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June 30, 2004

Advice No. 3388-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplemental Filing: Elimination of Inactive Regulatory Accounts

Southern California Gas Company (SoCalGas) hereby submits for filing with the California Public Utilities Commission (Commission) revisions to its Preliminary Statement, Part VI, Regulatory Accounts - Memorandum, and Part VII, Regulatory Accounts – Tracking, to eliminate accounts that are no longer active. These tariff revisions are shown on Attachment B.

Purpose

This supplemental filing replaces in its entirety SoCalGas Advice No. 3388, filed June 24, 2004, and corrects the inadvertent elimination of the Research Development and Demonstration Expense Account (RDDEA), from Preliminary Statement, Part VI, Regulatory Accounts – Memorandum.

This filing is being made to eliminate inactive regulatory accounts from SoCalGas' Preliminary Statement. These regulatory accounts no longer have current activity other than interest and are not anticipated to record any future activity or adjustments. These regulatory accounts for the most part have minimal residual balances that will be transferred to other regulatory accounts. Additionally, a section is provided to explain the disposition of the residual balance related to the Pre-PBR Program Cycle that is recorded in the Research, Development and Demonstration Expense Account (RDDEA).

Background

The disposition of regulatory accounts is normally addressed in SoCalGas' Biennial Cost Allocation Proceeding (BCAP); however, with the Commission's decision on May 27, 2004 to dismiss SoCalGas and SDG&E's BCAP applications without prejudice, removal of these inactive regulatory accounts from SoCalGas' Preliminary Statement would likely not be made until 2006 at the earliest.

Proposed Regulatory Accounts to be Eliminated

In order to “clean-up” SoCalGas’ Preliminary Statement for regulatory accounts that are inactive and avoid customer confusion regarding these regulatory account mechanisms, SoCalGas proposes that the following regulatory accounts be eliminated and the disposition of any residual balances, if any, be handled as described below.

Revisions to Preliminary Statement, Part VI, Regulatory Accounts – Memorandum:

- **INTERCONNECT CHARGE MEMORANDUM ACCOUNT (ICMA)**
In Advice Letter 2960, SoCalGas requested that the Commission approve the discontinuance of the authorized ICMA charge effective October 1, 2000 and that any remaining balance in the account be addressed in the Company’s next BCAP. However, by Advice Letter 3081 filed with the Commission on November 20, 2001, SoCalGas requested authority to directly refund to affected customers utilizing the Wheeler Ridge Interconnect facilities an overcollection in the ICMA of approximately \$562,000. The Commission approved this request with an effective date of December 30, 2001. SoCalGas completed the direct refund of the ICMA overcollection in February 2002; accordingly, SoCalGas proposes that the ICMA be eliminated.
- **NONCORE COST REVENUE MEMORANDUM ACCOUNT (NCRMA)**
The NCRMA was established by the Global Settlement (D.94-07-064) to record the difference between authorized and recorded noncore revenue over the Global Settlement period ending July 31, 1999. The account is no longer necessary after the expiration of the Global Settlement since balances were only recorded for ratemaking purposes in the event noncore revenues exceeded a threshold amount during the term of the Global Settlement. The NCRMA has a very small residual balance of approximately \$300 that only accumulates interest each month. SoCalGas proposes to transfer the residual account balance to the NFCA and eliminate the NCRMA.
- **EARTHQUAKE VALVE INSPECTION MEMORANDUM ACCOUNT (EVIMA)**
The EVIMA is intended to record costs related to the inspection of earthquake valves in compliance with D.00-06-038. However, in D.01-11-068 the Commission denied SoCalGas’ request for recovery of these costs. The account balance was subsequently written-off in November 2001. Accordingly, SoCalGas proposes that this account be eliminated.

Revisions to Preliminary Statement, Part VII, Regulatory Accounts – Tracking:

- **PITAS POINT FRANCHISE & UNCOLLECTABLES ACCOUNT (PPF&UA)**
The PPF&UA was established to track the difference between recorded and authorized franchise fee expenses resulting from the purchase and sale of Pitas Point gas. The PPF&UA has been completely amortized in rates in prior years and SoCalGas does not anticipate any further activity to be recorded in this account. SoCalGas proposes that this account be eliminated.
- **ZONE RATE CREDIT LIMITATION TRACKING ACCOUNT (ZRCLMA)**
The ZRCLTA was established to record the difference between the zone rate credits authorized in rates and the actual zone rate credits provided to customers

transporting through Wheeler Ridge. The ZRCLTA is fully amortized except for a minor residual balance of approximately \$800 that collects only interest each month. SoCalGas proposes to transfer the residual balance to the NFCA and to eliminate the ZRCLTA.

