

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Joint Application of SAN DIEGO GAS & ELECTRIC)
COMPANY and SOUTHERN CALIFORNIA GAS)
COMPANY (E-3921) for: Adoption of their Residential)
Electric and Gas Line Extension Allowance)
Methodologies and its Monthly Ownership Charge)
Methodology)

Application No. 05-09-____

**JOINT APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY
AND
SOUTHERN CALIFORNIA GAS COMPANY**

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September 14, 2005

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I.

INTRODUCTION

In compliance with Rule 15 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure and Commission Resolution E-3921, issued June 16, 2005 ("Resolution"), San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") submit this Joint Application and attendant testimony of John Killmer addressing the methodology to compute residential allowances and ownership charge factors, including uniform data sources for each. This Joint Application proposes to maintain the current Commission-adopted methodology for residential allowances and ownership charges and specifies precisely how the methodologies would be used to calculate the allowances and ownership charges.

II.
BACKGROUND

Distribution line and service extension allowances are granted by the utilities to new residential applicants for electric and gas service. For residential service these allowances are a fixed dollar amount. Section C.3 of SDG&E's Rule 15 (for Gas and Electric) and SoCalGas' Rule 20, Distribution Line Extensions, states that the utility may provide an allowance to new customers installing permanent Distribution Line Extension and/or Service Extensions. Section I.2 of Electric Rule 15 and Section H.2 of SDG&E and SoCalGas' Gas Rules 15 and 20, respectively, require the utilities to periodically review the factors used to determine their residential allowances. If the review results in a change of more than five percent (5%), the utility will submit a tariff revision to the Commission for review and approval.

The Resolution approved, on an interim basis to June 30, 2006, proposed changes residential line extension allowances and to the factors used to calculate ownership charges for unused capacity of new SDG&E electric and gas line extensions, per Rule 15.¹ The Resolution also required SDG&E and SoCalGas, along with all California utilities, to file applications within 90 days to address residential allowance and ownership charge methodologies, as follows:

Ordering Paragraph ("OP") 8 stated:

With respect to allowances, the applications shall address all relevant issues including:

- a. The need for allowances to continue in areas of the IOU's service territory that are adjacent to competing municipal utilities, and the need in nonadjacent areas if different;

¹ SoCalGas' residential line extension allowances contained in Advice Letter 3437 were approved without limitation by letter dated February 2, 2005, to be effective February 7, 2005.

- b. Alternative methods of calculating the net revenue on which future line extension allowances are based, including: average residential distribution rate proxy, averaging the cumulative revenue from each residential schedule, and a marginal versus base cost approach;
- c. Revenue sources to be used when calculating the allowance, including that from substations, primary circuits, and sub-transmission;
- d. Sources of data for calculating the allowances including the numbers of customers, distribution rates, average appliance usage, and CRS credit and other credits; and,
- e. Criteria for requiring a revenue impact estimate be included in an allowance change advice letter filing.

OP 9 of the Resolution stated:

With respect to monthly cost of ownership charges for unused capacity of line extensions, the applications will address all relevant issues including: (a) the cost components to be recovered by the monthly cost of ownership charges, and (b) the relationship of the monthly cost of ownership charges to: (1) monthly charges for O&M of added (special) distribution facilities; and (2) the COS factor as used in Rule 2.

As reflected below and in the testimony of John Killmer, SDG&E and SoCalGas have complied with those directives.

III.

SUMMARY OF APPLICATION

This Joint Application proposes to maintain the current Commission-adopted methodology for residential allowances and ownership charges.

More particularly, the Application demonstrates that with respect to allowances:

- a. There is no need for special allowances in areas of SDG&E's and SoCalGas' service territories that may be adjacent to competing municipal utilities.

b. SDG&E's and SoCalGas' proposed method of calculating residential line extension allowances, as contained in the testimony of John Killmer, are just and reasonable and should be adopted.

c. SDG&E and SoCalGas should review their residential line extension allowances annually and if, as a result of the updated inputs, the allowance changes by more than 5% the allowance should be updated and filed with the Commission for approval.

With respect to ownership charges, used in conjunction with the rules for extension of service, SDG&E and SoCalGas recommend that:

a. SDG&E's and SoCalGas' proposed method of calculating ownership charges, as contained in the testimony of John Killmer, should be adopted.

b. SDG&E and SoCalGas should review their factors for calculating ownership charges annually and, if as a result of the updated inputs, the factors change by more than 5%, the factors used to calculate ownership charges should be updated and filed with the Commission for approval.

