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, 2013, in Their Triennial Cost Allocation Proceeding	Application 11-11-____

APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) AND
SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) IN THE
2013 TRIENNIAL COST ALLOCATION PROCEEDING

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Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") (collectively referred to as "Applicants"), hereby submit their application in the Triennial Cost Allocation Proceeding ("TCAP") to revise rates for gas services on their respective systems effective January 1, 2013 ("Application"). Specifically, this Application seeks, among other things, to: i) establish and revise gas rates to reflect the updated customer class allocations of Applicants' respective base margin costs of service previously authorized by the Commission for recovery in rates; ii) update demand forecasts; iii) support continuation of 100% balancing account treatment for Applicant's noncore transportation revenue requirement; and iv) continue storage allocations adopted in the 2009 Biennial Cost Allocation Proceeding ("BCAP") Phase 1 Settlement (D.08-10-020) through the TCAP period (2013-2015).

I. BACKGROUND

A. 2009 BCAP

In accordance with Ordering Paragraph 10 in Decision (D.) 06-12-031, SDG&E and SoCalGas filed their 2009 BCAP (A.08-02-001) on February 4, 2008. A.08-02-001 was the first cost allocation proceeding for both utilities since D.00-04-060 adjudicated the BCAP applications of SDG&E and SoCalGas that were filed in October 1998 in A.98-10-012 and A.98-10-031.

A prehearing conference (PHC) to discuss the issues and procedural schedule for A.08-02-001 was held on April 3, 2008. Following the PHC, a Scoping Memo and Ruling ("Scoping Memo") was issued on April 17, 2008. The Scoping Memo bifurcated the proceeding into two phases, and established a separate procedural schedule for each phase. In the Scoping Memo, the issues were bifurcated into two phases.

The Phase One issues were identified in the Scoping Memo as follows:

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 services 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.

The Phase Two issues were identified in the Scoping Memo 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 application's 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.

B. 2009 BCAP Phase One – D.08-12-020

On August 22, 2008, SDG&E, SoCalGas, the Division of Ratepayer Advocates ("DRA"), Southern California Edison Company ("SCE"), the Indicated Producers, Southern California Generation Coalition ("SCGC"), City of Long Beach, Southwest Gas Corporation (Southwest Gas), Watson Cogeneration Company, the California Cogeneration Council, and the California Manufacturers and Technology Association filed a Settlement Agreement settling the Phase One issues, as well as some of the gas balancing issues that were in Phase Two. The Settlement

Agreement was adopted by the Commission in D.08-12-020 to be effective on January 1, 2009, with a term of six years (from 2009-2014), terminating on December 31, 2014.

The Settlement Agreement addressed the following issues:

a. The total amount of storage inventory capacity (131.1 billion cubic feet [Bcf]), storage injection capacity (850 million cubic feet per day [MMcfd]), and storage withdrawal capacity (3195 MMcfd) would be made available by SoCalGas, using commercially reasonable efforts to do so, during the term of the Settlement Agreement.

b. Of those capacities, the Settlement Agreement initially allocated to the combined core customers of SDG&E and SoCalGas the following capacities: 79 Bcf of storage inventory; 369 MMcfd of storage injection with annual increases to match the growth in inventory capacity up to a total of 388 MMcfd; and 2225 MMcfd of storage withdrawal.

c. The annual cost of those storage capacities to the combined core customers of SDG&E and SoCalGas was to be set at the Commission-adopted embedded unit costs that were established in Phase Two of A.08-02-001 and as revised in each subsequent cost allocation proceeding filed with the Commission during the term of the settlement.

d. As to the remaining storage capacities, the Settlement Agreement allocated the following capacities to the balancing function: 4.2 Bcf of storage inventory; 200 MMcfd of storage injection; and 340 MMcfd of storage withdrawal. The wholesale core customers, Long Beach and Southwest Gas, were also allocated a portion of the storage inventory, storage injection, and storage withdrawal. The remaining amounts of storage inventory, storage injection, and storage withdrawal (approximately 45.71 Bcf, 270.8 MMcfd, and 554.3 MMcfd, respectively) were made available to the unbundled storage program.