- **CEMA DOUBLE REFUND TRACKING ACCOUNT (CEMA-DRTA)**
The CEMA-DRTA was established pursuant to Decision 98-12-051 to recover the double refunding of the insurance proceeds related to the Northridge earthquake. This “double refunding” resulted from SoCalGas initially recording the insurance proceeds as a reduction in ratebase pursuant to D.97-07-054 thereby refunding the insurance proceeds over the depreciable life of utility plant assets. The Commission, however, approved the refund through the CEMA in D.97-06-064 which refunds the insurance proceeds over a shorter period. SoCalGas has fully recovered this shortfall. SoCalGas proposes that this account be eliminated.

Treatment of Pre-PBR Program Cycle recorded in the Research, Development and Demonstration Expense Account (RDDEA)

The RDDEA tracks the difference between authorized costs in rates and actual costs associated with research, development, and demonstration programs. SoCalGas maintains the RDDEA by program cycle which coincides with its Cost of Service/Performance Based Ratemaking (PBR) cycles. The balance related to the pre-PBR cycle (January 1, 1994 through July 31, 1997) has been fully amortized as of December 31, 2002, except for a residual balance of approximately \$2,600. SoCalGas proposes to transfer 89% of the balance to the Core Fixed Cost Account (CFCA) and the remaining 11% to the Noncore Fixed Cost Account (NFCA), consistent with its current BCAP and eliminate the tracking of the pre-PBR RDD program cycle.

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Energy Division - IMC Branch
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of both Jerry Royer (jjr@cpuc.ca.gov) and Honesto Gatchalian (jnj@cpuc.ca.gov) of the Energy Division. A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

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Effective Date

SoCalGas respectfully requests that this advice letter be approved on August 9, 2004, which is not less than forty (40) days regular statutory notice.

Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to the parties listed on Attachment A to this advice letter, which includes the parties on the service list in A.03-09-008.

J. STEVE RAHON
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Attachments

ATTACHMENT A
Advice No. 3388-A

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 3388-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 38003-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 1	Revised 37758-G*
Revised 38004-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 5	Revised 34282-G
Revised 38005-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 6	Revised 37983-G Revised 34285-G, 34286- G
Revised 38006-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 7	Revised 37984-G Revised 34286-G
Revised 38007-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 8	Revised 37985-G Revised 34683-G
Revised 38008-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 9	Revised 37986-G Revised 34684-G
Revised 38009-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 10	Revised 37987-G Revised 34289-G
Revised 38010-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 11	Revised 37759-G Revised 37988-G
Revised 38011-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 12	Revised 37760-G Revised 37989-G
Revised 38012-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 13	Revised 37762-G Revised 37763-G, 37990- G
Revised 38013-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 14	Revised 37763-G Revised 37764-G, 37991- G
Revised 38014-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 15	Revised 37764-G Revised 37765-G, 37992- G
Revised 38015-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 16	Revised 37765-G Revised 37766-G, 37993- G
Revised 38016-G	PRELIMINARY STATEMENT, PART VI, DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM, Sheet 17	Revised 37766-G Revised 37994-G, 37158- G
Revised 38017-G	PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING, Sheet 1	Revised 37995-G Revised 36022-G, 34373- G
Revised 38018-G	PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	Revised 37996-G Revised 34373-G, 34374-

ATTACHMENT B
Advice No. 3388-A

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 38019-G	ACCOUNTS - TRACKING, Sheet 2 PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	G Revised 37997-G Revised 34374-G, 34375-G
Revised 38020-G	ACCOUNTS - TRACKING, Sheet 3 PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	Revised 37998-G Revised 34375-G, 34376-G
Revised 38021-G	ACCOUNTS - TRACKING, Sheet 4 PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	Revised 37999-G Revised 34377-G, 34378-G
Revised 38022-G	ACCOUNTS - TRACKING, Sheet 5 PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	Revised 38000-G Revised 34379-G
Revised 38023-G	ACCOUNTS - TRACKING, Sheet 6 PRELIMINARY STATEMENT, PART VII, DESCRIPTION OF REGULATORY	Revised 38001-G Original 36023-G
Revised 38024-G	ACCOUNTS - TRACKING, Sheet 7 TABLE OF CONTENTS	Revised 37977-G

