PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3380**
September 22, 2005

R E S O L U T I O N

Resolution G-3380. San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) submit Advice Letters (AL) 1510-G-A (on June 10, 2005)[1] and AL 3475 (on March 4, 2005) respectively requesting authority to increase compression rates charged to customers that use the utility's public access natural gas vehicle (NGV) fueling stations.

SoCalGas submitted AL 3488 on April 11, 2005 requesting authority to adjust its uncompressed rate.

The compression rate ALs are approved for an interim period until the utilities' next Biennial Cost Allocation (BCAP) proceedings. SoCalGas' uncompressed rate adjustment mechanism is effective until further order.

SUMMARY

San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) submitted Advice Letters (AL) 1510-G-A (on June 10, 2005) and AL 3475 (on March 4, 2005) respectively requesting authority to increase compression rates charged to customers that use the utility's public access natural gas vehicle (NGV) fueling stations. SoCalGas submitted AL 3488 on April 11, 2005 requesting authority to adjust its uncompressed rate. The major elements of this resolution are summarized below.

[1] SDG&E AL 1510-G-A replaced AL 1510 in its entirety.

1. SDG&E's and SoCalGas's proposed compression rates are approved for an interim period until their next BCAP proceedings.

2. SoCalGas is also authorized to adjust its NGV uncompressed rate based upon an equal share of the annual amortization of its Core Fixed Cost Account (CFCA) and Natural Gas Vehicle Account (NVGA) balancing accounts until further order.

3. Prompt action is warranted before the next BCAPs due to the concern that the existing compression rates may be below cost-of-service and may disadvantage utility competitors.

4. Any revenues that are collected in excess of the utilities' costs of service may be returned to NGV customers via a compression rate credit.

5. SoCalGas' uncompressed rate adjustment mechanism is authorized because it will help mitigate effects of the BCAP delay preventing the update of the uncompressed rate to reflect significant NGV growth.

6. This resolution finds that the granting of the utilities' requests through an advice letter filing is acceptable because of the unforeseen postponement of the prior BCAPs and the conditions placed upon the approval of the rate increase.

7. Two individuals, Wilfred Painter Jr. and Vaughan Hargrave, filed protests on SoCalGas AL 3475. The protests of Painter and Hargrave are denied.

BACKGROUND

SDG&E and SoCalGas provide various services to the NGV fueling market including the sale of compressed natural gas. Non-utility entities also sell compressed natural gas to the public for NGV use.

SDG&E and SoCalGas offer uncompressed, compressed, and natural gas procurement service to the NGV fueling market. Uncompressed service consists

of the transportation of natural gas to either utility or non-utility owned NGV fueling stations at normal operating pressure. Compression service involves the utilities pressurizing the natural gas at NGV facilities and then dispensing it into a NGV. (SDG&E and SoCalGas provide compression service at utility owned and "co-funded" NGV fueling stations. Utility-owned stations serve the utilities' NGV fleet vehicles, and some of the utility stations are also accessible for public use. These stations are referred to as "public access" NGV fueling stations. Co-funded stations are jointly funded by the utility and a non-utility.) Non-utility NGV station owners compress the natural gas at their expense and may include entities which provide this service to the public within the utilities' service territories.[2] Non-utility NGV station owners may procure natural gas supplies from either their local utility or other sources, subject to certain tariff conditions.[3] Non-utility NGV station owners selling compressed natural gas to the public charge their customers at rates unregulated by the Commission.[4] The utilities have separate rates filed in their tariffs for uncompressed and compressed natural gas service.[5] Co-funded stations are billed a portion of the compression costs.

In its comprehensive review of utility low-emission vehicle programs, the Commission determined that the rates for NGV service should be based on marginal costs.

In D.95-11-035[6], the Commission addressed the ratemaking methodology for the development of utility NGV rates. As discussed in the decision, the statutory

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[2] The utilities claim that they do not compete with other NGV service providers, but instead offer a complementary service because their public access stations are not located near other non-utility owned NGV fueling stations.

[3] The NGV customer class is considered a core customer class and provided core service priority by the utilities.

