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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	))))))))	A.04-12-____ (Filed December 2, 2004)

APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

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December 2, 2004

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APPLICATION OF
SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G)
AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

In accordance with Commission Decision No. 04-09-022 and the Commission's Rules of Practice and Procedure, San Diego Gas & Electric Company ("SDG&E") and Southern California Gas Company ("SoCalGas") hereby submit this application ("Application") requesting authority to: integrate the transmission component of their gas transportation rates; establish a system of firm access rights ("FAR") into their transmission system; and provide off-system gas transportation services.

I.

BACKGROUND

In Order Instituting Rulemaking (R.)98-01-011, the Commission assessed the market and regulatory framework of California's natural gas industry and considered reforms that might foster competition and benefit all California natural gas consumers. In D.99-07-015, the Commission identified the most promising options for changes to the regulatory and market structure of the natural gas industry. Order Instituting Investigation (I.)99-07-003 was issued the same day and asked parties to prepare a more detailed analysis of the costs and benefits of the promising options and allowed time for exploring the possibility of settlement before testimony and hearings. Various parties agreed to a "Comprehensive Settlement Agreement" ("CSA"). The CSA settled the issues raised by the most promising options being investigated in I.99-07-003.

In D.01-12-018, the Commission approved the CSA with modifications. D.01-12-018 authorized customer access to firm tradable transmission rights on the SoCalGas system and also authorized SoCalGas to provide interruptible off-system transportation service. D.01-12-018 also allowed noncore customers to acquire intrastate backbone transmission rights through an open season, or purchase gas at the SoCalGas city gate. D.01-12-018 provided that the SoCalGas Gas Acquisition Department would continue to reserve interstate capacity, intrastate backbone transmission capacity, and storage capacity to meet the requirements of retail core procurement customers. D.01-12-018 anticipated that the availability of firm tradable transmission rights would allow customers to place an increased reliance on long-term contracts.

D.01-12-018 ordered SoCalGas to file advice letters to implement the CSA. SoCalGas filed nine Advice Letters ("ALs") to establish an implementation schedule, tariffs, and rules to implement D.01-12-018. Eight of the nine ALs were protested. Protests were received from both signatories and non-signatories to the CSA.

On February 27, 2003, the Commission issued Resolution G-3334 which consolidated and denied the ALs without prejudice and ordered SoCalGas to file an application to implement D.01-12-018.

Accordingly, SoCalGas filed Application (A.)03-06-040. After evidentiary hearings, the Commission issued D.04-04-015 which adopted tariffs to implement the CSA, but stayed implementation pending the outcome of the Commission's Rulemaking (R.04-01-025) addressing policies and rules to ensure reliable, long-term natural gas supplies to California. In D.04-09-022, the Commission issued its "Phase I Decision" in R.04-01-025 addressing a variety of matters related to acquisition of interstate pipeline capacity and access to new natural gas supplies. With respect to FAR, the Commission therein continued its stay of D.04-04-015 "until further notice"[1/] and ordered SDG&E and SoCalGas to file the instant Application to address FAR.[2/]

In their "Phase I Proposals" in R.04-01-025, SDG&E and SoCalGas requested that the Commission adopt a policy that their transmission rates be integrated to reflect the fact that the SDG&E/SoCalGas transmission system is operated on an integrated basis. In D.04-09-022, the Commission declined to adopt transmission rate integration on a policy basis, but expressed its "intention that any solution to transmission access problems will be based on efficiency and fairness to both affected ratepayers and suppliers."[3/] The Commission authorized the establishment of Otay Mesa as a common SDG&E/SoCalGas receipt point at existing rates, subject to an evaluation of rate issues in the instant Application.[4/] The Commission ordered SDG&E and SoCalGas to file the instant Application, and set forth its intention to address the Application "in an expeditious manner."[5/]

In D.04-09-022, the Commission noted that Pacific Gas and Electric Company ("PG&E") had pointed out in its Phase I Proposals that the manner in which customers in northern

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1/ D.04-09-022, *mimeo*, p. 73.
2/ *Id*. at 93, Ordering Paragraph 8.
3/ *Id*. at 68.
4/ *Id*. at 66, 93 (Ordering Paragraph 7.a.).
5/ *Id*. at 67.

California could gain access to liquefied natural gas ("LNG") supplies from southern California would be for SoCalGas to allow nominations from a citygate delivery point to an off-system connection with PG&E. The Commission further noted SoCalGas' position that PG&E's request was consistent with SoCalGas' FAR proposals to create a citygate market and to sell interruptible backhaul services from the citygate to any receipt point on its system, where that gas could then be delivered off-system.[6/] The Commission further noted that SoCalGas was evaluating potential costs of providing firm off-system deliveries and ordered SoCalGas to "make its full showing on off-system deliveries in its upcoming system integration/firm access rights filing."[7/]

II.

DESCRIPTION OF APPLICATION

As noted above, D.04-09-022 ordered SDG&E and SoCalGas to file the instant Application to address: a system of FAR, integration of the transmission component of the rates of SDG&E and SoCalGas, and off-system deliveries. SDG&E and SoCalGas have addressed these issues through the testimonies of the following witnesses.

The testimony of Mr. Richard Morrow describes the policies as expressed in the proposals offered in this proceeding by SDG&E and SoCalGas. Mr. Morrow explains why FAR are needed in order to implement fully the Commission's goal of enhancing customer gas commodity choices and why such a system can and should be implemented without unbundling backbone transmission costs from transportation rates or placing SDG&E or SoCalGas "at risk" for recovery of backbone transmission costs. As Mr. Morrow explains, FAR will provide the

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6/ *Id*. at 74.

7/ *Id*. The Commission further stated that "[t]his showing should be limited to off-system deliveries for natural gas to be consumed within California (*e.g*., into PG&E's service territory)." *Id*.

customers of SDG&E and SoCalGas with a more reliable means to ensure that natural gas from upstream pipelines enters the SDG&E/SoCalGas system under rules established and enforced by this Commission rather than the Federal Energy Regulatory Commission. With respect to integration of the SDG&E/SoCalGas transmission rates, Mr. Morrow observes that rate integration will merely reflect the operational integration of the two utilities' transmission systems currently in effect and that rate integration will allow all customers of SDG&E and SoCalGas to obtain access to gas supplies entering their system on an equal basis. Mr. Morrow also explains why off-system delivery services will provide benefits both to the customers of SDG&E and SoCalGas and to the State of California as a whole.

The testimony of Mr. David Bisi describes the operational benefits that will result from the continued integration of the SDG&E/SoCalGas transmission system, particularly as it relates to the receipt of new gas supplies at Otay Mesa. Mr. Bisi also sets forth the receipt point capacities of the SDG&E/SoCalGas system, and defines the "transmission zones" in which firm receipt point capacities are physically interchangeable with each other. Mr. Bisi further discusses the cost of potential expansions of receipt points, including expansions that might be necessary to accommodate regasified LNG supplies and/or supplies from new or expanded interstate pipelines. In addition, Mr. Bisi describes the system facilities necessary to transport and redeliver gas supplies to the PG&E system and other pipelines with operations in California.

The testimony of Mr. Stephen Watson describes why a system of FAR is superior to existing scheduling practices on the SoCalGas system. He presents the specific FAR proposal of SDG&E and SoCalGas in this proceeding as ordered by D.04-09-022. Mr. Watson also describes how FAR would be established initially and in each subsequent three-year cycle. He also fully explains the level of rights available at each existing receipt point and transmission zone, and how receipt rights will be made available at new receipt points that might receive volumes of new supplies from upstream supply sources. Mr. Watson also describes three off-system delivery services proposed by SDG&E and SoCalGas in this proceeding: an interruptible service that depends on the upstream pipeline's forward-haul deliveries; an interruptible service that is more reliable because it would entail the construction of facilities permitting SoCalGas to provide this service if there are sufficient forward-haul deliveries from any of several upstream pipelines in the northern part of SoCalGas' service territory; and a firm service that does not rely upon deliveries from upstream pipelines and would require the construction of facilities necessary to ensure that natural gas can physically flow into the upstream pipeline each and every day.

The testimony of Mr. Rodger Schwecke sponsors the changes to the tariffs of SDG&E and SoCalGas necessary to implement their proposals in this Application. As Mr. Schwecke states, SDG&E and SoCalGas intend to serve exemplary tariffs within approximately two weeks of the date of this Application. Mr. Schwecke also details how the system of FAR proposed by Mr. Watson would work in practice, and explains how this system is similar to the system in place currently for interstate pipeline companies. For example, Mr. Schwecke describes the features of SoCalGas' electronic bulletin board that will be used to facilitate secondary market transactions and promote overall market transparency. Mr. Schwecke also sets forth an illustrative schedule to implement FAR.

The testimony of Ms. Allison Smith addresses the rate effects associated with the proposals offered herein by SDG&E and SoCalGas. Ms. Smith identifies the rate effects that would occur solely from implementing the SDG&E/SoCalGas transmission rate integration proposal using the currently authorized long-run marginal cost ("LRMC") allocation and current rate design[8/] and then shows the further rate effect of implementing the SDG&E/SoCalGas FAR proposal. Ms. Smith also explains the derivation of the rates proposed for off-system deliveries. Ms. Smith sponsors the specific rate effects by customer class that are set forth in Attachment "A" to this Application.

III.

ADDITIONAL INFORMATION

A. Rule 15

This Application is filed pursuant to D.04-09-022, Sections 451, 454, 491 and 701 of the California Public Utilities Code ("Code"), and complies with the applicable orders of the Commission and the Commission's Rules of Practice and Procedure ("Rules").

SDG&E is a corporation organized under the laws of the State of California. It is a gas and electric corporation subject to the jurisdiction of this Commission and is engaged in the business of providing public utility electric service in San Diego County and southern Orange County in California, and gas service in San Diego County.

The exact legal name of SDG&E is San Diego Gas & Electric Company. The location of SDG&E's principal place of business is 8306 Century Park Court, San Diego, California, 92123.

SoCalGas is a corporation organized under the laws of the State of California. It is a gas corporation 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 exact legal name of SoCalGas is Southern California Gas Company. The location of SoCalGas' principal place of business is Los Angeles, California. Its address is 555 West Fifth

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8/ SDG&E and SoCalGas are not suggesting that LRMC cost allocation is preferable to an allocation based on embedded costs, but are proposing LRMC-based rates in this Application solely because that is the method currently adopted by the Commission for SDG&E and SoCalGas.

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B. Rule 16

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

A copy of SoCalGas' current Articles of Incorporation, as last amended and restated, and certified by the California Secretary of State, was filed with the Commission on October 1, 1998 in connection with SoCalGas' Application, A.98-10-012, and is incorporated herein by reference.

C. Rule 23

A summary of present rates for SDG&E and SoCalGas, and a statement of the increases in rates or changes which will result in rate increases, is included with this Application in Attachment "A."

A balance sheet, income statement and statement of retained earnings for SDG&E and SoCalGas, as of the latest available date of September 30, 2004, are included with this Application in Attachment "B."

A summary of earnings for SDG&E and SoCalGas for the nine months ended September 30, 2004, is included with this Application in Attachment "C."

On May 3, 2004, SDG&E filed its most current proxy statement (dated March 10, 2004) with the Commission in connection with A.04-05-010. That proxy statement is incorporated herein by reference. On May 3, 2004, SoCalGas filed its most current proxy statement (dated March 10, 2004) with the Commission in connection with A.04-05-008. That proxy statement is incorporated herein by reference.

A general description of the property and equipment of SDG&E was previously filed with the Commission on October 5, 2001, in connection with SDG&E's Application No. 01-10-005 and is incorporated herein by reference. A general description of the property and equipment of SoCalGas was previously filed with the Commission on May 3, 2004 in connection with SoCalGas' Application No. 04-05-008 and is incorporated herein by reference. A statement of original cost and depreciation for SDG&E and SoCalGas is included with this Application in Attachment "D."

For financial statement purposes, depreciation of utility plant for both SDG&E and SoCalGas 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 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, “flow through accounting” has been adopted for such properties. For tax property additions in years 1981 through 1986, SDG&E and SoCalGas have computed their tax depreciation using the Accelerated Cost Recovery System. For years after 1986, SDG&E and SoCalGas have computed their tax depreciation using the Modified Accelerated Cost Recovery Systems and, since 1982, have normalized the effects of the depreciation differences in accordance with the Economic Recovery Tax Act of 1981 and the Tax Reform Act of 1986.

The prepared direct testimony and accompanying exhibits in support of this Application are included in Attachments “F” through “J,” inclusive. SDG&E and SoCalGas are ready to proceed with their showing in this matter.

D. Rule 24

Within ten days of the filing of this Application, SDG&E and SoCalGas will mail notice thereof to the state of California and to the cities and counties in their service territory, as listed in Attachment “E.” Also within ten days, SDG&E and SoCalGas will post in their offices and publish in newspapers of general circulation in each county in their service territory notice of this Application. Within 45 days of the filing of this Application, SDG&E and SoCalGas will provide notice of the fact that this Application was filed in the regular bill for charges transmitted to their customers.

E. SB 960/Rule 6

Pursuant to the additional procedural rules under the requirements of SB 960, Rule 6 requires applications filed after January 1, 1998 to state the proposed category for the proceeding, the need for hearings, the issues to be considered, and a proposed schedule. SDG&E and SoCalGas propose that this Application be categorized as a "ratesetting" proceeding, consistent with the definition provided under Rule 5(c). SDG&E and SoCalGas further anticipate the need for hearings with respect to this Application, and the issues to be considered are set forth in the testimony attached to this Application and are briefly summarized above. In recognition of the Commission's stated intention to process this Application "in an expeditious manner,"[9/] SDG&E and SoCalGas submit the following proposed schedule for the Commission's consideration:

Application filed	December 2, 2004
Prehearing Conference	January 20, 2005
Scoping Memo	January 27, 2005
Interested Parties serve testimony	February 28, 2005
Rebuttal testimony served by all parties	March 28, 2005
Hearings begin	April 4, 2005
Hearings conclude	April 8, 2005

WHEREFORE, SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY request that the Commission issue an appropriate order authorizing SDG&E and SoCalGas to charge the rates proposed herein and to grant such additional relief as requested in the testimony and as the Commission may find proper.

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9/ D.04-09-022, *mimeo*, p. 67.

DATED at Los Angeles, California, this 2nd day of December, 2004.

Respectfully submitted,

SAN DIEGO GAS & ELECTRIC COMPANY and
SOUTHERN CALIFORNIA GAS COMPANY

By: Richard M. Morrow
Richard M. Morrow
Vice President - Customer Services-Major Markets

By: David J. Gilmore
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VERIFICATION

I am an officer of Southern California Gas Company and am authorized to make this verification on its behalf. The matters stated in the foregoing Application are true to my own knowledge, except as to matters that are stated therein on information and belief, and as to those matters I believe them to be true.

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

Executed this 2nd day of December, 2004, at Los Angeles, California.

Richard M. Morrow

Richard M. Morrow
Vice President - Customer Services-Major Markets

Attachment A

TABLE G-1

Summary of Annual Gas Transportation Revenues

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

				At Present Rates		**At Proposed Rates**		**Changes**			
			BCAP Volumes	May-1-04 Revenues	Average Rate	SI + FAR Revenues	Average Rate	Revenues	Rates	Percent	
			A	B	C	D	E	F	G	H	
			mtherms	*$1,000* 1/	*¢/therm*	*$1,000* 1/	*¢/therm*	*$1,000*	*¢/therm*		
1	Residential	1/	326,207	$140,132	42.958	$129,490	39.696	($10,642)	-3.262	-7.6%	1
2	Comml & Industrial	1/	129,794	$35,069	27.019	$31,031	23.908	($4,038)	-3.111	-11.5%	2
3	NGV	1/	4,030	$1,381	34.276	$1,280	31.754	($102)	-2.522	-7.4%	3
4	**Total CORE**		460,031	$176,582	38.385	$161,801	35.172	($14,782)	-3.213	-8.4%	4
5											5
6	Comml & Industrial	1/	86,211	$7,257	8.418	$5,165	5.991	($2,092)	-2.427	-28.8%	6
7	Elec Generation :										7
8	Pre-Semprawide	1, 2/	897,926	$40,347	4.493	$23,153	2.578	($17,194)	-1.915	-42.6%	8
9	Adjustment	1, 2/		($8,823)	-0.983	$1,053	0.117	$9,876	1.100	111.9%	9
10	EG Totals		897,926	$31,524	3.511	$24,206	2.696	($7,318)	-0.815	-23.2%	10
11											11
12	**Total NCORE**		984,137	$38,781	3.941	$29,372	2.984	($9,410)	-0.956	-24.3%	12
13											13
14	**GAS TRANSP RATE REV**		**1,444,168**	**$215,364**	**14.913**	**$191,172**	**13.238**	**($24,191)**	**-1.675**	**-11.2%**	14
15											15
16	**PPP SURCHARGE REV**		**546,242**	**$21,107**		**$21,107**		**$0**		**0.0%**	16
17											17
18	**GAS REVENUE REQUIREMENTS**			**$236,471**		**$212,279**		**($24,191)**		**-10.2%**	18

Notes **1/** Present Rates reflect gas rates filed in AL 1447-G, effective May 1, 2004.
Both Present and Proposed Rates exclude all costs related to SDG&E procurement, including CITCS charges.

2/ The Totals reflect a "stand-alone" EG rate for transportation service through both SDG&E and SoCalGas.
The Adjustment reflects the Semprawide rate adjustment to equalize the EG rates of SDG&E and SoCalGas.

TABLE G-2

Summary of Residential Rates

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

	CUSTOMER GROUP			Units	Present Rates May-1-04	**Proposed Rates SI + FAR**	Rate Change	%Change	
				A	B	**C**	D	E	
1	***Bundled Services 1/***								1
2	Regular Baseline	**Sch. GR,GM,GS,GT**		¢/therm	85.542	**82.698**	-2.844	-3.3%	2
3	Regular Non-Baseline			¢/therm	103.590	**99.412**	-4.178	-4.0%	3
4	Average Rate (excluding CARE customers)			¢/therm	91.410	88.132	-3.278	-3.6%	4
5	NBL/BL Difference			¢/therm	18.048	16.714			5
6	NBL/BL Ratio				1.211	1.202			6
7									7
8	*CARE Baseline*	*Illustrative 2/*	*20.0%*	*¢/therm*	*68.433*	*66.158*	*-2.275*	*-3.3%*	8
9	*CARE NBL*	*Illustrative 2/*	*20.0%*	*¢/therm*	*82.872*	*79.530*	*-3.342*	*-4.0%*	9
10									10
11	GS Unit Discount	**Schedule GS**		¢/day	-25.493	**-25.493**	0.000	0.0%	11
12	GT Unit Discount	**Schedule GT**		¢/day	-34.064	**-34.064**	0.000	0.0%	12
13	**Schedule GL-1**								13
14	LNG Facility Charge, domestic use			$/month	$14.79	**$14.79**	$0.00	0.0%	14
15	LNG Facility Charge, non-domestic use			¢/mth/1000 btu	5.480	**5.480**	0.000	0.0%	15
16	LNG Volumetric Surcharge			¢/therm	16.571	**16.571**	0.000	0.0%	16
17	Average Full Service LNG Rate 3/			¢/therm	156.697	153.450	-3.247	-2.1%	17
18									18
19	***Consolidated Transport-Only (SDG&E + SoCalGas) 4/***						***equal pct of rev alloc***		19
20	Regular Baseline	**Sch. GTC & GTCA**		¢/therm	38.475	**35.631**	-2.844	-7.4%	20
21	Regular Non-Baseline			¢/therm	56.524	**52.346**	-4.178	-7.4%	21
22	Average Rate (excluding CARE customers)			¢/therm	44.343	41.066	-3.278	-7.4%	22
23	*CARE Baseline*	*Illustrative 2/*		*¢/therm*	*21.367*	*19.092*	*-2.275*	*-10.6%*	23
24	*CARE NBL*	*Illustrative 2/*		*¢/therm*	*35.806*	*32.463*	*-3.342*	*-9.3%*	24
25									25
26	***SDG&E Transport-Only 4,5/***								26
27	Regular Baseline	**Schedule GTC-SD**		¢/therm	36.141	**34.632**	-1.509	-4.2%	27
28	Regular Non-Baseline			¢/therm	54.190	**51.347**	-2.843	-5.2%	28
29	Average Rate (excluding CARE customers)			¢/therm	42.009	40.067	-1.943	-4.6%	29
30	*CARE Baseline*	*Illustrative 2/*		*¢/therm*	*19.033*	*18.093*	*-0.940*	*-4.9%*	30
31	*CARE NBL*	*Illustrative 2/*		*¢/therm*	*33.472*	*31.464*	*-2.007*	*-6.0%*	31
32									32
33	***Other Core Rates***								33
34	Schedule GPC - WACOG annual average 1/			¢/therm	47.067	47.067	0.000	0.0%	34
35	CORE ITCS (embedded in rates)			¢/therm	(0.223)	**(0.223)**	0.000	0.0%	35

Notes

1/ Reflects illustrative WACOG. Actual tariff rates reflect monthly changing Schedule GPC prices.

2/ CARE rates are 20% less than regular fully bundled services rates (i.e., net of the CARE surcharge) and change monthly due to monthly changing procurement prices.

3/ Reflects total LNG bill that includes both Schedule GR charges in addition to Schedule GL-1 charges.

4/ Present and proposed rates exclude an amount for Core Interstate Transition Cost Surcharges (CITCS).

5/ These rates reflect an equal cent per therm removal of SCGas costs from consolidated transport-only rates (i.e., SDG&E + SCGas). The SCGas costs are billed under their Schedule GT-SD, which includes the customer charge.

TABLE G-3

Summary of NGV Rates

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

	CUSTOMER GROUP		Units	Present Rates May-1-04	**Proposed Rates SI + FAR**	Rate Change	%Change	
			A	B	**C**	D	E	
1	***Bundled Services 1/***							1
2	Vehicles	**Schedule G-NGV**	¢/therm	81.207	78.695	-2.512	-3.1%	2
3	Bus Fleets		¢/therm	81.207	78.695	-2.512	-3.1%	3
4	Uncompressed Gas		¢/therm	54.069	53.554	-0.515	-1.0%	4
5	Co-Funded		¢/therm	67.638	66.124	-1.514	-2.2%	5
6								6
7								7
8	***Consolidated Transport-Only (SDG&E + SoCalGas) 2/***					***equal pct of rev alloc***		8
9	Vehicles	**Schedule GT-NGV**	¢/therm	34.141	**31.628**	-2.512	-7.4%	9
10	Bus Fleets		¢/therm	34.141	**31.628**	-2.512	-7.4%	10
11	Uncompressed Gas		¢/therm	7.003	**6.487**	-0.515	-7.4%	11
12	Co-funded		¢/therm	20.572	**19.058**	-1.514	-7.4%	12
13								13
14								14
15	***SDG&E Transport-Only 2,3/***							15
16	Vehicles	**Schedule GTC-SD**	¢/therm	31.807	**30.629**	-1.177	-3.7%	16
17	Bus Fleets		¢/therm	31.807	**30.629**	-1.177	-3.7%	17
18	Uncompressed Gas		¢/therm	4.669	**5.488**	0.820	17.6%	18
19	Co-funded		¢/therm	18.238	**18.059**	-0.179	-1.0%	19

Notes

1/ Reflects illustrative WACOG. Actual tariff rates reflect monthly changing Schedule GPC prices.

2/ Present and proposed rates exclude an amount for Core Interstate Transition Cost Surcharges (CITCS).

3/ These rates reflect an equal cent per therm removal of SCGas costs from consolidated transport-only rates (i.e., SDG&E + SCGas). The SCGas costs are billed under their Schedule GT-SD, which includes the customer charge.

TABLE G-4

Summary of Core Commercial & Industrial Rates

Rates for all Core Commercial Customers

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

	CUSTOMER GROUP		Units	Present Rates May-1-04	**Proposed Rates SI + FAR**	Rate Change	%Change	
			A	B	**C**	D	E	
1	***Bundled Services 1/***							1
2	Service Fees	1,000 therms	$/month	$5.58	**$5.58**	$0.00	0.0%	2
3	**Schedule GN-3**	21,000 therms	$/month	$11.16	**$11.16**	$0.00	0.0%	3
4		Over	$/month	$111.61	**$111.61**	$0.00	0.0%	4
5								5
6	Volumetric Charges	1,000 therms	¢/therm	85.190	**80.253**	-4.937	-5.8%	6
7	Winter	21,000 therms	¢/therm	62.338	**60.361**	-1.978	-3.2%	7
8		Over therms	¢/therm	57.498	**56.147**	-1.351	-2.3%	8
9								9
10	Summer	1,000 therms	¢/therm	77.052	**73.169**	-3.883	-5.0%	10
11		21,000 therms	¢/therm	61.896	**59.976**	-1.920	-3.1%	11
12		Over therms	¢/therm	55.999	**54.843**	-1.157	-2.1%	12
13								13
14	***Consolidated Transport-Only (SDGE+SCG) 2/***							14
15	Service Fees	1,000 therms	$/month	$5.58	**$5.58**	$0.00	0.0%	15
16	**Schedule GTC**	21,000 therms	$/month	$11.16	**$11.16**	$0.00	0.0%	16
17		Over	$/month	$111.61	**$111.61**	$0.00	0.0%	17
18						***equal pct of rev alloc***		18
19	Volumetric Charges	1,000 therms	¢/therm	38.123	**33.187**	-4.937	-12.9%	19
20	Winter	21,000 therms	¢/therm	15.272	**13.294**	-1.978	-12.9%	20
21		Over therms	¢/therm	10.431	**9.081**	-1.351	-12.9%	21
22								22
23	Summer	1,000 therms	¢/therm	29.985	**26.103**	-3.883	-12.9%	23
24		21,000 therms	¢/therm	14.829	**12.909**	-1.920	-12.9%	24
25		Over therms	¢/therm	8.933	**7.776**	-1.157	-12.9%	25
26	**Average Rate for Small Core C&I**		¢/therm	27.569	24.402	-3.167	-11.5%	26
27	**Average Rate for Large Core C&I**		¢/therm	12.867	11.248	-1.618	-12.6%	27
28								28
29	***SDG&E Transport-Only 2,3/***							29
30	Service Fees	1,000 therms	$/month	$5.58	**$5.58**	$0.00	0.0%	30
31	**Schedule GTC-SD**	21,000 therms	$/month	$11.16	**$11.16**	$0.00	0.0%	31
32		Over	$/month	$111.61	**$111.61**	$0.00	0.0%	32
33								33
34	Volumetric Charges	1,000 therms	¢/therm	35.790	**32.188**	-3.602	-10.1%	34
35	Winter	21,000 therms	¢/therm	12.938	**12.295**	-0.643	-5.0%	35
36		Over therms	¢/therm	8.097	**8.082**	-0.016	-0.2%	36
37								37
38	Summer	1,000 therms	¢/therm	27.652	**25.103**	-2.548	-9.2%	38
39		21,000 therms	¢/therm	12.495	**11.910**	-0.585	-4.7%	39
40		Over therms	¢/therm	6.599	**6.777**	0.178	2.7%	40

1/ Reflects illustrative WACOG. Actual tariff rates reflect monthly changing Schedule GPC prices.

2/ Present and proposed rates exclude an amount for Core Interstate Transition Cost Surcharges (CITCS).

3/ These rates reflect an equal cent per therm removal of SCGas costs from consolidated transport-only rates (i.e., SDG&E + SCGas). The SCGas costs are billed under their Schedule GT-SD, which includes the customer charge.

TABLE G-5

Summary of Consolidated Noncore Transportation Rates

Transport Service through the SDG&E & SoCalGas Systems

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

	CUSTOMER GROUP			Units	Present Rates May-1-04	**Proposed Rates SI + FAR**	Rate Change	%Change	
				A	B	**C**	D	E	
1	**COMMERCIAL/INDUSTRIAL:**		***Schedule GTNC***				*equal pct of rev alloc*		1
2	**Volumetric**	**MPS**	Winter	¢/therm	11.464	**7.977**	-3.487	-30.4%	2
3	**Charges**		Summer	¢/therm	9.219	**6.415**	-2.804	-30.4%	3
4									4
5		**HPS**	Winter	¢/therm	7.715	**5.368**	-2.347	-30.4%	5
6			Summer	¢/therm	6.035	**4.199**	-1.836	-30.4%	6
7									7
8		**Transm**	Winter	¢/therm	5.352	**3.724**	-1.628	-30.4%	8
9			Summer	¢/therm	4.232	**2.945**	-1.287	-30.4%	9
10									10
11	**Customer Charges:**								11
12	0 to	3,000	therms	$/month	$17.86	**$17.86**	$0.00	0.0%	12
13	3,001 to	7,000	therms	$/month	$92.64	**$92.64**	$0.00	0.0%	13
14	7,001 to	21,000	therms	$/month	$168.54	**$168.54**	$0.00	0.0%	14
15	21,001 to	126,000	therms	$/month	$338.19	**$338.19**	$0.00	0.0%	15
16	126,001 to	1,000,000	therms	$/month	$678.61	**$678.61**	$0.00	0.0%	16
17	Over	1,000,000	therms	$/month	$1,439.82	**$1,439.82**	$0.00	0.0%	17
18	**AMR Charges**			$/month	$137	**$137**	$0	0.0%	18
19									19
20	**AVERAGE TARIFF RATE**			¢/therm	8.356	**5.947**	-2.409	-28.8%	20
21									21
22	**ELECTRIC GENERATORS**		***Schedule EG***		*Sempra-wide*				22
23	**Group A**								23
24	Customer Charge, per meter			$/month	$50	**$50**	$0.00	0.0%	24
25	Single Volumetric Rate, all volumes			¢/therm	6.361	**4.255**	-2.106	-33.1%	25
26	(includes ITCS)								26
27	**Group B**								27
28	Single Volumetric Rate, all volumes			¢/therm	3.214	**2.532**	-0.682	-21.2%	28
29	(includes ITCS)								29
30	**AVERAGE TARIFF RATE**			¢/therm	3.511	**2.696**	-0.815	-23.2%	30
31									31
32	**OTHER RATES:**								32
33	ITCS Rate	(embedded in rates)		¢/therm	(0.223)	**(0.223)**	0.000	0.0%	33

TABLE G-6

Summary of SDG&E-Only NoncoreTransportation Rates

Transport Service through SDG&E Service Territory Only

SAN DIEGO GAS & ELECTRIC

SI-FAR-OFF Application

Filing for Integrated Transmission System / Firm Access Rights Rates

	CUSTOMER GROUP			Units	Present Rates May-1-04	**Proposed Rates SI + FAR**	Rate Change	%Change	
				A	B	**C**	D	E	
1	**COMMERCIAL/INDUSTRIAL**		***Schedule GTNC-SD***						1
2	**Volumetric**	**MPS**	Winter	¢/therm	9.060	**6.908**	-2.152	-23.8%	2
3	**Charges**		Summer	¢/therm	6.815	**5.345**	-1.469	-21.6%	3
4									4
5		**HPS**	Winter	¢/therm	5.311	**4.299**	-1.012	-19.1%	5
6			Summer	¢/therm	3.630	**3.129**	-0.501	-13.8%	6
7									7
8		**Trans**	Winter	¢/therm	2.948	**2.654**	-0.293	-9.9%	8
9			Summer	¢/therm	1.828	**1.875**	0.047	2.6%	9
10									10
11	**Customer Charges:**								11
12	0 to	3,000	therms	$/month	$17.86	**$17.86**	$0.00	0.0%	12
13	3,001 to	7,000	therms	$/month	$92.64	**$92.64**	$0.00	0.0%	13
14	7,001 to	21,000	therms	$/month	$168.54	**$168.54**	$0.00	0.0%	14
15	21,001 to	126,000	therms	$/month	$338.19	**$338.19**	$0.00	0.0%	15
16	126,001 to	1,000,000	therms	$/month	$678.61	**$678.61**	$0.00	0.0%	16
17	Over	1,000,000	therms	$/month	$1,439.82	**$1,439.82**	$0.00	0.0%	17
18	**AMR Charges**			$/month	$137	**$137**	$0	0.0%	18
19									19
20									20
21	**ELECTRIC GENERATORS**		***Schedule EG-SD***						21
22	**Group A**								22
23	Customer Charge, per meter			$/month	**$50**	**$50**	$0.00	0.0%	23
24	Single Volumetric Rate, all volumes			¢/therm	4.132	**3.361**	-0.771	-18.7%	24
25									25
26	**Group B**								26
27	Single Volumetric Rate, all volumes			¢/therm	0.985	**1.638**	0.653	66.3%	27
28									28

TABLE SCG-1

Southern California Gas Company

SUMMARY OF ANNUAL GAS TRANSPORTATION REVENUES

SI-FAR-OFF Application: SI+FAR

			At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		BCAP Volumes	Revenues	Average Rate	Revenues	Average Rate	Revenues	Rates	Percent	
	A	B	C	D	E	F	G	H	I	
		(Mth)	(M$)	($/Th)	(M$)	($/Th)	(M$)	($/Th)	(%)	
	CORE PROCUREMENT									
1	Residential	2,484,024	$1,112,476	$0.44785	$1,108,089	$0.44609	($4,387)	($0.00177)	0%	1
2	Large Master Meter	37,360	$9,340	$0.25000	$9,223	$0.24686	($117)	($0.00314)	-1%	2
3	Commercial & Industrial	700,113	$207,850	$0.29688	$206,202	$0.29453	($1,649)	($0.00235)	-1%	3
4	Gas A/C	1,060	$152	$0.14377	$149	$0.14084	($3)	($0.00293)	-2%	4
5	Gas Engine	15,240	$3,085	$0.20243	$2,999	$0.19681	($86)	($0.00562)	-3%	5
6	Total Core Procurement	3,237,796	$1,332,903	$0.41167	$1,326,662	$0.40974	($6,242)	($0.00193)	0%	6
	CORE TRANSPORTATION									
7	Residential	25,091	$11,166	$0.44501	$11,122	$0.44324	($44)	($0.00177)	0%	7
8	Large Master Meter	377	$93	$0.24716	$92	$0.24402	($1)	($0.00314)	-1%	8
9	Commercial & Industrial	134,522	$37,567	$0.27927	$37,243	$0.27685	($325)	($0.00241)	-1%	9
10	Gas A/C	140	$20	$0.14093	$19	$0.13800	($0)	($0.00293)	-2%	10
11	Gas Engine	800	$160	$0.19958	$155	$0.19397	($4)	($0.00562)	-3%	11
12	Total Core Transportation	160,930	$49,006	$0.30452	$48,631	$0.30219	($375)	($0.00233)	-1%	12
13	TOTAL CORE	3,398,727	$1,381,909	$0.40660	$1,375,293	$0.40465	($6,616)	($0.00195)	0%	13
	NONCORE									
14	Commercial & Industrial	1,456,757	$81,356	$0.05585	$76,317	$0.05239	($5,039)	($0.00346)	-6%	14
15	SoCalGas EG Stand-Alone	2,944,257	$87,425	$0.02969	$76,528	$0.02599	($10,897)	($0.00370)	-12%	15
16	+ Sempra-Wide EG Adjustment	2,944,257	$8,823	$0.00300	($1,053)	-$0.00036	($9,876)	($0.00335)	-112%	16
17	= Electric Generation Total	2,944,257	$96,248	$0.03269	$75,475	$0.02563	($20,774)	($0.00706)	-22%	17
18	Retail Noncore Total 1	4,401,014	$177,605	$0.04036	$151,792	$0.03449	($25,813)	($0.00587)	-15%	18
	WHOLESALE									
19	Long Beach	77,821	$2,200	$0.02827	$1,899	$0.02441	($301)	($0.00386)	-14%	19
20	SDG&E	1,445,680	$32,043	$0.02216	$12,746	$0.00882	($19,298)	($0.01335)	-60%	20
21	Southwest Gas	91,672	$2,409	$0.02627	$2,056	$0.02243	($352)	($0.00384)	-15%	21
22	City of Vernon	51,620	$1,213	$0.02349	$1,018	$0.01973	($194)	($0.00376)	-16%	22
23	Wholesale Total	1,666,793	$37,865	$0.02272	$17,720	$0.01063	($20,145)	($0.01209)	-53%	23
	INTERNATIONAL									
24	Mexicali - DGN	36,419	$923	$0.02535	$786	$0.02159	($137)	($0.00377)	-15%	24
25	Unbundled Storage	n/a	$21,000	n/a	$21,000	n/a	$0	n/a	0%	25
26	Unallocated Costs to NSBA	n/a	$13,473	n/a	$13,708	n/a	$235	n/a	2%	26
27	**SYSTEM TOTALS 1**	**9,502,953**	**$1,632,775**	**$0.17182**	**$1,580,298**	**$0.16630**	**($52,477)**	**($0.00552)**	**-3%**	27
28	EOR Revenues	482,707	$22,777	n/a	$22,263	n/a	($514)	n/a	-2%	28

[1] Does not include EOR revenues shown at Line 28.

TABLE SCG-2

Southern California Gas Company

SUMMARY OF CORE PROCUREMENT CUSTOMER TRANSPORTATION RATES

SI-FAR-OFF Application: SI+FAR

		Customers / Volumes	At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
			Revenues	Rate	Revenues	Rate	Revenues	Rates	Percent	
	A	B	C	D	E	F	G	H	I	
		(Mth)	(M$)	($/Th)	(M$)	($/Th)	(M$)	($/Th)	(%)	
	RESIDENTIAL									
1	Customer Charge									1
2	Single Family	3,060,513	$183,631	$5.00	$183,631	$5.00	$0	$0.00	0%	2
3	Multi-Family	1,470,953	$88,257	$5.00	$88,257	$5.00	$0	$0.00	0%	3
4	Small Master Metered	117,058	$7,023	$5.00	$7,023	$5.00	$0	$0.00	0%	4
5	Submeter Credit		($16,255)	$0.30805	($16,255)	$0.30805	$0	$0.00000	0%	5
6	Tier I Volumetric	1,647,777	$462,575	$0.28073	$459,713	$0.27899	($2,862)	($0.00174)	-1%	6
7	Tier II Volumetric	836,246	$387,244	$0.46307	$385,719	$0.46125	($1,525)	($0.00182)	0%	7
8	Residential Total / Average	2,484,024	$1,112,476	$0.44785	$1,108,089	$0.44609	($4,387)	($0.00177)	0%	8
	LARGE MASTER METERED									
9	Customer Charge	181	$630	$289.66	$634	$291.67	$4	$2.02	1%	9
10	Tier I Volumetric	27,646	$5,871	$0.21237	$5,788	$0.20938	($83)	($0.00299)	-1%	10
11	Tier II Volumetric	9,713	$2,839	$0.29229	$2,800	$0.28825	($39)	($0.00403)	-1%	11
12	LMM Total / Average	37,360	$9,340	$0.25000	$9,223	$0.24686	($117)	($0.00314)	-1%	12
	CORE COMMERCIAL & INDUSTRIAL 1/									
13	Customer Charge I	69,935	$8,392	$10.00	$8,392	$10.00	$0	$0.00	0%	13
14	Customer Charge II	100,830	$18,149	$15.00	$18,149	$15.00	$0	$0.00	0%	14
15	Tier I Volumetric	137,078	$60,079	$0.43828	$60,213	$0.43926	$134	$0.00098	0%	15
16	Tier II Volumetric	432,510	$106,173	$0.24548	$104,774	$0.24225	($1,399)	($0.00323)	-1%	16
17	Tier III Volumetric	130,525	$15,057	$0.11535	$14,673	$0.11242	($384)	($0.00294)	-3%	17
18	Core C&I Total / Average	700,113	$207,850	$0.29688	$206,202	$0.29453	($1,649)	($0.00235)	-1%	18
	GAS AIR CONDITIONING									
19	Customer Charge	16	$29	$150.00	$29	$150.00	$0	$0.00	0%	19
20	Volumetric	1,060	$124	$0.11677	$121	$0.11384	($3)	($0.00293)	-3%	20
21	Gas AC Total / Average	1,060	$152	$0.14377	$149	$0.14084	($3)	($0.00293)	-2%	21
	GAS ENGINE									
22	Customer Charge	663	$398	$50.00	$398	$50.00	$0	$0.00	0%	22
23	Volumetric	15,240	$2,687	$0.17632	$2,601	$0.17070	($86)	($0.00562)	-3%	23
24	Gas Engine Total / Average	15,240	$3,085	$0.20243	$2,999	$0.19681	($86)	($0.00562)	-3%	24

1/ Customer Charge I applicable to all customers with annual usage less than 1,000 therms / year. Customer Charge II applicable to all other customers.
Tier 1 usage equals the first 250 therms per month in December - March, and the first 100 therms per month in April - November.
Tier 2 usage equals the first 4,167 therms per month less Tier 1 usage. All excess usage is billed at the Tier 3 rate.