PRELIMINARY STATEMENT

Sheet 1

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

- Conservation Expense Account (CEA)
- PCB Expense Account (PCBEA)
- Research Development and Demonstration Expense Account (RDDEA)
- Curtailed Violation Penalty Account (CVPA)
- Economic Practicality Shortfall Memorandum Account (EPSMA)
- Catastrophic Event Memorandum Account (CEMA)
- Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
- Interstate Capacity Step Down Account (ICSDA)
- Vernon Rate Savings Memorandum Account (VRSMA)
- Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
- Earthquake Valve Installation Service Memorandum Account (EVISMA)
- Research Royalty Memorandum Account (RRMA)
- NGV Research Development & Demonstration Memorandum Account (RDDNGV)
- Intervenor Award Memorandum Account (IAMA)
- Z Factor Account (ZFA)
- Tax Interest Account (TIA)
- Energy Efficiency/DSM Memorandum Account (EEDSMMA)
- Wheeler Ridge Firm Access Charge Memorandum Account (WRFACMA)
- Gas Industry Restructuring Memorandum Account (GIRMA)
- Self-Generation Program Memorandum Account (SGPMA)
- Baseline Memorandum Account (BMA)
- Blythe Operational Flow Requirement Memorandum Account (BOFRMA)
- Annual Earnings Assessment Proceeding Memorandum Account (AEAPMA)
- Cost of Service Revenue Requirement Memorandum Account (COSRRMA)
- El Paso Settlement Proceeds Memorandum Account (EPSPMA)

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C. DESCRIPTION OF ACCOUNTS

CONSERVATION EXPENSE ACCOUNT (CEA)

The CEA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between authorized costs in rates, and actual demand-side management program costs. This account covers regular and low income demand-side management programs.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3388-A
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jun 30, 2004
 EFFECTIVE Aug 9, 2004
 RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 6

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

INTERSTATE CAPACITY STEP-DOWN ACCOUNT (ICSDA)

The ICSDA account was established pursuant to D.95-12-037. The purpose of this account is to track all costs and cost savings and any cost surcharges associated with the relinquishment by SoCalGas of 300 MMcf/d on El Paso's system January 1, 1996 and its relinquishment of 450 MMcf/d (457 MMDth/d) on Transwestern's system November 1, 1996. The ICSDA is an interest bearing account and is not recorded on the Utility's financial statements.

- a. Starting in January of 1996 and each month thereafter, the Utility will record to the ICSDA any cost savings associated with relinquishment of firm interstate transportation on El Paso based on the following calculation:

The capacity on El Paso prior to January 1, 1996 of 1,450 MMcf/d times the rate effective on December 31, 1995 minus the capacity at 1,150 MMcf/d multiplied by the current rate. Any adjustment to rates from January 1, 1996, resulting from a decision by the FERC in El Paso's General Rate Case, RP95-363-000, will be recorded to the ICSDA.

- b. Pending a decision by the FERC in El Paso's General Rate Case, RP95-363-000, the Utility will record to the ICSDA any cost surcharges associated with relinquishment of firm interstate transportation on El Paso separate from the base rate.
- c. Starting in November of 1996 and each month thereafter, the Utility will record to the ICSDA any cost savings associated with relinquishment of firm interstate transportation on Transwestern based on the following calculation:

The capacity on Transwestern prior to November 1, 1996 of 750 MMcf/d (763 MMDth/d) times the rate effective on October 31, 1996 minus the capacity at 300 MMcf/d (306 MMDth/d) multiplied by the current rate.

- d. Starting in November of 1996, the Utility will record to the ICSDA any cost surcharges associated with relinquishment of firm interstate transportation on Transwestern separate from the base rate, pursuant to the Transwestern Settlement and Agreement Filing, RP95-271.
- e. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3388-A
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

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PRELIMINARY STATEMENT

Sheet 7

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

VERNON RATE SAVINGS MEMORANDUM ACCOUNT (VRSMA)

The VRSMA was established pursuant to the SoCalGas-Vernon Stipulation and Settlement Agreement approved in D. 96-09-104. The purpose of this account is to track the core rate savings resulting from the Agreement. The initial balance of the VRSMA will be established at \$2.5 million, which is the fixed amount of rate savings afforded to these customers. The VRSMA is a non-interest bearing account and is not recorded on the Utility's financial statements.

- a. The core rate savings shall be computed by (1) taking the difference between the applicable GN-10 and GT-10 "V" Tier II tariff rate and the GN-10 and GT-10 Tier II tariff rate applicable for customers not located in Vernon, and (2) multiplying the result by the applicable GN-10 and GT-10 "V" Tier 2 volumes used by customers in Vernon. The core rate savings will be computed on a monthly basis and will be a reduction to the \$2.5 million balance in the VRSMA.
- b. A corresponding credit adjustment will be made to the CFCA (see Preliminary Statement, Part V, C) for the core rate savings tracked in the VRSMA to ensure that revenue shortfalls are not reallocated to the Utility's core customers. In no event shall the cumulative adjustments made to the CFCA exceed \$2.5 million.

