August 1, 2005

Advice No. 3515-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplemental - Implementation of Late Payment Charges

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to SoCalGas' tariffs, applicable throughout its service territory, as shown on Attachment B.

Purpose

This supplemental filing modifies SoCalGas' Rule No. 12, “Payment of Bills”, to establish a late payment charge applicable to non-residential customers effective January 1, 2006, and to modify SoCalGas' Preliminary Statement, Part VI, “Description of Regulatory Accounts Memorandum,” to establish the Late Payment Charge Memorandum Account (LPCMA) to track any late payment charges assessed after January 1, 2006, but prior to the implementation of SoCalGas' next scheduled 2008 Test Year General Rate Case (GRC) application. This supplemental filing replaces in its entirety SoCalGas Advice No. 3515, dated July 15, 2005, in order to address concerns expressed by an interested party relative to the proposed Rule No. 12 language regarding the application of late payment charges to State Agencies.

Background

On December 2, 2004, the Commission issued Decision (D.) 04-12-015 and adopted the Settlement Agreement, with modifications, in SoCalGas' revenue requirements phase (Phase I) of its Cost of Service (COS) application for Test Year 2004. The Settlement Agreement adopted SoCalGas' proposal¹ for a late payment charge for non-residential customers. The charge shall be equal to 1/12 of SoCalGas' authorized rate of return on rate base rounded to the nearest one-tenth of a percent. The adoption of a late payment charge for non-residential customers does not set a precedent for the adoption of such charges for residential customers.

¹ Late payment charge proposal was described in Exhibit No. 7, Patrick Petersilia testimony on behalf of SoCalGas, at pages 203-204.
Modification of SoCalGas’ Billing System

Changes to SoCalGas’ Billing System will be completed in time to assess late payment charges beginning January 1, 2006. However, because of the complexity involved, late payment charges for Summary Billing accounts (i.e., for customers who have multiple member accounts that are billed under a summary billing arrangement) are scheduled for implementation on April 1, 2006.

Changes to Rule No. 12

SoCalGas herein proposes to modify its Rule No. 12, Payment of Bills, to incorporate a new section (i.e., Section F) for late payment charges as follows:

"F. Late Payment Charges

A monthly late payment charge, equal to SoCalGas’ authorized return on rate base divided by 12 and rounded to the nearest one-tenth of one percent, may be assessed on non-residential accounts with billing in arrears if not received by the Utility, or by a duly authorized agent of the Utility, by the "late charge date" as shown on the bill. The "late charge date" will be at least 19 days from the date mailed as indicated on the bill.

Effective January 1, 2006, the Late Payment Charge is 0.7% (seven-tenths of one percent).

If an account is served by or serves a State Agency and payment is not received within the time limits specified pursuant to the California Prompt Payment Act, Government Code Section 927 et seq., then a penalty for late payment shall be imposed upon the State in accordance with the provisions of the California Prompt Payment Act. For purposes of determining the applicability of this section, the phrase "is served by or serves a State Agency", shall include governmental entities where a portion of utility service is provided or arranged for by a State Agency and collection and payment of the particular utility bills is handled by that State Agency. It is the intent of this section not to exceed the requirements and limitations specified by the California Prompt Payment Act.

As provided in the proposal, SoCalGas will promptly notify all affected customers to allow them sufficient time and opportunity to correct any existing arrearages prior to implementation of the late payment charge. In addition, SoCalGas may at its discretion suspend the application of the late payment charge in special circumstances such as a disaster or an unforeseeable event.

Authorized Base Margin Adjustment

Pursuant to SoCalGas’ late payment charge proposal adopted in the Settlement Agreement, the adjustment to authorized base margin is described as follows:

“SCG further proposes to make associated adjustments to miscellaneous revenue and its related impact on SCG's authorized base gas margin effective January 1st coincident with or following the implementation of the late payment charge, including an appropriate adjustment for late payment charges that may have been assessed prior to the required adjustment to base gas margin.”^1
SoCalGas plans to implement a late payment charge effective January 1, 2006. However, because of the uncertainty of forecasting late payment charges, SoCalGas plans to adjust its authorized base margin for late payment charges in its next GRC application. In the interim, SoCalGas requests authority to record any revenues from late charge payments in a memorandum account prior to the implementation of its next GRC application.

