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August 26, 2005

ADVICE LETTER 1471-G-A
(U 902-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**SUBJECT: SUPPLEMENTAL FILING: REVISIONS TO GAS TARIFFS IN
COMPLIANCE WITH GAS PUBLIC PURPOSE PROGRAM SURCHARGE
DECISION 04-08-010**

San Diego Gas & Electric Company (SDG&E) hereby submits for approval the following revisions applicable to its gas tariffs, as shown on the enclosed Attachment.

PURPOSE

At the request of the Energy Division, SDG&E is making this supplemental filing to revise the Preliminary Statement for CARE, RD&D, and the Post-1997 Gas Energy Efficiency Balancing Account (PGEEBA) and Schedule G-PPPS.

The Regulatory Accounts were revised to add clarifying language to reflect that 1) the surcharge collected may include surcharge funds from interstate non-exempt pipeline customers; 2) the amount reimbursed to the Utility excludes the RD&D administrator funds; and 3) that the net amortization component of the gas PPP account balances will be consistent with the Commission's prevailing policy on PPP accounting methods. In addition, the RD&D account was further revised to clarify the tracking of the annual BOE and CPUC administrative costs, the interest calculation, and disposition of the account balance in future rate updates. Schedule G-PPPS was revised to add clarifying language for the treatment of Franchise Fees and Uncollectible, BOE Remittances, PPP Surcharge Refunds by the utility, and distribution and treatment of amounts received from the Gas Consumption Surcharge Fund. This filing supercedes 1471-G in its entirety.

In compliance with the California Public Utilities Commission (Commission) Decision (D.) 04-08-010 in the Natural Gas Surcharge Rulemaking proceeding (R.) 02-10-001, SDG&E hereby files revisions to its gas tariffs including: 1) revisions to Schedule G-PPPS (Public Purpose Programs Surcharge), 2) revisions to Schedule G-LI (Service to Qualified Living Facilities), 3) deletion of Preliminary Statement Part I – General Information, Section G – Public Purpose Program Surcharge, and 4) revisions to the Preliminary Statement, Part IV, Balancing Accounts. In addition, this filing addresses the refund to customers that are identified as being exempt from

the gas PPP surcharge and the annual October 31st filing date for updating the gas PPP surcharge rates.

BACKGROUND

As a result of the passage of Assembly Bill (AB) 1002 which went into effect on January 1, 2001, a surcharge was established on natural gas consumed in the State of California for the purpose of funding various public purpose programs (PPP)¹. Utilities were required to remove the PPP funding from their transportation rates and remit PPP funds collected to the State Board of Equalization (BOE) for deposit in the State's Gas Consumption Surcharge Fund (Fund).

On August 19, 2004, the Commission issued D.04-08-010, which adopted the Energy Division's AB 1002 Workshop Report recommendations, except as otherwise addressed in the decision, on policy and implementation issues. Based upon D.04-08-010, SDG&E's filing adheres to the requirements outlined in the Ordering Paragraphs (OP) of the decision as set forth below.

Revisions to Tariff Schedule G-PPPS, Schedule G-LI, and Preliminary Statement Part I – General Information

SDG&E is revising its Schedule G-PPPS to reflect the surcharge rates will be calculated pursuant to the surcharge formula adopted in D.04-08-010. Components of the surcharge formula will include:

- Use of the most recently adopted PPP budgets for the calculation of the surcharge rates. If the CARE program budget has not been adopted, a reasonable forecast of CARE subsidy costs may be used.
- Use of the estimated gas throughput from the most recent BCAP that was adopted by the Commission if less than three years old; otherwise a three-year average (consecutive 36 month period) based on the most recently available gas volumes may be used.
- BOE/Commission administrative costs and Research, Development and Demonstration (RD&D) program costs are to be provided to the utilities to ensure that these costs are appropriately reflected in the proposed surcharge in the October filing for surcharge rates effective January 1 of the following year. D.04-08-010 provides that the Energy Division shall provide the RD&D program budget to the utilities prior to October 31. SDG&E respectively requests that all information be provided by September 30 to ensure the timely filing of the advice letter.

SDG&E is eliminating the reference to a tax in this tariff schedule and included more references in the Applicability section of the tariff to provide greater clarity on identifying exempt customers. Exemptions will be identified pursuant to Public Utilities Code 896 and the California Energy Resources Surcharge Regulation 2315 and 2316. The reference to tax is being removed to avoid customer confusion that this is not a "new" tax but a component of transportation rates that existed prior to January 1, 2001 and only separated as a surcharge as required under AB 1002.

¹ PPP includes low-income customer assistance, energy efficiency, and public interest research and development.

SDG&E is adding language to the tariff schedule pursuant to the Workshop Report recommendation to allow the utilities the flexibility to file an interim advice letter during the year in a situation where failure to make the rate change would result in a forecasted total rate increase of 10% or more on January 1 of the following year.

Schedule G-LI is being modified to eliminate the reference to the CARE Revenue Surcharge and the associated footnote since there is no longer a separate component under Rates in the Preliminary Statement.

Preliminary Statement Part 1 – General Information – Section G – Public Purpose Program Surcharge is being eliminated since it is superceded by the revisions being made to Schedule G-PPPS.

Revisions to the PPP Regulatory Accounts

Pursuant to OP 13, the utilities are required to establish and/or modify their balancing and/or memorandum accounts to facilitate the unbundling of PPP costs from their rates, treatment of interest accrued in the Fund, and to account for the adopted RD&D procedures. The proposed changes to the following PPP regulatory accounts described below comport with the recommendations adopted by D.04-08-010.

