



February 13, 2002

Advice No. 3109-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplement Filing to Advice No. 3109 – Implementation Schedule

Southern California Gas Company (SoCalGas) hereby submits for filing a schedule for implementing the various provisions of Decision (D.) 01-12-018, as shown on Attachment B.

This supplemental filing is made in compliance with Ordering Paragraph No. 29 of D.01-12-018, issued December 11, 2001. On December 17, 2001 SoCalGas filed for an extension from January 3, 2002 to January 17, 2002 to file a proposed schedule for implementing the provisions of D.01-12-018 for which the decision orders more time can be taken. The Commission on December 21, 2001 granted this request for an extension of the filing date.

This supplemental filing replaces Advice No. 3109 in its entirety.

Purpose

This supplemental filing complies with Commission order to establish a timeline for implementation of the provisions of D.01-12-018 for which the decision has ordered more time can be taken.

Background

Pursuant to the Comprehensive Settlement Agreement (CSA) there were a number of issues raised for implementation filings, advice letters, and revision of tariffs. The Commission directed SoCalGas to file the requisite advice letters to implement D.01-12-018 within 15 business days. SoCalGas filed and was granted an extension for the filing date from January 3, 2002 to January 17, 2002. This filing contains a proposed schedule for implementation of D.01-12-018 as well as a proposed schedule for any future proceedings. Pursuant to Commission order, SoCalGas will not conduct an open season or secure commitments from customers before final tariffs are approved.

Information

As illustrated in detail on Attachment B, SoCalGas will have the following general implementation schedule:

- Unbundling of Storage Services (CSA Section 2) – April 1, 2002
- Firm, tradable intrastate transmission rights (CSA Section 1) – November 1, 2002
- Balancing and Pooling Services (CSA Section 3 & 1.5.5) – November 1, 2002
- Retail Services (CSA Section 7.2.5) – November 1, 2002

SoCalGas held an all interested party meeting on January 9, 2002 to provide information and receive feedback from those who will be affected by the many changes as a result of the decision (D.01-12-018). The meeting was attended by approximately 120 end-use customers, marketers, ORA, and representatives from all the interconnecting pipelines.

As a result of the feedback from the meeting, SoCalGas decided to revise its initial proposed implementation date for firm, tradable backbone transmission rights to September 1, 2002 from the original proposed date of July 1, 2002. This change was in response to the general concern presented in the January 9th meeting that the market may not be ready for such a change and would need additional time to fully understand the impact of backbone transmission rights. Implementing the backbone transmission rights on September 1, 2002 will provide additional time to educate the customers prior to the Open Seasons in which customers who participate are required to make commitments for backbone transmission rights.

In light of the protests received regarding the proposed implementation schedule, SoCalGas has modified the schedule to accommodate the concerns of the customers by implementing backbone transmission rights in conjunction with pooling and balancing services which is proposed to be November 1, 2002. Although SoCalGas continues to believe that a September 1, 2002 effective date for backbone transmission rights is reasonable and provides customers with adequate time to adjust to the new system before implementing additional enhancements (i.e. pooling and balancing services), SoCalGas is not opposed to moving the implementation of backbone transmission rights to commence on November 1, 2002 to coincide with the implementation of balancing and pooling services, in order to respond to the concerns of customers. The modified implementation schedule is shown on Attachment B.

SoCalGas continues to propose implementation of electronic trading of backbone rights on January 1, 2003, because SoCalGas does not believe it can complete necessary information systems modifications before that date. Trading of backbone rights will be permitted between November 1 and December 31, 2002, but the electronic trading platform will not be available. To accommodate concerns of market participants, SoCalGas will modify the schedule so that manually-processed backbone capacity trades between November 1, 2002, and December 31, 2002, can be submitted only two calendar days prior to flow (one day prior to the first nomination cycle for the effective flow day), one day shorter than SoCalGas had proposed. SoCalGas will also attempt to facilitate same day contracting for available SoCalGas-held capacity.

SoCalGas is proposing to offer the new Recourse Storage services as of April 1, 2002 in order to provide for a full storage year of service availability. SoCalGas' storage year runs from April through the end of March of the subsequent year. SoCalGas is not proposing to remove storage costs from rates until the implementation of the separate class balancing assets and the new balancing procedures on November 1, 2002. The cost of storage services in rates will be calculated using the embedded costs established in the D.01-12-018 and the CSA beginning April 1, 2002. At the same time, SoCalGas shareholder risk will be established at a 75/25% split.