e. SoCalGas agreed to make commercially reasonable efforts to expand its storage inventory by 7 Bcf over the period 2009-2014. Of the 7 Bcf of expanded storage inventory, 1 Bcf of the expanded capacity was to be added to the combined core's storage inventory capacity in each of the four years from 2010 to 2013. In each of the three years in 2010, 2012 and 2014, 1 Bcf of the expanded storage inventory capacity would be added to the unbundled storage program.

f. Unit price caps for storage inventory, storage injection, and storage withdrawal were initially set at the current levels set forth in SoCalGas' Schedule No. G-TBS, to be escalated in succeeding cost allocation proceedings in the following manner: the initial unit price caps would be increased by the percentage increase (if any) in embedded inventory, injection, and withdrawal unit costs established by the Commission in each cost allocation proceeding during the term of the Settlement Agreement.

g. The net revenues (gross revenues minus embedded unit costs as approved by the Commission) received by SoCalGas from the unbundled storage program were to be shared between SoCalGas' ratepayers and shareholders as follows: the first $15 million of net unbundled storage revenues would be allocated on a 90/10 ratepayer/shareholder basis; the next $15 million of net unbundled storage revenues would be allocated on a 75/25 ratepayer/shareholder basis; and net unbundled storage revenues above $30 million would be allocated on a 50/50 ratepayer/shareholder basis. An annual cap of $20 million was established for the shareholder earnings.

h. The revenues obtained through the System Operator Hub, as approved in D.07-12-019, would be subject to this revenue sharing mechanism and were to be included in the $20 million annual cap on shareholders' earnings.

i. SDG&E and SoCalGas would withdraw their proposal in Phase Two to change the current 10% monthly balancing requirement to 5%. In addition, for the term of the Settlement Agreement, all of the imbalance tolerances that were in effect as of August 22, 2008 would be maintained. SDG&E and SoCalGas also agreed not to institute a low Operational Flow Order ("OFO") procedure during the term of the Settlement Agreement, and to withdraw their proposal for such a procedure from their testimony in Phase Two of the BCAP.

j. The settling parties agreed that for 2008, the revenues booked to the Noncore Storage Memorandum Account ("NSMA") would be offset by a negotiated storage cost of $31.5 million. The net revenues (gross revenues minus $31.5 million) were to be shared between ratepayers and shareholders using the revenue sharing mechanism. The ratepayers' share of the net revenues would be used to reduce customer transportation rates effective January 1, 2009. The NSMA was to be closed at the close of business on December 31, 2008.

k. The SDG&E Storage Memorandum Account ("SDGE SMA") would be closed with no adjustment to the transportation rates of the customers of SDG&E and SoCalGas.

C. 2009 BCAP Phase Two – D.09-11-006

A joint motion to adopt the Settlement Agreement in Phase Two of A.08-02-001 was filed on June 2, 2009 by SDG&E, SoCalGas, and 12 other parties. D.09-11-006 granted the joint motion to adopt the Settlement Agreement of the Phase Two issues, and adopts all of the terms and conditions of the Settlement Agreement except for the filing of additional briefs on the issue of whether the shareholders of SDG&E and SoCalGas should in the future be at risk for gas throughput.

The Phase Two Settlement Agreement resolved all of the Phase Two issues, which included the following:

a. Allocating the revenue requirement associated with the gas transmission, distribution, and storage operations of SDG&E and SoCalGas, as previously authorized in Decision (D.) 08-07-046, to the various customer classes of SDG&E and SoCalGas.
b. Adopting the gas demand forecasts of SDG&E and SoCalGas.
c. Allocating the gas transmission and storage costs using an embedded cost methodology, and allocating the gas distribution costs using a long-run marginal cost ("LRMC") methodology.
d. Agreeing to provisions concerning gas operations, cost allocation, rate design, and other issues, as set forth in the Settlement Agreement.

On November 20, 2009 the Commission adopted D.09-11-006 approving the Phase Two BCAP Settlement Agreement. SoCalGas' and SDG&E's new BCAP rates were subsequently made effective on February 1, 2010.[1/]

D. Petition for Modification – D.11-07-052

D.09-11-006 provided that SDG&E and 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." On May 19, 2011, SDG&E, SoCalGas, and ten other parties filed a joint petition for modification of D.09-11-006. The petition for modification requested that D.09-11-006 be modified to allow SDG&E and SoCalGas to file the TCAP application by no later than November 1, 2011, rather than the September 1, 2011 date contained in the BCAP Phase Two Settlement Agreement.