CARE Balancing Account

The CARE Balancing Account is being modified to reflect the unbundling of PPP costs from rates, and modified to reflect the revised procedures for the billing, collection, remittance and reimbursement of the gas PPP surcharge funds, as well as to include the process by which the utilities are to update the gas PPP rates effective January 1 of each year.

- Billing and Collection of Gas PPP Surcharge Funds – The monthly surcharge funds billed, net of actual bad debt write-offs, shall accrue interest and be remitted to the BOE.
- Remittance of Gas PPP Surcharge Funds – Remittances to BOE will be net of any refunds to customers that are exempt from the gas PPP surcharge under Section 896 of the Public Utilities Code and the California Resources Surcharge Regulation Sections 2315 and 2316.
- Gas PPP Surcharge Refunds - Refunds paid by SDG&E to customers who are exempt from the gas PPP surcharge are charged to the CARE Balancing Account.
- Reimbursement of the Gas PPP Surcharge Funds – Receipt of the gas PPP surcharge funds will include interest earned in the Fund while in the possession of the State. The amount reimbursed will exclude the funds retained by BOE/Commission to offset their administration costs and any refunds paid by the BOE to customers who are exempt from the PPP surcharge.

RD&D Balancing Account

SDG&E proposes to modify its RD&D Balancing Account to note that it is for public interest activities, to make modifications similar to the accounting treatment changes as those outlined in the CARE Balancing Account, and to modify its interest calculation methodology from an annual basis to an average monthly balance basis with the effective date of D.04-08-010. The interest methodology based on the average monthly balance is appropriate under the remittance/reimbursement process adopted pursuant to AB 1002 and consistent with D.04-08-010, which requires utilities to pay interest at the three-month commercial paper rate on surcharge revenues in the possession of utilities before remittance to the BOE.

Effective January 1, 2005, the RD&D Balancing Account will consist of the balance, if any, associated with RD&D activities through December 31, 2004, and on a going forward basis the balance will only reflect interest as the RD&D component of the gas PPP surcharge funds will be submitted to the BOE for distribution to the California Energy Commission (CEC) or other non-utility RD&D administrator designated by the Commission in accordance with D.04-08-010. The RD&D administrator will be responsible for the corresponding RD&D program costs. The RD&D account will track the difference between the authorized PPP RD&D funding and BOE and CPUC administrative costs and the actual surcharge billed to customers. Interest recorded in the RD&D account will be based on the billed surcharges in SDG&E's possession prior to remittance to the BOE. Interest accumulated in the RD&D account will be excluded from the annual update of PPP rates and held until further direction from the Commission.

Post-1997 Gas Energy Efficiency Balancing Account (PGEEBA)

The PGEEBA is being modified to make similar accounting treatment changes as shown in the CARE Balancing Account. Under Applicability, language is being included to clarify low income energy efficiency activities, as well as non-low income activities, are included in the account. Also, reference to the California Board for Energy Efficiency (CBEE) costs is being deleted since the CBEE was eliminated in 2000 per D.00-02-045. In addition, the PGEEBA also includes language to reflect that a year-end credit entry will be made, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding).

Refunds to Exempt Customers

OP 4 and OP 8 provides that utilities will identify and shall return with accrued interest, any surcharge amount that was collected from exempt customers, within 60 days following the implementation of system changes required in OP 3 (i.e., requires that the gas surcharge be identified as a separate line item on a customer's bill within six months of the effective day of the decision). As indicated during the workshops, SDG&E already shows the gas PPP surcharge as a separate line item on customers' bills. Therefore, SDG&E plans to complete the refunds to exempt customers that were included in their gas rates between January 1, 2001 and July 1, 2001 by December 31, 2004, which is less than the 240-day requirement outlined in the decision. Pursuant to OP 6, SDG&E will inform the BOE of any refunds issued.

Removal of the F&U Component from Surcharge Rates

OP 11 requires that utilities exclude gas PPP surcharge amounts in determining franchise payments. Consistent with D.04-08-010, SDG&E will exclude F&U when developing the surcharge rates.

Implementation of Annual PPP Surcharge Rates

Consistent with OP 22, SDG&E acknowledges the annual filing date for the proposed PPP surcharge rates has been changed to October 31 from the previous filing date of September 30 for rates to be effective January 1. Accordingly, SDG&E will be filing its update to the gas PPP surcharge rates at that time.

EFFECTIVE DATE

This filing was made in compliance with D.04-08-010 and has already undergone Energy Division disposition. SDG&E respectfully requests that this filing become effective on October 30, 2004, as originally requested in the September 20, 2004 filing.

PROTEST

Anyone may protest this advice letter to the California Public Utilities 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 should also be sent via e-mail to the attention of both Jerry Royer (jrr@cpuc.ca.gov) and Honesto Gatchallian (jnj@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest be sent via electronic 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, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1788
E-Mail: mwiggins@semprautilities.com

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 electronically or by mailing them a copy hereof, properly stamped and addressed.