TABLE SCG-3

Southern California Gas Company

SUMMARY OF CORE TRANSPORT ONLY CUSTOMER TRANSPORTATION RATES

SI-FAR-OFF Application: SI+FAR

			At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Customers / Volumes	Revenues	Rate	Revenues	Rate	Revenues	Rates	Percent	
	A	B	C	D	E	F	G	H	I	
		(Mth)	(M$)	($/Th)	(M$)	($/Th)	(M$)	($/Th)	(%)	
	RESIDENTIAL									
1	Customer Charge									1
2	Single Family	30,914	$1,855	$5.00	$1,855	$5.00	$0	$0.00	0%	2
3	Multi-Family	14,858	$891	$5.00	$891	$5.00	$0	$0.00	0%	3
4	Small Master Metered	1,182	$71	$5.00	$71	$5.00	$0	$0.00	0%	4
5	Submeter Credit		($164)	$0.30805	($164)	$0.30805	$0	$0.00000	0%	5
6	Tier I Volumetric	16,644	$4,625	$0.27789	$4,596	$0.27615	($29)	($0.00174)	-1%	6
7	Tier II Volumetric	8,447	$3,888	$0.46023	$3,872	$0.45841	($15)	($0.00182)	0%	7
8	Residential Total / Average	25,091	$11,166	$0.44501	$11,122	$0.44324	($44)	($0.00177)	0%	8
	LARGE MASTER METERED									
9	Customer Charge	2	$6	$289.66	$6	$291.67	$0	$2.02	1%	9
10	Tier I Volumetric	279	$59	$0.20953	$58	$0.20654	($1)	($0.00299)	-1%	10
11	Tier II Volumetric	98	$28	$0.28944	$28	$0.28541	($0)	($0.00403)	-1%	11
12	LMM Total / Average	377	$93	$0.24716	$92	$0.24402	($1)	($0.00314)	-1%	12
	CORE COMMERCIAL & INDUSTRIAL 1/									
13	Customer Charge I	12,159	$1,459	$10.00	$1,459	$10.00	$0	$0.00	0%	13
14	Customer Charge II	17,556	$3,160	$15.00	$3,160	$15.00	$0	$0.00	0%	14
15	Tier I Volumetric	23,923	$10,417	$0.43544	$10,440	$0.43642	$23	$0.00098	0%	15
16	Tier II Volumetric	77,520	$18,809	$0.24264	$18,559	$0.23940	($251)	($0.00323)	-1%	16
17	Tier III Volumetric	33,079	$3,722	$0.11251	$3,625	$0.10957	($97)	($0.00294)	-3%	17
18	Core C&I Total / Average	134,522	$37,567	$0.27927	$37,243	$0.27685	($325)	($0.00241)	-1%	18
	GAS AIR CONDITIONING									
19	Customer Charge	2	$4	$150.00	$4	$150.00	$0	$0.00	0%	19
20	Volumetric	140	$16	$0.11393	$16	$0.11100	($0)	($0.00293)	-3%	20
21	Gas AC Total / Average	140	$20	$0.14093	$19	$0.13800	($0)	($0.00293)	-2%	21
	GAS ENGINE									
22	Customer Charge	35	$21	$50.00	$21	$50.00	$0	$0.00	0%	22
23	Volumetric	800	$139	$0.17347	$134	$0.16786	($4)	($0.00562)	-3%	23
24	Gas Engine Total / Average	800	$160	$0.19958	$155	$0.19397	($4)	($0.00562)	-3%	24

[1/] Customer Charge I applicable to all customers with annual usage less than 1,000 therms / year. Customer Charge II applicable to all other customers.
Tier 1 usage equals the first 250 therms per month in December - March, and the first 100 therms per month in April - November.
Tier 2 usage equals the first 4,167 therms per month less Tier 1 usage. All excess usage is billed at the Tier 3 rate.

TABLE SCG-4

Southern California Gas Company

SUMMARY OF OTHER CORE & OUTDOOR LIGHTING TRANSPORTATION RATES

SI-FAR-OFF Application: SI+FAR

A. OTHER G-10 RATE SCHEDULES

		Customer Charges		C&I Procurement Customer			C&I Transportation Customer			
	Customer	Charge I	Charge II	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3	
	A	B	C	D	E	F	G	H	I	
		($ / Month)		<<<<<<<<<< ($/Th) >>>>>>>>>>			<<<<<<<<<< ($/Th) >>>>>>>>>>			
1	Core C&I Customer	$10.00	$15.00	$0.43926	$0.24225	$0.11242	$0.43642	$0.23940	$0.10957	1
2	- Vernon Adjustment			n/a	$0.03507	n/a	n/a	$0.03507	n/a	2
3	= Vernon C&I (G-10V)	$10.00	$15.00	$0.43926	$0.20718	$0.11242	$0.43642	$0.20434	$0.10957	3
4	Optn'l Lg Core C&I (GT-10N)	$10.00	$15.00	n/a	n/a	n/a	$0.40075	$0.20374	$0.07391	4

B. NATURAL GAS VEHICLES TRANSPORTATION RATES

		At Present Rates			At Proposed Rates			
	Natural Gas Vehicle Customer	Customer Charge	Transport Customer	Procurem't Customer	Customer Charge	Transport Customer	Procurem't Customer	
	A	B	C	D	E	F	G	
		($ / Mo)	<<<<< ($ / Th) >>>>>		($ / Mo)	<<<<< ($ / Th) >>>>>		
1	Natural Gas Vehicle P-1 Customer (< 250 Mth / Year)	$13.00	$0.11370	$0.11654	$13.00	$0.11002	$0.11286	1
2	Natural Gas Vehicle P-2A Customer (> 250 Mth / Year)	$65.00	$0.11370	$0.11654	$65.00	$0.11002	$0.11286	2
3	Natural Gas Vehicle Compression Adder Rate	n/a	$0.35000	$0.35000	n/a	$0.35000	$0.35000	3

C. STREET & OUTDOOR LIGHTING TRANSPORTATION RATE

		At Present Rates					At Proposed Rates					
	Description	Revenues		Average Year Throughput		Average Rate	Revenues		Average Year Throughput		Average Rate	
	A	B		C		D	E		F		G	
		(M$)		(Mth)		($ / Th)	(M$)		(Mth)		($ / Th)	
1	Total G-10 Customer Segment: Bands 1-3	$238,219		787,780		$0.30239	$236,392		787,780		$0.30007	1
2	Total G-10 Customer Segment: Band 4	$5,209		46,855		$0.11117	$5,063		46,855		$0.10807	2
3	Street & Outdoor Lighting Base Rate	$243,428	÷	834,635	=	$0.29166	$241,455	÷	834,635	=	$0.28929	3
4	Core Procurement Related Cost Rate				+	$0.00284				+	$0.00284	4
5	Street & Outdoor Lighting Rate to Tariff					**$0.29450**					**$0.29214**	5

TABLE SCG-5

Southern California Gas Company

SUMMARY OF NONCORE RETAIL CUSTOMER TRANSPORTATION RATES

SI-FAR-OFF Application: SI+FAR

			At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Customers / Volumes	Revenues	Rate	Revenues	Rate	Revenues	Rates	Percent	
	A	B	C	D	E	F	G	H	I	
		(Mth)	(M$)	($/Th)	(M$)	($/Th)	(M$)	($/Th)	(%)	
	C&I DISTRIBUTION									
1	Customer Charge	1,140	$4,788	$350.00	$4,788	$350.00	$0	$0.00	0%	1
2	Tier 1 = 0 - 250 Mth	236,030	$29,553	$0.12521	$27,939	$0.11837	($1,615)	($0.00684)	-5%	2
3	Tier 2 = 251 - 1,000 Mth	312,418	$24,170	$0.07737	$22,850	$0.07314	($1,321)	($0.00423)	-5%	3
4	Tier 3 = 1,001 - 2,000 Mth	149,105	$6,972	$0.04676	$6,591	$0.04420	($381)	($0.00256)	-5%	4
5	Tier 4 = > 2,001 Mth	458,470	$11,411	$0.02489	$10,787	$0.02353	($624)	($0.00136)	-5%	5
6	Volumetric Subtotals	1,156,023	$72,107	$0.06238	$68,167	$0.05897	($3,940)	($0.00341)	-5%	6
7	ITCS	1,156,023	($2,592)	-$0.00224	($2,592)	-$0.00224	$0	$0.00000	0%	7
8	Distribution Totals	1,156,023	$74,303	$0.06427	$70,363	$0.06087	($3,940)	($0.00341)	-5%	8
	C&I TRANSMISSION									
9	Customer Charge	22	$189	$700.00	$189	$700.00	$0	$0.00	0%	9
10	Tier 1 = 0 - 2,000 Mth	24,319	$2,139	$0.08795	$1,828	$0.07515	($311)	($0.01280)	-15%	10
11	Tier 2 = > 2,000 Mth	276,414	$5,400	$0.01954	$4,612	$0.01669	($788)	($0.00285)	-15%	11
12	Volumetric Subtotals	300,734	$7,539	$0.02507	$6,440	$0.02141	($1,099)	($0.00366)	-15%	12
13	ITCS	300,734	($674)	-$0.00224	($674)	-$0.00224	$0	$0.00000	0%	13
14	Transmission Totals	300,734	$7,053	$0.02345	$5,954	$0.01980	($1,099)	($0.00366)	-16%	14
15	Noncore C&I Average	1,456,757	$81,356	$0.05585	$76,317	$0.05239	($5,039)	($0.00346)	-6%	15
	SEMPRA-WIDE ELECTRIC GENERATION < 3,000 Mth 1									
16	Customer Charge	172	$103	$50.00	$103	$50.00	$0	$0.00	0%	16
17	Volumetric Rate	48,406	$3,188	$0.06585	$2,168	$0.04479	($1,019)	($0.02106)	-32%	17
18	ITCS	48,406	($109)	-$0.00224	($109)	-$0.00224	$0	$0.00000	0%	18
19	Average Rate	48,406	$3,182	$0.06574	$2,163	$0.04469	($1,019)	($0.02106)	-32%	19
	SEMPRA-WIDE ELECTRIC GENERATION > 3,000 Mth 2									
20	Customer Charge	66	$0	$0.00	$0	$0.00	$0	$0.00	0%	20
21	Volumetric Rate	2,895,851	$99,558	$0.03438	$79,803	$0.02756	($19,754)	($0.00682)	-20%	21
22	ITCS	2,895,851	($6,492)	-$0.00224	($6,492)	-$0.00224	$0	$0.00000	0%	22
23	Average Rate	2,895,851	$93,066	$0.03214	$73,311	$0.02532	($19,754)	($0.00682)	-21%	23
24	Sempra-Wide EG Average	2,944,257	$96,248	$0.03269	$75,475	$0.02563	($20,774)	($0.00706)	-22%	24
	ENHANCED OIL RECOVERY									
25	Default Volumetric Rate 3	19,829	n/a	$0.03493	n/a	$0.02788	n/a	($0.00706)	-20%	25
26	Noncore Brokerage Fees	31,326	$83	$0.00266	$83	$0.00266	$0	$0.00000	0%	26

1/ Reflects Sempra-Wide EG Adjustment for customers < 3 MMth / year of $-323.

2/ Reflects Sempra-Wide EG Adjustment for customers > 3 MMth / year of $-730.

3/ EOR default rate = Sempra-Wide EG Average (Row 24) - SoCalGas ITCS Rate (Row 18 & Row 22).

TABLE SCG-6

Southern California Gas Company

SUMMARY OF WHOLESALE & INTERNATIONAL CUSTOMER TRANSPORTATION RATES

SI-FAR-OFF Application: SI+FAR

			At Present Rates		At Proposed Rates		Change (Increase / Decrease)			
		Customers / Volumes	Revenues	Rate	Revenues	Rate	Revenues	Rates	Percent	
	A	B	C	D	E	F	G	H	I	
		(Mth)	(M$)	($/Th)	(M$)	($/Th)	(M$)	($/Th)	(%)	
	WHOLESALE CUSTOMERS									
	LONG BEACH									
1	**Volumetric Rate**	77,821	$2,374	$0.03050	$2,073	$0.02664	($301)	($0.00386)	-13%	1
2	**ITCS**	77,821	($174)	-$0.00223	($174)	-$0.00223	$0	$0.00000	0%	2
3	**Total Rate**	77,821	$2,200	$0.02827	$1,899	$0.02441	($301)	($0.00386)	-14%	3
	SAN DIEGO GAS & ELECTRIC									
4	**Volumetric Rate**	1,445,680	$35,269	$0.02440	$15,971	$0.01105	($19,298)	($0.01335)	-55%	4
5	**ITCS**	1,445,680	($3,225)	-$0.00223	($3,225)	-$0.00223	$0	$0.00000	0%	5
6	**Total Rate**	1,445,680	$32,043	$0.02216	$12,746	$0.00882	($19,298)	($0.01335)	-60%	6
	SOUTHWEST GAS									
7	**Volumetric Rate**	91,672	$2,613	$0.02850	$2,261	$0.02466	($352)	($0.00384)	-13%	7
8	**ITCS**	91,672	($205)	-$0.00223	($205)	-$0.00223	$0	$0.00000	0%	8
9	**Total Rate**	91,672	$2,409	$0.02627	$2,056	$0.02243	($352)	($0.00384)	-15%	9
	CITY OF VERNON									
10	**Volumetric Rate**	51,620	$1,328	$0.02572	$1,134	$0.02196	($194)	($0.00376)	-15%	10
11	**ITCS**	51,620	($115)	-$0.00223	($115)	-$0.00223	$0	$0.00000	0%	11
12	**Total Rate**	51,620	$1,213	$0.02349	$1,018	$0.01973	($194)	($0.00376)	-16%	12
	INTERNATIONAL CUSTOMER									
	DGN - MEXICALI									
13	**Volumetric Rate**	36,419	$1,005	$0.02758	$867	$0.02382	($137)	($0.00377)	-14%	13
14	**ITCS**	36,419	($81)	-$0.00223	($81)	-$0.00223	$0	$0.00000	0%	14
15	**Total Rate**	36,419	$923	$0.02535	$786	$0.02159	($137)	($0.00377)	-15%	15

TABLE SCG-7

Southern California Gas Company

SUMMARY OF PEAKING RATES BY CUSTOMER CLASS

SI-FAR-OFF Application: SI+FAR

		At Present Rates				At Proposed Rates				
		<<<<<<<<<< Charge Type >>>>>>>>>>>				<<<<<<<<<< Charge Type >>>>>>>>>>>				
	Description	Customer	Demand	Volumetric	Overrun	Customer	Demand	Volumetric	Overrun	
	A	B	C	D	E	F	G	H	I	
		$ / Month	<<<<<<<<<< $ / Dth >>>>>>>>>>			$ / Month	<<<<<<<<<< $ / Dth >>>>>>>>>>			
	NONCORE RETAIL CUSTOMERS									
1	**C&I Distribution**	$1,290	$0.3933	$0.0810	$0.9641	$1,260	$0.4222	$0.0195	$0.9130	1
2	**C&I Transmission**	$1,790	$0.1126	$0.0810	$0.3518	$1,740	$0.1504	$0.0195	$0.2970	2
3	**Electric Generation < 3,000 Mth**	$250	$0.3567	$0.1650	$0.9861	$220	$0.3627	($0.0348)	$0.6703	3
4	**Electric Generation > 3,000 Mth**	$12,670	$0.1353	$0.1234	$0.4821	$11,350	$0.1687	$0.0295	$0.3797	4
5	**Enhanced Oil Recovery**	$2,110	$0.1389	$0.1482	$0.5240	$2,120	$0.1719	$0.0508	$0.4181	5
	NONCORE WHOLESALE CUSTOMERS									
6	**Long Beach**	$15,700	$0.1308	$0.0975	$0.4240	$15,780	$0.1590	$0.0303	$0.3661	6
7	**San Diego Gas & Electric**	$19,900	$0.1214	$0.0951	$0.3325	$20,000	$0.0050	$0.0780	$0.1322	7
8	**Southwest Gas**	$11,500	$0.1287	$0.0985	$0.3941	$11,550	$0.1564	$0.0321	$0.3364	8
9	**City of Vernon**	$8,580	$0.1227	$0.0865	$0.3524	$8,610	$0.1492	$0.0223	$0.2959	9
	NONCORE INTERNATIONAL CUSTOMER									
10	**Mexicali - DGN**	$8,330	$0.1236	$0.0863	$0.3803	$8,350	$0.1503	$0.0218	$0.3238	10

TABLE SCG-OFF01
Southern California Gas Company

INTERRUPTIBLE OFF-SYSTEM DELIVERIES
AVERAGE INTEGRATED TRANSMISSION RATE
SI-FAR-OFF Application: SI+FAR

	Rate Design Components	Units	At Present Rates $ / Vol / Factor	At Proposed Rates $ / Vol / Factor	
	A	B	C	D	
1	SoCalGas Marginal Cost of Transmission	M$	Not Applicable	$120,741	1
2	+ SDG&E Marginal Cost of Transmission	M$	Not Applicable	$26,732	2
3	**= Total Marginal Cost of Transmission**	M$	Not Applicable	$147,473	3
4	Daily Transmission Receipt Capacity	mmcf / d	Not Applicable	3,875	4
5	x Annualization	days	Not Applicable	365	5
6	= Annual Transmission Receipt Capacity	Mth / year	Not Applicable	14,370,050	6
7	x Proposed Load Factor	Percent	Not Applicable	69.55%	7
8	**= Ratemaking Volumes**	Mth / year	Not Applicable	9,993,730	8
9	Integrated Trans Reservation Rate	$ / Dth	Not Applicable	$0.14757	9
10	x SoCalGas FF&U Factor	Percent	Not Applicable	$0.02001	10
11	**= Retail Customer Reservation Charge**	$ / Dth	Not Applicable	$0.15052	11
12	Integrated Trans Reservation Rate	$ / Dth	Not Applicable	$0.14757	12
13	x SoCalGas FF Only Factor	Percent	Not Applicable	$0.01505	13
14	**= Wholesale Customer Reservation Charge**	$ / Dth	Not Applicable	$0.14979	14

Attachment B

San Diego Gas & Electric

Rule 23 (a)

Financial Statements, Balance Sheet, and Income Statement

(Rule 23(a) and 17)

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 2004

	1. UTILITY PLANT	2004
101	UTILITY PLANT IN SERVICE	$6,530,627,480
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	57,456
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	341,033,110
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(3,622,906,934)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(143,484,987)
118	OTHER UTILITY PLANT	458,436,797
119	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF OTHER UTILITY PLANT	(87,672,221)
120	NUCLEAR FUEL - NET	26,918,495
	TOTAL NET UTILITY PLANT	3,503,009,196

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	8,908,264
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(1,344,615)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	3,290,000
124	OTHER INVESTMENTS	-
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	575,207,707
	TOTAL OTHER PROPERTY AND INVESTMENTS	586,061,356

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 2004

3. CURRENT AND ACCRUED ASSETS

		2004
131	CASH	$9,152,694
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	-
135	WORKING FUNDS	87,300
136	TEMPORARY CASH INVESTMENTS	-
141	NOTES RECEIVABLE	-
142	CUSTOMER ACCOUNTS RECEIVABLE	126,732,128
143	OTHER ACCOUNTS RECEIVABLE	27,005,776
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(1,873,652)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	35,652,345
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	43,035,468
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	38,275,820
156	OTHER MATERIALS AND SUPPLIES	(253)
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	47,249,786
165	PREPAYMENTS	9,194,943
171	INTEREST AND DIVIDENDS RECEIVABLE	54,955,252
173	ACCRUED UTILITY REVENUES	47,799,000
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	11,534,752
175	DERIVATIVE INSTRUMENT ASSETS	516,143,001
	TOTAL CURRENT AND ACCRUED ASSETS	964,944,360

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	12,473,427
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	691,716,631
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	6,820,284
184	CLEARING ACCOUNTS	(1,331,066)
185	TEMPORARY FACILITIES	(844,026)
186	MISCELLANEOUS DEFERRED DEBITS	12,813,899
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	47,332,947
190	ACCUMULATED DEFERRED INCOME TAXES	177,555,695
	TOTAL DEFERRED DEBITS	946,537,791
	TOTAL ASSETS AND OTHER DEBITS	$6,000,552,703

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 2004

5. PROPRIETARY CAPITAL

		2004
201	COMMON STOCK ISSUED	$291,458,395
204	PREFERRED STOCK ISSUED	78,475,400
207	PREMIUM ON CAPITAL STOCK	592,222,753
210	GAIN ON RETIRED CAPITAL STOCK	-
211	MISCELLANEOUS PAID-IN CAPITAL	79,618,042
214	CAPITAL STOCK EXPENSE	(25,990,045)
216	UNAPPROPRIATED RETAINED EARNINGS	304,589,757
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(43,023,967)
	TOTAL PROPRIETARY CAPITAL	1,277,350,335

6. LONG-TERM DEBT

221	BONDS	636,905,000
223	ADVANCES FROM ASSOCIATED COMPANIES	360,064,924
224	OTHER LONG-TERM DEBT	274,970,000
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(545,280)
	TOTAL LONG-TERM DEBT	1,271,394,644

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	32,178,138
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	2,241,467
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	(27,469)
230	ASSET RETIREMENT OBLIGATIONS	334,184,395
	TOTAL OTHER NONCURRENT LIABILITIES	368,576,531

SAN DIEGO GAS & ELECTRIC COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 2004

8. CURRENT AND ACCRUED LIABILITES

		2004
232	ACCOUNTS PAYABLE	159,709,383
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	65,800,000
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	22,370,353
235	CUSTOMER DEPOSITS	42,483,993
236	TAXES ACCRUED	158,707,794
237	INTEREST ACCRUED	9,787,699
238	DIVIDENDS DECLARED	1,204,917
241	TAX COLLECTIONS PAYABLE	6,854,873
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	133,010,978
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244	DERIVATIVE INSTRUMENT LIABILITIES	516,143,001
	TOTAL CURRENT AND ACCRUED LIABILITIES	1,116,072,991

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	30,918,881
253	OTHER DEFERRED CREDITS	303,785,503
254	OTHER REGULATORY LIABILITIES	827,478,855
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	37,754,509
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	4,901,000
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	458,343,220
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	303,976,234
	TOTAL DEFERRED CREDITS	1,967,158,202
	TOTAL LIABILITIES AND OTHER CREDITS	$6,000,552,703

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 2004

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		$1,655,501,316
401	OPERATING EXPENSES	$1,036,351,603	
402	MAINTENANCE EXPENSES	89,342,806	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	203,090,306	
408.1	TAXES OTHER THAN INCOME TAXES	32,646,710	
409.1	INCOME TAXES	119,820,251	
410.1	PROVISION FOR DEFERRED INCOME TAXES	50,862,000	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(47,183,000)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(1,928,000)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		1,483,002,676
	NET OPERATING INCOME		172,498,640

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(114,796)	
418	NONOPERATING RENTAL INCOME	241,076	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	24,889,415	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	6,769,699	
421	MISCELLANEOUS NONOPERATING INCOME	598,135	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	32,383,529	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	(814,200)	
408.2	TAXES OTHER THAN INCOME TAXES	174,695	
409.2	INCOME TAXES	5,610,000	
410.2	PROVISION FOR DEFERRED INCOME TAXES	1,180,000	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(184,000)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	6,780,695	
	TOTAL OTHER INCOME AND DEDUCTIONS		26,417,034
	INCOME BEFORE INTEREST CHARGES		198,915,674
	NET INTEREST CHARGES*		55,695,020
	NET INCOME		$143,220,654

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION, (2,417,302)*

SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 2004

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3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$369,983,854
NET INCOME (FROM PRECEDING PAGE)	143,220,654
DIVIDEND TO PARENT COMPANY	(205,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(3,614,751)
OTHER RETAINED EARNINGS ADJUSTMENTS	0
RETAINED EARNINGS AT END OF PERIOD	$304,589,757

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
SEPTEMBER 2004

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	1,375,000	shares	Par Value $27,500,000
Preferred Stock	10,000,000	shares	Without Par Value
Common Stock	255,000,000	shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK			
5.0%	375,000	shares	$7,500,000
4.50%	300,000	shares	6,000,000
4.40%	325,000	shares	6,500,000
4.60%	373,770	shares	7,475,400
$1.7625	850,000	shares	21,250,000
$1.70	1,400,000	shares	35,000,000
$1.82	640,000	shares	16,000,000
COMMON STOCK	116,583,358	shares	291,458,395

(b) Terms of Preferred Stock:
Full information as to this item is given in connection with Application No. 96-03-053, to which reference is hereby made.

(c) Brief Description of Mortgage:
Full information as to this item is given in Application No. 96-03-053, to which reference is hereby made.

(d) Number and Amount of Bonds Authorized and Issued:

	Nominal Date of Issue	Par Value Authorized and Issued	Par Value Outstanding	Interest Paid in 2003
First Mortgage Bonds:				
6.8% Series KK, due 2015	12-01-91	14,400,000	14,400,000	979,200
Var% Series NN, due 2018 & 2019	09-01-92	118,615,000	118,615,000	7,366,360
Var% Series OO, due 2027	12-01-92	250,000,000	225,000,000	15,300,000
5.9% Series PP, due 2018	04-29-93	70,795,000	68,295,000	4,029,405
5.85% Series RR, due 2021	06-29-93	60,000,000	60,000,000	3,510,000
5.9% Series SS, due 2018	07-29-93	92,945,000	92,945,000	5,483,755
Var% Series TT, due 2020	06-06-95	57,650,000	57,650,000	656,122
Unsecured Bonds:				
5.9% CPCFA96A, due 2014	06-01-96	129,820,000	129,820,000	7,659,380
Var% CV96A, due 2021	08-02-96	38,900,000	38,900,000	468,279
Var% CV96B, due 2021	11-21-96	60,000,000	60,000,000	678,230
Var% CV97A, due 2023	10-31-97	25,000,000	25,000,000	1,687,500

SAN DIEGO GAS & ELECTRIC COMPANY
FINANCIAL STATEMENT
SEPTEMBER 2004

Other Indebtedness:	Date of Issue	Date of Maturity	Interest Rate	Outstanding	Interest Paid 2003
Commercial Paper & ST Bank Loans	Various	Various	Various	-	$0

Amounts and Rates of Dividends Declared:
The amounts and rates of dividends during the past five fiscal years are as follows:

Preferred Stock	Shares Outstanding 12-31-03	Dividends Declared 1999	2000	2001	2002	2003
5.0%	375,000	$375,000	$375,000	$375,000	$375,000	$375,000
4.50%	300,000	270,000	270,000	270,000	270,000	270,000
4.40%	325,000	286,000	286,000	286,000	286,000	286,000
4.60%	373,770	343,868	343,868	343,868	343,868	343,868
$ 1.7625	950,000	1,762,500	1,762,500	1,762,500	1,762,500	1,674,375
$ 1.70	1,400,000	2,380,000	2,380,000	2,380,000	2,380,000	2,380,000
$ 1.82	640,000	1,164,800	1,164,800	1,164,800	1,164,800	1,164,800
	4,363,770	$6,582,168	$6,582,168	$6,582,168	$6,582,168	$6,494,043

Common Stock		1999	2000	2001	2002	2003
Amount		$0	$400,000,000	$150,000,000	$200,000,000	$200,000,000 [1]

A balance sheet and a statement of income and retained earnings of Applicant for the three months ended March 31, 2004, are attached hereto.

[1] San Diego Gas & Electric Company dividend to parent.

Southern California Gas

Rule 23 (a)

Financial Statements, Balance Sheet, and Income Statement

(Rule 23(a) and 17)

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 30, 2004

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	1. UTILITY PLANT	2004
101	UTILITY PLANT IN SERVICE	$7,030,120,277
102	UTILITY PLANT PURCHASED OR SOLD	-
105	PLANT HELD FOR FUTURE USE	-
106	COMPLETED CONSTRUCTION NOT CLASSIFIED	-
107	CONSTRUCTION WORK IN PROGRESS	124,123,865
108	ACCUMULATED PROVISION FOR DEPRECIATION OF UTILITY PLANT	(4,310,523,969)
111	ACCUMULATED PROVISION FOR AMORTIZATION OF UTILITY PLANT	(15,450,853)
117	GAS STORED-UNDERGROUND	57,037,220
	TOTAL NET UTILITY PLANT	2,885,306,540

	2. OTHER PROPERTY AND INVESTMENTS	
121	NONUTILITY PROPERTY	113,633,453
122	ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF NONUTILITY PROPERTY	(90,149,627)
123	INVESTMENTS IN SUBSIDIARY COMPANIES	-
124	OTHER INVESTMENTS	2,023,435
125	SINKING FUNDS	-
128	OTHER SPECIAL FUNDS	3,666,450
	TOTAL OTHER PROPERTY AND INVESTMENTS	29,173,711

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
ASSETS AND OTHER DEBITS
SEPTEMBER 30, 2004

3. CURRENT AND ACCRUED ASSETS

		2004
131	CASH	$7,832,598
132	INTEREST SPECIAL DEPOSITS	-
134	OTHER SPECIAL DEPOSITS	5,537
135	WORKING FUNDS	102,710
136	TEMPORARY CASH INVESTMENTS	14,500,000
141	NOTES RECEIVABLE	3,652
142	CUSTOMER ACCOUNTS RECEIVABLE	274,705,997
143	OTHER ACCOUNTS RECEIVABLE	32,076,548
144	ACCUMULATED PROVISION FOR UNCOLLECTIBLE ACCOUNTS	(3,466,098)
145	NOTES RECEIVABLE FROM ASSOCIATED COMPANIES	25,609,988
146	ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES	242,627
151	FUEL STOCK	-
152	FUEL STOCK EXPENSE UNDISTRIBUTED	-
154	PLANT MATERIALS AND OPERATING SUPPLIES	12,514,257
155	MERCHANDISE	(37,745)
156	OTHER MATERIALS AND SUPPLIES	-
163	STORES EXPENSE UNDISTRIBUTED	-
164	GAS STORED	117,902,283
165	PREPAYMENTS	5,412,933
171	INTEREST AND DIVIDENDS RECEIVABLE	31,087,370
173	ACCRUED UTILITY REVENUES	-
174	MISCELLANEOUS CURRENT AND ACCRUED ASSETS	(21,817,799)
175	DERIVATIVE INSTRUMENT ASSETS	169,320,148
176	DERIVATIVE INSTRUMENT ASSETS - HEDGES	-
	TOTAL CURRENT AND ACCRUED ASSETS	665,995,006

4. DEFERRED DEBITS

181	UNAMORTIZED DEBT EXPENSE	4,922,838
182	UNRECOVERED PLANT AND OTHER REGULATORY ASSETS	162,261,188
183	PRELIMINARY SURVEY & INVESTIGATION CHARGES	1,650,291
184	CLEARING ACCOUNTS	36,042
185	TEMPORARY FACILITIES	
186	MISCELLANEOUS DEFERRED DEBITS	73,114,873
188	RESEARCH AND DEVELOPMENT	-
189	UNAMORTIZED LOSS ON REACQUIRED DEBT	44,560,063
190	ACCUMULATED DEFERRED INCOME TAXES	-
191	UNRECOVERED PURCHASED GAS COSTS	-
	TOTAL DEFERRED DEBITS	286,545,295
	TOTAL ASSETS AND OTHER DEBITS	$3,867,020,552

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 30, 2004

5. PROPRIETARY CAPITAL

		2004
201	COMMON STOCK ISSUED	$834,888,907
204	PREFERRED STOCK ISSUED	21,551,075
207	PREMIUM ON CAPITAL STOCK	-
208	OTHER PAID-IN CAPITAL	-
210	GAIN ON RETIRED CAPITAL STOCK	9,722
211	MISCELLANEOUS PAID-IN CAPITAL	31,306,680
214	CAPITAL STOCK EXPENSE	(143,261)
216	UNAPPROPRIATED RETAINED EARNINGS	515,387,905
219	ACCUMULATED OTHER COMPREHENSIVE INCOME	(3,516,359)
	TOTAL PROPRIETARY CAPITAL	1,399,484,669

6. LONG-TERM DEBT

221	BONDS	752,645,568
224	OTHER LONG-TERM DEBT	12,877,038
225	UNAMORTIZED PREMIUM ON LONG-TERM DEBT	-
226	UNAMORTIZED DISCOUNT ON LONG-TERM DEBT	(732,665)
	TOTAL LONG-TERM DEBT	764,789,941

7. OTHER NONCURRENT LIABILITIES

227	OBLIGATIONS UNDER CAPITAL LEASES - NONCURRENT	-
228.2	ACCUMULATED PROVISION FOR INJURIES AND DAMAGES	54,251,274
228.3	ACCUMULATED PROVISION FOR PENSIONS AND BENEFITS	12,229,272
228.4	ACCUMULATED MISCELLANEOUS OPERATING PROVISIONS	-
230	ASSET RETIREMENT OBLIGATIONS	11,171,320
	TOTAL OTHER NONCURRENT LIABILITIES	77,651,866

SOUTHERN CALIFORNIA GAS COMPANY
BALANCE SHEET
LIABILITIES AND OTHER CREDITS
SEPTEMBER 30, 2004

8. CURRENT AND ACCRUED LIABILITES

		2003
231	NOTES PAYABLE	-
232	ACCOUNTS PAYABLE	299,637,629
233	NOTES PAYABLE TO ASSOCIATED COMPANIES	-
234	ACCOUNTS PAYABLE TO ASSOCIATED COMPANIES	53,715,708
235	CUSTOMER DEPOSITS	45,772,550
236	TAXES ACCRUED	55,916,255
237	INTEREST ACCRUED	25,329,369
238	DIVIDENDS DECLARED	323,266
241	TAX COLLECTIONS PAYABLE	42,831,111
242	MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES	68,802,704
243	OBLIGATIONS UNDER CAPITAL LEASES - CURRENT	-
244	DERIVATIVE INSTRUMENT LIABILITIES	169,320,148
245	DERIVATIVE INSTRUMENT LIABILITIES - HEDGES	-
	TOTAL CURRENT AND ACCRUED LIABILITIES	761,648,740

9. DEFERRED CREDITS

252	CUSTOMER ADVANCES FOR CONSTRUCTION	28,814,533
253	OTHER DEFERRED CREDITS	307,789,059
254	OTHER REGULATORY LIABILITIES	286,156,369
255	ACCUMULATED DEFERRED INVESTMENT TAX CREDITS	41,738,439
257	UNAMORTIZED GAIN ON REACQUIRED DEBT	-
281	ACCUMULATED DEFERRED INCOME TAXES - ACCELERATED	-
282	ACCUMULATED DEFERRED INCOME TAXES - PROPERTY	198,946,936
283	ACCUMULATED DEFERRED INCOME TAXES - OTHER	-
	TOTAL DEFERRED CREDITS	863,445,336
	TOTAL LIABILITIES AND OTHER CREDITS	$3,867,020,552

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2004

1. UTILITY OPERATING INCOME

400	OPERATING REVENUES		$2,830,342,493
401	OPERATING EXPENSES	$2,177,033,446	
402	MAINTENANCE EXPENSES	65,906,203	
403-7	DEPRECIATION AND AMORTIZATION EXPENSES	224,870,307	
408.1	TAXES OTHER THAN INCOME TAXES	44,080,177	
409.1	INCOME TAXES	100,931,000	
410.1	PROVISION FOR DEFERRED INCOME TAXES	81,768,000	
411.1	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(51,499,000)	
411.4	INVESTMENT TAX CREDIT ADJUSTMENTS	(2,229,000)	
411.6	GAIN FROM DISPOSITION OF UTILITY PLANT	-	
	TOTAL OPERATING REVENUE DEDUCTIONS		2,640,861,133
	NET OPERATING INCOME		189,481,360

2. OTHER INCOME AND DEDUCTIONS

415	REVENUE FROM MERCHANDISING, JOBBING AND CONTRACT WORK	-	
417	REVENUES FROM NONUTILITY OPERATIONS	-	
417.1	EXPENSES OF NONUTILITY OPERATIONS	(78,681)	
418	NONOPERATING RENTAL INCOME	53,612	
418.1	EQUITY IN EARNINGS OF SUBSIDIARIES	-	
419	INTEREST AND DIVIDEND INCOME	(1,534,773)	
419.1	ALLOWANCE FOR OTHER FUNDS USED DURING CONSTRUCTION	3,930,933	
421	MISCELLANEOUS NONOPERATING INCOME	17,248,356	
421.1	GAIN ON DISPOSITION OF PROPERTY	-	
	TOTAL OTHER INCOME	19,619,447	
425	MISCELLANEOUS AMORTIZATION	-	
426	MISCELLANEOUS OTHER INCOME DEDUCTIONS	2,314,289	
		2,314,289	
408.2	TAXES OTHER THAN INCOME TAXES	163,956	
409.2	INCOME TAXES	5,539,000	
410.2	PROVISION FOR DEFERRED INCOME TAXES	1,000	
411.2	PROVISION FOR DEFERRED INCOME TAXES - CREDIT	(950,000)	
420	INVESTMENT TAX CREDITS	(98,000)	
	TOTAL TAXES ON OTHER INCOME AND DEDUCTIONS	4,655,956	
	TOTAL OTHER INCOME AND DEDUCTIONS		12,649,202
	INCOME BEFORE INTEREST CHARGES		202,130,562
	NET INTEREST CHARGES*		27,280,198
	NET INCOME		$174,850,364

**NET OF ALLOWANCE FOR BORROWED FUNDS USED DURING CONSTRUCTION. ($1,190,313).*

SOUTHERN CALIFORNIA GAS COMPANY
STATEMENT OF INCOME AND RETAINED EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2004

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3. RETAINED EARNINGS

RETAINED EARNINGS AT BEGINNING OF PERIOD, AS PREVIOUSLY REPORTED	$491,507,339
NET INCOME (FROM PRECEDING PAGE)	174,850,364
DIVIDEND TO PARENT COMPANY	(150,000,000)
DIVIDENDS DECLARED - PREFERRED STOCK	(969,798)
OTHER RETAINED EARNINGS ADJUSTMENT	-
RETAINED EARNINGS AT END OF PERIOD	$515,387,905

SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
SEPTEMBER 30, 2004

(a) Amounts and Kinds of Stock Authorized:

Preferred Stock	160,000	shares	Par Value $4,000,000
Preferred Stock	840,000	shares	Par Value $21,000,000
Preferred Stock	5,000,000	shares	Without Par Value
Preference Stock	5,000,000	shares	Without Par Value
Common Stock	100,000,000	shares	Without Par Value

Amounts and Kinds of Stock Outstanding:

PREFERRED STOCK				
	6.0%	79,011	shares	$1,975,275
	6.0%	783,032	shares	19,575,800
COMMON STOCK		91,300,000	shares	834,888,907

(b) Terms of Preferred Stock:
Full information as to this item is given in connection with Application No. 92-08-018, to which referen
is hereby made.

(c) Brief Description of Mortgage:
Full information as to this item is given in Application No. 93-03-065, to which reference is hereby mad

(d) Number and Amount of Bonds Authorized and Issued

First Mortgage Bonds:	Nominal Date of Issue	Par Value Authorized and Issued	Par Value Outstanding	Interest Paid in 2003
7.375% Series BB, due 2023	03-01-93	100,000,000	0	3,687,500
7.5% Series DD, due 2023	06-15-93	125,000,000	0	6,406,250
6.875% Series EE, due 2025	11-01-93	175,000,000	0	12,031,250
5.75% Series FF, due 2003	11-15-93	100,000,000	0	5,750,000
4.80% Series GG, due 2012	10-02-02	250,000,000	250,000,000	12,000,000
5.45% Series HH, due 2018	10-14-03	250,000,000	250,000,000	0
4.375% Series II, due 2011	12-15-03	250,000,000	250,000,000	0
Other Long-Term Debt				
6.38% SFr. Foreign Interest Payment Securities	05-14-86	7,877,038	7,877,038	502,157
5.67% Medium-Term Note, due 2028	01-15-98	75,000,000	5,000,000	2,570,833

SOUTHERN CALIFORNIA GAS COMPANY
FINANCIAL STATEMENT
SEPTEMBER 30, 2004

Other Indebtedness:	Date of Issue	Date of Maturity	Interest Rate	Outstanding	Interest Paid in 2003
Commercial Paper & ST Bank Loans	N/A	N/A	N/A	0	$0

Amounts and Rates of Dividends Declared:
The amounts and rates of dividends during the past five fiscal years are as follows:

Preferred Stock	Shares Outstanding @ 12-31-03	Dividends Declared 1999	2000	2001	2002	2003	
6.0%	79,011	$118,660	$118,517	$118,516	$118,516	$118,516	
6.0%	783,032	1,175,971	1,174,548	1,174,548	1,174,548	1,174,548	
	862,043	$1,294,631	$1,293,065	$1,293,064	$1,293,064	$1,293,064	
Common Stock							
Amount		$278,338,359	$200,000,000	$190,000,000	$200,000,000	$200,000,000	[1]

A balance sheet and a statement of income and retained earnings of Applicant for the three months ended March 31, 2004, are attached hereto.

[1] Southern California Gas Company dividend to parent company, Sempra Energy.

