

PUBLIC UTILITIES COMMISSION

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May 11, 2010

Advice Letter 4035

Ronald van der Leeden, Director
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555 W. Fifth Street, GT14D6
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**Subject: Establishment of the On-Bill Financing (OBF) Loan Pool and the
On-Bill Financing Balancing Account (OBFBA)**

Dear Mr. van der Leeden:

Advice Letter 4035 is effective September 24, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



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November 6, 2009

Advice No. 4035
(U 904 G)

Public Utilities Commission of the State of California

Subject: Establishment of the On-Bill Financing (OBF) Loan Pool and the On-Bill Financing Balancing Account (OBFBA)

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) revisions to its revenue requirements and rates effective January 1, 2010. SoCalGas also submits revisions to its Preliminary Statement Part V, Balancing Accounts, applicable throughout its service territory, as shown on Attachment B.

Purpose

This filing seeks approval to establish the OBFBA consistent with the OBF Program proposed in Application (A.) 08-07-022 and adopted in Decision (D.) 09-09-047, dated September 24, 2009, as further described below, and modify its Demand Side Management Balancing Account (DSMBA). This filing also revises SoCalGas' rates to establish the OBF loan pool for the initial year of the 2010-2012 energy efficiency program cycle in transportation rates effective January 1, 2010.

Background

Pursuant to D.09-09-047, the Commission approved SoCalGas and other California investor owned utilities' energy efficiency programs and budgets for the 2010-2012 program cycle. The programs and budgets authorized in this decision will make significant progress toward the Commission's Strategic Plan goals and adopted Big, Bold Energy Efficiency Programmatic Initiatives, including taking the next steps towards achieving zero net energy homes in California as standard practice by 2020 and zero net energy commercial buildings by 2030. SoCalGas' budget for the three-year period is \$285 million.

Establishment of the OBFBA

SoCalGas' approved energy efficiency portfolio includes the OBF Program. The OBF Program is designed primarily to facilitate the purchase and installation of comprehensive, qualified energy efficiency measures by customers who might not otherwise be able to act given capital constraints and/or administrative and time burdens. SoCalGas plans to establish a \$3.5 million sustainable loan pool from non-Public Goods Charge ratepayer funds to fund loans during program cycle period. This loan pool will consist of the transfer of SoCalGas' remaining loan balances of existing loans (approximately \$500,000) to the newly created ratepayer-funded loan pool to account for the transition from utility working cash to ratepayer funding at the beginning of the 2010-2012 program cycle and \$1 million each year over the three years from 2010 to 2012.

To track the loan pool funding, SoCalGas will establish the OBFBA. The OBFBA is an interest bearing, two-way balancing account which will track the difference between ratepayer funding and actual loans provided to customers participating in SoCalGas' OBF program. However, the cost of loan defaults will be charged to SoCalGas' DSMBA. The balance in the OBFBA will be collected through gas transportation rates and allocated to customers based on Equal Percent of Marginal Cost ("EPMC").

Customer Rate Impact

SoCalGas revenue requirement will increase by \$1.5 million (excluding FF&U) for the initial year of the three-year energy efficiency program cycle to cover existing OBF loans and new loans made in 2010. Subsequent increases to SoCalGas' revenue requirement will be made in connection with SoCalGas' annual regulatory account update filing to increase the OBF loan pool by an additional \$1.0 million per year for 2011 and 2012.

It should be noted that the revenue requirement herein does not include other revenue requirement adjustments authorized or expected to be authorized by the Commission for implementation in transportation rates effective January 1, 2010. SoCalGas will file an advice letter consolidating all Commission-authorized changes in its revenue requirement, and the related changes to its rates, at least three days prior to the January 1, 2010 effective date of such rates.

Included with this filing is an Annual Gas Transportation Revenue table summarizing revenue changes and present and proposed rates (Attachment C).

Revenue Requirement Impact by Class of Service

<u>Class of Service</u>	<u>Applicable Rate Schedules</u>	<u>Net \$000's Increase/(Decrease)</u>
Core	GR, GS, GM, GML, GO-AC, G-NGVR, GL, G-10, G-AC, GT-AC, G-EN, G-NGV	\$1,438
Noncore	GT-F, GT-I	\$80
Wholesale	GW-LB, GW-SD, GW-SWG, GW-VRN	\$3
Storage	G-BSS, G-LTS, G-AUC, G-TBS	
International	GW-ECO	\$0
Unallocated Costs to NSBA		\$0
<u>TOTAL</u>		<u>\$1,520</u>

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Maria Salinas (mas@cpuc.ca.gov) and Honesto Gatchalian (ijnj@cpuc.ca.gov) of the Energy Division. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and should be classified as Tier 1 (effective pending approval) pursuant to GO 96-B. SoCalGas respectfully requests that this Advice Letter be approved on September 24, 2009, the date of D.09-09-047, with rates becoming effective January 1, 2010.

