



J. Steve Rahon
Director
Tariffs & Regulatory Accounts

8330 Century Park Ct.
San Diego, CA 92123-1548
Tel: 858.654.1773
Fax 858.654.1788
srahon@SempraUtilities.com

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Advice No. 3653
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of Tariff Structure for Regulatory Accounts Preliminary Statements and Elimination or Modification of Regulatory Accounts

Southern California Gas Company (SoCalGas) hereby submits for filing revisions to the tariff structure of its Preliminary Statement, Part V, Description of Regulatory Accounts – Balancing, Part VI, Description of Regulatory Accounts – Memorandum, and Part VII, Description of Regulatory Accounts – Tracking, and to eliminate or modify certain regulatory accounts. These tariff changes are shown on Attachment B.

Purpose

This filing revises SoCalGas' Preliminary Statement so that each regulatory account is a tariff in itself. The new structure will simplify the process for adding, deleting, and/or modifying regulatory accounts. This filing also proposes to: (1) eliminate regulatory accounts or portions thereof that are no longer used; (2) eliminate regulatory accounts which no longer have any current activity other than interest and are not anticipated to record any future activity or adjustments; and (3) revise regulatory accounts for other issues. For those regulatory accounts that should be eliminated that have existing balances, the balances are minimal and will either be written off or transferred to other regulatory accounts.

Background

The disposition of regulatory accounts is normally addressed in SoCalGas' Biennial Cost Allocation Proceeding (BCAP). SoCalGas' current BCAP became effective June 2000. SoCalGas did file a 2003 BCAP application but a Commission decision on May 24, 2004 dismissed the filing. In Application 04-12-004 for System Integration, Firm Access Rights, and Off-System Deliveries, SoCalGas proposes to file a new BCAP application within eight months subsequent to a Commission decision. The Commission issued Decision (D.) 06-04-033 approving SoCalGas' System Integration proposal, but the proposals for Firm Access Rights and Off-System Deliveries are still currently under review. With a decision not expected by the Commission until January 2007 at the earliest, SoCalGas does not anticipate filing its next BCAP application until the latter part of 2007. As a result, the removal and modification of regulatory accounts in SoCalGas' Preliminary Statement would likely not be made until late 2008 or 2009.

The New Preliminary Statement Regulatory Account Structure

All the individual regulatory accounts are stand alone tariff sheets.

Proposed Regulatory Accounts to be Eliminated or Modified

SoCalGas proposes to “clean-up” its Preliminary Statements for regulatory accounts or portions thereof that are inactive or no longer required. This will prevent customer confusion regarding these regulatory account mechanisms. SoCalGas proposes that the following regulatory accounts be eliminated or modified and the disposition of any remaining or residual balance, if any, be handled as described below.

Preliminary Statement, Part VI – Memorandum Accounts

- **Catastrophic Event Memorandum Account (CEMA)**
Pursuant to the mechanism authorized in Resolution E-3238, SoCalGas established a subaccount within the CEMA to track incremental costs to restore customer service as a result of damages incurred from the 1994 Northridge earthquake. As authorized in D.95-12-040 and D.97-06-064, SoCalGas recovered these incremental costs through amortization in rates. SoCalGas does not seek to modify the CEMA, but proposes to write-off the very small residual overcollected balance of \$16 within the subaccount.
- **Earthquake Valve Installation Service Memorandum Account (EVISMA)**
The EVISMA was established to track all costs and revenues associated with implementing the shareholder funded Earthquake Valve Installation Service Program in accordance with D.96-09-044. In D.01-11-068, SoCalGas was authorized to discontinue installation of the automatic earthquake shut-off gas valves¹. With no balance in the EVISMA, SoCalGas proposes that the EVISMA be eliminated.
- **Interstate Capacity Step-Down Account (ICSDA)**
Pursuant to D.95-12-037, the ICSDA was established to track all costs including cost savings and any cost surcharges associated with the relinquishment by SoCalGas of 300 MMcf/d on El Paso’s system effective January 1, 1996, and its relinquishment of 450 MMcf/d on Transwestern’s system effective November 1, 1996. In D.97-04-082, the Commission determined the allocation of the benefit of these pipeline capacity relinquishments between core and noncore customers. With the ICSDA no longer required and containing no balance, SoCalGas proposes that the ICSDA be eliminated.
- **Tax Interest Account (TIA)**
Pursuant to D.93-12-043, the TIA was established for the sole purpose of tracking costs associated with interest and penalties that may have arisen as a result of the Supreme Court’s Indopco decision. At the time, SoCalGas believed significant uncertainty with its tax liability was created as the Indopco decision raised concerns in the treatment of costs, specifically as to whether such costs should be treated as capitalized costs and depreciated over time or deducted for tax purposes as a current year’s expense. However, the Internal Revenue Service completed audits of SoCalGas through tax year 2001 without assessing any penalties related to this decision and accordingly no costs were charged to the TIA. Since SoCalGas does not expect to incur any future liability due to this decision, SoCalGas proposes that the TIA be eliminated.