Attachment C

San Diego Gas & Electric

Rule 23 (e & f)

Summary of Earnings

SAN DIEGO GAS & ELECTRIC COMPANY
SUMMARY OF EARNINGS
NINE MONTHS ENDED SEPTEMBER 2004
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	1,656
2	Operating Expenses	1,483
3	Net Operating Income	173
4	Weighted Average Rate Base	2,677
5	Rate of Return*	8.77%

*Authorized Cost of Capital

Southern California Gas

Rule 23 (e & f)

Summary of Earnings

SOUTHERN CALIFORNIA GAS COMPANY
SUMMARY OF EARNINGS
NINE MONTHS ENDED SEPTEMBER 30, 2004
(DOLLARS IN MILLIONS)

Line No.	Item	Amount
1	Operating Revenue	2,830
2	Operating Expenses	2,641
3	Net Operating Income	189
4	Weighted Average Rate Base	2,347
5	Rate of Return*	8.68%

*Authorized Cost of Capital

Attachment D

San Diego Gas & Electric

Rule 23 (d)

- Statement of Original Cost and Depreciation Reserves

SAN DIEGO GAS & ELECTRIC COMPANY

COST OF PROPERTY AND
DEPRECIATION RESERVE APPLICABLE THERETO
AS OF SEPTEMBER 30, 2004

No.	Account	Original Cost	Reserve for Depreciation and Amortization
	ELECTRIC DEPARTMENT		
302	Franchises and Consents	$ 222,841	$ 202,900
303	Misc. Intangible Plant	22,934,626	12,537,187
	TOTAL INTANGIBLE PLANT	23,157,467	12,740,087
310.1	Land	46,518	46,518
310.2	Land Rights	0	0
311	Structures and Improvements	8,125,342	8,125,342
312	Boiler Plant Equipment	10,633,963	19,732,200
314	Turbogenerator Units	7,484,308	7,484,308
315	Accessory Electric Equipment	2,172,934	2,172,934
316	Miscellaneous Power Plant Equipment	239,053	239,053
	Steam Production Decommissioning	0	0
	TOTAL STEAM PRODUCTION	28,702,119	37,800,356
320.1	Land	0	0
320.2	Land Rights	283,677	283,677
321	Structures and Improvements	265,270,692	265,194,987
322	Boiler Plant Equipment	392,749,128	392,749,128
323	Turbogenerator Units	135,444,115	135,444,115
324	Accessory Electric Equipment	166,600,388	166,600,388
325	Miscellaneous Power Plant Equipment	201,528,419	194,518,430
107	ICIP CWIP	0	7,362,753
	TOTAL NUCLEAR PRODUCTION	1,161,876,420	1,162,153,478
340.1	Land	143,476	0
340.2	Land Rights	2,428	2,428
341	Structures and Improvements	0	0
342	Fuel Holders, Producers & Accessories	0	0
343	Prime Movers	0	0
344	Generators	389,278	0
345	Accessory Electric Equipment	0	0
	Other Production Decommissioning	0	0
	TOTAL OTHER PRODUCTION	535,181	2,428
	TOTAL ELECTRIC PRODUCTION	1,191,113,720	1,199,956,262

No.	Account	Original Cost	Reserve for Depreciation and Amortization
350.1	Land	$ 17,352,556	$ 0
350.2	Land Rights	41,115,412	7,624,319
352	Structures and Improvements	62,766,721	22,126,630
353	Station Equipment	399,756,929	111,316,456
354	Towers and Fixtures	93,799,585	67,201,984
355	Poles and Fixtures	72,208,091	37,150,596
356	Overhead Conductors and Devices	157,231,904	122,556,855
357	Underground Conduit	38,156,719	5,620,667
358	Underground Conductors and Devices	26,016,559	8,542,055
359	Roads and Trails	12,183,248	4,087,405
	TOTAL TRANSMISSION	920,587,724	386,226,967
360.1	Land	11,061,399	0
360.2	Land Rights	60,705,450	21,920,975
361	Structures and Improvements	3,322,441	1,821,450
362	Station Equipment	256,887,571	68,888,211
364	Poles, Towers and Fixtures	314,500,580	175,901,382
365	Overhead Conductors and Devices	254,178,462	80,128,474
366	Underground Conduit	667,101,265	257,953,965
367	Underground Conductors and Devices	834,118,555	423,710,527
368.1	Line Transformers	302,639,591	57,320,157
368.2	Protective Devices and Capacitors	25,256,429	4,827,783
369.1	Services Overhead	82,491,988	112,148,756
369.2	Services Underground	222,333,068	119,978,952
370.1	Meters	78,353,352	29,061,540
370.2	Meter Installations	36,950,477	9,819,604
371	Installations on Customers' Premises	5,701,854	7,159,911
373.1	St. Lighting & Signal Sys.-Transformers	0	0
373.2	Street Lighting & Signal Systems	22,391,340	15,929,029
	TOTAL DISTRIBUTION PLANT	3,177,993,823	1,386,570,714
389.1	Land	1,572,703	0
389.2	Land Rights	0	0
390	Structures and Improvements	24,498,863	7,443,893
392.1	Transportation Equipment - Autos	0	49,884
392.2	Transportation Equipment - Trailers	175,979	110,584
393	Stores Equipment	54,331	42,532
394.1	Portable Tools	8,927,582	3,177,285
394.2	Shop Equipment	579,577	247,475
395	Laboratory Equipment	483,721	135,953
396	Power Operated Equipment	92,162	149,134
397	Communication Equipment	84,138,779	36,265,483
398	Miscellaneous Equipment	72,849	(159,960)
	TOTAL GENERAL PLANT	120,596,546	47,462,263
101	TOTAL ELECTRIC PLANT	5,433,449,281	3,032,956,293

No.	Account	Original Cost	Reserve for Depreciation and Amortization
GAS PLANT			
302	Franchises and Consents	$ 86,104	$ 86,104
303	Miscellaneous Intangible Plant	713,559	503,553
	TOTAL INTANGIBLE PLANT	799,663	589,657
360.1	Land	10,205	0
361	Structures and Improvements	412,998	554,836
362.1	Gas Holders	989,283	1,012,573
362.2	Liquefied Natural Gas Holders	0	0
363	Purification Equipment	0	0
363.1	Liquefaction Equipment	0	0
363.2	Vaporizing Equipment	0	0
363.3	Compressor Equipment	558,651	612,455
363.4	Measuring and Regulating Equipment	0	0
363.5	Other Equipment	0	0
363.6	LNG Distribution Storage Equipment	407,546	310,538
	TOTAL STORAGE PLANT	2,378,682	2,490,402
365.1	Land	4,649,144	0
365.2	Land Rights	2,217,185	880,320
366	Structures and Improvements	10,680,998	6,398,281
367	Mains	118,652,979	40,021,826
368	Compressor Station Equipment	58,309,703	29,062,950
369	Measuring and Regulating Equipment	13,703,208	7,986,356
371	Other Equipment	0	0
	TOTAL TRANSMISSION PLANT	208,213,217	84,349,733
374.1	Land	102,187	0
374.2	Land Rights	7,634,200	4,253,943
375	Structures and Improvements	43,447	61,253
376	Mains	448,125,367	232,316,076
378	Measuring & Regulating Station Equipment	7,467,308	5,145,419
380	Distribution Services	217,230,553	217,294,266
381	Meters and Regulators	64,367,746	30,098,161
382	Meter and Regulator Installations	54,126,547	21,199,282
385	Ind. Measuring & Regulating Station Equipment	1,457,603	565,060
386	Other Property On Customers' Premises	0	0
387	Other Equipment	4,446,936	3,547,755
	TOTAL DISTRIBUTION PLANT	805,001,895	514,481,215

No.	Account	Original Cost	Reserve for Depreciation and Amortization
392.1	Transportation Equipment - Autos	$ 0	$ 25,503
392.2	Transportation Equipment - Trailers	76,210	76,210
394.1	Portable Tools	5,563,672	1,300,043
394.2	Shop Equipment	84,597	(16,729)
395	Laboratory Equipment	421,222	(221,552)
396	Power Operated Equipment	246,939	(25,808)
397	Communication Equipment	3,165,769	1,222,961
398	Miscellaneous Equipment	198,414	12,055
	TOTAL GENERAL PLANT	9,756,824	2,372,683
101	TOTAL GAS PLANT	1,026,150,281	604,283,690
	COMMON PLANT		
303	Miscellaneous Intangible Plant	151,742,533	95,115,787
350.1	Land	0	0
360.1	Land	0	0
389.1	Land	4,980,210	0
389.2	Land Rights	2,026,582	27,275
390	Structures and Improvements	112,005,925	37,624,531
391	Office Furniture and Equipment	82,217,751	16,232,988
392.1	Transportation Equipment - Autos	33,942	(338,930)
392.2	Transportation Equipment - Trailers	41,567	(118,466)
393	Stores Equipment	169,246	(229,198)
394.1	Portable Tools	68,328	(25,561)
394.2	Shop Equipment	319,947	111,465
394.3	Garage Equipment	2,480,706	97,016
395	Laboratory Equipment	2,129,346	815,625
396	Power Operated Equipment	0	(192,979)
397	Communication Equipment	71,410,036	33,003,449
398	Miscellaneous Equipment	3,105,948	692,280
118.1	TOTAL COMMON PLANT	432,732,066	182,815,283
	TOTAL ELECTRIC PLANT	5,433,449,281	3,032,956,293
	TOTAL GAS PLANT	1,026,150,281	604,283,690
	TOTAL COMMON PLANT	432,732,066	182,815,283
101 & 118.1	TOTAL	6,892,331,629	3,820,055,266
101	PLANT IN SERV-SONGS FULLY RECOVERED	$ (1,168,016,202)	$ (1,168,016,202)

No.	Account	Original Cost	Reserve for Depreciation and Amortization
102	Plant Purchased or Sold		
	Electric	$ 0	$ 0
	Gas	0	0
	TOTAL PLANT PURCHASED OR SOLD	0	0
105	Plant Held for Future Use		
	Electric	57,456	0
	Gas	0	0
	TOTAL PLANT HELD FOR FUTURE USE	57,456	0
107	Construction Work in Progress		
	Electric	341,263,366	
	Gas	8,821,148	
	Common	25,704,731	
	TOTAL CONSTRUCTION WORK IN PROGRESS	375,789,246	0
108.5	Accumulated Nuclear Decommissioning		
	Electric	0	477,524,604
	TOTAL ACCUMULATED NUCLEAR DECOMMISSIONING	0	477,524,604
111.3	Capitalized Leases		
	Electric	0	0
	Gas	0	0
	Common	0	0
	TOTAL CAPITALIZED LEASES	0	0
114	ELECTRIC PLANT ACQUISITION ADJUSTMENT	0	0
120	NUCLEAR FUEL FABRICATION	41,321,694	23,454,604
143	FAS 143 ASSETS - Legal Obligation	71,027,918	(443,515,728)
143	FAS 143 ASSETS - Non-legal Obligation	0	(882,366,000)
	TOTAL FAS 143	71,027,918	(1,325,881,728)
	UTILITY PLANT TOTAL	$ 6,212,511,740	$ 1,827,136,545

Book cost is calculated by taking OrigInal Cost less Reserve for Depreciation and Amortization.

Southern California Gas

Rule 23 (d)

- Statement of Original Cost and Depreciation Reserves

SOUTHERN CALIFORNIA GAS COMPANY
Plant Investment and Accumulated Depreciation
As of September 30, 2004

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE
INTANGIBLE ASSETS			
301	Organization	$ 76,457	$ -
302	Franchise and Consents	515,639	
	Total Intangible Assets	$ 592,096	$ -
UNDERGROUND STORAGE:			
350	Land	$ 5,289,613	$ -
350	Storage Rights	17,338,835	15,438,589
350	Rights-of-Way	25,354	9,634
351	Structures and Improvements	23,651,652	14,839,725
352	Wells	164,426,907	109,329,696
353	Lines	79,027,886	82,725,797
354	Compressor Station and Equipment	95,325,831	64,247,630
355	Measuring And Regulator Equipment	1,460,932	1,246,103
356	Purification Equipment	74,337,855	50,825,729
357	Other Equipment	5,873,790	1,823,424
	Total Underground Storage	$ 466,758,654	$ 340,486,327
TRANSMISSION PLANT- OTHER:			
365	Land	$ 2,012,666	$ -
365	Land Rights	20,513,228	10,988,123
366	Structures and Improvements	27,923,375	18,738,478
367	Mains	710,161,872	451,498,567
368	Compressor Station and Equipment	158,295,462	81,912,786
369	Measuring And Regulator Equipment	39,127,198	25,191,908
371	Other Equipment	2,374,573	867,493
	Total Transmission Plant	$ 960,408,375	$ 589,197,355
DISTRIBUTION PLANT:			
374	Land	$ 28,251,316	$ -
374	Land Rights	2,448,103	12,264
375	Structures and Improvements	165,686,398	41,937,528
376	Mains	2,379,555,430	1,305,297,942
378	Measuring And Regulator Equipment	48,725,694	30,438,770
380	Services	1,681,264,717	1,353,931,467
381	Meters	343,812,532	131,979,949
382	Meter Installation	231,304,030	169,226,198
383	House Regulators	101,921,468	43,030,123
387	Other Equipment	22,427,464	14,581,069
	Total Distribution Plant	$ 5,005,397,153	$ 3,090,435,308
GENERAL PLANT:			
389	Land	$ 1,414,274	$ -
389	Land Rights	74,300	
390	Structures and Improvements	91,716,552	64,899,807
391	Office Furniture and Equipment	321,619,195	147,288,163
392	Transportation Equipment	1,536,687	1,523,229
393	Stores Equipment	914,079	754,550

SOUTHERN CALIFORNIA GAS COMPANY

Plant Investment and Accumulated Depreciation
As of September 30, 2004

ACCOUNT NUMBER	DESCRIPTION	ORIGINAL COSTS	ACCUMULATED RESERVE
394	Shop and Garage Equipment	46,950,651	20,120,541
395	Laboratory Equipment	7,126,157	3,599,986
396	Construction Equipment	95,317	16,487
397	Communication Equipments	120,054,419	70,690,180
398	Miscellaneous Equipment	5,358,722	(2,812,464)
	Total General Plant	$ 596,860,352	$ 306,080,479

Attachment E

San Diego Gas & Electric

Rule 24

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Southern California Gas

Rule 24

State, County, City Government Service List

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DIAMOND BAR, CA 91765

CITY ATTORNEY
DINUBA CITY HALL
1390 E. ELIZABETH WAY
DINUBA, CA 93618

CITY CLERK
DINUBA CITY HALL
1390 E. ELIZABETH WAY
DINUBA, CA 93618

CITY ATTORNEY
DOWNEY CITY HALL
8425 2ND ST.
DOWNEY, CA 90241

CITY CLERK
DOWNEY CITY HALL
8425 2ND ST.
DOWNEY, CA 90241

CITY CLERK
DUARTE CITY HALL
1600 HUNTINGTON DR.
DUARTE, CA 91010

CITY ATTORNEY
DUARTE CITY HALL
1600 HUNTINGTON DR.
DUARTE, CA 91010

CITY ATTORNEY
EL CENTRO CITY HALL
1275 MAIN ST.
EL CENTRO, CA 92243

CITY CLERK
EL CENTRO CITY HALL
1275 MAIN ST.
EL CENTRO, CA 92243

CITY ATTORNEY
EL MONTE CITY HALL
11333 VALLEY BLVD.
EL MONTE, CA 91734

CITY CLERK
EL MONTE CITY HALL
11333 VALLEY BLVD.
EL MONTE, CA 91734

CITY ATTORNEY
EL SEGUNDO CITY HALL
350 MAIN ST.
EL SEGUNTO, CA 90245

CITY CLERK
EL SEGUNDO CITY HALL
350 MAIN ST.
EL SEGUNDO, CA 90245

CITY ATTORNEY
EXETER CITY HALL
P. O. BOX 237
EXETER, CA 93221

CITY CLERK
EXETER CITY HALL
P. O. BOX 237
EXETER, CA 93221

CITY ATTORNEY
FARMERSVILLE CITY HALL
147 E. FRONT ST.
FARMERSVILLE, CA 93223

CITY CLERK
FARMERSVILLE CITY HALL
147 E. FRONT ST.
FARMERSVILLE, CA 93223

CITY ATTORNEY
FILLMORE CITY HALL
524 SESPE AVE.
FILLMORE, CA 93015

CITY CLERK
FILLMORE CITY HALL
524 SESPE AVE.
FILLMORE, CA 93015

DEP. CITY CLERK
FONTANA CITY
8353 SIERRA AVE.
FONTANA, CA 92335

CITY ATTORNEY
FONTANA CITY HALL
8353 SIERRA AVE.
FONTANA, CA 92335

CITY ATTORNEY
FOUNTAIN VALLEY CITY HALL
10200 SLATER AVE.
FOUNTAIN VALLEY, CA 92708

CITY CLERK
FOUNTAIN VALLEY CITY HALL
10200 SLATER AVE.
FOUNTAIN VALLEY, CA 92708

CITY ATTORNEY
FOWLER CITY
128 SOUTH FIFTH
FOWLER, CA 23625

CITY CLERK
FOWLER CITY
128 SOUTH FIFTH
FOWLER, CA 93625

CITY ATTORNEY
FULLERTON CITY HALL
303 W. COMMONWEALTH
FULLERTON, CA 92632

CITY CLERK
FULLERTON CITY HALL
303 W. COMMONWEALTH
FULLERTON, CA 92632

CITY ATTORNEY
GARDEN GROVE CITY HALL
11300 STANFORD AVE.
GARDEN GROVE, CA 92640

CITY CLERK
GARDEN GROVE CITY HALL
11300 STANFORD AVE.
GARDEN GROVE, CA 92640

CITY ATTORNEY
GARDENA CITY HALL
1700 W 162ND ST.
GARDENA, CA 90247

CITY CLERK
GARDENA CITY HALL
1700 W 162ND ST.
GARDENA, CA 90247

CITY ATTORNEY
GLENDALE CITY HALL
613 E. BROADWAY
GLENDALE, CA 91205

CITY CLERK
GLENDALE CITY HALL
613 E. BROADWAY
GLENDALE, CA 91205

CITY ATTORNEY
GLENDORA CITY HALL
116 E. FOOTHILL BLVD.
GLENDORA, CA 91740

CITY CLERK
GLENDORA CITY HALL
116 E. FOOTHILL BLVD.
GLENDORA, CA 91740

CITY ATTORNEY
GRAND TERRACE CITY HALL
22795 BARTON ROAD
GRAND TERRACE, CA 92324

CITY CLERK
GRAND TERRACE CITY HALL
22795 BARTON ROAD
GRAND TERRACE, CA 92324

CITY ATTORNEY
GROVER CITY CITY HALL
154 SO. 8TH ST.
GROVER CITY, CA 93433

CITY CLERK
GROVER CITY CITY HALL
154 SO. 8TH ST.
GROVER CITY, CA 93433

CITY ATTORNEY
GUADALUPE CITY HALL
918 OBISPO ST.
GUADALUPE, CA 93434

CITY CLERK
GUADALUPE CITY HALL
918 OBISPO ST.
GUADALUPE, CA 93434

CITY ATTORNEY
HANFORD CITY HALL
400 NO. DOUTY
HANFORD, CA 93230

CITY CLERK
HANFORD CITY HALL
400 NO. DOUTY
HANFORD, CA 93230

CITY ATTORNEY
HAWAIIAN GARDENS CITY HALL
21815 PIONEER BLVD.
HAWAIIAN GARDENS, CA 90716

CITY CLERK
HAWAIIAN GARDENS CITY HALL
21815 PIONEER BLVD.
HAWAIIAN GARDENS, CA 90716

CITY ATTORNEY
HAWTHORNE CITY HALL
4455 W. 126TH ST.
HAWTHORNE, CA 90250

CITY CLERK
HAWTHORNE CITY HALL
4455 W. 126TH ST.
HAWTHORNE, CA 90250

CITY ATTORNEY
HEMET CITY HALL
450 E. LATHAN AVE.
HEMET, CA 92343

CITY CLERK
HEMET CITY HALL
450 E. LATHAM AVE.
HEMET, CA 92343

CITY ATTORNEY
HERMOSA BEACH CITY HALL
1315 VALLEY DR.
HERMOSA BEACH, CA 90254

CITY CLERK
HERMOSA BEACH CITY HALL
1315 VALLEY DR.
HERMOSA BEACH, CA 90254

CITY ATTORNEY
HESPERIA CITY
15776 MAIN STREET
HESPERIA, CA 92345

CITY CLERK
HESPERIA CITY
15776 MAIN STREET
HESPERIA, CA 92345

CITY ATTORNEY
HIDDEN HILLS CITY HALL
6165 SPRING VALLEY RD.
HIDDEN HILLS, CA 91302

CITY CLERK
HIDDEN HILLS CITY HALL
6165 SPRING VALLEY RD.
HIDDEN HILLS, CA 91302

CITY ATTORNEY
HIGHLAND CITY
26985 BASE LINE
HIGHLAND, CA 92346

CITY CLERK
HIGHLAND CITY
26985 BASE LINE
HIGHLAND, CA 92346

CITY ATTORNEY
HOLTVILLE CITY HALL
121 W. 5TH ST.
HOLTVILLE, CA 92250

CITY CLERK
HOLTVILLE CITY HALL
121 W. 5TH ST.
HOLTVILLE, CA 92250

CITY ATTORNEY
HUNTINGTON BEACH CITY HALL
2000 MAIN ST.
HUNTINGTON BEACH, CA 92648

CITY CLERK
HUNTINGTON BEACH CITY HALL
2000 MAIN ST.
HUNTINGTON BEACH, CA 92648

CITY ATTORNEY
HUNTINGTON PARK CITY HALL
6550 MILES AVE.
HUNTINGTON PARK, CA 90255

CITY CLERK
HUNTINGTON PARK CITY HALL
6550 MILES AVE.
HUNTINGTON PARK, CA 90255

CITY ATTORNEY
IMPERIAL CITY HALL
420 SO. IMPERIAL AVE.
IMPERIAL, CA 92251

CITY CLERK
IMPERIAL CITY HALL
420 SO. IMPERIAL AVE.
IMPERIAL, CA 92251

CITY ATTORNEY
INDIAN WELLS CITY HALL
44-950 EL DORADO DR.
INDIAN WELLS, CA 92210

CITY CLERK
INDIAN WELLS CITY HALL
44-950 EL DORADO DR.
INDIAN WELLS, CA 92210

CITY ATTORNEY
INDIO CITY HALL
150 CIVIC CENTER MALL
INDIO, CA 92202

CITY CLERK
INDIO CITY HALL
150 CIVIC CENTER MALL
INDIO, CA 92202

CITY ATTORNEY
INDUSTRY CITY HALL
15651 STANFORD ST.
CITY OF INDUSTRY, CA 91744

CITY CLERK
INDUSTRY CITY HALL
15651 STANFORD ST.
CITY OF INDUSTRY, CA 91744

CITY ATTORNEY
INGLEWOOD CITY HALL
1 MANCHESTER BLVD.
INGLEWOOD, CA 90301

CITY CLERK
INGLEWOOD CITY HALL
1 MANCHESTER BLVD.
INGLEWOOD, CA 90301

CITY ATTORNEY
IRVINE CITY HALL
P. 0. BOX 19575
IRVINE, CA 92713

CITY CLERK
IRVINE CITY HALL
P. 0. BOX 19575
IRVINE, CA 92713

CITY ATTORNEY
IRWINDALE CITY HALL
5050 NO. IRWINDALE AVE.
IRWINDALE, CA 91706

CITY CLERK
IRWINDALE CITY HALL
5050 NO. IRWINDALE AVE.
IRWINDALE, CA 91706

CITY ATTORNEY
KINGSBURG CITY HALL
1401 DRAPER ST.
KINGSBURG, CA 93631

CITY CLERK
KINGSBURG CITY HALL
1401 DRAPER ST.
KINGSBURG, CA 93631

CITY ATTORNEY
LA CANADA FLINTRIDGE
300 SOUTH GRAND SUITE 1500
LOS ANGELES, CA 90071

CITY CLERK
LA CANADA FLINTRIDGE CITY HALL
1327 FOOTHILL BLVD.
LA CANADA FLINTRIDGE, CA 91011

CITY ATTORNEY
LA HABRA CITY HALL
CIVIC CENTER
LA HABRA, CA 90631

CITY CLERK
LA HABRA CITY HALL
CIVIC CENTER
LA HABRA, CA 90631

CITY ATTORNEY
LA HABRA HEIGHTS CITY HALL
1245 NO. HACIENDA BLVD.
LA HABRA HEIGHTS, CA 90631

CITY CLERK
LA HABRA HEIGHTS CITY HALL
1245 NO. HACIENDA BLVD.
LA HABRA HEIGHTS, CA 90631

CITY ATTORNEY
LA MIRADA CITY HALL
13700 SO. LA MIRADA BLVD.
LA MIRADA, CA 90638

CITY CLERK
LA MIRADA CITY HALL
13700 SO. LA MIRADA BLVD.
LA MIRADA, CA 90638

CITY ATTORNEY
LA PALMA CITY HALL
7822 WALKER ST.
LA PALMA, CA 90623

CITY CLERK
LA PALMA CITY HALL
7822 WALKER ST.
LA PALMA, CA 90623

CITY ATTORNEY
LA PUENTE CITY HALL
15900 E. MAIN ST.
LA PUENTE, CA 91744

CITY CLERK
LA PUENTE CITY HALL
15900 E. MAIN ST.
LA PUENTE, CA 91744

CITY ATTORNEY
LA QUINTA CITY HALL
P. O. BOX 1504
LA QUINTA, CA 92253

CITY CLERK
LA QUINTA CITY HALL
P. O. BOX 1504
LA QUINTA, CA 92253

CITY ATTORNEY
LA VERNE CITY HALL
3660 D STREET
LA VERNE, CA 91750

CITY CLERK
LA VERNE CITY HALL
3660 D STREET
LA VERNE, CA 91750

CITY ATTORNEY
LAGUNA BEACH CITY HALL
505 FOREST AVE.
LAGUNA BEACH, CA 92651

CITY CLERK
LAGUNA BEACH CITY HALL
505 FOREST AVE.
LAGUNA BEACH, CA 92651

CITY ATTORNEY
LAGUNA NIGUEL CITY
27821 LA PAZ ROAD
LAGUNA NIGUEL, CA 92656

CITY CLERK
LAGUNA NIGUEL CITY
27821 LA PAZ ROAD
LAGUNA NIGUEL, CA 92656

CITY ATTORNEY
LAKE ELSINORE CITY HALL
130 S. MAIN ST.
LAKE ELSINORE, CA 92330

CITY CLERK
LAKE ELSINORE CITY HALL
130 S. MAIN ST.
LAKE ELSINORE, CA 92330

CITY ATTORNEY
LAKEWOOD CITY HALL
5050 CLARK AVE.
LAKEWOOD, CA 90714

CITY CLERK
LAKEWOOD CITY HALL
5050 CLARK AVE.
LAKEWOOD, CA 90714

CITY ATTORNEY
LANCASTER CITY HALL
44933 N. FERN AVE.
LANCASTER, CA 93534

CITY CLERK
LANCASTER CITY HALL
44933 N. FERN AVE.
LANCASTER, CA 93534

CITY ATTORNEY
LAWNDALE CITY
611 ANTON BL., SUITE 1400
COSTA MESA, CA 92628

CITY CLERK
LAWNDALE CITY HALL
14717 BURIN AVE.
LAWNDALE, CA 90260

CITY ATTORNEY
LEMOORE CITY HALL
119 FOX ST.
LEMOORE, CA 93245

CITY CLERK
LEMOORE CITY HALL
119 FOX ST.
LEMOORE, CA 9 3245

CITY ATTORNEY
LINDSAY CITY HALL
251 E. HONOLULU ST.
LINDSAY, CA 93247

CITY CLERK
LINDSAY CITY HALL
251 E. HONOLULU ST.
LINDSAY, CA 93247

CITY ATTORNEY
LOMA LINDA CITY
11800 Central Ave, Suite 125
CHINO, CA 91710

CITY CLERK
LOMA LINDA CITY HALL
25541 BARTON RD.
LOMA LINDA, CA 92354

CITY ATTORNEY
LOMITA CITY HALL
24300 NARBONNE AVE.
LOMITA, CA 90717

CITY CLERK
LOMITA CITY HALL
24300 NARBONNE AVE.
LOMITA, CA 90717

CITY ATTORNEY
LOMPOC CITY HALL
100 CIVIC CENTER PLAZA
LOMPOC, CA 93438

CITY CLERK
LOMPOC CITY HALL
100 CIVIC CENTER PLAZA
LOMPOC, CA 93438

CITY ATTORNEY
LONG BEACH CITY HALL
333 W. OCEAN BLVD.
LONG BEACH, CA 90802

CITY CLERK
LONG BEACH CITY HALL
333 W. OCEAN BLVD.
LONG BEACH, CA 90802

CITY ATTORNEY
LOS ALAMITOS CITY HALL
3191 KATELLA
LOS ALAMITOS, CA 90720

CITY CLERK
LOS ALAMITOS CITY HALL
3191 KATELLA
LOS ALAMITOS, CA 90720

CITY ATTORNEY
LOS ANGELES CITY HALL
200 NO. SPRING ST.
LOS ANGELES, CA 90012

CITY CLERK
LOS ANGELES CITY HALL
200 NO. Main St., Ste 1216.
LOS ANGELES, CA 90012-4125

CITY ATTORNEY
LYNWOOD CITY HALL
11330 BULLIS RD.
LYNWOOD, CA 90262

CITY CLERK
LYNWOOD CITY HALL
11330 BULLIS RD.
LYNWOOD, CA 90262

CITY ATTORNEY
MANHATTAN BEACH CITY HALL
1400 HIGHLAND AVE.
MANHATTAN BEACH, CA 90266

CITY CLERK
MANHATTAN BEACH CITY HALL
1400 HIGHLAND AVE.
MANHATTAN BEACH, CA 90266

CITY ATTORNEY
MARICOPA CITY HALL
P. 0. BOX 548
MARICOPA, CA 93252

CITY CLERK
MARICOPA CITY HALL
P. 0. BOX 548
MARICOPA, CA 93252

CITY ATTORNEY
MAYWOOD CITY HALL
4319 E. SLAUSON AVE.
MAYWOOD, CA 90270

CITY CLERK
MAYWOOD CITY HALL
4319 E. SLAUSON AVE.
MAYWOOD, CA 90270

CITY ATTORNEY
MCFARLAND CITY HALL
401 W. KERN
MCFARLAND, CA 93250

CITY CLERK
MCFARLAND CITY HALL
401 W. KERN
MCFARLAND, CA 93250

CITY ATTORNEY
MISSION VIEJO CITY
25909 PALA, STE. 150
MISSION VIEJO, CA 92691

CITY CLERK
MISSION VIEJO CITY
25909 PALA, STE. 150
MISSION VIEJO, CA 92691

CITY ATTORNEY
MONROVIA CITY HALL
415 SO. IVY AVE.
MONROVIA, CA 91016

CITY CLERK
MONROVIA CITY HALL
415 SO. IVY AVE.
MONROVIA, CA 91016

CITY ATTORNEY
MONTCLAIR CITY HALL
5111 BENITO ST.
MONTCLAIR, CA 91763

CITY CLERK
MONTCLAIR CITY HALL
5111 BENITO ST.
MONTCLAIR, CA 91763

CITY ATTORNEY
MONTEBELLO CITY HALL
1600 BEVERLY BLVD.
MONTEBELLO, CA 90640

CITY CLERK
MONTEBELLO CITY HALL
1600 BEVERLY BLVD.
MONTEBELLO, CA 90640

CITY ATTORNEY
MONTEREY PARK CITY HALL
320 W. NEWMARK AVE.
MONTEREY PARK, CA 91754

CITY CLERK
MONTEREY PARK CITY HALL
320 W. NEWMARK AVE.
MONTEREY PARK, CA 91754

CITY ATTORNEY
MOORPARK CITY HALL
799 MOORPARK AVE.
MOORPARK, CA 93021

CITY CLERK
MOORPARK CITY HALL
799 MOORPARK AVE.
MOORPARK, CA 93021

CITY ATTORNEY
MORENO VALLEY CITY HALL
P. 0. BOX 1440
MORENO VALLEY, CA 92556

CITY CLERK
MORENO VALLEY CITY HALL
P. 0. BOX 1440
MORENO VALLEY, CA 92556

CITY ATTORNEY
MORRO BAY CITY HALL
DUNES ST. & SHASTA AVE.
MORRO BAY, CA 93442

CITY CLERK
MORRO BAY CITY HALL
DUNES ST. & SHASTA AVE.
MORRO BAY, CA 93442

CITY ATTORNEY
MURIETA CITY HALL
26442 BECKMAN CT.
MURIETA, CA 92562

CITY CLERK
MURIETA CITY HALL
26442 BECKMAN CT.
MURIETA, CA 92562

CITY ATTORNEY
NEEDLES CITY
817 3rd Street
NEEDLES, CA 92363

CITY CLERK
NEEDLES CITY
1111 BAILEY AVE.
NEEDLES, CA 92363

CITY ATTORNEY
NEWPORT BEACH CITY HALL
3300 NEWPORT BLVD.
NEWPORT BEACH, CA 92660

CITY CLERK
NEWPORT BEACH CITY HALL
3300 NEWPORT BLVD.
NEWPORT BEACH, CA 92660

CITY ATTORNEY
NORCO CITY HALL
3954 OLD HAMNER AVE.
NORCO, CA 91760

CITY CLERK
NORCO CITY HALL
3954 OLD HAMNER AVE.
NORCO, CA 91760

CITY ATTORNEY
NORWALK CITY HALL
12700 NORWALK BLVD.
NORWALK, CA 90650

CITY CLERK
NORWALK CITY HALL
12700 NORWALK BLVD.
NORWALK, CA 90650

CITY ATTORNEY
OJAI CITY HALL
401 SO. VENTURA ST.
OJAI, CA 93023

CITY CLERK
OJAI CITY HALL
401 SO. VENTURA ST.
OJAI, CA 93023

CITY ATTORNEY
ONTARIO CITY HALL
303 "B" ST.
ONTARIO, CA 91764

CITY CLERK
ONTARIO CITY HALL
303 "B" ST.
ONTARIO, CA 91764

CITY ATTORNEY
ORANGE CITY HALL
300 E. CHAPMAN AVE.
ORANGE, CA 92666

CITY CLERK
ORANGE CITY HALL
300 E. CHAPMAN AVE.
ORANGE, CA 92666

CITY ATTORNEY
ORANGE COVE CITY HALL
555 SIXTH ST.
ORANGE COVE, CA 93646

CITY CLERK
ORANGE COVE CITY HALL
555 SIXTH ST.
ORANGE COVE, CA 93646

CITY ATTORNEY
OXNARD CITY HALL
305 W. THIRD ST.
OXNARD, CA 93030

CITY CLERK
OXNARD CITY HALL
305 W. THIRD ST
OXNARD, CA 93030

CITY ATTORNEY
PALM DESERT CITY HALL
73510 FRED WARING DR.
PALM DESERT, CA 92260

CITY CLERK
PALM DESERT CITY HALL
73510 FRED WARING DR.
PALM DESERT, CA 92260

CITY ATTORNEY
PALM SPRINGS CITY HALL
P. 0. BOX 2743
PALM SPRINGS, CA 92263

CITY CLERK
PALM SPRINGS CITY HALL
P. 0. BOX 2743
PALM SPRINGS, CA 92263

CITY ATTORNEY
PALMDALE CITY HALL
708 EAST PALMDALE BLVD.
PALMDALE, CA 93550

CITY CLERK
PALMDALE CITY HALL
708 EAST PALMDALE BLVD.
PALMDALE, CA 93550

CITY CLERK
PALOS VERDES ESTATES
340 PALOS VERDES DRIVE W.
PALOS VERDES ESTATES, CA 90274

CITY ATTORNEY
PALOS VERDES ESTATES CITY
300 SO. GRAND AVE., STE. 1500
LOS ANGELES, CA 90071

CITY ATTORNEY
PARAMOUNT CITY HALL
16400 SO. COLORADO ST.
PARAMOUNT, CA 90274

CITY CLERK
PARAMOUNT CITY HALL
16400 SO. COLORADO ST.
PARAMOUNT, CA 90274

CITY ATTORNEY
PARLIER CITY HALL
1100 E. PARLIER AVE.
PARLIER, CA 93648

CITY CLERK
PARLIER CITY HALL
1100 E. PARLIER AVE.
PARLIER, CA 93648

CITY ATTORNEY
PASADENA CITY HALL
100 NO. GARFIELD AVE.
PASADENA, CA 91109

CITY CLERK
PASADENA CITY HALL
100 NO. GARFIELD AVE.
PASADENA, CA 91109

CITY ATTORNEY
PASO ROBLES CITY HALL
801 4TH ST.
PASO ROBLES, CA 93446

CITY CLERK
PASO ROBLES CITY HALL
801 4TH ST.
PASO ROBLES, CA 93446

CITY ATTORNEY
PERRIS CITY HALL
101 NO. “D" ST.
PERRIS, CA 92370

CITY CLERK
PERRIS CITY HALL
101 NO. “D” ST.
PERRIS, CA 92370

CITY ATTORNEY
PICO RIVERA CITY HALL
6615 PASSONS BLVD.
PICO RIVERA, CA 90660

CITY CLERK
PICO RIVERA CITY HALL
6615 PASSONS
PICO RIVERA, CA 90660

CITY ATTORNEY
PISMO BEACH CITY HALL
1000 BELLO ST.
PISMO BEACH, CA 93449

CITY CLERK
PISMO BEACH CITY HALL
1000 BELLO ST.
PISMO BEACH, CA 93449

CITY ATTORNEY
PLACENTIA CITY HALL
401 E. CHAPMAN AVE.
PLACENTIA, CA 92670

CITY CLERK
PLACENTIA CITY HALL
401 E. CHAPMAN AVE
PLACENTIA, CA 92670.

CITY ATTORNEY
POMONA CITY HALL
505 SO. GAREY
POMONA, CA 91769

CITY CLERK
POMONA CITY HALL
505 SO. GAREY
POMONA, CA 91769

CITY ATTORNEY
PORT HUENEME CITY HALL
250 NO. VENTURA RD.
PORT HUENEME, CA 93041

CITY CLERK
PORT HUENEME CITY HALL
250 NO. VENTURA RD.
PORT HUENEME, CA 93041

CITY ATTORNEY
PORTERVILLE CITY HALL
291 NO. MAIN ST.
PORTERVILLE, CA 93257

CITY CLERK
PORTERVILLE CITY HALL
291 NO. MAIN ST.
PORTERVILLE, CA 93257

CITY ATTORNEY
RANCHO CUCAMONGA CITY HALL
P. 0. Box 807
RANCHO CUCAMONGA, CA 91729

CITY CLERK
RANCHO CUCAMONGA CITY HALL
P. 0. Box 807
RANCHO CUCAMONGA, CA 91729

CITY ATTORNEY
RANCHO MIRAGE CITY
RANCHO MIRAGE CITY HALL
RANCHO MIRAGE, CA 92270

CITY CLERK
RANCHO MIRAGE CITY
RANCHO MIRAGE CITY HALL
RANCHO MIRAGE, CA 92270

CITY CLERK
RANCHO PALOS VERDES
30940 HAWTHORNE BLVD.
RANCHO PALOS VERDES, CA 90274

CITY ATTORNEY
RANCHO PALOS VERDES CITY
333 SOUTH HOPE, 38TH FLOOR
LOS ANGELES, CA 90071

CITY ATTORNEY
REDLANDS CITY HALL
P. 0. BOX 280
REDLANDS, CA 92373

CITY CLERK
REDLANDS CITY HALL
P. 0. BOX 280
REDLANDS, CA 92373

CITY ATTORNEY
REDONDO BEACH CITY HALL
415 DIAMOND ST.
REDONDO BEACH, CA 90277

CITY CLERK
REDONDO BEACH CITY HALL
415 DIAMOND ST.
REDONDO BEACH, CA 90277

CITY ATTORNEY
REEDLEY CITY HALL
845 "G" ST.
REEDLEY, CA 93654

CITY CLERK
REEDLEY CITY HALL
845 "G" ST.
REEDLEY, CA 93654

CITY ATTORNEY
RIALTO CITY HALL
150 SO. PALM AVE.
RIALTO, CA 92376

CITY CLERK
RIALTO CITY HALL
150 SO. PALM AVE.
RIALTO, CA 92376

CITY ATTORNEY
RIVERSIDE CITY HALL
3900 MAIN ST.
RIVERSIDE, CA 92522

CITY CLERK
RIVERSIDE CITY HALL
3900 MAIN ST.
RIVERSIDE, CA 92522

CITY ATTORNEY
ROLLING HILLS CITY HALL
#2 PORTUGUESE BEND RD.
ROLLING HILLS, CA 90274

CITY CLERK
ROLLING HILLS CITY HALL
#2 PORTUGUESE BEND RD.
ROLLING HILLS, CA 90274

CITY ATTORNEY
ROLLING HILLS ESTS. CITY HALL
4045 PALOS VERDES DR.
ROLLING HILLS ESTS., CA 90274

CITY CLERK
ROLLING HILLS ESTS. CITY HALL
4045 PALOS VERDES DR.
ROLLING HILLS ESTS., CA 90274

CITY ATTORNEY
ROSEMEAD CITY HALL
8838 E. VALLEY BLVD.
ROSEMEAD, CA 91770

CITY CLERK
ROSEMEAD CITY HALL
8838 E. VALLEY BLVD.
ROSEMEAD, CA 91770

CITY CLERK
SAN BERNARDINO CITY HALL
300 NO. "D" STREET
SAN BERNARDINO, CA 92418

CITY ATTORNEY
SAN BERNARDINO CITY HALL
300 NO. "D" STREET
SAN BERNARDINO, CA 92418

CITY ATTORNEY
SAN CLEMENTE CITY HALL
100 AVENIDA PRESIDIO
SAN CLEMENTE, CA 92672

CITY CLERK
SAN CLEMENTE CITY HALL
100 AVENIDA PRESIDIO
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Attachment F

Application No: A.04-12-
Exhibit No.:
Witness: Richard M. Morrow

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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	A.04-12-____ (Filed December 2, 2004)

PREPARED DIRECT TESTIMONY

OF RICHARD M. MORROW

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
December 2, 2004

PREPARED DIRECT TESTIMONY
OF RICHARD M. MORROW

A. QUALIFICATIONS

My name is Richard M. Morrow. I am the Vice President of Customer Service Major Markets for SoCalGas and SDG&E. My business address is 555 West Fifth Street, Los Angeles, California 90013-1011.

I received a Bachelor of Science degree in Chemical Engineering from California State Polytechnic University and a Master's degree in Chemical Engineering from the University of California at Davis. I am also a registered petroleum engineer. I have been employed by SoCalGas since 1974. I have held various positions throughout my 30 years with SoCalGas, including positions in engineering, transmission and storage, gas supply planning, gas exploration and gas acquisition, distribution, and customer service.