The Commission issued D.11-07-052 on July 14, 2011 approving the Petition for Modification of D.09-11-006, thus allowing SoCalGas and SDG&E to file their next TCAP application on November 1, 2011.

[1/] SoCalGas Advice Letter 4047-A and SDG&E Advice Letter 1909-G-A.

II. SUMMARY OF SUPPORTING TESTIMONY SERVED CONCURRENTLY HEREWITH

The following is a summary of the Applicants' testimony served concurrently with this Application.

A. Risk/Reward and Proper Incentives

The testimony of Beth Musich explains that continued balancing account treatment of noncore transportation revenues is consistent with Commission policy to decouple commodity throughput from utility profits so as to better align shareholder and consumer interests with respect to energy efficiency. Ms. Musich also explains why this treatment of noncore transportation revenue is consistent with prior Commission decisions and why it would be contrary to California's energy efficiency and greenhouse gas goals to place SDG&E and SoCalGas at risk for noncore transportation throughput. Finally, Ms. Musich further explains why the Phase One BCAP Settlement Agreement adopted in D.08-12-020 should be extended an additional year to December 31, 2015, to complete the TCAP period and ensure that core and noncore customers in southern California will have sufficient storage services throughout the TCAP period (2013-2015). Continuation of the Phase One Settlement in 2015 will continue proper incentives to balance shareholder and ratepayer interests relative to SoCalGas' Unbundled Storage Program.

B. Cost Allocation and Demand Forecasts

The testimony of Mr. Gary Lenart on behalf of SoCalGas and Mr. Joseph Mock on behalf of SDG&E update the LRMC study for SoCalGas' and SDG&E's customer cost and gas distribution service functions and to allocate margin costs for utility service to customer classes. Mr. Lenart also proposes an adjustment to some of the allocated costs which will reduce the initial impact of moving towards fully cost based rates. The adjustments will then be phased out over time, at which time rates will be fully cost based.

The testimony of Mr. Herb Emmrich proposes to allocate the storage capacities settled in the 2009 BCAP and adopted by the Commission in Decision (D.) 08-12-020 between SoCalGas' and SDG&E's core customers and among the core customer classes in each utility based on the core demand forecasts sponsored by Ms. Payan in this proceeding. Mr. Emmrich also presents the gas prices used to forecast demand by customer segment, the Core Brokerage Fee, SDG&E's and SoCalGas' Unaccounted-For ("UAF") gas percentages and their allocation to the core and non-core customer classes.

The testimony of Ms. Rose Marie Payan and Mr. Bruce Wetzel provide demand forecasts for core and noncore customer classes, respectively. The forecasts are presented on the basis of average temperature year, cold temperature year, cold month, and peak day demand.

The testimony of Mr. Jeff Huang provides details on a portion of natural gas demand for electric generation ("EG") and large cogeneration customers for the years 2013 through 2015 for SDG&E and SoCalGas. The portion of the EG market addressed by Mr. Huang includes: 1) utility electric generation ("UEG") customer loads from SCE, SDG&E, the cities of Anaheim, Burbank, Colton, Corona, Glendale, Pasadena, Riverside, and Vernon, the Los Angeles Department of Water and Power ("LADWP"), the Imperial Irrigation District ("IID") and merchant electric generator customers; and 2) large cogeneration customers (greater than 20MW).

C. Embedded Cost Study of Transmission & Storage

The testimony of Ms. Sim-Cheng Fung presents an embedded cost study for transmission and storage and a functionalization study for backbone transmission service, which includes a pipeline-by-pipeline analysis to assess backbone and local transmission functions.

D. New Backbone Service, Storage Posting, and FAR Update Operational Changes

The testimony of Mr. Steve Watson proposes that, like Pacific Gas and Electric Company ("PG&E"), SoCalGas should institute backbone-only rates for new backbone transmission customers; recommends FERC posting requirements for storage; and confirms continuation of operational changes made in the FAR Update proceeding.