¹ In AL 3120 dated February 13, 2002, SoCalGas revised its Tariff Rule No. 10 to remove the discontinued installation service. AL 3120 was approved on March 8, 2002.

- Annual Earning Assessment Proceeding Memorandum Account (AEAPMA)
Pursuant to D.03-08-028, the AEAPMA was established to track SoCalGas' earnings claims for Low-Income Energy Efficiency (LIEE) Program Years (PY) 1999 through 2001 until the Energy Division verified installations for PY 2000 and expenditure data for all three years. In D.05-10-041, the Commission adopted a settlement agreement resolving various LIEE and energy efficiency program claims including those tracked in the AEAPMA. With the balance in the AEAPMA written-off in accordance with the settlement agreement, SoCalGas proposes that the AEAPMA be eliminated.
- Energy Efficiency Demand Side Management Memorandum Account (EEDSMMA)
In accordance with Resolution E-3592, the EEDSMMA was established to record the transfer of funds to the California Energy Commission (CEC) to conduct certain market assessment and evaluation (MA&E) studies for the years 1999 and 2000. SoCalGas provided additional funds to the CEC for further MA&E studies in 2000 and 2001², and subsequent to this funding, the balance in the EEDSMMA was transferred to the Conservation Expense Account in accordance with Resolution E-3592. With no balance in the EEDSMMA, SoCalGas proposes that the EEDSMMA be eliminated.

Preliminary Statement, Part VII - Tracking Accounts

- Aliso / Goleta Tracking Account (AGTA)
Pursuant to D.02-11-028, the AGTA was established to track the sale of reclassified cushion gas from the Aliso Canyon and La Goleta underground storage fields with related costs allocated to noncore customers with any after-tax net gain to be amortized in noncore transportation rates in subsequent years. As all revenues and related costs have been recorded in the AGTA and the majority of the balance amortized except for a minor residual overcollected balance of \$53,648 as of June 30, 2006, SoCalGas proposes that the balance be transferred to the Noncore Fixed Cost Account (NFCA) and the AGTA be eliminated.³
- Noncore Fixed Cost Tracking Account (NFCTA)
Pursuant to the Global Settlement D.94-07-064, the NFCTA was established to track the difference between authorized costs in rates and the noncore portion of actual carrying costs of gas in storage, take-or-pay (TOP) costs, and minimum purchase obligation (MPO) costs. As SoCalGas no longer has TOP or MPO costs, SoCalGas proposes to revise its Preliminary Statement to eliminate the tracking of these costs. The NFCTA has a very small residual balance of \$1 related to MPO costs which SoCalGas proposes to write-off. The NFCTA will continue to track the ongoing activity related to the carrying cost of gas in storage.
- PITCO / POPCO Transition Cost Tracking Account (PPTCTA)
The PPTCTA was established to track the ratepayer portion of the buyout and/or buydown costs of commercial settlements related to the PITCO and POPCO excess gas costs for the period of January 1, 1994 through December 31, 1998 pursuant to D.94-07-064. With the expiration of the five-year period, SoCalGas no longer anticipates incurring any PITCO and POPCO excess gas costs in future years. As a result, SoCalGas

² AL 2908 dated April 4, 2000 was approved on May 25, 2000, and AL 3094 dated December 19, 2001 was approved on January 23, 2002.

³ The AGTA and NFCA are both allocated to noncore customer classes (excluding EOR) on an equal cents per therm (ECPT) basis.

proposes that the PPTCTA be eliminated and that the remaining overcollected balance of \$194,562 as of June 30, 2006 be transferred to the Core Fixed Cost Account (CFCA) and NFCA.⁴

Although SoCalGas does not expect any future adjustments of PITCO and POPCO excess gas costs for the period of January 1, 1994 through December 31, 1998, should such adjustments occur in the future, SoCalGas proposes to allocate these adjustments between ratepayers and shareholders in accordance with the Global Settlement cost sharing mechanism.⁵ The ratepayer portion would be recorded in the CFCA and NFCA in the same manner as the transfer of the balance described above.