In D.01-12-018, the Commission left two items to be addressed in future proceedings, and requested SoCalGas to provide a timeline to address these issues. The two issues are 1) avoided cost credit - SoCalGas is ordered to update the avoided costs based on more current data and include any agreement on the appropriate level of billing credit in a separate filing, and 2) consumer protection - The Commission itself intends to open a rulemaking to establish a number of consumer protection rules for the natural gas retail market.

On the issue of avoided cost credits, the level of the core transport agent (CTA) and CTA/energy service provider (ESP) billing credits provided by SoCalGas shall remain fixed for the period from the effective date of the CSA through December 31, 2003, and are only applicable to customers whose information-only bill has been discontinued in accordance with Section 7.2.4 of the CSA. The Parties agree to undertake discussions and, if necessary, to litigate the appropriate level of these billing credits in such a manner that new avoided cost billing credits for SoCalGas will become effective January 1, 2004. If the above referenced discussions fail to produce an agreement by December 31, 2002, SoCalGas shall file an application with the Commission in the first quarter of 2003, proposing for Commission approval of a new level of avoided cost credits for implementation on a timely manner on January 1, 2004.

On the issue of consumer protection rules, SoCalGas will respond to the Commission once a rulemaking is established to address the consumer protection rules for the natural gas retail market.

Conclusion

Consistent with D.01-12-018, this advice letter establishes a timeline as shown in Attachment B to implement the various provisions of the decision for which more time is allowed. A high-level proposed schedule is as follows, please review Attachment B for more detail:

- Unbundling of Storage Services (CSA Section 2) – April 1, 2002
- Firm, tradable intrastate transmission rights (CSA Section 1) – November 1, 2002
- Balancing and Pooling Services (CSA Section 3 & 1.5.5) – November 1, 2002
- Retail Services (CSA Section 7.2.5) – November 1, 2002

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 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:

Energy Division - IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jir@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
Regulatory Tariff Administration - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@sempra.com

Attn: C. Richard Swanson
Regulatory Tariff Manager - HQ14D
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If there are questions regarding the content of this filing, please contact either,

Marzia Zafar		Rodger Schwecke
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213-244-2517		213-244-5573

Effective Date

Per Conclusion of Law No. 39, Advice No. 3109 had requested that the filing be made effective thirty (30) days after filing which is February 18, 2002. SoCalGas respectfully requests that the effective date of this supplemental filing be made concurrent with the effective date of Advice No. 3109.

Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to the parties listed on Attachment A, which includes the interested parties in I.99-07-003.

LEE SCHAVRIEN
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Attachments

ATTACHMENT A
Advice No. 3109-A

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Attachment B

SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
Provisions Already Filed with Commission and/or Implemented per D.01-12-018	
26-Dec-01	<ul style="list-style-type: none"> - Filed Advice Letter No. 3099 – To establish the Gas Industry Restructuring Memorandum Account (GIRMA). - Filed Advice Letter No. 3100 - Compliance filing to close core subscription service and to reopen core service to all noncore eligible customers.
17-Dec-01	<ul style="list-style-type: none"> - Filed for extension of implementation schedule due date and implementation of ITCS changes.
21-Dec-01	<ul style="list-style-type: none"> - Expired GT-F Contract Letter - Permitted GT-F 2-year contracts subject to termination to be served month-to-month until the backbone receipt point open seasons completed. - Core Subscription Letter - Notified existing customers that core subscription service will be eliminated as contracts expire and list service options. Permitted core subscription contracts subject to termination to be served month-to-month until the backbone receipt point open seasons completed. - Core Service Opening Letter (Rescinding Resolution G-3304) - Notified noncore customers that core service will be re-opened beginning January 1, 2002, with several exclusions. Last day to elect core service for January 1 was by December 31, 2001.
1-Jan-02	<ul style="list-style-type: none"> - Escalation of embedded cost element for backbone transmission and storage are escalated based on PBR factors. - "Windows" have been eliminated under existing operational procedures in place. - Rollover of customer nominations under existing nomination and electronic (GasSelect®) systems. - Filed Advice Letter No. 3104 - End core contribution to noncore Interstate Transition Cost Surcharge (ITCS) - Filed Advice Letter No. 3105 – <ol style="list-style-type: none"> 1. Reduce Core Aggregation Transportation (CAT) program minimum size requirement from 250,000 to 120,000 therms annually and eliminate the 10 percent cap on core market CAT program participation 2. Unbundle pipeline demand charges 3. allocate stranded costs from unbundled core interstate pipeline capacity equally to core and noncore customers 4. Recover in rates \$2.0 million per year, plus related franchise fees and uncollectible expenses, for capacity-related implementation costs beginning on the effective date of D.01-12-018 to the effective date of a decision in SoCalGas' next performance based regulation (PBR) application.
2-Jan-02	<ul style="list-style-type: none"> - Notified each CTA formally of the unbundled interstate pipeline capacity effective February 1, 2002.
9-Jan-02	<ul style="list-style-type: none"> - Held briefing with interested parties to preview Implementation Plan.
17-Jan-02	<ul style="list-style-type: none"> - Filed Implementation Plan with CPUC
1-Feb-02	<ul style="list-style-type: none"> - File "set package" compliance storage service tariff (Recourse Storage) with CPUC, including changes to rules, conditions of service and proforma contract. Implement April 1, 2002.

