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

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| In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2009, in Their Biennial Cost Allocation Proceeding. | Application 08-02-001<br>(Filed February 4, 2008) |

# JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G), SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), THE DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), THE INDICATED PRODUCERS, THE SOUTHERN CALIFORNIA GENERATION COALITION, THE CITY OF LONG BEACH, SOUTHWEST GAS CORPORATION (U 095 G), WATSON COGENERATION COMPANY AND THE CALIFORNIA COGENERATION COUNCIL, THE CALIFORNIA MANUFACTURERS AND TECHNOLOGY ASSOCIATION, THE UTILITY REFORM NETWORK, BRIDGE HOUSING, AND THE ELECTRIC GENERATOR ALLIANCE FOR ADOPTION OF SETTLEMENT AGREEMENT AND SUSPENSION OF HEARING SCHEDULE FOR PHASE TWO ISSUES

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**LONG BEACH, SOUTHWEST GAS CORPORATION (U 095 G),**
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**CALIFORNIA MANUFACTURERS AND TECHNOLOGY**
**ASSOCIATION, THE UTILITY REFORM NETWORK,**
**BRIDGE HOUSING, AND THE ELECTRIC GENERATOR**
**ALLIANCE FOR ADOPTION OF SETTLEMENT**
**AGREEMENT AND SUSPENSION OF**
**HEARING SCHEDULE FOR PHASE TWO ISSUES**

In accordance with Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), San Diego Gas & Electric Company ("SDG&E"), Southern California Gas Company ("SoCalGas") (jointly "SDG&E/SoCalGas" or "Applicants"), the Division of Ratepayer Advocates ("DRA"), Southern California Edison Company ("SCE"), the Indicated Producers ("IP"), the Southern California Generation Coalition ("SCGC"), the City of Long Beach ("Long Beach"), Southwest Gas Corporation ("SWG"), Watson Cogeneration Company and the California Cogeneration Council ("Watson/CCC"), the California Manufacturers and

Technology Association ("CMTA"), The Utility Reform Network ("TURN"), Bridge Housing, and the Electric Generator Alliance ("EGA") (collectively "Joint Parties") hereby move the Commission to (i) adopt the Phase Two Settlement Agreement ("SA") attached hereto in Appendix A, which resolves the issues set for Phase Two of this Biennial Cost Allocation Proceeding ("BCAP"); (ii) admit into evidence the prepared and rebuttal testimony served on the parties and listed in Appendix B, attached hereto; and (iii) suspend the hearing schedule in Phase Two of this proceeding.[1/] As discussed below in more detail, the SA represents agreement among all but two of the parties actively involved in this proceeding (with agreement of other parties that have actively participated without submitting testimony) and resolves the Phase Two issues set forth in the "Scoping Memo"[2/] issued in this proceeding. The Joint Parties urge adoption of the SA by no later than the last Commission business meeting in October, 2009, so that the changes in customer transportation rates resulting from adoption of the SA will be reflected in the Applicants' annual transportation rate adjustment to be effective January 1, 2010.

# I.

# BACKGROUND

The BCAP application was filed in response to Ordering Paragraph 10 in Decision ("D.") 06-12-031. In accordance with that decision, as extended by the November 9, 2007 letter from the Commission's Executive Director, Applicants filed their BCAP application on February 4, 2008. In support of the BCAP application, prepared testimony was attached to the application.

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1/ As permitted by Rule 1.8(d), Counsel for Applicants has been authorized to sign this motion on behalf of each of the Joint Parties.

2/ *See* "Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge" ("Scoping Memo") issued April 17, 2008, in this proceeding.

Timely protests and responses to the BCAP application, as well as requests for party status, were filed by Long Beach, Coral Energy Resources, L.P. ("Shell"),[3/] DRA, IP, Pacific Gas & Electric Company ("PG&E"), SCE, SCGC, SWG, TURN, Watson/CCC, and the Western Manufactured Housing Community Association ("WMHC"). SDG&E/SoCalGas filed a reply to the protests and responses on March 17, 2008.

A prehearing conference ("PHC") was noticed and held on April 3, 2008 to discuss the issues raised by the application and by the parties, to determine whether the proceeding should be bifurcated, the need for evidentiary hearings, and the schedule for resolving the issues. The Applicants filed and served a PHC Statement on April 2, 2008, reflecting agreement of the active parties to bifurcate this proceeding into two phases and on the procedural schedule for each phase. In the Scoping Memo, the bifurcation and procedural schedule proposed by the active parties was adopted. The following five issues were identified for "Phase One" of this proceeding:

1. Reservation of storage assets for the core (including wholesale core parity).
2. Obligation of SoCalGas to maximize the availability of storage for the unbundled storage program and the Hub service program.
3. Allocation of unbundled storage revenues between shareholders and ratepayers.
4. Treatment of cost and revenues associated with storage expansion.
5. Interrelationship of cost-revenue treatment for existing unbundled storage and expanded storage.[4/]

In addition, the parties agreed that certain "contextual" issues could be used in Phase One " . . . solely for the purposes of advising the Commission of the potential alternatives that the

[3/] Coral Energy Resources, L.P., was later replaced by Shell Energy North America L.P.
[4/] Scoping Memo, p. 5.

Commission might consider on these issues when they are addressed and resolved on the merits in Phase Two."[5/]

Five days of evidentiary hearings were held on Phase One issues from July 22–28, 2008. On August 22, 2008, SDG&E/SoCalGas and nine other parties submitted a motion seeking adoption of a Settlement Agreement resolving Phase One issues. The Commission approved the Settlement Agreement in D.08-12-020.

Regarding Phase Two, the issues identified in the Scoping Memo were as follows:

1. Whether the updated cost allocations and rates presented are just and reasonable and should be adopted.

2. Whether the demand forecast presented by the applicants is reasonable and should be adopted.

3. Whether the proposed rate design for transportation services is just and reasonable and should be adopted.

4. Whether the applicants' proposals to narrow the regulatory gap with competing interstate pipelines are reasonable and should be adopted.

5. Whether the applications' request to revise the monthly balancing tolerances should be adopted.

6. Whether the applicants' request for a three-year period between cost allocation filings should be adopted.

7. Whether the discount for master meter customers should be revised.

8. Whether the Sempra-wide electric generation rate should be eliminated.

9. Whether merchant generators should be exempt from the regulatory surcharge in the G-SRF tariff.

10. Whether all of the remaining issues in the application have been adequately addressed and should be adopted.[6/]

DRA submitted testimony on November 21, 2008. Intervenor testimony was submitted on December 23, 2008, by IP, CCC, CMTA, Watson, DRA, TURN (Florio), SCE, Kern River

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5/ *Id*. at p. 6.

Gas Transmission Company ("Kern River"), Long Beach, Shell, SCGC, SWG and Bridge Housing, and on January 9, 2009, by TURN (Marcus). Rebuttal testimony was submitted on January 27, 2009, by SDG&E/SoCalGas, IP/CCC/CMTA/Watson, DRA, SCE, Long Beach, SCGC and SWG. Evidentiary hearings scheduled for February 23 – March 6, 2009 were postponed until April 20, 2009, so that the parties could further explore potential settlement of the Phase Two issues. On April 16, 2009, Administrative Law Judge Wong granted the request of SDG&E/SoCalGas to postpone the hearings until June 4, 2009, based on the belief of SDG&E/SoCalGas that they had reached agreement in principle with most of the active parties on the Phase Two issues and to allow sufficient time for these parties to prepare and file the instant motion.

## II.

## THE SA IS REASONABLE IN LIGHT OF THE WHOLE RECORD, IS CONSISTENT WITH LAW, AND IN THE PUBLIC INTEREST

Rule 12.1(d) states that the Commission will not approve a settlement "unless the settlement is reasonable in light of the whole record, is consistent with law, and in the public interest." As discussed below in more detail, the SA fully meets these criteria.

### A. The SA is Reasonable in Light of the Whole Record and Promotes the Public Interest

The SA represents agreement among all but two of the parties that actively participated in Phase Two of this proceeding,[7] along with parties that have participated without submitting testimony. As discussed below in more detail, the SA resolves each and every issue identified in the Scoping Memo for Phase Two in a manner that reflects a compromise among the litigation positions taken by the Joint Parties in this proceeding and in a manner that promotes the public

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[6] Scoping Memo, *mimeo*, p. 7.

interest. The SA is therefore reasonable in light of the whole record and promotes the public interest as required by Rule 12.1(d).

Each of the Phase Two issues identified at p. 7 of the Scoping Memo are addressed below:

**1. Whether the updated cost allocation and rates presented are just and reasonable**

In their BCAP application, SDG&E/SoCalGas offered several proposals related to cost allocation and rate design, and also proposed rates for core and non-core services. The testimony submitted by SDG&E/SoCalGas set forth a detailed showing in support of these proposals. The testimony submitted by intervenors in this proceeding reflected a wide diversity of views regarding the proposals made by SDG&E/SoCalGas. While certain proposals were uncontested by the parties and are incorporated by reference and accepted in the SA,[8] others were vigorously opposed.

In settlement negotiations, each party adhered to their individual litigation position as the starting point for discussion of SDG&E/SoCalGas' cost allocation and rate proposals. Through the negotiation process, however, the Joint Parties were able to identify certain preferred outcomes that, if adopted, would represent an acceptable resolution for each party involved in the settlement discussions. Accordingly, the Joint Parties have taken a "black box" approach to reaching settlement and have agreed to certain modifications to their original cost allocation and rate proposals that are expressly intended to achieve these preferred outcomes. Except as explicitly provided in the SA,[9] the parties *do not* intend the methods applied in order to develop the negotiated cost allocation and rate terms included in the SA to have precedential effect or to

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7/ Shell and Kern River are not signatories to the SA.

8/ Settlement Agreement, § II.B.2.U.

9/ *See e.g., id*. at § II.B.2.A.

indicate acceptance or endorsement of the principles or methodologies advocated by any other party.[10/] The cost allocation and rates proposed in the SA reflect the compromise reached by the Joint Parties.[11/]

**a. Cost Allocation**

**(i) Base Margin Costs**

SDG&E/SoCalGas presented testimony supporting a compliance case utilizing a long-run marginal cost ("LRMC") study and methodology ("LRMC-rental") to allocate base margin costs among SDG&E[12/] and SoCalGas customers.[13/] However, SDG&E/SoCalGas also submitted their primary case recommending the use of embedded cost ("EC") principles for purposes of conducting gas cost allocation studies for rate design purposes and using those studies in light of actual expenses to allocate Year 2008 authorized base margin distribution, transmission, storage and Administrative and General ("A&G") expenses among the customer classes served by SDG&E[14/] and SoCalGas.[15/] SCE and IP/CCC/CMTA/Watson supported SDG&E/SoCalGas' recommendation to use an EC approach for cost allocation.[16/] Many of the active parties also submitted testimony supporting variations on cost allocation methodologies, with DRA proposing use of the LRMC-new customer only ("LRMC-NCO") methodology for

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10/ *See* Rule 12.5.

11/ *See* Settlement Agreement, § II.B.2.B.

12/ Prepared Direct Testimony of Emma Hernandez and Allison Smith on Behalf of San Diego Gas & Electric Company and Southern California Gas Company ("Hernandez/Smith Direct"), pp. 1-15.

13/ Prepared Direct Testimony of Allison F. Smith on Behalf of San Diego Gas & Electric Company and Southern California Gas Company ("Smith Direct"), pp. 1-26.

14/ Prepared Direct Testimony of Mee Mee Hom and Herbert S. Emmrich on Behalf of San Diego Gas & Electric Company ("Hom/Emmrich Direct"), pp. 1-20.

15/ Prepared Direct Testimony of Herbert S. Emmrich on Behalf of Southern California Gas Company ("Emmrich Direct"), pp. 1-51.

16/ Prepared Direct Testimony of Dr. Michael Alexander on Behalf of Southern California Edison Company ("Alexander Direct"), pp. 1-13; Phase II Direct Testimony of R. Thomas Beach on Behalf of Indicated Producers, The California Cogeneration Council, California Manufacturers and Technology Association, and Watson Cogeneration Company ("Beach Direct"), pp. 10-20.

SoCalGas[17] and the EC methodology for SDG&E.[18] TURN submitted testimony supporting use of LRMC-based ratemaking, except for the unbundled services of gas storage and backbone transmission,[19] while SCGC submitted testimony recommending the use of the LRMC-rental methodology.[20]

The SA resolves these allocation issues by adopting the use of the EC methodology for transmission and storage facilities and the LRMC allocation methodology for distribution facilities for both SDG&E and SoCalGas.[21] In addition, the SA not only resolves the Joint Parties' differences over the appropriate revenue requirements for SDG&E/SoCalGas' embedded cost of transmission and storage), but also states that SDG&E and SoCalGas will not be required to propose an LRMC cost allocation for transmission or storage costs in their next cost allocation proceeding.[22] Since this result represents a compromise of the parties' various litigation positions on the underlying cost allocation methodology and each of the parties addressing the issue supported its litigation position with testimony and exhibits prepared as evidence in this proceeding, the SA's resolution of this issue is reasonable, clearly supported by the record in this proceeding, and should be adopted.

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17/ DRA Report on the Application of San Diego Gas & Electric Company and Southern California Gas Company Biennial Cost Allocation Proceeding – Cost Allocation Issues SoCalGas ("Sabino Direct"), pp. 1-48.

18/ DRA Report on the Application of San Diego Gas & Electric Company and Southern California Gas Company Biennial Cost Allocation Proceeding – Cost Allocation Issues SoCalGas ("Lee Direct"), pp. 1-11.

19/ Prepared Direct Testimony of Michel Peter Florio ("Florio Direct"), pp. 2-11.

20/ Direct Testimony of Catherine E. Yap on Behalf of Southern California Generation Coalition ("Yap Direct"), pp. 4-13.

21/ Settlement Agreement, § II.B.2.A.

22/ *Id*. at §§ II.B.2.A, II.B.2.C.

SDG&E/SoCalGas also proposed to modify the treatment of the base margin portions of SDG&E and SoCalGas' respective Core Fixed Cost Account ("CFCA") and Noncore Fixed Cost Account ("NFCA") regulatory accounts. The CFCA balances base margin, transition and other fixed costs allocated to the core market; the NFCA balances the same fixed costs allocated to non-core customers.[23/] Specifically, SDG&E/SoCalGas proposed to change the methodology used to allocate the base margin portions of SDG&E and SoCalGas' respective CFCA and NFCA regulatory accounts from Equal Cent Per Therm ("ECPT") to Equal Percent Marginal Cost ("EPMC").[24/] Mr. Ahmed, on behalf of SoCalGas, also proposed to eliminate the current approach of recording 1/12 of the base margin on a monthly basis in the CFCA and to instead seasonalize the base margin portion of the CFCA in accordance with the core demand forecast.[25/]

SCGC witness, Catherine Yap, submitted testimony supporting an EPMC allocation of the base margin portions of NFCA balances.[26/] DRA witness, Jacqueline Greig, objected to these proposals. She advocated retention of the ECPT allocation methodology for the base margin portions of SDG&E and SoCalGas' CFCA and NFCA accounts, as well as preservation of the current 1/12 method for recording SoCalGas' CFCA base margin costs.[27/]

The SA resolves this issue by providing that SDG&E/SoCalGas will maintain the current ECPT methodology for allocating CFCA balances; the SA further provides that beginning in the second year of the BCAP period, SDG&E will use the Equal Percent of Authorized Margin ("EPAM") methodology for allocating the base margin portions of NFCA balances and the

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23/ *See* Prepared Direct Testimony of S. Nasim Ahmed on behalf of Southern California Gas Company, ("Ahmed Direct"), pp. 4, 9.

24/ Prepared Direct Testimony of Gary Lenart on behalf of San Diego Gas & Electric Company and Southern California Gas Company, dated October 6, 2008 ("Lenart Direct"), pp. 8-9.

25/ Ahmed Direct, pp. 4-5.

26/ Yap Direct, pp. 22-23.

27/ DRA Report on the Application of San Diego Gas & Electric and Southern California Gas Company Biennial Cost Allocation Proceeding Phase II ("Greig Direct"), pp. 13-14, 19-20.

ECPT methodology for allocating the non-base margin portions of NFCA balances.[28] The SA further provides that SoCalGas shall retain the existing 1/12 methodology for recording the authorized margin of the CFCA.[29] Since this resolution represents a compromise between the litigation positions of SDG&E/SoCalGas, SCGC and DRA, it is supported by the record in this proceeding and is in the public interest.

**(ii) Non-Margin Costs**

Allocation of non-margin costs was addressed by SDG&E/SoCalGas witnesses Jason Bonnett (for SDG&E) and Gary Lenart (for SoCalGas, who referred to the testimony of SDG&E/SoCalGas witness John Roy (for SDG&E) and Nasim Ahmed (for SoCalGas) for the balances in the authorized regulatory accounts.[30] The testimony of Messrs. Roy and Ahmed set forth the estimated balances in the respective SDG&E and SoCalGas regulatory accounts, proposed elimination of certain SDG&E and SoCalGas regulatory accounts and addressed other items related to SDG&E and SoCalGas' regulatory accounts.[31] In his testimony, Mr. Lenart proposed that the Blythe Operational Flow Requirement Memorandum Account ("BOFRMA"), Firm Access and Storage Rights Memorandum Account ("FASRMA") and Otay Mesa System Reliability Memorandum Account ("OMSRMA") be allocated on the basis of cold year throughput.[32]

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[28] Settlement Agreement, § II.B.2.R; *see also* § II.B.2.E.

[29] *Id*. at § II.B.2.K.

[30] Prepared Direct Testimony of Jason Bonnett on behalf of San Diego Gas & Electric Company and Southern California Gas Company ("Bonnett Direct"), p. 5; Lenart Direct, p. 7-9.

[31] Prepared Direct Testimony of John A. Roy on behalf of San Diego Gas & Electric Company and Southern California Gas Company, dated July 2, 2008 ("Roy Direct"), pp.1, 4-16; Ahmed Direct, pp. 3-21.

[32] Lenart Direct, p. 8

DRA witness, Ms. Greig, objected to the allocation methodology proposed for these three regulatory accounts, proposing instead that the balances for these accounts and for the new System Reliability Memorandum Account ("SRMA") authorized in the Omnibus Decision, D.07-12-019, be allocated on an ECPT basis.[33/] The SA resolves this issue by providing that balances in the BOFRMA, FASRMA, OMSRMA and SRMA regulatory accounts will be allocated on an Average Year (ECPT) Throughput Basis.[34/] Since this resolution adopts the litigation position of DRA, it is supported by the record in this proceeding and is in the public interest. The SA also adopted the proposals offered by Messrs. Roy and Ahmed regarding elimination of certain SDG&E and SoCalGas regulatory accounts.[35/] Likewise, since this resolution adopts the litigation position of SDG&E/SoCalGas, it is supported by the record in this proceeding and is in the public interest.

**b. Rates**

SDG&E/SoCalGas presented their proposed natural gas transportation rates through the testimony of Mr. Bonnett (for SDG&E) and Mr. Lenart (for SoCalGas). In their testimony, Messrs. Bonnett and Lenart proposed various rate design modifications that would impact core customers. Mr. Lenart proposed removal of rate cap applicable to SoCalGas' core gas engine service.[36/] Mr. Bonnett proposed that the Commission eliminate the requirement that that the average combined LNG and electric bill for certain customers located in Borrego Springs, California not exceed the average Borrego Springs all-electric bill.[37/] For core commercial and industrial ("C&I") customers, Messrs. Bonnett and Lenart explained that the tariff serving these customers includes a tiered customer charge and tiered seasonal declining block rates, and

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33/ Greig Direct, pp. 17-18.

34/ Settlement Agreement, § II.B.2.Q.

35/ *Id*. at § II.B.3.L.

36/ Lenart Direct, p. 11.

proposed to consolidate the tiered customer charges into a single customer charge and to remove the rate seasonality.[38/] Messrs. Bonnett and Lenart also proposed to fully de-average SDG&E/SoCalGas' respective core C&I and residential rates.[39/] Mr. Lenart proposed to maintain the current tier differential between SoCalGas baseline and non-baseline residential gas transportation rates at approximately 5%.[40/] Finally, Mr. Lenart proposed adoption of a "Sempra-wide" rate for service provided to natural gas vehicle ("NGV") fueling stations under SDG&E/SoCalGas' respective G-NGV tariff rate schedules.[41/]

DRA witness, Ms. Greig, opposed the proposed elimination of the SoCalGas gas engine rate cap.[42/] She also opposed the proposal to permanently eliminate the SDG&E Borrego Springs rate cap.[43/] She noted further, however, that DRA does not oppose the Borrego Springs rates proposed by SDG&E for this BCAP period, notwithstanding the fact that they slightly exceeded the Borrego Springs rate cap. SoCalGas' rate de-averaging proposal was opposed by DRA and TURN; however, neither DRA nor TURN opposed SDG&E's rate de-averaging proposal.[44/] DRA, with the support of TURN, recommended a more gradual rate de-averaging approach for SoCalGas that would de-average rates by 5% each year during the 3-year BCAP period. Ms. Greig also opposed consolidation of the Core C&I customer charges as well as the proposal to eliminate seasonality in rates.[45/] TURN witness, Mr. Florio, proposed adoption of a composite

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37/ Bonnett Direct, pp. 7-8.