SoCalGas also proposes revisions to its Preliminary Statement to clarify the following regulatory account:

- **Affiliate Transfer Fee Account (ATFA)**
As authorized in D.97-12-088, the ATFA was established as a memorandum account to record fees received by SoCalGas from covered affiliates when an employee of SoCalGas is transferred, assigned, or otherwise employed by that affiliate. In compliance with D.97-12-088, SoCalGas filed AL 2682-A⁶ to establish the ATFA but incorrectly classified it as a tracking account for inclusion in Preliminary Statement Part VII. SoCalGas proposes to correct this misclassification and classify the ATFA as a memorandum account for inclusion within Preliminary Statement Part VI.

One Minor Change

SoCalGas also takes this opportunity to make minor changes to the Title Page to reflect the street and mailing addresses it currently uses.

Protests

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:

CPUC Energy Division
Attn: Tariff Unit
505 Van Ness Avenue
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 to Honesto Gatchalian (jni@cpuc.ca.gov) of the Energy Division. A copy of the protest should 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.

⁴ The PPTCTA is allocated to all customer classes excluding EOR on an ECPT basis. The CFCA and NFCA are allocated to all core and noncore (excluding EOR) customer classes on an ECPT basis as well. The cost allocation is the same among the accounts.

⁵ As of June 30, 2006, SoCalGas has recorded costs totaling \$536.1 million. As such, in accordance with the cost sharing mechanism, any additional excess gas costs would be allocated between ratepayers and shareholders at 72.5% and 27.5%, respectively.

⁶ AL 2682-A dated April 29, 1998 was approved on August 19, 1998.

Attn: Sid Newsom
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition, and therefore respectfully requests that this advice letter be approved September 14, 2006, which is 30 calendar days after the date filed.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A.

J. STEVE RAHON
Director
Tariffs and Regulatory Accounts

Attachments

ATTACHMENT A

Advice No. 3653

(See Attached Service List)

Aglet Consumer Alliance
James Weil
jweil@aglet.org

Alcantar & Kahl
Elizabeth Westby
egw@a-klaw.com

Alcantar & Kahl
Kari Harteloo
klc@a-klaw.com

Ancillary Services Coalition
Jo Maxwell
jomaxwell@ascoalition.com

Ancillary Services Coalition
Terry Rich
TRich@ascoalition.com

BP Amoco, Reg. Affairs
Marianne Jones
501 West Lake Park Blvd.
Houston, TX 77079

Barkovich & Yap
Catherine E. Yap
ceyap@earthlink.net

Beta Consulting
John Burkholder
burkee@cts.com

CPUC
Consumer Affairs Branch
505 Van Ness Ave., #2003
San Francisco, CA 94102

CPUC
Energy Rate Design & Econ.
505 Van Ness Ave., Rm. 4002
San Francisco, CA 94102

CPUC
Pearlie Sabino
pzs@cpuc.ca.gov

CPUC - DRA
Galen Dunham
gsd@cpuc.ca.gov

CPUC - DRA
R. Mark Pocta
rmp@cpuc.ca.gov

CPUC - DRA
Jacqueline Greig
jnm@cpuc.ca.gov

California Energy Market
Lulu Weinzimer
luluw@newsdata.com

Calpine Corp
Avis Clark
aclark@calpine.com

City of Anaheim
Ben Nakayama
Public Utilities Dept.
P. O. Box 3222
Anaheim, CA 92803

City of Azusa
Light & Power Dept.
215 E. Foothill Blvd.
Azusa, CA 91702

City of Banning
Paul Toor
P. O. Box 998
Banning, CA 92220

City of Burbank
Fred Fletcher/Ronald Davis
164 West Magnolia Blvd., Box 631
Burbank, CA 91503-0631

City of Colton
Thomas K. Clarke
650 N. La Cadena Drive
Colton, CA 92324

City of Long Beach, Gas & Oil Dept.
Chris Garner
2400 East Spring Street
Long Beach, CA 90806

City of Los Angeles
City Attorney
200 North Main Street, 800
Los Angeles, CA 90012

City of Pasadena - Water and Power
Dept.
Robert Sherick
rsherick@cityofpasadena.net