I am responsible for service to the utilities' major customers, including electric generators, wholesalers and the large commercial and industrial customers. I am also responsible for managing the company's pipeline and storage capacity programs, energy efficiency program delivery for large commercial and industrial customers, direct access and customer choice programs, and technology development. I have previously testified before this Commission.

B. PURPOSE

The purpose of this testimony is to set forth the policy basis of this Application. In particular, I will address:

- Why firm access rights are needed to implement fully the Commission's policy of enhancing customer commodity choices;
- Why a system of firm access rights can and should be implemented without unbundling the cost of utility assets from transportation rates or placing SDG&E or SoCalGas "at-risk" for receipt access or backbone transmission revenue requirement;

- How the proposal for transmission system rate integration for utility customers of SDG&E and SoCalGas will reflect actual transmission system operations and will support the Commission's objective of expanding customer access to new supply sources; and
- Why establishing an off-system delivery service will enhance gas-on-gas competition for the benefit of SDG&E/SoCalGas customers and the State of California as a whole.

C. INTRODUCTION

SDG&E and SoCalGas agree with the Commission that customers in southern California need a revision to the existing natural gas framework to allow them to obtain access to new supply sources and enhance their ability to procure reasonably priced gas commodity supplies through a system of firm, tradable access rights.[1/] We have previously expanded our transmission, distribution and storage systems to ensure customers have adequate capacity for utility service to meet their natural gas needs. However, physical utility infrastructure alone cannot ensure access to reliable, reasonably priced supplies of natural gas. The Commission should therefore adopt modifications to the existing framework governing scheduling of supply delivery into the utility systems.

This Application sets forth the proposals of SDG&E and SoCalGas to establish: a system of firm access rights, integration of receipt access for customers of both utilities, and off-system transportation services. The Application presents an integrated proposal even though other critical regulatory elements are subject to the second phase of the Commission's Gas Market OIR (R.04-01-025).

The proposals in this Application are not intended to address energy efficiency, promotion of renewable sources of energy, or other elements of the State's Energy Action Plan, which are subject to other Commission proceedings. However, this Application recommends adoption of new proposals that complement the policy of California to "[e]nsure a reliable

[1/] D.04-04-015, *mimeo*, p. 54 ("Although we are suspending the CSA, we fully support a market structure that includes firm tradable rights.").

supply of reasonably priced natural gas."[2] The proposals set forth in this application will assist customers in managing the cost of natural gas procurement and transportation.

D. FIRM ACCESS RIGHTS WILL ENHANCE GAS-ON-GAS COMPETITION

SDG&E and SoCalGas believe that a system of firm access rights is critical to greater reliability of long-term gas supplies. Firm access rights will provide the foundation for customers to select their preferred source of supply, and to ensure that supply can flow from the wellhead to their burner-tip.

Absent a system of firm access rights, SoCalGas and SDG&E will have to continue to rely on the scheduling practices and policies of the upstream pipelines, primarily interstate pipelines subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). This effectively means that utility customers only have interruptible access rights into the utility system, and no assurance that their deliveries are scheduled at utility receipt points. Similarly, suppliers and customers lack any long-term certainty that they can schedule their supply on a regular basis. We believe this inhibits greater customer choice and gas-on-gas competition. The collective upstream delivery rights to southern California are significantly in excess of the SoCalGas (and SDG&E) redelivery, or take-away, capacity. This "mismatch" is illustrated in Figure 1 below, which shows that interstate pipelines and PG&E can deliver more supply than SDG&E and SoCalGas can redeliver on a firm basis. Unlike the PG&E system, natural gas flows into southern California are scheduled according to the rights on the upstream pipelines. Since upstream suppliers can schedule more gas than we can physically redeliver, SoCalGas allocates receipt capacity among upstream pipelines, and their scheduling rules determine whose gas flows and whose nominations get cut. This allocation process results in customers in southern California having no certainty over their ability to schedule supply on a consistent basis.

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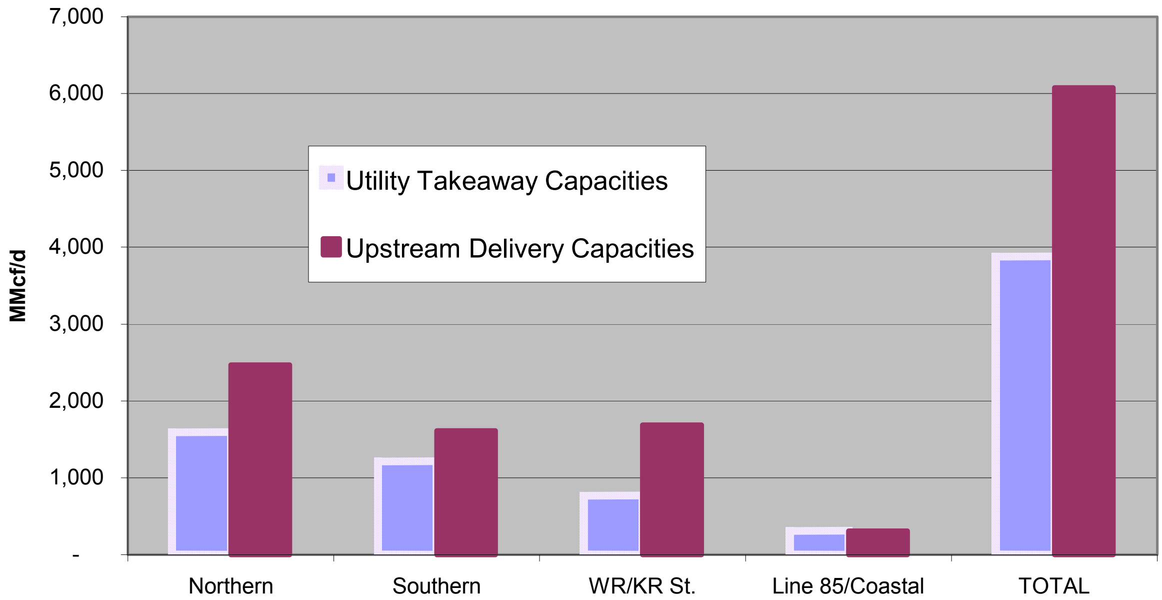
[2] Energy Action Plan, *mimeo*, p. 2. *See*, *also*, D.04-09-022, *mimeo*, p. 6, stating that, to achieve this goal, the Commission should address how gas utilities "provide access on intrastate pipelines to LNG supplies" and how to "provide access to interconnecting facilities with interstate pipelines to increase California's access to natural gas supplies."

Figure 1: Current Excess of Upstream Delivery Rights vs. Take-away Capacity By Major Transmission Zones[3/]



Some might suggest that the Commission should instruct the utilities to increase receipt and backbone capacity to match upstream capacity to southern California. While we have not evaluated that scenario in detail, we believe this is not necessary or appropriate. Adding about 2 Bcf/d of redelivery capacity on an expansion basis (rather than displacement basis), such that SoCalGas would match roughly 6 Bcf/d deliverability of the upstream pipelines, would require hundreds of millions of dollars in transmission pipeline and compression facilities investment, well in excess of the $435 million of individual capital expansions identified by Mr. Bisi.[4/]

Huge investments in additional backbone facilities without regard to associated benefits would be a costly and inefficient solution to the mismatch between upstream deliverability and our redelivery capacity. First, since most of the upstream pipelines are outside the jurisdiction of the Commission, there is no guarantee that such an investment in expansion facilities would

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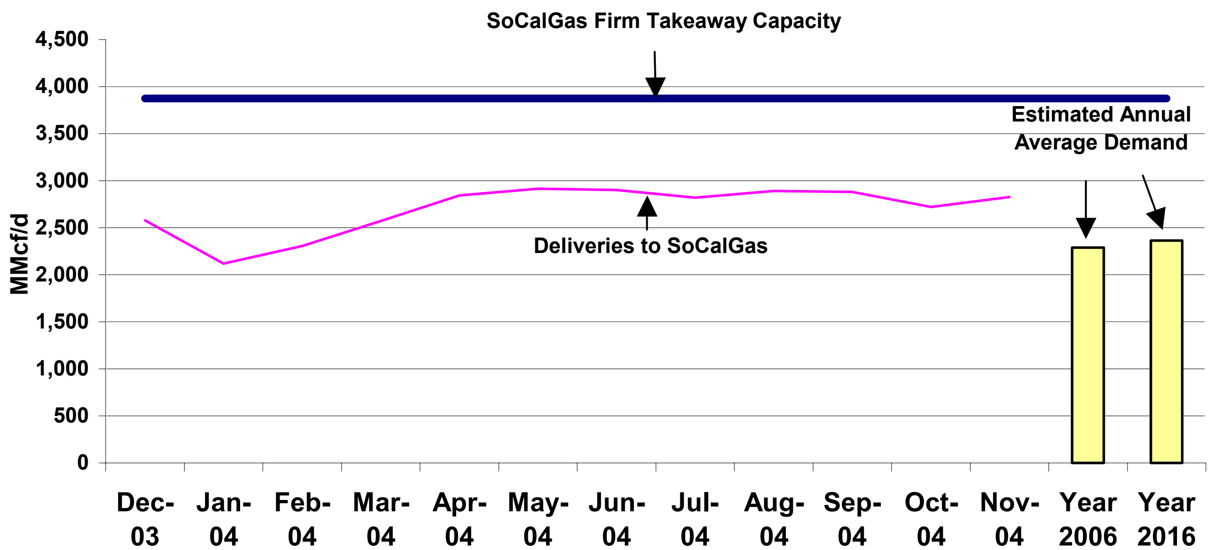
3/ The data for the upstream delivery capacities are from the testimony of Mr. Watson, Table 1. The data for utility takeaway capacities are from the testimony of Mr. Bisi, Table 1.

4/ Table 2 in Mr. Bisi's testimony identified $435 million in additional backbone facilities investment to increase the capacity independently at five existing receipt points by 200 MMcf/d, a part of the facilities needed to match collectively SoCalGas' take-away capacity with delivery capacity for individual upstream pipelines. Mr. Bisi has not sponsored specific estimates of the facilities investments required collectively to match firm take-away capacity with upstream deliverability. Thus, the $435 million estimate discussed above only addresses a small portion of the required facilities to match SoCalGas' takeaway capacity with upstream delivery capacities.

eliminate the mismatch. As recent history has demonstrated, interstate pipelines continue to provide their shippers with contract delivery rights to SoCalGas' receipt points irrespective of firm take-away capacity on SoCalGas' backbone transmission system.[5/] Second, it makes little economic sense to invest huge sums to expand a system that today, and for the near future, contains a large reserve margin (also called "slack capacity") of take-away capacity in excess of end-use consumption. Figure 2 depicts the current and forecast utilization of the SoCalGas backbone transmission system compared to system firm take-away capacity.

Figure 2: Pipeline Utilization: Historical and Forecast[6/]



With a take-away capacity reserve margin of 35 - 40% above current and anticipated usage of these facilities, we believe there are sufficient backbone transmission facilities on the SoCalGas system to meet the needs of its customers. Moreover, we do not believe it is necessary to further expand the backbone transmission system in the hope of providing greater gas-on-gas competition, nor would this be a prudent investment for customers at this time. Third, as developers bring new supply projects to southern California, this "mismatch" will likely increase. While we cannot predict how much capacity will seek access to southern California, it is very likely that the roughly 2 Bcf/d gap between utility take-away capacity and upstream

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5/ Upstream pipelines have even entered into contracts for capacity on their pipelines in excess of the capacities specified in interconnect agreements with SoCalGas.

6/ Forecast data for 2006 and 2016 are from 2004 California Gas Report.

delivery capacity identified in the TOTAL column in Figure 1 will increase. In the absence of firm access rights, SoCalGas and SDG&E would need additional pro-rationing (or allocation) of receipt capacity among the upstream suppliers if developers of new supply (or their shippers) desire new receipt capacity into southern California.

Finally, SoCalGas and SDG&E do not know which projects customers and shippers will select to meet their supply needs. Our firm rights proposal will allow customers and shippers to choose their preferred supplier(s).

Implementing a system of firm access rights and allowing market participants to obtain the benefits of gas-on-gas competition without incurring unneeded utility investments is a more cost-effective solution to enhancing gas-on-gas competition. The Commission has already addressed the need for firm access rights for customers in northern California. Decisions in Gas Accord I and II have affirmed that customers should be able to select which receipt points they wish to access, and that customer preference should determine the gas volumes that flow through the scheduled receipt point to a customer burner-tip or storage account.

E. A VIABLE SYSTEM OF FIRM ACCESS RIGHTS DOES NOT REQUIRE UNBUNDLING OF UTILITY ASSETS OR PLACING THE UTILITIES AT RISK FOR ASSOCIATED COSTS

We agree with the Commission's urgency in establishing a framework for access rights so that developers of new supply will understand the terms and conditions of supply access to customers in southern California. SoCalGas and SDG&E are proposing a system of firm access rights that does not entail "unbundling" of the costs of utility backbone assets from the costs of local distribution facilities for ratemaking purposes. Placing SDG&E and SoCalGas at risk for recovery of backbone transportation costs by "unbundling" such costs from local transmission and distribution rates would encourage SDG&E and SoCalGas to increase throughput on the backbone transmission system, and can provide a disincentive to construct additional slack backbone transmission facilities. We believe unbundling the backbone transmission costs and placing the utilities "at risk" for the transmission revenue is contrary to promoting energy conservation and maintaining a healthy reserve margin of backbone capacity in excess of natural gas demand. Moreover, if the Commission were to unbundle the SDG&E/SoCalGas backbone transmission costs from local transmission/distribution rates, customers taking service directly from the backbone transmission system undoubtedly would press to avoid local transmission/distribution costs through a "backbone-only" rate, thereby increasing costs to customers who are not directly connected to the backbone transmission system. SDG&E/SoCalGas submit that unbundling their backbone transmission costs from local transmission/distribution rates is not in the best interest of their customers and is unnecessary for purposes of implementing a system of firm access rights.

If the Commission should decide in Phase II of the Gas OIR (R.04-01-025) that SDG&E and SoCalGas should be placed "at risk," contrary to the position of SDG&E/SoCalGas,[7] this does not mean that backbone transmission costs must be unbundled from local transportation/distribution rates. Indeed, SoCalGas has operated under a variety of "at risk" frameworks for transportation revenue requirements over the past decade without unbundling any assets.[8]

However, unbundling backbone transmission costs from rates for local transmission/distribution is a complex and contentious process. Unbundling entails adoption of complicated base margin segmentation and cost allocation that have become fundamentally different than the outdated provisions of the Comprehensive Settlement Agreement (CSA). Specifically, the revenue requirement associated with receipt and backbone facilities in the CSA were based on facilities in existence prior to the 2000 – 2002 period. Since that time, and in response to Commission direction, SoCalGas implemented significant upgrades to its transmission system to accommodate increased receipts from upstream supplies, greater storage capacity, and redelivery over local transmission systems. These expansions added 11% to SoCalGas' firm receipt capacity, or 375 MMcf/d, and thus make the CSA backbone revenue requirement useless for ratemaking purposes.

[7] As SDG&E and SoCalGas explained in their comments in Phase II of R.04-01-025, they oppose being placed "at risk" for throughput because this is contrary to energy efficiency goals, makes utility earnings vary due to factors beyond management control (such as weather), and promotes extensive and time-consuming litigation over the demand forecast used to set rates.

[8] The Commission adopted a number of different at risk proportions for SoCalGas' throughput related revenues over the past decade, also without unbundling any facility costs.

Segregating "backbone" transmission facilities from "local" transmission facilities is neither straightforward nor uncontested. Determining whether particular transmission facilities provide long-haul transmission service or serve local transmission needs might be clear with respect to some pipelines, but is far less clear with respect to others that serve a dual purpose, or those pipelines currently functioning for one purpose that might serve another purpose upon receipts of new supply. Mr. Bisi cites specific examples: (1) the SDG&E transmission system is currently considered "local" transmission, but this function would change once significant volumes of gas supply are received at Otay Mesa for redelivery to SoCalGas; and (2) SoCalGas Line 765 is currently considered to be "local" transmission, but this function would change if significant new gas supplies are received from an LNG facility located in Long Beach.

Even if the Commission could expeditiously classify transmission facilities, unbundling transmission costs and placing SDG&E/SoCalGas at risk for their recovery requires the Commission to establish a "load factor" assumption for ratemaking purposes. This would be an extremely contentious issue, since the opportunity for SDG&E and SoCalGas to recover their costs would directly depend upon the load factor assumed for ratemaking purposes. This issue is similar to the hotly-contested issue of determining the proper demand forecast for ratemaking purposes in a BCAP if the utility is at risk for system-wide throughput. It is difficult to imagine that litigation of these issues could be accomplished in any sort of expeditious fashion or outside the traditional BCAP process, which is already quite complex.

The firm access rights proposal set forth in the testimonies of Mr. Watson, Mr. Schwecke and Ms. Smith provide a straightforward system of firm access rights with benefits to end-users without the added complexity of unbundling and reclassifying assets. The proposals sponsored in this application are premised on: equal access to new supplies for all customers, revenue credits to end-use rates to reflect the sale and use of receipt capacities, and a less complex system of firm rights compared to any proposal that relies on unbundling. A review of whether to unbundle or not will add unnecessary complexity and divert attention away from the Commission's key priority of expeditiously establishing a system of firm access rights.

F. SYSTEM INTEGRATION WILL SUPPORT GAS-ON-GAS COMPETITION

Integration of the transmission rate components for consumers in the SDG&E and SoCalGas service areas will provide an equitable means to achieve greater gas-on-gas competition. Customers using the integrated transmission facilities should pay for those facilities on an equivalent basis, and thus obtain their supply on an equivalent basis. Our proposal for system integration removes artificial barriers that might impede north-south or south-north flows and ensures that all utility customers in southern California will have equal access to all suppliers, both existing and new.

Integrating the transmission rate components for consumers in the SDG&E and SoCalGas service areas is consistent with the current “postage stamp” transportation service, which provides all SoCalGas’ customers universal receipt access, not limited to just the access point of physical flow. For example, a customer in the Imperial Valley has access to Wheeler Ridge to schedule supply on the same basis as Blythe. If a new access point is established at Oxnard, the same Imperial Valley customer will have similar access rights at that point. Similarly, although most supply for customers in SDG&E physically flows through Blythe at this time, SDG&E is accorded postage stamp rate treatment that allows it equivalent transmission rate access to all SoCalGas receipt points, enabling supply from California production, Canada, the Rockies, or Southwest to compete on a level playing field.

In addition, system transmission rate integration merely reflects the reality of the operational integration of the two utilities’ transmission system.[9/] Absence of transmission rate integration would mean that transmission rates would not be consistent with the physical operation of the utilities’ transmission system. By contrast, the distribution systems of the two utilities are operated separately from the backbone transmission systems, and therefore SDG&E and SoCalGas are not proposing to integrate distribution rates for comparable operational reasons.

9/ Mr. Bisi’s testimony describes how the SDG&E and SoCalGas transmission system is operated on an integrated basis and why it would be inefficient and costly not to do so.

G. OFF-SYSTEM DELIVERIES WILL ENHANCE GAS-ON-GAS COMPETITION

SoCalGas and SDG&E have been in discussions with a number of new suppliers seeking access to customers in southern California. As previously stated, at this point we cannot predict which new suppliers will commit to supplying gas to customers in our service areas and exactly when the facilities will be operational. One element all the suppliers emphasize is the need to access as wide a market as possible, so that their supplies can compete for as much of the western market as possible.

SoCalGas and SDG&E want to encourage as much gas-on-gas competition as reasonably possible. We believe that having greater access to supply by our customers, will lead to greater benefits in the price they pay for gas commodity and lower costs overall. If we facilitate off-system deliveries, we increase the likely amount of supply available to the California market. Currently, our customers generally rely on transporting their natural gas supplies long distances over interstate pipelines, and through other end-use markets in the western U.S. In effect, southern California customers benefit today from off-system deliveries from other areas. Rather than viewing off-system deliveries as "gas leaving California," we view this service as facilitating the entry of more gas into California and reversing southern California's position as the customer "at the end of the pipe." In contrast, if LNG arrives in the Gulf Coast area, we would not expect FERC or the local utility regulatory agencies to restrict redelivery of that supply just to the local area. Instead, we would expect that those projects would have equal access to regional, or even national, gas markets. If restricting off-system deliveries has the effect of depriving southern California of additional points of supply access, utility customers will have fewer commodity options, to their financial detriment. The Commission therefore should approve the off-system service proposals contained in this Application to encourage new suppliers to bring their gas to California instead of other locations to reach the broadest possible market.

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H. SUMMARY

SoCalGas & SDG&E cannot predict the specific receipt points on the utility system that will be preferred by customers and shippers. The project developers will make their business decisions based on elections by customers and shippers. However, we believe it is in the economic interest of our customers and to the entire State of California to establish a framework that encourages more projects to bring gas supplies into the California market. In order to provide a framework that is most conducive to such development, we believe the Commission needs to adopt:

- A viable system of firm access rights
- Integration of access by all SDG&E and SoCalGas customers
- Comprehensive tariff service for off-system deliveries

The Commission should place the highest priority on promoting the greatest number of new supply sources as possible in order to provide the greatest amount of gas-on-gas competition. Integration of access is critical to providing a level playing field for suppliers and customers alike.

This concludes my testimony.

Attachment G

Application No: A.04-12-
Exhibit No.:
Witness: David M. Bisi

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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	))))))))	A.04-12-____ (Filed December 2, 2004)

PREPARED DIRECT TESTIMONY

OF DAVID M. BISI

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
December 2, 2004

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PREPARED DIRECT TESTIMONY
OF DAVID M. BISI

A. QUALIFICATIONS

My name is David M. Bisi. I am employed by Southern California Gas Company (SoCalGas) as a Project Manager in the Gas Transmission Planning Department. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011.

I received a Bachelor of Science degree in Mechanical Engineering from the University of California at Irvine in 1989. I have been employed by SoCalGas since 1989, and have held positions within the Engineering, Customer Services, and Gas Transmission departments.

I have held my current position since April, 2002. My current responsibilities include the management of the Gas Transmission Planning Department responsible for the design and planning of SoCalGas' and San Diego Gas & Electric Company's (SDG&E's) gas transmission and storage systems.

I have previously testified before the Commission.

B. PURPOSE

The purpose of my testimony is to: present and describe the operational benefits that result from the continued integration of SoCalGas' and SDG&E's gas transmission systems, particularly as it relates to receiving supplies at Otay Mesa; present the firm receipt point capacities of the SoCalGas system and define "transmission zones" in which firm receipt point capacities are interchangeable with each other; present exemplary receipt point expansions, including expansions for liquefied natural gas (LNG) supplies; and present and describe the system improvements necessary to transport and redeliver supply to Pacific Gas & Electric Company's (PG&E's) gas transmission pipelines and to other pipelines with operations in California.

C. SOCALGAS TRANSMISSION SYSTEM

SoCalGas owns and operates an integrated transmission system consisting of pipeline and storage facilities. With its network of transmission pipeline and four interconnected storage fields, SoCalGas delivers natural gas to over five million residential and business customers.

A map of the SoCalGas transmission system is attached as Figure 1. The transmission system extends from the Colorado River on the eastern end of SoCalGas' 23,000 square mile service territory, to the Pacific Coast on the western end; from Tulare County in the north, to the U.S./Mexico border in the south (excluding parts of San Diego County).

The SoCalGas transmission system was designed to receive and redeliver gas from the east, initially to the load centers in the Los Angeles basin, Imperial Valley, San Joaquin Valley, north coastal areas, and San Diego. As our customers sought to access new supply sources in Canada and the Rockies, we modified our system to concurrently accept deliveries from the north. As a result, the system today can accept up to 3,875 million cubic feet per day (MMcf/d) of interstate and local California supplies on a firm basis. Primary supply sources are the southwestern United States, the Rocky Mountain region, Canada, and California on- and off-shore production. The interstate pipelines that supply the SoCalGas transmission system are El Paso Natural Gas Company (El Paso), Transwestern Pipeline Company (Transwestern), Kern River Gas Transmission Company (Kern River), Mojave Pipeline Company (Mojave), Questar Southern Trails Pipeline Company (Southern Trails), and Gas Transmission Northwest via PG&E's intrastate system (PG&E/GTN). The SoCalGas transmission system interconnects with El Paso at the Colorado River near Needles and Blythe, California, and with Transwestern and Southern Trails near Needles, California. SoCalGas also interconnects with the common Kern/Mojave pipeline at Wheeler Ridge in the San Joaquin Valley and at Kramer Junction in the high desert. At Kern River Station in the San Joaquin Valley, SoCalGas maintains a major interconnect with the PG&E intrastate pipeline system, and receives PG&E/GTN deliveries at that location.

SoCalGas operates four storage fields that interconnect with its transmission system. These storage fields – Aliso Canyon, Honor Rancho, La Goleta, and Playa del Rey – are located near the primary load centers of the SoCalGas system. Together they have a combined inventory capacity of 122.1 billion cubic feet (Bcf), a combined firm injection capacity of 850 MMcf/d, and a combined firm withdrawal capacity of 3,125 MMcf/d.

D. SDG&E TRANSMISSION SYSTEM

A schematic of the SDG&E gas transmission system is shown in Figure 2. The SDG&E gas transmission system consists primarily of a high-pressure 30-inch diameter pipeline and a high-pressure 16-inch diameter pipeline that extend south from Rainbow Station, located in Riverside County. Both pipelines are approximately 50 miles in length, and terminate at the SDG&E citygate regulator stations in San Diego.

The pipelines are interconnected approximately at their midpoint and again near their southern terminus. The northern cross-tie consists of 12 miles of 16-inch diameter pipeline, and runs between Carlsbad and Escondido. The southern cross-tie consists of 4 miles of 30-inch diameter pipeline running through Miramar.

A 20-inch diameter pipeline extends from the 30-inch cross tie at Miramar to Santee, a distance of 7 miles. At Santee, a 36-inch diameter pipeline extends 30 miles south to Otay Mesa, where it interconnects with a 30-inch diameter pipeline to the Otay Mesa meter station at the U.S./Mexico border.

The Maximum Allowable Operating Pressure (MAOP) of the SDG&E system is 800 psig, with the exception of the high pressure 30-inch pipeline which has an MAOP of 595 psig for the majority of its distance.

A 12-inch diameter pipeline, owned by SoCalGas, extends south for 43 miles from the San Onofre metering station in Orange County to La Jolla, and has an MAOP of 400 psig.

Two compressor stations are also a part of the SDG&E gas transmission system. SDG&E's Moreno compressor station, located in Moreno Valley, boosts pressure into the SoCalGas transmission lines serving Rainbow Station. Another compressor station at Rainbow Station is used to boost pressure into the 16-inch diameter pipeline.

E. INTEGRATED SYSTEM OPERATIONS

Since the merger of SoCalGas' and SDG&E's parent companies in 1998, SoCalGas' Gas Control Department has operated the SoCalGas and SDG&E gas transmission systems as an integrated, common system. Beginning in April 2002, SoCalGas also assumed the planning responsibility for the SDG&E gas transmission system.

Obviously, the Commission should not undo the operational integration of the SoCalGas and SDG&E systems that has already occurred. To do so would result in increased costs and reduced efficiencies, such as the cost to re-establish an SDG&E gas control department and scheduling system (estimated at $700,000 in capital investments along with approximately $700,000 per year in O&M costs) and the loss of at least 50 MMcf/d of capacity on the SDG&E system that has been obtained from the system-wide efficiencies gained by operating the system on a common basis. In R.04-01-025, SoCalGas and SDG&E presented several reasons why continued integration of the SoCalGas/SDG&E gas transmission systems would result in cost savings and operating efficiencies when supplies are received at Otay Mesa, such as the ability to make use of the SoCalGas scheduling system.

Currently, SDG&E receives its entire gas supply from SoCalGas at the Rainbow and San Onofre Meter Stations. Should the Commission choose not to continue the operational integration of the utility systems in regards to receiving supplies at Otay Mesa, Rainbow Meter Station would have to serve simultaneously as a customer meter for SDG&E and as a receipt point meter for SoCalGas. Gas would flow in both directions – from SoCalGas to SDG&E and vice versa – at Rainbow Meter Station throughout the operating day.

Supplies received at an SDG&E-only receipt point at Otay Mesa would presumably be delivered at a "flat" flow rate (constant hourly throughput) by Transportadora de Gas Natural de Baja California (TGN) throughout the operating day. Normally, SoCalGas would require SDG&E to also deliver supply at Rainbow Meter Station at a flat flow rate – to do otherwise would be contrary to the agreements SoCalGas has made with all other interconnecting pipelines. However, because SDG&E, unlike El Paso or Kern River for example, would remain a customer of SoCalGas, SDG&E would be entitled to balancing services at its customer meter, i.e. at Rainbow Meter Station. Providing these balancing services to SDG&E would result in irregular deliveries to SoCalGas from SDG&E at Rainbow Meter Station.

Operationally, implementation of dual receipt points on the SoCalGas/SDG&E system is identical to what would occur under an integrated system. However, with dual receipt points, gas flow at Rainbow Meter Station would need to be tracked to determine whether any imbalances in supply delivered to SoCalGas are the result of SDG&E's customer imbalance service entitlement (and whether SDG&E is within tolerance for those services), or are the result of operator (pipeline-to-pipeline) imbalances, subject to the terms of an Operating and Balancing Agreement.

Finally, SoCalGas could not accommodate similar levels of flexibility in deliveries at its other receipt points with interstate pipelines. SoCalGas' transmission system was not designed to permit unexpected upsets at all of its receipt points with the interstate pipelines. In order to provide and ensure system reliability, SoCalGas Operations must have a reasonable expectation for the level of supply that will be delivered into its system. If the level of supply is permitted to vary continuously at all of its receipt points, SoCalGas would not be able to plan the efficient operation of its system or possibly react to changes as they occur.

F. FIRM RECEIPT POINT CAPACITY

Table 1 lists the firm receipt point capacities on the SoCalGas system. These receipt capacities are a function of the interconnect facilities at each receipt point and the take-away piping immediately downstream of the receipt point. These firm capacities are generally available 365 days per year; however receipt capacity at Topock and Ehrenberg will occasionally be reduced at times due to temperature and low sendout conditions, respectively. SoCalGas estimates the frequency of these conditions at these two receipt points to be approximately 3% of the time.

Table 1 also groups the individual receipt points into "transmission zones." Each transmission zone also has a defined capacity that is a function of the take-away capacity from that zone. Within each transmission zone, receipt point capacities are interchangeable subject only to the limitations of each individual receipt point capacity and any minimum flow requirement imposed by SoCalGas' Gas Control department.

Table 1: Firm Receipt Point Capacities

Name	Firm receipt point capacity (MMcf/d)
Northern Transmission Zone (1,590 MMcf/d zone capacity)	
Transwestern @ North Needles	800
Southern Trails @ North Needles	120
El Paso @ Topock	540
Transwestern @ Topock	190
Mojave @ Hector Road *	200
Kern River @ Kramer Junction	500
Southern Transmission Zone (1,210 MMcf/d zone capacity)	
El Paso @ Blythe	1,210
TGN @ Otay Mesa *	40
Wheeler Ridge Zone (765 MMcf/d zone capacity)	
Kern/Mojave at Wheeler Ridge	765
PG&E/GTN @ Kern River Station	520
Occidental Energy @ Gosford	150
L85 System (California Producers)	160
Coastal System (California Producers)	150

* when established

G. RECEIPT POINT EXPANSION

Table 2 presents the facilities and costs necessary to incrementally expand the receipt point capacity at five existing locations on the SoCalGas system by 200 MMcf/d. Any one of these improvements would expand the SoCalGas system receipt capacity to 4,075 MMcf/d. However, the costs shown in Table 2 would be significantly higher than the sum of the parts if more than one of these receipt points is expanded. SoCalGas has no immediate plans to proceed with any of the expansions shown in Table 2 but will monitor operating conditions closely to determine if and when any of the expansions should be commenced.

It should be emphasized that all costs presented herein are the best estimates available at this point in time. All cost estimates provided in my testimony are preliminary estimates based on recent like projects in similar areas (generally accurate to ±30%), and do not represent detailed construction estimates. It is assumed that the supplier delivers gas at a sufficient pressure to enter the SoCalGas/SDG&E systems, therefore any costs for upstream compression for this purpose are not included in these estimates.

Table 2: Existing Receipt Point Expansion

200 MMcf/d expansion at:	**Description**	Incremental compression (HP)	Incremental pipeline (mileage)	Total cost ($ million)
Topock (South Needles)	Expand S. Needles & Newberry (add compression), loop transmission between S. Needles/Newberry & south of Quigley Station	14,000	109	**$153**
Blythe	Expand Blythe (add compression)	11,000	0	$20
Needles (North)	Expand Kelso (add compression), loop transmission between Needles & Kelso & south of Quigley Station	15,000	58	$100
Kramer Jnct.	Loop transmission system south of Quigley Station	0	30	$62
Wheeler Ridge	Expand Wheeler (add compression), loop transmission south of Wheeler & south of Quigley Station	9,000	50	$100

Assumptions: $1.5 MM/1000 HP; $0.9 MM/mi. 36-inch pipeline direct; 120% indirect adder. All except Blythe expansion include costs for 30 miles of 36-inch pipeline south of Quigley Station, estimated at $1.7 MM/mi. direct.

Tables 3, 4, and 5 present the facility improvements and costs necessary to establish new receipt points at three locations on the SoCalGas/SDG&E system. System improvements were evaluated assuming the new supply is allowed to displace existing supplies such that SoCalGas' total firm receipt capacity remains 3,875 MMcf/d ("displacement basis"), and assuming the new supply is allowed to increase the firm receipt point capacity of the entire system ("expansion basis").

The three locations examined were: the Otay Mesa Meter Station on the SDG&E system near the U.S./Mexico border; Salt Works Station on the SoCalGas system near Long Beach; and Center Road Station on the SoCalGas system near Oxnard. In regards to new supplies at Otay Mesa, and our Phase I filing in R.04-01-025, please note that SoCalGas/SDG&E have revised our assessment for the smaller delivered volumes of 25, 40, and 140 MMcf/d. After further analysis, SoCalGas/SDG&E now believe that firm incremental supplies at Otay Mesa cannot be received on an expansion basis without additional pipeline installed on either the SoCalGas or SDG&E systems.

Table 3: System Improvements & Costs for New Supply at Otay Mesa

Facility Improvement	Cost $MM	Delivered volume (MMCF/D) 25	40	140	200	300	400	500	600	700	800	900	1000
Reverse existing meter at Otay Mesa	1	○	○	○	○●	○●	○●	○●	○●	○●	○●	○●	○●
Minor improvements to SDG&E system	4		○	○	○●	○●	○●	○●	○●	○●	○●	○●	○●
Modify Moreno compressor station	2			○	○●	○●	○●	○●	○●	○●	○●	○●	○●
Santee-Miramar pipeline	23							○					
Santee-Escondido pipeline	69					●	●	●	○●	○●	○●	○●	○●
Escondido-Rainbow pipeline	65									○●	○●	○●	○●
Border-Santee pipeline	89									●	●	●	○●
Moreno-Chino looping on SoCalGas system	55				●	●	●	●	●	●	●	●	○●
Moreno-Prado looping on SoCalGas system	75					●	●	●	●	●	●	●	●

○ Displacement basis
● Expansion basis

Table 4: System Improvements & Costs for New Supply at Salt Works Station

Facility Improvement	Cost $MM	Delivered volume (MMCF/D) 600	700	800	900	1000	1100	1200
New pipeline to Salt Works Station	8	○●	○●	○●	○●	○●	○●	○●
Improvements at Salt Works Station	5	○●	○●	○●	○●	○●	○●	○●
Partially loop Line 765	13		●	●	○●	○●	○●	○●
Rebuild existing pressure limiting stations	2		●	●	○●	○●	○●	○●
New compressor station at Quigley	20 - 50		●	●	●	●	●	○●
New compressor station at Brea	13				○●	○●	○●	○●
Modify Moreno compressor station	2						●	○●
New compressor station at Shaver Summit	3						●	○●

○ Displacement basis
● Expansion basis

Table 5: System Improvements & Costs for New Supply at Center Road Station

Facility Improvement	Cost $MM	Delivered volume (MMCF/D)									
		40	140	200	300	400	500	600	700	800	900
New pipeline to Center Road Station	16	○●	○●	○●	○●	○●	○●	○●	○●	○●	○●
Improvements at Center Road Station	1	○●	○●	○●	○●	○●	○●	○●	○●	○●	○●
Loop Line 225, Saugus to Quigley	8 - 10		●	●	●	●	●	●	●	●	●
Loop Line 324	40 - 60										○●
Rebuild existing PLS/crossovers	6										○●
Loop Line 225, Honor to Saugus	3										●
Extend Line 3008	6 - 10										●
New compression at Brea (10,000 HP)	25										●
New compression at Shaver (300 HP)	1										●
Modify Moreno compressor station	2										●

○ Displacement basis
● Expansion basis

Table 5 (continued)

Facility Improvement	Cost $MM	Delivered volume (MMCF/D)					
		1000	1100	1200	1300	1400	1500
New pipeline to Center Road Station	16	○●	○●	○●	○●	○●	○●
Improvements at Center Road Station	1	○●	○●	○●	○●	○●	○●
Loop Line 225, Saugus to Quigley	8 - 10	●	●	○●	○●	○●	○●
Loop Line 324	40 - 60	○●	○●	○●	○●	○●	○●
Rebuild existing PLS/crossovers	6	○●	○●	○●	○●	○●	○●
Loop Line 225, Honor to Saugus	3	●	●	○●	○●	○●	○●
Extend Line 3008	6 - 10	●	●	○●	○●	○●	○●
New compression at Brea (10,000 HP)	25	●	●	●	●	●	●
New compression at Shaver (300 HP)	1	●	●	●	●	●	●
Modify Moreno compressor station	2	●	●	●	●	●	●
New compression at Wheeler Ridge (1,000 HP)	3				●	●	●

○ Displacement basis
● Expansion basis

As with the expansions identified for the five existing receipt points, these cost estimates for new receipts at Otay Mesa Meter Station, Salt Works Station, and Center Road Station on a "stand alone" basis. If two or more of these new receipt points were established, the total improvements costs may be significantly more than the sum of the individual receipt point expansion costs. There are many possible combinations of new receipt points and volumes that would affect the magnitude and costs of transmission system improvements needed to receive and redeliver those supplies to our customers. SoCalGas/SDG&E have not attempted to evaluate every possible combination of receipt point and supply level. For illustrative purposes, SoCalGas/SDG&E have identified system improvements necessary to receive (1) 600 MMcf/d delivered at Otay Mesa and 800 MMcf/d delivered at Center Road Station; (2) 600 MMcf/d delivered at Otay Mesa and 800 MMcf/d delivered at Salt Works Station; and (3) 800 MMcf/d delivered at Center Road Station and 800 MMcf/d delivered at Salt Works Station, on both a "displacement" and "expansion" basis. Based on SoCalGas' discussions with LNG suppliers, these volumes represent possible volumes to be delivered at each receipt point on an individual basis.

On a displacement basis, the system improvements for the combination scenarios outlined above amount to the sum of the improvements identified for each individual receipt point as shown in Tables 3 – 5. On an expansion basis, additional improvements to those shown in Tables 3 – 5 are required for the Otay Mesa/Salt Works and Center Road/Salt Works combinations[1/]:

1. Otay Mesa/Salt Works: a new 36-inch diameter pipeline between Blythe and Needles on the SoCalGas system; additional looping on Line 765. Estimated costs: $135 million.
2. Center Road/Salt Works: additional looping on Line 765; additional looping on Line 225; partial looping on Line 324; construction of a new pressure limiting station in the Los Angeles basin. Estimated costs: $143 million.

1/ Improvements for the Otay Mesa/Center Road combination on an expansion basis are equal to the sum of the improvements identified in Tables 3 and 5.

Table 6 below uses the information above and in Tables 3 – 5 to summarize the total costs for the combination receipt point analyses described above:

Table 6: Multiple New Receipt Point Costs

Combination scenario	Improvement Cost ($ millions)	
	Displacement basis	Expansion basis
600 MMcf/d @ Otay Mesa, 800 MMcf/d @ Center Road Station	$ 93	$ 236
600 MMcf/d @ Otay Mesa, 800 MMcf/d @ Salt Works Station	$ 93	$ 418
800 MMcf/d @ Center Road Station, 800 MMcf/d @ Salt Works Station[2/]	$ 30	$ 198

Finally, in I.99-07-003, SoCalGas categorized its transmission pipeline as either "backbone" transmission pipeline or "local" transmission pipeline. The function of the backbone transmission system was to transport gas from the gas supply receipt points to the demand centers served by the local transmission systems. In the process of adding receipt points to the SoCalGas and SDG&E systems, the function of various pipelines could change from backbone transmission to local transmission, or vice versa. For example, SoCalGas Line 765 serves the function of a local transmission pipeline. However, if a new receipt point were to be established at Salt Works Station on the southern end of Line 765, that pipeline would function as a backbone transmission pipeline. Similarly, if customers were to schedule gas from Otay Mesa in excess of the local San Diego demand, all of the pipeline in San Diego identified as "transmission" in Figure 2 except the 12-inch coastal pipeline would function as backbone transmission pipeline.

H. OFF-SYSTEM DELIVERIES TO PG&E

D.04-09-022 ordered SoCalGas to "make a full showing on off-system deliveries", but "limited to off-system deliveries for natural gas to be consumed within California (e.g., into PG&E's service territory)." The following discussion outlines the capability of the SoCalGas system to deliver supply off-system to PG&E and other pipelines with operations in California.