E. Honor Rancho Storage Field Expansion Costs

The joint testimony of Joel Mumford and Todd Van de Putte describes all facility and well construction activity that took place at the Honor Rancho storage field in association with the Honor Rancho Expansion Project previously approved by the Commission in D.10-04-034. The testimony also requests the Commission confirm that the additional costs incurred for the project above those specifically approved in D.10-04-034 were appropriately incurred, are prudent and reasonable, and should be recovered in customers' rates.

F. Backbone Transmission Service Open Season

The testimony of Paul Borkovich addresses the impact of Receipt Point capacity reductions on the sale of firm Backbone Transportation Service ("BTS") during the BTS Open Season.

G. Regulatory Account Treatment

The testimony of Mr. Greg Shimansky presents the forecasts of the December 31, 2012 account balances in SDG&E's authorized gas regulatory accounts to be incorporated into the TCAP adopted rates and proposes a refund plan for the charges accumulated in the Curtailment Penalty Funds Account. SDG&E proposes to amortize the applicable balances over a 12-month period, beginning January 1, 2013.

Similarly, the testimony of Mr. Nasim Ahmed: (1) presents the forecasts of the December 31, 2012 regulatory account balances of SoCalGas to be incorporated into the 2013 adopted rates; (2) proposes the elimination of the 2004-2007 program cycle in the Research Development & Demonstration Expense Account ("RDDEA"); and (3) proposes a refund plan for the charges accumulated in the Curtailment Violation Penalty Account

H. Rates and Tariffs

The testimonies of Mr. Bonnett (separately for SoCalGas and SDG&E) present Applicants' respective proposed natural gas transportation rates. These rates rely upon the allocation of authorized base margin costs among customer classes as shown in the testimony of Mr. Lenart and Mr. Mock. Both rate presentations in the testimony supporting this Application will be noticed publicly pursuant to the Commission's Rules of Practice and Procedure.

Mr. Bonnett also recommends the following core rate design proposals for SDG&E:

1) No longer including a core de-averaging adjustment, in favor of the proposed Transition Cost Adjustment described in the testimony of Mr. Lenart;
2) Implement proposed customer charge for residential customers;
3) Update the sub-meter credit for master-metered customers;
4) Propose a sub-meter credit cap;
5) Propose to combine non-base margin not allocated on an Equal Cents Per Therm ("ECPT") basis with base margin costs for core commercial customers; and
6) Update the natural gas vehicle ("NGV") compression cost.

Finally, Mr. Bonnett proposes the following core, noncore, and other rate design proposals for SoCalGas:

Core Proposals

1) No longer including a core de-averaging adjustment, in favor of the proposed Transition Cost Adjustment described in the testimony of Mr. Lenart;

2) Maintain the cap on the difference between Baseline and Non Baseline volumetric rates;

3) Update the sub-meter credit for master-metered customers;

4) Propose to combine non-base margin not allocated on an Equal Cents Per Therm ("ECPT") basis with base margin costs for core commercial customers; and

5) Update the natural gas vehicle ("NGV") compression cost.

Noncore Proposals

1) Presents actual TLS volumes pursuant to 2009 BCAP Settlement;[2] and

2) Propose to combine non-base margin not allocated on an Equal Cents Per Therm ("ECPT") basis with base margin costs for noncore C&I customers.

Other Proposals

1) Propose an allocation methodology for recovery of Compressor Station Fuel and Power Balancing Account (CFPBA); and

2) Increase Rule 38 Incentive Cap form 50% of project cost with a maximum $100,000 cap, to 50% of project cost with a $500,000 cap.

III. ESTIMATE OF RATE IMPACT

As detailed in the testimony of Mr. Bonnett, SoCalGas' proposed rates in this Application would result in total annual revenues that are approximately $59.4 million, or 3.1 percent, greater than revenues at present rates, consistent with the Utilities' already authorized revenue requirement. Revenues from SoCalGas' core customers will increase approximately

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2 D.09-11-006, Appendix A, Section II.B.3.M.b.

$48.1 million, a 3.0 percent increase from core revenues at present rates. Revenues from SoCalGas' noncore (including wholesale and international) customers will decrease approximately $21.7 million annually, a 15.9 percent decrease from noncore revenues at present rates. Revenues from shippers on the SoCalGas backbone transmission system are projected to be $33 million.