City of Riverside
Joanne Snowden
jsnowden@riversideca.gov

City of Vernon
Daniel Garcia
dgarcia@ci.vernon.ca.us

Commerce Energy
Chet Parker
CParker@commerceenergy.com

Commerce Energy
Glenn Kinser
gkinser@commerceenergy.com

Commerce Energy
Lynelle Lund
llund@commerceenergy.com

Commerce Energy
Pat Darish
pdarish@commerceenergy.com

Commerce Energy
Tony Cusati
TCusati@commerceenergy.com

Commerce Energy
Gary Morrow
GMorrow@commerceenergy.com

County of Los Angeles
Stephen Crouch
1100 N. Eastern Ave., Room 300
Los Angeles, CA 90063

Crossborder Energy
Tom Beach
tomb@crossborderenergy.com

Culver City Utilities
Heustace Lewis
Heustace.Lewis@culvercity.org

Davis Wright Tremaine, LLP
Christopher Hilen
chrishilen@dwt.com

Davis Wright Tremaine, LLP
Edward W. O'Neill
One Embarcadero Center, #600
San Francisco, CA 94111-3834

Davis, Wright, Tremaine
Judy Pau
judypau@dwt.com

Dept. of General Services
Celia Torres
celia.torres@dgs.ca.gov

Douglass & Liddell
Dan Douglass
douglass@energyattorney.com

Douglass & Liddell
Donald C. Liddell
liddell@energyattorney.com

Downey, Brand, Seymour & Rohwer
Ann Trowbridge
atrowbridge@downeybrand.com

Downey, Brand, Seymour & Rohwer
Dan Carroll
dcarroll@downeybrand.com

Dynegy
Joseph M. Paul
jmpa@dynegy.com

Gas Purchasing
BC Gas Utility Ltd.
16705 Fraser Highway
Surrey, British Columbia, V3S 2X7

General Services Administration
Facilities Management (9PM-FT)
450 Golden Gate Ave.
San Francisco, CA 94102-3611

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
J. H. Patrick
hpatrick@gmssr.com

Goodin, MacBride, Squeri, Ritchie &
Day, LLP
James D. Squeri
jsqueri@gmssr.com

Hanna & Morton
Norman A. Pedersen, Esq.
npedersen@hanmor.com

Imperial Irrigation District
K. S. Noller
P. O. Box 937
Imperial, CA 92251

JBS Energy
Jeff Nahigian
jeff@jbsenergy.com

Jeffer, Mangels, Butler & Marmaro
2 Embarcaero Center, 5th Floor
San Francisco, CA 94111

Kern River Gas Transmission Company
Janie Nielsen
Janie.Nielsen@KernRiverGas.com

LADWP
Nevenka Ubavich
nevenka.ubavich@ladwp.com

LADWP
Randy Howard
P. O. Box 51111, Rm. 956
Los Angeles, CA 90051-0100

LS Power (took over Duke Energy)
A Hartmann
AHartmann@LSPower.com

Law Offices of Diane I. Fellman
Diane Fellman
diane_fellman@fpl.com

Law Offices of William H. Booth
William Booth
wbooth@booth-law.com

Luce, Forward, Hamilton & Scripps
John Leslie
jleslie@luce.com

MRW & Associates
Robert Weisenmiller
mrw@mrwassoc.com

Manatt Phelps Phillips
Randy Keen
rkeen@manatt.com

Manatt, Phelps & Phillips, LLP
David Huard
dhuard@manatt.com

March Joint Powers Authority
Lori Stone
PO Box 7480,
Moreno Valley, CA 92552

Matthew Brady & Associates
Matthew Brady
matt@bradylawus.com

National Utility Service, Inc.
Jim Boyle
One Maynard Drive, P. O. Box 712
Park Ridge, NJ 07656-0712

PG&E Tariffs
Pacific Gas and Electric
PGETariffs@pge.com

Pacific Gas & Electric Co.
John Clarke
jpc2@pge.com

Praxair Inc
Rick Noger
rick_noger@praxair.com

Questar Southern Trails
Lenard Wright
Lenard.Wright@Questar.com

R. W. Beck, Inc.
Catherine Elder
celder@rwbeck.com

Regulatory & Cogen Services, Inc.
Donald W. Schoenbeck
900 Washington Street, #780
Vancouver, WA 98660

Richard Hairston & Co.
Richard Hairston
hairstonco@aol.com

Southern California Edison Co
Fileroom Supervisor
2244 Walnut Grove Ave., Rm 290, GO1
Rosemead, CA 91770