[2/] Note that the new compressor station identified in Tables 4 and 5 and located at Quigley Station would not be needed if both of these receipt points receive the assumed volumes.

SoCalGas' primary interconnection with PG&E is at Kern River Station, part of SoCalGas' Wheeler Ridge receipt point facilities. With very minor improvements on its system, SoCalGas could also interconnect with PG&E at Kramer Junction.

SoCalGas can offer three levels of service for off-system deliveries to PG&E:

1. An interruptible backhaul service that does not require significant system improvements or physical redelivery into the PG&E system, but which would be highly dependent on specific receipts into the SoCalGas system for redelivery;
2. An interruptible, but more reliable, long-term displacement service that requires some system improvement such that the service would not rely upon receiving supply for redelivery at a specific receipt point on the SoCalGas system;
3. A path-specific firm service that requires significant system improvements but does not rely on SoCalGas receiving supply for redelivery at any particular receipt point or area.

1. Interruptible Off-System, Backhaul Service (Interruptible Service Without Significant System Improvements)

SoCalGas can offer interruptible off-system deliveries with PG&E at either Kern River Station or Kramer Junction (if connected) by displacement. Gas would not be physically redelivered into the PG&E system – SoCalGas would simply receive less gas physically from PG&E while receiving a like amount at another receipt point on the SoCalGas system.[3/] While system improvements for this type of off-system offering would be minimal, any off-system deliveries would be subject to any minimum flowing supply requirement specified by SoCalGas' Gas Control department needed to ensure system integrity.

Under this type of service, SoCalGas' ability to offer off-system supplies <u>to</u> PG&E on any given day would depend upon the level of supply scheduled by SoCalGas' customers <u>from</u> PG&E at the off-system delivery point. This limitation can be overcome by installing additional

[3/] In fact, SoCalGas has the ability to offer this type of off-system service at all of its receipt points with the other interstate pipelines.

facilities on the SoCalGas system and physically redelivering supply into the PG&E system, as described in the following section.

2. Reliable, Long-Term Off-System Displacement Service (Interruptible Service With Physical Redelivery)

Under this type of service, SoCalGas would physically redeliver supply to PG&E by displacing supply received near the redelivery point with a like amount of supply received at another location on its system. SoCalGas' ability to offer this type of off-system service on any given day would depend upon the level of supply received on its system in the vicinity of the off-system delivery point. For redeliveries to PG&E at either Kramer Junction or Kern River Station, this includes supply received from Transwestern, Southern Trails, El Paso, and Kern/Mojave in the "Northern Transmission Zone" (North Needles, Topock, Hector Road,[4] and Kramer Junction), and from Kern/Mojave and Occidental Petroleum at Wheeler Ridge.

Absent a multitude of new LNG receipt points on the SoCalGas system, sufficient supply should be available in the Northern Transmission Zone and/or at Wheeler Ridge such that SoCalGas could provide a moderate amount of interruptible off-system service to PG&E with a fairly high level of certainty. However, because the System Operator for SoCalGas and SDG&E has no control regarding which receipt points are selected by shippers on its system, it cannot offer this service as "firm". Firm service would require that SoCalGas be able to provide off-system deliveries to PG&E regardless of where SoCalGas received supply on its system, and would require much more extensive system improvement, as discussed later.

The system improvements necessary to physically redeliver gas into the PG&E system depend upon the receipt point at which SoCalGas accepts the volumes to be redelivered to PG&E, the volume of gas that shippers want to transport off-system, and the location of the off-system delivery point. SoCalGas has not performed any market assessment to gauge customer and shipper preference for these parameters, and consequently has not attempted to analyze every possible combination of receipt point, volume, and redelivery location. However, for illustrative purposes, SoCalGas has examined the impact on its system to physically redeliver

[4] When established.

500 MMcf/d to PG&E at Kern River Station or Kramer Junction, and has identified the system improvements needed to physically redeliver this supply. The estimated costs to provide this service are summarized below in Table 7.[5/] All cost estimates provided herein are preliminary estimates based on recent like projects in similar areas, and do not represent detailed construction estimates.

Table 7: 500 MMcf/d of Interruptible Service to PG&E…

… at Kramer Junction	Estimated Cost ($ million)
Rebuild Adelanto Compressor Station, 25000 HP	$ 61.1
Install pipeline from SoCalGas L-6905 to PG&E L-300 A/B, 1200 ft. of 30-inch diameter pipeline	$ 0.3
Tap, meter, valves, control, SCADA, PLS	$ 2.4
TOTAL	$ 63.8
… at Kern River Station	**Estimated Cost ($ million)**
Rebuild Adelanto Compressor Station, 10000 HP	$ 25.0
Booster compressor at Kern River Station, 1600 HP	$ 4.0
Valves, control, SCADA	$ 1.0
TOTAL	$ 30.0

The above costs assume that PG&E would require deliveries to be made at the MAOP of their system. If this is not the case, compression requirements at Adelanto could be reduced for deliveries at Kramer Junction, and the booster compressor at Kern River Station could be eliminated. As shown above, system improvements to physically deliver supply into the PG&E system at Kern River Station are less expensive than those needed at Kramer Junction. However, an off-system delivery point at Kern River Station would only interconnect with PG&E, whereas both the Kern/Mojave common pipeline and the PG&E pipelines would interconnect at a Kramer Junction off-system delivery point. As explained later, this interconnection with both PG&E and Kern/Mojave can greatly expand the off-system services SoCalGas could provide while still fulfilling the Commission's statement in D.04-09-022 that this showing be limited to service in California.

[5/] These costs are exclusive of any that may be required to receive new supply into the SoCalGas/SDG&E system, such as those needed for the new receipt points discussed in section G.

3. Firm Off-System Path Service

System improvements necessary to provide firm off-system deliveries to PG&E are highly dependent upon where SoCalGas receives the supply that would be destined for off-system deliveries, i.e. the system improvements that would be necessary to transport supply from SoCalGas' Blythe receipt point to PG&E at Kern River Station would not be the same as those needed to transport supply delivered in the Los Angeles harbor area to Kern River Station. Furthermore, system improvements will vary even at the same receipt point with differing volumes of supply received and redelivered to PG&E.

SoCalGas has not attempted to evaluate every possible combination of firm off-system deliveries to PG&E. For illustrative purposes, SoCalGas has identified the system improvements necessary to redeliver 500 MMcf/d from a new receipt point at Otay Mesa, Center Road Station (Oxnard), or Salt Works Station (Los Angeles Harbor) to PG&E at Kramer Junction. These system improvements and their estimated costs are summarized in Table 8 below. The facilities and costs shown in Table 8 are incremental to any system improvements required to receive supply on the SoCalGas/SDG&E system at these locations. Facility improvements and costs to receive supply at these locations can be found in section G above for the displacement basis scenarios.

Table 8: 500 MMcf/d of Firm Service to PG&E at Kramer Junction with…

… supply from Center Road Station	Estimated Cost ($ million)
Rebuild Adelanto Compressor Station, 25000 HP	$ 61.1
Install pipeline from SoCalGas L-6905 to PG&E L-300 A/B, 1200 ft. of 30-inch diameter pipeline	$ 0.3
Tap, meter, valves, control, SCADA, PLS	$ 2.0
TOTAL	$ 63.4
… supply from Salt Works Station	Estimated Cost ($ million)
Rebuild Adelanto Compressor Station, 25000 HP	$ 61.1
Install pipeline from SoCalGas L-6905 to PG&E L-300 A/B, 1200 ft. of 30-inch diameter pipeline	$ 0.3
Tap, meter, valves, control, SCADA, PLS	$ 2.0
TOTAL	$ 63.4
… from supply Otay Mesa	Estimated Cost ($ million)
Rebuild Adelanto Compressor Station, 25000 HP	$ 61.1
Install pipeline from SoCalGas L-6905 to PG&E L-300 A/B, 1200 ft. of 30-inch diameter pipeline	$ 0.3
Tap, meter, valves, control, SCADA, PLS	$ 2.0
Install pipeline between Needles and Blythe, 76 miles of 36-inch diameter	$ 110.0
TOTAL	$ 173.4

I. OFF-SYSTEM DELIVERIES TO OTHER CALIFORNIA PIPELINES

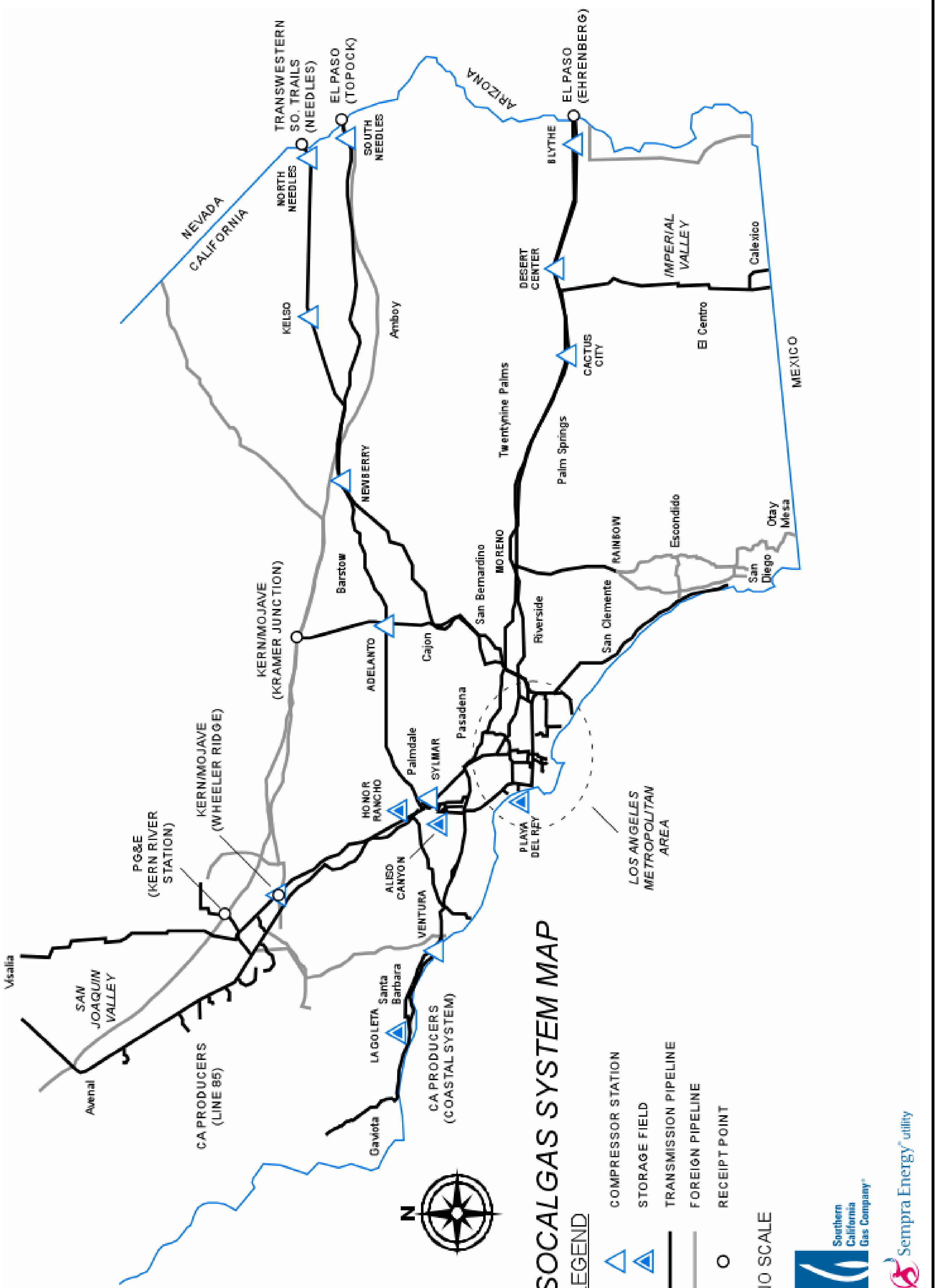
The Kramer Junction area has the potential to become a focal point for off-system deliveries from SoCalGas to other pipelines operating in California. SoCalGas already interconnects with the Kern/Mojave common pipeline at Kramer Junction, which could be used to deliver gas to customers in California.

The incremental facilities and their estimated costs to convert the PG&E off-system delivery point discussed previously into an off-system “SoCal Hub” are minimal for either interruptible or firm service, and consist of modifications to the valving, controls, and SCADA at the existing interconnect between SoCalGas’ Line 6905 and the Kern/Mojave common pipeline. These improvements are estimated at $1.0 million.

SoCalGas' assessment assumed that a delivered pressure of 885 psig to the Kern/Mojave common pipeline, as shown in El Paso's FERC application Docket No. CP05-2-000, is adequate. If Kern/Mojave requires a delivery pressure equal to the MAOP of their pipeline (1200 psig), an additional 6000 HP is required at Adelanto and a 3000 HP booster is required at the Kern/Mojave intertie with L-6905. Costs for this additional compression are estimated at $22.5 million.

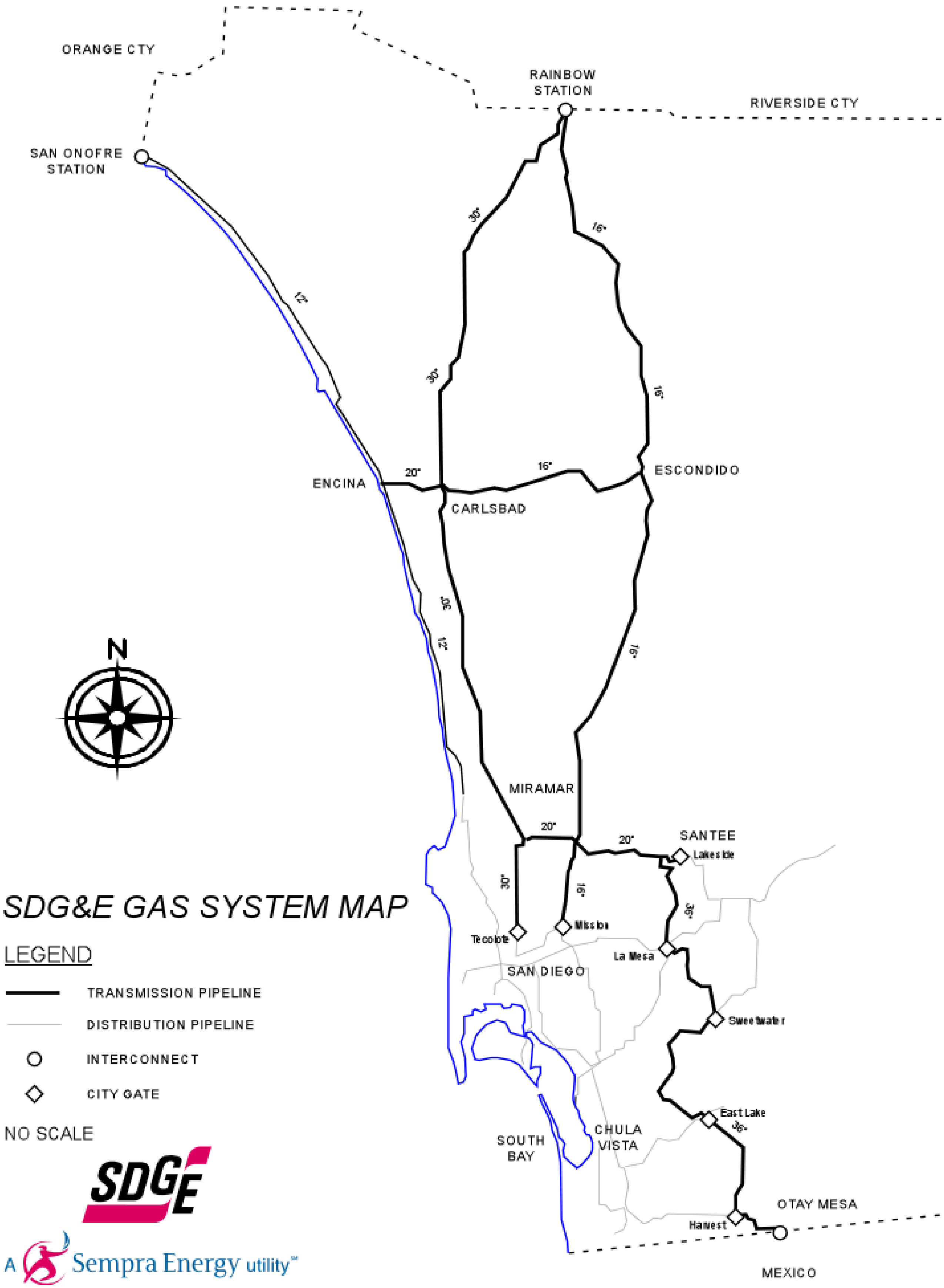
This concludes my testimony.

FIGURE 1



SOCALGAS SYSTEM MAP
LEGEND
COMPRESSOR STATION
STORAGE FIELD
TRANSMISSION PIPELINE
FOREIGN PIPELINE
RECEIPT POINT
NO SCALE
N
NEVADA
CALIFORNIA
ARIZONA
MEXICO
TRANSWESTERN SO. TRAILS (NEEDLES)
EL PASO (TOPOCK)
EL PASO (EHRENBERG)
NORTH NEEDLES
SOUTH NEEDLES
BLYTHE
DESERT CENTER
CACTUS CITY
KELSO
Amboy
NEWBERRY
Barstow
ADELANTO
KERN/MOJAVE (KRAMER JUNCTION)
KERN/MOJAVE (WHEELER RIDGE)
PG&E (KERN RIVER STATION)
Cajon
San Bernardino
MORENO
Riverside
Twentynine Palms
Palm Springs
IMPERIAL VALLEY
Calexico
El Centro
RAINBOW
Escondido
Otay Mesa
San Diego
San Clemente
Pasadena
Palmdale
SYLMAR
HONOR RANCHO
ALISO CANYON
PLAYA DEL REY
LOS ANGELES METROPOLITAN AREA
VENTURA
Santa Barbara
LA GOLETA
Gaviota
CA PRODUCERS (COASTAL SYSTEM)
CA PRODUCERS (LINE 85)
SAN JOAQUIN VALLEY
Visalia
Avenal
Southern California Gas Company
A Sempra Energy utility

FIGURE 2


ORANGE CTY
RAINBOW STATION
RIVERSIDE CTY
SAN ONOFRE STATION
ENCINA
CARLSBAD
ESCONDIDO
MIRAMAR
SANTEE
Lakeside
Tecolote
Mission
La Mesa
SAN DIEGO
Sweetwater
East Lake
SOUTH BAY
CHULA VISTA
OTAY MESA
Harvest
MEXICO
SDG&E GAS SYSTEM MAP
LEGEND
TRANSMISSION PIPELINE
DISTRIBUTION PIPELINE
INTERCONNECT
CITY GATE
NO SCALE
SDGE
A Sempra Energy utility

Attachment H

Application No: A.04-12-
Exhibit No.:
Witness: Stephen A. Watson

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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	))))))))	A.04-12-____ (Filed December 2, 2004)

PREPARED DIRECT TESTIMONY

OF STEPHEN A. WATSON

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
December 2, 2004

TABLE OF CONTENTS

PREPARED DIRECT TESTIMONY OF STEPHEN A. WATSON

A. WITNESS QUALIFICATIONS

My name is Steve Watson. I am employed by SoCalGas as the Capacity Products Staff Manager. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011.

I received a Bachelor's degree from the University of California, Davis, and a Master's Degree in Public Policy from the University of California, Berkeley. I have been employed by SoCalGas since 1986. I have worked in Gas Supply, Customer Services, the Strategic Planning and Transmission Capacity Planning Departments. I am currently the Capacity Products Staff Manager, responsible for staff support to the line managers in the development of new transmission services, interstate commitments, supplier interconnects, and storage services. Before joining SoCalGas I worked as a natural gas analyst at the Department of Energy.

I have previously testified before this Commission.

B. PURPOSE OF TESTIMONY

The purpose of my testimony is to generally describe the proposal of SDG&E/SoCalGas to establish a system of firm access rights. The implementation details of this proposal and supporting tariffs are being sponsored by Mr. Schwecke. I will also describe how SDG&E/SoCalGas propose to provide off-system transportation services.

C. FIRM ACCESS RIGHTS

1. The Importance of Establishing Firm Access Rights

A proper system of firm, tradable access rights will permit developers of interstate pipeline and LNG projects to know that their gas supplies will be able to enter the SDG&E/SoCalGas system on a firm basis. SDG&E and SoCalGas therefore request that the Commission adopt the system of firm, tradable access rights presented below as soon as possible.

An integrated SoCalGas/SDG&E transmission system has the capability to take 3,875 MMcf/d of intrastate and interstate supplies from various receipt points and redeliver those supplies to storage fields and/or end-users. This is a firm, 365 day a year capability.[1/] This capability is 50% greater than SoCalGas' annual average load during 2003, which was slightly less than 2,600 MMcf/d. Nevertheless, the total supplies that theoretically could reach SDG&E/SoCalGas on a given day are 6.1 Bcf/d based on the Federal Energy Regulatory Commission (FERC) Certificated Capacity or SoCalGas estimated physical capacity of upstream pipelines. This "mismatch" between potential upstream supply delivery and existing intrastate transmission redelivery capability may well increase as new supply projects are developed.

Table 1

Pipeline	**Upstream Capacity**
El Paso @ Blythe	1,410
El Paso @ Topock	540
Transwestern @ Needles	1,150
PG&E @ Kern River	650*
Southern Trails @ Needles	80
Mojave @ Hector Road	200
Kern/Mojave @ Wheeler	885
Kern @ Kramer	500
Occidental @ Wheeler	150
California	310
TGN @ Otay Mesa	200*
Total	**6075**

*Estimate of physical capacity

This mismatch can create uncertainty for suppliers and their customers about whether the full supply from a particular source will be delivered. Under current rules, this mismatch makes

[1/] In his testimony, Mr. Bisi describes the operating conditions under which the full 3,875 MMcf/d of receipt and redelivery capacity is not available from time to time.

it difficult to create a firm connection between a supplier and its southern California end-use customer that is reliable every day of the year.

If a particular single interstate pipeline has contracted capacity with its shippers for volumes that exceed the physical take-away of a specific SoCalGas receipt point (e.g., Kern River Pipeline Company (Kern River) at Wheeler Ridge), it is the upstream pipeline shippers' contractual rights that define whose gas flows on that day. SoCalGas believes that this Commission would rather have California end-users, or their agents, control which supplies enter the SoCalGas system under this circumstance.

Furthermore, as detailed in this Application, many of SoCalGas' receipt points with particular suppliers interact with other receipt points with other suppliers in certain Transmission Zones. An example of this in the Wheeler Ridge Zone is SoCalGas' connection with Kern River and Mojave Pipeline Company (Mojave) at Wheeler Ridge, SoCalGas' connection with Pacific Gas and Electric Company (PG&E) at Kern River Station, and SoCalGas' connection with Occidental Petroleum (Occidental) at Gosford. Another example would be SoCalGas' connection with Transwestern Pipeline Company (Transwestern) at North Needles, SoCalGas' connection with El Paso Natural Gas Company (El Paso) at Topock, and SoCalGas' connection with Kern River at Kramer Junction in the Northern Transmission Zone. Whenever the combined receipts from these multiple suppliers exceed the take-away capacity of the particular zone -- 1,435 MMcf/d of potential upstream receipts versus 765 MMcf/d of take-away capacity in the case of Wheeler Ridge and 2,350 MMcf/d of potential upstream receipts versus 1,590 MMcf/d of take-away capacity in the case of the Northern Transmission Zone -- then SoCalGas is forced to pro-rate allocations to the respective upstream suppliers.[2/]

Pro-rationing frustrates both suppliers and end-users, creates confusion in the marketplace, and does not necessarily allow the lowest-cost gas to get to end-use markets. Pro-rationing on the El Paso system during the last decade has led to contentious and time-consuming efforts at the FERC to institute a system of rational, firm rights on that pipeline which will obviate the need for pro-rationing. The CPUC has supported these efforts at the FERC.

[2/] See Table 2 for a comparison of upstream receipts and intrastate take-away capacity in these two zones.

Not only is there currently pro-rationing within both of these zones, the pro-rationing schemes have other drawbacks. As illustrated in Mr. Schwecke's discussion of the current allocation system for the Northern Transmission Zone, there is an outdated preference for El Paso and Transwestern supplies over those from other suppliers interacting in that zone. In addition, as explained by Mr. Schwecke, the pro-rationing priorities for Wheeler Ridge are based on gas flows from suppliers in total from a prior period. This prevents customers from switching from one supplier/receipt point to another on a day-to-day basis to take advantage of daily price movements. It also means that a particular shipper might get cut if other shippers reduced deliveries during the prior period, even if the particular shipper has had constant deliveries.

Even after pro-rationing the various upstream suppliers in a Transmission Zone, if the allocations provide for less receipt point capacity than the contracted upstream pipelines' delivery rights, it is the interstate pipelines' upstream rights, not CPUC-established priorities, which determine whose gas flows into the SoCalGas/SDG&E system.

Under a system of firm access rights, it will be the holders of firm access rights who will determine which supply flows from each supplier on each day within each zone. Holding the firm receipt point rights that flow through the Wheeler Ridge Zone, for example, will give that customer the ability to determine the choice of supply daily. Along with the increased choice of supply will come increased certainty of flow. Firm receipt point rights will assure the customer that 100% of its designated gas flow will flow 100% of the time. Finally, firm access rights move the control of the SoCalGas receipt points from the FERC-regulated interstate pipelines to the utilities in California and their customers.

An alternative way to eliminate the supply uncertainty associated with the status quo would be to expand the take-away capacity of SoCalGas' backbone transmission system to match or even exceed the peak, simultaneous delivery capacity of all upstream pipelines through additional investment in the SoCalGas backbone transmission system. But the cost of expanding SoCalGas' receipt point take-away capability in this manner just to 5 Bcf/d would be extremely expensive (significantly greater than $435 million according to Table 2 of Mr. Bisi's testimony), and is, in SoCalGas' opinion, unnecessary. SoCalGas already has total transmission delivery capacity that exceeds total end-use demand to a significant degree (a "slack capacity factor").

A better solution, one that does not require unnecessary capital investment in the backbone transmission system, is to create a system of firm tradable access rights on the intrastate transmission system. If SoCalGas/SDG&E establish ownership rights for the existing 3,875 MMcf/d of backbone transmission take-away capacity, the owners of those rights will be able to establish a firm, reliable connection between a particular supply source and the customer's burnertip. The owners of such receipt point rights could then switch suppliers within a transmission zone on a daily basis depending on the price benefits of that supply. New customers or suppliers who value the receipt point rights more highly than others could bid or trade for those rights through the secondary market to ensure firm deliveries to the SoCalGas citygate. Prices in this secondary market would encourage low-cost suppliers to expand their access to California and could help shape/guide utility and shipper investment decisions.

PG&E has had a system of firm tradable backbone rights since 1998. Now is the time to establish a system of firm, tradable access rights on the southern California gas system.

The Comprehensive Settlement Agreement (CSA) of April 2000 tried to establish just such a system. That system, however, was never implemented and has now become outdated. Relative to the CSA framework, the firm access rights proposal recommended by SDG&E/SoCalGas in this Application should be preferable to customers because:

1. The set-asides for core customers look beyond SoCalGas' soon-to-expire El Paso and Transwestern service agreements and are consistent with core supply diversity approved by the Commission in D. 04-09-022.

2. There is a substantially lower reservation charge, and the resulting revenues are credited back to end-users.

3. The broader and more flexible definition of access rights by transmission zone will allow customers greater ability to exert downward price pressure on competing gas supplies.

4. It avoids changes to current storage and balancing rules. These changes were controversial and diminished customer support for the transmission-related aspects of the CSA.

Relative to the CSA framework, this proposal should be preferable to new gas suppliers because:

1. It puts new gas supplies on a level playing field with existing supplies.

2. It permits the economic expansion of the transmission system and the establishment of new receipt points.

3. It allows new suppliers and/or their customers to obtain long-term access to the SDG&E/SoCalGas system so that their large capital investments can be justified.

Relative to the status quo, the proposal set forth below should be preferable to both suppliers and end-users because it will eliminate unpredictable pro-rationing that can and does occur in the Northern and Wheeler Ridge Transmission Zones. Absent the establishment of firm access rights, the development of the Otay Mesa receipt point could also eventually lead to pro-rationing in the Southern Zone.

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Table 2 - Available Firm Receipt Point Capacity and Zones[3/]

Name	Receipt Capacity (MMcf/d)	Transmission Zone (MMcf/d)
Transwestern @ North Needles[4/]	800	Northern
Questar @ North Needles	120	Northern
El Paso @ Topock[5/]	540	Northern
TW @ Topock	190	Northern
Mojave @ Hector Road[6/]	200	Northern
Kern River @ Kramer	500	Northern
Subtotal of Supply	*{2350}*	
Northern Zone Capacity		**1,590**
El Paso @ Blythe	1,210	Southern
TGN @ Otay Mesa[7/]	40	Southern
Subtotal of Supply	*{1250}*	
Southern Zone Capacity		**1,210**
Coastal System (Producers)	150	California
L85 System (Producers)	160	California
Subtotal of Supply	*{310}*	
California Capacity[8/]		**310**
Kern/Mojave @ Wheeler	765	Wheeler
PG&E @ Kern River Station[9/]	520	Wheeler
Oxy @ Gosford	150	Wheeler
Subtotal of Supply	*{1435}*	
Wheeler Zone Capacity		**765**
Total Receipt Points (**Total Non-CA Points**)	5,345 **(5,035)**	
Total Backbone Capacity		**3,875**

As Mr. Schwecke describes in more detail in his testimony, SDG&E/SoCalGas propose that firm rights holders choose their particular receipt point rights within a zone and that they

3/ Provided by Mr. Bisi. See his testimony for further details/explanation.
4/ Transwestern and Southern Trails at N. Needles cannot exceed 800 MMcf/d.
5/ El Paso & TW at Topock cannot exceed 540 MMcf/d.
6/ Mojave at Hector and other N.Needles supply cannot exceed 850 MMcf/d.
7/ Assumes a $4 million rolled-in investment.
8/ Excludes 20 MMcf/d of "other" producers who deliver directly into distribution, not backbone, system.
9/ PG&E and Occidental Supplies cannot exceed 520 MMcf/d in total.

have primary firm rights at that point. We also propose that they have alternate firm rights within that same zone without having to pay any additional fees. For example, if a party acquires firm rights at Kern/Mojave at Wheeler Ridge, they could also nominate on a firm basis at PG&E (Kern River Station) or Occidential at Gosford if primary rights holders were not nominating the full receipt point capacity at those receipt points. Nominations using alternate firm rights might still be pro-rated, but the likelihood and degree of pro-rationing is lessened by limiting alternate firm rights to receipt point holders in the same zone rather than allowing alternate firm rights outside of zones. For example, if 382 MMcf/d of primary firm rights were initially awarded at Kern/Mojave and PG&E each in the Wheeler Ridge Zone, allowing these primary rights to switch suppliers on an alternate firm basis would result in little, if any prorationing of those requests.[10/] Allowing all 3,875 MMcf/d of firm rights holders, however, to have alternate firm rights anywhere on the system would continue current pro-rationing problems because alternate firm rights in excess of zone capacity limitations would need to be pro-rated.[11/]

This approach to the definition of firm rights is also generally analogous to that taken by PG&E in its Gas Accord. Customers with firm Baja path rights, for example, can choose among Kern River supplies at Daggett, and Transwestern or El Paso supplies at Topock, on a daily basis. But they cannot use these Baja path rights on an "alternate firm" basis to access Canadian supplies on the Redwood path. They must instead make interruptible purchases of Canadian supplies, space permitting, on the Redwood path.

We believe our proposal for alternate firm rights within transmission zones balances the need for firm rights certainty against supply choice flexibility. Within the Wheeler Ridge Transmission Zone, there would be the flexibility to choose among Canadian, San Juan, Rockies, and California supplies. Within the Northern Transmission Zone, there would be the flexibility

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[10/] In this case, all 382 MMcf/d of firm primary rights at PG&E could switch to Kern/Mojave and 40% of the Kern/Mojave (140 MMcf/d) could switch to PG&E at Kern River Station on an alternate firm basis without prorationing.

[11/] It is for this reason that we propose that significant new LNG at L.A. Harbor or Center Road should not have alternate firm rights anywhere else on the system. Each of these LNG projects is larger than the Wheeler Ridge Zone and almost as large as the Southern Zone. The first 600-800 MMcf/d of receipts from these potential new supplies will actually increase total take-away capacity on the SoCalGas/SDG&E system. If these projects proceed, they will be their own new Zones.

to choose among San Juan, Rockies, and Permian supplies. And within the Southern Transmission Zone, there would be the flexibility to choose among San Juan, Permian, and potential LNG supplies.

2. Proposed Allocation of Firm Capacity

Most customers will need to make some adjustments in the capacity they are awarded through the open season process via trading in the secondary market. That is the very purpose of establishing well-defined ownership rights; owners need to be able to buy and sell their capacity to meet their ever-changing needs and market valuations. Nevertheless, our initial allocation procedures are suggested with the following priorities. First, preferential access to existing capacity will be provided to California producers and end-use customers - up to their current usage of capacity. Second, any remaining existing capacity and/or new capacity will be provided to those shippers willing to pay the highest long-term price for that capacity. Third, any new supplier receipt point capacity should take advantage of unutilized existing backbone capacity (slack capacity) so as to reduce the cost of providing new supply access. The procedures outlined below follow these priorities.

a. Step 1 - Set-Aside Options for Three Years

This step would apply to existing or any rolled-in expansion capacity like that identified above in Table 2. Based on conversations with customers, three years is about the maximum length of commitment end-use customers feel comfortable making. Furthermore, customer load profiles can change considerably after three years.

1. A set-aside option would be provided to California Producers up to their individual peak monthly average production level over the prior 12 months with a daily reservation charge of five cents/dth.[12] This set-aside would also apply to any SoCalGas "native gas" production.

2. A set-aside equal to the previous 12-months' annual average core load would be established for the SoCalGas Gas Acquisition Group and the SDG&E Gas Acquisition Group with a daily five cent/dth/day reservation

[12] Wheeler Ridge is an access point for interstate supplies. Although Occidental has a traditional producer access agreement on the Line 85 system, its separate agreement for the Gosford connection, which interconnects to Wheeler Ridge and the Line 225 system, is more like those SoCalGas has with interstate pipelines. Occidental is treated like an interstate supplier for purposes of its interconnection at Wheeler Ridge. Any unsubscribed Line 85/San Joaquin capacity would be reallocated to Wheeler Ridge under Step 2.

charge. These set asides would distribute core load proportionally among all non-California production receipt points listed in the second column of Table 2. Finally, SoCalGas' Gas Acquisition Group would give 11 MMcf/d of PG&E at Kern River Station capacity to the SDG&E Acquisition Group in exchange for 11 MMcf/d of SDG&E's capacity to allow SDG&E to match its rights with existing long-term upstream contracts.

4. The core load of wholesale customers and core aggregators would have the option of a pro rata set-aside like that established for the SoCalGas and SDG&E Gas Acquisition Groups described above or of bidding like other noncore customers in Steps 2 and/or 3 as described below.

5. Customers holding CPUC-approved long-term contracts that specify one or more particular receipt point(s) would be entitled to a set-aside option to elect those receipt points pursuant to the terms of the contract. Currently, four customers have contracts that specify one or more receipt points of 80 MMcf/d in the Wheeler Ridge Zone.

6. This step would be repeated every three years.

b. Step 2 - Preferential Open Season Bidding by Noncore Customers for Three Years

As with the set-asides, this open season process would only allocate existing or rolled-in expansion capacity. Noncore customers could bid for the receipt point capacity listed in Table 2. Their preferential bidding rights would be limited by their historical consumption levels. Customers could bid on a baseload basis only up to their annual average usage established during the most recent twelve-month period (Base Period). They could bid on a monthly basis, but would be limited by their actual monthly profile in the Base Period. A second limitation would be that total customer bids (including Step 1 set-asides) could not exceed 75% at any individual receipt point.[13/] Other aspects of this process would be:

1. Term of the bid would be three years.

2. A five cent/dth daily reservation charge. We believe that 5 cents/dth is the <u>minimum</u> level of daily reservation charge that is needed to discourage speculation in and the hoarding of capacity. Customers who own capacity but who do not need it should have a strong financial incentive to sell the capacity, which, in turn, will help create liquidity in the secondary market.

13/ This percentage is approximately equal to estimated 2004 consumption divided by 3,565 MMcf/d of non-California backbone take-away capacity. The preference accorded to end-users in this open season process is greater than that accorded in the CSA, which established a 50% receipt point limitation.

3. Bids with monthly profiles based on the Base Period are permitted at existing receipt points, subject to the 75% limitation by month at each receipt point. But preference is given to base-load bids because bids that vary by month create gaps in firm access rights. Obviously, an annual base-load bid has higher value than a seasonal or monthly bid. This preference for base-load bids was used by PG&E in its Gas Accord Open Season and was endorsed by the Commission in its review of the CSA implementation tariffs in D.04-04-015.

4. If the bids at a receipt point exceed the capacity limit, the awards are pro-rated.

5. Remaining bid volumes may then be re-bid in a subsequent round of this step at another receipt point with available capacity.

6. This step would be repeated every three years.

The details of this open season process are discussed by Mr. Schwecke. An illustration of the process is provided in Table 3 of my testimony.

c. Step 3 - Long-Term General Auction for Remaining and New Receipt Capacity

After the needs of customers have been met, the allocation process would be opened up to all parties. The maximum total bid for any party is established by its creditworthiness. In this step, there is bidding for any remaining base-load[14/] existing capacity, expansions at existing receipt points, and new receipt capacity. (Potential shippers at Blythe would bid in competition with shippers at Otay Mesa since these receipt points are interchangeable in the Southern Transmission Zone. See Chart 1.) An illustration of how this auction might work for new LNG and Rockies access is given in Charts 1 through 4.

1. 15-year bids with uniform annual rights throughout the period. Long-term bids are required in order to justify potential expansions and capital investments.

2. SDG&E/SoCalGas construct ascending estimated capital cost curves at each receipt point with the cost for any existing capacity assumed to be 5 cents/dth/day. Expansions of receipt points are priced at 5 cents/dth plus new facility costs, which are converted to cents/dth/day amortized over 15 years. (To the extent feasible, these new facility costs would use base-

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14/ Available 12 months of the year.

load "displacement" capacity within the relevant transmission zone, not "expansion" facility cost figures. See Charts 1 and 4.)[15/]

3. Bids for discrete increments of capacity[16/] expressed in cents/dth/day over 15 years are submitted. Multiple bids are permitted by a party for each individual receipt point, but all bids will be binding unless the winning bid price ultimately turns out to be inadequate to cover the facility costs as discussed below. There is a minimum bid of five cents/dth/day (the necessary daily reservation charge for customers participating in earlier steps), but there is no maximum bid.

4. Bids would be accepted to the point where the ascending cost (long-term supply curve) approximately meets the descending bids (long-term demand curve).

5. All winning bidders pay the price that results at this intersection of long-term supply and long-term demand. If necessary, the bidders with the lowest-accepted winning bid will have their volumes prorated. If the lowest-accepted descending bid is still above the ascending cost curve, then all winning bidders pay the lowest-accepted bid price, not the actual construction costs. (See Chart 1 for an illustration of this.)[17/]

6. Winning bidders will own their capacity rights for the term of their commitment. They may continue their capacity rights ownership after the 15-year term by exercising a Right of First Refusal (ROFR) provision in a subsequent open season.

7. In order to minimize the amount of expansion capacity that is actually required to meet the 15-year awarded bids, SDG&E/SoCalGas will first

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15/ Center Road Station and Salt Works Station curves would be calculated using the expansion costs estimated by Mr. Bisi. These new supplies have no alternate firm rights and constitute their own zones. Furthermore, for the first 600-800 MMcf/d of receipts at Center Road or Salt Works, there is little distinction between the "displacement" and "expansion" cost curves. But these curves are significantly different for the Otay Mesa receipt point, which will need to rely on the "displacement" of receipts from Blythe in order to be economic. Otay Mesa LNG, however, will need to compete with LNG shippers intending to ship into Blythe for any existing Southern Transmission Zone access.

16/ SDG&E/SoCalGas are considering 10 MMcf/d increments even though expansion cost studies are usually done in much larger increments and the supply curve will necessarily have to be interpolated for intermediate points. This will help avoid spending millions of dollars to provide very small amounts of expansion capacity.

17/ The long-term supply curves for LNG arriving at Center Road Station and Salt Works Station will be individual project expansions curves as described in Mr. Bisi's Tables 4 and 5. But as Mr. Bisi's Table 6 illustrates, the capital cost for expanding both points can be considerably higher than the sum of each individual expansion cost. To take an extreme example, the cost of expanding Salt Works by 800 MMcf/d is given as $78 million in Table 4 and the cost of expanding Center Road by 800 MMcf/d is given as $27 million in Table 5. But Table 6 shows that the cost of expanding both points by 800 MMcf/d each is $198 million, which is $93 million greater than the sum of the individual expansion costs. In this case, SoCalGas would conduct the auctions based on the individual expansion curves but would then surcharge the winning bidders for the additional $93 million - assuming 1600 MMcf/d of awards. This surcharge would be allocated in a manner proportional to the final awards.

ask all existing capacity rights holders if they are willing to turn-back their awarded capacity at 5 cents/dth/day.

8. If bidders in this Step secure capacity that later is accorded rolled-in ratemaking treatment, they would be permitted to relinquish the capacity before the end of their contract term (and be relieved of the associated reservation charges). This relinquishment would be timed to correspond to the preferential allocation of "rolled-in" capacity to customers in succeeding Steps 1 and 2 open seasons.