38/ *Id*. at pp. 8-10; Lenart Direct, p. 11.

39/ Bonnett Direct, p. 6; Lenart Direct, p. 9.

40/ Lenart Direct, p. 14. The term "Sempra-wide rate" refers to the offering of a uniform service rate within the respective SDG&E and SoCalGas service territories. (*See* Schwecke Direct, p. 36)

41/ Lenart Direct, p. 12; *see also* Prepared Direct Testimony of Rodger Schwecke on behalf of San Diego Gas & Electric Company and Southern California Gas Company ("Schwecke Direct"), pp. 36-38.

42/ Greig Direct, pp. 12-13.

43/ *Id*. at pp. 5-7.

44/ *Id*. at pp. 10-11; Florio Direct, p. 14.

45/ Greig Direct, pp. 8-9, 11-12.

tier differential between SoCalGas baseline and non-baseline residential gas transportation rates of 15% (where the baseline and non-baseline rates include the commodity price).[46/]

The SA resolves these issues by adopting DRA's proposals to retain the current SoCalGas engine rate cap and the SDG&E Borrego Spring rate cap.[47/] It adopts DRA and TURN's proposal for core rate de-averaging of 5% per year.[48/] It also adopts the SDG&E/SoCalGas proposal regarding Core C&I customer charges and rate tiers; Core C/I customers will be charged a single customer charge ($10 for SDG&E customers; $15 for SoCalGas customers) and seasonality shall be removed from core C/I rates.[49/] The SA adopts TURN's proposal to set residential rates for SoCalGas customers to achieve a composite tier differential of 15% between baseline and non-baseline rates (where rates include the commodity rate adopted in this proceeding).[50/] The SA also adopts a cap on the difference between the baseline and non-baseline rate when the commodity rate is excluded. Finally, the SA adopts SDG&E/SoCalGas' proposal regarding development of a Sempra-wide G-NGV rate.[51/] Since this resolution represents a compromise between the litigation positions of SDG&E/SoCalGas, DRA and TURN, it is supported by the record in this proceeding and is in the public interest.

**2. Whether the demand forecast presented by the applicants is reasonable and should be adopted**

In support of its showing in this proceeding, SDG&E/SoCalGas submitted detailed testimony presenting their residential, core commercial, industrial, non-core commercial and industrial, enhanced oil recovery ("EOR"), NGV, wholesale and ECOGAS customer gas demand

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46/ Florio Direct, p. 14-16.

47/ Settlement Agreement, §§ II.B.2.O, II.B.2.N. The SA also provides that SDG&E will implement for the Settlement Term the Borrego Springs rates proposed in its application.

48/ *Id*. at § II.B.2.M.

49/ *Id*. at § II.B.2.J.

50/ *Id*. at § II.B.2.I.

51/ *Id*. at § II.B.2.S.

forecasts for the BCAP period covering years 2009 through 2011.[52] SDG&E/SoCalGas also submitted testimony supporting the gas demand forecast for electric generation ("EG") customers.[53] Upon review and analysis of the SDG&E/SoCalGas demand forecasts, DRA submitted testimony concluding that the utilities' forecasts are reasonable.[54] IP/CCC/CMTA/Watson submitted testimony that recommended replacing the utilities' proposed throughput forecast with the 2008 California Gas Report ("CGR") forecast prepared by SoCalGas in July 2008.[55] As intervenor testimony demonstrates, the 2008 CGR throughput forecast is within 1% of the 2009 BCAP forecast.[56] Because the SDG&E/SoCalGas demand forecasts adopted in Section II.B.2.T of the SA were not materially contested and are otherwise consistent with the substantial record evidence submitted in this proceeding, the SA provision addressing the underlying demand forecasts that were used to derive the settlement rates is reasonable and should be approved by the Commission.

### 3. Whether the proposed rate design for transportation services is just and reasonable and should be adopted

In addition to the rate design proposals referenced above, SDG&E/SoCalGas witnesses, Mr. Schwecke and Mr. Lenart, detailed in their testimony the proposed rate design for the Transmission Level Service ("TLS") service.[57] In accordance with D.06-12-031, the TLS service was proposed by SDG&E/SoCalGas as a replacement for the peaking service currently offered under the GT-PS tariff. As explained by Mr. Schwecke and Mr. Lenart, under the

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52/ Prepared Direct Testimony of Herbert S. Emmrich on Behalf of San Diego Gas & Electric Company and Southern California Gas Company – Demand Forecasts and Related Issues Phase II ("Emmrich Demand Forecasts Direct"), pp. 1-56.

53/ Prepared Direct Testimony of Robert Anderson on Behalf of San Diego Gas & Electric Company and Southern California Gas Company ("Anderson EG Demand Forecasts Direct"), pp. 1-8.

54/ DRA Report on the Application of San Diego Gas & Electric Company and Southern California Gas Company Biennial Cost Allocation Proceeding Phase II – Demand Forecast ("Renaghan Direct"), p. 5.

55/ Beach Direct, p. 25.

56/ *Id*. at pp. 25-26.

proposed TLS rate design, SDG&E/SoCalGas customers served directly from the transmission system would be permitted to select one of two rate design options for firm service: Option #1 would involve a reservation charge plus a usage rate for a minimum term of three years, while Option #2 would involve an all-volumetric rate for a minimum term of six years. SDG&E/SoCalGas further proposed to offer interruptible service at a rate equal to the volumetric firm rate with a required minimum commitment of one month.[58]

TURN witness, Mr. Florio, opposed SDG&E/SoCalGas' TLS rate proposal, asserting that the TLS service is an inadequate replacement for the peaking service.[59] SCGC witness, Ms. Yap, also opposed the TLS rate proposal, arguing that the existing GT-PS tariff effectively closes the "regulatory gap" between SDG&E/SoCalGas and interstate pipelines and that the TLS rate would result in higher rates for electricity customers located in Southern California. Ms. Yap further urged the Commission to permit EG customers to remain on their existing tariff rather than moving to the TLS tariff in the event it adopted the proposed TLS rate.[60] SCE witness, Dr. Alexander, expressed opposition to the TLS rate, citing the concerns that it would raise rates for certain customers regardless of whether they connect to a competing pipeline, would not properly allocate costs and would be incompatible with the expected increase in the amount of electric generation from renewable resources.[61] Dr. Alexander offered an alternative straight fixed variable ("SFV") rate design proposal for replacing the peaking rate. Similarly, William Monsen, testifying on behalf of Long Beach, opposed the proposed TLS rate, asserting that it would impose unreasonable financial and reliability risks on Long Beach and arguing that

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57/ Schwecke Direct, pp. 9-13; Lenart Direct, pp. 12-15.
58/ Schwecke Direct, pp. 12-13.
59/ Florio Direct, pp. 12-14.
60/ Yap Direct, pp. 14-25.
61/ Alexander Direct, pp. 13-22.

Long Beach should receive a class-average volumetric rate option.[62] Mr. Beach, on behalf of IP/CCC/CMTA/Watson, expressed general support for the TLS rate proposal, but objected to the proposed six-year term for firm, all-volumetric service.[63]

The SA resolves this issue by establishing a TLS rate consisting of four options:[64]

(i) **Class-Average Volumetric Rate Option** – consists of a class average rate that has two components: (i) a base margin component that is calculated by dividing the base margin costs allocated to the TLS customer class by the average year throughput of all TLS customers; plus, (ii) a volumetric usage rate which is calculated as all Non-Base Margin Costs allocated to TLS customers divided by the average year throughput of all TLS customers.[65] Quantities up to a customer's contracted firm quantity are considered to be firm for curtailment purposes; quantities above a customer's contracted firm quantity are considered to be interruptible for curtailment purposes. Firm quantities are established by SDG&E/SoCalGas based on customer's historic peak usage or customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating capabilities. All quantities will be billed at 100% of the TLS Class-Average Volumetric Rate. This option is available for a three-year minimum term with an automatic renewal provision.

This rate option is available to 1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international), as currently defined in SDG&E/SoCalGas' tariffs, that are served directly from SDG&E/SoCalGas' transmission system, as established by SDG&E/SoCalGas' capital accounting records; (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms; (3) customers who were previously classified by the Commission as transmission service level customers; (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises; and (5) wholesale customers. Customers in unconstrained areas must meet the conditions of "Full Requirements" as defined in SoCalGas Tariff Rule 1 in order to receive service under the TLS Class Average Volumetric Rate. Customers located in constrained areas are not required to meet the conditions of "Full Requirements" as defined in SoCalGas Tariff Rule1 in order to elect service under the TLS Class Average Volumetric Rate, but shall be subject to the special conditions specified in SoCalGas Schedule GT-F that apply to Firm

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[62] Testimony of William A. Monsen on behalf of the City of Long Beach Gas & Oil Department ("Monson Direct,") pp. 9-23.

[63] Beach Direct, at 22-23.

[64] Settlement Agreement, § II.B.2.P, Attachment 1.

[65] "Non-Base Margin Costs" includes balancing account balances, fuel-related costs, and miscellaneous costs identified as Other Operating Costs in the utilities' allocation and rate models.

Noncore Service in Potentially Constrained Areas, including the Use-or-Pay provisions.

(ii) **Reservation Rate Option** – consists of a reservation rate for a Daily Reservation Quantity ("DRQ"), and a usage charge applicable to gas consumed by the customer up to its contracted DRQ. For non-bypass customers, quantities specified for firm priority in a customer's Schedule A of the Master Services contract are considered to be firm for curtailment purposes; quantities above this amount are considered to be interruptible for curtailment purposes. Firm quantities are established by SDG&E/SoCalGas based on customer's historic peak usage or customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating capabilities. For bypass customers, quantities up to the customer's DRQ are considered to be firm for curtailment purposes; quantities above a customer's DRQ are considered to be interruptible for curtailment purposes. This rate option is available for a three-year minimum term with an automatic renewal provision.

This rate option is available to (1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international), as currently defined in SDG&E/SoCalGas tariffs that are served directly from SDG&E/SoCalGas' transmission system, as established by SDG&E/SoCalGas' capital accounting records; (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms; (3) customers who were previously classified by the Commission as transmission service level customers; (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises; (5) wholesale customers; and (6) customers who bypass SDG&E/SoCalGas service.

(iii) **120% of Class-Average Volumetric Rate Option (Non-Bypass Customers)** – applies to quantities above the firm quantities specified in a customer's Master Services Contract, Schedule A for those customers taking the Reservation Rate Option. Quantities above the customer's designated firm quantities are considered to be interruptible for curtailment purposes. Firm quantities are established by SDG&E/SoCalGas based on customer's historic peak usage or customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating capabilities.

This rate option is available to 1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international), as currently defined in SDG&E/SoCalGas' tariffs, that are served directly from SDG&E/SoCalGas' transmission system, as established by SDG&E/SoCalGas' capital accounting records; (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms; (3) customers who were previously classified by the Commission as transmission service level customers; (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises; and (5) wholesale customers.

(iv) **135% of Class-Average Volumetric Rate Option (Partial Bypass Customers)** – Applicable to any customer that is connected to an alternate service provider. Includes a monthly minimum charge limited to the actual operation and maintenance costs of the metering equipment and other related facilities at the customer's meter(s) that are owned and operated by SDG&E/SoCalGas and necessary to deliver gas in accordance with SDG&E/SoCalGas' rules and procedures, good industry practice, and governmental regulation. SDG&E/SoCalGas shall determine actual customer-related service costs for each eligible customer not later than 30 days following a request by the customer and shall seek Commission approval of the resulting Minimum Monthly Charge by advice letter. The approved Monthly Minimum Charge for each Customer shall apply only when the minimum charge exceeds the total reservation and volumetric transportation charges for GT-TLS service and shall be applied in lieu of the total reservation and volumetric transportation charges. Where the partial bypass customer has not elected the Reservation Rate Option, this rate applies to all quantities. Where the partial bypass customer has elected the Reservation Rate Option, this rate applies to quantities above the DRQ specified in the bypass customer's contract under the Reservation Rate Option. Customers taking service under this option are not required to take any service under the Reservation Rate option. All quantities above the customer's DRQ shall be considered interruptible for curtailment purposes. If the customer does not have a DRQ, all quantities shall be considered interruptible for curtailment purposes. Requires daily balancing (incorporates daily balancing requirements from GT-PS tariff).

The SA further provides that upon Commission approval of the advice letter submitting SoCalGas' proposed GT-TLS tariff rate schedule and implementation of the TLS service, SoCalGas shall eliminate its peaking service and shall terminate the GT-PS tariff rate schedule. Customers served under the GT-PS tariff rate schedule will be required to switch to the GT-TLS tariff rate schedule upon termination of the GT-PS tariff rate schedule.[66/] In addition, upon Commission approval of the above-referenced advice letter, wholesale customers served under the GW-LB, GW-SD, GW-SWG, GW-VRN and GW-ECO will be served under the GT-TLS tariff schedule and these tariff schedules will be eliminated.

This proposal falls within the range of litigation positions asserted by the parties, thus it is supported by the record in this proceeding. Together with the measures described in Section 4 below, the TLS rate proposed in the SA addresses the regulatory gap between SoCalGas' noncore rate design and interstate rate design. The TLS rate features a reservation rate structure with a total rate at a 100% load factor that is lower than both current rates and the all-volumetric TLS rate, thus encouraging higher load factor noncore customers to remain on the SoCalGas system. Finally, the interruptible rate for partial bypass customers is substantially less costly than the existing interruptible peaking rate. For these reasons, the proposed TLS rate represents a reasonable compromise of the issues surrounding the SoCalGas peaking rate and the utility's noncore rate design, and is therefore in the public interest.

**4. Whether the applicants' proposals to address the regulatory gap with competing interstate pipelines are reasonable and should be adopted**

In addition to the TLS rate proposal, SDG&E/SoCalGas witness, Mr. Schwecke, proposed that SDG&E/SoCalGas maintain their current ability to negotiate transportation rates, as necessary, in order to compete successfully with interstate pipelines.[67] He also proposed that any revenue shortfall for the term of any such negotiated contract be 100% balanced in rates. These proposals were not contested and are incorporated by reference and adopted in the SA.[68] As noted above, these proposals, in conjunction with the TLS rate proposal, address the regulatory gap with competing interstate pipelines, are reasonable and should be adopted.

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66/ Settlement Agreement, § II.B.2.P.

67/ Schwecke Direct, pp. 13-14.

68/ Settlement Agreement, § II.B.2.U.

### 5. Whether the applicants' request to revise the monthly balancing tolerances should be adopted

The Scoping Memo issued in this proceeding originally provided parties the opportunity to address balancing issues in Phase Two of the proceeding. Accordingly, in their original Phase Two testimony, SDG&E and SoCalGas included proposals to reduce monthly balancing tolerances from 10% to 5% and to impose a low operational flow order ("OFO") condition during the winter period whenever the System Operator forecasts utilization of 80% or more of withdrawal capacity. However, the foregoing balancing issues were resolved through settlement in Phase One of this proceeding and are no longer at issue in the instant phase (Phase Two) of this proceeding.[69]

SDG&E/SoCalGas' Phase Two proposal also included a provision for implementing a high OFO based on balancing inventory levels. That proposal was not addressed in the Phase One Settlement Agreement. As part of the instant settlement, SDG&E/SoCalGas agreed to withdraw the "high OFO proposal"[70] as is discussed in Section 10.b.1 below.

### 6. Whether the applicants' request for a three-year period between cost allocation filings should be adopted

In their testimony, Applicants proposed to replace the current BCAP with a Triennial Cost Allocation Proceeding ("TCAP").[71] This would allow the Commission and the parties to strike a proper balance between the need to update cost allocation and rates on a timely basis and the expenditure of resources necessary to address the myriad issues involved in such proceedings.[72] No party opposed replacing the BCAP cycle with a TCAP cycle.

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[69] Phase One Settlement Agreement, Para. 9, 10, 11; D.08-12-020, *mimeo*, p. 23.
[70] Settlement Agreement, § II.B.1.F.
[71] Smith Direct, pp. 23-25.
[72] *Id*.

The SA addresses this issue by establishing a term of three years for the settlement rates.[73/] The rates set forth in Attachment 4 of the SA will be effective the later of January 1, 2010, or 60 days following Commission approval of the SA.[74/] SDG&E/SoCalGas are required to file their next cost allocation proceeding no later than September 1, 2011, for rates to be effective January 1, 2013 for the three-year period ending December 31, 2015.[75/]

Since the SA adopts the uncontested SDG&E/SoCalGas proposal to establish a TCAP cycle, it is fully supported by the record in this proceeding.[76/] Adoption of a three year cycle will promote the public interest through conservation of Commission, utility and stakeholder resources. The Joint Parties also note that the Commission has regularly adopted three-year rate settlements under the Gas Accord structure used on the PG&E system. Thus, a three-year TCAP promotes statewide consistency in the Commission's regulation of gas utilities.

**7. Whether the discount for master meter customers should be adopted**

In its protest to SDG&E/SoCalGas BCAP application, the WMHCA asserted that SDG&E/SoCalGas had failed to consider whether proposed changes in residential rates necessitated an alteration of the master meter rate established pursuant to Public Utilities Code § 739.5(a).[77/] WMHCA did not, however, submit testimony in this proceeding or participate in

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73/ The term of the SA begins upon Commission approval thereof. Settlement Agreement, § II.A; II.B.3.M.a.

74/ *Id*. at § II.A. Implementation of BCAP rates typically requires 60 days due to their complexity.

75/ *Id*. at § II.B.3.M.a. In addition, § II.B.3.M.b requires SDG&E/SoCalGas to include in the next TCAP data on actual revenues under the TLS Reservation Rate Option and actual volumes of service provided under that Option.

76/ Although the SDG&E/SoCalGas application proposed that rates be effective January 1, 2009, it is reasonable to make rates effective January 1, 2010 in light of the Phase Two procedural schedule and the Applicants' annual transportation rate adjustment effective January 1st of each year.

77/ All statutory references herein are to the Public Utilities Code unless otherwise noted.

the settlement discussions. Accordingly, this issue is not in dispute in the record and therefore is not addressed in the SA.[78]

**8. Whether the Sempra-wide electric generation rate should be eliminated**

In D.00-04-060, the Commission approved a uniform "Sempra-wide" rate that equalized the cost of natural gas transportation for EG customers served by SDG&E and SoCalGas. In its System Integration decision, D.06-04-033, the Commission granted SDG&E and SoCalGas the authority to combine their respective transmission costs into a single system-wide transmission rate.[79] Accordingly, the Sempra-wide adjustment in effect pursuant to D.00-04-060 currently affects only EG customers taking service off of the utilities' distribution systems.

In the instant proceeding, SCE advocated elimination of the Sempra-wide EG rate.[80] SCE witness, Dr. Alexander, argued that the original rationale for adopting the Sempra-wide rate – *i.e.*, that EGs located in SDG&E's service territory would be disadvantaged by higher transportation costs when offering their generation for sale through the Power Exchange ("PX"), a centralized, bid-based, day-ahead electric market that set a single market clearing price – no longer exists given the fact that the PX was eliminated in favor of a bilateral market. SDG&E and SoCalGas argued that with the California Independent System Operator's implementation of its Market Redesign and Technology Update ("MRTU"), there will be a return to a bid-based, day-ahead market intended to set a single market clearing price adjusted for congestion and losses.[81]

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78/ Similarly, the Scoping Memo at pp. 7-8 identified an issue raised by SCE regarding line extensions on which no testimony was submitted. Accordingly, this issue is not in dispute in the record and is not addressed in the SA.

79/ *See* D.06-04-033, *mimeo*, p. 73, Ordering Paragraph No. 1.

80/ Alexander Direct, pp. 31-32.

81/ Prepared Rebuttal Testimony of Rodger Schwecke on Behalf of San Diego Gas & Electric Company and Southern California Gas Company on Phase II Issues ("Schwecke Rebuttal"), pp. 38-39.

The SA resolves this issue by retaining the Sempra-wide EG rate adjustment for distribution-level customers that are not included in the TLS rate class.[82/] Since the approach set forth in the SA represents a compromise between SDG&E/SoCalGas and SCE's respective litigation positions, it is supported by the record developed in this proceeding and is in the public interest.

**9. Whether merchant generators should be exempt from the regulatory surcharge in the G-SRF tariff**

Under Public Utilities Code § 431, *et seq*., electric and gas public utilities are required to pay an annually-set fee to fund the Commission's authorized budget for the same year. Sections 432(c)(2) and 435(e) provide an exemption from the surcharge for "interdepartmental sales or transfers and sales to other privately owned or publicly owned public utilities furnishing electricity, gas, or heat." This exemption avoids double application of the surcharge when a public utility sells or transports gas to another public utility on a wholesale basis. SoCalGas collects the fee as a surcharge through its G-SRF tariff schedule, which includes an exemption for "interdepartmental sales or transfers and sales or transportation services to electric, gas or steam heat public utilities."

In his testimony, SCE witness, Curt Roney, noted that electric utilities such as SCE collect the § 431 fee from their customers (in SCE's case, through its Schedule No. RF-E surcharge) and that gas deliveries by SoCalGas to SCE facilities that generate electricity for sale to SCE's customers are exempted from the G-SRF surcharge.[83/] He pointed out that this exemption is necessary in order to avoid double collection of the § 431 fee from SCE's customers (*i.e.*, to avoid requiring SCE customers to pay the RF-E surcharge *and* the G-SRF

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82/ Settlement Agreement, § II.B.3.K.

