to 2005 primarily due to the impact of increased commodity rates on CARE program expenses. Annual CARE discounts for 2006 are projected to increase by \$4.3 million and the \$2.3 million overcollection of 2004 CARE surcharge revenues currently being amortized in 2005 rates will be replaced by a 2005 million undercollection of \$2.1 million to be amortized in 2006 rates. The net impact of EE, LIEE, and public benefit RD&D revenue requirements for 2006 is a reduction of about \$0.7 million. The impact of the updated PPP rates, by customer class, is shown on Attachment B.

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 this Advice Letter was filed with the Commission. 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 to Honesto Gatchalian (jni@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest 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: Monica Wiggins
Regulatory Tariff Manager
8330 Century Park Court, CP 32
San Diego, CA 92123-1550
Facsimile No. (858) 654-1788
E-mail: mwiggins@SempraUtilities.com

EFFECTIVE DATE

SDG&E believes this filing is subject to Energy Division disposition and respectfully requests that the revised tariffs proposed herein be approved effective January 1, 2006.

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in R.02-10-001, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Workpapers supporting this filing have been provided to the Commission's Energy Division. Copies of the workpapers will be made available to other parties upon request by contacting SDG&E at the address in the protest section above.

Address changes should be directed to Christina Sondrini by facsimile at (858) 654-1788 or by e-mail at csondrini@semprautilities.com.

J. STEVE RAHON
Director – Tariffs & Regulatory Accounts

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. **SAN DIEGO GAS & ELECTRIC**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Margee Moore

Phone #: (858) 654-1748

E-mail: mmoore@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) #: 1563-G

Subject of AL: Update of Public Purpose Program Gas Surcharge Rates Effective January 1, 2006

Keywords (choose from CPUC listing): Gas PPP, compliance

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

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

D.04-08-010

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 AL¹: N/A

Resolution Required? Yes No

Requested effective date: 1/1/06 No. of tariff sheets: _____

Estimated system annual revenue effect: (%): \$7.9 million

Estimated system average rate effect (%): 41%

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: Schedule G-PPPS & TOC

Service affected and changes proposed¹: _____

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

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric

Attention: Monica Wiggins

8330 Century Park Ct, Room 32C

San Diego, CA 92123

mwiggins@semprautilities.com

¹ Discuss in AL if more space is needed.

General Order No. 96-A, Sec. III. G.
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

W. Ahern

ORA

D. Appling
S. Cauchois
J. Greig
L. Maack
R. Pocta
W. Scott

Energy Division

W. Franklin
S. Gallagher
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J. Royer

CA. Energy Commission

F. DeLeon
R. Tavares

Alcantar & Kahl LLP

K. Harteloo

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

California Energy Markets

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California Wind Energy

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W. Gaters

City of Poway

R. Willcox

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Constellation New Energy

W. Chen

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Davis Wright Tremaine, LLP

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C. Torres

Douglass & Liddell

D. Douglass
D. Liddell
G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Goodin, MacBride, Squeri, Ritchie & Day

B. Cragg
J. Heather Patrick
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Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pdersen

Henwood Energy Services

Ista-North America

L. Belew

J.B.S. Energy

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Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

D. Huard

M. Snow

R. Keen

Matthew V. Brady & Associates

M. Brady

Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark
M. Huffman
S. Lawrie
E. Lucha

Robinsons-May Dept. Stores

R. Britt

R. W. Beck, Inc.

C. Elder

San Diego Regional Energy Office

S. Freedman
S. Anders

School Project for Utility Rate

Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Sutherland Asbill & Brennan LLP

K. McCrea

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

J. Roscher

B. Johnson

TURN

M. Florio

M. Hawiger

UCAN

M. Shames

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

J. Perez

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

Sheila Dey

White & Case LLP

L. Cottle

Interested Parties in:

R.02-10-001

ATTACHMENT A
ADVICE LETTER 1563-G

| Cal. P.U.C. Sheet No. | Title of Sheet | Canceling Cal. P.U.C. Sheet No. |
|--------------------------|--|------------------------------------|
| Revised 15114-G | SCHEDULE G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 1 | Revised 13989-G* |
| Revised 15115-G | TABLE OF CONTENTS, Sheet 1 | Revised 15112-G |
| Revised 15116-G | TABLE OF CONTENTS, Sheet 3 | Revised 15113-G |



SCHEDULE G-PPPS

Sheet 1

PUBLIC PURPOSE PROGRAMS SURCHARGE

APPLICABILITY

Applicable to all gas sales and transportation services rendered under all tariff-rate schedules authorized by the Commission. Customers will have a surcharge as a separate line item on their bills unless they are exempt 1/ (e.g. electric generation including cogeneration and consumption of natural gas which California is prohibited from taxing under the United States Constitution or the California Constitution, as referenced in Section 896 of the Public Utilities (PU) Code. See also the California Energy Resources Surcharge Regulation Sections 2315 and 2316 as identifying exempt customers).