Notice

A copy of this advice letter is being sent to the parties listed on Attachment A, which includes parties in A.08-07-022.

Ronald van der Leeden
Director
Rates, Revenues & Tariffs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

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EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4035

Subject of AL: Establishment of On-Bill Financing (OBF) Loan Pool and the On-Bill Financing Balancing Account (OBFBA)

Keywords (choose from CPUC listing): Preliminary Statement, Balancing Accounts

AL filing type: Monthly Quarterly Annual One-Time Other

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

D09-09-047

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 9/24/09 (AL) 1/1/10 (Rates)

No. of tariff sheets: 5

Estimated system annual revenue effect (%): 0.1%

Estimated system average rate effect (%): 0.1%

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 Part V and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

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Southern California Gas Company

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¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4035

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 4035

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 45193-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DESCRIPTION AND LISTING OF BALANCING ACCOUNTS, Sheet 1	Revised 43687-G
Revised 45194-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DEMAND SIDE MANAGEMENT BALANCING ACCOUNT (DSMBA), Sheet 1	Revised 41152-G
Original 45195-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ON BILL FINANCING BALANCING ACCOUNT (OBFBA)	
Revised 45196-G Revised 45197-G	TABLE OF CONTENTS TABLE OF CONTENTS	Revised 45139-G Revised 44986-G

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DESCRIPTION AND LISTING OF BALANCING ACCOUNTS

Sheet 1

A. GENERAL

Balancing accounts are those regulatory accounts where authorized expenses are compared with revenues from rates designed to recover those expenses. The resulting under or overcollection, plus interest calculated in the manner described in Preliminary Statement, Part I, is recorded on the Utility's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts are to be amortized in rates.

B. LISTING OF BALANCING ACCOUNTS

Purchased Gas Account (PGA)
Core Fixed Cost Account (CFCA)
Noncore Fixed Cost Account (NFCA)
Enhanced Oil Recovery Account (EORA)
Noncore Storage Balancing Account (NSBA)
California Alternate Rates for Energy Account (CAREA)
Brokerage Fee Account (BFA)
Hazardous Substance Cost Recovery Account (HSCRA)
Natural Gas Vehicle Account (NGVA)
El Paso Turned-Back Capacity Balancing Account (EPTCBA)
Gas Cost Rewards and Penalties Account (GCRPA)
Pension Balancing Account (PBA)
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)
Conservation Expense Account (CEA)
Research Development and Demonstration Gas Surcharge Account (RDDGSA)
Demand Side Management Balancing Account (DSMBA)
Direct Assistance Program Balancing Account (DAPBA)
California Solar Initiative Balancing Account (CSIBA)
Integrated Transmission Balancing Account (ITBA)
Compressor Station Fuel and Power Balancing Account (CFPBA)
Distribution Integrity Management Program Balancing Account (DIMPBA)
Rewards and Penalties Balancing Account (RPBA)
On-Bill Financing Balancing Account (OBFBA)

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(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4035
DECISION NO. 09-09-047

ISSUED BY
Lee Schavrien
Senior Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED Nov 6, 2009
EFFECTIVE Sep 24, 2009
RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DEMAND SIDE MANAGEMENT BALANCING ACCOUNT (DSMBA)

Sheet 1

The DSMBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track, beginning on January 1, 2006 with the implementation of the 2006-2008 cycle approved by Decision (D.)05-09-043, the difference between the non-low-income energy efficiency program (i.e., "Demand Side Management" or DSM) component of the gas surcharge funds reimbursed from the State and the corresponding actual DSM program costs. Pursuant to D.09-09-047, the DSMBA will track the corresponding activity in the 2009 bridge funding period and the 2010-2012 energy efficiency program cycle. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge D.04-08-010. The DSMBA also tracks the costs associated with the On-Bill Financing (OBF) Program adopted in D.05-09-043 and extended by D.09-09-047.