83/ Direct Testimony of Curt Roney on Behalf of Southern California Edison Company, dated December 23, 2008 ("Roney Direct"), pp. 1-3.

surcharge). He explained that while gas deliveries to SCE-owned facilities that generate electricity for sale to its electric customers are exempted, SCE is still effectively being charged the G-SRF surcharge for gas deliveries (1) to Mountainview Power Company, ("Mountainview"), which is owned by a subsidiary of SCE rather than SCE itself; and (2) to third-party generators that provide electricity to SCE under tolling arrangements with SCE. This is the case because the G-SRF surcharge is currently applied to transportation services provided to these generators, who then pass the surcharge on to SCE. Mr. Roney proposed that SoCalGas' G-SRF tariff rate schedule be modified to provide an exemption for (i) wholly-owned subsidiaries of SCE; and (ii) generation facilities subject to a tolling arrangement with SCE. He argued that this corrective action is necessary to prevent SCE's customers from paying the § 431 fee twice – directly through SCE's RF-E surcharge and indirectly through the G-SRF surcharge applied in the manner described above.

SCGC witness, Ms. Yap, proposed that the G-SRF surcharge exemption be expanded to apply to all gas-fired generation. She explained that the expanded exemption would be consistent with the intent underlying the Public Utilities Code exemption for sales or transportation of natural gas to electric utilities and that the broader exemption would also be consistent with Public Utilities Code provisions exempting electric generators from bearing the costs of the California Solar Initiative ("CSI") and the Solar Water Heating and Efficiency Act.[84/]

The SA resolves this issue by requiring SoCalGas to modify its G-SRF tariff schedule to exempt from the G-SRF surcharge the transportation services provided to electric generators that relate directly to wholesale sales by such electric generators to electric, gas or steam heat public

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[84/] Yap Rebuttal, pp. 35-36.

utilities, or the California Independent System Operator.[85/] This resolution is within the range of litigation proposals set forth in parties' testimony and is therefore supported by the record in this proceeding.

Further, this resolution of the issue is consistent with the exemption established in § 435(e) for sales and transportation of gas to electric utilities. The purpose of that exemption is to avoid double application of the surcharge to end-use electricity customers. The proposed modification to the G-SRF schedule fulfills the purpose of the statutory exemption by exempting transportation services provided to EGs where the EG sells generation on a wholesale basis to a public utility. Because this provision of the SA is intended to avoid double application of the surcharge to end-use electricity customers, it is in the public interest.

### 10. Whether all of the remaining issues in the application have been adequately addressed and should be adopted.

#### a. Noncore Throughput Risk

Among the issues not specifically identified in the Scoping Memo was whether SDG&E and SoCalGas should be at risk for noncore throughput.[86/] This issue was addressed by: SDG&E/SoCalGas, DRA, IP/CCC/CMTA/Watson, and SCGC.

SDG&E and SoCalGas addressed this matter in the prepared direct and rebuttal testimony of Mr. Morrow, who urged the Commission not to place SDG&E or SoCalGas at risk for throughput and recommended that the Commission establish this principle on a long-term policy basis.[87/] SCGC witness, Ms. Yap, supported the position of SDG&E and SoCalGas that

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85/ Settlement Agreement, § II.B.3.I.

86/ Neither SDG&E nor SoCalGas have been at risk for core throughput for many years, and no party suggested in this proceeding that this should change.

87/ Prepared Direct Testimony of Richard M. Morrow on Behalf of San Diego Gas & Electric Company and Southern California Gas Company on Phase II Issues, dated December 5, 2008 they not be placed at risk for noncore throughput.[88] DRA witness, Ms. Greig, proposed that SDG&E and SoCalGas be subject to risk for 10% of the difference between actual noncore throughput and the noncore demand forecast adopted by the Commission.[89] Mr. Beach, on behalf of IP/CCC/CMTA/Watson, proposed that SDG&E and SoCalGas be placed 100% at risk for recovery of its backbone and local transmission revenues allocated to the noncore market, similar to the at-risk condition that applies to PG&E under its Gas Accord structure.[90]

The SA resolves this issue by providing that SDG&E and SoCalGas will not be placed at risk for throughput during the settlement period and that the issue of whether this outcome should be adopted as a long-term policy by the Commission for SDG&E and SoCalGas will be briefed for a decision by the Commission.[91] This resolution of the issue is consistent with the testimony of Ms. Yap, who proposed that SDG&E and SoCalGas not be placed at risk for noncore throughput during the rate period at issue in this proceeding, and with the testimony of Mr. Morrow who urged the Commission to articulate this result as a long-term policy matter for SDG&E and SoCalGas. Thus, this provision of the SA is consistent with the record in this proceeding.

This provision of the SA will provide a clear directive to SDG&E and SoCalGas management that it is not to take actions to increase noncore throughput by de-emphasizing aggressive energy conservation and efficiency efforts during the term of the settlement. The settlement parties could not agree as to whether the Commission should, by adopting the SA, establish this principle on a long-term policy basis. Indeed, some parties contest whether it is

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("Morrow Direct"), pp. 1-8; Prepared Rebuttal Testimony of Richard M. Morrow on Behalf of San Diego Gas & Electric Company, dated January 27, 2009 ("Morrow Rebuttal"), pp. 1-7.

88/ Yap Rebuttal, pp. 26-30.

89/ Greig Direct, pp. 2-4.

90/ Beach Direct, pp. 28-35.

91/ Settlement Agreement, § II.B.3.A.

consistent with the intent of the Commission's settlement rules for the Commission to adopt long-term policies in the context of a settlement agreement. As a result, the SA leaves this single issue for briefing and determination by the Commission. Since the approach taken in the SA represents a compromise between the litigation positions of the parties, this provision of the SA promotes the public interest.

#### b. Operational Issues

While not explicitly listed in the Scoping Memo as among the issues to be addressed in this proceeding, several parties raised certain operational issues in protests and in testimony related to the Utility System Operator's role in maintaining system reliability. The term "Utility System Operator" was introduced in the Omnibus proceeding (A.06-08-026) to generally describe various functions within SDG&E/SoCalGas that support providing reliable service to customers.[92/] It is an umbrella designation that refers to multiple departments within SDG&E and SoCalGas responsible for the physical and commercial operation of the pipeline and storage systems, and specifically excludes the gas procurement function. The Omnibus decision also deferred several recommendations on operational issues to the instant case.[93/] As is described in more detail below, the SA addresses issues related to SDG&E/SoCalGas' balancing service, as well as gas purchases made by the Utility System Operator.

##### (i) Balancing Service

In testimony submitted by Steve Watson, SDG&E/SoCalGas asserted that the existing OFO and winter balancing rules work well and that major changes to these rules were not

92/ *See* Schwecke Rebuttal, p. 3.
93/ *See* D.07-12-019, p. 68.

warranted.[94] Mr. Watson did, however, propose three changes to balancing rules. Specifically, he proposed that a new "high OFO" trigger be established whereby the Utility System Operator would call a high OFO whenever imbalances exceed 5.2 Bcf (4.2 Bcf +1 Bcf tolerance) during October – November and total system inventory is greater than 90% of capacity. He also proposed a modification of winter balancing rules to waive penalties for under-deliveries during the winter if, at the same time, SoCalGas has called a high OFO. Finally Mr. Watson noted that use of interruptible injection and withdrawal rights adopted pursuant to the Omnibus proceeding will make it easier for customers to remain in balance, and recommended that customers be allowed to use interruptible withdrawals to count towards balancing requirements.

Several parties questioned the need for the new high OFO trigger. Mr. Beach, on behalf of IP/CCC/CMTA/Watson, recommended that the high OFO proposal be rejected on the grounds that it was not needed to address an existing problem.[95] Long Beach witness, Mr. Monsen, also asserted that the high OFO proposal should be rejected.[96] Shell urged the Commission to reject SDG&E/SoCalGas' high OFO proposal, as well as existing OFO procedures, in favor of an entirely new OFO protocol.[97]

Several parties also recommended measures to increase the transparency of the OFO trigger process, as well as a stakeholder process to examine the frequency of OFOs. SCGC witness Ms. Yap argued that SDG&E/SoCalGas should develop explicit standards for declaring OFOs and should take the availability of system line pack into account before declaring an

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[94] Prepared Direct Testimony of Steve Watson on Behalf of San Diego Gas & Electric Company and Southern California Gas Company on Phase II Issues, dated December 5, 2008 ("Watson Direct"), pp. 1-2.

[95] Beach Direct pp. 38-40.

[96] Rebuttal Testimony of William A. Monsen on behalf of the City of Long Beach Gas & Oil Department ("Monsen Rebuttal"), pp. 8-9.

[97] Prepared Phase II Testimony of Laird Dyer on Behalf of Shell Energy North America (US), L.P., dated December 21, 2008 ("Dyer Direct"), pp. 8-9.

OFO.[98/] Ms. Yap further asserted that SDG&E/SoCalGas should be required to convene an OFO Forum "to develop a clear set of standards for use in declaring high OFOs."[99/] IP's witness Susan Schneider recommended a long-term planning process to allow consideration of several operational issues including the frequency and extent of OFOs.[100/] Long Beach witness, Mr. Monsen, expressed support for the OFO Forum proposal.[101/]

The SA resolves these balancing-related issues by clarifying the protocol applied by the Utility System Operator to call OFOs[102/] and by requiring SDG&E and SoCalGas to include in their respective tariffs information concerning the specific formula used to determine when an OFO must be called.[103/] The SA further provides that system linepack is not a part of the formula used to determine when an OFO is required.[104/] In the SA, SDG&E/SoCalGas agree to hold an annual Customer Forum to review, among several other issues, "the timing, method, formulas, and all inputs to formulas by which OFO events are triggered."[105/] SDG&E/SoCalGas also agree to withdraw their "high OFO" trigger proposal and to refrain from proposing adoption of a "high OFO" trigger during the Settlement Term.[106/] Finally, the SA adopts SDG&E/SoCalGas' proposal to modify the current winter balancing rules set forth in tariff schedule Rule No. 30 to provide for waiver of the minimum daily flow requirements on days that an OFO is in effect.[107/] It also allows customers to use interruptible withdrawals to count towards balancing requirements.[108/]

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98/ Yap Direct, pp. 49-50; *see also* Dyer Direct, p. 8.
99/ Yap Direct, pp. 50-51.
100/ Prepared Direct Testimony of Susan R. Schneider ("Schneider Direct"), at 3, 19.
101/ Beach Direct, pp. 38-40.
102/ Settlement Agreement, § II.B.1.A.
103/ *Id*. at § II.B.1.D.
104/ *Id*. at § II.B.1.A.
105/ *Id*. at § II.B.1.B.
106/ *Id*. at § II.B.1.F.
107/ *Id*. at § II.B.1.I.
108/ *Id*. at § II.B.1.J.

The resolution of the new high OFO trigger is consistent with the testimonies of Mr. Beach and Mr. Monsen, who noted there was no need for this high OFO trigger.[109] The resolution of the OFO transparency and forum issues is consistent with the testimonies of Ms. Yap, Ms. Schneider and Mr. Monsen, who recommended the use of standards for calling OFOs and the institution of a stakeholder forum to consider the extent and frequency of OFOs.[110] Inclusion of the OFO methodology in tariffs is consistent with the recommendations designed to increase transparency made by Ms. Schneider. Changes to the winter balancing rules are consistent with the recommendations made by Mr. Watson and address the concern that intervenors expressed regarding the frequency of OFOs. Thus, this provision of the SA is clearly consistent with the record in this proceeding. These provisions of the SA will promote the public interest by providing clarity and greater transparency regarding OFO procedures, as well as a stakeholder forum to review such procedures. Finally, the modifications to existing balancing rules promote fairness and will prevent simultaneous imposition of penalties for under-collections and over-deliveries.

**(ii) Utility System Operator Reliability Purchases**

The testimony of SDG&E/SoCalGas witness, Mr. Schwecke, set forth proposals related to the Utility System Operator's obligation to ensure system reliability. Mr. Schwecke noted that pursuant to the Omnibus decision, D.07-12-019, the net cost of natural gas supplies acquired by the Utility System Operator in order to meet minimum flowing supply requirements are to be tracked in the SRMA and passed through to utility ratepayers only after first being subjected to a hindsight reasonableness review.[111] Mr. Schwecke expressed SDG&E/SoCalGas' strong

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[109] Beach Direct, pp. 38-40.
[110] Yap Direct, pp. 49-50; Schneider Direct, pp. 3, 18, B-2; Monsen Direct, pp. 8-9.
[111] Schwecke Direct, pp. 16-17.

opposition to hindsight reasonableness review and recommended that this aspect of D.07-12-019 be eliminated or modified.

Mr. Schwecke noted that certain tools for ensuring Southern System reliability were adopted in the Omnibus proceeding – *i.e.*, holding a solicitation for contracts that would require parties to deliver supply into the Southern System and purchasing gas on the spot market for delivery into the Southern System. He proposed that as an additional tool for meeting Southern System reliability requirements, the Utility System Operator be authorized to establish a Southern System minimum flow obligation and, under certain conditions, to call a Southern System Flow Order ("SSFO") that would require end-use customers to deliver up to 20% of their gas usage for a given day into the Southern System.[112/] He proposed further that if the SSFO did not result in sufficient supplies being delivered into the Southern System, the Operational Hub would purchase additional gas supplies as necessary to meet the flowing supply requirement. He proposed a formula for calculating required purchases by the Operational Hub, as well as limitations on the customer-specific information available to the Operational Hub.[113/] With regard to potential additional tools for maintaining system reliability that might be identified in the future, Mr. Schwecke proposed retaining the advice letter approach adopted in the Omnibus decision for seeking approval of such tools.[114/]

Opposition to SDG&E/SoCalGas' SSFO proposal was expressed by all interested parties that addressed the issue, including SCGC, IP, SCE, SWG, Long Beach and Shell.[115/] SCGC witness, Ms. Yap, observed that the SSFO is unduly burdensome, could unfairly benefit

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112/ *Id*. at pp. 17-20.
113/ *Id*. at pp. 20-22.
114/ *Id*. at pp. 22.
115/ Yap Direct, pp. 46-49; Schneider Direct, pp. 21-24; Alexander Direct, pp. 27-30; Prepared Direct testimony of Kenneth J. Jacobs on Behalf of Southwest Gas Corp., dated December 23, 2008 ("Jacobs Direct"), pp. 2-8; Monsen Rebuttal, pp. 6-7; Dyer Direct, pp. 12-13.

shareholders through the gas cost incentive mechanism ("GCIM"), and is likely to lead to price spikes at the Blythe receipt point.[116] IP witness, Ms. Schneider, recommended rejection of the SSFO on the grounds that it is not a cost-effective solution, is not practical and would impose unfair penalties on customers.[117] SCE witness, Dr. Alexander, noted that the SSFO would result in logistical problems and could increase gaming.[118] SWG witness, Kenneth Jacobs, proposed rejection on the grounds that use of the SSFO would result in less efficiency, less reliability and higher costs.[119] Shell witness, Mr. Dyer, recommended rejection of the SSFO on the grounds that it would undermine supply arrangements, impose additional costs on customers and impact receipt point capacity commitments made through the acquisition of firm access rights.[120]

Intervening parties also expressed support for the reasonableness review process established in the Omnibus decision. SCGC witness, Ms. Yap, proposed that the SRMA reasonableness reviews be conducted in future cost allocation proceedings.[121] Likewise, IP witness, Susan Schneider recommended that the SRMA reasonableness review be retained.[122]

In addition, intervening parties made recommendations regarding the approval and use of new reliability tools. IP witness, Ms. Schneider, urged the Commission to require that requests for approval of additional tools for ensuring Southern System reliability be submitted via application rather than by advice letter.[123] Shell witness Mr. Dyer proposed that the System Operator be required to issue a request for proposals ("RFP") to solicit exchanges of natural gas

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[116] Yap Direct, pp. 47-19.
[117] Schneider Direct, p. 21.
[118] Alexander, pp. 27-30.
[119] Jacobs Direct, pp. 2-8.
[120] Dyer Direct, pp. 12-13.
[121] Yap Direct, pp. 45-46.
[122] Schneider Direct, p. 18.
[123] *Id*. at pp. 19-21.

between the System Operator and market participants to manage minimum flow requirements on the Southern System.[124]

Finally, intervening parties recommended measures to increase the transparency of System Operator activities. IP witness, Ms. Schneider recommended that several measures designed to increase the transparency of the System Operator's actions be adopted in part to limit perceived opportunities for self-dealing.[125] In particular, she recommended that System Operator transactional details including transaction price, counterparty, volumes, dates, delivery/receipt points be disclosed.[126] She also recommended that SDG&E/SoCalGas clarify the System Operator's mission, post operational procedures and rules, and establish a stakeholder process to consider new System Operator tools.[127] Finally, she recommended the posting of all transactions with affiliates and the Gas Procurement Department including hub transactions.[128] SCGC Witness Ms. Yap recommended increased transparency regarding standards used for calling OFOs.[129]

The SA resolves these issues by establishing certain procurement procedures, posting requirements and internal protocols to be followed by SDG&E/SoCalGas in lieu of reasonableness review of SRMA costs. SDG&E/SoCalGas agree in the SA to withdraw their SSFO proposal and to refrain from proposing such a reliability measure to become effective during the Settlement Term.[130] The SA clarifies the process used by the Utility System Operator to determine Southern System minimum flow requirements.[131]

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[124] Dyer Direct, p. 13.
[125] Schneider Direct, p. 18.
[126] *Id*.
[127] *Id*.
[128] *Id*. at pp. 14-18.
[129] Yap Direct, pp. 49-50.
[130] Settlement Agreement, § II.B.1.K.
[131] *Id*. at §§ II.B.1.A, II.B.1.G.

SDG&E/SoCalGas agree in the SA to increase the transparency of Utility System Operator functions through several means. SDG&E/SoCalGas agree to include information concerning the Utility System Operator structure, procedures, and operation protocols in their respective tariffs and to hold annual customer forums to address certain operational issues and questions and discuss new tools or improvements to manage system reliability.[132/] SDG&E/SoCalGas also agree to post on SoCalGas' Electronic Bulletin Board ("EBB") specific operational information in addition to that required under D.06-12-031 and D.07-12-019 on a current-day and forecast basis.[133/] SDG&E/SoCalGas also agree to post on the EBB all requests for supplies made by the Utility Gas Control Department to the Operational Hub no later than 72 hours after the minimum flow event.[134/]

Where the Utility System Operator communicates with the Utility Gas Procurement Department as the provider of last resort in order to maintain the Southern System minimum flow requirement, SDG&E/SoCalGas agree to post certain information concerning any resulting transaction within 72 hours after the conclusion of the transaction.[135/] In addition, Operational Hub G-PAL transactions with Sempra affiliates or the Utility Gas Procurement Department, if discounted below the maximum tariff rate, will be posted the next business day on the EBB, consistent with rules governing the posting of discounted transportation services for affiliates.[136/] Finally, information regarding System Operator transactions, OFOs, the need for new minimum flow requirements and reliability tools, and requests for supplies to meet the Blythe minimum flow requirement will be provided in the annual customer forum.[137/]

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132/ *Id*. at §§ II.B.1.D, II.B.1.B, II.B.1.C.
133/ *Id*. at § II.B.1.E.
134/ *Id*. at § II.B.1.M.
135/ *Id*. at § II.B.1.N.
136/ *Id*. at § II.B.1.P.
137/ Settlement Agreement, § II.B.1.B.

The SA also provides guidance for System Operator transactions. It provides that the cost of Utility System Operator transactions (*e.g.*, natural gas purchases, sales, or exchanges resulting from approved contracts) that are necessary to meet minimum flow requirements shall be recorded in the SRMA and establishes a "safe harbor" for purchases or sales of spot supplies of gas in the day-ahead market or the intra-day market not made pursuant to a Commission-approved contract.[138/] Under this "safe harbor" provision, purchases or sales of spot supplies of gas by the Utility System Operator in the day-ahead market or the intraday market shall be deemed to be reasonable if the purchase/sale price falls within specified ranges tied to particular market indices. Under the SA, purchases or sales of spot gas supplies by the Utility System Operator at prices that are outside the specified ranges shall be deemed reasonable where SDG&E/SoCalGas observe the preferred procurement order established in the SA as well as certain related procedures.[139/]

SDG&E/SoCalGas must seek to procure necessary supplies first through the Intercontinental Exchange ("ICE") and then through other gas suppliers (other than the SDG&E/SoCalGas Gas Procurement Department or Sempra affiliates). SDG&E/SoCalGas must compare prices posted on ICE and, if applicable, its supplier contacts and select the best prices available to meet the quantities required to meet minimum flow requirements. Purchases and sales that do not follow these procedures will not be automatically deemed "unreasonable" but shall be subject to review by the Commission's Energy Division. Verification that SDG&E/SoCalGas have followed this procedure shall be provided to the Commission in an Annual Compliance Report submitted to the Energy Division by advice letter, which shall be subject to comment/protest. Upon Energy Division review and verification of the Annual

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[138/] *Id*. at § II.B.1.H.