VERNON NEGOTIATED CORE CONTRACT MEMORANDUM ACCOUNT (VNCCMA)

The VNCCMA was established pursuant to the SoCalGas-Vernon Stipulation and Settlement Agreement approved in D. 96-09-104. Pursuant to the Agreement, the Utility shall be at risk for any core negotiated contracts with customers in the City of Vernon. Any revenue shortfall resulting from the new Vernon GN-10 or GT-10 rates and the negotiated contract rate will not be applied against the \$2.5 million balance in the VRSMA. Utility shall record monthly the net difference between the revenue the Utility receives from the G-10/G-20 customers in Vernon that are served under a negotiated contract and the revenue the Utility would have received at the otherwise applicable tariff rates in Vernon. A corresponding adjustment shall be made to the CFCA (see Preliminary Statement, Part V, C) so that Utility's core customers are not affected by the negotiated core contracts with customers in Vernon.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

EARTHQUAKE VALVE INSTALLATION SERVICE MEMORANDUM ACCOUNT (EVISMA)

The EVISMA is a memorandum account recorded on SoCalGas' financial statements. Pursuant to D.96-09-044, EVISMA was established to track all costs and revenues associated with implementing the Earthquake Valve Installation Service Program. The Earthquake Valve Installation Service Program is entirely funded by SoCalGas' shareholders.

The SoCalGas maintains the EVISMA by making monthly entries as follows: a) debits for actual costs associated with program, and b) credits for all revenues collected from customers in the program.

RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA)

The RRMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. D.93-12-043 (TY94 GRC) authorized SoCalGas to establish this account to track actual revenues from ratepayer-funded research programs. D.97-07-054 (PBR) added the following revenue sharing program: a) ratepayers get 100% of revenues from projects underway or completed prior to 1/1/98, and b) ratepayers and shareholders equally split the revenues from projects that start after 1/1/98.

SoCalGas maintains this account by making monthly entries as follows: a) debits for funds returned to ratepayers in rates, and b) credit entries for ratepayer's portions of actual research royalties, licensing fees, and other revenues.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission order, SoCalGas will decrease rates to return the balance plus interest to ratepayers.

NGV RD&D MEMORANDUM ACCOUNT (RDDNGV)

The RDDNGV is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track actual NGV-related research, development and demonstration (RD&D) program costs. D.93-12-043 (TY94 GRC) authorized SoCalGas to track NGV-related RD&D expenses separate from other RD&D costs; and D.95-11-035 (LEV) authorized SoCalGas to use this account for the six-year period December 21, 1995, through December 20, 2001. Resolution G-3322 authorized SoCalGas to continue the use of the account through December 31, 2002.

SoCalGas maintains this account by making monthly entries as follows: a) a debit for actual NGV-related research, development, and demonstration expenses plus interest; and b) a credit for amortization of costs that are being collected in rates, if any.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

NGV RD&D MEMORANDUM ACCOUNT (RDDNGV) (Continued)

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase rates to recover the balance. However, since program spending in 2002 is limited to the amount authorized by Resolution G-3322 and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

INTERVENOR AWARD MEMORANDUM ACCOUNT (IAMA)

The IAMA is a memorandum account, the balance of which is recorded on the Utility's financial statements. The purpose of the IAMA is to track intervenor compensation payments authorized by the Commission. The balance in the IAMA will be addressed in the Utility's Biennial Cost Allocation Proceeding (BCAP).

Each month the Utility will debit the IAMA an amount equal to the intervenor compensation payments authorized by the Commission and recorded during the month.

Z FACTOR ACCOUNT (ZFA)

The ZFA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track costs associated with events that are potential "Z Factors." Z Factors are exogenous and unforeseen events largely beyond SoCalGas' control that have a material impact on SoCalGas' costs. D.97-07-054 (PBR), Conclusion of Law 16, authorized SoCalGas to establish the ZFA to allow Z Factor costs to be handled outside the PBR mechanism. Examples of Z Factors include, but are not limited to, accounting rule changes, new government mandates, and tax law changes. For more detail on Z Factors, see Preliminary Statement Part XI, section E.

SoCalGas maintains the ZFA by adding sub-accounts, and making appropriate accounting entries to each sub-account. When a potential Z Factor event occurs, SoCalGas will promptly advise the Commission of its occurrence, and add a new sub-account to the ZFA. Once the sub-account is established, SoCalGas maintains the sub-account(s) by making monthly entries as follows: debits for actual Z Factor costs related to the corresponding event; and credits for the amortization of prior sub-account balances, as authorized by the Commission, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed, taking into consideration the \$5,000,000 deductible which is applicable to each qualifying Z Factor event.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

TAX INTEREST ACCOUNT (TIA)

The TIA is an interest bearing memorandum account recorded on SoCalGas' financial statements. D.93-12-043 (TY 1994 GRC), Ordering Paragraph 5, authorized SoCalGas to establish the TIA for the sole purpose of tracking costs associated with interest and penalties that may arise as a result of the Supreme Court's Indopco decision.

SoCalGas maintains this account by making monthly entries as follows: debit entries for actual interest and penalties imposed by the IRS or FTB; and credit entries for authorized costs being collected in rates, as authorized by the Commission, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed.