Attachment B

SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
Provisions to be Completed, Filed, and Implemented per D.01-12-018	
19-Feb-02	<ul style="list-style-type: none"> - File revised tariffs to reflect the use of embedded storage costs in the rate allocation.
28-Feb-02	<ul style="list-style-type: none"> - Hold informational meetings with end-use customers, marketers and other interested parties to explain Recourse Storage services.
1-Mar-02	<ul style="list-style-type: none"> - Receive CPUC approval of Recourse Storage service tariffs.
4-Mar-02	<ul style="list-style-type: none"> - Begin open season for Recourse Storage service.
8-Mar-02	<ul style="list-style-type: none"> - Recourse Storage Open Season is closed and bids are due. - Performing credit checks on the bidders as soon as the bids are submitted.
15-Mar-02	<ul style="list-style-type: none"> - Announce winning bidders and assign capacities for Recourse Storage Open Season. - Hold tariff workshops with CPUC Energy Division and various interested parties regarding backbone transmission, pooling, and balancing services. - Place in service new receipt points capacities at Kramer Junction, Hector Road, Wheeler Ridge, North Needles and on Line 85 under existing nomination and scheduling systems.
22-Mar-02	<ul style="list-style-type: none"> - Send final Recourse Storage Open Season contracts to winning bidders for execution.
1-Apr-02	<ul style="list-style-type: none"> - Establish 75% shareholder and 25% ratepayer regulatory accounting for the unbundled storage program. - Effective date of initial Recourse Storage service contracts. Tariffs and contracts will reflect embedded costs for reservation and usage. - Application of variable charges for storage (noncore and core) will remain unchanged from existing procedures. - Price floor for new negotiated contracts and each storage product (Inventory, Injection, and withdrawal) under G-TBS Schedule: 50% of embedded cost. Price ceiling for new negotiated contracts and each storage product (Inventory, Injection, and withdrawal) under G-TBS Schedule: 200% of embedded cost. - To facilitate a voluntary secondary market trading of storage contracts customers will be allowed to trade daily with SoCalGas manually processing the transactions. The brokered capacities may start on any day but must last at least one day. Trades must be submitted two days prior to the first nomination cycle for the effective flow day. SCG will bill the original owner of the contract and not to the third parties. The electronic bulletin board need not be used for trading, traders could contact each other. Storage customers will be allowed to assign to any person, subject to certain creditworthiness criteria, any portion of their storage contract (inventory, injection, and withdrawal rights) separately or in combination for any period up to their contract term. While prices will not be disclosed without approval of parties, the parties and term of assignment will be made public.
4-Apr-02	<ul style="list-style-type: none"> - General Creditworthiness Packages made available to interested parties.
12-Apr-02	<ul style="list-style-type: none"> - Hold tariff workshops with CPUC Energy Division and various interested parties regarding backbone transmission, pooling, and balancing services.