Compliance Report and Commission Resolution approving the Annual Compliance Report, all transactions entered into the SRMA balance for the year in question that are found reasonable by the Energy Division shall be amortized in customer transportation rates over the following year. The SA expressly provides that upon Commission approval of the Settlement, the requirement that SDG&E and SoCalGas submit to reasonableness review of SRMA costs shall be eliminated. The standards, criteria, and procedures set forth in the SA shall govern review of Utility System Operator purchases and sales as of April 1, 2009.[140/]

Under the SA, SDG&E/SoCalGas are required to maintain existing separation between certain internal departments and to limit information flow.[141/] The SA requires that gas commodity purchases and sales between the Operational Hub and the Utility Gas Procurement Department or a Sempra affiliate, except for transactions related to the Utility Gas Procurement Department's role as "provider of last resort," occur through an independent party where the counterparties are not known until after the transaction is completed (*e.g.*, ICE, gas brokers who have been instructed to provide no preference to Sempra affiliates or the Utility Gas Procurement Department, or open auctions available to all qualified parties conducted by the Operational Hub in which gas purchases or sales are made with counter-parties that are not known until after the transaction is completed).[142/]

The SA also resolves issues related to approval of new tools.[143/] Under the SA, SDG&E/ SoCalGas will seek Commission authority for any additional tools (other than system modifications that can be completed without an application under current Commission rules) necessary to meet the Southern System flow requirement through an application. Any contracts

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139/ *Id*.
140/ *Id*.
141/ *Id*. at § II.B.1.M.
142/ *Id*. at §§ II.B.1.N, II.B.1.O.

that are not obtained through an RFO process relating to already-approved tools (*i.e.*, gas purchases, gas exchanges) will be submitted to the Commission for approval via advice letter. Advice letters seeking approval of Utility System Operator contractual arrangements shall identify the order in which contracts will be implemented to ensure system reliability and integrity at least cost.

The provisions of the SA detailed above reflect aspects of the various proposals made by the parties to this proceeding and are supported by the whole record developed in this proceeding. In particular, the elimination of the SSFO is supported by the testimonies of Ms. Schneider, Dr. Alexander, Ms. Yap, Mr. Dyer, and Mr. Jacobs. The measure eliminating the SRMA reasonableness review is supported by the testimony of Mr. Schwecke. The measures increasing transparency reflect the testimony recommendations of Ms. Schneider and Ms. Yap. Together these provisions of the SA will promote the public interest by (i) establishing sound and practical procedures for ensuring that SRMA costs are reasonable, (ii) making the actions and management of operational issues of the Utility System Operator transparent, and (iii) limiting the appearance of opportunities for self-dealing.

**c. Backbone Transmission Cost Study**

In its Firm Access Rights ("FAR") decision, D.06-12-031, the Commission ordered SDG&E/SoCalGas to include in its next cost allocation application a cost study of the backbone transmission system and a proposal for a new cost-based FAR reservation charge.[144/] The total embedded cost studies for SDG&E and SoCalGas were provided in the testimonies of SDG&E/SoCalGas witnesses Mee Mee Hom and Herbert Emmrich (for SDG&E) and Mr.

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143/ *Id*. at § II.B.1.L.
144/ D.06-12-031, *mimeo*, p. 143, Ordering Paragraph 10.

Emmrich (for SoCalGas).[145] In his testimony, SDG&E/SoCalGas witness, Mr. Schwecke, provided an analysis of backbone versus local transmission costs based upon these cost studies, but recommended that the Commission not implement a FAR charge based upon the embedded cost analysis since the underlying data would be outdated by the time the rate would be implemented in late 2011.[146]

Mr. Schwecke proposed that SDG&E/SoCalGas present an updated cost study in the earlier of the 18-month FAR review proceeding, which will commence by March 2010, in accordance with D.06-12-031,[147] or SDG&E/SoCalGas' next cost allocation proceeding, and that a revised FAR charge be considered at that time.[148] He noted that this approach is consistent with the apparent intent of the Commission in D.06-12-031. SCGC's witness, Ms. Yap, recommended that the Commission direct SDG&E/SoCalGas to file a new backbone cost study in the 18-month FAR review proceeding.[149]

The SA resolves this issue by providing that the costs to be allocated to backbone versus local transmission will be considered in the 18-month FAR proceeding.[150] The SA further provides that the question of whether SDG&E/SoCalGas should be required to offer backbone-only service at a backbone-only rate will be considered in SDG&E/SoCalGas' next cost allocation proceeding rather than in the 18-month FAR review proceeding, and that parties are not otherwise limited in their ability to make proposals in the 18-month FAR proceeding.[151] Insofar as the SA is consistent with the testimony of SDG&E/SoCalGas as well as interested

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145/ Hom/Emmrich Direct, pp. 1-20; Emmrich Direct, pp. 1-51.
146/ Schwecke Direct, pp. 27-34.
147/ *See* D.06-12-031, *mimeo*, p. 143, Ordering Paragraph 7.
148/ Schwecke Direct, p 33.
149/ Yap Direct, p. 19.
150/ Settlement Agreement, § II.B.3.G.
151/ *Id*. at §§ II.B.3.D, II.B.3.E.

parties, and is also consistent with the apparent intent of D.06-12-031, it is supported by the record in this proceeding and is in the public interest.

**d. Additional Customer Proposals**

In his testimony on behalf of IP/CCC/CMTA/Watson, Mr. Beach recommended that SDG&E/SoCalGas revise the balancing account descriptions in the Preliminary Statements of their respective tariffs to clarify the manner in which compressor fuel costs are tracked and recovered.[152/] The SA adopts this proposal, which is supported by the record and which will ensure the clarity of SDG&E/SoCalGas' respective tariffs, thereby furthering the public interest.[153/]

SCGC witness, Ms. Yap, proposed a change in the allocation of costs and revenue treatment associated with EOR customers.[154/] In the current method, adopted by the Commission in D.87-05-046, no costs are allocated to the EOR class of customers, but after netting out the short run marginal costs from the EOR revenue, 95% of the revenue is used to offset the costs allocated to all other customer classes, with the other 5% of the revenue going to SDG&E/SoCalGas' shareholders.[155/] SCGC proposed to treat the EOR class like other classes by basing the EOR rate on the costs allocated to the class and eliminating the sharing of revenues with shareholders. SDG&E/SoCalGas objected to SCGC's proposal.[156/] The SA resolves the issue by eliminating the 5% EOR shareholder incentive.[157/] Insofar as the SA adopts a proposal that was

152/ Phase II Rebuttal Testimony of R. Thomas Beach on behalf of Indicated Producers, the California Cogeneration Council, California Manufacturers and Technology Association, and Watson Cogeneration Company ("Beach Rebuttal"), p. 25.

153/ Settlement Agreement, § II.B.3.J.

154/ Yap Direct, pp. 20-22.

155/ *See* Schwecke Rebuttal, p 40.

156/ *Id*. at pp. 40-42.

157/ Settlement Agreement, § II.B.3.H.

supported by SCGC' testimony, it is supported by the record in this proceeding and is in the public interest.

SCGC also proposed that EG customers who burn digester/landfill gas should be eligible for full requirements firm service.[158/] Currently, EG customers that burn digester/landfill gas are not eligible for full requirements firm service; they are eligible for partial requirements firm service or interruptible service. SoCalGas responded that the issue was not one that required resolution in the context of a cost allocation proceeding, but that it would be willing to work with customers in order to develop tariff deviations, where appropriate.[159/] The SA resolves the issue by adopting SCGC's proposal to permit EG customers who burn digester/landfill gas to be eligible for full requirements firm service, and extends this exemption to all customers.[160/] Insofar as this provision of the SA is consistent with SCGC's litigation position, it is supported by the record in this proceeding and is in the public interest.

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158/ Yap Direct, p. 44.

159/ *See* Schwecke Rebuttal, p 43.

160/ Settlement Agreement, § II.B.3.C.

Michael Kerkorian, testifying on behalf of Bridge Housing, proposed that applicable SDG&E/SoCalGas tariffs be modified to permit accounts with residential common area usage to elect to take service under a commercial rate.[161] The SA resolves this issue by adopting Bridge Housing's proposal, subject to certain conditions of service. For SDG&E, accounts with residential common area gas usage will be eligible to receive the commercial rate under Schedule GN-3. For SoCalGas, accounts with residential common area gas usage will be eligible to receive the commercial rate under Schedule G-10. Since this provision of the SA reflects Bridge Housing's litigation position, it is supported by the record and is in the public interest.

Finally, TURN witness, Mr. Marcus, proposed that the Commission adopt arrearage and shut-off reporting requirements for SDG&E/SoCalGas' residential accounts.[162] The SA resolves the issue by obligating SDG&E/SoCalGas, DRA and TURN to negotiate in good faith the substance, format and timing of a periodic report addressing aggregate customer data relating to such issues as customer turn-offs for non-payment of bills.[163] Since this provision of the SA is consistent with TURN's litigation position, it is supported by the record and is in the public interest.

**B. The SA is Consistent with Law**

Since the issues resolved by the SA are issues clearly of a "ratesetting" nature, there is no question that they are well within the legal authority of the Commission. Accordingly, the SA is fully consistent with law.

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161/ *See* Schwecke Rebuttal, p 40.

162/ Prepared Direct Testimony of William B. Marcus on behalf of The Utility Reform Network ("Marcus Direct"), pp. 25-29.

163/ Settlement Agreement, § II.B.3.B.

## III.

## THE COMMISSION SHOULD SUSPEND THE HEARING SCHEDULE IN THIS PROCEEDING AND CONSIDER THE SA INSTEAD OF PROCEEDING FURTHER TOWARD A LITIGATED OUTCOME

The SA represents agreement of all but two of the parties actively involved in Phase Two this proceeding, as well as other parties such as EGA that participated without submitting testimony. Proceeding further toward a litigated outcome would serve only to consume the resources of the Commission and the parties. The Commission should instead focus squarely on approving the SA so that the provisions of the SA can be implemented at the earliest possible date. The Commission, therefore, should suspend the hearing schedule in Phase Two of this proceeding.

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## IV.

## CONCLUSION

As shown herein, the SA is reasonable in light of the whole record, is consistent with law, and clearly promotes the public interest. The Commission therefore should (i) approve the SA; (ii) admit into evidence the prepared and rebuttal testimony served on the parties and listed in Appendix B; and (iii) suspend the current hearing schedule while the SA is pending Commission approval. The Commission should approve the SA by no later than its last business meeting in October, 2009, so that the changes in core and noncore customer transportation rates resulting from adoption of the SA can be reflected in the annual SDG&E/SoCalGas transportation rate adjustment to become effective January 1, 2010.

Respectfully submitted,

By: /s/ David J. Gilmore
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June 2, 2009

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

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| In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2009, in Their Biennial Cost Allocation Proceeding. | Application 08-02-001 (Filed February 4, 2008) |

# <u>APPENDIX A</u>

# SETTLEMENT AGREEMENT

June 2, 2009

**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

| | |
|---|---|
| In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2009, in Their Biennial Cost Allocation Proceeding. | Application 08-02-001<br>(Filed February 4, 2008) |

**SETTLEMENT AGREEMENT**

Pursuant to Article 12 of the Commission's Rules of Practice and Procedure ("Rules"), San Diego Gas & Electric Company ("SDG&E"), Southern California Gas Company, ("SoCalGas")(jointly "SDG&E/SoCalGas" or "Applicants"), the Division of Ratepayer Advocates, Southern California Edison Company (U338 E), the Indicated Producers, the Southern California Generation Coalition, the City of Long Beach,[1/] Southwest Gas Corporation, Watson Cogeneration Company and the California Cogeneration Council, the California Manufacturers and Technology Association, The Utility Reform Network, Bridge Housing, and the Electric Generator Alliance (collectively referred to hereafter as "Joint Parties") respectfully submit to the Commission this Settlement Agreement ("SA"). In this SA, the Joint Parties provide to the Commission a recommended resolution of the issues reserved for Phase Two of this proceeding by the "Scoping Memo."[2/]

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1/ The Settlement Agreement requires approval by the City of Long Beach City Council which approval is pending.

2/ "Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge" dated April 17, 2008.

## I.

## REASONABLENESS OF THE PHASE TWO SETTLEMENT

As discussed in more detail in the motion to which this SA is attached, the Joint Parties submit that the SA fully complies with the Commission's requirements that settlements be reasonable, consistent with law, and in the public interest. The Joint Parties have recognized that there is risk involved in litigation, and that a party's filed position might not prevail, in whole or in part, in the Commission's final determination. The Joint Parties have vigorously argued their positions in this matter, and have reached compromise positions that they believe are appropriate in light of the litigation risks. This SA reflects the Joint Parties' best judgments as to the totality of their positions and risks, and their agreement herein is explicitly based on the overall results achieved.

## II.

## PHASE TWO SETTLEMENT TERMS AND CONDITIONS

### A. Effective Date; Term of Agreement

1. The Effective Date of this Settlement is the date upon which the Commission approves the Settlement. The rates set forth in Attachment 3 shall go into effect the later of (i) January 1, 2010 or (ii) the first day of the month that is at least 60 days from the date of Commission approval of this settlement.

2. The Settlement Term shall extend from the date of Commission approval of the Settlement through the effective date of rates that are established in the next SDG&E/SoCalGas cost allocation proceeding.

### B. Settlement Terms

### 1. Operational Issues

A. The SDG&E/SoCalGas Utility Gas Control Department is the sole authority for operating the SDG&E/SoCalGas pipeline and storage system, and for developing the system sendout forecasts to be used for purposes of determining Southern System minimum flow requirements and for calling Operational Flow Orders ("OFOs").

The Utility Gas Control Department will continue its current practice of fully utilizing storage injection capacity prior to calling an OFO. The Gas Control Department will provide the forecasted sendout and the physical injection capacity figures. For every nomination cycle, the SDG&E/SoCalGas Gas Scheduling Department shall calculate the system capacity as the sum of the forecasted demand ("sendout"), the physical injection capacity, and the available off-system nominations. The forecasted system capacity shall then be compared to the latest scheduled quantities. An OFO may be called only if the level of scheduled quantities exceeds the forecasted system capacity. System linepack is not part of the formula used to determine when an OFO shall be called.

B. SDG&E/SoCalGas shall hold an annual SDG&E/SoCalGas Customer Forum (the "Forum"). The Forum will provide an opportunity for SDG&E/SoCalGas to provide information on and to address the following matters with interested parties:

i. Review of the timing, method, formulas, and all inputs to formulas by which OFO events are triggered;
ii. Review of requests for the Operational Hub to acquire additional supplies to meet minimum flow requirements;
iii. Review of Operational Hub purchases/actions to meet minimum flow requirements and plans for the coming year by providing information regarding the individual transactions, including transactions executed pursuant to the Operational Hub contractual arrangements. Transaction-specific information shall identify price, volume, date, delivery/receipt points, and any special terms;
iv. Review the need for any additional minimum flow requirements on the SDG&E/SoCalGas system beyond then-current defined requirements;
v. Review potential additional tools to support system operations and potential system improvements to reduce or eliminate the need for any minimum flowing supply requirements.

To facilitate an informed discussion of these issues, SDG&E/SoCalGas shall prepare an annual report ("Report") of system reliability issues. The Report shall (1) identify the need for new minimum flow requirements, (2) identify potential tools and/or infrastructure improvements that can be used to mitigate new or existing reliability problems (*e.g.* minimum flow requirements and OFOs), and (3) provide information on the matters identified in (i) through (v) above. SDG&E/SoCalGas shall post the Report on their respective websites at least two weeks prior to each annual Forum.

C. SDG&E/SoCalGas and participants in each Forum shall collaborate in good faith to develop a post-Forum report. Each post-Forum report shall summarize the matters discussed at the relevant Forum and shall identify any action items, tariff changes and/or procedural modifications determined to be necessary by parties participating in the Forum. The post-Forum report shall include descriptions of the proposals presented by parties. If a party's proposal is rejected by SDG&E/SoCalGas, the post-Forum report shall provide the basis for the rejection of the proposal. If any party is dissatisfied with the description of its proposal set forth in the post-Forum report or with the basis cited by SDG&E/SoCalGas for rejection of the proposal, the post-Forum report shall include that party's own description of its proposal and comments on the rejection of the proposal in an appendix to the post-Forum report. SDG&E/SoCalGas shall file each post-Forum Report with the Commission by advice letter no later than 60 days after conclusion of the relevant Forum. SDG&E/SoCalGas shall also submit any tariff changes proposed in the Forum and agreed-to by SDG&E/SoCalGas for Commission approval by advice letter no later than 60 days after conclusion of each annual Forum.

D. SDG&E/SoCalGas shall include the following in their respective gas tariffs: Utility System Operator structure, procedures, and operation protocols; any specific formulas used to call OFOs and to determine the volume of any additional supplies necessary to meet minimum flow requirements; the Operational Hub's minimum flowing supply requirement; RFO procedures, including information requirements for the advice letter filing discussed in 1.C; the Operational Hub's general spot gas commodity purchasing and selling practices and procedures to meet minimum flowing supply requirements; descriptions of any ongoing minimum flow requirements; and a statement of the Utility System Operator's mission to maintain system reliability and integrity while minimizing costs at all times. The provisions that shall be included in the SDG&E/SoCalGas tariffs are appended to this settlement agreement in Attachment 4.

E. In addition to the information that SDG&E/SoCalGas post on SoCalGas' Electronic Bulletin Board ("EBB") to comply with Commission decisions D.06-12-031 ("FAR Decision") and D.07-12-039 ("Omnibus Decision"), SDG&E/SoCalGas shall post on their EBB operational information on a current-day and forecast basis. Forecast information shall be for the current day and the next three days. Forecasted information will be updated for each nomination cycle. The information that shall be posted is as follows:

a. Composite weighted system average temperature;
b. System send-out, off-system deliveries by delivery point, storage injection, transmission fuel;
c. Total system supply broken out by scheduled quantities at all receipt points and storage withdrawals;

d. Storage injections and withdrawals for balancing;
e. Total daily customer imbalance;
f. Daily storage injections and withdrawals;
g. Unsubscribed unbundled firm storage injection and withdrawal capacity;
h. OFO status.

F. SDG&E/SoCalGas hereby withdraw their "high OFO" trigger proposal in this proceeding. They shall also be precluded from proposing the adoption of this or any similar high OFO trigger to become effective during the settlement period.

G. The Operational Hub will continue to use the tools established in D.07-12-019 to support the Southern System minimum flow requirement, including purchase/sale of spot gas supplies and holding RFOs for proposals to enable SDG&E and SoCalGas to manage their minimum flow requirements to the Southern System delivery points. All purchases and sales of spot gas to support the minimum flow requirement will be made subject to Section 1.N and 1.O. The initial daily quantity of supplies needed will be determined by the Utility Gas Control Department based on the following formula:

> Minimum Flowing Supply Requirement – Best Available Scheduled Quantities reflecting customer flows into the Southern System = Additional Supplies Needed by the Utility Gas Control Department
>
> "Best Available Scheduled Quantities" means the last available scheduled quantities. The last available scheduled quantities will be adjusted by the Utility Gas Control Department to account for revised customer nominations for a particular day if the last available scheduled quantities cannot be achieved on the day in question. On those days, a lower number would be utilized to reflect expected deliveries. The same would apply if the Utility Gas Control Department becomes aware of pipeline issues such as approaching maintenance or lack of upstream pipeline/supplier performance, in which case the last available scheduled quantities would be reduced to reflect the expected deliveries.

H. The cost and revenues of Operational Hub transactions (*e.g.*, natural gas purchases, sales, or exchanges resulting from approved contracts) that are necessary to meet minimum flow requirements shall be recorded in the System Reliability Memorandum Account ("SRMA"). Prospective changes to types of Operational Hub natural gas transactions ("tools") to meet minimum flow requirements shall be considered in conjunction with the annual Forums.

Standards and criteria for spot purchases or sales of gas commodity for which standards and criteria are not specified in Commission-approved contracts shall be as follows:

1. Should it be necessary for the Operational Hub to purchase or sell spot supplies of gas in the day-ahead market, the Operational Hub shall be deemed to have made reasonable (1) spot purchases if the purchase price is less than or equal to 110% of the Platt's Gas Daily Midpoint for the flow date for the relevant trading point and (2) spot sales if the sale price is greater than or equal to 90% of the Platt's Gas Daily Midpoint for the flow date for the relevant trading point.

2. Should it be necessary for the Operational Hub to purchase or sell spot supplies of gas in the intraday market, the Operational Hub shall be deemed to have made reasonable (1) spot purchases if the purchase price is less than or equal to 110% of the Platt's Gas Daily high of the Common range for the current flow date for the relevant trading point and (2) spot sales if the sale price is greater than or equal to 90% of the Platt's Gas Daily low of the Common range for the current flow date for the relevant trading point.

3. Purchases or sales at prices that are outside the ranges specified in (1) and (2) above shall nevertheless be deemed reasonable if the Operational Hub abides by the following procedure: When the Gas Control Department determines that spot purchases are necessary to meet minimum flow requirements, the Operational Hub shall monitor the Intercontinental Exchange ("ICE") and record the relevant price information, if available, for deliveries of gas at all relevant trading points. If volumes available on ICE exceed the minimum flow requirements, transactions for the volumes offered through ICE shall be deemed reasonable. The Operational Hub may also post an offer on ICE for volumes. When less than the required volumes are available on ICE, the Operational Hub shall contact gas suppliers (other than the SDG&E/SoCalGas Gas Procurement Department or affiliates), request offers for the necessary supplies, and record their offers for gas delivered to the relevant trading points to ensure at least three offers from three different suppliers are available for comparison. The Operational Hub shall compare prices posted on ICE and, if applicable, prices quoted in the Operational Hub supplier contacts and select the best prices available to meet the quantities required to meet minimum flow requirements. Verification that the Operational Hub has followed this procedure shall be provided to the Commission in the Annual Compliance Report described in subsection 1.H.4 below.