ENERGY EFFICIENCY/DSM MEMORANDUM ACCOUNT (EEDSMMA)

The EEDSMMA is established in accordance with Commission Resolution E-3592, dated April 1, 1999. The purpose of the EEDSMMA is to record the transfer of funds to the California Energy Commission (CEC) to conduct certain market assessment and evaluation (MA&E) studies authorized by the California Public Utilities Commission (CPUC). These studies include but are not limited to the: Commercial Building Survey, Non-Residential Remodeling and Renovation and Non-Residential Market Share Tracking Activities and Update of the Database for Energy Efficient Resources. The transfer of funds are expected to occur on or before June 30 and December 31 of each year, however, the scheduling of transfers may occur at different intervals as authorized by the CPUC.

The utility shall maintain the EEDSMMA by making entries at the end of each month as follows:

- a. A debit entry equal to the transfer of funds to the CEC in association with conducting studies authorized by the CPUC.
- b. A credit entry shall be made, if any is required, at the end of the expenditure period to reflect any unspent funds that are returned to the utility.
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries a. and b. above, calculated in the manner described in the Preliminary Statement, Part I, J.

Based on Resolution E-3592, the utility will, at the end of each year, transfer the balance in the EEDSMMA to the Conservation Expense Account (CEA).

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

b) Systems to Accommodate Imbalance Trading

The Utility will record costs associated with incremental expenditures incurred directly related to implementing new or enhanced computer systems to provide an electronic platform for customers or other persons to trade transportation imbalances, for monthly periods and for shorter periods as may be permitted by SoCalGas' tariffs in the future.

c) Systems to Accommodate Trading of Storage Contract Rights and Firm Intrastate Transmission Rights

The Utility will record costs associated with incremental expenditures incurred directly related to implementing new or enhanced computer systems to allow customers or other persons to trade existing storage contracts, or to trade storage or intrastate transmission rights as may be permitted by SoCalGas' tariffs in the future.

2. The Core and Wholesale Storage Costs Subaccount will record the following costs:

a) Systems to Accommodate Core Transport Agent (CTA) Selections of Core Storage Reservation

The Utility will record costs associated with incremental expenditures incurred directly related to implementing new or enhanced computer systems to allow CTAs to select option to accept or reject storage reservation for non-reliability, reliability, or balancing purposes.

b) Systems to Accommodate Wholesale Customers Selection of Storage Capacity

The Utility will record costs associated with incremental expenditures incurred directly related to implementing new or enhanced computer systems to all Wholesale customers to exercise an option to contract for a specific amount of storage capacity from SoCalGas for to meet reliability/balancing needs of its core load.

3. The Noncore Customer Data Costs Subaccount will record the following costs:

a) Customers Options to Access Meter Data and Internet Access to Full Automated Meter Reading (AMR)

The Utility will record costs associated with incremental expenditures incurred directly related to implementing new or enhanced computer systems to allow customers to easily access information such as but not limited to consumption data, and direct access to AMR data.

4. The Customer Education Program Subaccount will record the following costs:

a) The Utility will record costs associated with incremental expenditures incurred directly related to customer service, Energy Service Providers (ESPs) services, and employee training.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (Continued)

SoCalGas shall maintain the GIRMA by making entries at the end of each month as follows:

- a. Debit entries for actual costs incurred by SoCalGas associated with the incremental expenditures described in the subaccounts above.
- b. Credit entries for revenues from rates to recover such cost as authorized by the Commission. Per D.01-12-018, revenues include pooling service fees, imbalance fees, net revenues from the sale or purchase of gas beyond tolerances provided under balancing rules, or portion of rights trading fees SoCalGas is entitled to retain under agreements with third-party providers of trading platforms.
- c. A debit entry equal to the incremental capital-related expenses incurred by SoCalGas associated with this program, such as depreciation, return on investment and related taxes.
- d. A debit entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The activity tracked in this account will be an exclusion in determining sharable earnings under SoCalGas' PBR sharing mechanism.

SELF-GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA)

The SGPMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the SGPMA is to record the incremental costs associated with SoCalGas' Self-Generation Program (SGP) as outlined in Commission Decision (D.) 02-02-026, dated February 7, 2002; D.01-09-012, dated September 6, 2001, D.01-07-028, dated July 12, 2001, and D.01-03-073, dated March 27, 2001. Self-generation, as defined in D.01-03-073, refers to distributed generation technologies, such as microturbines, small gas turbines, wind turbines, photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or cogeneration). Self-generation units, with a 1.5 MW maximum system size limit, are installed on the customer's side of the utility meter and provide electricity for all or a portion of that customer's electric load.

The SGPMA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission. Amounts in the SGPMA will be included in transportation rates annually.

SoCalGas shall maintain the SGPMA by making entries at the end of each month as follows:

- a. A debit entry equal to the incremental O&M costs incurred by SoCalGas associated with this program, such as the costs of marketing, contract administration, regulatory reporting, program evaluation, and customer's incentives.