[4] See P.U. Code section 216(f) which states that the ownership or operation of a facility that sells compressed natural gas to the public as use only as a motor vehicle fuel does not make the corporation or person a public utility.

[5] In SDG&E AL 1510-G-A and SoCalGas AL 3475, the utilities are seeking to update the cost component of their compression rates related only to the costs incurred compressing natural gas. This cost component is referred to in the ALs as the "compression surcharge". The rates assessed for compression service published in the utilities' tariffs include other costs in addition to costs related to natural gas compression.

6 D.95-11-035 was issued in I. 91-10-029/R.91-10-028 which examined the proper role of utility involvement in the market for low-emission vehicles, which includes NGVs.

basis for the methodology is found in P.U. Code section 740.3 (c), which states that the "... commission's policies shall also ensure that utilities do not unfairly compete with nonutility enterprises."[7] Accordingly, the Commission determined that NGV rates which are subsidized by other ratepayers and do not fully reflect service costs disadvantage non-utility entities selling compressed natural gas or competing fuels used for motor vehicle propulsion.[8] Based upon these principles and to remedy deficiencies in the utilities' rates at the time, the Commission issued the following order:

> "We will direct the utilities to file tariffs that will allow for gradual transition from the current rate levels to rates that reflect the direct and fully allocated long-run marginal cost of the service being provided. The transition should be completed no later than January 1, 1997. (D. 95-11-035 at p. 454, 62 CPUC 2d, and Conclusion of Law No. 13)"

In addition, Resolution G-3191, issued on July 17, 1996 reiterated the policy expressed in D.95-11-035, and ordered SoCalGas to move to full cost based rates and discontinue NGV services subsidized by non-NGV customers to the disadvantage of non-utility entities. This resolution also set SoCalGas' compression rate at $0.35 per therm, which is currently in effect.

In AL 1510-G-A and AL 3475 SDG&E and SoCalGas, respectively, seek to increase their compressed rates on an interim basis until their next BCAP.

SDG&E and SoCalGas sought to update their compression rates in their last BCAPs (Applications (A.) 03-09-008/03-09-031), but these applications were subsequently dismissed by the Commission.[9] SDG&E also specifically requests an increase in its "co-funded" NGV rate as well. (SoCalGas "co-funded" fueling stations are billed a proportionate compression charge based on the customer's level of co-funding. SoCalGas co-funded rates are established in contracts, and

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[7] See D.95-11-035 at p. 453, 62 CPUC 2d.

[8] D.95-11-035 Finding of Fact No. 102.

[9] D.04-05-039 dismissed A.03-09-008 and A.03-09-031 without prejudice. SDG&E and SoCalGas were ordered to file new BCAP applications within 120 days of the date that the stay of D.04-04-015 is lifted, or as otherwise directed by the Commission.

are not specified in SoCalGas' tariff.) Because of the BCAP postponement and their position that the rate increases are minor in nature, the utilities seek to update these rates through ALs. The proposed rates use historical cost data filed in the terminated BCAPs to estimate the utilities' incremental cost of providing compressed natural gas service. The utilities characterize their rate request as an interim step until the matter is fully litigated in their next BCAP. The estimated annual amount of the additional revenues generated by the rate increases are $420,000 for SoCalGas and $80,000 for SDG&E.

SoCalGas proposes to allocate an equal share of the balance of its CFCA and NGVA balancing accounts to NGV customers through an adjustment to its NGV uncompressed rate (referred to in this resolution as the "uncompressed rate adjustment mechanism").

The CFCA balancing account balances various fixed costs incurred in the provision of core service and core transportation revenues. The NGVA balancing account balances NGV discretionary program costs with total NGV revenues. The balancing accounts are trued-up annually via an advice letter filing. SoCalGas explains that it has been accumulating over-collections in its NGVA balancing account because, in part, NGV natural gas usage is running significantly above the demand forecast used to set the uncompressed rate.[10] This demand forecast was adopted over five years ago in the last SoCalGas/SDG&E BCAP decision, D.00-04-060. Since NGV customers' rates are excluded from the amortization of these balancing accounts, NGV customers are not credited with any portion of the over-collection when it is amortized in rates.[11] As a result, the utility's other core and noncore customers' rates receive the amount of any over-collection contributed by the NGV customers. It was also explained that the uncompressed rate would be lower if it was based on a more recent demand forecast. However, the BCAP delay has prevented this from occurring.