3. Capacity Allocations After Initial Awards

As described in further detail by Mr. Schwecke, SoCalGas will allow customers at any time to re-contract their initially-awarded firm capacity to any other receipt point for which there is space available. SoCalGas will also sell additional firm capacity, to the extent it is available, to any creditworthy party for up to five cents/dth/day for a minimum term of one month and a maximum term of the remaining duration of the three year cycle.

4. Regulatory Process

If customer or shipper interest is expressed in developing new or expanded receipt point access, SDG&E/SoCalGas would begin the permitting processes and develop more detailed cost estimates.[18] SDG&E/SoCalGas would then submit the project to the Commission for approval via an expedited application. The expedited application would contain the detailed estimated costs to be reflected in transmission rates. Any incremental revenues from shippers with long-term access above the costs of building the added capacity will be fully credited to existing customers' transportation rates.

Upon completion of construction and as service is about to commence, rates will be finalized for Commission approval via an Advice Letter. The rates would go into effect upon Commission authorization and the first day of flow through the new facilities.

5. Interruptible Forward-Haul Service

Any un-awarded firm capacity and daily interruptible capacity will be offered by the utility on a daily volumetric basis for up to five cents/dth. Any unused, awarded firm capacity

[18] SDG&E/SoCalGas will begin the permitting process and prepare detailed engineering cost estimates immediately upon agreement with a potential shipper to pay for that work. These costs would be refunded to shippers if the Commission later determined the facilities were to be rolled-in. If the entity paying these costs is the winning bidder in an incrementally-priced facility, that entity would receive credit for these up-front payments for accelerated work.

will also be offered daily on this basis. A 75/25 ratepayer/shareholder incentive/sharing mechanism with a $5 million/year cap on the shareholder portion will be established for interruptible revenues to provide the utility with a financial incentive to ensure that the maximum amount of interruptible capacity is offered and to ensure that firm capacity cannot be profitably withheld from the secondary market.

D. OFF-SYSTEM SERVICES

For off-system services we propose the following set of charges[19/] and options:

(1) Interruptible Off-system

Daily posted volumetric rate up to system average transmission rate (to PG&E) or the FERC 284.244 rate (others), using displacement at specific off-system delivery points.

(2) Reliable Displacement and Physical Delivery off Kramer Junction

System average transmission rate if rolled-in based on contractual use-or-pay (UOP); otherwise, reservation charge covering incremental facility cost.

(3) Firm Path Off-system

Service 2 costs plus incremental facility cost for supply-specific path to Kramer Hub.[20/]

Off-system option services 1-3 are described below.

1. Interruptible Off-System, Backhaul Service[21/]

The utility may sell interruptible backhaul services from the citygate to any receipt point on its system. This gas could, in turn, then be delivered off-system. This service will be interruptible, since it depends upon there being sufficient forward-haul deliveries at the utility receipt point. This service will be sold for a negotiated rate up to 31.2 cents/dth[22/] for all receipt

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19/ These charges for off-system service presume that someone has already paid the forward haul charge to deliver these supplies to the utilities' citygate.

20/ May be eligible for rolled-in ratemaking treatment, depending upon specific cost-benefit analysis.

21/ This type of service is already permitted to PG&E under its Gas Accord.

22/ The current price cap in SoCalGas' FERC Section 284.224 blanket transportation authority. This price is based on SoCalGas' 1987 authorized margin, minus all distribution-related costs, allocated over a forecast of throughput. SoCalGas intends to update this filing to reflect recent costs and forecasts; this update would probably decrease the cap.

points with interstate pipelines. The interruptible off-system rate cap to PG&E would be established at the SDG&E/SoCalGas average system-wide transmission rate (currently approximately 17¢/dth). The lower cap for deliveries to PG&E is consistent with PG&E's price cap for off-system services under its Gas Accord.

SDG&E/SoCalGas propose to use the same incentive mechanism described for other interruptible services. These new services will provide additional market outlets for new potential supplies coming to California, which, in turn, will increase the likely development of these new supplies. These services, by definition, will not jeopardize on-system reliability since they are interruptible. Moreover, such services would provide additional revenues, and therefore lower transportation rates, to utility customers.

2. Reliable Displacement of Northern Supplies and Physical Redelivery Off Kramer Junction

SDG&E/SoCalGas are also proposing to conduct an open season for a backhaul service that would require new facilities in the Adelanto/Kramer Junction area.[23/] This Hub would rely on displacement of scheduled deliveries within the aggregated Northern and Wheeler Ridge zones (Mega-Northern Zone). Therefore, it would still be considered an interruptible service, albeit one that would be much more reliable than the previously described service since it would not rely on scheduled volumes to a single receipt point.[24/] It would be able to physically redeliver supply to PG&E, Kern, Mojave and El Paso Line 1903. This service would be sold to shippers willing to commit to long-term contracts with significant use-or-pay provisions priced at the utilities' rolled-in system average transmission rates.[25/] If the demand for facilities exceeded the availability of these facilities, SDG&E/SoCalGas propose to keep increasing the use-or-pay commitment associated with the facilities (up to 100%), in order to equate demand with supply. If demand still exceeds the size of a reasonably large facility, then SoCalGas would propose to

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23/ See Table 7 in Mr. Bisi's testimony. Approximately $64 million for 500 MMcf/d.

24/ During 2003, supplies from this "Mega" Wheeler + N. Desert Zone were continually over 1.0 Bcf/d and averaged 1.75 Bcf/d.

25/ In other words, the use-or-pay commitment would guarantee sufficient additional throughput that rolling-in the cost of the facilities would lower the systemwide transmission rate. If there is insufficient demand to lower the systemwide rate from rolling-in the facilities costs, the service would be offered at an incremental rate.

start establishing a markup of the average transmission rate (e.g., 110%, 120%, etc.) until a supply/demand equilibrium is reached.

Interruptible off-system services utilizing these facilities would be offered on a daily basis if the long-term contract rights were not being utilized.[26] The same incentive mechanism that applies to other interruptible service would apply to this daily service. The price cap on this daily, lower-priority interruptible service would be the same as described above - the system average transmission rate to PG&E and 31.2 cents/dth for off-system deliveries to other pipelines.

3. Firm Off-System Path Service

A firm level of off-system service could be offered that relies on the construction of dedicated facilities from a particular supply source to any off-system delivery point connected to the Kramer Junction area (e.g., PG&E, Kern River, Mojave, El Paso Line 1903, etc.) Any supplier using these dedicated, path and supply-specific facilities would not have to rely on displacement of any other supply. Their supply could simply be delivered across the SoCalGas system and physically into the PG&E, Kern River, Mojave, and El Paso Line 1903 systems. These single-source facilities might be eligible for rolled-in pricing if the shipper signs a long-term use-or-pay contract that would guarantee a sufficiently high incremental throughput to lower the system-wide transmission rate. Shippers interested in this firm service would probably want to simultaneously subscribe for firm access capacity at the Kramer Hub discussed above so that their supplies could be reliably physically delivered into connecting pipelines at that point.

4. Regulatory Process for Off-System Services

SDG&E/SoCalGas propose that they would begin to offer the interruptible off-system service 1 immediately. The service will produce an immediate incremental benefit to ratepayers with absolutely no offsetting costs. Second, after the conclusion of the forward-haul, firm rights open seasons and long-term auctions described earlier, SDG&E/SoCalGas would hold open seasons for off-system services 2 and 3 described above. (We believe that parties will be

[26] The long-term contract holder could bump other, lower-priority "interruptible" volumes during the nomination cycles.

unwilling to commit to reliable and/or firm off-system services until they know what forward-haul firm access rights have been awarded to them and others.)

If customer or shipper interest is expressed in these new, facility-based off-system services, SDG&E/SoCalGas would begin the permitting processes and develop more detailed cost estimates.[27/] SoCalGas would then submit the project to the Commission for approval and to determine rolled-in or incremental pricing via an expedited application. The expedited application would contain the detailed estimated costs to be reflected in transmission rates. Any incremental revenues from shippers with long-term off-system rights above the costs of building the added capacity will be fully credited to existing customers' transportation rates.

Upon completion of service and as service is about to commence, rates will be finalized for Commission approval via an Advice Letter. The rates would go into effect upon Commission authorization and the first day of flow through the new facilities.

E. MARKET MONITORING

SDG&E and SoCalGas are not proposing either: (1) receipt point capacity ownership limits or (2) price caps in secondary markets. We believe that excess capacity, secondary market trading opportunities, and interruptible service opportunities make such measures unnecessary. However, in order to assist the Commission in addressing any market power concerns it may have, SDG&E and SoCalGas will provide quarterly reports to the Commission and post market information on its EBB. Mr. Schwecke describes this information in detail.

F. BALANCING

SoCalGas is not proposing to change its balancing rules in this proceeding. In the development of the CSA, balancing issues were among the most contentious. New balancing rules are not necessary to implement a system of firm, tradable access rights. SDG&E/SoCalGas intend to address balancing rules in another proceeding, such as the BCAP.

This concludes my testimony.

27/ See footnote 18.

TABLE 3 {Illustration of Allocation Process}

TABLE 3

				STEP 1: Set-asides					**Step 2: Open Season**	**Step 3 Auction**	**Max Short-term Firm**	
	Receipt Capacity	Zone Capacity	Calif	SCG Core	SDG&E Core	LTK	Available Step 2	Round 1	Round 2			Northern
							75% Limit					Prior
TW @ Needles	800			167	22		411		240		99	**1491**
S. Trails @ Needles	120			25	3		62		36		56	
TW @ Topock	190			40	5		98		57		88	
El Paso @ Topock	540			113	15		278		162		99	
Mojave @ Hector	200			42	6		103		60		93	
Kern @ Kramer	500			104	14		257	257		**125**	0	
North Desert		1590										
												Southern
El Paso @ Blythe	1210			252	33		622		300	**100**	3	Prior
Otay	40			8	1		21		12	**500**	3	**1207**
Southern System		1210										
												Wheeler
Kern/Mojave @ Wheeler	765			159	21	80	313	313			0	Prior
PG&E KRS	520			108	14		267		63		0	**795**
Oxy at Gosford	150			31	4		77				0	
Wheeler Ridge		765										
Calif on Coast	150		100				13		0		50	
Calif SVJ	160		130				0		0		0	
California		310										
Non-Calif Receipts	5035											
Total Receipts	5345											
Backbone Capacity		3875	230	1049	139			570	930			
Otay	**Chart 1**									**500**		
Salt Works	**Chart 2**									**700**		
Center Road	**Chart 3**									**800**		
Kramer	**Chart 4**									**50**		

1049 MMcfd SCG Core; 139 SDG&E core; 1500 MMcfd noncore; 230 California non-coincident peak month production

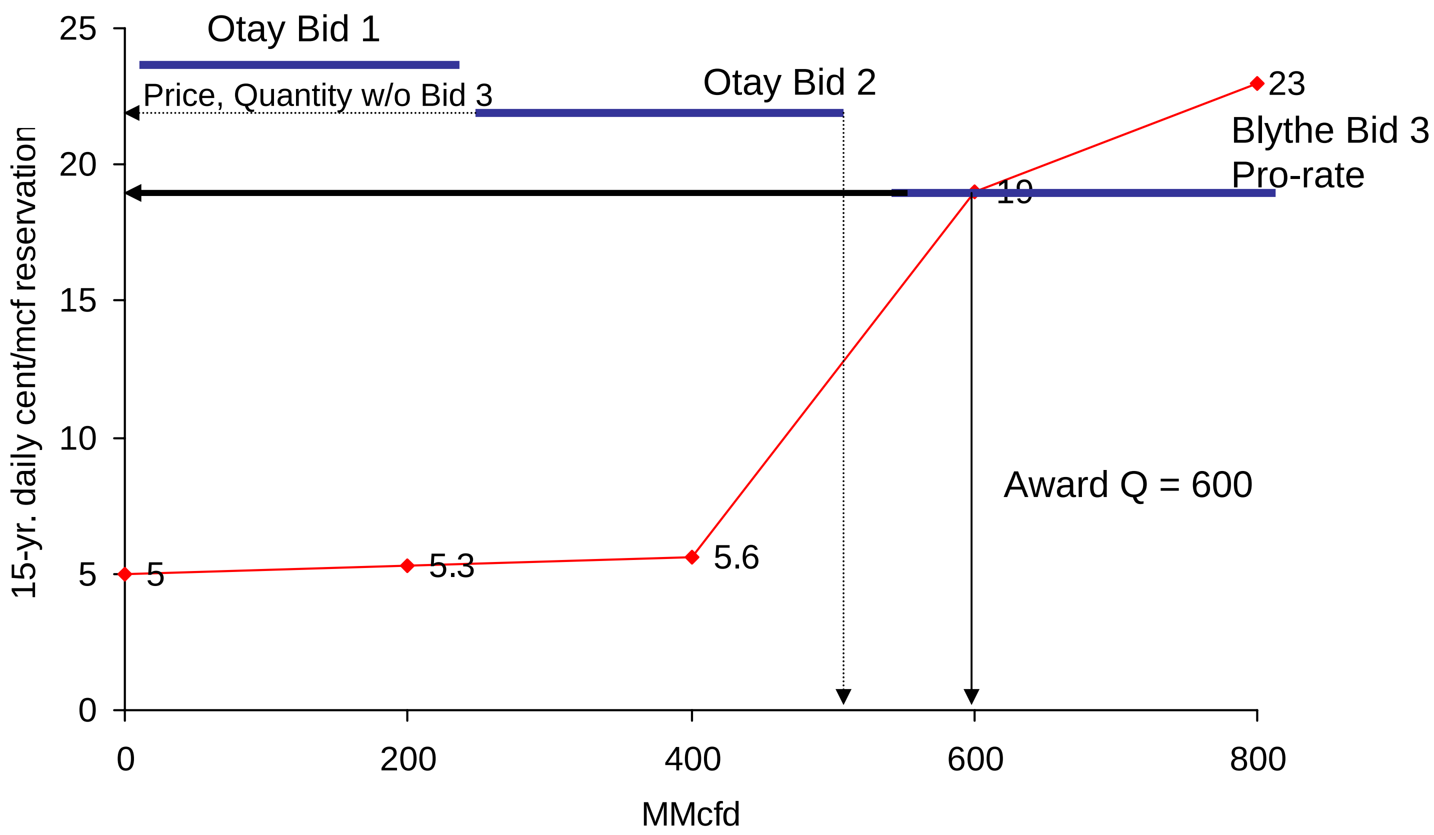
Step 2: Bidders bid exclusively for Rockies gas at Kramer & Kern/Wheeler in Round 1 Prorated volumes bid proportionally at all available points in Round 2 (Kramer,CA already hit 75% limit, 60 MMcfd in Wheeler)

* Short-term firm capacity limited by Zonal backbone constraints and previous open season and long-term auction commitments. No more than 99 MMcfd of any combination of N. Zone reciepts available

CHARTS {Illustration of Long-Term Auction}

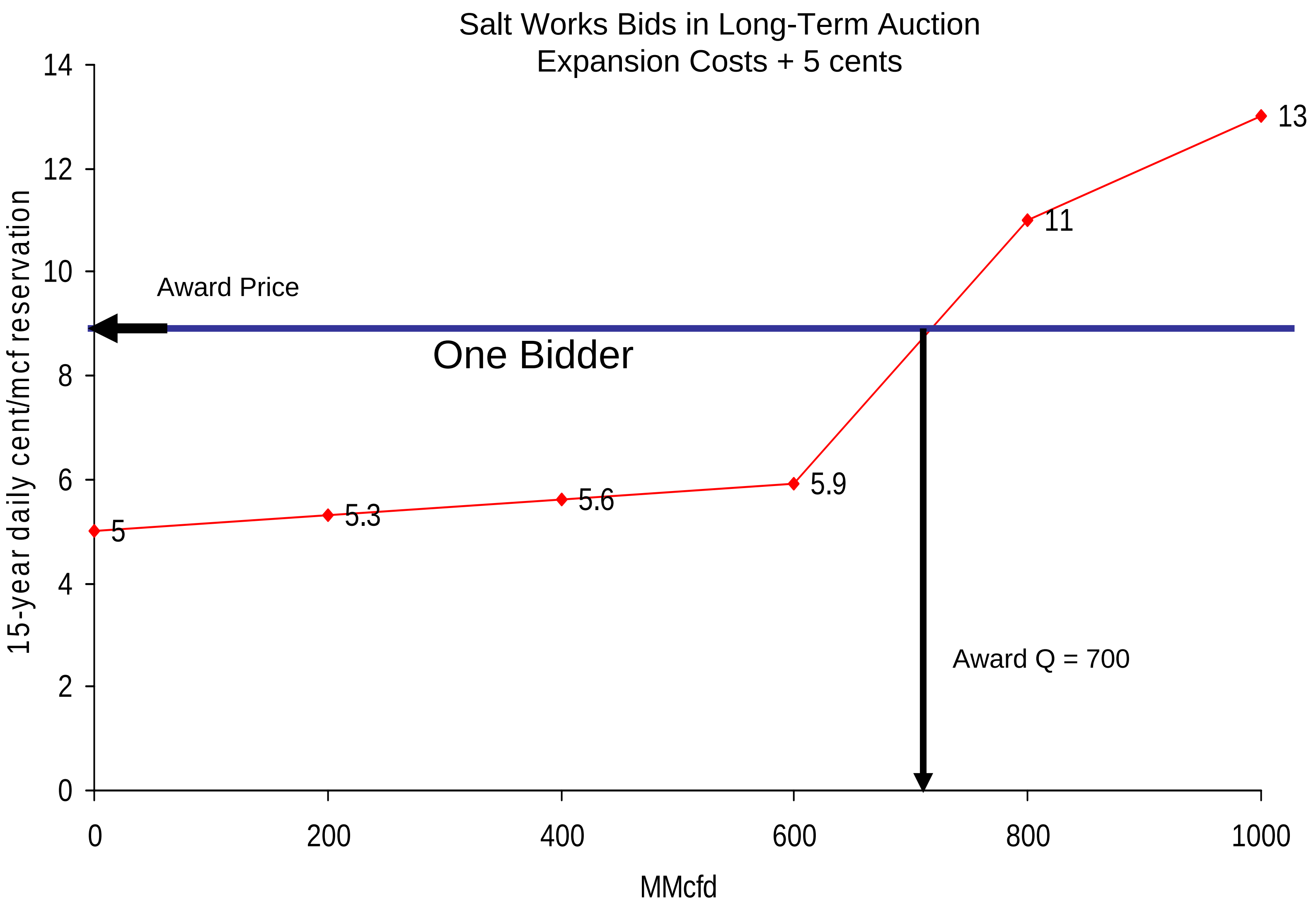
CHART 1

Otay Mesa and Blythe Bids in Long-Term Auction
Based on “Displacement Costs” in Southern Zone



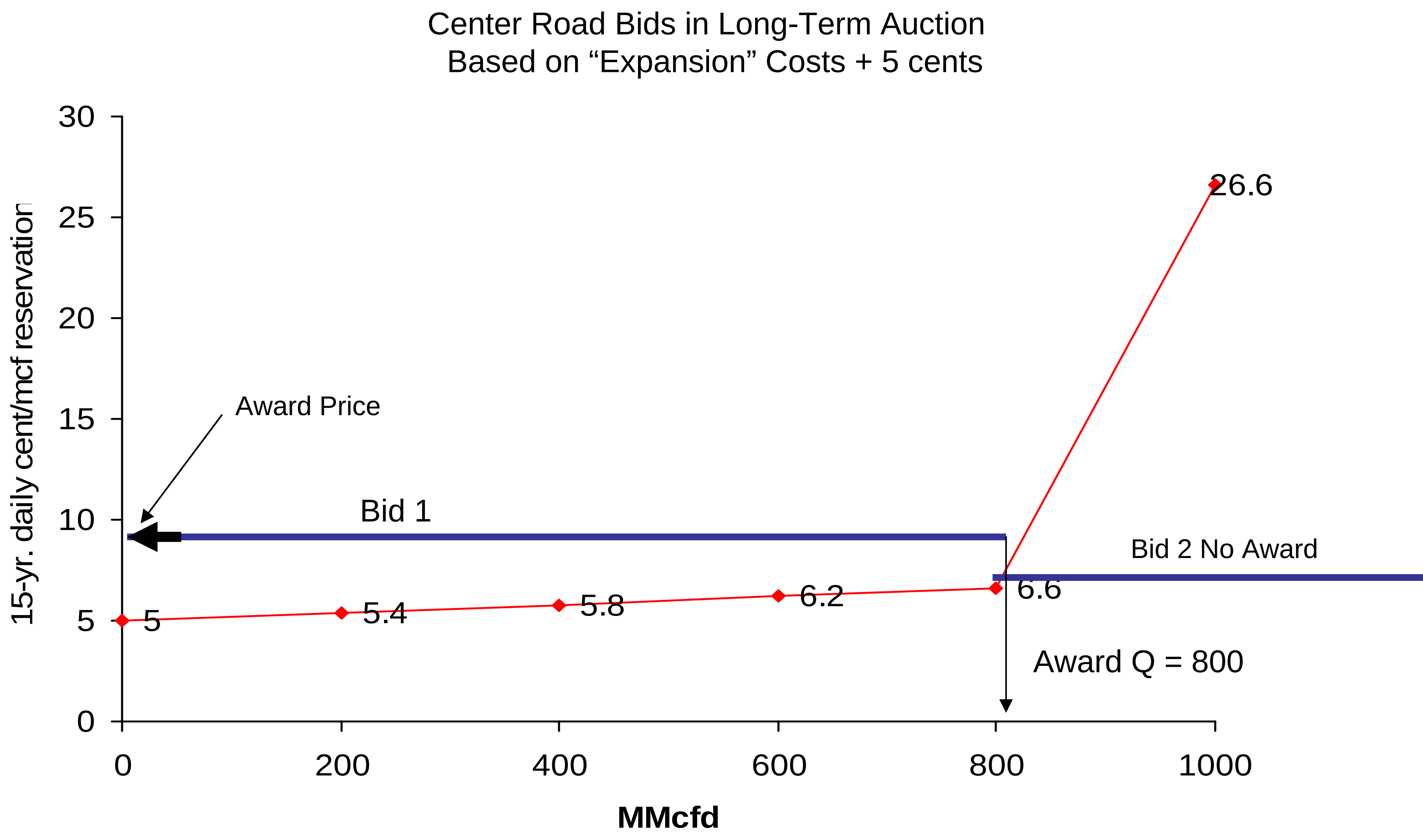
Preliminary Facility cost per Mr. Bisi; 14.8% amortization factor.

CHART 2



Preliminary Facility cost per Mr. Bisi; 14.8% amortization factor.

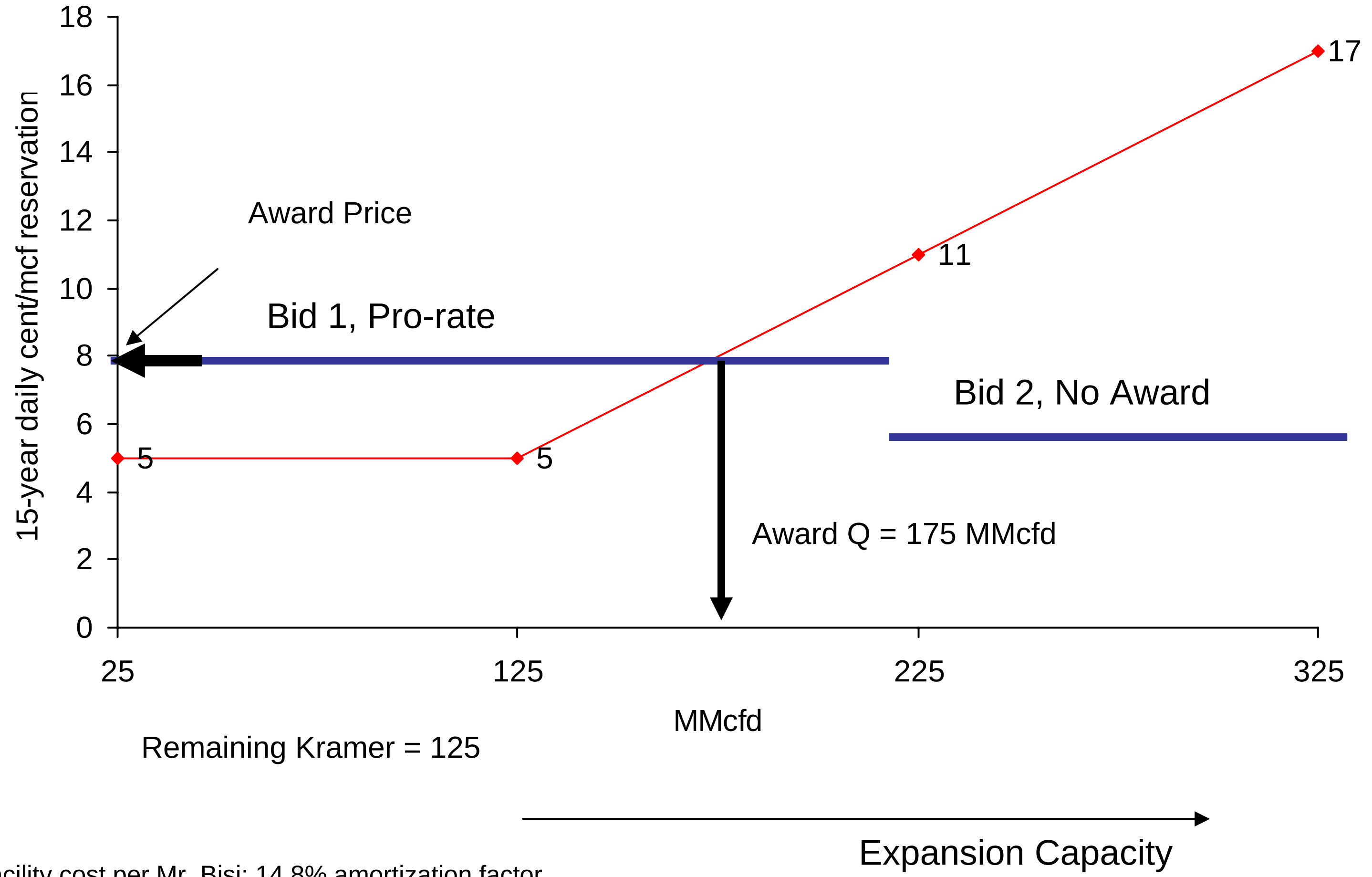
Chart 3



Preliminary Facility cost per Mr. Bisi; 14.8% amortization factor.

Chart 4

Kramer Junction Bids in Long-Term Auction
5 cent displacement cost used for 125 MMcfd remaining capacity
Upward Curve Based on “Expansion” Costs



Preliminary Facility cost per Mr. Bisi; 14.8% amortization factor.

Attachment I

Application No: A.04-12-
Exhibit No.:
Witness: Rodger R. Schwecke

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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	)	A.04-12-____ (Filed December 2, 2004)

PREPARED DIRECT TESTIMONY

OF RODGER R. SCHWECKE

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
December 2, 2004

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PREPARED DIRECT TESTIMONY
OF RODGER R. SCHWECKE

A. WITNESS QUALIFICATIONS

My name is Rodger R. Schwecke. I am employed by the Southern California Gas Company as the Senior Pipeline Products Manager. My business address is 555 West Fifth Street, Los Angeles, California.

I am currently responsible for the development, marketing and administration of pipeline capacity products designed to provide SoCalGas/SDG&E customers access to upstream pipelines, California instate gas production and the corresponding natural gas supplies. I am also responsible for brokering of all of SoCalGas excess interstate pipeline capacity, policies and procedures for scheduling and nominations on the SoCalGas/SDG&E systems, daily operation and enhancements to SoCalGas Electronic Bulletin Board (EBB), and negotiating and managing all aspects of SoCalGas/SDG&E's interconnect and operational balancing agreements with upstream pipelines delivering natural gas into our utility distribution system.

I have been employed by Southern California Gas Company and its affiliates since June 1983 in numerous positions, including General Manager/Vice President – Bangor Gas Company, Vice President Marketing - Frontier Energy, Business Development Manager, Project Manager, Account Executive Supervisor, Market Planner Analyst, and Energy Systems Engineer. I assumed my current position in June 2001. During my employment I have been responsible for various aspects of utility development and operations, sales and marketing, regulatory matters, and customer relations. I graduated in 1983 from California State University, Long Beach, with a Bachelor of Science in Chemical Engineering.

I have previously testified before the California Public Utilities Commission, State of Maine Utilities Commission, and the North Carolina Utilities Commission.

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B. PURPOSE OF TESTIMONY

The purpose of my testimony is as follows:

- To sponsor a set of exemplary tariff schedules implementing SoCalGas/SDG&E's firm access rights and off-system delivery proposals in this Application;
- To describe current allocation of receipt point capacities;
- To address implementation issues; and
- To propose an implementation schedule.

C. EXEMPLARY TARIFFS

In this Application, SoCalGas/SDG&E will be including exemplary tariffs for implementing their proposals. SoCalGas/SDG&E request that the Commission adopt their proposals and the exemplary tariff schedules to be served within approximately two weeks of the filing of this Application that would fully implement the firm access rights and off system delivery proposals.

D. FIRM RECEIPT POINTS

1. Current Allocations of Receipt Point Capacity

When the collective upstream pipeline capacities exceed the takeaway capacity of a Transmission Zone (e.g.. Northern Transmission Zone, Wheeler Ridge), even if the individual pipelines do not contract for more delivery point capacity than SoCalGas/SDG&E's receipt point capacities, SoCalGas is placed in an operational position of having to make allocations. Transmission Zones with multiple interactive receipt points limit the amount of supplies that SoCalGas/SDG&E can takeaway on a given day. Under current circumstances, SoCalGas must allocate the total Transmission Zone capacity available to each of the upstream pipelines. In certain cases, this allocation provides for some preferential treatment (i.e. grandfathering) to a particular receipt point or upstream pipeline. SoCalGas must make these allocations in order to determine the amount of gas that can flow on a given day while protecting the operation of the intrastate pipeline system.

SoCalGas has used different methods to allocate the available Transmission Zone capacities. The recently implemented North Desert Transmission Zone Capacity Allocation[1/] allows for customer nominations based on maximum individual receipt point capacities. Although this method went a long way to increase supply choices to end-use customers, there still is a slight preference for the Topock and North Needles points that receive gas from El Paso Natural Gas Company (El Paso) and Transwestern Pipeline Company (Transwestern). When greater quantities of gas are requested to flow through the Northern Transmission Zone than its firm takeaway capacity of 1,590 MMcf/d, the Topock and North Needles points receive an allocation of the right to enter the system first; prior to other points in this zone such as Kern River Pipeline Company (Kern River) at Kramer Junction. A different method is applied at the Wheeler Ridge Zone for allocating receipt point capacity. This allocation method is also deficient since the allocation is based on gas flows from a prior period. The Wheeler Ridge method sets the allocation of receipt point capacity based on the previous day's total flow at Wheeler Ridge. This means that if a shipper is flowing gas on a constant daily basis, it can be cut on a subsequent day based on the actions of other shippers reducing their flows through the same point. In addition, setting the receipt point capacity by this method restricts customers from moving from one receipt point to the next on a day-to-day basis.

2. Firm Receipt Point Rights Process

The overall firm receipt point process will consist of a pre-open season period for assignment of set-aside quantities to specific customers and California Producers (Step 1) and an open season process consisting of two separate steps. Step 2 will be for end-use customers (or their designated agents) consisting of three separate and distinct rounds of bidding for remaining existing receipt point access capacity. Table 2 illustrates the quantities of non-California supply specific receipt point capacity available based on a 75% limitation.[2/]

1/ D.04-09-022.

2/ As described by Mr. Watson

Table 2

Receipt Point	Available Capacity Amount (MMcf/d)
EPN at Ehrenberg	907
TGN at Otay Mesa	30
TW at North Needles	600
EPN at Topock	405
TW at Topock	143
MP at Hector Road	150
QST at North Needles	90
KR at Kramer Junction	375
KR/MP at Wheeler Ridge	574
Oxy at Gosford	113
PG&E at Kern River Station	390
Total	3,777

3. On-Line Bidding System For Open Season Steps

SoCalGas will provide a user-friendly on-line bidding system for the Firm Receipt Points Access Rights open season process. The system will be available to eligible participants via the Internet at www.socalgas.com/business/capacityproducts. General information will be provided on this public website regarding available firm access rights at each receipt point during the open season. Step 2 will be open to SoCalGas end-use customers only[3/] and Step 3 will be open to all market participants, but with differing criteria for awards. Interested participants must register with SoCalGas before each step of the open season begins and only those registered participants, or their designated agents, will be able to participate in the applicable open season steps. All bidding for the open season process must be submitted through this website. The web site will only be available during the open season.

During Step 2, eligible end-use customers will be assigned an amount of maximum bidding rights based on their recent historical annual average throughput as described later in my testimony. Customers will submit their bids on a round-by-round basis using the on-line bidding system. Bids may not exceed maximum bidding rights.

[3/] Including the wholesale customers' noncore customers participating in the open season process.

Once each on-line bid round has closed, SoCalGas will allocate firm receipt point access rights to customers based on their bids and any required pro-rations. At the conclusion of this process, customers and/or their agents will be notified of their awards through the on-line system at the end of each round.

The Step 3 open season will be open to all market participants with no maximum bidding rights, subject to eligibility based on creditworthiness, and will be conducted online similar to Step 2, but with only one bidding round.

4. Firm Receipt Point Access Contracting Limits

As described by Mr. Watson, the proposal of SoCalGas/SDG&E creates a system of firm tradable receipt point access rights along with interchangeability of various receipt points within transmission zones, which enhances customer choice.

SoCalGas/SDG&E have established transmission zones such as the "Northern Transmission Zone" where deliveries can be received from five different pipelines, subject only to the physical limitation of each pipeline receipt point and the transmission zone capacity. Specifically, total receipts in the Northern Transmission Zone cannot exceed 1,590 MMcf/d, with additional physical limitations on the capacity at individual receipt points, whereas the total upstream delivery capacity of the pipelines interconnecting with the Northern Transmission Zone is 2,350 MMcf/d. SoCalGas will only contract for firm receipt point access capacity rights of 1,590 MMcf/d on the Northern Transmission Zone. SoCalGas will contract for only 3,875 MMcf/d of firm receipt point capacity rights across the entire system. SoCalGas will also only contract for firm receipt point rights within the other firm zone capacity limits as described by Mr. Bisi.

Due to physical capacity limitations at individual receipt points, the following firm capacity contracting limits will be required:

- Topock Capacity – In total, the Transwestern and El Paso contracted capacity at Topock cannot exceed 540 MMcf/d;

- North Needles Capacity – In total, the Transwestern and Questar Southern Trails Pipeline (Questar) contracted capacity at North Needles cannot exceed 800 MMcf/d;
- In total, the Transwestern and Questar contracted capacity at North Needles, and the Mojave Pipeline Company (Mojave) contracted capacity at Hector Road cannot exceed 850 MMcf/d; and
- Wheeler Ridge Capacity – In total, Pacific Gas and Electric Company (PG&E) and Occidental Petroleum Corporation (Oxy) contracted capacity at Gosford cannot exceed 520 MMcf/d.

An example of a physical capacity constraint within a Transmission Zone is at Wheeler Ridge. The Wheeler Ridge Transmission Zone has a firm take-away capacity of 765 MMcf/d. The total of the receipt points delivering into Wheeler Ridge is 1,435 MMcf/d (Kern/Mojave capacity of 765 MMcf/d plus PG&E capacity of 520 MMcf/d plus Oxy capacity of 150 MMcf/d). SoCalGas has a capacity limitation within the Wheeler Ridge Transmission Zone in receiving supplies and must limit the combination of PG&E and Oxy of 520 MMcf/d. SoCalGas therefore could not contract for the full 765 MMcf/d of the Wheeler Ridge Transmission Zone at only PG&E and Oxy.

In order to convert the capacity figures set forth in this application into a thermal equivalent quantity, SoCalGas will use receipt point specific Btu factors based on the average of the most recent recorded Btu factors at the respective points.

5. Step 1 - Set-Aside Options for Three Years

SoCalGas and SDG&E on behalf of its core customers will separately receive receipt point access capacity set-asides on a pro rata basis. The set-asides will be based on historical annual average consumption defined as the twelve consecutive months of consumption data ending four months prior to the start of the process to assign/award receipt point rights ("Base Period"). For example, if implementation were set to begin on May 1st of a particular year, the Base Period would be the prior calendar years' consumption. If implementation were scheduled to begin on August 1st the Base Period would end March 31st. Other wholesale customers, Core

Transportation Aggregators (CTAs), California producers and certain long-term contract holders will have the option to acquire firm receipt point rights prior to the allocation open season as a set-aside.

a. SoCalGas Core Set-Asides

The SoCalGas Gas Acquisition Department, on behalf of SoCalGas' core customers, will receive assigned firm receipt point rights as a set-aside in Step 1, prior to the allocation open season. As described in Mr. Watson's testimony, the set-aside will be pro rata across all receipt points, excluding receipt points that access only California in-state production, based on core historical annual average demand over the Base Period. The pro rata allocation will be calculated by dividing the annual average core demand by the total receipt point access capacity. The pro rata percentage will then be multiplied by each of the individual non-California supply specific receipt point capacities to establish the specific set-aside volume (adjusted for rounding error to total the specific annual average core load). For illustration purposes:

SoCalGas' Core Load:	1,049 MMcf/d
Total Receipt Point Capacities:	5,035 MMcf/d
Pro Rata Percentage:	(1,049/5,035) = 20.83%
Set-Aside at EPN at Topock:	(540*20.83%) = 113 MMcf/d

Table 3 shows an illustration of set-asides for SoCalGas' core customers based upon recent annual average core demand of 1,049 MMcf/d.

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Table 3

Receipt Point	Set-aside Amount (MMcf/d)
EPN at Ehrenberg	252
TGN at Otay Mesa	8
TW at North Needles	167
EPN at Topock	113
TW at Topock	40
MP at Hector Road	42
QST at North Needles	25
KR at Kramer Junction	104
KR/MP at Wheeler Ridge	159
Oxy at Gosford	31
PG&E at Kern River Station	108
Total	1,049

b. SDG&E Core Set-Asides

SDG&E on behalf of its core customers will also receive assigned firm receipt point rights prior to the allocation open season as a set-aside. Table 4 shows for illustration purposes the set-asides for SDG&E's core customers based on average annual demand of 139 MMcf/d (2.76% of each receipt point).

Table 4

Receipt Point	Set-aside Amount (MMcfd)
EPN at Ehrenberg	34
TGN at Otay Mesa	1
TW at North Needles	22
EPN at Topock	15
TW at Topock	5
MP at Hector Road	6
QST at North Needles	3
KR at Kramer Junction	14
KR/MP at Wheeler Ridge	21
Oxy (Gosford)	4
PG&E (Kern River Station)	14
Total	139

SDG&E has a small portion of its noncore customers' loads that still have the ability to procure gas directly from SDG&E. The service is provided under SDG&E's GCORE and GPNC-S Rate Schedules on a month-to-month basis. Consistent with these currently approved rate schedules, these rate schedules shall be cancelled 90 days after SoCalGas first open season for receipt point access capacity. Upon the start of SoCalGas' first open season for receipt point access capacity, customers being served under this schedule who fail to provide written notification of their gas service provider will be automatically transferred to core service under SDG&E Schedule GN-3.

SDG&E's noncore transportation customers will participate directly in SoCalGas' open season stages. SDG&E's noncore transportation customers will be treated just like SoCalGas' noncore customers. They will receive maximum bidding rights as defined later in my testimony, participate in the open season stages, and be awarded receipt point access capacity directly from SoCalGas. SDG&E will provide SoCalGas with a list of its applicable noncore customers that will be participating, along with those customers' historical annual average usage needed to establish maximum bidding rights.

c. Core Transportation Aggregators (CTA) Set Asides

Each CTA will have a set-aside option prior to the open season steps. CTAs do not have to select the set-aside option, but if the CTA selects the option, it must be selected for all eligible quantities, not just a portion. The all-or-none selection of the set-asides is consistent with the prorata assignment of the receipt point access capacity for core customers generally and does not allow the CTAs to pick certain receipt points prior to making the remaining access capacity available to noncore customers. The set-aside quantities will be limited to the annual average core requirements of the CTA's customers.

If the CTA does not select the set-aside, it would be responsible for bidding for receipt point access capacity in the open season steps (Steps 2 and 3) just like noncore customers. Table 5 shows for illustration purposes the set-asides for CTA's core customers based on average annual demand of 6 MMcf/d.

Table 5

Receipt Point	Set-aside Amount (MMcfd)
EPN at Ehrenberg	1
TGN at Otay Mesa	0
TW at North Needles	1
EPN at Topock	1
TW at Topock	0
MP at Hector Road	0
QST at North Needles	0
KR at Kramer Junction	1
KR/MP at Wheeler Ridge	1
Oxy (Gosford)	0
PG&E (Kern River Station)	1
Total	6

d. Other Wholesale Customers' Set-Asides

Each wholesale customer will have a set-aside option for its core load in Step 1. The wholesale customer is not required to select the set-aside option. However, if the customer selects the option, it must be selected for all eligible core quantities, not just a portion. Also, the set-aside quantities will be limited to the annual average core requirements of the wholesale customer. SoCalGas will use the annual average historical core loads for the Base Period for wholesale customers. Each wholesale customer will have to attest to the portion of their SoCalGas metered consumption used for core customers.