As more fully detailed in the testimony of Mr. Bonnett, SDG&E's proposed rates in this Application would result in total annual revenues that will increase approximately $0.3 million or 0.1% percent from revenues at present rates, consistent with the Utilities' already authorized revenue requirement. Revenues from SDG&E core customers will increase by approximately $2.5 million, a 1.0 percent increase from core revenues at present rates. Revenues from noncore customers will decrease by approximately $2.2 million annually, a 11.8 percent decrease from noncore revenues at present rates.

IV. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Compliance with Rule 2.1

In accordance with Rule 2.1 of the Commission's Rules of Practice and Procedure, Applicants provide the following information concerning the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule.

1. Proposed Category of Proceeding

Applicants propose to categorize this proceeding as "ratesetting" inasmuch as it proposes to modify or establish customer allocations for gas distribution, storage, and transmission costs and to modify the rates charged for these services.

2. Need for Hearing and Proposed Schedule

Applicants expect hearings will be necessary in this proceeding because it is likely there will be questions of material fact pertaining to customer cost allocations, among other issues. Applicants' proposed procedural schedule is set forth below:

EVENT	DATE
SoCalGas files Application	November 1, 2011
Protests to Application	January 13, 2012[3/]
Prehearing Conference	January 23, 2012
SoCalGas/SDG&E Updated Exhibit with 1/01/12 Rates	February 12, 2012
DRA and Intervenor Testimony	March 16, 2012
Rebuttal Testimony	April 20, 2012
Evidentiary Hearings	June 12-21, 2012
Opening Briefs	July 18, 2012
Reply Briefs	August 15, 2012
Proposed Decision	November 2012
Commission Decision	December 2012

3. Issues to be Considered

Applicants propose that the Commission consider the following issues in this proceeding:

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

B. Whether the demand forecast presented by Applicants is reasonable and should be adopted;

C. Whether to continue 100% balancing account treatment for Applicant's noncore transportation revenue requirement;

[3/] The date for protests requested herein is later than the date set forth in Rule 2.6(a) of the Commission's Rules of Practice and Procedure. This date, along with the date of January 23, 2012 for the Prehearing Conference, were agreed to by SDG&E, SoCalGas, and the ten other parties filing the Petition for Modification granted by the Commission in D.11-07-052. SDG&E and SoCalGas therefore request that the Commission waive Rule 2.6(a) as necessary to set the date for protests as January 13, 2012.

D. Whether to continue storage allocations adopted in the 2009 BCAP Phase One Settlement (D.08-12-020) through the TCAP period (2013-2015); and

E. Whether all of the remaining and related issues raised by Applicants have been adequately addressed and should be adopted.

B. Statutory Authority – Rule 2.1

This Application is made pursuant to Sections 451, 454, 491, and 701 of the California Public Utilities Code and complies with the applicable orders of the Commission and the Commission's Rules of Practice and Procedure.

C. Legal Name and Correspondence

SDG&E is a public utility organized and existing under the laws of the State of California. SDG&E is subject to the jurisdiction of this Commission and engages in the business of providing electric service in a portion of Orange County and electric and gas service in San Diego County. SDG&E's principal place of business is 8330 Century Park Court, San Diego, California, 92123.

SoCalGas is a public utility organized and existing under the laws of the State of California. SoCalGas is subject to the jurisdiction of this Commission and is engaged in the business of providing public utility gas service in southern and central California. The location of SoCalGas' principal place of business is Los Angeles, California and its address is 555 West Fifth Street, Los Angeles, California.

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D. Articles of Incorporation – Rule 2.2

A copy of SDG&E's Restated Articles of Incorporation as last amended, presently in effect and certified by the California Secretary of State, was previously filed with the

Commission in connection with SDG&E's Application No. 97-12-012, and is incorporated herein by reference.

A copy of SoCalGas' current Articles of Incorporation, as amended and restated, certified by the California Secretary of State, was previously filed with the Commission in connection with Application 98-10-012, and is incorporated herein by reference.

E. Rates – Rule 3.2(a)(2) and (3)

The rate changes that will result from this Application are described in Appendix A and B for SoCalGas and SDG&E, respectively.