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[10] The current uncompressed rate is based on a NGV demand forecast adopted in D.00-04-060 of 24.4 million therms per year. In AL 3488, SoCalGas states that its actual NGV demand in 2004 was 64 million therms and has grown 9.4 percent per year on average from 2001 through 2004.

[11] SoCalGas explained to the Energy Division that NGV customer rates were excluded from the amortization of the balancing accounts in order to support the development of the NGV program as such costs initially exceeded NGV revenues. The utility is not seeking to change this amortization policy as in its view such a modification is more appropriate for a BCAP.

SoCalGas asserts that its NGV customers should benefit from the growth in NGV demand and also receive some relief from the current inflated rate level. The utility proposes that its uncompressed rate be reduced by the same cent-per-therm credit that was factored into its core and noncore transportation rates from its most recent CFCA and NGVA balancing account true-up.[12] Consequently, the utility's core and noncore transportation rates will be higher than they otherwise would be (i.e., the credit resulting from the over-collection would be less). This is because future balancing account over-collections will be reduced due to decreased uncompressed rate revenues.[13] In a similar fashion, SoCalGas would adjust the uncompressed rate annually based on its CFCA and NGVA true-ups until its next BCAP (referred to by the utility as an "equal share" of the amortization). (However, SoCalGas is not proposing to adjust other customers' rates at this time, via AL 3488.) The utility claims that the impact of its proposal is minor in nature.

NOTICE

Notice of SDG&E AL 1510-G, 1510-G-A, SoCalGas ALs 3475 and 3488 was made by publication in the Commission's Daily Calendar. SDG&E and SoCalGas state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of G.O. 96-A.

PROTESTS

Only SoCalGas AL 3475 was protested.

On March 23, 2005, Wilfred Painter Jr. (Painter) filed a protest objecting to the rate increase claiming that it is not cost based and that it appears to be arbitrary.

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[12] The CFCA amortization is included in the uncompressed rate adjustment mechanism so that NGV customers are treated similarly to the utility's other core customers.

[13] In AL 3488, SoCalGas states its NGV uncompressed rate would decrease by $0.02092 per therm; core transportation rates would increase by 0.0390 cents per therm and noncore transportation rates by 0.0005 cents per therm. Noncore transportation rates are affected because a portion of the NGVA is amortized in these rates. This represents an increase in these rates of approximately $1.3 million.

Painter asserts that the rate increase should be predicated on the utility's cost of service.

On March 24, 2005, Vaughan Hargrave (Hargrave) filed a protest alleging that SoCalGas' current rate is intended to support the use of NGVs and that the proposed rate increase is excessive. Hargrave explains that the price of compressed natural gas has a significant impact on the economic viability of NGV fleet owners, particularly taxicab operators. Other issues raised include the notice provided by the utility of their rate proposal and a lack of various amenities at SoCalGas' public access stations.

On March 30, 2005, SoCalGas responded to both protests. The utility states that the proposed rates are not market based but are developed according to cost information presented in its past BCAP application. The utility noted that it does not profit from the rate increase as revenues are credited to other customers in their rates. On the issue of notice, SoCalGas states that it made available at each public access station information about the rate increase which referenced the protest procedures in G.O. 96-A.

On March 24, 2005, Clean Energy submitted comments in support of both SoCalGas' and SDG&E's compression rate ALs. Clean Energy sells compressed natural gas in the utilities' service territories and explains that if the ALs are approved and the NGV rates are cost based, the company will not be faced with a competitive disadvantage.

On May 2, 2005, Clean Energy filed comments in support of SoCalGas AL 3488 and states that the requested interim credit to the uncompressed NGV rate will mitigate the higher rates the NGV customer class has endured due to the delayed BCAPs.

DISCUSSION

This section of the resolution includes information obtained by the Energy Division through the utilities' response to several data requests and inquiries.