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

Enclosures

(cc list enclosed)

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) #: 1471-G-A

Subject of AL: Supplemental Filing: Revisions to Gas Tariffs in compliance with Gas Public Purpose Program Surcharge Decision 04-08-010

Keywords (choose from CPUC listing): compliance, PPP

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: _____

Resolution Required? Yes No

Requested effective date: 10/30/04 No. of tariff sheets: 25

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, Schedules G-LI, G-PPPS & TOC

Service affected and changes proposed¹: _____

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

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

R. Birdsell
S. Cauchois
J. Greig
L. Maack
R. Pocta
W. Scott

Energy Division

W. Franklin
S. Gallagher
H. Gatchalian
D. Lafrenz
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

S. O'Donnell
C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Calpine

Children's Hospital & Health Center

T. Jacoby

City of Chula Vista

W. Gaters

City of Poway

R. Willcox

City of San Diego

J. Cervantes
G. Lonergan
M. Valerio

Commerce Energy Group

A. Ahmed
V. Gan

Constellation New Energy

W. Chen

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill
J. Pau

Dept. of General Services

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
J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pdersen

Henwood Energy Services

Ista-North America

L. Belew

J.B.S. Energy

J. Nahigian

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
ADVICE LETTER 1471-G-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 14986-G	PRELIMINARY STATEMENT, I. GENERAL INFORMATION, Sheet 2	Revised 12806-G Original 11590-G
Revised 14987-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 1	Revised 13499-G*
Revised 14988-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 8	Revised 11592-G
Revised 14989-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 9	Revised 11593-G
Revised 14990-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 10	Revised 13384-G
Revised 14991-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 11	Revised 13385-G
Revised 14992-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 12	Revised 13386-G
Revised 14993-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 17	Revised 13391-G
Original 14994-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 18	
Revised 14995-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 19	Revised 13392-G
Revised 14996-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 20	Revised 13393-G
Revised 14997-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 21	Revised 13394-G
Revised 14998-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 22	Revised 13395-G
Revised 14999-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 23	Revised 13396-G
Revised 15000-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 24	Revised 13501-G*
Original 15001-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 25	
Original 15002-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 26	
Original 15003-G	PRELIMINARY STATEMENT, IV. BALANCING ACCOUNTS, Sheet 27	
Revised 15004-G	SCHEDULE G-LI, SERVICE TO QUALIFIED LIVING FACILITIES, Sheet 1	Revised 11800-G

ATTACHMENT
ADVICE LETTER 1471-G-A

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
Revised 15005-G	SCHEDULE G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 1	Revised 13319-G
Original 15006-G	SCHEDULE G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 2	
Original 15007-G	SCHEDULE G-PPPS, PUBLIC PURPOSE PROGRAMS SURCHARGE, Sheet 3	
Revised 15008-G	TABLE OF CONTENTS, Sheet 1	Revised 14985-G
Revised 15009-G	TABLE OF CONTENTS, Sheet 2	Revised 14798-G
Revised 15010-G	TABLE OF CONTENTS, Sheet 3	Revised 14982-G



PRELIMINARY STATEMENT

Sheet 2

I. GENERAL INFORMATION

E. General

1. Measurements

All gas is measured by means of meters.

2. Discounts

Rates hereinafter listed are net rates and are not subject to discount, except as provided in Schedule G-90.

3. Interest

No interest will be paid by the utility unless it is specifically provided for in the tariff schedules, or ordered by the Public Utilities Commission, except as otherwise provided by Federal Public Law 97-177.

4. Lamp Service

No lamps, globes or mantle renewals are made.

5. Standard Riders

No standard riders are used.

F. Symbols

Whenever tariff sheets are refiled, changes will be identified by the following symbols:

- (C) To signify changed listing, rule or condition which may affect rates or charges.
- (D) To signify discontinued material, including listing, rate, rule or condition
- (I) To signify increase.
- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new material including listing, rate, rule or condition.
- (R) To signify reduction.
- (T) To signify change in wording of text but not change in rate, rule or condition.

G. Franchise Fee Differential

A franchise fee differential will be applied to the billings calculated under all schedules for all customers within the boundaries of the hereinafter designated political subdivisions. The franchise fee differential will be based on the difference between the franchise fee percentage and 2.0%.

The following is the applicable franchise fee differential: City of San Diego 1.03%.

D



San Diego Gas & Electric Company
San Diego, California

Revised Cal. P.U.C. Sheet No. 14987-G

Canceling Revised Cal. P.U.C. Sheet No. 13499-G*

PRELIMINARY STATEMENT

Sheet 1

IV. BALANCING ACCOUNTS

<u>Description</u>	<u>Sheet No.</u>	
Balancing Accounts (defined)	2	
A. Purchased Gas Account (PGA)	2	
B. Interstate Transition Cost Surcharge Account (ITCS)	6	
C. Curtailment Penalty Funds Account (CPFA)	7	
D. California Alternate Rates for Energy (CARE) Balancing Account	8	
E. Natural Gas Vehicle (NGV) Adjustment Clause	10	
F. Gas Storage Balancing Account (GSBA)	12	
G. Core Interstate Transition Cost Surcharge Account (CITCS)	16	
H. Research, Development and Demonstration (RD&D) Balancing Account	17	T
I. Post-1997 Gas Energy Efficiency Balancing Account (PGEEBA)	20	T
J. Non-Margin Fixed Costs Account (NMFCA)	22	T
K. Rewards & Penalties Balancing Account (RPBA)	24	T
L. Baseline Balancing Account (BBA)	26	T
M. Fiber Optic Cable in Gas Pipelines Services Account (FIGA)	27	T

(Continued)

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Advice Ltr. No. 1471-G-A

Decision No. D.04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 26, 2005

Effective _____

Resolution No. _____



PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

D. CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) BALANCING ACCOUNT

1. Purpose

The purpose of the CARE balancing account is to balance CARE program expenses against revenues. The CARE Program was previously known as the LIRA Program, which was authorized by Decisions 89-07-062, 89-09-044, 92-04-024 and 92-06-060. The utility shall maintain a CARE balancing account commencing as of August 14, 1989.