**Late Payment Charge Memorandum Account (LPCMA)** - The LPCMA is an interest bearing memorandum account that is recorded on the Utility’s financial statements. The purpose of this account is to record late payment charges assessed to non-residential customers until the establishment of SoCalGas’ authorized base margin in the next GRC proceeding. The LPCMA will be effective upon implementation of late payment charges on January 1, 2006. The disposition of the LPCMA balance shall occur in SoCalGas’ annual regulatory account balance update filing. To be consistent with the effect of an incremental change to miscellaneous revenues, SoCalGas proposes the balance in the LPCMA to be allocated to customers on an equal percent of marginal cost basis.

By using this approach, SoCalGas anticipates the historical information will form a sound basis to develop a reasonable forecast of annual late payment charges that would be included in authorized miscellaneous revenues in its next GRC application. Such a forecast will be submitted as part of that proceeding.

This filing will not result in a rate change nor deviate from or conflict with any current rate schedule or rule. In addition, this filing will not cause the withdrawal of any service currently provided by SoCalGas.

**Effective Date**

SoCalGas believes that this filing is subject to Energy Division disposition and therefore respectfully requests that this filing become effective on January 1, 2006 with the implementation of the late payment charge, which is more than the required thirty (30) calendar days after the date filed.

**Protests**

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 this advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

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

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and 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  
Tariff Manager - GT14D6  
555 West Fifth Street  
Los Angeles, CA  90013-1011  
Facsimile No. (213) 244-4957  
E-Mail: snewsom@semprautilities.com  

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 to this advice letter, which includes interested parties in A.02-12-027.  

____________________________________  
J. STEVE RAHON  
Director  
Tariffs and Regulatory Accounts  

Attachments
## California Public Utilities Commission

**Advice Letter Filing Summary**

**Energy Utility**

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

<table>
<thead>
<tr>
<th>Company name/CPUC Utility No.</th>
<th>SOUTHERN CALIFORNIA GAS COMPANY/ U 904 G</th>
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**Utility type:**  
- ELC  
- GAS  
- PLC  
- HEAT  
- WATER  

**Contact Person:** Sid Newsom  
**Phone #:** (213) 244-2846  
**E-mail:** snewsom@semprautilities.com

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**Explanation of Utility Type**

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

**Advice Letter (AL) #:** 3515-A

**Subject of AL:** Supplemental - Implementation of Late Payment Charges

**Keywords (choose from CPUC listing):** Billings, Late Payment Charge

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

**If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:** D.04-12-015

**Does AL replace a withdrawn or rejected AL?** No

**Summarize differences between the AL and the prior withdrawn or rejected AL:**

- Resolution Required? Yes
- **Requested effective date:** 1/1/06  
- **No. of tariff sheets:** 5
- **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 Part VI, Rule No. 12 and Table of Contents

**Service affected and changes proposed:** Revise Preliminary Statement Part VI to add Late Payment Charge Memorandum Account and revise Rule No. 12 to add Late Payment Charges section F

**Pending advice letters that revise the same tariff sheets:** None

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**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 Avenue**  
  **San Francisco, CA 94102**  
  **jjr@cpuc.ca.gov and jnj@cpuc.ca.gov**

- **Southern California Gas Company**  
  **Attention: Sid Newsom**  
  **555 West Fifth Street, ML GT14D6**  
  **Los Angeles, CA 90013-4957**  
  **snewsom@semprautilities.com**

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1 Discuss in AL if more space is needed.
ATTACHMENT A