A formal application is not necessary to consider the utilities' requests.

A threshold issue is whether the requests of SDG&E and SoCalGas can be considered through an AL filing. Section VI of G.O. 96-A requires a formal

application to request a rate increase unless it is minor in nature or, in the case of a general rate increase, projected operating revenues, including the rate increase, do not exceed $750,000. Section XV of G.O. 96-A permits a departure from the General Order's rules if an adequate showing is made by any interested party.

Both utilities claim that the proposed compression rate increases and, for SoCalGas, the uncompressed rate adjustment mechanism impacts, are minor in nature. Their primary justification is that the estimated revenue increase from the proposed compression rates are below $750,000 and the uncompressed rate adjustment mechanism results in a rate reduction in the uncompressed rate. A further reason for submitting the ALs is the delay in addressing these matters through their BCAPs and the uncertainty about re-filing. To assess the impact of the proposed compression rate increases, the utilities provided an analysis comparing the AL rates to current gasoline prices.

We determine whether a rate increase is "minor in nature" under G.O. 96-A on a case-by-case basis. A key consideration in our determination is the magnitude of the proposed compression rate increase and its impact on the utilities' customers. The utilities' proposal results in a doubling of the compression surcharge, causing an approximate 40 percent increase on a total rate basis.[14] It is plain that the size of the increases is significant and, as Hargrave indicates, will have a noticeable impact on NGV operators. The utilities' gasoline price comparison does not lessen the severity of the compression rate increases because it is a market oriented standard and the compression rates must be based on service costs. Additionally, the uncompressed rate adjustment will reduce SoCalGas' uncompressed NGV rate, but the corresponding decreased revenues and lowered future CFCA and NGVA over-collections represents an increase in core transportation rates of $1.3 million. This is not a trivial amount. We, therefore, conclude that the proposed compression rate increases and the effect of the uncompressed rate adjustment mechanism are not minor in nature under G.O. 96-A.

In addition, the provision in G.O. 96-A, which allows a proposal for a general rate increase to be made by an advice letter, applies only to utilities (or utility

[14] On a total rate basis, a NGV customer fueling a vehicle at a utility owned station pays for natural gas commodity costs as well as the transportation and compression of the natural gas.

districts) whose total annual operating revenue, including the rate increase, is only $750,000 or less. SDG&E's and SoCalGas' annual operating revenues exceed this limit.

Although we are not persuaded by the utilities' arguments for AL treatment of their requests, we find that the reasons set forth below support a departure from the G.O. 96-A rules.

First, we are obligated under P.U. Code section 740.3 (c) to maintain policies that do not disadvantage non-utility enterprises. As discussed in D.95-11-035, such market abuse may occur due to below-cost pricing and the extent that the utilities rely on its captive ratepayers to subsidize any losses from compressed natural gas sales.[15] The existing compression rates do not reflect the utilities' current service costs and may be anti-competitive. Clean Energy agrees with this view and suggests that they are being harmed if the current rates are maintained.

Second, BCAP delays have frustrated the utilities' previous attempts to update the compression rates according to more recent costs and the re-filing date for the next BCAP is presently undetermined. Waiting until the next BCAPs are submitted or requiring the utilities to file separate formal applications will extend the duration of the below-cost compression rates, possibly prolonging any competitive harm that may be occurring.

Lastly, it is important that SoCalGas' uncompressed rate adjustment proposal be given prompt consideration to expeditiously mitigate possible inequities to its NGV customers. If the utility's assertion is true, a delay in the review of this situation will continue the transfer of over-collections derived from the uncompressed rate to non-NGV customers. Clean Energy also requests that the AL be approved quickly in order to obtain relief from the current uncompressed rates which may be too high due to the BCAP delays preventing their revision to reflect growing NGV usage.

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[15] See D.95-11-035 at p. 453, 62 CPUC 2d. The extent that any such subsidization is or has occurred as well as the utilities' accounting of NGV revenues and recovery of NGV costs is not the subject of this resolution.