Southern California Edison Co
Karyn Gansecki
601 Van Ness Ave., #2040
San Francisco, CA 94102

Southern California Edison Co.
Colin E. Cushnie
Colin.Cushnie@SCE.com

Southern California Edison Co.
Kevin Cini
Kevin.Cini@SCE.com

Southern California Edison Co.
John Quinlan
john.quinlan@sce.com

Southern California Edison Company
Michael Alexander
Michael.Alexander@sce.com

Southwest Gas Corp.
John Hester
P. O. Box 98510
Las Vegas, NV 89193-8510

Suburban Water System
Bob Kelly
1211 E. Center Court Drive
Covina, CA 91724

Sutherland, Asbill & Brennan
Keith McCrea
kmccrea@sablaw.com

TURN
Marcel Hawiger
marcel@turn.org

TURN
Mike Florio
mflorio@turn.org

The Mehle Law Firm PLLC
Colette B. Mehle
cmehle@mehlelaw.com

Western Manufactured Housing
Communities Assoc.
Sheila Day
sheila@wma.org

ATTACHMENT B
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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40864-G	TITLE PAGE	Revised 21888-G
Revised 40865-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DESCRIPTION AND LISTING OF BALANCING ACCOUNTS, Sheet 1	Revised 40218-G
Revised 40866-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 1	Revised 40349-G
Revised 40867-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PURCHASED GAS ACCOUNT (PGA), Sheet 2	Revised 40350-G
Revised 40868-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 40350-G
Revised 40869-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 1	Revised 39671-G
Revised 40870-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ENHANCED OIL RECOVERY ACCOUNT (EORA), Sheet 1	Revised 39671-G Revised 34822-G
Revised 40871-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE STORAGE BALANCING ACCOUNT (NSBA), Sheet 1	Revised 34822-G Revised 39506-G
Revised 40872-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CALIFORNIA ALTERNATE RATES FOR ENERGY , ACCOUNT (CAREA), Sheet 1	Revised 39506-G Revised 39507-G
Revised 40873-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CALIFORNIA ALTERNATE RATES FOR ENERGY , ACCOUNT (CAREA), Sheet 2	Revised 39507-G
Revised 40874-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, BROKERAGE FEE ACCOUNT(BFA), Sheet 1	Revised 39507-G Revised 39508-G
Revised 40875-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, HAZARDOUS SUBSTANCE , COST RECOVERY ACCOUNT (HSCRA), Sheet 1	Revised 39508-G Revised 39509-G

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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40876-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, HAZARDOUS SUBSTANCE , COST RECOVERY ACCOUNT (HSCRA), Sheet 2	Revised 39509-G Revised 39510-G
Revised 40877-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, HAZARDOUS SUBSTANCE, COST RECOVERY ACCOUNT (HSCRA), Sheet 3	Revised 39510-G
Revised 40878-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NATURAL GAS VEHICLE ACCOUNT (NGVA), Sheet 1	Revised 39672-G Revised 39673-G
Revised 40879-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NATURAL GAS VEHICLE ACCOUNT (NGVA), Sheet 2	Revised 39673-G
Revised 40880-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, EL PASO TURNED-BACK CAPACITY , BALANCING ACCOUNT (EPTCBA), Sheet 1	Revised 39673-G
Revised 40881-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, GAS COST REWARDS AND PENALTIES ACCOUNT (GCRPA), Sheet 1	Original 35875-G*
Revised 40882-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Original 38684-G
Revised 40883-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNG (PBA), Sheet 2	Original 38685-G
Revised 40884-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 1	Original 38686-G Original 38687-G
Revised 40885-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 2	Original 38687-G
Revised 40886-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CONSERVATION EXPENSE ACCOUNT (CEA), Sheet 1	Revised 39965-G*
Revised 40887-G	PRELIMINARY STATEMENT - PART V -	Revised 39861-G