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SoCalGas maintains this account by making monthly entries as follows:

- a. A debit entry equal to actual DSM costs (e.g., conservation costs and other marketing program costs);
- b. A debit entry equal to the cost of funds calculated at the Utility's authorized weighted average cost of capital rate (8.43%) on the average monthly balance of net funds loaned for the OBF Program;
- c. A debit entry equal to the actual cost of defaults associated with the OBF Program;
- d. A credit entry equal to the DSM surcharge component of the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- e. A debit entry equal to the DSM surcharge component of the PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;
- f. A debit entry equal to DSM surcharge component of 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;
- g. A credit entry equal to the DSM surcharge component of 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 Gas Consumption Surcharge 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 R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
ON BILL FINANCING BALANCING ACCOUNT (OBFBA)

1. Purpose

The On-Bill Financing Balancing Account (OBFBA) is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to record the difference between ratepayer funding and actual loans provided to customers participating in SoCalGas' On-Bill Financing ("OBF") program authorized by Decision (D.) 09-09-047.

2. Applicability

This account shall apply to all gas customers.

3. Rates

See Disposition Section.

4. Accounting Procedures

SoCalGas shall maintain the OBFBA by recording entries at the end of each month as follows:

- a) A debit entry equal to OBF loans provided to customers;
- b) A credit entry equal to customers' payments on their OBF loans;
- c) A credit entry equal to re-establish the loan pool balance resulting from loan defaults (which are charged to the Demand Side Management Balancing Account);
- d) A credit entry equal to the funds collected in transportation rates to establish the OBF loan pool;
- e) A credit or debit entry for amortization as authorized by the Commission; and
- f) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

5. Disposition

The OBFBA balance will be amortized as necessary to recover any under collections associated with actual loan funding above the authorized annual funding requirements embedded in rates. After repayment of all loans and termination of the OBF Program, the disposition of the over collection balance in the OBFBA will be refunded to ratepayers in connection with SoCalGas' annual regulatory account balance update filing or addressed in the SoCalGas' next energy efficiency proceeding.

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ADVICE LETTER NO. 4035
DECISION NO. 09-09-047

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DATE FILED Nov 6, 2009
EFFECTIVE Sep 24, 2009

RESOLUTION NO. _____

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

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Part V Balancing Accounts	
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Purchased Gas Account (PGA)	44460-G
Core Fixed Cost Account (CFCA)	44450-G
Noncore Fixed Cost Account (NFCA)	44461-G
Enhanced Oil Recovery Account (EORA)	42244-G
Noncore Storage Balancing Account (NSBA)	44191-G,44192-G
California Alternate Rates for Energy Account (CAREA)	40872-G,40873-G
Brokerage Fee Account (BFA)	40874-G
Hazardous Substance Cost Recovery Account (HSCRA)	40875-G, 40876-G,40877-G
Natural Gas Vehicle Account (NGVA)	43688-G,40879-G
El Paso Turned-Back Capacity Balancing Account (EPTCBA)	40880-G
Gas Cost Rewards and Penalties Account (GCRPA)	40881-G
Pension Balancing Account (PBA)	45013-G,45014-G
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) .	45015-G,45016-G
Conservation Expense Account (CEA)	40886-G,40887-G

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PRELIMINARY STATEMENT (Continued)

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Demand Side Management Balancing Account (DSMBA)	45194-G,41153-G
Direct Assistance Program Balancing Account (DAPBA)	40890-G
California Solar Initiative Balancing Account (CSIBA)	41104-G
Integrated Transmission Balancing Account (ITBA)	42487-G
Compressor Station Fuel and Power Balancing Account (CFPBA)	43693-G
Distribution Integrity Management Program Balancing Account (DIMPBA)	43694-G
Rewards and Penalties Balancing Account (RPBA)	43695-G
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Research Development and Demonstration Expense Account (RDDEA)	43697-G
Curtailment Violation Penalty Account (CVPA)	40895-G
Economic Practicality Shortfall Memorandum Account (EPSMA)	40896-G
Catastrophic Event Memorandum Account (CEMA)	40897-G,40898-G
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 ADVICE LETTER NO. 4035
 DECISION NO. 09-09-047

ISSUED BY
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 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Nov 6, 2009
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 RESOLUTION NO. _____