Commission Resolution G-3303, dated December 21, 2000, as directed by Assembly Bill (AB) 1002, 1) adopted gas public purpose program (PPP) surcharge rates effective January 1, 2001, 2) exempts some customers from the surcharge who were not exempt to charges in rates prior to January 1, 2001 and 3) requires utility to make quarterly payments to the California Board of Equalization (BOE).

Commission D.04-08-010 authorized utilities to modify their regulatory accounts to facilitate the unbundling of PPP costs from their rates. D.04-08-010 also notes that interest should be apportioned to utilities according to the amount of remittances and the length of time remittances were held in the State's Gas Consumption Surcharge Fund (Fund).

2. Applicability

The CARE balancing account applies to certain rate schedules and certain special contracts subject to the jurisdiction of the Commission.

3. CARE Program Costs

CARE Program Costs are the sum of: (1) CARE Benefits, which are equal to the amount of the discount reflected in the authorized CARE Program discounted rates; and (2) allocated incremental administrative and general expenses associated with the CARE Program. Monthly incremental administrative and general expenses shall be allocated between electric and gas operations by either: (1) 76% to electric and 24% to gas until the CARE Program has been in effect for 13 full calendar months or (2) the proportion of electric and gas amounts of the discount reflected in the authorized CARE Program discounted rates for the 12 months prior to the current month; whichever is applicable.

4. Accounting Treatment

Entries to be made to this account at the end of each month will be as follows:

- a. A debit entry equal to recorded allocated administrative costs for the CARE program;
- b. A debit entry equal to the recorded CARE program discounts billed for the month, excluding F&U;

(Continued)

8P6

Advice Ltr. No. 1471-G-A

Decision No. D.04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 26, 2005
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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

D. CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) BALANCING ACCOUNT (Continued)

4. Accounting Treatment (Continued)

- c. A credit entry equal to the surcharge for the CARE program from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- d. A debit entry equal to the surcharge for the CARE program from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to AB 1002;
- e. A debit entry equal to surcharge for the CARE program related to the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- f. A credit entry equal to the surcharge for the CARE program from the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers including actual interest earned in the Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the RD&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge; and
- g. An entry equal to the interest by applying the interest rate to the average of the beginning and ending balances. The interest rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for PPP. However, if a current program year budget for the CARE subsidy costs has not been adopted by the Commission, forecasts of expected CARE subsidy based on a reasonable estimate of gas prices (using credible, published source) and CARE customer penetration rates may be used.

(Continued)

9P9

Advice Ltr. No. 1471-G-A

Decision No. D.04-08-010

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 26, 2005

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PRELIMINARY STATEMENT

Sheet 10

IV. BALANCING ACCOUNTS

E. NATURAL GAS VEHICLE (NGV) ADJUSTMENT CLAUSE

1. Purpose

The purpose of the NGV Adjustment Clause (NGVAC) is to balance recorded NGV program costs with recorded NGV revenues as authorized by the California Public Utilities Commission (Commission). Commission Decision (D.)03-10-086, dated and effective October 30, 2003, authorized a budget for the discretionary aspects of SDG&E's NGV program and directed it to utilize balancing account treatment. D.03-10-086 authorized SDG&E to use this account through December 31, 2005.

2. Applicability

The NGV Adjustment Clause applies to certain rate schedules and certain special contracts subject to the jurisdiction of the Commission.

3. Definitions

- a. Effective Date: The effective date of this account shall be January 1, 2004.
- b. Interest Rate: The Interest Rate shall be 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3 months), published in the Federal Reserve Statistical Release, H. 15. Should publication of the interest rate on Commercial Paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15 or its successor publication.
- c. NGV Program Costs: Discretionary expenses (e.g. customer information, education and training) authorized by the Commission associated with the NGV Program. Expenses recorded to the NGVAC shall be those in compliance with the guidelines for expenses authorized by the Commission. Program spending is limited to the amount authorized in D.03-10-086 and any expenditures above authorized may not be recovered from ratepayers.
- d. NGVBA Revenue: Revenue as authorized by the Commission including any applicable revenue in base or amortization rates (net of allowance for FF&U).

(Continued)

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PRELIMINARY STATEMENT

Sheet 11

IV. BALANCING ACCOUNTS

E. NATURAL GAS VEHICLE (NGV) ADJUSTMENT CLAUSE (Continued)

3. Definitions (Continued)

e. Franchise Fees and Uncollectibles: Franchise Fees and Uncollectibles shall be based on the rate derived from the utility's most recent general rate case decision to provide for franchise fees and uncollectible accounts expense.