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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	BALANCING ACCOUNTS, CONSERVATION EXPENSE ACCOUNT (CEA), Sheet 2	
Revised 40888-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, RESEARCH DEVELOPMENT AND DEMONSTRATION, GAS SURCHARGE ACCOUNT (RDDGSA), Sheet 1	Revised 39861-G Revised 39966-G
Original 40889-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DEMAND SIDE MANAGEMENT BALANCING ACCOUNT (DSMBA), Sheet 1	
Revised 40890-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DIRECT ASSISTANCE PROGRAM BALANCING ACCOUNT (DAPBA), Sheet 1	Original 39968-G Original 39969-G
Revised 40891-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CALIFORNIA SOLAR INITIATIVE BALANCING ACCOUNT (CSIBA), Sheet 1	Original 40219-G*
Revised 40892-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 1	Revised 40479-G*
Revised 40893-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, PCB EXPENSE ACCOUNT (PCBEA), Sheet 1	Revised 38688-G*
Revised 40894-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH DEVELOPMENT AND , DEMONSTRATION EXPENSE ACCOUNT (RDDEA), Sheet 1	Revised 38688-G* Revised 38689-G
Revised 40895-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, CURTAILMENT VIOLATION PENALTY ACCOUNT (CVPA), Sheet 1	Revised 38689-G
Revised 40896-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ECONOMIC PRACTICALITY SHORTFALL , MEMORANDUM ACCOUNT (EPSMA)	Revised 38689-G

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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 40897-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA), Sheet 1	Revised 34281-G
Revised 40898-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA), Sheet 2	Revised 38004-G
Revised 40899-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, VERNON AVOIDED DISTRIBUTION COST , MEMORANDUM ACCOUNT (VADCMA), Sheet 1	Revised 38004-G
Revised 40900-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, VERNON RATE SAVINGS MEMORANDUM ACCOUNT (VRSMA), Sheet 1	Revised 38006-G
Revised 40901-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, VERNON NEGOTIATED CORE CONTRACT MEMORANDUM ACCOUNT (VNCCMA), Sheet 1	Revised 38006-G
Revised 40902-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA), Sheet 1	Revised 38007-G
Revised 40903-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, NGV RD&D MEMORANDUM ACCOUNT (RDDNGV), Sheet 1	Revised 38007-G Revised 38008-G
Revised 40904-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, INTERVENOR AWARD MEMORANDUM ACCOUNT (IAMA), Sheet 1	Revised 38008-G
Revised 40905-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, Z FACTOR ACCOUNT (ZFA), Sheet 1	Revised 38008-G
Revised 40906-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, WHEELER RIDGE FIRM ACCESS CHARGE ,	Revised 38010-G

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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	MEMORANDUM ACCOUNT (WRFACMA), Sheet 1	
Revised 40907-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA), Sheet 1	Revised 38010-G Revised 38011-G
Revised 40908-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA), Sheet 2	Revised 38011-G
Revised 40909-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA), Sheet 3	Revised 40055-G
Revised 40910-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, SELF- GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA), Sheet 1	Revised 40055-G Revised 40056-G*
Revised 40911-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, BASELINE MEMORANDUM ACCOUNT (BMA), Sheet 1	Revised 40056-G* Revised 38014-G
Revised 40912-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, BLYTHE OPERATIONAL FLOW REQUIREMENT MEMORANDUM ACCOUNT (BFORMA), Sheet 1	Revised 38014-G
Revised 40913-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, COST OF SERVICE REVENUES REQUIREMENT , MEMORANDUM ACCOUNT (COSRRMA), Sheet 1	Revised 38521-G Revised 40352-G
Revised 40914-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, FERC SETTLEMENT PROCEEDS , MEMORANDUM ACCOUNT (FSPMA), Sheet 1	Revised 40352-G Revised 40353-G
Revised 40915-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, INTERIM CALL CENTER MEMORANDUM ACCOUNT	Revised 40353-G

ATTACHMENT B
Advice No. 3653

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	(ICCM), Sheet 1	
Revised 40916-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, LATE PAYMENT CHARGE MEMORANDUM ACCOUNG (LPCMA), Sheet 1	Revised 40296-G
Revised 40917-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, SAN DIEGO GAS & ELECTRIC STORAGE, MEMORANDUM ACCOUNT (SDGESMA), Sheet 1	Revised 40296-G
Revised 40918-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, GAIN ON SALE MEMORANDUM ACCOUNT (GOSMA), Sheet 1	Original 40480-G
Revised 40919-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, AFFILIATE TRANSFER FEE ACCOUNT (ATFA), Sheet 1	Revised 38021-G
Revised 40920-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, DESCRIPTION AND LISTING OF TRACKING ACCOUNTS, Sheet 1	Revised 38017-G
Revised 40921-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, OTHER HAZARDOUS SUBSTANCE TRACKING ACCOUNT (OHSTA), Sheet 1	Revised 38017-G
Revised 40922-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, NONCORE FIXED COST TRACKING ACCOUNT (NFCTA), Sheet 1	Revised 38018-G
Revised 40923-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, NONCORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT (NITCSA), Sheet 1	Revised 38019-G
Revised 40924-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, NONCORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT (NITCSA), Sheet 2	Revised 38020-G
Revised 40925-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, CORE INTERSTATE TRANSITION COST SURCHARGE ACCOUNT	Revised 38020-G