Based on the foregoing reasons, we will not require the utilities to file a formal application in order to consider their requests nor hold these matters until their next BCAPs. Instead, we will proceed with our review of the ALs.

SDG&E's and SoCalGas' proposed compression rates are adopted on an interim basis subject to further Commission review. We shall consider new compression rates in the utilities' next BCAPs.

In D.95-11-035, we instructed the utilities to update their NGV rates according to the long-term marginal costs of providing the service. In ALs 1510-G-A and 3475, the utilities estimated the current incremental cost of compression service using the embedded costs presented in their dismissed BCAPs. The use of embedded costs was an issue to be litigated in their prior BCAPs. In reply to an Energy Division data request, the utilities could not provide compression rates based on recent long-run marginal costs because such a study has not been conducted. SDG&E also responded by saying that current marginal cost ratemaking methods produce inaccurate results for pricing NGV fueling services.

Our preference is that the compression rates reflect long-term marginal costs, but we only have the utilities' embedded cost based rates before us. One way to address this situation is to order the utilities to conduct a marginal cost study and to file the results through supplemental ALs. However, this will extend the period of time the current below-cost rates remain in effect. Also, the study might not produce results that are significantly different than the rates being proposed or, as SDG&E suggests, be meaningless. The utilities offer an alternative by proposing that the rates be adopted on an interim basis until the matter can be fully litigated in their next BCAPs. While the protestants challenge SoCalGas' rate as excessive or market based, they do not specify what the rate level should be.

Although which ratemaking method to use is important, our overriding concern here is to uphold the statutory mandate to prevent unfair utility practices in the NGV fueling market, as discussed in D.95-11-035. It is significant that Clean Energy (representing a non-utility entity that PU Code section 740.3 (c) is intended to protect) claims that it is competitively disadvantaged by the current compression rates and urges approval of the ALs. While we do not have an evidentiary record to determine if Clean Energy's assertion is valid, the ALs indicate that the current compression rates are below the utilities' service costs and possibly anti-competitive, as suggested. We prefer not to let such a situation

continue. Looking at the options available to us, we find that allowing the utilities to change the rates on an interim basis to be the most consistent with our objective and, therefore, approve SDG&E AL 1510-G-A and SoCalGas AL 3475 subject to the below condition.[16]

The approved compression rates are subject to further Commission review. Any revenues collected through the compression rates in excess of the utilities' costs may be returned to NGV customers via a compression rate credit.[17] This ratepayer protection is appropriate because the rates are being approved through the less formal advice letter process. This review will be undertaken in the utilities' next BCAPs upon a showing by any interested party justifying why further scrutiny of the rates is warranted. The utilities shall maintain suitable accounting procedures of compression rate revenues and costs to facilitate any such review.

We emphasize that our approval does not represent a retreat from our position on marginal cost ratemaking nor indicate implicit approval of the embedded cost methodology, but is given in order to respond to the need for expeditious action as discussed herein. New compression and co-funded rates (if necessary) will be considered in SDG&E's and SoCalGas' next BCAPs.

SoCalGas' request to adjust its uncompressed rate based on the amortization of its CFCA and NGVA balancing accounts is approved.

SoCalGas' uncompressed rate adjustment mechanism is aimed at mitigating a perceived inequity to its NGV customers. As the utility explains, this situation has arisen because the existing uncompressed rate is based on an outdated demand forecast that is below current NGV usage. This was said to result in an uncompressed NGV rate higher than it otherwise should be. The inequity supposedly occurs because the excess revenue generated by the inflated

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[16] Our approval of the ALs should not be interpreted as confirmation of Clean Energy's claim of competitive harm.

[17] Any such credit represents a re-allocation of the utilities' compression rate revenues from non-NGV customers to its compression customers. This is because NGV revenues, including any above-cost amounts, are recorded to the NGVA with any balance amortized into the rates of non-NGV customers. Based on representations made by SoCalGas, the utilities' shareholders would not be responsible for this credit since the utilities do not profit from the proposed compression rate increase (see SoCalGas March 30, 2005 response to the AL protests, p. 2).

uncompressed rate is not credited back into the NGV customer's rate. Under existing balancing account amortization policies, the utility's other ratepayers receive the full benefit of any over-collection. To address this situation, the utility proposes that the NGV customer class receive an equal share of the CFCA and NGVA balancing account amortizations until its next BCAP.