4. NGV Balancing Account Treatment

The utility shall maintain the NGVAC balancing account to record revenues and expenses applicable to the NGV Program.

a. A debit entry equal to the monthly-recorded NGVAC expenses as described in 3.c. above.

b. A credit entry equal to the monthly-recorded NGVCA revenue as described in 3.d. above.

c. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above.

d. The accumulated month-ending balance shall equal the sum of:

(1) the current month balance; plus the account balance at the beginning of the month; plus any adjustments applicable to the account balance at the beginning of the month; plus

(2) the Monthly Interest Rate multiplied by one-half the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

e. The resulting balance in this account shall be amortized into gas transportation rates during the utility's next Biennial Cost Allocation Proceeding and/or its annual regulatory account balance update filing.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

F. GAS STORAGE BALANCING ACCOUNT (GSBA)

1. Description

This balancing account shall record the difference between actual monthly gas storage expenses incurred by the utility and revenues as authorized in Decisions 93-02-013 and 94-12-052. This account shall reflect the recovery of all customer costs incurred by the utility for the acquisition and use of existing storage capacity in accordance with D.93-02-013 and subsequent storage-related rulings made by the Commission. This account shall not include any expenses incurred or revenues collected by the utility for new storage facilities built for the exclusive use of the noncore customers. This account shall be revised when the utility's current contractual levels of storage obtained from the Southern California Gas Company ("SoCalGas") are revised.

This account shall be subdivided into two subaccounts: Core GSBA and Noncore GSBA . The Core GSBA will record the storage revenues and costs assigned to core customers. The Noncore GSBA will record the storage revenues and costs associated with the storage elections made by noncore customers.

2. Accounting Treatment - Core GSBA

This subaccount shall be recorded at the end of each month as follows:

a. Expenses shall equal the sum of:

- (1) On-system storage costs, including load balancing charges, incurred by the utility to fulfill storage reservations assigned to serve core volumes [1], except for storage costs incurred by the utility for new facilities constructed after June 1993, and built for the exclusive use of noncore customers; plus
- (2) Storage reservation costs, including load balancing charges, provided by SoCalGas, incurred by the utility, and assigned to serve core volumes.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

H. RESEARCH, DEVELOPMENT AND DEMONSTRATION (RD&D) BALANCING ACCOUNT

1. Description

The RD&D Account is an interest bearing balancing account authorized by Decision 88-09-063, dated September 28, 1988, in the utility's 1989 General Rate Case proceeding, and is recorded on the utility's financial statement. The purpose of this account is to record actual costs associated with the authorized public interest research, development and demonstration program and associated revenues.

Commission Resolution G-3303, dated December 21, 2000, as directed by Assembly Bill (AB) 1002, 1) adopted gas public purpose program (PPP) surcharge rates effective January 1, 2001, 2) exempts some customers from the PPP surcharge who were not exempt to charges in rates prior to January 1, 2001 and 3) requires utility to make quarterly payments to the California Board of Equalization (BOE).

Commission D.04-08-010 authorized utilities to modify their regulatory accounts to facilitate the unbundling of PPP costs from their rates. D.04-08-010 also notes that interest should be apportioned to utilities according to the amount of remittances and the length of time remittances were held in the State's Gas Consumption Surcharge Fund (Fund).

As of January 1, 2005, pursuant to D.04-08-010, the purpose of this account is to track the gas surcharge collected from non-exempt customers that will be remitted to the State Board of Equalization (BOE) to fund programs administered by the California Energy Commission (CEC) or other non-utility entity designated by the Commission. This account also tracks SDG&E's allocation of the annual BOE and the California Public Utilities Commission (CPUC) administrative costs authorized by the CPUC.

2. Accounting Treatment

The RD&D Account shall have Pre-2001 and Post-2000 sub-accounts to record expenses and revenues for the applicable timeframes.

a. The Utility shall maintain the RD&D Balancing Account by recording the following monthly entries which are recorded on the financial statements:

(1) A debit entry equal to recorded research, development and demonstration expenses during the month for all costs SDG&E incurred to administer the program through 2004;

(2) A credit entry equal to the surcharge for the RD&D program from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs, through 2004;

(3) A debit entry equal to the surcharge for the RD&D program from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the BOE pursuant to AB 1002, through 2004 (including remittances for fourth quarter 2004);

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

H. RESEARCH, DEVELOPMENT AND DEMONSTRATION (RD&D) BALANCING ACCOUNT (Continued)

2. a. Accounting Treatment (Continued)

(4) A debit entry equal to the surcharge for the RD&D program related to the refunds to customers that are exempt from the surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316, through 2004;

(5) A credit entry equal to the surcharge for the RD&D program from the reimbursement of the gas PPP surcharge funds for SDG&E's administration of the program through 2004, which may include surcharge funds from interstate non-exempt pipeline customers including actual interest earned in the Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs and any refunds paid by the BOE to customers that are exempt from the surcharge through 2004;

(6) An entry equal to the interest by applying the interest rate to the average of the beginning and ending balances as they apply to pre-2005 program activities. The interest rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

(7) An entry, effective January 1, 2005, equal to the interest on the average of the billed surcharges in the possession of the Utility at the beginning of the month that have not been remitted to BOE including interest previously recorded in the account, and the billed surcharges after entry 2.b.(1) below, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release,H.15, or its successor publication.

b. The Utility, effective January 1, 2005, shall also maintain this account by making monthly entries as follows, which are for tracking purposes only and are not recorded on the financial statements:

(1) A credit entry equal to the surcharge for the RD&D program and the BOE and CPUC administrative costs from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs and refunds to customers that are exempt from the surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;

(2) A debit entry equal to 1/12 of the annual PPP RD&D funding authorized by the CPUC;

(Continued)



PRELIMINARY STATEMENT

Sheet 19

IV. BALANCING ACCOUNTS

H. RESEARCH, DEVELOPMENT AND DEMONSTRATION (RD&D) BALANCING ACCOUNT (Continued)

2. b. Accounting Treatment (Continued)

(3) A debit entry equal to 1/12 of SDG&E's allocation of the annual BOE and CPUC administrative costs authorized by the CPUC;

3. Disposition

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for PPP and authorized BOE/CPUC administrative costs. Interest accumulated in the RD&D Account will be excluded from the annual update of PPP rates and held in the RD&D Account until further direction from the CPUC.