Table 6 illustrates the set-aside option quantities for SoCalGas' other two wholesale customers, Southwest Gas Corporation and the City of Long Beach using their respective annual average core loads for 2003:

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Table 6

Receipt Point	Southwest Gas Set-aside Amount (MMcf/d)	Long Beach Set-aside Amount (MMcf/d)
EPN at Ehrenberg	6	7
TGN at Otay Mesa	0	0
TW at North Needles	4	5
EPN at Topock	3	3
TW at Topock	1	1
MP at Hector Road	1	1
QST at North Needles	0	1
KR at Kramer Junction	2	3
KR/MP at Wheeler Ridge	4	5
Oxy at Gosford	1	1
PG&E at Kern River Station	3	3
Total	25	30

If the wholesale customer does not select the set-aside option, it would be responsible for bidding in the open season stages (Steps 2 and 3) with SoCalGas' other noncore customers for its core loads.

The wholesale customer may elect to have SoCalGas allow all of its noncore customers to participate directly in SoCalGas' open season stages. Under this scenario, the wholesale customer's noncore customers will be treated like the rest of SoCalGas' noncore customers. Those noncore customers behind the wholesale customer's meter will receive maximum bidding rights as defined later in my testimony, and may participate in the open season process, and be allocated receipt point access capacity directly from SoCalGas. Each wholesale customer will be required to provide SoCalGas with a listing of its applicable noncore customers that will be participating, along with those customers' historical annual average usage needed to establish the maximum bidding rights.

Should a wholesale customer elect not to have their noncore customers participate directly in SoCalGas' open season, the wholesale customer will be provided maximum bidding rights, as defined later in my testimony, for their noncore loads. The wholesale customer can then participate in the open season process, along with SoCalGas' other noncore customers, on behalf of its noncore customers' requirements. Any receipt point capacity awarded in the open season for its noncore customers will be the responsibility of that particular wholesale customer.

e. California Producers Set-Asides

California Producers whose facilities are connected directly to SoCalGas' Line 85, North Coastal system, or other systems where there is not a specific receipt point identified, will receive a set-aside option for a quantity up to their individual historical peak month production delivered into the SoCalGas system in the Base Period. California Producers may elect all or a portion of their peak month deliveries as a set-aside quantity. As listed in Table 2 of Mr. Watson's testimony, recent historical peak month California Producer deliveries would provide set-aside options on SoCalGas' Line 85 of 140 MMcf/d and SoCalGas' Coastal System of 100 MMcf/d. A California Producer may acquire additional receipt point capacity in Step 3 of the open season process, bid for remaining capacity after the open season or through secondary market transactions as defined later in my testimony.

f. CPUC-Approved Long-Term Contract Customer Set-Asides

A customer under a Commission-approved long-term firm transportation contract in effect at the time of implementation that specifies firm deliveries at a particular SoCalGas receipt point shall have a set-aside option for access capacity at those specified receipt points (Receipt-Specific LTK). However, if the customer selects the option, it must be selected for all eligible contract quantities, not just a portion. The methodology is the same as that adopted by the Commission in its Decision to implement the CSA.[4/] The applicable daily quantities specified in the Receipt-Specific LTK customer's long-term transportation contract would serve as the quantity for the set-aside. There are currently four contracts with these specific provisions and they have a total quantity eligible for set-aside of 80 MMcf/d at Wheeler Ridge.

Receipt-Specific LTK customers electing the set aside option will be charged the $.05 per Dth reservation charge for the receipt point capacity but receive an equivalent credit to their monthly bill to account for payment of the reservation charge. These customers will hold those

[4/] D. 04-04-015.

receipt point capacity rights and may participate in the secondary markets just like any other market participant. Any such customer not electing the set-aside will be treated like customers addressed in the two paragraphs immediately below.

Other customers under Commission-approved, long-term firm transportation contracts that do not specify firm deliveries at particular SoCalGas receipt points (Non-Receipt-Specific LTK) may participate in the open season steps like other noncore customers.

Non-Receipt-Specific LTK contract holders that elect to participate in the open season process will receive a direct credit for the cost of receipt point access capacity they acquire in association with their long-term contract. The receipt point rights will have the same secondary market rights as any other market participant's receipt point access rights.

If a customer is receiving firm gas transportation service at a discounted rate under a long-term contract, SoCalGas will continue to record any shortfalls in its Noncore Fixed Cost Account (NFCA). This continued treatment would not exacerbate any NFCA under collection since any revenues collected for firm receipt point access from these long-term contracts will be credited back to end-use customers as described by Ms. Smith.

Consistent with the CSA implementation Decision,[5/] SDG&E/SoCalGas propose that customers with interruptible long-term contracts have the opportunity to purchase interruptible receipt point access capacity to match their needs. SoCalGas will credit the cost of all purchases of interruptible receipt point capacity used for the customers needs under the long term contracts against these customers' otherwise-applicable contract bill. This will ensure that customers with long-term interruptible contracts pay no more than they would otherwise pay under their long-term contracts, thus preventing such customers from losing the benefit of the bargain of their long-term contracts. Consistent with the Commission's decision regarding implementation of the CSA,[6/] SDG&E/SoCalGas propose that customers who currently pay for and receive interruptible service under their long-term contracts not be entitled to a free upgrade to firm receipt point rights. SDG&E/SoCalGas propose that to the extent customers with interruptible long-term contracts desire firm receipt point service, they could, like any other customer,

5/ D. 04-04-015.
6/ D. 04-04-015.

participate in the open season steps, and bid for and pay for firm receipt point capacity. SoCalGas will not provide a credit back to these customers for any firm receipt point capacity contracted and paid for by such customers.

6. Step 2 – Preferential Bidding by Non Core Customers for Three Years

SoCalGas will hold an open season bid process in Step 2, during which all available firm receipt point capacity not taken as set-asides will be made available.[7/] End-use customers and other market participants will have an option to bid and contract for receipt point access capacity in the various rounds of Step 2.

For illustration purposes, the receipt point access capacity remaining, should all of the set-asides options be exercised (using illustrative amounts for set-asides), is shown in Table 7.

Table 7

Receipt Point	Remaining Receipt Point Capacities
EPN at Ehrenberg	607
TGN at Otay Mesa	21
TW at North Needles	401
EPN at Topock	270
TW at Topock	96
MP at Hector Road	100
QST at North Needles	61
KR at Kramer Junction	251
KR/MP at Wheeler Ridge	304
Oxy at Gosford	76
PG&E at Kern River Station	261
Line 85	20
Coastal	50
Total	2518

Customers will be responsible for all firm receipt point access rights awarded to them in the open season process and will be assigned a unique contract number for their receipt point

[7/] Subject to the percentage limitation described by Mr. Watson.

access capacity awards. That contract will have all of the specific receipt points defined regardless of which step (or round) the rights were acquired.

SoCalGas/SDG&E understand that some noncore customers may be in the middle of standard two-year firm transportation (GT-F) contracts and may otherwise qualify for core service and would prefer to transfer to core service prior to the open season. SoCalGas/SDG&E propose to allow firm noncore customers[8/] the one-time option to terminate their existing Standard-Tariff, Full-Requirements GT-F service contracts prior to their expiration in order to elect core service, as long as such election is made 10 days prior to Step 1 in which the SoCalGas/SDG&E core set-asides are determined.

Only existing noncore end-use customers[9/] may participate in Step 2, including other wholesale customers, to the extent of their maximum bidding rights as defined below and CTAs to the extent of their currently "contracted-for" load. Other Wholesale and LTK customers may participate in Step 2 only for quantities not opted for any available set-aside rights.

An end-use customer's maximum bidding rights will include a base load maximum, total annual bidding rights, and monthly maximum rights. These rights will be calculated as follows:

1) Customer's base load maximum bidding rights will be determined based on that customer's average daily historical consumption during the Base Period.
2) For the months the customer uses more than their average base load, the customer's monthly maximum bidding rights will be set equal to their historical usage in those particular months during the Base Period.
3) To the extent a customer's historical load is not expected to represent its future consumption, documented to the utility's satisfaction, due to additional equipment being added, new facilities being built, or a new customer taking transportation service for an existing facility, maximum bidding rights will be adjusted to account for these exceptions. Following are the general guidelines to permit an exception:

8/ These include only eligible, noncore customers with standard GT-F tariff contracts. Customers with negotiated contracts or noncore customers located in potentially constrained areas are not included in this proposal.

9/ Including the wholesale customers' noncore customers participating in the open season process.

a) New customer's bidding rights could be established by providing copies of documentation submitted to public entities (state or local) describing expected equipment use for regulatory or permitting requirements.

b) For an existing customer's plant adding new equipment capacity, new equipment must have been ordered and an increase in bidding rights would be based on a projection of use: (Existing plant + new equipment capacity)/(existing plant capacity times the historical 12 month load profile).

c) A new customer may establish bidding right by agreeing to minimum use-or-pay obligations in a new SoCalGas transportation contract to replace or substitute for historical load.

End-use customers may submit an annual base load receipt point access bid up to the average daily quantity established as their maximum bidding rights. Additionally, customers may bid monthly bids up to the monthly quantity recorded for that customer in a particular month as established as their maximum bidding rights. However, the sum of the monthly bid plus any base load bid covering that particular month may not exceed the maximum bidding rights established for the particular month.

An end-use customer may not bid in aggregate more than its annual total of maximum bidding rights. Any capacity awarded in Round One of the Step 2 Open Season will reduce the amount of bidding rights, both for base loaded bids and monthly bids for Rounds 2 and 3. Customers entitled to participate may submit bids in the Step 2 rounds for an amount of receipt point access rights up to 100% of their bidding rights, and may bid to acquire such rights at any receipt points or combination of receipt points. The sum of all of a customer's awards for Rounds 1, 2, and 3 may not exceed their maximum bidding rights.

Bids will be submitted for Step 2 on a receipt point and quantity basis only. Term will be 3 years as described in Mr. Watson's testimony. In awarding receipt point access capacity, preference will be given to annual base load bids over monthly bids in each of the bidding rounds.

End-use customers entitled to participate in Round 1, 2 and 3 of Step 2 may (1) bid on their own behalf or (2) allow a third party (such as a marketer) to bid on their behalf.

All end-use customers who are already in good standing for credit with SoCalGas/SDG&E prior to the open season will be deemed creditworthy to participate for their specified maximum bidding rights.

Should SoCalGas receive bids in excess of the receipt point access capacity at a particular receipt point or within a particular Transmission Zone, participant awards will be prorated down such that the awarded receipt point access capacity does not exceed the available capacities.

7. Step 3 – Long Term General Auction for Remaining and New Capacity

All creditworthy market participants are entitled to participate in Step 3. Participants may only submit an annual base load receipt point access bid. Bids will be submitted on a receipt point, quantity, and price basis. There will only be one round of bidding in Step 3.

Participants may submit more than one bid, but the volumes bid are potentially additive, if accepted by SoCalGas. For example: A participant may submit one bid for 100 MMcf/d at price X, a second bid for 200 MMcf/d at price Y, and a third bid for 200 MMcf/d at price Y. If all bids exceed the facility costs and are accepted by SoCalGas, the participant will be committed for a total of 500 MMcf/d at the lowest accepted bid price level.

Additionally, unless specified by the participant, any bid submitted may be pro rated based on the other bids submitted in order to meet the available receipt point access capacity at the applicable price. Participants may signify that their bid is an all-or-nothing bid so that it will be rejected if any prorationing is required.

Participants are contractually obligated for all firm receipt point access rights awarded to them in Step 3 and will be assigned a unique contract number for their receipt point access capacity awards.

As described in Mr. Watson's testimony, SoCalGas will file for an expedited application and an advice letter process to update the facilities costs necessary to add additional receipt and redelivery capacity. As with any construction project, there are likely to be unforeseen costs during the construction of those facilities. Once the actual construction costs of the completed facilities are finalized and should the bid awards not cover the actual cost of construction, winning bidders will have their reservation charges adjusted to account for the actual costs for construction.

Mr. Watson also describes a Right of First Refusal (ROFR) for receipt point capacity at the end of the 15-year initial term. At the end of the 15-year contract term, SoCalGas will again hold an Open Season. When the results of the submitted bids are known, the customer whose contracts are expiring will be offered an opportunity to match the new price and terms bid by another party. If the customer elects to match the bid terms and price, the existing customer will be awarded the receipt point capacity. If the customer elects not to match the bid price and terms, the capacity will be awarded to the bidding party under the terms of their bid.

8. Receipt Point Access Rights Interchangeability Rules

Within a Transmission Zone, customers will be able to nominate daily on an alternate firm basis to any of the other receipt points. Alternate Receipt Rights nominations will be subject to SoCalGas' scheduling and nomination rules described later in my testimony.

After receipt point access capacity is awarded in all steps described, capacity holders will also be allowed to "re-contract" any part of their capacity from any receipt point on the system to a different point, even in a different zone, to the extent capacity is available at the requested receipt point. For example: If a customer holds firm access rights at Kern River at Wheeler Ridge and wants to change those rights to the El Paso at Topock receipt point, the customer would submit a written request to SoCalGas. If there were firm access rights available at El Paso at Topock, SoCalGas would grant the request and the customer's Firm Primary access rights would be changed. If the receipt point access rights at El Paso at Topock were fully contracted, the request would be denied and the customer rights would remain the same.

More specifically, immediately after all of the allocation steps have taken place, SoCalGas will post any available receipt point access capacity on its EBB and accept requests from capacity holders to move their specific receipt point access capacities over a two-week re-contracting period. At the end of this period, SoCalGas will evaluate all requests for changes on a non-discriminatory basis and grant requests where receipt point capacity is available. To the extent more quantities are requested to be moved to a particular receipt point than the available receipt point access capacity, the requests will be prorated among the requesting customers.

After the re-contracting period for receipt point access capacity moves, all remaining available capacities will be available to customers on a "first-come, first served" basis. This applies both to holders of firm access rights seeking to move these rights to another receipt point and to customers seeking to acquire new or additional firm access rights, as described later in my testimony.

Should any new interstate pipelines that interconnect within a Transmission Zone or at a specific existing receipt point, that pipeline will be added to that Transmission Zone as a firm receipt point. For example, North Baja Pipeline or Silver Canyon Pipeline (if constructed) could be added to the Southern Transmission Zone as a firm receipt point, if they interconnect directly with SoCalGas. Customers with receipt point rights at on the Southern Transmission Zone would be allowed to switch or re-contract their firm access rights from their existing receipt points to the new supplier/pipeline in a re-contracting open season process. After the existing Southern Transmission customers have an opportunity to re-contract their rights, SoCalGas will hold another re-contracting open season for any other holder of firm receipt point rights to re-contract to the new receipt point. If requests to re-contract exceed the available receipt point capacity, requests will be pro rated. Any remaining rights will be made available on a "first-come-first-served" basis.

9. Remaining Firm Receipt Point Capacity

After the open season process and the two-week re-contracting period for customers to move their specific receipt point access capacities, SoCalGas will post all available receipt point capacity. Any creditworthy market participants acquire available receipt point capacity for a minimum term of one month and a maximum term up to the period remaining in the three-year cycle at the G-RPA1 tariff rate. All remaining posted available capacities will be available to customers on a "first-come, first served" basis.

SoCalGas will also post the availability of monthly receipt point capacity at a negotiated level below the G-RPA1 rate and will hold an open season for that capacity. Participants may submit a bid for receipt point capacity at the negotiated rate. Should SoCalGas receive bids in excess of the posted receipt point access capacity at a particular receipt point or within a particular Transmission Zone, participant awards will be prorated such that the awarded receipt point access capacity does not exceed the available capacities.

10. Interruptible Receipt Point Capacity

SoCalGas will contract with any creditworthy party for interruptible receipt point service under the G-RPAI tariff rate of $.05 per day. Interruptible receipt point service will use any unused firm receipt point access rights or any unsold receipt point access capacity in accordance with the scheduling procedures described later in my testimony. SoCalGas may also post daily interruptible volumetric charges at a level below the G-RPAI rate for all interruptible receipt point service or just for a particular receipt point. On any day in which SoCalGas posts a daily interruptible charge, all interruptible service used by customers at the applicable particular receipt points during that day will be charged the reduced volumetric charge.

E. OFF-SYSTEM SERVICE DELIVERY SERVICES

1. Interruptible Off-System, Backhaul Service

SoCalGas will contract with any creditworthy party for Interruptible Off-System Backhaul Service under the G-OFFI tariff rate of $.31 per Dth[10/] for deliveries to non-PG&E points and the G-OFFP tariff rate equivalent to the system-wide average transmission rate[11/] for deliveries to PG&E points. SoCalGas may also post daily off-system interruptible volumetric charges at a level below the tariff G-OFF rates for all interruptible Off-System Backhaul Service or specific to a particular off-system point. On any day in which SoCalGas posts a daily interruptible off-system charge, all interruptible off-system service used by customers at the applicable points during that day will be charged the reduced volumetric charge.

Interruptible Off-System Backhaul Service will use available displacement of forward haul flowing supplies and unused Firm Off-System Path or Reliable Displacement contracted

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10/ As described by Mr. Watson.

11/ As described by Ms. Smith.

rights. Interruptible Off-System Backhaul Service will be scheduled after all nominations received under Firm Off-System Path or Reliable Displacement rights.

2. Firm Off-System Path and Reliable Displacement Service

Based on the procedures outlines in Mr. Watson's testimony, the open seasons for Firm Off-System Path and Reliable Displacement services will be conducted through an on-line bidding process similar to the on-line system established for the firm receipt point open season. Any creditworthy party may participate in the open seasons.

SoCalGas/SDG&E will conduct the open seasons for both the Firm Off-System Path and Reliable Displacement services two months after the close of the Open Season Step 3 for firm receipt point service.

F. IMPLEMENTATION

1. Receipt Point Access Rates

Firm and interruptible access rights will be subject to a rate schedule entitled "G-RPA." As shown in the RPA schedule, there is a charge of $.05 per Dth per day of contracted service for G-RPA1 and a customer-specific reservation charge for contracted service for G-RPA2 and G-RPAN. The customer-specific rate for G-RPA2 will be determined in the Step 3 open season. The G-RPAN customer-specific rate will be determined monthly through a monthly amendment to the customers' receipt point contract, which is capped at the G-RPA1 reservation charge. These are the rate options available for firm receipt point access.

The Reservation Charge under SoCalGas' G-RPA schedule is payable each month regardless of the quantity of gas scheduled during the billing period. The Reservation Charge for primary allocations and secondary market transactions for each billing period will be calculated using the applicable reservation rate and the customers' Daily Contract Quantity ("DCQ") as specified in the Customer's Receipt Point Access Contract ("RPAC"). For example:

> Monthly Reservation Charge = Reservation Rate * DCQ * number of days in the billing period (or if less than one month, number of days in term of contract)

Under SoCalGas' Rate Schedule G-RPAI, there is an all-volumetric rate for interruptible receipt point access service. The interruptible charge will be determined through a market-based approach with a cap set equal to the 100% of the reservation charge for firm service or $0.05 per Dth.

The Volumetric Charge under G-RPAI for each billing period shall be calculated using the applicable volumetric rate multiplied by the scheduled quantities on the Customer's receipt point contract, net of the applicable in-kind fuel charge. For example:

> Monthly Volumetric Charge = Volumetric Rate * Net Quantities of Gas Scheduled during billing period

2. In-Kind Fuel Charges

SDG&E/SoCalGas propose an in-kind fuel charge. As specified in the G-RPA schedule, a transmission fuel charge of 0.28%[12/] will be assessed on all gross scheduled quantities of gas to a receipt point access contract (RPAC). For scheduling purposes, a customer will be allowed to nominate, at a receipt point, 0.28% more than its desired scheduled quantities (up to its DCQ) to account for the in-kind fuel charge.

> Example: Customer A has a RPC with a DCQ of 15,000 decatherms. In order to actually flow 15,000 decatherms on its RPC, Customer A's gross scheduled quantity will be calculated by dividing its DCQ by 0.9972. In this example, gross scheduled quantity = 15,042 (i.e. 15,000/0.9972).

The level of in-kind fuel charge will be adjusted by recorded actual fuel use on a monthly basis and filed with the Commission.

3. Priority of Receipt Point Service

SoCalGas will follow the North American Energy Standards Board adopted standards for nominations and scheduling, consistent with the method employed by the interstate pipelines. Each day, the receipt point capacities will be set at their physical operating maximums under the operating conditions for that day. SoCalGas will use the following rules to schedule nominations to the receipt point maximums.

12/ The calculation of the actual percent in-kind fuel was made by Mr. Bisi.

- Nominations using Firm Primary receipt point access rights will have first priority, pro rata if over-nominated.
- Nominations using Firm Alternate receipt point access rights will have second priority, pro rata if over-nominated.
- Nominations using Interruptible receipt point access right will have third priority, pro rata if over-nominated.
- Firm Primary rights can "bump" Firm Alternate scheduled quantities from the first nomination cycle.
- Firm Primary and Firm Alternate rights can "bump" interruptible access rights through the third scheduling cycle.

Bumping will not be allowed in the last cycle. Bumping in Cycle 3 is subject to the elapsed pro rata rules, which account for a portion of the actual gas flow having occurred.

Any scheduling allocations will first be made at the receipt point level and then at the Transmission Zone level. For example: if nominations are received for the North Needles receipt point that exceed the 800 MMcf/d of receipt point capacity and the total of the nominations for the Northern Transmission Zone exceed the 1,590 MMcf/d of zone capacity, SoCalGas will first reduce the nominations at North Needles to the 800 MMcf/d level. If after the reduction at North Needles the nominations for the Northern Transmission Zone are still in excess of the 1,590 MMcf/d of available capacity, SoCalGas will reduce nominations pro rata across all of the receipt points within the Northern Transmission Zone. Pro rata reductions can occur for firm nominations when receipt point capacity is less than the stated capacity[13/] or during periods of system maintenance or force majeure that reduce receipt point capacities. Primarily the pro rata reductions will occur to firm alternate and/or interruptible nominations.

4. Termination of SCE and SDG&E Wheeler Ridge Access Agreements

SoCalGas proposes to terminate its existing Wheeler Ridge Access Agreements with Southern California Edison Company (SCE) and SDG&E upon implementation of firm receipt point access rights. As these agreements required SoCalGas to make available a specific amount

[13/] As described by Mr. Bisi.

of daily access capacity through Wheeler Ridge, but did not provide any firm access rights to either SCE or SDG&E, these contracts should be terminated upon implementation of firm receipt point access rights. The Commission in this proceeding will establish the amount of daily firm access capacity through Wheeler Ridge and therefore no need exists for that amount to be available for these two contracts. Neither SCE nor SDG&E shall owe any amounts for service under those Wheeler Ridge Access Agreements for service provided once firm access rights are implemented.

5. Pooling

SoCalGas/SDG&E propose to implement a city gate pooling point as was adopted in the Commission's decision regarding CSA implementation.[14/] This pooling location is "on the SoCalGas/SDG&E system" as it occurs after the gas is delivered through a receipt point using the receipt point access rights. The city gate pool helps facilitate delivery of gas to an end-user, storage account, or for off-system deliveries from multiple receipt points. It should also create a convenient pricing point for customers to buy and sell gas if they so desire. Implementation of this service is defined in SoCalGas' G-Pool tariff. Each customer will have a single city gate pool contract where they will be able to nominate supplies coming through any RPAC and nominate supplies out of the pool contract to end-users, other pool contracts, off-system, or to storage accounts. The city gate pool contract will be required to balance through each nominating cycle.

6. Secondary Markets

Holders of firm receipt point access rights may sell those rights in the secondary market through SoCalGas' EBB just like the holders of interstate capacity rights can under the FERC capacity release rules. Any creditworthy party may purchase firm receipt point access rights in the secondary market. Assignment of contracts in the secondary market must be completed electronically using SoCalGas' EBB no later than twenty-four hours prior to the nomination cycle in which the capacity shall be used. SoCalGas will post on its EBB all of the terms of rights held by the primary holders of receipt point access rights and all terms and conditions of

[14/] D. 04-04-015.

secondary market transactions (including parties) once completed. This will enhance the transparency of secondary market transactions for the customers.

No price cap will be set on secondary market transactions. All transactions must be posted on SoCalGas' EBB to effective. SoCalGas will approve any sale of properly posted firm receipt point access capacity that has a creditworthy buyer.

A secondary market will allow authorized firm capacity holders to post capacity releases and pre-arranged deals, review the terms of completed releases and recall capacity. Using SoCalGas' EBB, qualified customers can place bids on capacity posted as available for release. Customers looking to acquire access rights on SoCalGas/SDG&E pipeline system can advertise their needs through the EBB.

The secondary market on SoCalGas' EBB will provide all qualified participants with an electronic means to obtain firm receipt point access capacity for delivery of their gas supplies. The electronic secondary market will assure participants greater control over their business, access to other participants' unneeded receipt point capacity, and help facilitate a fluid and transparent secondary market on the SDG&E/SoCalGas pipeline system.

Releasing capacity holders should be able to offset some or all of their reservation charges of unneeded receipt point access capacity through secondary marketing.

Participants will pre-qualify the creditworthiness of potential buyers in the secondary markets to accelerate the processing time for secondary market transactions.

Participants will have two methods for selling receipt point access capacity in the secondary market. The first method will be through pre-arranged transactions. In a pre-arranged release, an agreement is reached between the releasing capacity holder and a prospective acquiring shipper outside the EBB. The releasing participant will then post the transaction on the EBB with the acquiring participant then confirming the transaction. At that point, the transaction will be accepted, assuming the acquiring participant is qualified, and the appropriate contracting information will be provided to the acquiring participant. To the extent SoCalGas Gas Acquisition or SDG&E Gas Acquisition releases capacity to an affiliate under a prearranged transaction, all CPUC affiliate compliance measures adopted for such transactions will be followed.

Upon SoCalGas' acceptance of the transaction, the acquiring participant will be financially obligated for the awarded capacity at the rate agreed upon in the release. SoCalGas will provide a credit on a releasing participants' monthly bill, equivalent to the monthly revenue calculated for any releases during a particular month. Credits will be made once SoCalGas has received payment from the acquiring participant for the capacity acquired. If the acquiring participant is not qualified, SoCalGas will deny the pre-arranged transaction.

The second method for releasing receipt point access rights will be through a general offer posting. Under this method, a releasing shipper will post an offer on SoCalGas EBB with the following information:

- Receipt point contract number (RCA) with SoCalGas
- Receipt point location offered for release
- Start and end date of the release (term)
- Period of time for keeping the offer open (Open Season Period)
- Amount of receipt point capacity (Dth)
- Any minimum acceptable bid terms – minimum acceptable volume and minimum acceptable rate
- Bid evaluation methodology – 1.) Highest bid price or 2) first come, first served
- Tie-breaker methodology – 1) first-come, first served or 2) pro rata allocation

Market participants can submit bids to acquire the posted capacity. When the Open Season Period concludes, SoCalGas will evaluate the bids and award the capacity to the first qualified winning party based on the criteria stated in the offer. SoCalGas will post the results of the bids on the EBB including the acquiring participant's name, location of receipt point acquired, quantity awarded, accepted price and other specific terms and conditions. Upon SoCalGas' award of any bid, the acquiring participant will be financially obligated to SoCalGas for the awarded capacity at the bid rate. SoCalGas will deny any bid from a non-qualified participant. SoCalGas will provide a credit on a releasing participant's monthly bill, equivalent to the monthly revenue calculated for any releases during a particular month. Credits will be made once SoCalGas has received payment from the acquiring participant for the capacity acquired.

To ensure unused firm receipt point access rights are available to other customers in the secondary market, SoCalGas/SDG&E's gas system operator must make available, on an interruptible basis, any unused firm receipt point access capacity at an all-volumetric charge equivalent to the full reservation charge for that point. This will be accomplished through the nomination and scheduling process for each cycle during the day as defined in Tariff Rule 30.

7. Market Monitoring and Information Posting Issues

SoCalGas/SDG&E will provide quarterly reports to the Commission regarding the intrastate capacity rights held by market participants. Such reports will provide the name of the entity holding firm receipt point access rights, the volume held, usage of the rights, and the terms of those rights. Such information, excluding usage, will also be posted on the SoCalGas EBB and will be updated daily. SoCalGas will post daily all information regarding secondary market transactions. To the extent that the Commission believes that there is evidence that any party has inappropriately withheld or otherwise utilized firm access rights in a manner that might raise market power concerns, it can investigate this matter further. Should the Commission find that any party has inappropriately withheld firm capacity rights at any receipt point or otherwise acted in a manner that creates market power concerns, the Commission could then decide on what actions should be taken to alleviate the concerns, including requiring SoCalGas to release a portion of the rights of any holder to the marketplace.

8. SoCalGas' EBB (Envoy)

SoCalGas' EBB, like the interstate pipelines' EBBs, is the primary system that manages gas flow at a customer level on the SDG&E/SoCalGas pipeline system. It facilitates gas system operations, planning and regulatory compliance. SoCalGas' EBB enables the nomination of gas transportation and storage volumes, electronic confirmation of nominations, electronic allocation of volumes, the viewing of daily balances and consumption by customer, imbalance trading and the viewing of current operational information. The EBB is an essential tool in the efficient operation of the SoCalGas/SDG&E pipeline system and allows for SoCalGas to be NAESB compliant. Specifically, the EBB is used to:

- Receive requests for gas supply deliveries from transportation, off-system deliveries and storage customers (nominations) and process nominations;
- Declare Operational Flow Orders (OFOs) when requested deliveries exceed system capacity and reduce transportation and interruptible storage injection nominations;
- Declare winter daily balancing and reduce interruptible storage withdrawals as storage inventory declines through the winter;
- Declare a curtailment, if necessary, and notify parties of the curtailment event and track curtailment compliance;
- Provide an interface for confirmation of nominations with the interconnecting pipelines electronically;
- Compare system capacity verses nomination requests in order to balance supply and demand and schedule the system flows;
- Calculate receipt point capacities and post the information;
- Post critical pipeline operation and scheduling information including hourly and daily information;
- Post tariff filing information;
- Post affiliate transaction information;
- Trade delivery imbalances, gas commodity via city-gate pools, and storage volumes;
- Provide a venue for posting of ads to trade gas supply imbalances and other items for the marketplace; and
- View end-use customer gas usage generated from electronic meter reading devices.

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SoCalGas' EBB functionality and required enhancements to support the primary transactions in association with the proposal in this application is similar to transactions processed and information provided by interstate pipeline EBBs.

9. Curtailment and Supply Diversions

SoCalGas is proposing changes to some of the provisions in its current Rule 23 – Continuity Of Service And Interruption Of Delivery. SoCalGas is proposing to eliminate the involuntary diversion provision of Rule 23 but is not proposing any changes to the curtailment provisions of the rule. The involuntary diversion provisions were originally placed in Rule 23 to account for a nomination process that required nominations to be submitted well in advance of actual flow of gas. Today, nominations are accepted closer to the actual flow of gas and can be adjusted during the actual flow day. Therefore, the involuntary diversion provision is no longer needed. In fact, supplies that could have been diverted might never show up at the utility's receipt points because customers could nominate during the day of flow to direct the supplies off the utility system or to another customer whose gas is not being diverted. To the extent there are system problems with delivery of gas to core customers, SoCalGas will implement a curtailment to ensure core customer service is not jeopardized.

G. SCHEDULE OF IMPLEMENTATION

The overall implementation of receipt point access and other services would take place over approximately nine months following a final Commission decision approving SDG&E/SoCalGas rules and tariffs. The overall implementation schedule is highly dependent on enhancements to information and computers systems (IT systems) that would commence upon a final Commission decision.

The customer-related implementation schedule below provides for information and education of end-use customers. Customers are given adequate time to evaluate the new service offerings and make decisions regarding which receipt points they desire. It also provides sufficient time for customers to work with their marketers and agents to arrange for participation on the customers' behalf. SoCalGas is planning that the customer-related implementation of receipt point access and other services would take place over an approximate 5-month period. The following is an estimate of the customer implementation schedule.

Day 1	- Receive final CPUC Decision approving services and tariffs
Days 1 – 22	- Hold informational meetings with end use customers, marketers, and other interested parties to explain receipt point access service, secondary market trading, off-system delivery services, citygate pooling services, and on-line receipt point access rights bidding system - General Creditworthiness Packages made available to end-use customers, marketers and other interested parties
Days 22 - 42	- Begin performing credit checks on the potential market participants - Make available informational packages on receipt point access service, secondary market trading, off-system delivery services, and citygate pooling services - Provide detailed information and training on on-line bidding system
Days 42 - 44	- Receipt point rights assigned for SoCalGas and SDG&E cores to match their set-aside capacities
Days 44 - 49	- Pre-Open Season – Executed Master Base Agreements and creditworthiness requirements in place - Offer receipt point rights to customers with set-aside capacity options (other wholesale customers, California producers on the North Coastal and Line 85 systems, existing customer LTKs with receipt point specific requirements and CTAs)
Day 49 – 54	- Provide Maximum Bidding Rights quantities to all end-use customers - Receipt point rights to customers with set-aside capacity options (other wholesale customers, California producers on the North Coastal and Line 85 systems, existing customer LTKs with receipt point specific requirements and CTAs) must make election to accept set-asides
Days 54 - 56	- Provide Receipt Point Contracts to SoCalGas and SDG&E and to all parties selecting set-aside options
Days 56 - 62	- Receive end-use customer designations of third parties capability to bid on their behalf
Days 62 - 67	- Hold Open Season Step 2 (Round 1) – Receipt Point Access Rights - Execute Master Agreements and creditworthiness requirements in place for Open Season Step 3
Day 68	- Close Round 1 of Open Season Step 2: Receipt Point Access Rights assigned

Day 69	- Post all remaining receipt point access capacities available for Round 2
Days 70 - 75	- Hold Open Season Step 2 (Round 2)
Day 76	- Close Round 2 of Open Season Step 2: Receipt Point Access Rights assigned
Day 77	- Post all remaining receipt point access capacities available for Round 3
Days 78 - 83	- Hold Open Season Step 2 (Round 3)
Day 84	- Close Round 3 of Open Season Step 2: Receipt Point Access Rights assigned - Post Open Season – Step 2 results
Day 85	- Post all remaining receipt point access capacities - Provide expansion cost curves for Open Season – Step 3
Days 85 - 105	- Hold Open Season Step 3 Expansion Receipt Point Access
Day 106	- Close Open Season Step 3: Receipt Point Access Rights assigned
Day 107	- Post all receipt point capacity awarded and remaining capacity
Days 107 - 117	- Accept and award requests by participants to move specific receipt point access capacities
Days 117 - 147	- Train Users on use of SoCalGas' new EBB system - Allow customers to submit secondary market trades manually
Day 148	- Implement receipt point access rights - Implement new SoCalGas EBB system - Terminate SCE's and SDG&E's Wheeler Ridge Access Agreement - Customers to nominate firm and interruptible receipt point rights - Reduce deliveries to backbone receipt point contracts by a 0.28% fuel charge - Display additional operational and scheduling information on SoCalGas' EBB system - Implement pooling service at citygate - Allow customers to electronically trade receipt point rights on SoCalGas' EBB system - Offer interruptible off-system delivery services
Days 149 - 169	- Conduct open seasons for Firm Off-System Path and Reliable Displacement delivery services

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H. IT SYSTEMS IMPLEMENTATION COSTS

SoCalGas estimates that it will cost $3.2 million to implement the services outlined in this application. These expenditures are required to further enhance and modify SoCalGas' EBB (Envoy), for the new scheduling procedures and secondary market trading of firm rights, its Customer Contract System (CCS) for management of the new Firm Receipt Points Access contracts, and its Noncore Customer Billing System (NCBS) to allow for the billing of the new services.

This concludes my testimony.

S:/LAW/DATA/DGILMORE/SI-FAR/SCHWECKE-TEST.12.2.04.doc

Attachment J

Application No: A.04-12-_____________
Exhibit No.: ________________________
Witness: Allison F. Smith

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 Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.	))))))))	A.04-12-____ (Filed December 2, 2004)

PREPARED DIRECT TESTIMONY

OF ALLISON F. SMITH

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA
December 2, 2004

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PREPARED DIRECT TESTIMONY
OF ALLISON F. SMITH

A. QUALIFICATIONS

My name is Allison F. Smith. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I am employed by the Southern California Gas Company (SoCalGas) as the Gas Rate Design Manager in the Regulatory Affairs Department for SoCalGas and San Diego Gas & Electric (SDG&E).

I hold a Bachelor of Science degree in Mechanical Engineering from the University of California at Berkeley. I have been employed by SoCalGas since 1990, and have held positions of increasing responsibilities in the engineering, customer service, and regulatory affairs departments. I have been in my current position as Rate Design Manager since March 30, 2002. In my current position, I am responsible for developing cost allocation and rate design policies for both utilities.

I have previously testified before the Commission.

B. PURPOSE AND SCOPE OF TESTIMONY

The purpose of my testimony is to present exemplary rates reflecting the cost allocation and rate design impacts of System Integration (SI) and Firm Access Rights (FAR). In addition, I will present a framework for how SoCalGas will price Off-system deliveries (OFF). I will present the applicable rates for each new service and provide the rate impact for each proposal on SoCalGas and SDG&E transportation rates. In this application, the impact of each proposal is presented based on implementation under currently adopted transportation rates.[1/]

My testimony is arranged as follows: Section C presents a brief description of current cost allocation and transportation rate design and an overview of the changes proposed in this application. Section D presents the cost allocation impact of the System Integration proposal. Section E presents the rate design and revenue treatment of the Firm Access Rights proposal. For each proposal, I will present illustrative rate impacts on class average terms. And then, in

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[1/] Transportation rates are subject to periodic updates. The final rates for these proposals will be updated to reflect authorized revenues at the time of implementation.

Section F, I will present a set of transportation rates that reflect the combined System Integration and Firm Access Rights proposals. The rates in Section F will be included in the tariffs that will be served shortly after this application is filed. Finally, Section G presents the rate design and revenue treatment of the new Off-system delivery service.

C. COST ALLOCATION AND TRANSPORTATION RATE DESIGN OVERVIEW

1. Current Transportation Rates

a. Current Cost Allocation

SoCalGas and SDG&E develop different transportation rates for core and noncore customer classes, which reflect the Long Run Marginal Cost (LRMC) of the customer-related, distribution, transmission and storage facilities and operations required to serve each customer class.[2] Studies are developed to determine the appropriate allocation of the marginal cost of each functional category. The system marginal cost is then "scaled" to the utility's Authorized Base Margin Revenue Requirement.[3] Next, other operating costs and regulatory account balances are added to base margin. For SoCalGas' core customers, the fixed cost of interstate pipeline capacity and certain procurement-related costs[4] are also bundled in the transportation rate. SDG&E has already moved all interstate pipeline capacity and procurement-related costs to its procurement charge. The allocation of these margin and other operating costs among customer classes is determined through the Biennial Cost Allocation Proceeding (BCAP). Each utility develops its own, independent cost allocation and rate design with the two applications processed at the same time.

2/ SDG&E has no on-system storage and purchases storage for its core customers from SoCalGas. These purchased storage costs are recovered as an other operating cost in SDG&E's transportation rates.

3/ In D.92-12-058 the Commission stated "marginal cost revenues need to be scaled to the embedded-based authorized revenue requirement under our ratemaking procedures… The reconciliation step provides the companies with a reasonable opportunity to earn their authorized revenue requirement." Scaling is performed by the escalation of the cumulative total of each market segment's aggregate marginal costs by an equal percentage up to the total base margin value.

4/ The transportation rates for SoCalGas' core procurement customers include San Juan Lateral Pipeline Demand Charges and the Carrying Cost of Storage Inventory (CCSI).

b. Current Rate Design

Both SoCalGas and SDG&E recover the majority of their authorized revenue requirements through volumetric transportation rates. Many customers[5] pay a small monthly customer charge. The monthly customer charge recovers only a portion of the fixed cost of customer-related facilities (i.e., service line, meter, and regulator costs), and does not recover any of the utilities' distribution, transmission, or storage costs. All distribution, transmission, core seasonal storage and load balancing storage costs, including variable fuel-related costs,[6] are recovered through the customers' volumetric transportation rates. In addition, SDG&E's rates include the pass-through of costs incurred as a transportation customer on the SoCalGas system.

2. Overview of Changes

The proposals presented by witnesses Rick Morrow, Rodger Schwecke and Steve Watson will result in changes to the currently adopted cost allocation and rate design for SoCalGas and SDG&E. This section provides a brief overview of the changes resulting from the System Integration, Firm Access Rights, and Off-system delivery proposals.

a. System Integration

The System Integration proposal combines only the transmission-related costs of the two utilities such that customers of each utility share the transmission costs of both utilities. The scaled transmission cost and company use fuel will be removed from base margin. The combined transmission and fuel costs of the two utilities will then be re-allocated as other operating costs to the various customer classes of both utilities. There are no rate design changes due to this proposal.

Specifics of this proposal will be further discussed in Section D.

5/ For SoCalGas, large Electric Generation and wholesale customers do not currently pay monthly customer charges. For SDG&E, large Electric Generation and residential customers do not pay a monthly customer charge.

6/ Fuel-related storage costs for the unbundled storage program are already recovered through an in-kind fuel charge. However, for seasonal storage and load balancing, estimates of the fuel-related storage costs are developed to recover the expense through SoCalGas' bundled transportation rates.

b. Firm Access Rights

The FAR proposal is a new service being offered by SoCalGas/SDG&E to provide customers with an opportunity to obtain firm access into the utility system at a specific receipt point throughout the year.

Under the FAR proposal, there will be a small charge for receipt point access to the utilities' transmission system. Volumetric transportation rates will be reduced by applying the access charge revenues as a credit against the transportation revenue requirement.