   Purchases and sales other than those described above will not be deemed "unreasonable" but shall be subject to review by the Commission's

Energy Division and requests for explanation in conjunction with the Annual Compliance Report described in subsection 1.H.4 below.

4. SDG&E/SoCalGas shall provide on an annual basis a report ("Annual Compliance Report") demonstrating that the Operational Hub's procurement activities during the prior year were in compliance with the standards, criteria, and procedures described in this Section 1.H. The Annual Compliance Report shall be submitted to the Energy Division by advice letter and shall be subject to comment or protest. Upon Energy Division review and verification of the Annual Compliance Report and Commission Resolution approving the Annual Compliance Report, all transactions entered into the SRMA balance for the year in question that are found reasonable by the Energy Division shall be amortized in customer transportation rates over the following year

5. Upon Commission approval of this Settlement, the requirement set forth in Ordering Paragraph 17 of D.07-12-019 that SoCalGas and SDG&E submit to a reasonableness review of Utility System Operator costs recorded in the SRMA before passing the costs through to customers shall be eliminated. The standards, criteria, and procedures set forth in this Section 1.H shall govern review of Operational Hub's purchases and sales as of April 1, 2009.

I. SDG&E/SoCalGas shall retain current winter balancing rules as set forth in tariff schedule Rule No. 30 with the following modification: When SDG&E/SoCalGas are in the 70% minimum daily flow regime or the 90% minimum daily flow regime, and SDG&E/SoCalGas call an OFO, then the 70% minimum daily flow requirement or the 90% minimum flow requirement is waived for the days that the OFO is in effect.

J. SDG&E/SoCalGas' proposal in this proceeding to allow interruptible withdrawals to count towards balancing requirements shall be adopted and incorporated into their respective gas tariffs.

K. SDG&E/SoCalGas hereby withdraw their proposal in this proceeding regarding the Southern System Flow Order and shall not propose such a reliability measure to become effective during the Settlement Period. SDG&E/SoCalGas shall continue to meet the Southern System flow requirements through the actions of the Utility System Operator and the tools approved by the Commission as described in Sections 1.G, 1.H, 1.N, and 1.O.

L. SDG&E/SoCalGas shall seek Commission authority for any additional tools (other than system modifications that can be completed without an application under current Commission rules) necessary to meet the Southern System flow requirement through an application. Any contracts that are not obtained through an RFO process relating to already-approved tools (*i.e.*; gas purchases, gas exchanges) will be submitted to the Commission for approval by advice letter. Advice letters seeking approval of the Operational Hub contractual arrangements shall identify the order in which contracts will be implemented to ensure system reliability and integrity at least cost.

M. The Utility Gas Control Department shall continue to be physically separated from those departments engaging in marketing/sales activities, shall continue to have no knowledge of or involvement in any marketing/sales activities, and shall continue to be strictly concerned with the operation, safety, and integrity of the pipeline and storage system. Also, the Operational Hub shall not have access to non-public customer-specific information other than the information it obtains through its own contacts and negotiations with customers. The Utility Gas Control Department may communicate with the Operational Hub to discuss changes to Southern System minimum flow requirements, circumstances that might require the Operational Hub to obtain supplies, and options to ensure minimum flowing supplies requirements are met. Discussions may also take place with regard to short-term operational needs for flowing supplies to support system reliability elsewhere on the system that may arise to support O&M activities, related pipeline integrity work, or to address a force majeure event such as a line breakage or failure.

All requests for supplies by the Utility Gas Control Department to the Operational Hub shall be posted on the EBB no later than 72 hours after the minimum flow event in order to avoid an increase in the cost of such services that may result from posting this information contemporaneously.

N. SDG&E/SoCalGas' Utility System Operator agrees, except for transactions related to the Utility Gas Procurement Department's role as "provider of last resort," that any gas commodity purchases and sales between the Operational Hub and the Utility Gas Procurement Department or a Sempra affiliate will occur through an Independent Party, where the counterparties are not known until after the transaction is completed. "Independent Party" refers to gas trading exchanges such as ICE, gas brokers who have been instructed to provide no preference to Sempra affiliates or the Utility Gas Procurement Department, or open auctions available to all qualified parties conducted by the Operational Hub, in which gas purchases or sales are made with counter-parties that are not known until after the transaction is completed. In the case of the Operational Hub communicating with the Utility Gas Procurement Department as provider of last resort to maintain the Southern System flow requirement, SDG&E/SoCalGas agree to post the terms of any resulting transaction within 72 hours after the conclusion of the transaction. SDG&E/SoCalGas will post the following information about any such transaction: price, volume, date, delivery/receipt points and any special terms. The Utility Gas Procurement Department will act on a best-efforts basis to provide gas supplies based on the Operational Hub's request, if called upon as a provider of last resort.

O. "Provider of last resort" relates to the circumstance in which the Operational Hub has attempted to use all other available tools, has entered the open market for gas commodity purchases, has been unsuccessful in meeting its need to bring a required volume of flowing supplies at a specific location, and system reliability is therefore jeopardized. If the Operational Hub has exhausted its other options available to acquire the required flowing supplies, it will contact the Utility Gas Procurement Department and request that it provide gas to meet the remaining minimum flow requirement. Such requests will occur as soon as possible during the actual flow day. The Utility Gas Procurement Department will charge the Operational Hub the actual incremental costs incurred to provide the specific supplies. Verification that SDG&E/SoCalGas have followed this procedure will be included in the Annual Compliance Report provided to the Commission in conjunction with the advice letter addressed above in Section 1.H.4.

P. Operational Hub G-PAL transactions with Sempra affiliates or the Utility Gas Procurement Department, if discounted below the maximum tariff rate, will be posted the next business day on the EBB, consistent with rules governing the posting of discounted transportation services for affiliates.

## 2. Cost Allocation/Rate Design

A. Adopt embedded cost allocation for transmission and storage facilities and long-run marginal cost ("LRMC") allocation for distribution facilities for both SDG&E and SoCalGas, and adopt the "compromise" cost allocation adjustments to base margin that are implied by the rates set forth in Attachment 3. SDG&E and SoCalGas shall not be required to propose LRMC cost allocation for transmission or storage costs in their next cost allocation proceeding.

B. Adopt the rates set forth in Attachment 3 hereto. These rates will be subject to the utilities' routine rate adjustments to reflect updated Regulatory Accounts and implementation of other Commission decisions, such as SDG&E and SoCalGas' general rate case ("GRC") decision.

C. The embedded cost transmission revenue requirement is $201.2 million total ($163.2 million SoCalGas + $38 million SDG&E). The embedded cost storage revenue requirement is $83.3 million. Agreement to these figures and this settlement as a whole is not meant by the parties to indicate their approval or acceptance of any of the various cost allocation proposals, principles, or methodologies offered in this proceeding, except that the parties explicitly agree that costs will be allocated to the transmission and storage functions on the basis of embedded costs.

D. Annual changes in base margin are to be allocated by System Average Percent Change ("SAPC"). SAPC is defined as the authorized increase in base margin divided by the current base margin, on a pre-system integration and pre-FAR unbundled basis. The SAPC shall then be applied to each functional category of the base margin (also on a pre-system integration and pre-FAR unbundled basis), for each customer class.

E. To the extent that the method for allocating the balance in any balancing account is changed by this Settlement, the change is explicitly identified herein. Where no change to the method for allocating the balance in a balancing account is identified herein, the balancing account will continue to be allocated according to the method in effect as of the date this Settlement is filed with the Commission. Costs that are currently allocated using the Equal Percent Marginal Cost ("EPMC") method shall be allocated using the Equal Percent of Authorized Margin ("EPAM") method, unless explicitly identified herein. For purposes of this settlement only, the EPAM method shall be defined as the percent of base margin, on a post-system integration and post-FAR unbundled basis, allocated to each class.

F. The cost of gas for determining the cost of Company Use ("CU") fuel and Unaccounted-For Fuel ("UAF") shall be $5.08/MMBtu. The actual cost of CU fuel and UAF will be balanced through the appropriate regulatory accounts. To minimize the likelihood of under-/over-collections, the underlying gas price will be updated through the annual October adjustment to transportation rates using a forecast of Southern California border gas prices for the next year that is based on current futures prices. In preparing this forecast, SDG&E/SoCalGas shall use the methodology most recently approved by the Commission in Resolution E-4214 for establishing the Market Price Referent ("MPR") by forecasting the near-term natural gas prices at the southern California border. This method uses a recent 22-day sample of both NYMEX forward gas prices at the Henry Hub and basis swap prices for the southern California border using NYMEX Clearport data. Modifications to the MPR methodology made subsequent to issuance of Resolution E-4214 and/or issuance of future Commission Resolutions approving the MPR for subsequent years will not affect the methodology used to forecast the cost of fuel under this Settlement.

G. Adopt balancing account treatment for in-kind storage fuel for core and noncore storage injections and for load balancing, as proposed by SDG&E/SoCalGas in this proceeding. The initial injection fuel rate shall be set at 2.4% for the first full storage year under this settlement commencing on April 1, 2010, and shall be adjusted for each subsequent storage year under this settlement on the basis of a three-year rolling average.

H. Proposed changes to the system of Firm Access Rights ("FAR") adopted in D.06-12-031 will be examined in the 18-month FAR review proceeding held in accordance with Ordering Paragraph 7 of D.06-12-031.

I. Adopt TURN's proposal for developing the residential tier differential. Residential rates for SoCalGas customers will be set to achieve a composite tier differential of 15% between the non-baseline rate and the baseline rate, where the baseline and non-baseline rates include the commodity rate adopted in this proceeding. However, the rate difference between the baseline and non-baseline rates, excluding commodity rate, shall be capped at 24 ¢/therm for 2010, 25¢/therm for 2011, and 26¢/therm for 2012.

J. Adopt the SDG&E/SoCalGas proposal for C/I customer charges and rate tiers: Core C/I customers will be charged a single customer charge for all customers ($10 for SDG&E customers; $15 for SoCalGas customers) and seasonality shall be removed from core C/I rates.

K. SoCalGas shall retain the existing 1/12 methodology for recording the authorized margin of the Core Fixed Cost Account ("CFCA"), which records the authorized margin on a monthly basis rather than on a seasonalized basis.

L. Bridge Housing's proposal: With regard to Bridge Housing's proposal, SDG&E/SoCalGas shall modify all applicable tariffs so that accounts with residential common area usage are provided the option to choose a commercial rate for which they are eligible. For SDG&E accounts with residential common area gas usage, the commercial rate option is Schedule GN-3. For SoCalGas accounts with residential common area gas usage, the commercial rate option is Schedule G-10. As a condition of service, the common area gas equipment must be separately metered from the dwelling units. SDG&E/SoCalGas shall include notice of this rate option in a mailing sent within 120 days following the implementation of rates adopted in this proceeding to active accounts that can be readily identified in SDG&E/SoCalGas' customer information databases as serving residential common area load through a separate meter and meeting the usage criteria specified below. Based upon the final rates and rate design adopted in this proceeding, SDG&E/SoCalGas will determine a gas usage threshold at which a customer may potentially benefit from taking service under a commercial rate. Customers exceeding this threshold will receive the mailing, which will include a table showing typical savings at various usage levels.

This mailing shall constitute official notice of this rate option. A rate change request received from an eligible customer shall become effective for service rendered after the next regular meter reading following the date of notice to the Utility, based on the availability of metering and billing requirements. Under no circumstances will a customer be eligible for a retroactive bill adjustment that applies the new rate to the customer's account for a period prior to the customer's request for this rate.

M. Adopt the TURN/DRA proposal for core rate de-averaging that provides for 5% de-averaging per year, converted to an annual dollar amount due to the compromise nature of this settlement. For SoCalGas, the annual de-averaging increment shall be $8.35 million per year for the term of this settlement. For SDG&E, the annual de-averaging increment shall be $1.57 million per year for the Settlement Term. These de-averaging increments shall be applied starting in the first January of the second year of the settlement period, and will continue through the Settlement Term.

N. Adopt DRA's rate proposal for Borrego Springs: SDG&E will maintain the existing requirement that the average combined liquefied natural gas ("LNG") and electric bill for residents of the Roadrunner Home Park in Borrego Springs, California will not exceed the average Borrego Springs all-electric bill. The parties agree, however, that notwithstanding this requirement, SDG&E will implement for the Settlement Term the rates it proposed in this proceeding.

O. Adopt DRA's proposal in this proceeding regarding retention of the current gas engine rate cap. SoCalGas will preserve the existing rate cap for customers taking service under the G-EN tariff for core gas engine service for water pumping.

P. Adopt TLS rates as described in Attachment 1 hereto and as set forth in Attachment 3 hereto. Upon Commission approval of the advice letter submitting SoCalGas' proposed GT-TLS tariff rate schedule and implementation of the TLS service, SoCalGas shall eliminate its peaking service and shall terminate the GT-PS tariff rate schedule. Customers served under the GT-PS tariff rate schedule will transfer to the GT-TLS tariff rate schedule upon termination of the GT-PS tariff rate schedule. In addition, upon Commission approval of the above-referenced advice letter, wholesale customers served under the GW-LB, GW-SD, GW-SWG, GW-VRN and GW-ECO will be served under the GT-TLS tariff schedule and these tariff schedules will be eliminated.

Q. Allocate the Firm Access and Storage Rights Memorandum Account ("FASRMA"), the Blythe Operational Flow Requirement Memorandum Account ("BOFRMA"), the Otay Mesa System Reliability Memorandum Account ("OMSRMA"), and the new SRMA memorandum account balances on Average Year (Equal Cents Per Therm ["ECPT"]) Throughput basis.

R. Maintain the current ECPT methodology for allocating CFCA and NFCA balances. However, beginning in the second year of the BCAP period, adopt the EPAM methodology, as proposed by SDG&E/SoCalGas in section 2.E, for allocating the base margin portions of Non-Core Fixed Cost Account ("NFCA") balances and ECPT method for the non-base margin portions.

S. Adopt SDG&E/SoCalGas proposal regarding development of a Sempra-wide rate for natural gas service provided to natural gas vehicle ("NGV") stations. Both the transportation rate and the compression surcharge will be developed on a Sempra-wide basis. SDG&E and SoCalGas will modify their respective G-NGV tariff rate schedules to reflect identical transmission charges, customer charges and commodity costs, subject to differences in Franchise Fee and Uncollectible ("FF&U") factors.[3/] Adoption of uniformity between the components of the utilities' respective NGV rates will result in identical or near identical "compressed" NGV rates between the SDG&E and SoCalGas service territories, as well as identical or near identical "uncompressed" NGV rates.

T. Adopt SDG&E/SoCalGas' gas demand forecasts for residential, core commercial, industrial, non-core commercial and industrial, enhanced oil recovery ("EOR"), natural gas vehicle ("NGV"), wholesale, EG and ECOGAS customers for the Settlement Term.

U. Adopt the uncontested SDG&E/SoCalGas proposals in this proceeding described in Attachment 2 hereto.

## 3. Other issues

A. SDG&E/SoCalGas shall not be at risk for throughput during the Settlement Term. The parties shall separately address through briefs filed in this proceeding whether the Commission should establish a formal policy in favor of de-coupling SDG&E/SoCalGas profits from throughput. In the event the Commission adopts a formal policy in favor of throughput risk, such action by the Commission shall not operate to modify the terms of this Settlement Agreement and shall not result in SDG&E/SoCalGas being placed at risk for throughput during the Settlement Term. Opening Briefs shall be filed no later than 30 days after the date of the Commission order approving this settlement with Reply Briefs due 15 days after Opening Briefs.

B. SDG&E, SoCalGas, DRA and TURN agree to negotiate in good faith the substance, format, and timing of a periodic report addressing aggregate customer data relating to such issues as customer turn-offs for non-payment of bills.

C. SoCalGas shall modify its tariff to exempt digester and landfill gas supplies from being considered sources of alternate fuel that result in a customer being placed on partial requirements service.

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3/ SDG&E's G-NGV tariff will be revised to include a customer charge.

D. The question of whether SDG&E/SoCalGas should offer backbone-only service at a backbone-only rate shall be deferred to the next SDG&E/SoCalGas cost allocation proceeding and shall not be included within the scope of issues to be considered in the 18-month FAR review proceeding.

E. Except as specifically provided herein, this settlement does not limit the utilities' or parties' right to make proposals in the 18-month FAR review proceeding.

F. The embedded cost allocated to the SDG&E/SoCalGas integrated transmission system as a whole (including both local transmission costs and backbone transmission costs) is established by this settlement for the entire settlement period, subject to annual escalation in the authorized base margin in accordance with SDG&E and SoCalGas' most recent GRC decision, D.08-07-046.

G. The split of backbone costs between backbone and local transmission is specifically reserved as an issue for the 18-month FAR review to establish the FAR reservation charge for the three-year FAR cycle that begins October 1, 2011.

H. Enhanced Oil Recovery ("EOR") rates: Eliminate the 5% EOR shareholder incentive.

I. G-SRF: The G-SRF surcharge shall not apply to transportation services provided to electric generators located in SoCalGas' service territory, consistent with the revised G-SRF tariff schedule appended hereto in Attachment 4, provided that such transportation services relate directly to wholesale sales by such electric generators to electric, gas or steam heat public utilities or the California Independent System Operator.

J. Adopt IP/CCC/CMTA/Watson's proposal to revise the descriptions of the balancing accounts in the Preliminary Statements to clarify how actual company use compressor fuel costs are tracked and recovered.

K. Sempra-wide rate adjustment: Retain the Sempra-wide EG rate adjustment for distribution-level customers that are not included in the TLS rate class.

L. Eliminating out-dated accounts: Eliminate accounts as proposed by SDG&E/SoCalGas in this proceeding, including the NGVA and NGV-RDD accounts.

M. SDG&E/SoCalGas shall file cost allocation applications triennially instead of biennially.

a. SDG&E/SoCalGas shall file a new cost allocation application no later than September 1, 2011, for rates to be effective January 1, 2013 for the three year period ending on December 31, 2015.

b. The application identified above in Section 3.M.a above shall include data on actual revenues from service provided under the TLS Reservation Rate Option and actual volumes of service provided under that Option.

N. The new or revised tariff provisions that are required to implement this settlement are appended hereto in Attachment 4.

## III.

## ADDITIONAL TERMS AND CONDITIONS

### A. The Public Interest.

The Joint Parties agree jointly by executing and submitting this SA that the relief requested herein is just, fair and reasonable, and in the public interest.

### B. Non-Precedential Effect.

Except as specifically provided in the SA, this SA is not intended by the Joint Parties to be precedent for any future proceeding. The Joint Parties have assented to the terms of this SA only for the purpose of arriving at the settlement embodied in this SA. Except as expressly precluded in this SA, each of the Joint Parties expressly reserves its right to advocate, in current and future proceedings, positions, principles, assumptions, arguments and methodologies which may be different than those underlying this SA, and the Joint Parties expressly declare that, as provided in Rule 12.5 of the Commission's Rules, this SA should not be considered as a precedent for or against them. Likewise, the SA explicitly does not establish any precedent on the litigated issues in the case.

### C. Indivisibility.

This SA embodies compromises of the Joint Parties' positions. No individual term of this SA is assented to by any of the Joint Parties, except in consideration of the other Joint Parties' assents to all other terms. Thus, the SA is indivisible and each part is interdependent on each and all other parts. Any party may withdraw from this SA if the Commission modifies, deletes from, or adds to the disposition of the matters stipulated herein. The Joint Parties agree, however, to negotiate in good faith with regard to any Commission-ordered changes to the SA in order to restore the balance of benefits and burdens, and to exercise the right to withdraw only if such negotiations are unsuccessful.

The Joint Parties acknowledge that the positions expressed in the SA were reached after consideration of all positions advanced in the prepared testimony of SDG&E/SoCalGas and the other interested parties, as well as proposals offered during the settlement negotiations. This document sets forth the entire agreement of the Joint Parties on all of those issues, except as specifically described within the SA. The terms and conditions of this SA may only be modified in writing subscribed by all Joint Parties.

Dated this 2nd day of June, 2009.