We find SoCalGas' explanation that its NGV customers are being disadvantaged plausible. The utility has demonstrated that the over-collections generated by its NGV customers are being distributed to non-NGV ratepayers, and that NGV throughput has increased in the years since D.00-04-060 was issued, yet NGV customers do not receive any portion of the over-collection. While it could be argued that this is acceptable since non-NGV customers are being compensated for their prior NGV program support, such a policy should not be undertaken by default but only after thoughtful deliberation in the proper decision making proceeding. With this resolution, we are not adopting any overall policy decisions; we are simply trying to mitigate some of the effects of unnecessarily high rates on NGV customers due to the delay in the BCAPs. It is probable that the uncompressed rate would have been reduced to reflect increased NGV demand had SoCalGas' last BCAP been completed. NGV customers should not be penalized for these procedural delays. Finally, it appears likely that NGVA and CFCA over-collections will continue for at least the near-term, so non-NGV customers should still be gaining a benefit from the over-collections. Therefore, we find SoCalGas' proposal reasonable and approve AL 3488.

SoCalGas shall continue use of the approved uncompressed rate adjustment mechanism until further order.

The protests of Painter and Hargrave are denied.

Painter and Hargrave challenge SoCalGas' compressed rate as being excessive, arbitrary or market based. Hargrave also finds fault with the utility's notice procedures and the lack of certain amenities at the NGV public access fueling stations. SoCalGas responded to the protest by stating that the rates are based on its recorded costs of service, that its comparison of the rates to gasoline prices was only for informational purposes, and that they met the GO 96-A notice requirements.

We deny the protests of Painter and Hargrave. SoCalGas has provided a sufficient showing indicating that the proposed rates are cost based.

Furthermore, our approval of the compression rates are subject to further Commission review. We also find that SoCalGas properly observed the notice requirements in G.O. 96-A as evidenced by the fact that SoCalGas provided notice to the mailing list attached to its advice letter, posted notice at NGV stations accessible to the public, and the AL was posted in the Commission's Daily Calendar. Painter and Hargrave managed to bring their concerns before us in the form of timely protests.

On the issue of suitable equipment at SoCalGas' NGV public access fueling stations, we remind the utility that it is required under P.U. Code section 451 to furnish and maintain its facilities (including those at its NGV public access fueling stations) in a manner necessary to promote the safety, health and comfort of its patrons and the public. SoCalGas is obligated to make whatever accommodations at its NGV public access fueling stations are necessary to uphold this P.U. Code provision. The proper venue to address a P.U. Code section 451 violation is through a formal complaint.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from the date this draft resolution was mailed.

SDG&E and SoCalGas jointly filed comments on September 9, 2005. Both utilities support the draft resolution, but suggest changes to two ordering paragraphs to facilitate implementation of the approved rates. The suggested modifications are reasonable and incorporated into the resolution.