F. Balance Sheet and Income Statement – Rule 3.2(a)(1)

The most recent updated Balance Sheet and Income Statements for SoCalGas and SDG&E are attached to this Application at Appendix C and D, respectively.

G. Description of Property and Equipment – Rule 3.2(a)(4)

A general description of SoCalGas' property and equipment was previously filed with the Commission on October 5, 2001 with Application 01-10-005, and is incorporated herein by reference. A statement of account of the original cost and depreciation reserve attributable thereto for SoCalGas and SDG&E is attached to this Application as Appendix E and F, respectively.

H. Summary of Earnings – Rules 3.2(a) (5) and (6)

The summary of earnings for SoCalGas and SDG&E are included herein as Appendix G and H, respectively.

Appendices to Application:

Appendix A – Statement of Present and Proposed Rates – SoCalGas
Appendix B – Statement of Present and Proposed Rates – SDG&E
Appendix C – Financial Statement, Balance Sheet, and Income Sheet – SoCalGas
Appendix D – Financial Statement, Balance Sheet, and Income Sheet – SDG&E
Appendix E – Statement of Original Cost and Depreciation Reserve – SoCalGas

Appendix F – Statement of Original Cost and Depreciation Reserve – SDG&E
Appendix G – Summary of Earnings – SoCalGas
Appendix H – Summary of Earnings – SDG&E
Appendix I – Service List of City, County and State Officials – SoCalGas
Appendix J – Service List of City, County and State Officials – SDG&E
Appendix K – Service List of Potential Interested Parties

I. Depreciation – Rule 3.2(a)(7)

For financial statement purposes, depreciation of utility plant has been computed on a straight-line, remaining-life basis, at rates based on the estimated useful lives of plant properties. For federal income tax accrual purposes, SDG&E and SoCalGas generally each compute depreciation using the straight-line method for tax property additions prior to 1954, and liberalized depreciation, which includes Class Life and Asset Depreciation Range Systems, on tax property additions after 1954 and prior to 1981. For financial reporting and rate-fixing purposes in 1981 to present, "flow-through accounting" has been adopted for such properties.

J. Proxy Statement – Rule 3.2(a)(8)

A copy of SoCalGas' most recent proxy statement, dated May 2, 2011, was provided to the Commission on May 4, 2011, and is incorporated herein by reference.

K. Statement Pursuant to Rule 3.2(a)(10)

This Application both reallocates costs among customer classes as well as passes through to customers of SDG&E and SoCalGas their respective costs for the services provided by Applicants as authorized by the Commission.

L. Service and Notice – Rule 3.2(b)

A list of the cities and counties affected by the rate changes resulting from this Application is attached as Appendix I and J. The State of California is also a customer of both SDG&E and SoCalGas whose rates would be affected by the proposed revisions. Also, a notice describing in general terms the proposed revenue increases and rate changes will be mailed to the potentially interested parties identified in Appendix K. The notice will state that a copy of this Application and related attachments will be furnished by Applicants upon written request.

Within twenty days following the filing of this Application, Applicants will publish at least once in a newspaper of general circulation in each county in which the changes proposed here will become effective, a notice, in general terms, of the changes proposed in this Application. This notice will state that a copy of this Application and related attachments may be examined at the Commission's offices and such offices of SDG&E and SoCalGas as are specified in the notice. A similar notice will be included in the regular bills mailed to all customers within 45 days of the filing date of this Application. Applicants will serve a Notice of Availability of this Application and related exhibits on parties of record in the 2009 BCAP and the Applicants' most recent General Rate Case. The service lists identifying these potentially interested parties is Appendix K to this Application. However, Applicants note that this Application will initiate a new proceeding. As such, no official service list has yet been established.

V. ADDITIONAL DISCLOSURES AND ALTERNATIVES CONSIDERED

Various affiliates of SDG&E and SoCalGas might be affected by this filing. Sempra Pipelines and Storage owns pipeline transmission and distribution assets in northern Mexico that are interconnected with the Applicants' system at the California–Mexico border.[4/] Each of these companies could be affected by the issues raised by the Application in this TCAP proceeding to the same as other customers taking service under the same rate schedules.