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PRELIMINARY STATEMENT

Sheet 16

PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

ANNUAL EARNINGS ASSESSMENT PROCEEDING MEMORANDUM ACCOUNT (AEAPMA)

The AEAPMA is an interest bearing memorandum account that is recorded on SoCalGas' financial statements. Pursuant to Decision 03-08-028, the AEAPMA is established to track SoCalGas' earnings claims for Low Income Energy Efficiency (LIEE) Program Years (PY) 1999 through 2001 until the Energy Division verifies installations for PY2000 and expenditure data for PY1999, PY2000 and PY2001.

Utility shall maintain the AEAPMA by making entries at the end of each month as follows:

- a. A debit entry equal to the SoCalGas' earnings claims pending Commission verification of program expenditures and program participation.
- b. A credit entry equal to one-twelfth of the authorized revenue to amortize the account balance in rates upon Commission approval.
- c. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

COST OF SERVICE REVENUE REQUIREMENT MEMORANDUM ACCOUNT (COSRRMA)

The COSRRMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. Pursuant to Decision 03-12-057, the purpose of this account is to record the shortfall or overcollection resulting from the difference between authorized base margin revenues recovered under currently authorized rates and the final revenue requirement adopted by the Commission in Application (A.) 02-12-027. The entries recorded to the account shall reflect the shortfall or overcollection of revenues effective from January 1, 2004 until the effective date of rates established in A.02-12-027.

Utility shall maintain the COSRRMA by making the following entries:

- a. A debit entry equal to the pro rata allocation of SoCalGas' annual base margin revenue requirement adopted in A.02-12-027 for the period January 1, 2004 until the effective date of rates adopted in A.02-12-027. This entry will be recorded once the decision is approved.
- b. A credit entry equal to the pro rata allocation of SoCalGas' currently authorized annual base margin revenue requirement for each month beginning January 1, 2004 until the effective date of rates adopted in A.02-12-027. This entry will be recorded once the decision is approved.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

COST OF SERVICE REVENUE REQUIREMENT MEMORANDUM ACCOUNT (COSRRMA)
 (Continued)

- c. On a monthly basis, an entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The disposition of the COSRRMA balance shall be addressed in a subsequent phase of SoCalGas' COS proceeding (A.02-12-027) or in a proceeding determined by the Commission.

EL PASO SETTLEMENT PROCEEDS MEMORANDUM ACCOUNT (EPSPMA)

The EPSPMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. The purpose of this account is to track the El Paso Settlement proceeds allocable to core aggregation customers pursuant to CPUC Decision 03-10-087. The EPSPMA will be effective upon receipt of the first settlement proceeds from El Paso Natural Gas Company (El Paso).

Utility shall maintain the EPSPMA by making entries at the end of each month as follows:

- a. A credit entry equal to the net present value of the El Paso Settlement proceeds allocable to core aggregation customers. The allocation of the proceeds shall be based on the percentage of gas transported by core aggregation customers to the total core throughput during the preceding 12-month period prior to the time the Utility first receives the settlement proceeds.
- b. A debit entry equal to the El Paso Settlement proceeds refunded in core aggregation transportation rates.
- c. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The disposition of the EPSPMA balance shall be determined in SoCalGas' Biennial Cost Allocation Proceeding (BCAP) or its next annual regulatory account balance update filing.

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PRELIMINARY STATEMENT

Sheet 1

PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

A. GENERAL

Tracking accounts reconcile the difference between Commission-authorized forecasted costs and SoCalGas' recorded costs. Balances in the tracking accounts shall be reconciled in revenue requirement in SoCalGas' next BCAP or other appropriate rate proceeding.

B. LISTING OF TRACKING ACCOUNTS

- Other Hazardous Substance Tracking Account (OHSTA)
- Noncore Fixed Cost Tracking Account (NFCTA)
- PITCO/POPCO Transition Cost Tracking Account (PPTCTA)
- Noncore Interstate Transition Cost Surcharge Account (NITCSA)
- Core Interstate Transition Cost Surcharge Account (CITCSA)
- Vernon Revenue Tracking Account (VRTA)
- Affiliate Transfer Fee Account (ATFA)
- Montebello True-Up Tracking Account (MTTA)
- Aliso/Goleta Tracking Account (AGTA)

C. DESCRIPTION OF TRACKING ACCOUNTS

OTHER HAZARDOUS SUBSTANCE TRACKING ACCOUNT (OHSTA)

The OHSTA is an interest bearing tracking account which tracks hazardous substance clean-up, third party litigation, and insurance litigation costs relating to sites not included within one of the three defined categories as set forth in D. 94-05-020 (collectively "other hazardous substance costs"). The Company has the option of including the other hazardous substance costs within the new hazardous substance mechanism or the Company may seek full recovery of the other hazardous substance costs through the general rate case, by application, or by any other procedure approved by the Commission.