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SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
1-May-02	<ul style="list-style-type: none"> - File compliance tariffs with CPUC to implement backbone transmission and pooling service (rates, rules, and proforma contracts). Implement on November 1, 2002. - File compliance tariffs for implementation of new balancing rules and the unbundling of storage costs from rates with CPUC effective November 1, 2002. - File revised tariffs to reflect the unbundling of the backbone transmission costs from rates effective November 1, 2002. - File SoCalGas tariffs regarding establishments of billing credits. Implement a minimum of 90 days after tariff approval. - File SoCalGas' "Expanded Storage" services (parking and loaning) including rates, rules, proforma contracts and other related documents with CPUC effective July 1, 2002.
13-May-02 to 17-May-02	<ul style="list-style-type: none"> - Hold informational meetings with end use customers, marketers and other interested parties to explain backbone transmission service, pooling services, new OFO procedures, imbalance policy, and imbalance trading opportunities ("Chip Trading").
3-Jun-02 to 7-Jun-02	<ul style="list-style-type: none"> - Hold informational meetings with end use customers, marketers and other interested parties to explain backbone transmission service, pooling services, new OFO procedures, imbalance policy, and imbalance trading opportunities ("Chip Trading").
10-Jun-02	<ul style="list-style-type: none"> - Receive CPUC approval of "Expanded Storage" services tariffs.
22-Jun-02	<ul style="list-style-type: none"> - Inform customers about the "Expanded Storage" services, making available informational packages including tariffs and pro-forma contracts.
1-July-02	<ul style="list-style-type: none"> - Begin offering "Expanded Storage" services.
8-Jul-02 to 10-Jul-02	<ul style="list-style-type: none"> - Hold informational meetings with end use customers, marketers and other interested parties to explain backbone transmission service, pooling services, new OFO procedures, imbalance policy, and imbalance trading opportunities ("Chip Trading").
15-Jul-02	<ul style="list-style-type: none"> - Begin reporting storage contract activities (starting with 2nd Qtr. 2002 activities) to CPUC and post on GasSelect®. This quarterly report will list quantity, price, and term but not the name of the contracting party.
1-Aug-02	<ul style="list-style-type: none"> - CPUC approval of backbone transmission and pooling service tariffs. - CPUC approval of SoCalGas tariffs for billing credits. - CPUC approval of new balancing rules and tariffs.
5-Aug-02	<ul style="list-style-type: none"> - Make available informational packages on backbone transmission services, pooling services, new OFO procedures, imbalance policy, and imbalance trading opportunities ("Chip Trading") (brochures, Website postings).
5-Aug-02 to 9-Aug-02	<ul style="list-style-type: none"> - Hold informational meetings with end use customers, marketers and other interested parties to explain backbone transmission service, pooling services, new OFO procedures, imbalance policy, and imbalance trading opportunities ("Chip Trading").
21-Aug-02	<ul style="list-style-type: none"> - Pre-Phase 1 Open Season – Executed Master Base Agreements and creditworthiness requirements in place. - Selection of backbone transmission rate option by SoCalGas and SDG&E for set-aside capacities. - Offer backbone receipt point rights to customers with set-asides

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SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
	capacity options (other wholesale customers, California producers on the North Coastal and Line 85 systems, existing customer LTKs with receipt point specific requirements).
28-Aug-02	<ul style="list-style-type: none"> - Backbone receipt point rights assigned for SoCalGas and SDG&E to match set-aside capacities. - Backbone receipt point rights assigned for set-aside capacities for other wholesale customers, California producers, and LTK customers.
11-Sept-02	<ul style="list-style-type: none"> - Begin Open Season (Phase 1) – Backbone Receipt Point Rights - Executed Master Agreements and creditworthiness requirements in place for Open Season (Phase 2 and Phase 3).
16-Sep-02	<ul style="list-style-type: none"> - File tariff for implementation of new electronic backbone receipt point trading with CPUC effective January 1, 2002.
18-Sept-02	<ul style="list-style-type: none"> - Close Phase 1 Open Season - Backbone Receipt Point Rights assigned.
25-Sept-02	<ul style="list-style-type: none"> - Begin Open Season (Phase 2) - Backbone Receipt Point Rights.
1-Oct-02	<ul style="list-style-type: none"> - Notify customers in writing with month-to-month rate schedule G-CS and GT-F contracts (excluding constrained areas for GT-F) that customers must make an election by August 20th for a new service option or default to applicable rate (GN-10 for G-CS and GT-I for GT-F) effective November 1, 2002.
2-Oct-02	<ul style="list-style-type: none"> - Close Phase 2 Open Season - Backbone Receipt Point Rights assigned.
9-Oct-02	<ul style="list-style-type: none"> - Begin Open Season (Phase 3) – Backbone Receipt Point Rights.
16-Oct-02	<ul style="list-style-type: none"> - Close Phase 3 Open Season - Backbone Receipt Point Rights assigned.
15-Oct-02	<ul style="list-style-type: none"> - Provide CTAs the option to accept or reject the non-reliability portion of their storage service assignment effective November 1, 2002. - Users will be trained in the new features of GasSelect®.
18-Oct-02	<ul style="list-style-type: none"> - Post all receipt point capacity awarded and remaining capacity for sale by SoCalGas on a firm or interruptible basis
1-Nov-02	<ul style="list-style-type: none"> - Implement backbone receipt point rights (Minimum of 60 days after tariff approval). - SoCalGas shareholders at risk for 100% of the backbone transmission embedded costs. - Implement new GasSelect® system. - Replace sections of Advice Letters 2837/2837-A with backbone transmission service determination of receipt point control. - Terminate Edison's Wheeler Ridge Access Agreement. - Suspend SDG&E's Wheeler Ridge Access Agreement. - Implement Blythe minimum flow orders as they relate to backbone receipt point rights. - To facilitate a voluntary secondary market trading of backbone receipt point rights, customers will be allowed to trade daily with SoCalGas manually processing the transactions. Brokered capacities may start on any day but must last at least one day. Trades must be submitted one day prior to the first nomination cycle for the effective flow day. SoCalGas will bill secondary party but only up to 100% of the original party's demand charge rate. An electronic bulletin board will not be used for trading, traders could contact each other. Backbone