[4/] Gasoducto Bajanorte S. de R.L. de C.V. and Transportadora de Gas Natural de Baja California S. de R.L. de C.V. own pipeline facilities in northern Mexico. In addition, Ecogas Mexico, S. de R.L. de C.V. (formerly Distribuidora de Gas Natural de Mexicali, S. de R.L. de C.V.) holds a Commission-approved contract with SoCalGas under Schedule GT-TLS which expires February 1. 2013. Energia Costa Azul, S. de R.L. de C.V. owns LNG terminal facilities in northern Mexico.

Senior management for SDG&E and SoCalGas considered the following alternatives to new or changed services and product offerings presented in this Application: SoCalGas management considered whether to propose a revised larger equipment incentive cap for the SoCalGas Rule 38, Commercial/Industrial Equipment Incentive Program, or to continue with the existing cap. Management ultimately decided to propose a larger cap because it would be in the best interests of both customers and SoCalGas.

VI. CONCLUSION

Applicants are ready to proceed with their showing in support of the requested authorizations and related proposals set forth herein and in the supporting testimony submitted concurrently herewith.

WHEREFORE, SDG&E and SoCalGas respectfully request that the Commission:

1. Authorize the allocation of costs by customer classes as proposed by Applicants in this Application, effective January 1, 2013;
2. Authorize Applicants' gas distribution, transmission, and storage rates as proposed in this Application, effective January 1, 2013;
3. Continue storage allocations adopted in the 2009 BCAP Phase One Settlement (D.08-12-020) through the TCAP period (2013-2015);
4. Grant Applicants' proposal for continued 100% balancing account treatment for noncore transportation revenues; and
5. Grant Applicants such other and further relief requested, and as the Commission finds just and reasonable.

Dated this 1st day of November 2011, in Los Angeles, California.

Respectfully submitted,

SAN DIEGO GAS & ELECTRIC COMPANY
SOUTHERN CALIFORNIA GAS COMPANY

By: *<u>/s/ Richard M. Morrow</u>*

Richard M. Morrow
Vice President of Engineering and
Operations Staff

By: *<u>/s/ David J. Gilmore</u>*
DAVID J. GILMORE

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VERIFICATION

I, Richard M. Morrow, am an officer of San Diego Gas & Electric Company and Southern California Gas Company, and I am authorized to make this verification on its behalf. The content of this Application is true, except as to matters that are stated on information and belief. As to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on November 1, 2011, at Los Angeles, California.

/s/ Richard M. Morrow
Richard M. Morrow
Vice President of Engineering and Operations Staff

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 November 1, 2013, in Their Triennial Cost Allocation Proceeding	Application 11-11-______ (Filed November 1, 2011)

NOTICE OF AVAILABILITY

APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY AND
SOUTHERN CALIFORNIA GAS COMPANY
2013 TRIENNIAL COST ALLOCATION PROCEEDING

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November 1, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION

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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 November 1, 2011, in Their Triennial Cost Allocation Proceeding.	Application 11-11-______ (Filed November 1, 2011)

<u>NOTICE OF AVAILABILITY</u>

APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY AND
SOUTHERN CALIFORNIA GAS COMPANY
2013 TRIENNIAL COST ALLOCATION PROCEEDING

TO: All Parties of Record in A.08-02-001, A.10-12-005, and A.10-12-006:

Please be advised that on November 1, 2011, San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") filed with the California Public Utilities Commission ("Commission") its 2013 Triennial Cost Allocation Proceeding ("BCAP") application as captioned above. Pursuant to Rule 1.9(d) of the Commission's Rules of Practice and Procedure, you may receive a copy of the Application by directing your request in writing to:

Gregory Healy, Regulatory Case Manager
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This application is also available for viewing and printing on the SDG&E or SoCalGas website at www.sdge.com/regulatory/cpuc.shtml or www.socalgas.com/regulatory/cpuc.shtml.

DATED at Los Angeles, California, on this 1st day of November 1, 2011.

Respectfully submitted,

SAN DIEGO GAS & ELECTRIC COMPANY and
SOUTHERN CALIFORNIA GAS COMPANY

By: _________*/s/ Michael R. Thorp*________
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