Effective June 3, 1994, the following entries will be recorded to the OHSTA at the end of each month:

- a. A debit entry equal to the other hazardous substance costs incurred associated with other hazardous substance sites. The costs for each site will be recorded separately.
- b. A credit entry equal to the hazardous substance costs transferred to the hazardous substance cost recovery account (HSCRA) when the Company elects to use the new hazardous substance mechanism upon approval of an advice letter by the Commission.
- c. A credit entry equal to the amount approved by the Commission for recovery from ratepayers when the Company elects to seek full recovery through a process other than the new hazardous substance mechanism.
- d. An entry equal to the interest on the average of the account balance during the month calculated in the manner described in Preliminary Statement, Part I, J.

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PRELIMINARY STATEMENT

Sheet 2

PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

(Continued)

C. DESCRIPTION OF TRACKING ACCOUNTS (Continued)

NONCORE FIXED COST TRACKING ACCOUNT (NFCTA)

The NFCTA is a tracking account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between authorized costs in rates, and the noncore portion of actual carrying costs of gas in storage, take-or-pay costs, and minimum purchase obligation costs. D.94-07-064 (Global Settlement) authorized SoCalGas to use this account.

SoCalGas maintains this account by making monthly entries as follows: a) debits for the noncore portion of actual carrying costs of gas in storage, take-or-pay costs, and minimum purchase obligation costs; and b) a credit for authorized costs being collected in rates. SoCalGas also makes entries to amortize previous balances, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase noncore rates to recover the balance; however, if there is a balance due to ratepayers, SoCalGas will decrease noncore rates to return the balance.

PITCO/POPCO TRANSITION COST TRACKING ACCOUNT (PPTCTA)

The PPTCTA is an interest bearing tracking account, effective January 1, 1994 through December 31, 1998, pursuant to D. 94-07-064, which tracks the ratepayer's portion of the buyout and/or buydown costs of the commercial settlements related to PITCO and POPCO excess gas costs. Pursuant to D. 94-08-010, the interest rate charged on debt for the PPTCTA will be effectuated through a combination of short and intermediate term financing instruments which will cause the underlying interest cost to be variable during the period of outstanding debt.

Effective January 1, 1994 through December 31, 1998, the following entries will be recorded in the PPTCTA at the end of each month:

- a. A credit entry equal to one twelfth (1/12) of the annual revenue requirement for amortization of these costs included in the effective rates.
- b. A debit entry equal to the ratepayers' share of any PITCO or POPCO transition or excess gas cost incurred during the month.
- c. A debit entry equal to the actual interest on the average of the balance in the account during the month as determined by the financing methodology approved in D. 94-08-010. The corresponding interest rate for each month will be submitted to the Commission for informational purposes by no later than the fifth day of the following month.

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PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

(Continued)

C. DESCRIPTION OF TRACKING ACCOUNTS (Continued)

NONCORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT (NITCSA)

The NITCSA is a tracking account. The purpose of the NITCSA is to track the difference between SoCalGas' obligations for interstate pipeline capacity allocated to noncore customers and revenues received by SoCalGas, including credits for payments made directly to the interstate pipelines by SoCalGas' customers for interstate capacity pursuant to the Utility's cost allocation proceeding.

The NITCSA consists of three subaccounts. The subaccounts are:

- a. The Core Subscription Interstate Capacity Cost Subaccount which tracks the difference between SoCalGas' obligation for interstate pipeline capacity reserved to provide SoCalGas' core subscription service along with reservation charges paid by core subscription customers and any revenues paid to SoCalGas as a result of brokering of such capacity.
- b. The Remaining Interstate Capacity Cost Subaccount which tracks the difference between SoCalGas' obligation for pipeline demand charges for SoCalGas' interstate capacity net of the cost of the demand charges for SoCalGas' capacity reserved to provide core and core subscription service and any related revenues paid to SoCalGas as a result of brokering such capacity.
- c. The Relinquished Capacity Cost Subaccount which tracks the interstate pipeline capacity costs and revenues that have and will be received under the revenue crediting mechanism in the El Paso Settlement that were reallocated solely to noncore customers pursuant to D.99-11-021.

SoCalGas maintains each subaccount of the NITCSA by making entries at the end of each month as follows:

- a. A debit entry equal to the recorded cost, including any other SoCalGas obligations, for interstate pipeline demand charges.
- b. A credit entry equal to any revenue paid directly to SoCalGas, including any credits against SoCalGas' obligations, for interstate pipeline demand charges resulting from brokering interstate pipeline capacity.
- c. A credit entry for the noncore's portion of revenues that SoCalGas receives under the crediting mechanism in the El Paso Settlement pursuant to D.99-11-021 (applicable to the Relinquished Capacity Cost Subaccount only).
- d. A credit entry equal to the reservation charge revenues collected for the core subscription service (applicable to that subaccount only).