SAN DIEGO GAS & ELECTRIC COMPANY and
SOUTHERN CALIFORNIA GAS COMPANY

By: /s/ Richard M. Morrow
Richard M. Morrow
Vice President – Customer Services

DIVISION OF RATEPAYER ADVOCATES

By: /s/ Dana Appling
Dana Appling
Director

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Gloria M. Ing
Gloria M. Ing
Senior Attorney

INDICATED PRODUCERS

By: /s/ Evelyn Kahl
Evelyn Kahl
Counsel to the Indicated Producers

SOUTHERN CALIFORNIA GENERATION COALITION

By: /s/ Norman A. Pedersen
Norman A. Pedersen
Counsel to the Southern California Generation Coalition

CITY OF LONG BEACH, a municipal corporation

By: /s/ Patrick H. West
Patrick H. West
City Manager

SOUTHWEST GAS CORPORATION

By: /s/ Keith A. Brown
Keith A. Brown
Associate General Counsel

CALIFORNIA COGENERATION COUNCIL
WATSON COGENERATION COMPANY

By: /s/ R. Thomas Beach
R. Thomas Beach
Consultant to the California Cogeneration Council
and Watson Cogeneration Company

CALIFORNIA MANUFACTURERS AND TECHNOLOGY ASSOCIATION

By: /s/ Keith R. McCrea
Keith R. McCrea
Counsel to the California Manufacturers and Technology Association

THE UTILITY REFORM NETWORK

By: /s/ Michel P. Florio
Michel P. Florio
Senior Counsel

BRIDGE HOUSING

By: /s/ Christian Wiedel
Christian Wiedel
Operations Manager

ELECTRIC GENERATOR ALLIANCE

By: /s/ Brian Cragg
Brian Cragg
Counsel to the Electric Generator Alliance

# Attachment 1

## TLS Customer Class Rate Design

# TLS Customer Class Rate Design

## Rate Options

**1. Class-Average Volumetric Rate (for Non-Bypass Customers only)**

(a) Applicable to (1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international), as currently defined in SDG&E/SoCalGas' tariffs that are served directly from SDG&E/SoCalGas' transmission system as established by SDG&E/SoCalGas' capital accounting records, (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms, (3) customers who were previously classified by the California Public Utilities Commission (CPUC) as transmission service level customers, (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises, and (5) wholesale customers.

(b) Three year term with optional automatic renewal as currently provided in SoCalGas Schedule GT-F for firm service.

(c) Usage over contracted firm quantities shall be considered interruptible for purposes of curtailment. Firm quantities are established by SDG&E/SoCalGas based on Customer's historic peak usage or Customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating needs. All quantities will be billed at 100% of the TLS Class-Average Volumetric Rate. Nothing in the Settlement or this provision shall be construed or interpreted as altering the wholesale service priorities under: SoCalGas Tariff Rule 23.I, the individual wholesale customer tariffs, or the service arrangements described in the wholesale intrastate transportation agreements.

(d) The TLS Class-Average Volumetric Rate is a noncore transmission class average rate that has two components: (i) base margin component which is calculated by dividing the base margin costs allocated to the TLS customer class by the average year throughput of all TLS customers; plus, (ii) a volumetric usage rate which is calculated as all Non-Base Margin Costs allocated to TLS customers divided by the average year throughput of all TLS customers. "Non-Base Margin Costs" includes balancing account balances, fuel-related costs, and miscellaneous costs identified as Other Operating Costs in the utilities' allocation and rate models.

(e) Customers in unconstrained areas must meet the conditions of Full Requirements as defined in SoCalGas tariff Rule 1 in order to receive service under the TLS Class Average Volumetric Rate.

(f) Customers located in constrained areas are not required to meet the conditions of Full Requirements as defined in SoCalGas tariff Rule1 in order to elect service under the TLS Class Average Volumetric Rate. Customers taking the TLS Class-Average Volumetric Rate in constrained areas shall be subject to the special conditions specified in SoCalGas Schedule GT-TLS that apply to Firm Noncore Service in Potentially Constrained Areas, including the Use-or-Pay provisions.

(g) This rate may be negotiated subject to Commission authorized noticing and approval requirements.

**2. Reservation Rate Option**

a) Applicable to (1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international;), as currently defined in SDG&E/SoCalGas' tariffs that are served directly from SDG&E/SoCalGas' transmission system as established by SDG&E/SoCalGas' capital accounting records, (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms, (3) customers who were previously classified by the CPUC as transmission service level customers, (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises, (5) wholesale customers, and (6) customers who bypass SDG&E/SoCalGas service.

b) Usage over contracted firm quantities shall be considered interruptible for purposes of curtailment. Firm quantities are established by SDG&E/SoCalGas based on Customer's historic peak usage or Customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating needs. Nothing in the Settlement or this provision shall be construed or interpreted as altering the wholesale service priorities under: SoCalGas Tariff Rule 23.I, the individual wholesale customer tariffs, or the service arrangements described in the wholesale intrastate transportation agreements.

c) 3 year term optional automatic renewal, provided, however, that a customer may elect to terminate an existing contract and enter into a new Reservation Rate contract to take effect at the beginning of each FAR triennial period.

d) This rate may be negotiated subject to Commission authorized noticing and approval requirements.

e) Rates:

(1) Reservation Rate ($/Dth/day): applicable to customers' contracted daily reservation quantity. The Reservation Rate is set forth in Appendix B.

(2) Reservation Service Usage Charge ($/Dth): applicable to gas consumed by the customer up to its contracted daily capacity. The Reservation Service Usage Charge is calculated to recover all Non-Base Margin Costs allocated to TLS customers divided by the average year throughput of all TLS customers (note: after year 1 the FRS Usage Rate will exclude any subsequently allocated base margin portions of the ITBA).

## 3. 120% of Class-Average Volumetric Rate for Non-Bypass Customers only

a) Applicable to (1) noncore customers (noncore commercial/industrial, electric generation, enhanced oil recovery and international), as currently defined in SDG&E/SoCalGas' tariffs that are served directly from SDG&E/SoCalGas' transmission system as established by SDG&E/SoCalGas' capital accounting records, (2) noncore electric generation customers who are served directly from SDG&E/SoCalGas' high pressure distribution system, are located within five miles of the nearest SDG&E/SoCalGas transmission line, and whose average annual usage is equal to or greater than 50 million therms, (3) customers who were previously classified by the Commission as transmission service level customers, (4) noncore customers served from a combination of SDG&E/SoCalGas' transmission and distribution systems on a single premises, and (5) wholesale and international customers.

b) Usage over contracted firm quantities shall be considered interruptible for purposes of curtailment. Firm quantities are established by SDG&E/SoCalGas based on Customer's historic peak usage or Customer's SDG&E/SoCalGas-approved forecasted load, and on SDG&E/SoCalGas' operating needs. Nothing in the Settlement or this provision shall be construed or interpreted as altering the wholesale service priorities under: SoCalGas Tariff Rule 23.I, the individual wholesale customer tariffs, or the service arrangements described in the wholesale intrastate transportation agreements.

c) Quantities in excess of Reservation Rate election quantities shall be billed at 120% of the TLS Class-Average volumetric rate

d) This rate may be negotiated subject to Commission authorized noticing and approval requirements.

## 4. 135% of Class-Average Volumetric Rates for Partial Bypass Customers

a) Applicable to any customer that is connected to an alternate service provider.

b) Quantities in excess of any Reservation Rate election quantities shall be billed at 135% of the TLS Class-Average volumetric rate. Reservation Rate election quantities may be zero.

c) This rate may be negotiated subject to Commission authorized noticing and approval requirements.

d) Quantities over any Reservation Rate election quantities shall be considered interruptible for purposes of curtailment

e) Monthly Minimum Charge to recover customer specific service costs (*e.g.* metering, regulation, billing, etc.). Limited to the actual operation and maintenance costs of the metering equipment and other related facilities at the customer's meter(s) that are owned and operated by SDG&E/SoCalGas and necessary to deliver gas in accordance with SDG&E/SoCalGas' rules and procedures, good industry practice, and governmental regulation. SDG&E/SoCalGas shall determine actual customer-related service costs for each eligible customer not later than 30 days following a request by the customer and shall seek Commission approval of the resulting Minimum

Monthly Charge by advice letter. The approved Monthly Minimum Charge for each Customer shall apply only when the minimum charge exceeds the total reservation and volumetric transportation charges for GT-TLS service and shall be applied in lieu of the total reservation and volumetric transportation charges.

f) Daily balancing is required (incorporates daily balancing requirement from GT-PS tariff).

# <u>Attachment 2</u>

## Uncontested Proposals

## Uncontested Proposals

1) Adopt SoCalGas' proposal that 71% of SoCalGas' UAF be allocated to core customers and 29% to the non-core class, (Emmrich – pg. 15)

2) Insofar as cushion gas costs are included in the overall storage costs, adopt SDG&E's proposal to eliminate the CARE surcharge for cushion gas. (Lenart - pg. 16)

3) Adopt SoCalGas' proposal to remove the allocation of any costs comprising the G-PPPS rate from customer classes that do not pay the G-PPPS rate. (Lenart – pg. 16)

4) Adopt SoCalGas' proposal to have two separate regulatory accounts instead of one ITBA with two sub-accounts. The activity related to the ITBA-SI sub-account will be recorded in the existing ITBA, and the FAR-related activities will be recorded in a new regulatory account, the FARBA. (Ahmed – pg. 8)

5) Adopt SoCalGas' proposal that, consistent with existing authorized practices, SoCalGas will continue to file its annual regulatory account balance update by advice letter by October 15 each year to update SoCalGas' regulatory account balances for incorporation into rates effective January 1 of the following year. (Ahmed – pg. 2)

6) Adopt SoCalGas' proposal to treat Ecogas similar to other wholesale customers upon implementation of new tariffs and rates for Ecogas and to balance authorized and actual costs and the related revenues in the NFCA. Currently, pursuant to D.00-04-060, the NFCA does not balance costs and related revenues for SoCalGas' international wholesale customer Ecogas Mexicali. With the contract between Ecogas and SoCalGas expiring in August 2009, SoCalGas will file tariffs implementing rates effective upon the contract expiration date. (Ahmed – pg. 10)

7) Adopt SoCalGas' proposal to eliminate the following SoCalGas regulatory accounts: BMA, BFA, CITCSA, COSRRMA, EPTCBA, GIRMA, LPCMA, NGVA, NGV-RDD, NFCTA, NITCSA, RDDEA (1997-2003 program cycle only), WRFACMA, GPMA, SDGESMA, LBSMA, SGSMA. Applicable account balances will be transferred as described in the Direct Testimony of SDG&E/SoCalGas Witness S. Nasim Ahmed. (Ahmed – pg. 13)

8) Adopt SoCalGas' proposal to identify the NGV customer class as a core customer class and to treat the NGV customer class similarly to other core customer classes. NGV transportation costs and related revenues will be recorded in the CFCA. NGV procurement costs and related revenues will be recorded in the PGA. (Ahmed – pg. 16)

9) Adopt SoCalGas' proposal to transfer the Transwestern refund balance including interest accrued from the date of receipt of the refund to the CFCA. The Transwestern refund was ordered by the FERC on July 17, 2002 in FERC Docket No. RP97-288-009. (Ahmed – pg. 20)

10) Adopt SoCalGas' proposal to return El Paso refunds to transportation customers through amortization of the CFCA and NFCA and to procurement customers through amortization of the PGA. The El Paso refunds were ordered in FERC Docket No. RP05-422-000. (Ahmed – pg. 20)

11) Adopt SoCalGas' proposal to eliminate the OMSRMA. It is no longer required due to implementation of the SRMA. No balance is recorded in the OMSRMA. (Ahmed – pg. 21)

12) Adopt SoCalGas' proposal to establish the CUFLBA to balance the difference between actual costs for company-use fuel for load balancing and the revenues to recover those costs. Such costs and revenues will no longer be recorded in the NFCA and EORA. (Ahmed – pg. 21) CUFLBA balances will be allocated on an ECPT basis. (Lenart – p. 8)

13) Adopt SDG&E/SoCalGas' proposal, pursuant to D.07-12-019 which established the consolidation of gas procurement services for SDG&E and SoCalGas, to change the core brokerage fee to $0.00148 per therm for all procurement customers of SDG&E and SoCalGas.

14) Adopt SDG&E's proposal to discontinue its co-funded NGV rate, since there are no longer any co-funded NGV stations. (Bonnett – pg. 10)

15) Adopt SDG&E's proposal to consolidate its current six noncore customer charges into a single charge of $350/month., combine medium and high pressure service, and eliminate seasonality in rates. (Bonnett – pg. 11)

16) Adopt SDG&E's proposal to remove the allocation of any costs comprising the G-PPPS rate from customer classes that do not pay the G-PPPS rate. (Bonnett – pg. 13)

17) Adopt SDG&E's proposal to eliminate the following balancing accounts because they are no longer needed: NGVA, CSIBA, AMIMA, ITCS, CITCSA, BBA, RD&D, FIGA, CSMA, DSMMA, GLOBAL, PITCO/POPCO/APPEC, GSBA. Applicable account balances will be transferred as described in the Direct Testimony of SDG&E/SoCalGas Witness Roy. (Roy, pg. 11)

18) Adopt SDG&E's proposal to update the factors for the authorized gas core transportation base margin revenue requirement recorded to the CFCA/NFCA-Margin subaccounts on a monthly basis using seasonality percentage factors, consistent with the workpapers in the demand forecast testimony of SDG&E/SoCalGas Witness Emmrich. (Roy, pg. 4)

19) Adopt SDG&E's proposal to continue filing annual regulatory account updates by advice letter by October 15 of each year (Roy, pg. 3)

20) Adopt SDG&E's proposal to modify its CFCA to be consistent with SoCalGas' procedures regarding the treatment of the storage revenue requirement for core gas procurement customers. Specifically, SDG&E proposes to modify its CFCA to balance the authorized revenue requirement for storage by incorporating it into the calculation for the base margin revenue requirement. (Roy, pg. 4)

21) Adopt SDG&E's proposal to add language to the HSCCA tariff by which it will be authorized to amortize the balance within the HSCCA. Also adopt SDG&E proposal to move the tariff description of the HSCCA from the Miscellaneous section to the Balancing Accounts section within the Preliminary Statement. (Roy, pg. 8)

22) Adopt SDG&E's proposal to modify FSPMA to incorporate a modification to include the core aggregation customers' share of all FERC settlement proceeds received from other companies settling with the State of California for their involvement in the 2000-2001 energy crisis. (Roy, pg. 9)

23) Adopt SDG&E's proposal to clarify that SDG&E's ITBA should balance actual and not authorized transmission company-use fuel costs as part of the total transmission system revenue requirement cost. (Roy, pg. 10)

24) Adopt SDG&E/SoCalGas' proposals to record the authorized transmission margin in the ITBA each month on the basis of seasonality percentage factors instead of a 1/12 basis. (Ahmed, pg. 8; Roy, pg. 10)

25) Adopt SDG&E's proposal to streamline the BCAP tariff section of its Preliminary Statement by eliminating the Definitions section and in its place referencing Rule 1, Definitions; by modifying the "Revenue Requirement" section to include the Gas Base Margin and Cost Allocation Factors; and by eliminating the "Co-generation Default Rates for Transportation Services" section given the current EG rate design. (Roy, pg. 16)

26) Adopt SDG&E's proposal to eliminate the reference to CITCS in Schedule GPC and GTC-SD in conjunction with the elimination of the CITCSA. (Roy, pg. 17)

27) Adopt SoCalGas' proposal that the variable O&M charges for storage (1.27 cent/dth for injection and 1.77 cent/dth for withdrawal) be eliminated since these costs are contained within the overall O&M and embedded costs of storage. (Watson – pg. 4)

28) Adopt SoCalGas' proposal to revise eligibility criteria for the Core C&I rate schedules by increasing the size-limit eligibility for EG customers desiring core service to 1 MW of installed capacity, regardless of monthly usage. This proposal includes retaining the ability of an EG customer with a higher capacity to elect core service if its average monthly usage is 20,800 therms or less. (Schwecke, pg. 3)

29) Adopt SDG&E/SoCalGas' proposal to retain the current eligibility criteria whereby EG customers using less than 250,000 therms per year, regardless of potential generating capacity, will continue to qualify for core service. The affected tariffs for SDG&E are Rule 14 and Schedule GN-3. For SoCalGas, the affected tariffs are Rule 23 and Schedule G-10. Implementation of the proposed revisions will require changes to the applicability of these core rate schedules and revisions to priority of service definitions in SDG&E/SoCalGas' respective rules. (Schwecke – p. 24)

30) Adopt SDG&E/SoCalGas' proposal to refund to SDG&E customers $3.3 million in gas curtailment violation charges collected between November 2000 - February 2001. These charges will be refunded to customers of record at that time. The accumulated balance will be refunded as a one-time bill credit to the noncore customers who were asked to curtail and complied with curtailment orders. (Schwecke – pg. 34)

31) Adopt SDG&E/SoCalGas' proposal that any existing transmission-level customer that takes service from an alternative transportation provider and either specifically requests standby service or uses no transportation service from SDG&E or SoCalGas for any consecutive 24-month period be defined as taking stand-by service. (Schwecke – pg. 15)

32) Adopt SDG&E/SoCalGas' proposal to continue the ability to negotiate competitive contracts with customers that have competitive alternatives and to allocate any revenue shortfalls to ratepayers. (Schwecke – pg. 13)

33) Adopt SDG&E/SoCalGas' proposal that, to the extent a bypass customer requests a new service line or meter from SDG&E or SoCalGas for standby service, SDG&E or SoCalGas will install the service line or meter at the customer's expense, and the customer will be subject to the previously described 24-month usage evaluation. (Schwecke – pg. 15)

34) Adopt SoCalGas' Backbone reserve margin calculation which illustrates that SDG&E and SoCalGas have a sufficient level of reserve margin, based on the Commission approved standards of 1-35-year cold day demand and 1-in-10 year cold day demand, through the settlement period without the need for additional facilities or improvements. (Bisi – pg. 4)

# Attachment 3

## Rate Tables

**TABLE 1**

**Transportation Rate Revenues**

**Southern California Gas Company**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

2009BCAP v6-1-2009

| | | Present Rates | | | Proposed Rates | | | Changes | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes Mth | Jan-1-09 Revenues $000's | Average Rate $/therm | BCAP Volumes mtherms | Proposed Revenues $000's | Proposed Rate $/therm | Revenue Change $000's | Rate Change $/therm | % Rate change % |
| | | A | B | C | E | F | G | H | I | J |
| 1 | CORE | | | | | | | | | |
| 2 | Residential | 2,546,852 | $1,158,440 | $0.45485 | 2,483,989 | $1,154,332 | $0.46471 | ($4,108) | $0.00986 | 2.2% |
| 3 | Commercial & Industrial | 834,635 | $245,489 | $0.29413 | 970,519 | $281,866 | $0.29043 | $36,377 | ($0.00370) | -1.3% |
| 4 | | | | | | | | | | |
| 5 | NGV - Pre SempraWide (1) | | | | 117,231 | $11,201 | $0.09555 | | | |
| 6 | SempraWide Adjustment | | | | 117,231 | ($3) | ($0.00003) | | | |
| 7 | NGV - Post SempraWide | | | | 117,231 | $11,197 | $0.09552 | | | |
| 8 | | | | | | | | | | |
| 9 | Gas A/C | 1,200 | $168 | $0.14019 | 1,210 | $108 | $0.08923 | ($60) | ($0.05096) | -36.3% |
| 10 | Gas Engine | 16,040 | $1,866 | $0.11636 | 18,080 | $1,924 | $0.10640 | $57 | ($0.00996) | -8.6% |
| 11 | Total Core | 3,398,727 | $1,405,964 | $0.41367 | 3,591,030 | $1,449,427 | $0.40362 | $43,463 | ($0.01005) | -2.4% |
| 12 | | | | | | | | | | |
| 13 | NONCORE COMMERCIAL & INDUSTRIAL | | | | | | | | | |
| 14 | Distribution Level Service | 1,156,023 | $68,136 | $0.05894 | 982,465 | $61,037 | $0.06213 | ($7,099) | $0.00319 | 5.4% |
| 15 | Transmission Level Service (2) | 300,734 | $4,247 | $0.01412 | 457,697 | $10,412 | $0.02275 | $6,166 | $0.00863 | 61.1% |
| 16 | Total Noncore C&I | 1,456,757 | $72,382 | $0.04969 | 1,440,163 | $71,449 | $0.04961 | ($933) | ($0.00008) | -0.2% |
| 17 | | | | | | | | | | |
| 18 | NONCORE ELECTRIC GENERATION | | | | | | | | | |
| 19 | Distribution Level Service | | | | | | | | | |
| 20 | Pre Sempra Wide | 2,944,257 | $65,689 | $0.02231 | 353,995 | $11,363 | $0.03210 | | | |
| 21 | Sempra Wide Adjustment | 2,944,257 | $2,457 | $0.00083 | 353,995 | $513 | $0.00145 | | | |
| 22 | Post Sempra Wide | 2,944,257 | $68,146 | $0.02315 | 353,995 | $11,876 | $0.03355 | | | |
| 23 | Transmission Level Service (2) | | | | 2,472,969 | $56,259 | $0.02275 | | | |
| 24 | Total Electric Generation | 2,944,257 | $68,146 | $0.02315 | 2,826,964 | $68,134 | $0.02410 | ($11) | $0.00096 | 4.1% |
| 25 | | | | | | | | | | |
| 26 | TOTAL RETAIL NONCORE | 4,401,014 | $140,528 | $0.03193 | 4,267,127 | $139,584 | $0.03271 | ($944) | $0.00078 | 2.4% |
| 27 | | | | | | | | | | |
| 28 | WHOLESALE & INTERNATIONAL | | | | | | | | | |
| 29 | Wholesale Long Beach (2) | 77,821 | $1,652 | $0.02123 | 117,093 | $2,664 | $0.02275 | $1,012 | $0.00152 | 7.2% |
| 30 | SDGE Wholesale | 1,445,680 | $5,110 | $0.00353 | 1,230,285 | $10,822 | $0.00880 | $5,712 | $0.00526 | 148.9% |
| 31 | Wholesale SWG (2) | 91,672 | $1,748 | $0.01906 | 81,737 | $1,859 | $0.02275 | $112 | $0.00369 | 19.3% |
| 32 | Wholesale Vernon (2) | 51,620 | $824 | $0.01596 | 116,135 | $2,642 | $0.02275 | $1,818 | $0.00679 | 42.5% |
| 33 | International (2) | 36,419 | $652 | $0.01790 | 53,990 | $1,228 | $0.02275 | $576 | $0.00485 | 27.1% |
| 34 | Total Wholesale & International | 1,703,212 | $9,985 | $0.00586 | 1,599,240 | $19,215 | $0.01202 | $9,230 | $0.00615 | 104.9% |
| 35 | | | | | | | | | | |
| 36 | TOTAL NONCORE | 6,104,226 | $150,513 | $0.02466 | 5,866,366 | $158,799 | $0.02707 | $8,285 | $0.00241 | 9.8% |
| 37 | Unalloc.Costs to NSBA | | $16,634 | | | | | ($16,634) | | |
| 38 | Unbundled Storage | | $21,000 | | | $24,575 | | $3,575 | | |
| 39 | | | | | | | | | | |
| 40 | **Total (excluding FAR)** | **9,502,953** | **$1,594,112** | **$0.16775** | **9,457,396** | **$1,632,801** | **$0.17265** | **$38,690** | **$0.00490** | **2.9%** |
| 41 | | | | | | | | | | |
| 42 | FAR Amount (3) | | $52,307 | | | $53,038 | | | | |
| 43 | SYSTEM TOTALw/SI,FAR,TLS,SW | 9,502,953 | $1,646,419 | $0.17325 | 9,457,396 | $1,685,839 | $0.17826 | $39,421 | $0.00500 | 2.9% |
| 44 | | | | | | | | | | |
| 45 | EOR Revenues | 482,707 | $22,779 | | 156,187 | $4,427 | $0.02834 | | | |
| 46 | Total Throughput w/EOR Mth/yr | 9,985,660 | | | 9,613,583 | | | | | |

1) Under present rates, NGV is not directly allocated costs and is not calculated on Sempra-Wide basis.
It is not shown in Table 1. See Table 3 for Present NGV Rates.

