

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
07-19-10
04:59 PM

In the matter of the Application of Southern California Gas Company (U904G) Regarding Year 16 (2009-2010) of Its Gas Cost Incentive Mechanism.

A.10-06-006
(Filed June 14, 2010)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES
TO THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY
REGARDING ITS YEAR SIXTEEN GAS COST INCENTIVE MECHANISM**

Pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") submits this response to the Application of Southern California Gas Company ("SoCalGas") regarding year sixteen of its Gas Cost Incentive Mechanism ("GCIM"). This response is timely filed since the application first appeared in the Commission calendar on June 17, 2010.

I. INTRODUCTION AND BACKGROUND

On June 14, 2010, SoCalGas submitted its sixteenth annual application under the GCIM. The GCIM was initially approved by the Commission in D.94-03-076, and has since then undergone some modifications as it evolved through time.¹ The GCIM is a Commission-authorized ratemaking mechanism that SoCalGas uses to purchase natural

¹ SoCalGas' GCIM was modified and extended in D.97-06-061, and was further extended on an annual basis in D.98-12-057. In D.00-06-039, the Commission staff was ordered to conduct an evaluation of the GCIM on or before January 1, 2001, and the Commission deferred judgment on whether it would extend the GCIM into year seven until completion of the report. In D.02-06-023, the Commission approved a Settlement Agreement executed in July of 2001 by SoCalGas, DRA, and The Utility Reform Network (TURN). The major highlights of the Settlement Agreement include (1) the revision of the sharing bands¹, (2) the cap to the shareholder awards¹; (3) the core storage inventory targets¹; (4) the elimination of NYMEX program; and (5) the application of settlement modifications to the Year 7 GCIM.¹ The same decision extends the GCIM on an annual basis into year eight and beyond until modified or terminated by further Commission order. In GCIM year eleven, the Commission approved the joint recommendation among DRA, TURN, and SoCalGas that provides further modifications to SoCalGas' core gas storage inventory targets.

gas on behalf of its core customers. It establishes a benchmark against which to measure the price that SoCalGas pays for gas.

The GCIM has shown a historical record of providing significant benefits to SoCalGas' ratepayers.² In GCIM Years Seven and Eight, the Commission approved shareholder awards for SoCalGas in D.03-08-065 and D.03-08-064, respectively, for reasonably managing its gas acquisitions and operations. Both decisions provided that the awards would subject to refunds or adjustment as may be determined in I.02-11-040.³ Similarly, in the succeeding GCIMs for years 9 through 11, the Commission agreed with the shareholder awards subject to refunds or adjustments as may be determined in the Border OII.

In response to a joint application by SoCalGas/SDG&E and Southern California Edison in A.06-08-026 (often referred to as "the Omnibus proceeding"), the Commission decided in D.06-12-034 to close I.02-11-040 and I.03-02-033 with prejudice, and to terminate conditions imposed on the shareholder awards in the GCIM.

In the current application, SoCalGas reports on the results of its year sixteen GCIM for the 12 months ending March 31, 2009. The instant application requests authority to recover a shareholder incentive reward of \$6.01 million. The Commission has provided DRA with the task of annually auditing SoCalGas's annual reports on the GCIM. As such, DRA conducts and releases annually an extensive monitoring and evaluation report.

While in the past, DRA has issued its report in October or November, in the instant case DRA requests a filing date of May 1, 2011. The reason for the needed additional time is retirement of key staff and existing workload issues within the branch. The workload issues involve the ongoing Pacific Gas and Electric Company (PG&E) Gas Transmission and Storage rate case, the FAR proceeding, the PG&E General Rate Case (GRC), the Southern California Gas Company (SCE) GRC, and impending filing of the

² Refer to Table 1 Attachment A to A.07-06-021.

³ In I.02-11-040, the Commission investigated the gas market activities of the utilities and their impact on the gas price spikes experienced at the California border from March 2000 through May 2001.

SDG&E and SoCalGas GRC's. DRA must confirm SoCalGas' results after a thorough, independent audit and review of the year sixteen GCIM filing, and the proposed date is essential for DRA to reach the Commission's mandate for DRA to issue an annual report.

II. DISCUSSION

Rule 2.1(c) of the Commission's Rule of Practice and Procedure requires that applications "state the proposed category for the proceeding, the need for hearing, the issues to be considered, and a proposed schedule." SoCalGas proposes that its application be categorized as a "ratesetting" proceeding. DRA concurs with this categorization.

SoCalGas does not believe that a hearing is necessary because the record has already been developed in other Commission proceedings, and because the GCIM settlement adopted by the Commission in D.02-06-023. DRA agrees that a hearing may not be necessary for this proceeding.

III. CONCLUSION

DRA will serve its GCIM year sixteen monitoring and evaluation report regarding the SoCalGas application by May 1, 2011. DRA agrees with SoCalGas' proposed categorization of this proceeding as ratesetting and agrees that there is a potential for resolving the issues raised by the application without hearings.

Respectfully submitted,

/s/ RASHID A. RASHID

Rashid A. Rashid
Staff Counsel

Attorney for the Division of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2705
Fax: (415)703-4465

July 19, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES TO THE APPLICATION OF SOUTHERN CALIFORNIA GAS COMPANY REGARDING ITS YEAR SIXTEEN GAS COST INCENTIVE MECHANISM** ” to the official service list in **A.10-06-006** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **July 19, 2010** at San Francisco, California.

/s/ ROSCELLA V. GONZALEZ
Roscella V. Gonzalez

SERVICE LIST

A.10-06-006

CentralFiles@SempraUtilities.com;
JLsalazar@semprautilities.com;
MThorp@SempraUtilities.com;
RCavalleri@SempraUtilities.com;
cem@newsdata.com;
jhe@cpuc.ca.gov;