In connection with the annual surcharge rate filing, SDG&E will update its gas surcharge rates based on the allocation of RD&D costs, Commission/BOE administrative costs authorized by the Energy Division, and amortization of the forecasted RD&D balance applicable for incorporation in rates effective January 1st of the following year. Utilities are to report unspent RD&D funds to the Energy Division associated with collections from January 1, 2001 through December 31, 2004. These accumulated unspent funds shall be used for future RD&D programs.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

I. POST-1997 GAS ENERGY EFFICIENCY BALANCING ACCOUNT (PGEEBA)

1. Purpose

The purpose of the Post-1997 Gas Energy Efficiency Balancing Account (PGEEBA) is to balance PGEE program expenses against revenues from January 1, 1998 forward. The PGEEBA will also facilitate the transference of gas funds to a new administrator(s), and certain other adjustments to funding levels as authorized by Commission Decision(s).

Commission Resolution G-3303, dated December 21, 2000, adopted gas PPP surcharge rates effective January 1, 2001 as directed by Assembly Bill (AB) 1002. Resolution G-3303 also 1) exempts some customers from the PPP surcharge who were not exempt to charges in rates prior to January 1, 2001 and 2) requires utility to make quarterly payments to the California Board of Equalization (BOE).

Commission D.04-08-010 authorized utilities to modify their regulatory accounts to facilitate the unbundling of PPP costs from their rates. D.04-08-010 also notes that while the surcharge collections are in the possession of the State, the applicable interest that applies is the actual amount of interest that accrued while the remittances were on deposit in the State's Gas Consumption Surcharge Fund (Fund).

2. Applicability

The PGEEBA shall separately apply to non-low-income energy efficiency and low-income energy efficiency-related activities and funding from January 1, 1998 forward as approved by the Commission.

3. Accounting Treatment

The PGEEBA shall have Pre-2001 and Post-2000 sub-accounts to record expenses and revenues for the applicable timeframes.

The PGEEBA shall be recorded at the end of each month as follows:

- a. A debit entry equal to all expenses incurred for energy efficiency programs and activities;
- b. A debit entry to transfer funds as directed by the Commission to a new administrator(s);
- c. A credit entry equal to the surcharge for the energy efficiency programs from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- d. A debit entry equal to the surcharge for the energy efficiency programs from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the BOE pursuant to AB 1002;

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PRELIMINARY STATEMENT

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IV. BALANCING ACCOUNTS

I. POST-1997 GAS ENERGY EFFICIENCY BALANCING ACCOUNT (PGEEBA) (Continued)

3. Accounting Treatment (Continued)

- e. A debit entry equal to surcharge for the energy efficiency programs related to the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- f. A credit entry equal to the surcharge for the energy efficiency programs from the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers including actual interest earned in the Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the RD&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;
- g. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and
- h. An entry equal to the interest by applying the interest rate to the average of the beginning and ending balances. The interest rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

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4. Disposition

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

J. NON-MARGIN FIXED COSTS ACCOUNT (NMFCA)

1. Description

This balancing account shall record the difference between expenses and revenues related to the recovery of recorded transportation charges billed by SoCalGas to SDG&E, SDG&E's carrying cost of storage in inventory (CCSI), Lost and Unaccounted For (LUAF) and Company use (CU) gas, and amounts to be collected for the recovery of franchise fees and uncollectibles (FF&U) ^{1/}. The establishment of this account is authorized pursuant to D.99-05-030. This account shall be divided into two subaccounts: SoCal Gas Costs and Other SDG&E Costs. This account shall become effective concurrent with the termination date of the Gas Fixed Costs Account (GFCA).

2. Accounting Treatment – SoCal Gas Costs

This subaccount shall be recorded at the end of each month as follows:

a. Expenses shall equal:

(1) The recorded transportation charges billed by SoCalGas to SDG&E during the month for the transportation and delivery of gas volumes to customers and computed as follows:

- (a) The volumetric charges shall be equal to the recorded gas deliveries multiplied by the SoCalGas volumetric rate, less
- (b) ITCS charges paid by SDG&E, less
- (c) An allowance for FF&U.

b. Revenues shall equal Transportation revenues, equal to the rate component embedded in rates to recover costs for SoCal Gas transportation service, less ITCS, multiplied by the applicable gas deliveries.

c. The current month balance shall equal the expenses computed in item 2.a less the revenues computed in item 2.b.

d. The accumulated month-ending balance shall equal the sum of:

- (1) The current month balance; plus the account balance at the beginning of the month; plus any adjustments made to the account balance at the beginning of the month; plus
- (2) The Monthly Interest Rate multiplied by one-half the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

e. The resulting balance in this account shall be amortized into transportation rates during the utility's next balancing accounts update filing.

1/ Definitions for these are described in Section III of the Preliminary Statement.