In addition, the utilities will remove their transmission-related fuel costs from transportation rates. Instead, the utilities will establish a system-wide in-kind fuel charge for gas transported from any receipt point to the "citygate."

Specifics of this proposal will be further discussed in Section E.

c. Off-System Deliveries

SoCalGas/SDG&E intend to make a new off-system delivery service available to customers of PG&E. As discussed by Mr. Bisi, there will also be the potential to deliver gas to other pipelines serving customers in California. SoCalGas/SDG&E propose to offer firm and interruptible off-system delivery services to customers of other pipelines, subject to Commission approval. These services will be priced so that on-system customers do not subsidize these new services to off-system customers. Since the off-system service requires only the use of the transmission system, only transmission-related costs will be included in the development of the off-system delivery rates.

The pricing for off-system services will be discussed in Section F.

D. SYSTEM INTEGRATION

System Integration provides a framework to allow customers of both SoCalGas and SDG&E to have direct access to gas supplies entering into both SoCalGas' and SDG&E's transmission system at existing access points and at new points, including the recently established Otay Mesa access point. Gas receipts from Otay Mesa or any future access points would have the same treatment and priority of access and intrastate transportation rates[7] as gas receipts from any of SoCalGas' existing receipt points. Customers of SoCalGas and SDG&E would pay for the combined transmission costs of the two utilities, but would continue to pay the separate distribution rates adopted by the Commission for customers in each utility's service territory.[8] The combined transmission costs include the transmission capital and O&M costs, as well as the fuel required to operate the transmission system.

1. Implementation Based on Currently Adopted Cost Allocation

In Phase I of R.04-01-025, SoCalGas and SDG&E proposed to combine the transmission facility costs on an embedded cost basis. The rate impacts referenced in the Phase I proposals reflected the effect of system integration on the proposed BCAP rates for 2005/6, which were filed in September 2003.[9] Now that the Commission has ordered SoCalGas and SDG&E to file an application exploring the rate effects for system integration prior to the next BCAP, SoCalGas and SDG&E are presenting the rate impact of system integration reflecting the currently adopted LRMC-based rates.[10]

a. Scaled Transmission Marginal Cost

As noted in Section C, SoCalGas and SDG&E have independently determined the LRMC of their transmission systems. Along with the marginal cost of the other functional categories, the transmission LRMC is scaled to authorized margin. Each utility has a unique scaling factor based on its total system marginal cost and authorized margin.[11] To include the entire transmission cost of SoCalGas and SDG&E it is necessary to use the scaled marginal transmission cost of each utility to calculate the combined transmission cost for system

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7/ While the price of intrastate pipeline service is different for each customer class, an individual customer would pay the same intrastate transportation rate for deliveries from any receipt point on the system.

8/ Electric generation customers in SoCalGas' and SDG&E's service territories pay a common "Sempra-wide" EG rate. Stand-alone rates are developed for each utility and then averaged to establish the Sempra-wide EG rates for "large" (> 3 MMtherms/year) and "small" EG customers.

9/ The utilities' BCAP applications have been delayed pending a decision on the market structure in the Gas OIR proceeding.

10/ SoCalGas and SDG&E may still propose embedded cost allocation in the next BCAP application.

11/ Currently, the scaling factors for SoCalGas and SDG&E are approximately 180% and 150%, respectively.

integration. The table below summarizes the scaled-transmission and company use fuel costs for each utility.

Table 1: Current Scaled Transmission Costs

	Scaled Transmission LRMC	Company Use Fuel
SoCalGas	$123.1 million	$10.6 million
SDG&E	$27.4 million	$ 1.1 million
Combined	$150.5 million	$11.7 million

b. Allocation of Combined Transmission Costs

The non-fuel transmission marginal costs for SoCalGas and SDG&E are currently allocated by different measures. SoCalGas' transmission costs are allocated on the basis of cold-year throughput, while SDG&E's transmission costs are allocated based on peak-month throughput. The Commission specified the use of different measures for the two utilities reasoning that SoCalGas' transmission system operated as a long-distance transportation system, while SDG&E's transmission system operated more like a local transmission system.

Currently, SDG&E receives all of its gas from SoCalGas. The transmission system then feeds the local distribution networks in the San Diego area. However, once deliveries start at Otay Mesa, the SDG&E transmission system will function as both a local transmission system for the San Diego area and a long-distance transportation system delivering natural gas into SoCalGas. As the planning and operation of the SDG&E transmission system changes to a long-distance transportation system, it would be appropriate to allocate the costs on the same basis as the SoCalGas transmission costs, i.e., cold-year throughput.

Company-use fuel costs for both utilities are currently allocated based on average year throughput for each utility. These costs would be removed for the individual utility's rates and the combined costs would be allocated across all customer classes based on average year throughput.

2. Transmission Balancing Account

SoCalGas and SDG&E propose to create a new regulatory account to balance actual versus adopted transmission revenues for the integrated transmission system. SoCalGas currently balances the difference between actual and authorized transportation revenues through the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA). SDG&E has proposed similar balancing account treatment in its Cost Of Service Phase II filing, currently before the Commission in A.02-12-028.

Under System Integration, the utilities propose to balance the revenue associated with the transmission rate component separately from other revenue components. The difference between the actual transmission revenues and authorized transmission revenues for the two utilities combined would be recorded in the Integrated Transmission Balancing Account (ITBA) and amortized in rates the following year. The ITBA balance would be allocated to all customer classes for the two utilities based on cold year throughput, consistent with the cost allocator proposed in Section C.1.b.

3. Illustrative Class Average Rate Impact

The table below shows the rate impact of system integration on class average rates for both SoCalGas and SDG&E.

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Table 2
CLASS AVERAGE RATE IMPACTS
OF TRANSMISSION SYSTEM INTEGRATION
(cents/therm)

Customer Class	Present Rates	Scaled LRMC Proposed Rates	Net Change
A	**B**	**C**	**D**
SoCalGas			
Residential	44.49 ¢	44.92 ¢	0.43 ¢
Core C&I	29.40 ¢	29.75 ¢	0.35 ¢
Noncore C&I	5.58 ¢	5.83 ¢	0.25 ¢
Electric Generation	3.27 ¢	3.15 ¢	-0.12 ¢
Long Beach	2.83 ¢	3.06 ¢	0.23 ¢
Southwest Gas	2.63 ¢	2.85 ¢	0.22 ¢
SDG&E			
Residential	42.96 ¢	40.33 ¢	-2.63 ¢
Core C&I	27.02 ¢	24.51 ¢	-2.51 ¢
Noncore C&I	8.42 ¢	6.58 ¢	-1.84 ¢
Electric Generation	3.51 ¢	3.29 ¢	-0.22 ¢

4. Alternatives to System Integration for SoCalGas Customers Accessing Baja LNG

If the Commission does not adopt the System Integration proposal, SDG&E would have to establish a receipt points on its system at Otay Mesa and SoCalGas would have to have a new receipt point at Rainbow Station. SDG&E would also need to develop a transportation rate to recover the cost to transport gas from Otay Mesa through the SDG&E transmission system to SoCalGas customers. Assessing multiple transmission charges, or “pancaked” rates for deliveries through multiple receipt points would segment the southern California market and drive up the price of access to Baja California LNG supplies for customers of SoCalGas. Similar to the integration proposal discussed above, SoCalGas customers will experience an increase and SDG&E customers will experience a decrease in transportation rates. The increase in rates to SoCalGas customers will result from two primary factors:

First, assuming no change in total SDG&E demand, deliveries from SoCalGas at Rainbow will be reduced as SDG&E customers take deliveries from Otay Mesa. This results in fewer transportation volumes to recover current SoCalGas base margin costs, which would result in higher transportation rates to all customers. The magnitude of the rate increase for SoCalGas' customers would depend on the total volume delivered at Otay Mesa and the total volume re-delivered into SoCalGas at Rainbow Station. The rate increase for SoCalGas' customers becomes more pronounced as SDG&E increases deliveries from Otay Mesa for consumption in SDG&E's service territory.

Second, SoCalGas customers will pay an additional rate for transportation service through the SDG&E transmission system for deliveries of LNG through Otay Mesa. Noncore customers will make individual assessments whether to procure gas through Otay Mesa or SoCalGas' existing receipt points. The SoCalGas Gas Acquisition Department will manage such decisions on behalf of its core customers. If the gas acquisition department arranges for significant deliveries of LNG through Otay Mesa, the impact of a "pancaked" rate structure will be more pronounced. Depending on volumes and future cost allocation, SoCalGas customers are likely to see higher transportation cost with "pancaked" rates than with integrated transmission rates.

To illustrate the potential impact of "pancaked" rates on SoCalGas customers, I have considered two scenarios with deliveries of 200 MMcf/d and 500 MMcf/d at Otay Mesa.[12/] SoCalGas customers scheduling deliveries through Otay Mesa would need to pay a transportation rate for the use of SDG&E's transmission system, which would be around 2 cents per therm. In addition, there would be an increase in SoCalGas transportation rates due to the loss of SDG&E transportation volumes on the SoCalGas system (i.e., a reduction of deliveries to SDG&E at Rainbow Station). As noted previously, the lost wholesale revenues would be

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[12/] For these examples, I have assumed approximately two-thirds of the Otay Mesa deliveries will be purchased by SDG&E customers. The remaining volumes would be delivered to SoCalGas customers.

re-allocated to SoCalGas' remaining customers, resulting in higher transportation rates.[13] For residential customers, for example, the combined effect of "pancaked" rates and re-allocation of SoCalGas' costs under the 200 MMcf/d and 500 MMcf/d scenarios would increase transportation rates by 0.27 cents and 0.64 cents per therm, respectively. As noted in Table 2, System Integration would increase SoCalGas residential rates by 0.4 cents per therm. Thus, as deliveries at Otay Mesa increase, System Integration provides SoCalGas customers with a more economic alternative for accessing new supplies through the SDG&E transmission system. This is depicted in more detail in Attachment 2, Tables 1 and 2, to my testimony.

E. FIRM ACCESS RIGHTS

The FAR proposal described by Mr. Watson and Mr. Schwecke would establish a system of firm, tradable access rights. This firm access will be available for a daily reservation charge, referred to in my testimony as the Firm Access Charge ("FAC"). As-available access will be at a volumetric rate, referred to in my testimony as the Interruptible Access Charge ("IAC"). The revenue generated by this new service will be credited against volumetric transportation rates. In addition, SoCalGas/SDG&E propose to remove company use fuel costs from transportation rates and to recover these variable costs on an in-kind basis. The rate impact and revenue treatment discussed in this section assume the adoption of System Integration. Therefore, the combined fuel requirement of the two utilities will be discussed.

1. Firm Access Charges

As described by Mr. Watson, the core gas procurement groups for SoCalGas and SDG&E will receive pro rata assignments of firm access rights based on the average core procurement demand for each utility. The gas procurement groups for SoCalGas and SDG&E will be able to participate in the secondary and interruptible markets to obtain additional firm access or sell firm access rights as needed. The net access charge revenues will be recovered

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[13] Initially, the lost wholesale revenue would be tracked and recovered through the NFCA. Eventually, these costs would be re-allocated to all customers in a subsequent BCAP decision. While application of SoCalGas' peaking rate to SDG&E would somewhat reduce the revenue loss associated with a reduction in SDG&E load at Rainbow, the rates for SoCalGas' customers would still increase.

from core ratepayers through the Purchased Gas Account (PGA) for each utility, similar to the treatment of interstate pipeline costs.[14/]

Noncore customers will participate in the bidding and / or auction process to obtain firm access rights. Core Transportation Aggregators ("CTA") and other wholesale customers will have the option to take set-asides of firm access rights, or may participate in the bidding / auction process with noncore customers. California producers will also be extended the set-aside option for firm access rights for California supplies.

All shippers will be required to pay the 5 cents per decatherm per day FAC for any firm rights acquired through the FAR open season. The rate will remain 5 cents per decatherm through the three-year term of the FAR proposal.

2. Interruptible Access Charges

Under the FAR proposal, SoCalGas will make any unutilized receipt point capacity available on an interruptible basis every day. This as-available receipt point capacity will be provided at a volumetric rate with a maximum rate equal to 100% of the FAC of 5 cents per decatherm. As discussed in the testimony of Mr. Watson, the utilities propose a 25% shareholder incentive mechanism for the sale of interruptible receipt point access services with a total annual cap on the shareholders' share of $5 million.

3. Revenue Treatment

The revenue generated from the FAC and IAC charges, including any charges collected from California producers, will serve as a credit to lower volumetric transportation rates for deliveries to the customers' meters. The FAC and IAC revenues will be credited to transportation customers through the Integrated Transmission Balancing Account ("ITBA") discussed in Section C, above. In order to convey the benefit of such revenues to customers during the year they are collected, FAC and IAC credits will be included in rates as follows:

a. A credit for estimated FAC revenues in the present year.

[14/] Currently, SoCalGas recovers the capacity reservation charges for 1044 MMcf/d of Transwestern and El Paso capacity in transportation rates. As the original contracts for this capacity expire, all on-going interstate pipeline capacity costs will be recovered through the procurement charge.

b. A credit or debit to "true-up" the difference between the estimate of FAC revenues vs. the actual FAC + ratepayer portion of IAC revenues from the previous year. This true-up component is included in the ITBA rate component.

The FAC revenue estimate is based on the estimated amount of firm capacity rights sold to customers during a particular year. In general, we would use the BCAP adopted volume to estimate the revenues. However, the delay in processing the BCAP has resulted in a significant mismatch between adopted and actual throughput. Therefore, for the initial rates, SoCalGas and SDG&E propose using the 2003 recorded average daily gas deliveries reported in the California Gas Report ("CGR").[15/] SoCalGas and SDG&E propose annual updates to the FAC and IAC credits through the ITBA in the Regulatory Account Update advice letter filings submitted to the Commission each October.

An estimate of IAC revenues for the initial rates is not included due to uncertainty regarding the amount and price of interruptible capacity that will be sold each year. However, the assumption that all customers purchase capacity for their average daily deliveries at the 5 cent per decatherm firm reservation charge may overstate the FAC revenues. SoCalGas and SDG&E believe the proposed "estimation and true-up method" is straightforward, consistent with regulatory precedent (e.g. Interstate Transition Cost Surcharge and El Paso Turned-Back Capacity), and strikes an appropriate balance to neither understate nor overstate the annual access charge revenues.

4. Fuel-Related Costs

As discussed by Mr. Schwecke, SoCalGas and SDG&E are proposing an in-kind fuel charge for company use fuel for transmission, which will be updated monthly. Current rates include a monetary value for transmission fuel based on the utility's estimated in-kind fuel requirement multiplied by the total system throughput and the BCAP-adopted cost of gas.[16/] This transmission fuel cost is then allocated on an equal cents per therm basis to all customer classes.

15/ 2004 California Gas Report, Annual Gas Supply & Sendout for 2003 at p. 65 for SoCalGas and at p. 90 for SDG&E Gas.

16/ The actual company-use fuel cost is reconciled through balancing accounts, i.e. the CFCA and NFCA for SoCalGas and the non-margin fixed cost account for SDG&E.

Currently, SoCalGas recovers $10.6 million for Company Use Gas Transmission included in transportation rates. This estimated revenue requirement includes $1.3 million for Interstate Pipeline Demand Charges ("IPDC") used by the core to transport the total system in-kind fuel requirement to the California border. If the Commission adopts the SoCalGas "in-kind" fuel proposal, this capacity is no longer needed for company use transmission and the capacity will be used to serve core customers.[17/] SDG&E currently collects $1.1 million for Company Use Gas Transmission. The $10.6 million and $1.1 million will be removed from the transportation rates of SoCalGas and SDG&E, respectively.

Based on recent historical operating data, the annual average combined transmission fuel requirement for SoCalGas and SDG&E is estimated to be 0.28% of total throughput. Consequently, the utilities propose to use this 0.28% factor as the in-kind fuel charge. As discussed by Mr. Schwecke, the in-kind fuel factor for transmission will be updated monthly to reflect the actual fuel factors required to operate the SoCalGas and SDG&E transmission compressor stations.[18/]

5. Cost Allocation and Rate Impacts

Illustrative class average rate impacts of the FAR proposal are presented in the Table 3. As discussed above, system integration primarily reflects the combination of existing SoCalGas and SDG&E transmission system costs and reassignment to customers based on cold year throughput. The FAR proposal primarily reflects the provision of access revenues to utility customers through a transportation rate credit, and the elimination of Company Use Transmission Fuel as a component of transportation rates due to recovery through an in-kind charge.

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17/ The Core will continue to use a portion of this capacity to transport its in-kind fuel requirement to the border. Re-brokering revenues for any unused interstate pipeline capacity will be reflected in the core procurement charge.

18/ In the event mainline compressor stations that currently use gas fuel are converted to use electric fuel, the utilities will make an adjustment to the then-current gas in-kind fuel factor to reflect this change.

Table 3: SoCalGas Class Average FAR Rate Change

SoCalGas	SI Rate	FAR Rate	FAR - SI[19]
Residential	44.92¢ / th	44.31¢ / th	- 0.61¢ / th
Core C&I	29.75¢ / th	29.17¢ / th	- 0.58¢ / th
Noncore C&I	5.83¢ / th	5.24¢ / th	- 0.59¢ / th
Electric Gen	3.15¢ / th	2.56¢ / th	- 0.59¢ / th
Long Beach	3.06¢ / th	2.44¢ / th	- 0.62¢ / th
SW Gas	2.85¢ / th	2.24¢ / th	- 0.61¢ / th

Table 4: SDG&E Gas Class Average FAR Rate Change

SDG&E	SI Rate	FAR Rate	FAR -SI[20]
Residential	40.33¢ / th	39.70¢ / th	- 0.63¢ / th
Core C&I	24.51¢ / th	23.91¢ / th	- 0.60¢ / th
Noncore C&I	6.58¢ / th	5.99¢ / th	- 0.59¢ / th
Electric Gen	3.29¢ / th	2.70¢ / th	- 0.59¢ / th

For both Table 3 and 4, the rates in the far right column do not include the 5¢ / dth firm access reservation charge or an estimated cost for in-kind fuel. Rate impact by rate tier is presented at Attachment A of this Application.

F. INFORMATION TECHNOLOGY SYSTEMS IMPLEMENTATION COSTS

As discussed in the testimony of Mr. Schwecke, SoCalGas expects to incur an additional $3.2 million in information technology systems costs to implement the Firm Access Rights proposal. SoCalGas proposes to establish a memorandum account to track the costs to implement this proposal. SoCalGas will submit the recorded revenue requirement in the next BCAP application for review and approval to recover the balance in transportation rates.

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[19] SI-FAR Rate may not add to total due to rounding.
[20] SI-FAR Rate may not add to total due to rounding.

G. PROPOSED RATES

Attachment 1 to my testimony presents the summary rate tables for SoCalGas and SDG&E that reflect the System Integration and Firm Access Rights proposals. The rates presented in the attachment are the volumetric transportation rates that will be paid by end-use customers. These rates do not include access charges, in-kind fuel charges, gas commodity costs, monthly fixed charges, or taxes and fees paid by customers.

In Attachment 1, there are four tables presented to illustrate the SI-FAR rates. Table 1 summarizes the class average rate impact of the System Integration and Firm Access Rights proposals. Table 2 shows the changes to billing components due to the SI-FAR proposal. Table 3 summarizes the SoCalGas volumetric transportation rates under the SI-FAR proposal. Table 4 summarizes the SDG&E volumetric transportation rates under the SI-FAR proposal.

The rates summarized in Attachment 1 are the same as the rates presented in Appendix A of this Application and will be reflected in the implementation tariffs to be submitted with this Application.

H. OFF-SYSTEM DELIVERY SERVICE

Mr. Bisi and Mr. Watson have described the off-system delivery service proposed by SoCalGas, including the operational considerations and costs of providing the service. SoCalGas has proposed firm and interruptible options for off-system deliveries. As discussed in the testimony of Mr. Bisi, there are incremental facilities costs associated with providing firm and reliable displacement service. SoCalGas proposes to recover any incremental costs from the off-system customers to ensure that on-system customers do not subsidize this new service. However, when rolling in the costs and the incremental throughput will reduce the rates of on-system customers, SoCalGas would expect the Commission to roll the costs into the rates of all customers.

SoCalGas will conduct an open season to establish the level of interest in each type of off-system delivery service that requires the construction of facilities. The open season offering will include estimated rates for different levels of off-system deliveries based on the estimated facilities costs to provide the service. Based on the commitments in the open season, SoCalGas will determine the amount of each off-system delivery product requiring facilities that will be made available to the market and finalize the rates for the service.

1. Cost Allocation

Natural gas for firm off-system delivery and Reliable Displacement Services will be transported on the SoCalGas/SDG&E integrated transmission system. As described by Mr. Bisi, this service generally requires looping of portions of the transmission system and compression into the other pipeline. For example, to provide firm deliveries from an Oxnard LNG facility to PG&E at Kramer Junction, SoCalGas would have to loop a portion of Transmission Line 324 and add compression to deliver gas into the PG&E system. Since this type of service does not require the use of any distribution facilities, the utilities propose to include only transmission-related costs in the rate to off-system customers.[21/]

To determine the rates for firm off-system and reliable displacement service, SoCalGas will use the results of the open season to establish the billing determinants. To determine whether rolled-in ratemaking should be proposed, the transmission revenue requirement would be adjusted to include the annualized cost of the incremental facilities. The firm off-system service would be allocated a portion of the total integrated transmission cost based on the Use-or-Pay ("UOP") commitments of the off-system customers. The transmission costs would include an allocation of transmission capital and O&M costs, as well as transmission fuel costs and an allocation of the ITBA proposed in Section C. If the inclusion of the off-system costs and volumes result in lower transportation rates for on-system customers, then SoCalGas will propose that the firm off-system rate be set at the volumetric rate based on the adjusted, system-wide transmission costs. However, if the inclusion of the incremental costs and volumes would increase the transportation rate for on-system customers, then an incremental rate would be charged, at least initially, to the off-system customers to fully recover the costs of the new

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[21/] This treatment is consistent with the Commission-approved allocation of costs for off-system deliveries from PG&E to SoCalGas customers. In the case of PG&E off-system deliveries, the rate reflects only the costs of PG&E's backbone transmission path.

facilities.[22] The table below illustrates the calculation of the rolled-in and incremental rate treatment for firm off-system deliveries.

Table 5: Example of Roll-In Test

Annual Volume	Off-system Incremental Rate, ¢/dth	Off-system Rolled-in Rate, ¢/dth	Average Transmission Rate before Roll-in, ¢/dth	Average Transmission Rate after Roll-in, ¢/dth
136 bcf (75%)	6.5 ¢	13.7 ¢	14.8 ¢	13.7 ¢
46 bcf (25%)	19.4 ¢	15.0 ¢	14.8 ¢	15.0 ¢

This table illustrates the volumetric rates for a case of 500 MMcf/d of firm off-system deliveries from Oxnard to Kramer Junction at two different assumptions about incremental off-system throughput expressed both in annual volumes and percentage of full utilization.[23] In the first case, the transportation rates for on-system customers would be reduced by rolling-in the incremental costs and volumes for the firm off-system service. Therefore, SoCalGas would provide the off-system service at a rolled-in rate under this high off-system throughput scenario. However, under the lower throughput assumption, the average transmission rate after roll-in would increase if the facilities costs were rolled-in. Therefore, off-system customers would pay the incremental rate.

2. Rate Design

Firm and reliable displacement services, which require incremental facilities investment, will be provided using the same rate principles for transportation rates to on-system end-use customers. Currently, SoCalGas provides transportation service to end-use customers at volumetric rates. Firm off-system customers will also be provided service at volumetric rates. However, the off-system customers will have contracts with UOP provisions to ensure recovery of the incremental facilities.

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[22] Initial incremental rate treatment would not preclude the utility from later seeking rolled-in rate treatment as circumstances warrant.

[23] This example is based on the cost information provided in Table 8 of the testimony of Mr. Bisi.

Interruptible off-system service will be provided at a volumetric rate priced at a maximum of the firm off-system transportation rate or the system average transmission cost if the open season results in no firm off-system deliveries.

3. Revenue Treatment

If off-system rates are part of the standard cost allocation, the revenue associated with off-system delivery services will be balanced through the ITBA. All of the firm off-system charges would be credited to the account. As discussed by Mr. Watson, 75% of the interruptible revenues would be credited to the account with a $5 million annual cap on shareholder revenues. However, if the off-system delivery service is priced at the incremental rate for service, then the revenues will be balanced in a separate account for off-system deliveries to ensure that on-system customers do not provide any subsidy for this service.

This concludes my testimony.

ATTACHMENT 1 - TABLE 1
SUMMARY OF CLASS AVERAGE TRANSPORTATION RATE IMPACTS
SYSTEM INTEGRATION & FIRM ACCESS RIGHTS
EXCLUDING ACCESS CHARGES AND COST FOR IN-KIND FUEL

	Customer Class	Present Rates	System Integration	**Change vs. Present**	SI + FAR Proposal	**Change vs. Sys. Int.**	**Net Change vs. Present**	
	A	**B**	**C**	**D**	**E**	**F**	**G**	
		<<<<<<<<<< (¢ / therm)		>>>>>>>>>>	<<<< (¢ / therm)	>>>>	**(¢ / therm)**	
	SoCalGas							
1	Residential	44.49 ¢	44.92 ¢	**0.43 ¢**	44.31 ¢	**-0.61 ¢**	**-0.18 ¢**	**1**
2	Core C&I	29.40 ¢	29.75 ¢	**0.35 ¢**	29.17 ¢	**-0.58 ¢**	**-0.23 ¢**	**2**
3	Noncore C&I	5.58 ¢	5.83 ¢	**0.25 ¢**	5.24 ¢	**-0.59 ¢**	**-0.34 ¢**	**3**
4	Electric Generation	3.27 ¢	3.15 ¢	**-0.12 ¢**	2.56 ¢	**-0.59 ¢**	**-0.71 ¢**	**4**
5	Long Beach	2.83 ¢	3.06 ¢	**0.23 ¢**	2.44 ¢	**-0.62 ¢**	**-0.39 ¢**	**5**
6	Southwest Gas	2.63 ¢	2.85 ¢	**0.22 ¢**	2.24 ¢	**-0.61 ¢**	**-0.39 ¢**	**6**
	SDG&E							
7	Residential	42.96 ¢	40.33 ¢	**-2.63 ¢**	39.70 ¢	**-0.63 ¢**	**-3.26 ¢**	**7**
8	Core C&I	27.02 ¢	24.51 ¢	**-2.51 ¢**	23.91 ¢	**-0.60 ¢**	**-3.11 ¢**	**8**
9	Noncore C&I	8.42 ¢	6.58 ¢	**-1.84 ¢**	5.99 ¢	**-0.59 ¢**	**-2.43 ¢**	**9**
10	Electric Generation	3.51 ¢	3.29 ¢	**-0.22 ¢**	2.70 ¢	**-0.59 ¢**	**-0.81 ¢**	**10**

Notes:

1. **Column E does not include the 0.5¢ / th firm access reservation charge or an estimated cost for in-kind fuel.**
2. Access revenue credit reflected in Column E based on actual 2003 deliveries as reported in the 2004 CGR.
3. Access revenue credit reflected in Column E allocated to customers on a Cold Year Throughput basis.
4. SoCalGas' wholesale rate is reflected in the SDG&E transportation rates.

ATTACHMENT 1 - TABLE 2
CHANGES TO BILLING COMPONENTS
DUE TO SI-FAR PROPOSALS

		RATE COMPONENT	APPLICABLE TO
	A. Present Rates Charge Components		
		Monthly Customer Charge	Certain Customer Classes
	+	Volumetric Transportation Rate	All Customers
	+	PPP Surcharge	Non-Exempt Customers
	+	Commodity Cost	All Customers
	+	Miscellaneous Taxes & Fees	All Customers
	=	Delivered Cost of Natural Gas	
	B. Proposed SI+FAR Rates Charge Components		
		Monthly Customer Charge	Certain Customer Classes
change >>	+	Volumetric Transportation Rate	All Customers
change >>	+	Receipt Point Access Charges	Shippers
change >>	+	Transmission In-Kind Fuel Charge	Shippers
	+	PPP Surcharge	Non-Exempt Customers
	+	Commodity Cost (WACOG)	All Customers
	+	Miscellaneous Taxes & Fees	All Customers
	=	Delivered Cost of Natural Gas	

Notes for changed rate components:

1. Volumetric Transportation Rates Reduced by the Monetized Estimate of Company Use Transmission Fuel Costs Due to Change to an In-Kind Charge
2. Revenues from Receipt Point Access Charges Reflected as a Credit in Volumetric Transportation Rates.

General Notes:

1. Rates include authorized franchise fees and uncollectible charges.
2. For SoCalGas, large EG and wholesale customers do not currently pay monthly customer charges. For SDG&E Gas, large EG, natural gas vehicle and residential customers do not pay a monthly customer charge.
3. Commodity charge included in bundled rates for core procurement customers. Noncore customers are responsible for obtaining their own gas supplies.

ATTACHMENT 1 - TABLE 3
SI-FAR APPLICATION
SUMMARY OF PROPOSED SOCALGAS TRANSPORTATION RATES EXCLUDING ACCESS CHARGES AND COST FOR IN-KIND FUEL

	Customer Class	Present Rates	SI+FAR Proposal	Change From Present	
	A	B	C	D	
		<<<<<<<<<<<<<<<< (¢ / therm) >>>>>>>>>>>>>>>>			
1	**Residential Procurement**				1
2	a. Baseline	28.1 ¢	27.9 ¢	-0.2 ¢	2
3	b. Non-Baseline	46.3 ¢	46.1 ¢	-0.2 ¢	3
4					4
5	**Residential Transportation**				5
6	a. Baseline	27.8 ¢	27.6 ¢	-0.2 ¢	6
7	b. Non-Baseline	46.0 ¢	45.8 ¢	-0.2 ¢	7
8					8
9	**Core C&I Procurement**				9
10	a. Tier I	43.8 ¢	43.9 ¢	0.1 ¢	10
11	b. Tier II	24.5 ¢	24.2 ¢	-0.3 ¢	11
12	c. Tier III	11.5 ¢	11.2 ¢	-0.3 ¢	12
13					13
14	**Core C&I Transportation**				14
15	a. Tier I	43.5 ¢	43.6 ¢	0.1 ¢	15
16	b. Tier II	24.3 ¢	23.9 ¢	-0.3 ¢	16
17	c. Tier III	11.3 ¢	11.0 ¢	-0.3 ¢	17
18					18
19	**Gas Engine Procurement**	17.6 ¢	17.1 ¢	-0.6 ¢	19
20	**Gas Engine Transportation**	17.3 ¢	16.8 ¢	-0.6 ¢	20
21					21
22	**Gas A/C Procurement**	11.7 ¢	11.4 ¢	-0.3 ¢	22
23	**Gas A/C Transportation**	11.4 ¢	11.1 ¢	-0.3 ¢	23
24					24
25	**NGV Procurement**	11.7 ¢	11.3 ¢	-0.4 ¢	25
26	**NGV Transportation**	11.4 ¢	11.0 ¢	-0.4 ¢	26
27					27
28	**Noncore C&I Distribution**				28
29	a. Tier I	12.5 ¢	11.8 ¢	-0.7 ¢	29
30	b. Tier II	7.7 ¢	7.3 ¢	-0.4 ¢	30
31	c. Tier III	4.7 ¢	4.4 ¢	-0.3 ¢	31
32	d. Tier IV	2.5 ¢	2.4 ¢	-0.1 ¢	32
33					33
34	**Noncore C&I Transmission**				34
35	a. Tier I	8.8 ¢	7.5 ¢	-1.3 ¢	35
36	b. Tier II	2.0 ¢	1.7 ¢	-0.3 ¢	36
37					37
38	**Electric Generation**				38
39	a. Tier I	6.6 ¢	4.5 ¢	-2.1 ¢	39
40	b. Tier II	3.4 ¢	2.8 ¢	-0.7 ¢	40
41					41
42	**Long Beach**	3.0 ¢	2.7 ¢	-0.4 ¢	42
43	**Southwest Gas**	2.9 ¢	2.5 ¢	-0.4 ¢	43
44	**City of Vernon**	2.6 ¢	2.2 ¢	-0.4 ¢	44
45	**Mexicali - DGN**	2.8 ¢	2.4 ¢	-0.4 ¢	45
46					46
47	**Noncore ITCS**	-0.2 ¢	-0.2 ¢	0.0 ¢	47

Notes:

1. ITCS is added to each noncore rate shown above to recover stranded interstate capacity costs.
2. Values shown do not reflect gas costs, monthly customer charges, or any taxes, fees or surcharges other than those indicated. Note Column (C) does not include the 5¢ / dth firm access reservation charge or an estimated cost for in-kind fuel.
3. Column (C) reflects the combination of existing SoCalGas and SDG&E transmission system costs and reassignment to customers based on Cold Year Throughput. Also reflects the provision of access revenues to utility customers through a transportation rate credit, and the elimination of Company Use Transmission Fuel as a component of transportation rates due to recovery through an in-kind charge.

ATTACHMENT 1 - TABLE 4
SI-FAR APPLICATION
SUMMARY OF PROPOSED SDG&E CORE TRANSPORTATION RATES
EXCLUDING ACCESS CHARGES AND COST FOR IN-KIND FUEL

	Customer Class	Present Rates	SI+FAR Proposal	Change From Present	
	A	B	C	D	
		<<<<<<<<<<<<<<<< (¢ / therm) >>>>>>>>>>>>>>>>			
1	**Residential Procurement & Transportation Customers**				**1**
2	a. Baseline	38.5 ¢	35.6 ¢	-2.8 ¢	**2**
3	b. Non-Baseline	56.5 ¢	52.3 ¢	-4.2 ¢	**3**
4					**4**
5	**Core C&I Procurement & Transportation Customers**				**5**
6	a. Winter Tier I	38.1 ¢	33.2 ¢	-4.9 ¢	**6**
7	b. Winter Tier II	15.3 ¢	13.3 ¢	-2.0 ¢	**7**
8	c. Winter Tier III	10.4 ¢	9.1 ¢	-1.4 ¢	**8**
9					**9**
10	a. Summer Tier I	30.0 ¢	26.1 ¢	-3.9 ¢	**10**
11	b. Summer Tier II	14.8 ¢	12.9 ¢	-1.9 ¢	**11**
12	c. Summer Tier III	8.9 ¢	7.8 ¢	-1.2 ¢	**12**
13					**13**
14	**NGV Procurement & Transportation Customers**				**14**
15	a. Vehicles & Bus Fleets	34.1 ¢	31.6 ¢	-2.5 ¢	**15**
16	b. Uncompressed Gas	7.0 ¢	6.5 ¢	-0.5 ¢	**16**
17	c. Co-Funded	20.6 ¢	19.1 ¢	-1.5 ¢	**17**
18					**18**
19	**Noncore C&I Distribution Customers**				**19**
20	a. MP Distribution Winter	11.5 ¢	8.0 ¢	-3.5 ¢	**20**
21	b. MP Distribution Summer	9.2 ¢	6.4 ¢	-2.8 ¢	**21**
22					**22**
23	c. HP Distribution Winter	7.7 ¢	5.4 ¢	-2.3 ¢	**23**
24	d. HP Distribution Summer	6.0 ¢	4.2 ¢	-1.8 ¢	**24**
25					**25**
26	**Noncore C&I Transmission Customers**				**26**
27	a. Winter Rate	5.4 ¢	3.7 ¢	-1.6 ¢	**27**
28	b. Summer Rate	4.2 ¢	2.9 ¢	-1.3 ¢	**28**
29					**29**
30	**Electric Generation Customers**				**30**
31	a. Tier I	6.6 ¢	4.5 ¢	-2.1 ¢	**31**
32	b. Tier II	3.4 ¢	2.8 ¢	-0.7 ¢	**32**
33	+ ITCS Charge Adder	-0.2 ¢	-0.2 ¢	0.0 ¢	**33**

Notes:

1. Values shown do not reflect gas costs, monthly customer charges, or any taxes, fees or surcharges other than those indicated. Note Column (C) does not include the 5¢ / dth firm access reservation charge or an estimated cost for in-kind fuel.
2. Column (C) reflects the combination of existing SoCalGas and SDG&E transmission system costs and reassignment to customers based on Cold Year Throughput. Also reflects the provision of access revenues to utility customers through a transportation rate credit, and the elimination of Company Use Transmission Fuel as a component of transportation rates due to recovery through an in-kind charge.
3. Row (33) ITCS Charge from SoCalGas included in values except for EG class where it must be added to rates shown.
4. SoCalGas' wholesale rate is reflected in the SDG&E transportation rates.

ATTACHMENT 2 - TABLE 1
SUMMARY OF CLASS AVERAGE TRANSPORTATION RATE IMPACTS
ILLUSTRATION OF PANCAKE RATES
EXCLUDING ACCESS CHARGES, FAR, AND COST FOR IN-KIND FUEL

	Customer Class	Present Rates	Otay loads at **200** mmcfd	**Change vs. Present**	Otay loads at **500** mmcfd	**Change vs. 200 mmcfd**	**Change vs. Present**	
	A	B	C	D	E	F	G	
		<<<<<<<<<<< (¢ / therm) >>>>>>>>>>>			<<<< (¢ / therm) >>>>		**(¢ / therm)**	
	SoCalGas							
1	Residential	44.5 ¢	44.7 ¢	**0.3 ¢**	45.1 ¢	**0.4 ¢**	**0.6 ¢**	**1**
2	Core C&I	29.4 ¢	29.7 ¢	**0.3 ¢**	29.9 ¢	**0.2 ¢**	**0.5 ¢**	**2**
3	Noncore C&I	5.6 ¢	5.7 ¢	**0.1 ¢**	5.9 ¢	**0.2 ¢**	**0.3 ¢**	**3**
4	Electric Generation	3.3 ¢	3.2 ¢	**-0.1 ¢**	3.0 ¢	**-0.2 ¢**	**-0.3 ¢**	**4**
5	Long Beach	2.8 ¢	2.8 ¢	**0.0 ¢**	3.0 ¢	**0.2 ¢**	**0.2 ¢**	**5**
6	Southwest Gas	2.6 ¢	2.7 ¢	**0.0 ¢**	2.9 ¢	**0.2 ¢**	**0.2 ¢**	**6**
	SDG&E							
7	Residential	43.0 ¢	41.7 ¢	**-1.3 ¢**	40.0 ¢	**-1.7 ¢**	**-3.0 ¢**	**7**
8	Core C&I	27.0 ¢	26.3 ¢	**-0.7 ¢**	26.0 ¢	**-0.3 ¢**	**-1.0 ¢**	**8**
9	Noncore C&I	8.4 ¢	7.6 ¢	**-0.8 ¢**	5.8 ¢	**-1.8 ¢**	**-2.7 ¢**	**9**
10	Electric Generation	3.5 ¢	3.4 ¢	**-0.1 ¢**	3.1 ¢	**-0.4 ¢**	**-0.5 ¢**	**10**

Notes:

1. Illustrative pancake rates do not reflect Firm Access Rights charges or cost for in-kind fuel.
2. SoCalGas' wholesale rate is reflected in the SDG&E transportation rates.

ATTACHMENT 2 - TABLE 2
PANCAKE RATE ASSUMPTIONS
GAS SUPPLY ACCESS THROUGH OTAY MESA

Load Assumptions

1 Assume that LNG supplies delivered at Otay Mesa will displace gas volumes that are currently delivered through the SoCalGas pipeline system.

2 Assume Otay Mesa scheduled volumes are split with at most 75% scheluded to SDG&E and the remainder to SoCalGas customers.

3 The load displacement for SDG&E is capped at its current adopted throughput of 144 mmdth/year (i.e., cannot exceed this number).

4 The load displacement on the SDG&E system is proportional (i.e., equal percent of AYTP) to all customer classes.

5 The Core share of load displacement (i.e., LNG supplies) is capped at 30% of Core Throughput for SDG&E and SoCalGas, respectively.

6 The load displacement on the SoCalGas system is proportional (i.e., equal percent of AYTP) to all customer classes excluding SDG&E.

7 The annual load assumptions assume 100% load factor (i.e., Daily loads multiplied by 365 days in a year).

8 Load assumption for 200 MMcf/d and 500 MMcf/d deliveries at Otay Mesa

		Total Class	Otay Mesa Deliveries, MMdth	
		Demand, MMdth	200 MMcf/d	500 MMcf/d
SDG&E	Core	46.0	13.8	13.8
	Noncore	98.4	40.9	98.4
	Total	**144.4**	**54.8**	**112.2**
SoCalGas	Core	339.9	7.3	28.0
	Noncore, excl SDG&E	514.3	11.0	42.3
	Total	**854.1**	**18.3**	**70.3**
Combined LNG deliveries			**73.0**	**182.5**

Cost Assumptions

9 Incremental costs associated with LNG access to utility pipeline system is assumed to be paid by the LNG suppliers.

10 The incremental rate paid by SoCalGas customers for service at Otay reflects recovery for SDG&E"s transmission costs, plus an amount for load balancing services on the SoCalGas system and an amount for company use gas costs on the SDG&E system.

11 The rate paid by SDG&E customers for service at Otay excludes SoCalGas wholesale costs, except for SoCalGas load balancing costs allocated to SDG&E. SDG&E customers continue to pay for SoCalGas load balancing costs for services at Rainbow or Otay.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing **APPLICATION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 G) AND SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)** on all known interested parties of record in R.04-01-025 by electronic mail a copy thereof properly addressed to all parties included on the list appended to the original document filed with the Commission.

Dated at Los Angeles, California, this 2nd day of December, 2004.

Becky Roberts

Becky Roberts

SLD/DGILMORE/SI-FAR/APPLICATION-12.2.04.doc