TERRITORY

This schedule is applicable within the entire territory served by Utility.

RATES

| <u>Customer Class</u> | <u>PPP Surcharge 2/</u> (For all service, per meter, per month) | |
|-----------------------|--|---------------------------------------|
| | <u>CARE Customer 3/</u> (¢/therm) | <u>Non-CARE Customer</u> (¢/therm) |
| Core | | |
| Residential | 2.079 R | 5.194 I |
| Commercial/Industrial | 2.410 I | 5.525 I |
| Natural Gas Vehicles | N/A | 3.398 I |
| Noncore | | |
| Commercial/Industrial | N/A | 6.050 I |

SPECIAL CONDITIONS

1. General Description

The public purpose program (PPP) surcharge is shown on a customer's bill as a separate line item. The surcharge is authorized to recover the cost of public purpose programs such as low-income assistance, energy efficiency, and public interest research and development. The Utility remits surcharge payments quarterly to the State Board of Equalization (BOE) by the last day of the month following a calendar quarter. The BOE deposits the payments in the Gas Consumption Surcharge Fund (Fund) with the State Treasurer. Utility public purpose programs are financed through monies appropriated to the Utility from the Fund by the Commission.

1/ Commission Resolution G-3303, dated December 21, 2000, references Sections 896, 897, and 898 of Assembly Bill (AB) 1002 regarding consumers of natural gas who are exempt from the tax surcharge. Section 896 states "Consumption means the use or employment of natural gas. Consumption does not include the use or employment of natural gas to generate power for sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas which this state is prohibited from taxing under the United States Constitution or the California Constitution." Section 897 states "Nothing in this article impairs the rights and obligations of parties to contracts approved by the Commission, as the rights and obligations were interpreted as of January 1, 1998." Section 898 is in reference to a municipality, district, or public agency but also references Section 890. Subdivision (e) of Section 890 states in part "The Commission shall determine the total volume of retail natural gas transported within the service territory of a utility gas provider, that is not subject to exemption pursuant to Section 896, for the purpose of establishing the surcharge rate."

2/ AB 1002 of September 30, 2000 authorized the Commission to establish a gas PPP surcharge. Resolution G-3303 established PPP surcharge rates effective January 1, 2001. The surcharge rates were removed from utility energy rates and added as line items to applicable billings effective July 1, 2001.

3/ Low-income customers who qualify for California Alternate Rates for Energy (CARE) receive a 20% discount on rate and pay all of the PPP costs except CARE.



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Sheet 1

The following sheets contain all the effective rates and rules affecting rates, service and information relating thereto, in effect on the date indicated herein.

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| III. Biennial Cost Allocation Proceeding..... (BCAP)..... | 7587, 7277, 7278, 10436, 12724, 7281-G 7489, 7714, 10624, 11024, 7493, 7494-G |
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San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 15116-G

Canceling Revised Cal. P.U.C. Sheet No. 15113-G

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| G-PUC | Surcharge to Fund PUC Reimbursement Fee..... | 4526-G |
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Advice Ltr. No. 1563-G

Decision No. 04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Oct 31, 2005

Effective _____

Resolution No. _____

Attachment B
SUMMARY OF PPP SURCHARGE RATES
SAN DIEGO GAS & ELECTRIC COMPANY
Advice Letter 1563-G
PPP Surcharge Update for 1/1/2006

| Customer Class | CARE Customers | | | Non-CARE Customers | | |
|--------------------------|----------------|--------|------------|--------------------|-------|----------|
| | 2005 | 2006 | % Change | 2005 | 2006 | % Change |
| (a) | (b) | (c) | (d) | (e) | (f) | (g) |
| <u>Core</u> | | | | | | |
| 1. Residential | 3.031 | 2.079 | -31.4% | 4.349 | 5.194 | 19.4% |
| 2. Commercial/Industrial | 0.850 | 2.410 | 183.5% | 2.168 | 5.525 | 154.8% |
| 3. Natural Gas Vehicle | N/A | N/A | N/A | 1.920 | 3.398 | 77.0% |
| <u>Noncore</u> | | | | | | |
| 4. Commercial/Industrial | N/A | N/A | N/A | 2.334 | 6.050 | 159.2% |
| | 2005 | 2006 | Rev Change | | | |
| | M\$ | M\$ | M\$ | % | | |
| 5. System Total Revenue | 19,328 | 27,258 | 7,931 | 41.0% | | |

Note: Present rates reflect gas rates filed in AL 1484-G effective January 1, 2005