(Continued)



PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

J. NON-MARGIN FIXED COSTS ACCOUNT (NMFCA) (Continued)

3. Accounting Treatment – Other SDG&E Costs

This subaccount shall be recorded at the end of each month as follows:

a. Expenses shall equal:

- (1) The recorded costs to recover Lost and Unaccounted For (LUAF) gas, plus
- (2) The recorded costs to recover Company Use (CU) gas, plus
- (3) The recorded costs of intervenor compensation payments that are not collected through gas transportation rates. Pursuant to D.98-12-038, the amount authorized for 1999 was \$41,000, plus
- (4) An allowance for Franchise Fees and Uncollectibles (FF&U).

b. Revenues shall equal the sum of the following:

- (1) LUAF revenues, equal to the rate component embedded in rates to recover specific costs related to lost and unaccounted for gas, multiplied by the applicable gas deliveries; plus
- (2) CU revenues, equal to the rate component embedded in rates to recover specific costs related to Company use gas, multiplied by the applicable gas deliveries.

c. The current month balance shall equal the expenses computed in item 3.a less the revenues computed in item 3.b.

d. The accumulated month-ending balance shall equal the sum of:

- (1) The current month balance; plus the account balance at the beginning of the month; plus any adjustments made to the account balance at the beginning of the month; plus
- (2) The Monthly Interest Rate multiplied by one-half the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

e. The resulting balance in this account shall be amortized into transportation rates during the utility's next balancing accounts update filing.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

K. REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

1. Purpose

The purpose of the Rewards and Penalties Balancing Account is to record the utility's rewards, penalties and PBR revenue sharing.

2. Applicability

This account shall apply to all gas services that are within the jurisdiction of the Commission.

3. Rates

The projected year-end account balance will be applied to gas rates as described in item 5. below.

4. Accounting Procedure

This account shall reflect the following periodic entries:

a. A debit entry equal to the gas authorized amounts for each of the following items:

- (1) Rewards allocated to the Gas Department as a result of the PBR Base Rates Mechanism and its successor, the Distribution PBR;
- (2) Rewards allocated to the Gas Department as a result of the utility's Annual Earnings Assessment Proceeding ("AEAP"), net of the rewards included in current gas rates.

b. A credit entry equal to the gas authorized amounts for each of the following items:

- (1) Penalties allocated to the Gas Department as a result of the PBR Base Rates Mechanism and its successor, the Distribution PBR;
- (2) Penalties allocated to the Gas Department as a result of the utility's AEAP, net of the penalties included in current gas rates; and
- (3) Revenue allocated to the Gas Department from the revenue sharing portion of the PBR Base Rates Mechanism and its successor, the Distribution PBR.

c. An entry shall be made to reflect the amount collected from/returned to customers due to the amortization of the prior year ending balance, pursuant to item 5, below.

d. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above, plus or minus any adjustment from 4.c.

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PRELIMINARY STATEMENT

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IV. BALANCING ACCOUNTS

K. REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA) (Continued)

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4. Accounting Procedure (Continued)

e. The accumulated month ending balance shall equal the sum of:

- (1) the current month's entries from 4.d.;
- (2) the account balance at the beginning of the month;
- (3) the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

5. Account Disposition

The utility shall file by October 1 of each year an advice letter requesting to apply the projected year-end balance as a twelve-month amortization to gas rates effective January 1 of the following year.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

L. BASELINE BALANCING ACCOUNT (BBA)

1. Purpose

The BBA is an interest bearing balancing account that is recorded on the Utility's financial statements. The purpose of this account is to record the revenue under/(over) collection associated with baseline allowance changes as authorized in Commission Decision (D.) 02-04-026, and as modified by D.02-05-010, from May 31, 2002 until a ratemaking decision is issued in Phase 2 of OIR 01-05-047. The BBA maintains revenue neutrality for the Utility until customer rates are revised in conjunction with the baseline allowance changes. D.02-04-026 orders the Utility to set its baseline allowances at the highest percentage allowed by Public Utilities Code Section 739 using current energy consumption data.

Gas transportation rate impacts due to baseline allowance changes will be recorded in the BBA. There are no gas commodity rate impacts related to baseline allowance changes.

2. Applicability

The BBA shall apply to all residential customers.

3. Rates

The BBA balance will be included in gas transportation rates upon Commission approval.

4. Accounting Procedure

The Utility shall maintain the BBA by making entries at the end of each month as follows:

- a. A debit or credit entry equal to the recorded revenue shortfall associated with changes to baseline allowances.
- b. A debit entry equal to the administrative costs associated with the medical baseline program changes.
- c. An entry equal to the recorded revenue from the amortization of the balance in the BBA upon Commission approval.
- d. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 4.a and 4.c above shall be one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The disposition of the balance in the BBA will be decided at such time as the Commission issues a decision in Phase 2 of OIR 01-05-047.

(Continued)



PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

M. FIBER OPTIC CABLE IN GAS PIPELINE SERVICES ACCOUNT (FIGA)

1. Purpose

The FIGA is an interest-bearing account recorded on the Utility's financial statements. The purpose of the FIGA is to record the capital component of FIG (Fiber Optic Cable in Gas Pipeline) program revenues associated with the use of the Utility's gas distribution system as authorized in Ordering Paragraph 6 of Decision (D.) 03-10-017. D. 03-10-017 authorized the Utility to establish a new service allowing telecommunication and cable TV companies to place fiber optic cable in the Utility's active gas pipelines.

2. Applicability

The FIGA applies to rate schedules associated with the installation of fiber optic cables in the gas distribution lines. The FIGA will be superseded by the ratemaking adopted in the 2004 PBR/Cost of Service (COS) Proceeding (A.02-12-028).

