



**PRELIMINARY STATEMENT**

Sheet 1

VIII. MISCELLANEOUS ACCOUNTS

Consolidated Gas Portfolio

A. OVERVIEW

The consolidated gas portfolio, as adopted by Commission D.07-12-019, consists of all gas purchases necessary to serve the combined needs of SoCalGas and SDG&E, including gas for deliveries to core customers, company use fuel, unaccounted for gas, gas injected and withdrawn from underground storage, and noncore imbalances. A consolidated gas portfolio weighted average cost of gas (WACOG) will be calculated monthly and used to assign gas costs to the single Purchased Gas Account (PGA) balancing account. The only difference in the total gas procurement rate between SoCalGas and SDG&E will be the gross-up for franchise fees and uncollectibles (FF&U) adopted in each utility's cost of service or general rate case proceeding.

B. EFFECTIVE

This procedure becomes effective April 1, 2008 consistent with the consolidated core portfolio that was approved by Commission D.07-12-019.

C. BALANCING ACCOUNT TREATMENT

The consolidated gas portfolio results in a single PGA that will be maintained on the financial records of SoCalGas. The PGA will balance the purchased gas costs and associated revenue impacts for both SoCalGas and SDG&E core sales customers.

The cost of gas recorded to the PGA will be allocated to the regulatory balancing account using the consolidated gas portfolio WACOG. The cost of gas recorded to the PGA will also be reduced for operations-related gas costs such as company-use fuel and unaccounted for (UAF) gas as these costs are recovered through each utility's fixed cost balancing accounts.

Each utility will bill its core customers based on the monthly procurement rate established for each utility's core sales customers. The resultant billing amount for each utility will be reflected in the single PGA, net of FF&U. The procurement rate will be calculated under current Commission approved methods and will primarily consist of the consolidated gas portfolio WACOG. The monthly procurement rate will also include a component for the amortization of the PGA balance.

(Continued)

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