Advice No. 3515-A

(See Attached Service Lists)
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<td>California Energy Market</td>
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<tr>
<th>Organization</th>
<th>Contact Name</th>
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<tr>
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<td>SEMpra</td>
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<td>AGLET CONSUMER ALLIANCE</td>
<td>JAMES WEIL</td>
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<td>CALIFORNIA LEAGUE OF FOOD</td>
<td>ED YATES</td>
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<td>LOCAL 483 UTILITY</td>
<td><a href="mailto:dennis@local483.org">dennis@local483.org</a></td>
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<td>PACIFIC GAS AND ELECTRIC COMPANY</td>
<td>CHRISTOPHER J. WARNER</td>
<td><a href="mailto:cjw5@pge.com">cjw5@pge.com</a></td>
<td>CALIFORNIA ENERGY</td>
<td><a href="mailto:bwood@energy.state.ca.us">bwood@energy.state.ca.us</a></td>
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A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

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<th>Account Description</th>
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<td>Curtailment Violation Penalty Account (CVPA)</td>
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<td>Vernon Avoided Distribution Cost Memorandum Account (VADCMA)</td>
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<td>Interstate Capacity Step Down Account (ICSDA)</td>
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<td>El Paso Settlement Proceeds Memorandum Account (EPSPMA)</td>
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<td>Interim Call Center Memorandum Account (ICCMA)</td>
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<tr>
<td>Late Payment Charge Memorandum Account (LPCMA)</td>
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(Continued)
C. DESCRIPTION OF ACCOUNTS (Continued)

LATE PAYMENT CHARGE MEMORANDUM ACCOUNT (LPCMA)

The LPCMA is an interest bearing memorandum account that is recorded on the Utility’s financial statements. The purpose of this account is to record late payment charges assessed to non-residential customers until the establishment of SoCalGas’ authorized base margin in the next general rate case proceeding. The LPCMA will be effective upon implementation of late payment charges on January 1, 2006.

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

a. A credit entry equal to the late payment charges assessed to non-residential customers.

b. A debit entry equal to the amortization revenues of the LPCMA balance embedded in current rates.

c. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The disposition of the LPCMA shall occur in SoCalGas’ annual regulatory account balance update filing.
PAYMENT OF BILLS

(Continued)

D. LevelPay Payment Option (Continued)

6. For customers participating in this payment option,
   a. Anticipated bills for a twelve-month period will be apportioned among twelve months, regardless of the actual consumption during that month; and
   b. Customer accounts are periodically reviewed and adjusted as appropriate.

E. Electronic Payment Option

At the mutual option of the customer and the Utility, the customer may elect to receive, view and pay regular bills for service electronically and no longer receive the paper bills. All legal and mandated notices, and all charges that would have appeared on the paper bill, will be transmitted with the electronic bill transmit. Even if the Utility allows bill payment using a bill aggregator or by credit/debit card, responsibility for handling complaints about the bill still resides with the Utility. All notices for termination of service for non-payment will be delivered by U.S. Mail. Either party may discontinue electronic billing upon 30-day’s notice. The Utility will not release confidential information, including financial information, to a third party without the customer’s consent. The customer’s consent shall be provided either in writing or electronically.

F. Late Payment Charges

A monthly late payment charge, equal to SoCalGas’ authorized return on rate base divided by 12 and rounded to the nearest one-tenth of one percent, may be assessed on non-residential accounts with billing in arrears if not received by the Utility, or by a duly authorized agent of the Utility, by the "late charge date" as shown on the bill. The "late charge date" will be at least 19 days from the date mailed as indicated on the bill.

Effective January 1, 2006, the Late Payment Charge is 0.7% (seven-tenths of one percent).

If an account is served by or serves a State Agency and payment is not received within the time limits specified pursuant to the California Prompt Payment Act, Government Code Section 927 et seq., then a penalty for late payment shall be imposed upon the State in accordance with the provisions of the California Prompt Payment Act. For purposes of determining the applicability of this section, the phrase “is served by or serves a State Agency”, shall include governmental entities where a portion of utility service is provided or arranged for by a State Agency and collection and payment of the particular utility bills is handled by that State Agency. It is the intent of this section not to exceed the requirements and limitations specified by the California Prompt Payment Act.
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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.

### GENERAL

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