3. Rates

The balance in the FIGA will be included in gas rates upon Commission approval.

4. Accounting Procedure

The Utility shall maintain the FIGA by making entries at the end of each month as follows:

- a. A credit entry equal to the amount of FIG program revenues collected for recovery of the capital costs associated with the use of the Utility's gas distribution system.
- b. An entry reflecting the amortization of the balance in the FIGA or the transfer to another regulatory account, as directed by the Commission.
- c. Interest shall be calculated on the average of the balance at the beginning of the month and the balance after entries 4.a and 4.b above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The disposition of the balance in the FIGA will be incorporated in rates with the annual update of regulatory account balances filed by advice letter in October.



SCHEDULE G-LI

Sheet 1

SERVICE TO QUALIFIED LIVING FACILITIES

APPLICABILITY

Applicable to customers who qualify as non-profit group living facilities, migrant farmworker housing centers, employee housing (privately owned) or housing for agricultural employees (operated by non-profit entities) by meeting the special conditions established for each respective facility covered by this schedule. This schedule provides a California Alternate Rates for Energy (CARE) discount to each of the above types of facilities and is taken in conjunction with the customer's otherwise applicable service schedule.

TERRITORY

Within the entire territory served by the Utility.

RATES

The qualified living facility will receive a 20% discount on all customer, commodity, and transportation charges on their otherwise applicable service schedule.

SPECIAL CONDITIONS - ALL FACILITIES

The following Special Conditions are applicable to all facilities covered by this schedule:

1. Applicable Conditions. All special conditions contained in the customer's otherwise applicable schedule are applicable to service under this schedule.
2. Rate Applicability. The meter(s) serving the facility is served under the Utility's residential or commercial rate schedules.
3. Application and Eligibility Declaration. An application and eligibility declaration, on a form authorized by the Commission, is required for each request for service under the CARE program. Renewal of a facility's eligibility declaration, also referred to as recertification) will be required on an annual basis.
4. Commencement of Rate. Eligible facilities shall begin receiving the CARE rate discount no later than one billing period after receipt of a completed and approved application by the Utility.

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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	3.276	4.702
Commercial/Industrial	1.162	2.587
Natural Gas Vehicles	1.134	2.559
Noncore		
Commercial/Industrial	0.427	1.852

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.

(Continued)



SCHEDULE G-PPPS

PUBLIC PURPOSE PROGRAMS SURCHARGE

SPECIAL CONDITIONS (Continued)

2. Filing Requirements

Pursuant to Decision 04-08-010, the Utility shall file an annual advice letter, with proposed PPP surcharge rates, by October 31, with a requested effective date of January 1 of the following year. Surcharge rates will be determined by customer class and by CARE participation. Accordingly, non-CARE customers shall be charged the CARE component of the surcharge whereas CARE customers will not be charged for this component.

The Commission will establish surcharge rates annually.

3. Surcharge Formula

The gas PPP surcharge rates will be calculated pursuant to the surcharge formula adopted in D.04-08-010.

4. Treatment of F&U

Franchise Fees and Uncollectibles (F&U) shall not be included in the calculation of the PPP surcharge and the Utility shall exclude PPP surcharge amounts in determining franchise payments.

5. BOE Remittances

Per PU Code Sections 892 and 892.1, the Utility remits revenues collected from the PPP surcharge to the BOE.

6. Cost and Volume Assumptions

a. Interstate Pipeline Gas Throughput

The Energy Division shall also obtain interstate pipeline customer gas volumes from the BOE and provide these volumes to the appropriate utilities, by September 30, for determining surcharge rates.

b. Administrative Costs

The Energy Division will provide the BOE and Commission's administrative costs by September 30 to include in the Utility's October 31 surcharge filings for rates effective January 1 of the following year. The Utility shall identify these administrative cost amounts in their quarterly remittances to the BOE.

c. R&D Program Costs

Energy Division shall provide the Utility, by September 30, with its allocation of R&D costs that were approved by the Commission for the following year.

(Continued)



SCHEDULE G-PPPS

PUBLIC PURPOSE PROGRAMS SURCHARGE

SPECIAL CONDITIONS (Continued)

7. PPP Surcharge Refunds

To prevent the issuance of duplicate refunds of PPP surcharge collection, the Utility shall inform BOE of any PPP surcharge refunds it intends to issue. The refunds will not be issued if previously made by BOE. The utilities shall inform BOE of any refunds that they issue. The Utility will annually review its customer accounts to determine if any refunds are warranted

8. Distribution and Treatment of Amounts received from the Gas Consumption Surcharge Fund

All funds remitted to BOE are to be returned to the utility in a timely manner, except for R&D funds (excluding R&D funds to reimburse the utility for R&D activities conducted in 2004), BOE and Commission administration costs, and deductions for any refunds issued by BOE. Non-exempt interstate pipeline customer remittances to BOE are to be returned to the public utility in whose service territory the customer resides. All amounts received from the Gas Surcharge Consumption Fund are to be recorded to the appropriate PPP balancing accounts.

9. Interim Surcharge Rate Changes

The Utility may also request via advice letter to change surcharge rates during the year only if failure to make the rate change would result in a forecasted total rate increase of 10% or more on January 1 of the following year. The Utility shall file the advice letter at least 40 days prior to the beginning of the next quarter with an effective date to be determined by the Energy Division in consultation with the BOE.

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San Diego, California

Revised Cal. P.U.C. Sheet No. 15010-G

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