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PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

(Continued)

C. DESCRIPTION OF TRACKING ACCOUNTS (Continued)

NONCORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT (NITCSA) (Continued)

- e. A credit entry equal to the forecasted Interstate Transition Cost Surcharge (ITCS) cost applicable to the remaining interstate capacity cost subaccount.
- f. An entry equal to the interest on the average balance in the account during the month calculated in the manner described in Preliminary Statement, Part I, J.

Note: Revenues paid directly to SoCalGas for brokered interstate pipeline capacity and credits for payments made to the interstate pipeline by SoCalGas' customers will be allocated to the CITCSA and the subaccounts described above based upon the costs associated with interstate pipeline capacity available for brokering during the month for each classification and the cost of total brokered capacity for the month.

CORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT (CITCSA)

The CITCSA is a tracking account. The purpose of the CITCSA is track the difference between SoCalGas' obligation for pipeline demand charges allocated to core for SoCalGas' interstate capacity net of the cost of the demand charges for SoCalGas' capacity reserved to provide core service and any related revenues paid to SoCalGas as a result of brokering such capacity.

SoCalGas maintains the CITCSA by making entries at the end of each month as follows:

- a. A debit entry equal to the recorded cost, including any other SoCalGas obligations, for interstate pipeline demand charges.
- b. A credit entry equal to any revenue paid directly to SoCalGas, including any credits against SoCalGas' obligations, for interstate pipeline demand charges resulting from brokering interstate pipeline capacity.
- c. An entry equal to the interest on the average balance in the account during the month calculated in the manner described in Preliminary Statement, Part I, J.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3388-A
 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jun 30, 2004
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 RESOLUTION NO. _____

PRELIMINARY STATEMENT

Sheet 6

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PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

(Continued)

C. DESCRIPTION OF TRACKING ACCOUNTS (Continued)

MONTEBELLO TRUE-UP TRACKING ACCOUNT (MTTA)

The MTTA is an interest bearing tracking account effective June 28, 2001 recorded on SoCalGas' financial statements pursuant to D.01-06-081. The purpose of the MTTA is to track the difference between the ratepayers' estimated \$30 million net gain associated with the sale of cushion gas, depreciable assets, and real property at the West Montebello storage field refunded in rates and the actual recorded net after-tax gain realized. The net after-tax gain recorded will be based on the calculation methodology shown in Appendix A to the Amended Settlement approved by D.01-06-081. In addition, the MTTA shall be credited for any revenues from the sale of oil produced in association with the recovery of cushion gas on and after the establishment of the account. This credit shall include revenues only from the production of oil under rights owned by SoCalGas at the time oil is produced.

SoCalGas maintains the MTTA by making entries to the account at the end of each month, as follows:

- a. A debit entry equal to one-twelfth of the ratepayers' authorized \$30 million forecasted net gain on the sale of cushion gas, depreciable assets, and real property at the West Montebello storage field.
- b. A credit entry equal to the ratepayers' share of the recorded net after-tax gain on sale to be calculated using the methodology shown in Appendix A to the Amended Settlement.
- c. A credit entry equal to the revenues from oil produced in association with the recovery of cushion gas in storage from the field on and after the establishment of the account.
- d. A debit entry equal to the maintenance and operating expenses, including depreciation and income taxes, associated with withdrawal and abandonment activities effective August 27, 2001 at the Montebello storage field.
- e. An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

(Continued)

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PRELIMINARY STATEMENT

Sheet 7

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PART VII
DESCRIPTION OF REGULATORY ACCOUNTS - TRACKING

(Continued)

C. DESCRIPTION OF TRACKING ACCOUNTS (Continued)

ALISO/GOLETA TRACKING ACCOUNT (AGTA)

The AGTA is an interest bearing tracking account recorded on SoCalGas' financial statements pursuant to D.02-11-028. The purpose of the AGTA is to track the sale of reclassified cushion gas from Aliso Canyon and La Goleta underground storage fields with related costs (including taxes) allocated to noncore customers. Any net after-tax gain from the sale of this gas will be amortized in future noncore gas transportation rates.

SoCalGas maintains the AGTA by making entries to the account at the end of each month, as follows:

- a. A debit entry equal to cost of the reclassified cushion gas, other related costs including redesign costs for drilling new wells and reworking existing wells, and applicable taxes.
- b. A credit entry equal to the revenues related to the sale of reclassified cushion gas.
- c. A debit entry equal to the amortization as authorized by the Commission.
- d. An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

(TO BE INSERTED BY UTILITY)

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Lee Schavrien
Vice President
Regulatory Affairs

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RESOLUTION NO. _____

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