2) These proposed costs and rates for Transmission Level Service customers represents the average transmission rate.
See Table 5 for actual transmission level service rates.

3) FAR charge is proposed as a separate rate. Core will pay through procurement rate, noncore as a separate charge.
See Table 5 for actual FAR charge.

4) Composite rate changed in 2009BCAP to include gas costs.

**TABLE 2**

**Core Transportation Rates**

**Southern California Gas Company**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 | Jan-1-09 | Jan-1-09 | BCAP | | |
| | | Volumes | Rate | Revenue | Volumes | Rate | Revenue |
| | | Mth | $/th | $000's | Mth | $/th | $000's |
| | | A | B | C | D | E | F |
| 1 | RESIDENTIAL SERVICE | | | | | | |
| 2 | Customer Charge | | | | | | |
| 3 | Single Family | 3,091,427 | $5.00 | $185,486 | 3,676,464 | $5.00 | $220,588 |
| 4 | Multi-Family | 1,485,811 | $5.00 | $89,149 | 1,685,965 | $5.00 | $101,158 |
| 5 | Small Master Meter | 118,240 | $5.00 | $7,094 | 92,860 | $5.00 | $5,572 |
| 6 | Submeter Credit-$/unit/day | 146,025 | ($0.30805) | ($16,419) | 149,095 | ($0.30805) | ($16,764) |
| 7 | Volumetric Transportation Rate | | | | | | |
| 8 | Baseline Rate | 1,664,422 | $0.29056 | $483,614 | 1,703,882 | $0.26612 | $453,443 |
| 9 | Non-Baseline Rate | 844,693 | $0.47413 | $400,496 | 768,363 | $0.50612 | $388,887 |
| 10 | | 2,509,115 | $0.45810 | $1,149,421 | 2,472,246 | $0.46633 | $1,152,883 |
| 11 | NBL/BL Ratio: | | | | | | |
| 12 | Composite Rate $/th | | $0.44996 | | | $0.95639 | |
| 13 | Gas Rate $/th | | n/a | | | $0.50800 | |
| 14 | NBL/Composite rate ratio (4) = | | 1.05 | | | 1.06 | |
| 15 | | | | | | | |
| 16 | Large Master Meter | | | | | | |
| 17 | Customer Charge | 183 | $321.13 | $705 | 61 | $339.80 | $249 |
| 18 | Baseline Rate | 27,925 | $0.19892 | $5,555 | 9,017 | $0.08386 | $756 |
| 19 | Non-Baseline Rate | 9,812 | $0.28025 | $2,750 | 2,726 | $0.15949 | $435 |
| 20 | | 37,737 | $0.23875 | $9,010 | 11,743 | $0.12262 | $1,440 |
| 21 | Core Aggregation Transport (CAT): | | | | | | |
| 22 | CAT Adder to Volumetric Rate | 13,656 | $0.00075 | $10 | 13,319 | $0.00070 | $9 |
| 23 | Residential: | | | | | | |
| 24 | BaseLine Rate | | $0.29131 | | | $0.26682 | |
| 25 | NonBaseLine Rate | | $0.47488 | | | $0.50682 | |
| 26 | Large Master Meter: | | | | | | |
| 27 | BaseLine Rate | | $0.19967 | | | $0.08456 | |
| 28 | NonBaseLine Rate | | $0.28100 | | | $0.16019 | |
| 29 | | | | | | | |
| 30 | TOTAL RESIDENTIAL | 2,546,852 | $0.45485 | $1,158,440 | 2,483,989 | $0.46471 | $1,154,332 |
| 31 | | | | | | | |
| 32 | CORE COMMERCIAL & INDUSTRIAL | | | | | | |
| 33 | Customer Charge 1 | 82,094 | $10.00 | $9,851 | 127,666 | $15.00 | $22,980 |
| 34 | Customer Charge 2 | 118,386 | $15.00 | $21,310 | 87,620 | $15.00 | $15,772 |
| 35 | Volumetric Transportation Rate | | | | | | |
| 36 | Tier 1 = 250th/mo | 161,001 | $0.49751 | $80,100 | 215,926 | $0.48180 | $104,032 |
| 37 | Tier 2 = next 4167 th/mo | 510,030 | $0.24101 | $122,924 | 488,341 | $0.24121 | $117,795 |
| 38 | Tier 3 = over 4167 th/mo | 163,604 | $0.06903 | $11,294 | 266,252 | $0.07991 | $21,275 |
| 39 | | 834,635 | $0.29411 | $245,478 | 970,519 | $0.29042 | $281,854 |
| 40 | Core Aggregation Transport (CAT): | | | | | | |
| 41 | CAT Adder to Volumetric Rate | 15,040 | $0.00075 | $11 | 17,488 | $0.00070 | $12 |
| 42 | Tier 1 = 250th/mo | | $0.49826 | | | $0.48250 | |
| 43 | Tier 2 = next 4167 th/mo | | $0.24176 | | | $0.24192 | |
| 44 | Tier 3 = over 4167 th/mo | | $0.06978 | | | $0.08061 | |
| 45 | | | | | | | |
| 46 | TOTAL CORE C&I | 834,635 | $0.29413 | $245,489 | 970,519 | $0.29043 | $281,866 |

See footnotes Table 1

**TABLE 3**

**Other Core Transportation Rates**

**Southern California Gas Company**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes Mth | Jan-1-09 Rate $/th | Jan-1-09 Revenue $000's | BCAP Volumes Mth | Rate $/th | Revenue $000's |
| | | A | B | C | D | E | F |
| 1 | | | | | | | |
| 2 | NATURAL GAS VEHICLES (Proposed Rate is a Sempra-Wide rate) | | | | | | |
| 3 | Customer Charge, P-1 | | $13.00 | | 229 | $13 | $36 |
| 4 | Customer Charge, P-2A | | $65.00 | | 44 | $65 | $34 |
| 5 | Uncompressed Rate | 24,350 | $0.10503 | $2,558 | 117,231 | $0.08418 | $9,868 |
| 6 | Total Uncompressed NGV | 24,350 | $0.10503 | $2,558 | 117,231 | $0.08478 | $9,938 |
| 7 | Compressed Rate Adder | | $0.74624 | | 1,484 | $0.84823 | $1,259 |
| 8 | | | | | | | |
| 9 | TOTAL NGV SERVICE | 24,350 | $0.10503 | $2,558 | 117,231 | $0.09552 | $11,197 |
| 10 | | | | | | | |
| 11 | RESIDENTIAL NATURAL GAS VEHICLES (optional rate) | | | | | | |
| 12 | Customer Charge | | | | 5,455 | $10.00 | $655 |
| 13 | Uncompressed Rate | | | | 3,416 | $0.13893 | $475 |
| 14 | | | | | 3,416 | $0.33059 | $1,129 |
| 15 | | | | | | | |
| 16 | NON-RESIDENTIAL GAS A/C | | | | | | |
| 17 | Customer Charge | 18 | $150.00 | $32 | 22 | $150 | $40 |
| 18 | Volumetric Rate | 1,200 | $0.11319 | $136 | 1,210 | $0.05651 | $68 |
| 19 | | 1,200 | $0.13978 | $168 | 1,210 | $0.08923 | $108 |
| 20 | Core Aggregation Transport (CAT): | | | | | | |
| 21 | CAT Adder to Volumetric Rate | 646 | $0.00075 | $0.5 | | | |
| 22 | Gas A/C Rate | | $0.11394 | | | $0.05651 | |
| 23 | | | | | | | |
| 24 | TOTAL A/C SERVICE | 1,200 | $0.14019 | $168 | 1,210 | $0.08923 | $108 |
| 25 | | | | | | | |
| 26 | GAS ENGINES | | | | | | |
| 27 | Customer Charge | 698 | $50.00 | $419 | 1,094 | $50 | $656 |
| 28 | Volumetric | 16,040 | $0.09025 | $1,448 | 18,080 | $0.07009 | $1,267 |
| 29 | | 16,040 | $0.11636 | $1,866 | 18,080 | $0.10640 | $1,924 |
| 30 | Core Aggregation Transport (CAT): | | | | | | |
| 31 | CAT Adder to Volumetric Rate | 0 | $0.00075 | $0.0 | | | |
| 32 | Gas Engine Rate | | $0.09100 | | | $0.07009 | |
| 33 | | | | | | | |
| 34 | TOTAL GAS ENGINES | 16,040 | $0.11636 | $1,866 | 18,080 | $0.10640 | $1,924 |

See footnotes Table 1

**TABLE 4**

**Noncore Commercial & Industrial and Electric Generation Rates**

**Southern California Gas Company**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes Mth | Jan-1-09 Rate $/th | Jan-1-09 Revenue $000's | BCAP Volumes Mth | Rate $/th | Revenue $000's |
| | | A | B | C | D | E | F |
| 1 | NonCore Commercial & Industrial Distribution Level | | | | | | |
| 2 | Customer Charge | 1,140 | $350.00 | $4,788 | 670 | $350.00 | $2,816 |
| 3 | | | | | | | |
| 4 | Volumetric Rates | | | | | | |
| 5 | Tier 1 = 250kth/yr | 236,030 | $0.11956 | $28,221 | 147,174 | $0.14465 | $21,289 |
| 6 | Tier 2 = 250k to 1000k | 312,418 | $0.07025 | $21,947 | 244,409 | $0.08430 | $20,603 |
| 7 | Tier 3 = 1 to 2 million th/yr | 149,105 | $0.03870 | $5,771 | 130,163 | $0.04500 | $5,857 |
| 8 | Tier 4 = over 2 million th/yr | 458,470 | $0.01616 | $7,409 | 460,719 | $0.02273 | $10,472 |
| 9 | Volumetric totals (excl itcs) | 1,156,023 | $0.05480 | $63,348 | 982,465 | $0.05926 | $58,221 |
| 10 | ITCS | 1,156,023 | $0.00000 | $0 | | | |
| 11 | NCCI - DISTRIBUTION LEVEL | 1,156,023 | $0.05894 | $68,136 | 982,465 | $0.06213 | $61,037 |
| 12 | | | | | | | |
| 13 | NonCore Commercial & Industrial Transmission Level (2) | | | | | | |
| 14 | Customer Charge | 22 | $700.00 | $189 | | | |
| 15 | Volumetric Rates | | | | | | |
| 16 | Tier 1 0-2,000,000 th/yr | 24,319 | $0.07118 | $1,731 | | | |
| 17 | Tier 2 over 2,000,000 th/yr | 276,414 | $0.00842 | $2,327 | | | |
| 18 | Volumetric totals (excl itcs) | 300,733 | $0.01349 | $4,058 | | | |
| 19 | ITCS | 300,733 | $0.00000 | $0 | | | |
| 20 | NCCI-TRANSMISSION LEVEL (2) | 300,733 | $0.01412 | $4,247 | 457,697 | $0.02275 | $10,412 |
| 21 | | | | | | | |
| 22 | TOTAL NONCORE C&I | 1,456,756 | $0.04969 | $72,383 | 1,440,163 | $0.04961 | $71,449 |
| 23 | | | | | | | |
| 24 | ELECTRIC GENERATION | | | | | | |
| 25 | | | | | | | |
| 26 | Small EG (proposed rates are for Distribution Level only) | | | | | | |
| 27 | Customer Charge | 172 | $50.00 | $103 | 134 | $50.00 | $80 |
| 28 | Volumetric Rate (excl ITCS) | 48,406 | $0.04565 | $2,210 | 60,420 | $0.05279 | $3,190 |
| 29 | ITCS | 48,406 | $0.00000 | $0 | | | |
| 30 | Total Volumetric Rate Tier 1 | 48,406 | $0.04565 | $2,210 | 60,420 | $0.05279 | $3,190 |
| 31 | EG Distribution Level Tier 1 | 48,406 | $0.04779 | $2,313 | 60,420 | $0.05412 | $3,270 |
| 32 | | | | | | | |
| 33 | Large EG (proposed rates are for Distribution Level only) | | | | | | |
| 34 | Customer Charge | 66 | $0.00 | $0 | 32 | $0.00 | $0 |
| 35 | Volumetric Rate (excl ITCS) | 2,895,851 | $0.02273 | $65,833 | 293,575 | $0.02931 | $8,606 |
| 36 | ITCS | 2,895,851 | $0.00000 | $0 | | | |
| 37 | Total Volumetric Rate Tier 2 | 2,895,851 | $0.02273 | $65,833 | 293,575 | $0.02931 | $8,606 |
| 38 | EG Distribution Level Tier 2 | 2,895,851 | $0.02273 | $65,833 | 293,575 | $0.02931 | $8,606 |
| 39 | EG Distribution Level | 2,944,257 | $0.02315 | $68,146 | 353,995 | $0.03355 | $11,876 |
| 40 | | | | | | | |
| 41 | EG Transmission Level (2) | | | | 2,472,969 | $0.02275 | $56,259 |
| 42 | | | | | | | |
| 43 | TOTAL ELECTRIC GENERATION | 2,944,257 | $0.02315 | $68,146 | 2,826,964 | $0.02410 | $68,134 |
| 44 | | | | | | | |
| 45 | EOR Rates & revenue: | | | | | | |
| 46 | Distribution Level EOR: | | | | | | |
| 47 | Customer Charge | | | | 14 | $500.00 | $84 |
| 48 | Volumetric Rate | | | | 80,880 | $0.03251 | $2,629 |
| 49 | Distribution Level EOR | | | | 80,880 | $0.03355 | $2,713 |
| 50 | | | | | | | |
| 51 | Transmission Level EOR | | | | 75,307 | $0.02275 | $1,713 |
| 52 | Total EOR | | | | 156,187 | $0.02834 | $4,427 |

See footnotes Table 1

**TABLE 5**

**Transmission Level Service Transportation Rates**

**Southern California Gas Company**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | BCAP Volumes Mth | Rate $/th | Revenue @ BCAP Vols $000's | BCAP Volumes Mth, Mdth | Rate $/th | Revenue $000's |
| | | A | B | C | D | E | F |
| | **Rate applicable to NonCore C&I, EOR & EG customer Classes:** | | | | | | |
| 1 | Transmission Level Service | | | | | | |
| 2 | Reservation Rates: | | | | | | |
| 3 | Base Margin Items = Reservation Charge $/th/day | | | | | $0.01241 | |
| 4 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00483 | |
| 5 | | | | | | | |
| 6 | Class Average Volumetric Rates | | | | | | |
| 7 | Base Margin Items = Volumetric Rate $/th | | | | | $0.01790 | |
| 8 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00483 | |
| 9 | | | | | | $0.02273 | |
| 10 | | | | | | | |
| 11 | 120% Class Average Volumetric Rate $/th | | | | | $0.02728 | |
| 12 | 135% Class Average Volumetric Rate $/th | | | | | $0.03069 | |
| 13 | | | | | | | |
| 14 | Total Transmission Level Service (NCCI, EOR, EG) | | | | 2,930,667 | $0.02275 | $66,671 |
| 15 | | | | | | | |
| 16 | **Rate applicable to Wholesale & International customer Classes:** | | | | | | |
| 17 | Transmissiom Level Service | | | | | | |
| 18 | Reservation Rates: | | | | | | |
| 19 | Base Margin Items = Reservation Charge $/th/day | | | | | $0.01238 | |
| 20 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00481 | |
| 21 | | | | | | | |
| 22 | Class Average Volumetric Rates | | | | | | |
| 23 | Base Margin Items = Volumetric Rate $/th | | | | | $0.01786 | |
| 24 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00481 | |
| 25 | | | | | | $0.02268 | |
| 26 | | | | | | | |
| 27 | 120% Class Average Volumetric Rate $/th | | | | | $0.02721 | |
| 28 | 135% Class Average Volumetric Rate $/th | | | | | $0.03061 | |
| 29 | | | | | | | |
| 30 | Total Transmission Level Service (WS & Int'l) | | | | 368,955 | $0.02275 | $8,393 |
| 31 | | | | | | | |
| 32 | **Average Transmission Level Service** | | | | **3,299,622** | **$0.02275** | **$75,064** |
| 33 | | | | | | | |
| 34 | | | | | | | |
| 35 | | | | | | | |
| 36 | | | | | | | |
| 37 | **Firm Access Rights** | | | | | | |
| 38 | FAR Reservation Charge $/dth/day | | | | 2,906 | $0.05000 | $53,038 |
| 39 | | | | | | | |

See footnotes Table 1

**TABLE 1**

**Gas Transportation Rate Revenues**

**San Diego Gas & Electric**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

2009BCAP v6-1-2009

| | | At Present Rates | | | At Proposed Rates | | | Changes | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes mtherms | Jan-1-09 Revenues $1,000 | Average Rate $/therm | BCAP Volumes mtherms | Jan-1-09 Revenues $1,000 | Average Rate $/therm | Revenues $1,000 | Rates $/therm | Rate change % |
| | | A | B | C | D | E | F | G | H | I |
| 1 | **CORE** | | | | | | | | | |
| 2 | Residential | 326,207 | $209,852 | $0.64331 | 326,003 | $213,767 | $0.65572 | $3,915 | $0.01241 | 1.9% |
| 3 | Comml & Industrial | 129,794 | $39,508 | $0.30439 | 158,725 | $44,170 | $0.27828 | $4,661 | ($0.02611) | -8.6% |
| 4 | NGV Pre SW | 4,030 | $3,894 | $0.96634 | 15,238 | $1,407 | $0.09236 | ($2,487) | ($0.87399) | -90.4% |
| 5 | SW Adjustment | | | | 15,238 | $4 | $0.00023 | $4 | | |
| 6 | NGV Post SW | 4,030 | $3,894 | $0.96634 | 15,238 | $1,411 | $0.09259 | ($2,483) | ($0.87376) | -90.4% |
| 7 | Total CORE | 460,031 | $253,255 | $0.55052 | 499,967 | $259,348 | $0.51873 | $6,093 | ($0.03179) | -5.8% |
| 8 | | | | | | | | | | |
| 9 | **NONCORE COMMERCIAL & INDUSTRIAL** | | | | | | | | | |
| 10 | Distribution Level Service | 75,005 | $6,249 | $0.08331 | 37,270 | $3,885 | $0.10425 | ($2,364) | $0.02094 | 25.1% |
| 11 | Transmission Level Service (1) | 11,206 | $459 | $0.04095 | 3,193 | $73 | $0.02275 | ($386) | ($0.01820) | -44.4% |
| 12 | Total Noncore C&I | 86,211 | $6,708 | $0.07781 | 40,463 | $3,958 | $0.09782 | ($2,750) | $0.02001 | 25.7% |
| 13 | | | | | | | | | | |
| 14 | **NONCORE ELECTRIC GENERATION** | | | | | | | | | |
| 15 | Distribution Level Service (2008 is all EG, no separate transmission rate in 2008) | | | | | | | | | |
| 16 | Pre Sempra Wide | 897,926 | $24,820 | $0.02764 | 179,522 | $6,483 | $0.03611 | ($18,338) | $0.00847 | 30.6% |
| 17 | Sempra Wide Adjustment | 897,926 | ($2,457) | ($0.00274) | 179,522 | ($516) | ($0.00287) | $1,941 | | |
| 18 | Post Sempra Wide | 897,926 | $22,364 | $0.02491 | 179,522 | $5,967 | $0.03324 | ($16,397) | $0.00833 | 33.5% |
| 19 | Transmission Level Service (1) | | | | 496,393 | $11,293 | $0.02275 | | | |
| 20 | Total Electric Generation | 897,926 | $22,364 | $0.02491 | 675,916 | $17,259 | $0.02553 | ($5,104) | $0.00063 | 2.5% |
| 21 | | | | | | | | | | |
| 22 | **TOTAL NONCORE** | 984,137 | $29,071 | $0.02954 | 716,379 | $21,217 | $0.02962 | ($7,854) | $0.00008 | 0.3% |
| 23 | | | | | | | | | | |
| 24 | Total (excluding FAR) (2) | 1,444,168 | $282,326 | $0.19549 | 1,216,345 | $280,565 | $0.23066 | ($1,761) | $0.03517 | 18.0% |
| 25 | | | | | | | | | | |
| 26 | | | | | | | | | | |
| 27 | | | | | | | | | | |
| 28 | **System Total** | **1,444,168** | **$282,326** | **$0.19549** | **1,216,345** | **$280,565** | **$0.23066** | **($1,761)** | **$0.03517** | **18.0%** |

1) These proposed costs and rates for Transmission Level Service customers represents the average transmission rate. See Table 5 for actual transmission level service rates.