Finally, with respect to revenue impacts, the Application demonstrates that periodic updates to the residential line extension allowances or the ownership charge should have no revenue impact because such updates would only reflect variations to revenues and costs that are already built into the current rates.

IV.

SUMMARY OF PREPARED TESTIMONY

In support of this Application SDG&E and SoCalGas provide the testimony of one witness. The witness and the issues he will address are summarized as follows:

1. Mr. John D. Killmer

- Residential electric line extension allowance
- Residential gas main extension allowance
- Cost of ownership charges

V.

ADDITIONAL INFORMATION

A. Rule 15

This Application is filed pursuant to and in compliance with the California Public Utilities Code Sections 454, 454.5 and 701, the Commission's Orders and Rules of Practice and Procedure and Decision ("D.") 02-10-062 and D.02-12-074.

Applicants SDG&E and SoCalGas are corporations organized and existing under the laws of the State of California. SDG&E, a gas and electric corporation and SoCalGas, a gas corporation, are subject to the jurisdiction of this Commission.

The exact legal names of the Applicants are San Diego Gas & Electric Company and Southern California Gas Company. The location of SDG&E's principal place of business is 8306 Century Park Court, San Diego, California 92123. The location of SoCalGas' principal place of business is 555 West Fifth Street, Los Angeles, California 90013-1011. The SDG&E and SoCalGas attorney in this matter is Georgetta Baker. Ms. Baker's office address, telephone/facsimile numbers and e-mail address are:

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B. Rule 16

A certified copy of SDG&E's Restated Articles of Incorporation, as last amended and certified by the California Secretary of State, was filed with the Commission on December 4, 1997, in connection with SDG&E's Application 97-12-012. It is hereby incorporated herein by reference. A certified copy of SoCalGas' Restated Articles of Incorporation, as last amended and certified by the California Secretary of State, was filed with the Commission on October 1, 1998 in connection with SoCalGas' Application 98-10-012, and is incorporated herein by reference.

C. Rule 23

Neither SDG&E nor SoCalGas is requesting a change in rates in this Application. Therefore, the financial statement requirements of Rule 23 are not applicable. This is a new proceeding. No service list has yet been established. SDG&E and SoCalGas are serving the Application and supporting testimony on the service list for Rulemaking 92-03-050.

E. Rule 6

Rule 6 of the procedural rules, adopted pursuant to Senate Bill 960, requires that applications filed after January 1, 1998, state the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.

SDG&E and SoCalGas propose that this Application be treated as a "rate setting" proceeding, consistent with the definition provided under Rule 5(c). The issues to be considered are described in this Application and the accompanying testimony. SDG&E and SoCalGas believe that most, if not all, issues can be resolved without hearings. The need for hearings, however, will depend on the degree to which other parties contest the proposals contained herein. SDG&E and SoCalGas suggest the following procedural schedule:

Application filed:	September 14, 2005
Responses/Protests (if any):	October 14, 2005
Replies:	October 24, 2005
Proposed Decision Issued:	April 28, 2006
Commission Decision:	May 31, 2006

If a hearing is necessary, further procedural dates will be established at a pre-hearing conference to be determined by the Assigned Commissioner and Administrative Law Judge.

**VI.
CONCLUSION**

This Application and attendant testimony propose to maintain the current Commission-adopted allowance methodologies and specify precisely how the methodology would be used to calculate allowances and the ownership charges.

For the reasons set forth in this Application and accompanying testimony,
SDG&E and SoCalGas request the Commission to:

1. Consider this Application and grant all of the relief requested herein;
2. Find that SDG&E's and SoCalGas' proposals conform with Commission directives and policies; and
3. Grant such other and further relief which the Commission finds to be just and reasonable.

SDG&E and SoCalGas are ready to proceed with their showing.

Respectfully submitted,

SAN DIEGO GAS & ELECTRIC COMPANY and
SOUTHERN CALIFORNIA GAS COMPANY

By: _____
William L. Reed
Senior Vice President, Regulatory Affairs
San Diego Gas & Electric Company and
Southern California Gas Company

By: _____
Georgetta J. Baker
Attorney for
San Diego Gas & Electric Company and
Southern California Gas Company

Dated at San Diego, California, this 14th day of September 2005.

VERIFICATION

I, William L. Reed, am an officer of the applicant corporation herein, to wit: Senior Vice President – Regulatory Affairs, and am authorized to make this verification on its behalf. The content of this document is true, except as to matters that are stated on information and belief. As to those matters, I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 14, 2005 at San Diego, California.

William L. Reed
Senior Vice President
Regulatory Affairs