ATTACHMENT C

Advice No. 4035

Summary of Annual Gas Transportation Revenues

TABLE SCG-1

Southern California Gas Company

SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES

2009 Rates with On-Bill Financing v11/2/09

	BCAP Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Revenues	Average Rate	Revenues	Average Rate	Revenues	Rates	Percent	
A	B	C	D	E	F	G	H	I	
	(Mth)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(M\$)	(\$/Th)	(%)	
CORE PROCUREMENT									
1 Residential	2,484,024	\$1,137,926	\$0.45810	\$1,139,088	\$0.45857	\$1,161	\$0.00047	0%	1
2 Large Master Meter	37,360	\$8,920	\$0.23875	\$8,937	\$0.23922	\$17	\$0.00047	0%	2
3 Commercial & Industrial	700,113	\$207,990	\$0.29708	\$208,199	\$0.29738	\$209	\$0.00030	0%	3
4 Gas A/C	1,060	\$149	\$0.14019	\$149	\$0.14031	\$0	\$0.00012	0%	4
5 Gas Engine	15,240	\$1,773	\$0.11636	\$1,773	\$0.11636	(\$0)	(\$0.00000)	0%	5
6 Total Core Procurement	3,237,796	\$1,356,758	\$0.41904	\$1,358,146	\$0.41947	\$1,388	\$0.00043	0%	6
	2,546,852	1,158,440	\$0.45485	1,159,631	\$0.45532	1190.861	\$0.00047	0%	
CORE TRANSPORTATION²									
	834,635	245,489	\$0.29413	245,736	\$0.29442	\$247	\$0.00030	0%	
7 Residential	25,091	\$11,504	\$0.45850	\$11,516	\$0.45897	\$12	\$0.00047	0%	7
8 Large Master Meter	377	\$90	\$0.23915	\$90	\$0.23962	\$0	\$0.00047	0%	8
9 Commercial & Industrial	134,522	\$37,499	\$0.27876	\$37,537	\$0.27904	\$38	\$0.00028	0%	9
10 Gas A/C	140	\$20	\$0.14019	\$20	\$0.14031	\$0	\$0.00012	0%	10
11 Gas Engine	800	\$93	\$0.11636	\$93	\$0.11636	(\$0)	(\$0.00000)	0%	11
12 Total Core Transportation	160,930	\$49,206	\$0.30576	\$49,256	\$0.30607	\$50	\$0.00031	0%	12
13 TOTAL CORE	3,398,727	\$1,405,964	\$0.41367	\$1,407,402	\$0.41410	\$1,438	\$0.00042	0%	13
NONCORE									
14 Commercial & Industrial	1,456,757	\$72,382	\$0.04969	\$72,440	\$0.04973	\$58	\$0.00004	0%	14
15 SoCalGas EG Stand-Alone	2,944,257	\$65,689	\$0.02231	\$65,716	\$0.02232	\$27	\$0.00001	0%	15
16 + Sempra-Wide EG Adjustment	2,944,257	\$2,457	\$0.00083	\$2,451	\$0.00083	(\$5)	(\$0.00000)	0%	16
17 = Electric Generation Total	2,944,257	\$68,146	\$0.02315	\$68,168	\$0.02315	\$22	\$0.00001	0%	17
18 Retail Noncore Total ¹	4,401,014	\$140,528	\$0.03193	\$140,608	\$0.03195	\$80	\$0.00002	0%	18
WHOLESALE									
19 Long Beach	77,821	\$1,652	\$0.02123	\$1,653	\$0.02124	\$0	\$0.00001	0%	19
20 SDG&E	1,445,680	\$5,110	\$0.00353	\$5,111	\$0.00354	\$2	\$0.00000	0%	20
21 Southwest Gas	91,672	\$1,748	\$0.01906	\$1,748	\$0.01907	\$0	\$0.00000	0%	21
22 City of Vernon	51,620	\$824	\$0.01596	\$824	\$0.01596	\$0	\$0.00000	0%	22
23 Wholesale Total	1,666,793	\$9,333	\$0.00560	\$9,336	\$0.00560	\$3	\$0.00000	0%	23
INTERNATIONAL									
24 Mexicali - DGN	36,419	\$652	\$0.01790	\$652	\$0.01790	\$0	\$0.00000	0%	24
25 Unbundled Storage	n/a	\$21,000	n/a	\$21,000	n/a	\$0	n/a	0%	25
26 Unallocated Costs to NSBA	n/a	\$16,634	n/a	\$16,634	n/a	(\$0)	n/a	0%	26
27 SYSTEM TOTALS ¹	9,502,953	\$1,594,112	\$0.16775	\$1,595,632	\$0.16791	\$1,520	\$0.00016	0.1%	27
28 EOR Revenues	482,707	\$22,779	n/a	\$22,779	n/a	\$0	n/a	0%	28

¹ Does not include EOR revenues shown at Line 28.