2) FAR charge is proposed as a separate rate. Core will pay through procurement rate, noncore as a separate charge. See SCG Rate Table 5 for actual FAR charge.

**TABLE 2**

**Core Gas Transportation Rates**

**San Diego Gas & Electric**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes Mth | Jan-1-09 Rate $/therm | Jan-1-09 Revenue $1,000 | BCAP Volumes Mth | Rates Jan-1-09 $/therm | Revenue $1,000 |
| | | A | B | C | D | E | F |
| 1 | **Schedule GR,GM** | | | | | | |
| 2 | Baseline $/therm | 220,148 | $0.57027 | $125,544 | 220,010 | $0.61372 | $135,025 |
| 3 | Non-Baseline $/therm | 106,059 | $0.84050 | $89,143 | 105,993 | $0.77501 | $82,145 |
| 4 | Average Rate $/therm | 326,207 | $0.65813 | $214,686 | 326,003 | $0.66616 | $217,171 |
| 5 | NBL/BL Composite Ratio (incl G-PC) | | 1.14 | | | 1.14 | |
| 6 | **Schedule GS,GT** | | | | | | |
| 7 | GS Unit Discount $/day | 5,818 | ($0.25493) | ($541) | 6,004 | ($0.25493) | ($559) |
| 8 | GT Unit Discount $/day | 27,494 | ($0.34064) | ($3,418) | 27,745 | ($0.34064) | ($3,450) |
| 9 | **Other Adjustments :** | | | | | | |
| 10 | Employee Discount | | | | | | ($459) |
| 11 | SDFFD | | | (944) | | | $988 |
| 12 | **Schedule GL-1** | | | | | | |
| 13 | LNG Facility Charge, domestic use $/month | | $14.79 | | 321 | $14.79 | $57 |
| 14 | LNG Facility Charge, non-domestic use $/mth/mbtu | | $0.05480 | | | $0.05480 | |
| 15 | LNG Volumetric Surcharge $/th | | $0.16571 | | 110 | $0.16571 | $18 |
| 16 | | | | | | | $75 |
| 17 | **Schedule GTC & GTCA (transprt only SCG & SDGE systems)** | | | | | | |
| 18 | CAT Adder to Volumetric Rate | 9,281 | $0.00755 | $70 | 0 | $0.00000 | $0 |
| 19 | Baseline $/therm | | $0.57782 | | | $0.61372 | |
| 20 | Non-Baseline $/therm | | $0.84805 | | | $0.77501 | |
| 21 | Average Rate $/therm | | $0.66566 | | | $0.66616 | |
| 22 | **Schedule GTC-SD (transport only SDGE system)** | | | | | | |
| 23 | GTC-SD Rate Adder | | ($0.00471) | | | | |
| 24 | Baseline $/therm | | $0.57311 | | | | |
| 25 | Non-Baseline $/therm | | $0.84334 | | | | |
| 26 | Average Rate $/therm | | $0.66095 | | | | |
| 27 | **Total Residential** | 326,207 | $0.64331 | $209,852 | 326,003 | $0.65572 | $213,767 |
| 28 | | | | | | | |
| 29 | **Other Core Rates $/therm** | | | | | | |
| 30 | Schedule GPC - Procurement Price | | $0.55392 | | | $0.50800 | |
| 31 | | | $0.75522 | | | | |
| 32 | **Schedule GN-3** | | | | | | |
| 33 | Customer Charge $/month | | | | 29,831 | $10.00 | $3,580 |
| 34 | 0 to 1,000 therms/month | 13,777 | $5.58 | $923 | | | |
| 35 | 1,001 to 21,000 therms/month | 12,769 | $11.16 | $1,711 | | | |
| 36 | over 21,000 therms/month | 920 | $111.61 | $1,232 | | | |
| 37 | Volumetric Charges $/therm - Winter Months | | | | | | |
| 38 | Tier 1 = 0 to 1,000 therms/month | 24,932 | $0.43792 | $10,918 | 69,961 | $0.32849 | $22,982 |
| 39 | Tier 2 = 1,001 to 21,000 therms/month | 23,107 | $0.17205 | $3,976 | 74,938 | $0.20120 | $15,078 |
| 40 | Tier 3 = over 21,000 therms/month | 5,489 | $0.11574 | $635 | 13,826 | $0.16524 | $2,285 |
| 41 | | | | | | | |
| 42 | Volumetric Charges $/therm - Summer Months | | | | | | |
| 43 | Tier 1 = 0 to 1,000 therms/month | 40,197 | $0.34324 | $13,797 | | | |
| 44 | Tier 2 = 1,001 to 21,000 therms/month | 36,069 | $0.16691 | $6,020 | | | |
| 45 | Tier 3 = over 21,000 therms/month | 0 | $0.09831 | $0 | | | |
| 46 | | | | | | | |
| 47 | Adjustment for SDFFD | | | $296 | | | $246 |
| 48 | **Total Core C&I** | 129,794 | $0.30439 | $39,508 | 158,725 | $0.27828 | $44,170 |

See footnotes Table 1

**TABLE 3**
**Other Core Gas Transportation Rates**
**San Diego Gas & Electric**
**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 | Jan-1-09 | Jan-1-09 | BCAP | Rates | |
| | | Volumes | Rate | Revenue | Volumes | Jan-1-09 | Revenue |
| | | Mth | $/therm | $1,000 | Mth | $/therm | $1,000 |
| | | A | B | C | D | E | F |
| 1 | **Schedule G-NGV & GT-NGV** | | | | *Sempra-Wide NGV Rates* | | |
| 2 | Customer Charge | | | | | | |
| 3 | P1 $/month | | $0.00 | | 30 | $13.00 | $5 |
| 4 | P2A $/month | | $0.00 | | 10 | $65.00 | $8 |
| 5 | Uncompressed Rate $/therm | 4,030 | $0.16284 | $656 | 15,238 | $0.08466 | $1,290 |
| 6 | Co-funded Station $/therm | 0 | $0.56327 | $0 | | | |
| 7 | Compressor Adder $/therm | 4,022 | $0.80086 | $3,221 | 119 | $0.85310 | $102 |
| 8 | | | | | | | |
| 9 | **Schedule GTC-SD** | | | | | | |
| 10 | Customer Charge | | | | | | |
| 11 | P1 $/month | | | | | | |
| 12 | P2A $/month | | | | | | |
| 13 | Uncompressed Rate $/therm | | | | | | |
| 14 | Co-funded Station $/therm | | | | | | |
| 15 | Compressor Adder $/therm | | | | | | |
| 16 | | | | | | | |
| 17 | SDFFD | | | $17 | | | $7 |
| 18 | Total NGV | 4,030 | $0.96634 | $3,894 | 15,238 | $0.09259 | $1,411 |

See footnotes Table 1

**TABLE 4**
**NonCore Gas Transportation Rates**
**San Diego Gas & Electric**
**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 Volumes Mth | Jan-1-09 Rate $/therm | Jan-1-09 Revenue $1,000 | BCAP Volumes Mth | Rates Jan-1-09 $/therm | Revenue $1,000 |
| | | A | B | C | D | E | F |
| 1 | NonCore Commercial & Industrial Distribution Level | | | | | | |
| 2 | Volumetric Charges $/therm | | | | | | |
| 3 | MPS - Winter | 13,442 | $0.10789 | $1,450 | 37,270 | $0.09749 | $3,633 |
| 4 | MPS - Summer | 27,078 | $0.08572 | $2,321 | | | |
| 5 | | | | | | | |
| 6 | HPS - Winter | 11,440 | $0.07086 | $811 | | | |
| 7 | HPS - Summer | 23,045 | $0.05427 | $1,251 | | | |
| 8 | | | | | | | |
| 9 | Customer Charges $/month | | | | | | |
| 10 | 0 to 3,000 therms/month | 5 | $17.86 | $1 | 60 | $350.00 | $252 |
| 11 | 3,001 to 7,000 | 1 | $92.64 | $1 | | | |
| 12 | 7,001 to 21,000 | 15 | $168.54 | $29 | | | |
| 13 | 21,001 to 126,000 | 62 | $338.19 | $250 | | | |
| 14 | 126,001 to 1,000,000 | 11 | $678.61 | $90 | | | |
| 15 | SDFFD | | | $45 | | | |
| 16 | NCCI-Distribution Total | 75,005 | $0.08331 | $6,249 | 37,270 | $0.10425 | $3,885 |
| 17 | | | | | | | |
| 18 | NonCore Commercial & Industrial Transmission Level (1) | | | | | | |
| 19 | Volumetric Charges $/therm | | | | | | |
| 20 | Transmission - Winter | 3,717 | $0.04753 | $177 | | | |
| 21 | Transmission - Summer | 7,489 | $0.03647 | $273 | | | |
| 22 | Customer Charges $/month | | | | | | |
| 23 | Over 1,000,000 therms/month | 0.3 | $1,439.82 | $6 | | | |
| 24 | SDFFD | | | $3 | | | |
| 25 | NCCI-Transmission Total (1) | 11,206 | $0.04095 | $459 | 3,193 | $0.02275 | $73 |
| 26 | | | | | | | |
| 27 | AMR Charges | | $137.36 | | | | |
| 28 | | | | | | | |
| 29 | **Noncore C&I Total** | 86,211 | $0.07781 | $6,708 | 40,463 | $0.09782 | $3,958 |
| 30 | | | | | | | |
| 31 | ELECTRIC GENERATION | | | | | | |
| 32 | | | | | | | |
| 33 | Distribution Level Service Group A | | | | | | |
| 34 | Customer Charge, $/month | 51 | $50.00 | $31 | 57 | $50.00 | $34 |
| 35 | Volumetric Rate (Incl ITCS) $/therm | 83,765 | $0.04565 | $3,824 | 27,097 | $0.05310 | $1,439 |
| 36 | Distribution Level Service Group B | | | | | | |
| 37 | Volumetric Rate (Incl ITCS) $/therm | 814,161 | $0.02273 | $18,509 | 152,425 | $0.02948 | $4,494 |
| 38 | Total EG-Distribution | 897,926 | $0.02491 | $22,364 | 179,522 | $0.03324 | $5,967 |
| 39 | | | | | | | |
| 40 | EG Transmission Level Service (1) | | | | 496,393 | $0.02275 | $11,293 |
| 41 | TOTAL ELECTRIC GENERATION | 897,926 | $0.02491 | $22,364 | 675,916 | $0.02553 | $17,259 |
| 42 | | | | | | | |
| 43 | **OTHER RATES:** | | | | | | |
| 44 | ITCS Rate | | | | | | |

See footnotes Table 1

**TABLE 5**

**Transmission Level Service Gas Transportation Rates**

**San Diego Gas & Electric**

**2009 BIENNIAL COST ALLOCATION PROCEEDING**

**2009BCAP v6-1-2009**

| | | Present Rates | | | Proposed Rates | | |
|---|---|---|---|---|---|---|---|
| | | Jan-1-09 | Jan-1-09 | Jan-1-09 | BCAP | Rates | |
| | | Volumes | Rate | Revenue | Volumes | Jan-1-09 | Revenue |
| | | Mth | $/therm | $1,000 | Mth | $/therm | $1,000 |
| | | A | B | C | D | E | F |
| 1 | Transmissiom Level Service | | | | | | |
| 2 | Reservation Rates: | | | | | | |
| 3 | Base Margin Items = Reservation Charge $/th/day | | | | | $0.01248 | |
| 4 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00485 | |
| 5 | | | | | | | |
| 6 | | | | | | | |
| 7 | Class Average Volumetric Rates | | | | | | |
| 8 | Base Margin Items = Volumetric Rate $/th | | | | | $0.01801 | |
| 9 | NonBase Margin Items = Usage Charge $/th | | | | | $0.00485 | |
| 10 | | | | | | $0.02286 | |
| 11 | | | | | | | |
| 12 | 120% Class Average Volumetric Rate $/th | | | | | $0.02743 | |
| 13 | 135% Class Average Volumetric Rate $/th | | | | | $0.03086 | |
| 14 | | | | | | | |
| 15 | | | | | | | |
| 16 | **Average Transmission Level Service** | | | | 499,587 | $0.02275 | $11,365 |
| 17 | | | | | | | |
| 18 | | | | | | | |
| 19 | | | | | | | |

See footnotes Table 1

# Attachment 4

## Proposed Tariff Rate Schedule

# Index


- **SDG&E CFCA**
- **SDG&E Form 1259**
- **SDG&E G-IMB**
- **SDG&E TLS**
- **SDG&E GN-3**
- **SDG&E G-NGV**
- **SDG&E GPC**
- **SDG&E GR**
- **SDG&E GTNC**
- **SDG&E HSCCA**
- **SDG&E G-PUC**
- **SDG&E ITBA**
- **SDG&E NFCA**
- **SDG&E PS III**
- **SDG&E Rule 1**
- **SDG&E Rule 14**
- **SDG&E Rule 25**
- **SDG&E Rule 30**
- **SoCalGas Preliminary Statement Part XI**
- **SoCalGas CFCA**
- **SoCalGas FASRMA**
- **SoCalGas ITBA**
- **SoCalGas BOFRMA**
- **SoCalGas NFCA**
- **SoCalGas EORA**
- **SoCalGas CUFLBA and FARBA**
- **SoCalGas SRMA**
- **SoCalGas Rule 01**
- **SoCalGas Rule 23**
- **SoCalGas Rule 30**
- **SoCalGas Rule 33**
- **SoCalGas Rule 41**
- **SoCalGas G-10**
- **SoCalGas GT-TLS**
- **SoCalGas GT-ID**
- **SoCalGas GT-FD**
- **SoCalGas G-AC**
- **SoCalGas G-BSS**
- **SoCalGas G-EN**
- **SoCalGas G-IMB**

- **SoCalGas G-LTS**
- **SoCalGas GM**
- **SoCalGas GML**
- **SoCalGas G-NGVR**
- **SoCalGas G-PAL**
- **SoCalGas GR**
- **SoCalGas GS**
- **SoCalGas G-SMT**
- **SoCalGas GT-AC**
- **SoCalGas G-TBS**
- **SoCalGas MSC**
- **SoCalGas G-SRF**

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

| | |
|---|---|
| In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Revise Their Rates Effective January 1, 2009, in Their Biennial Cost Allocation Proceeding. | Application 08-02-001<br>(Filed February 4, 2008) |

## <u>APPENDIX B</u>

## LIST OF PREPARED AND REBUTTAL TESTIMONY

June 2, 2009

**BCAP PHASE TWO TESTIMONY OFFERED INTO EVIDENCE**

| | DATED | |
|---|---|---|
| **SDG&E/SOCALGAS DIRECT & REBUTTAL TESTIMONY** | **DIRECT** | **REBUTTAL** |
| Ahmed, S. Nasim | December 5, 2008 | January 27, 2009 |
| Anderson, Robert | July 2, 2008 | January 27, 2009 |
| Bisi, David M. | February 4, 2008 | January 27, 2009 |
| Bonnett, Jason | October 6, 2008 | January 27, 2009 |
| Emmrich, Herbert S. *(Demand Forecasts & Related Issues)* | April 24, 2008 | NA |
| Emmrich, Herbert S. *(Embedded Cost Study)* | December 5, 2008 | NA |
| Emmrich, Herbert S. *(Embedded Cost Study, Demand Forecasts & Related Issues)* | NA | January 27, 2009 |
| Hernandez, Emma & Smith, Allison F. | October 6, 2008 | NA |
| Hom, Mee Mee & Emmrich, Herbert S. | October 6, 2008 | NA |
| Lenart, Gary | October 6, 2008 | January 27, 2009 |
| Morrow, Richard M. | December 5, 2008 | January 27, 2009 |
| Roy, John A. | July 2, 2008 | January 27, 2009 |
| Schwecke, Rodger | December 5, 2008 | January 27, 2009 |
| Smith, Allison F. | December 11, 2008 | January 27, 2009 |
| Watson, Steve | December 5, 2008 | January 27, 2009 |
| **INTERVENOR DIRECT & REBUTTAL TESTIMONY** | | |
| Bridge Housing, Inc. *(Michael Kerkorian)* | December 23, 2008 | NA |
| | | |
| Crossborder Energy *(IP, CCC, CMTA, Watson Cogeneration) (R. Thomas Beach)* | December 23, 2008 | January 27, 2009 |
| | | |
| Division of Ratepayer Advocates (DRA-1, Summary of DRA Recommendations) *(Jacqueline Greig)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates (DRA-2, Demand Forecast) *(Thomas Renaghan)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates (DRA-3, Cost Allocation Issues SoCalGas) *(Pearlie Sabino)* | November 21, 2008 | January 27, 2009 |
| Division of Ratepayer Advocates (DRA-4, Cost Allocation Issues SDG&E) *(Kelly Lee)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates (DRA-5, Balancing Account Treatment, Core Rate Design Policy, Regulatory Account Allocation Methodology and Other) *(Jacqueline Greig)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates Mark (DRA-6, Results of Financial Examination for Southern California Gas Company's Regulatory Balancing Accounts) *(L. Mark Waterworth)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates (DRA-7, Audit of SDG&E Regulatory Accounts) *(William Scott)* | November 21, 2008 | NA |
| Division of Ratepayer Advocates (DRA-8, 100% Balancing | November 21, 2008 | NA |

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|---|---|---|
| Account Treatment, Core Rate Design Policy and Regulatory Account Allocation Methodology) *(Anthony Fest)* | | |
| Division of Ratepayer Advocates Rebuttal (SCE G-SRF Issue) (*Jacqueline Greig)* | NA | January 27, 2009 |
| | | |
| Edison *(Michael Alexander)* | December 23, 2008 | January 27, 2009 |
| Edison *(Curt Roney)* | December 23, 2008 | January 27, 2009 |
| | | |
| Indicated Producers (*Susan R. Schneider)* | December 23, 2008 | NA |
| | | |
| Kern River Gas Transmission Company (*Gregory Snow)* | NA | January 27, 2009 |
| | | |
| Long Beach (*William Monsen)* | December 23, 2008 | January 27, 2009 |
| | | |
| Shell Energy North (*Laird Dyer)* | December 23, 2008 | NA |
| | | |
| Southern California Gas Coalition (*Catherine E. Yap)* | December 23, 2008 | January 27, 2009 |
| | | |
| Southwest Gas Corporation (*Kenneth J. Jacobs)* | December 23, 2008 | NA |
| Southwest Gas Corporation (*Edward B. Gieseking)* | NA | January 27, 2009 |
| | | |
| TURN *(Michel Peter Florio)* | December 23, 2008 | NA |
| TURN *(William B. Marcus)* | January 9, 2009 | NA |
| | | |

## CERTIFICATE OF SERVICE

I hereby certify that a Notice of Availability regarding **JOINT MOTION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G), SOUTHERN CALIFORNIA GAS COMPANY (U 904 G), THE DIVISION OF RATEPAYER ADVOCATES, SOUTHERN CALIFORNIA EDISON COMPANY (U 338 E), THE INDICATED PRODUCERS, THE SOUTHERN CALIFORNIA GENERATION COALITION, THE CITY OF LONG BEACH, SOUTHWEST GAS CORPORATION (U 095 G), WATSON COGENERATION COMPANY AND THE CALIFORNIA COGENERATION COUNCIL, THE CALIFORNIA MANUFACTURERS AND TECHNOLOGY ASSOCIATION, THE UTILITY REFORM NETWORK, BRIDGE HOUSING, AND THE ELECTRIC GENERATOR ALLIANCE FOR ADOPTION OF SETTLEMENT AGREEMENT AND SUSPENSION OF HEARING SCHEDULE FOR PHASE TWO ISSUES** has been electronically mailed to each party of record on the service list in A.08-02-001. Any party on the service list who has not provided an electronic mail address was served by placing copies in properly addressed and sealed envelopes and depositing such envelopes in the United States Mail with first-class postage prepaid.

Copies were also sent via Federal Express to the Commissioner Timothy A. Simon and the Assigned Administrative Law Judge John S. Wong.

Executed this 2nd day of June, 2009 at San Diego, California.

*/s/ Jodi Ostrander*

Jodi Ostrander