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SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
	<p>customers will be allowed to broker to any person, subject to certain creditworthiness criteria, any portion of their backbone contract for any period up to their contract term. While prices will not be disclosed without approval of parties, the parties and term of assignment will be made public.</p> <ul style="list-style-type: none"> - Customers will nominate firm and interruptible backbone receipt point rights. - Reduce deliveries to backbone receipt point contracts by a 0.39% fuel charge. - Display additional operational and scheduling information on GasSelect®. - Make availability of SoCalGas gas-only billing credits for CTAs (Minimum 90 days after tariff approval). - Continue to offer off-system deliveries from storage to only the PG&E interconnect. - Implement new OFO procedures/provisions and charge structure. - Post additional daily information on GasSelect® to assist customers in predicting of OFO events. - Declare class specific OFOs. - Implement pooling service at receipt points, citygate and storage. - Advice Letters 2837/2837-A completely withdrawn and replaced by firm backbone determination of receipt point control and new OFO procedures. - SoCalGas Transmission and Storage Operations will take over Gas Acquisition Group's current responsibilities of purchasing / selling gas to offset any net noncore imbalances at the end of the month. SoCalGas Transmission and Storage Operations will also buy or sell gas, whenever necessary, to fulfill operational requirements. - Separate core/noncore balancing assets and unbundle storage costs from rates. - Storage variable charges to be based on net injection/withdrawal (for each customer) and on a year-around basis. - Implement Imbalance Rights Trading ("Chip Trading"). - Terminate Winter Balancing Rules except for drive gas obligation by core. - Require SoCalGas core and CTAs to nominate storage activity on GasSelect®. - Implement core-forecasting model for balancing purposes.
11-Dec-02	<ul style="list-style-type: none"> - Make available informational packages on new electronic trading of backbone receipt point rights (brochures, Website postings)
13-Dec-02	<ul style="list-style-type: none"> - Hold informational meeting(s) with end-use customers, marketers and other interested parties to describe new backbone receipt point rights trading ("Electronic Trading").
1-Jan-03	<ul style="list-style-type: none"> - Allow customers to electronically trade backbone receipt point rights on GasSelect®. - Escalate embedded cost elements for backbone transmission and storage based on PBR factors. - File tariffs to implement backhauls services to all interconnect points effective April 1, 2003.

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SoCalGas Implementation Schedule ("Modified")

Implementation or Filing Dates	Implementation/Action Item
1-Feb-03	<ul style="list-style-type: none"> - File revised storage tariffs with the CPUC effective April 1, 2003. - Begin offering annual election of Self-Balancing Service. Election must be made by February 15, 2003.
1-Mar-03	<ul style="list-style-type: none"> - Provide wholesale customer core option for storage services similar to SoCalGas core. - Provide CTAs the option to accept or reject the non-reliability portion of their storage service assignment effective April 1, 2003.
1-Apr-03	<ul style="list-style-type: none"> - Offer backhaul services or off system deliveries to all interconnect points. - Shareholder risk is established at 100% shareholder and 0% ratepayer for the unbundled storage program. - Allow customers to electronically trade storage rights on GasSelect®. - Price floor for Each Storage Product (Inventory, Injection, and withdrawal) under G-TBS Schedule: short-run marginal cost of providing that product. Price ceiling for Each Storage Product (Inventory, Injection, and withdrawal) Under G-TBS Schedule: none. - Terminate core's additional drive gas obligations. - Implement Self-Balancing Service and credit.
15-Jul-03	<ul style="list-style-type: none"> - Continue reporting storage contract activities (starting with 2nd Qtr. 2003 activities) to CPUC and post on GasSelect®. However, this quarterly report will list quantity and term but neither the price nor the name of the contracting party.
1-Dec-03	<ul style="list-style-type: none"> - All core subscription contracts have expired and service is eliminated.