FINDINGS

1. SDG&E filed AL 1510-G seeking to increase its compression and co-funded rates on an interim basis until its next BCAP to reflect an increase in compression costs.
2. SDG&E filed AL 1510-G-A to revise the proposed rates filed in AL 1510-G and to supersede AL 1510-G in its entirety.
3. SoCalGas filed AL 3475 seeking to increase its compression rate on an interim basis until its next BCAP to reflect an increase in compression costs.
4. SoCalGas filed AL 3488 seeking to reduce its uncompressed rate by amortizing an equal share to NGV customers of the over-collection in its CFCA and NGVA balancing accounts in the uncompressed rate on an interim basis until its next BCAP.
5. SDG&E based its compression rate filed in AL 1510-G and AL 1510-G-A on recorded costs filed in A.03-09-031.
6. SoCalGas based its compression rate filed in AL 3475 on recorded costs filed in A.03-09-008.
7. Wilfred Painter Jr. filed a protest to SoCalGas AL 3475 on March 23, 2005
8. Vaughan Hargrave filed a protest to SoCalGas AL 3475 on March 24, 2005.
9. Clean Energy filed comments on SDG&E AL 1510-G and SoCalGas AL 3475 on March 24, 2005.
10. Clean Energy filed comments on SoCalGas AL 3488 on May 2, 2005.
11. SoCalGas filed reply comments to Painter and Hargrave on March 30, 2005.
12. Maintaining below-cost compression rates may competitively disadvantage non-utility entities engaged in the sale of compressed natural gas for NGV use.
13. SDG&E's and SoCalGas' current compression rates appear to be below the utilities' current costs of providing the service.
14. Clean Energy's assertion that it is facing a competitive disadvantage because of SDG&E's and SoCalGas' artificially low compression rates is not confirmed by approval of SDG&E AL 1510-G-A and SoCalGas AL 3475.
15. A departure from the usual requirements in G.O. 96-A requiring the filing of a formal application to consider SDG&E and SoCalGas' requests is appropriate and is consistent with the public interest.
16. SDG&E's proposed compression rate and co-funded rate filed in AL 1510-G-A are not based on the utility's long-run marginal cost of providing that service

17. SoCalGas' proposed compression rate filed in AL 3475 is not based on the utility's long-run marginal cost of providing that service.
18. The Commission should consider new NGV compression and uncompressed rates in the next SoCalGas/SDG&E BCAP.
19. Adjusting SoCalGas' uncompressed rate using an equal share of the amortization of its CFCA and NVGA balancing accounts is reasonable to respond to delays in updating the current rate through the utility's BCAP.
20. A contributing factor to the over-collection in SoCalGas' CFCA and NGVA balancing accounts is that the current uncompressed NGV rate is based on a demand forecast that does not reflect increased NGV usage.
21. SDG&E's and SoCalGas' proposed compression rate increases are not minor in nature.
22. SoCalGas' proposal to factor in an equal share of the current amortization of its CFCA and NGVA balancing accounts results in an increase in its core and non-core transportation rates that are not minor in nature.
23. Approval of SDG&E AL 1510-G-A and SoCalGas ALs 3475 and 3488 is not necessarily an endorsement of the utilities' accounting procedures involving the treatment of NGV revenues and recovery of NGV costs.
24. It is probable that SoCalGas' uncompressed rate would be lower if based on a demand forecast reflecting an increasing trend in NGV natural gas usage, holding all other factors equal.
25. SoCalGas met the notice requirements of G.O. 96-A regarding the filing of AL 3475.

THEREFORE IT IS ORDERED THAT:

1. SDG&E AL 1510-G-A and SoCalGas AL 3475 are approved subject to further Commission review, as discussed herein. SDG&E and SoCalGas shall file supplemental advice letters within 5 days of the effective date of this resolution with the approved compression surcharges and to update the non-compression related components of the rates that the utilities are authorized by the Commission to revise monthly. The supplemental advice letters will be subject to Energy Division review and approval and shall include a requested effective date of the first day of the nearest upcoming month following the effective date of this resolution.
2. SoCalGas AL 3488 is approved. SoCalGas shall file a supplemental advice letter within 5 days of the effective date of this resolution incorporating the approved credit into the currently effective transportation rate and to update

the gas related cost component of the rate as authorized by the Commission. The compression rate approved for SoCalGas in Ordering Paragraph 1 shall be incorporated in the revised transportation rate where required. Tariff sheets that are duplicated in both SoCalGas ALs 3475 and 3488 shall be superseded and replaced by the comparable tariff sheets in the supplement to AL 3488. The supplemental advice letter will be subject to Energy Division review and approval and shall include a requested effective date of the first day of the nearest upcoming month following the effective date of this resolution.

3. SoCalGas shall adjust its uncompressed rate according to the methodology presented in AL 3488 until further order.
4. SDG&E and SoCalGas shall submit new compression rates in its next BCAP filed with the Commission reflecting current direct and fully allocated long-run marginal costs of the service being provided.
5. The protests of Painter and Hargrave are denied.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 22, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
DIAN M. GRUENEICH
JOHN A. BOHN
Commissioners