ATTACHMENT B
Advice No. 3653

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	(CITCSA), Sheet 1	
Revised 40926-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, VERNON REVENUE TRACKING ACCOUNT (VRTA), Sheet 1	Revised 38021-G
Revised 40927-G	PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS, MONTEBELLO TRUE-UP TRACKING ACCOUNT (MTTA), Sheet 1	Revised 38022-G
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TARIFF SCHEDULES

Applicable to

G A S S E R V I C E

Of

SOUTHERN CALIFORNIA GAS COMPANY
(U 904-G)

555 West Fifth Street
Los Angeles, California 90013-1011

(Mailing Address: P. O. Box 513249,
Los Angeles, California 90051-1249)

Operating in

Fresno, Imperial, Kern, Kings, Los Angeles, Orange,
Riverside, Santa Barbara, San Bernardino, San Luis Obispo,
Tulare and Ventura Counties

These tariff schedules have been regularly filed with the Public Utilities Commission of the State of California and include the effective rates and rules of this Utility.

Service will be furnished in accordance with these tariff schedules and no officer, employee or representative of the Utility has any authority to waive, alter or amend these tariff schedules or any part thereof in any respect.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 3653
DECISION NO.

1C18

ISSUED BY

Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 15, 2006
EFFECTIVE Sep 14, 2006
RESOLUTION NO. _____

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DESCRIPTION AND LISTING OF BALANCING ACCOUNTS

Sheet 1

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A. GENERAL

Balancing accounts are those regulatory accounts where authorized expenses are compared with revenues from rates designed to recover those expenses. The resulting under or overcollection, plus interest calculated in the manner described in Preliminary Statement, Part I, is recorded on the Utility's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts are to be amortized in rates.

B. LISTING OF BALANCING ACCOUNTS

Purchased Gas Account (PGA)
Core Fixed Cost Account (CFCA)
Noncore Fixed Cost Account (NFCA)
Enhanced Oil Recovery Account (EORA)
Noncore Storage Balancing Account (NSBA)
California Alternate Rates for Energy Account (CAREA)
Brokerage Fee Account (BFA)
Hazardous Substance Cost Recovery Account (HSCRA)
Natural Gas Vehicle Account (NGVA)
El Paso Turned-Back Capacity Balancing Account (EPTCBA)
Gas Cost Rewards and Penalties Account (GCRPA)
Pension Balancing Account (PBA)
Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)
Conservation Expense Account (CEA)
Research Development and Demonstration Gas Surcharge Account (RDDGSA)
Demand Side Management Balancing Account (DSMBA)
Direct Assistance Program Balancing Account (DAPBA)
California Solar Initiative Balancing Account (CSIBA)

(TO BE INSERTED BY UTILITY)

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Lee Schavrien
Vice President
Regulatory Affairs

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 1

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The PGA is a balancing account. The purpose of this account is to balance the recorded cost of gas bought for the Utility portfolio with revenue from the sale of that gas.

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a. The PGA consists of six subaccounts. They are:

1. The Core Subaccount which tracks the cost of gas procured for core customers and revenues from the sale of that gas.
2. The Core-Subscription Subaccount which tracks the cost of gas procured for core-subscription customers and revenues from the sale of that gas.
3. The Noncore Standby Service Subaccount which tracks the cost of gas purchases and the revenues from the sale of gas procured to provide standby procurement service for noncore customers.
4. The Excess Core Supply Subaccount which tracks the cost of gas purchases and the revenues from the sale of excess core supplies.
5. The Take-or-Pay Subaccount which tracks revenue from take-or-pay charges that core-subscription customers incur.
6. The Core Brokerage Fee Subaccount which tracks revenues from the core brokerage fee and the authorized core brokerage fee.

b. The Utility shall maintain the PGA by making entries at the end of each month as follows:

1. A debit entry equal to the recorded gas cost in the Utility Portfolio Account during the month, which includes all gas purchased for procurement customers.
2. Credit entries equal to the procurement revenue from the sale of gas delivered during the month and amortization of the forecasted revision date PGA balance, excluding the allowance for F&U.
3. A credit entry equal to the brokerage fee charged to core customers less the allowance for F & U.
4. A debit entry equal to 1/12 of the annual core brokerage fee revenue requirement.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PURCHASED GAS ACCOUNT (PGA)

Sheet 2

(Continued)

b. (Continued)

5. A credit entry equal to the El Paso settlement proceeds received pursuant to the Master Settlement Agreement approved by the FERC and CPUC (D.03-10-087). The first payment received will be reduced by the estimated net present value of refunds due to core subscription and core aggregation transportation (CAT) customers.
6. A credit entry equal to the FERC settlement proceeds associated with the 2000-2001 energy crisis. The settlement proceeds received shall be reduced by the amount allocable to core subscription and CAT customers.
7. An entry equal to the interest on the average of the balance in the account during the month, excluding the core-subscription subaccount, calculated in the manner described in Preliminary Statement, Part I, J.

(TO BE INSERTED BY UTILITY)

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
CORE FIXED COST ACCOUNT (CFCA)

Sheet 1

The CFCA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between authorized margin, transition, and other non-gas fixed costs allocated to the core market with revenues intended to recover these costs.

On a monthly basis, SoCalGas maintains this account as follows:

SoCalGas debits this account with the core portion of the following costs: gas margin costs, transition costs, and other non-gas operating costs.

SoCalGas credits this account with the core portion of the following revenues: transmission revenues from core deliveries; revenues from the sale of core storage capacity rights; base revenues that would have been collected from customers absent the core pricing flexibility program; and other revenues that the Commission has directed SoCalGas to allocate to the core market. Pursuant to D.03-10-017, revenues also include core's allocation of the capital component of FIG (fiber optic cable in gas pipelines) revenues associated with the use of the gas distribution system until superseded by ratemaking adopted in SoCalGas' 2004 PBR/Cost of Service Proceeding (A.02-12-027).

In addition, SoCalGas adjusts this account to amortize previously accumulated overcollected or undercollected balances, after adjustment for the portion allocable to the NGV customer class, to reflect payment to, or recovery from, ratepayers. Pursuant to Resolution G-3380, on an annual basis, SoCalGas shall transfer a portion of the CFCA over or under collection balance that is allocable to the NGV customer class to the Natural Gas Vehicle Account (NGVA). SoCalGas also adjusts this account to reflect volumetric differences associated with the core amortization recorded in other regulatory accounts.

(TO BE INSERTED BY UTILITY)

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
ENHANCED OIL RECOVERY ACCOUNT (EORA)

Sheet 1

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This EORA is a balancing account. The purpose of this account is to balance recorded EOR revenue with forecasted EOR revenues. The Utility shall maintain the EORA by making entries at the end of each month as follows:

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- a. A debit entry equal to one-twelfth of the forecasted EOR revenue amount used to offset the revenue requirement in the most recent annual cost-allocation proceeding;
- b. A debit entry equal to the amortization of the forecasted revision date EORA balance;
- c. A credit entry equal to 3.0 cents per therm plus 75 percent of EOR non-gas revenue under contracts signed on or before December 3, 1986, and an amount equal to the short-run marginal cost plus 95 percent of EOR non-gas revenue under contracts signed subsequent to December 3, 1986. EOR non-gas revenue shall equal revenue from EOR customers excluding the following:
 - 1. A floor rate of 3.0¢ per therm for contracts signed on or before December 3, 1986, and a floor rate equal to the short-run marginal cost for contracts signed subsequent to December 3, 1986,
 - 2. Gas procurement costs, and
 - 3. Interutility transportation costs; and
 - 4. LUAF, CU and CCSI.
- 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.

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(TO BE INSERTED BY UTILITY)
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 Vice President
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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
HAZARDOUS SUBSTANCE
COST RECOVERY ACCOUNT (HSCRA)

Sheet 1

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The HSCRA is a balancing account, which compares covered hazardous substance and insurance litigation costs related to manufacturing gas plant sites, presently identified federal Superfund sites, and other sites identified by the Utility with recoveries from third parties, insurance carriers, and ratepayers as set forth in D. 94-05-020. The HSCRA consists of five subaccounts:

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- Subaccount A - Hazardous Substance Cost Subaccount - Ratepayer's 90% Share
- Subaccount B - Hazardous Substance Cost Subaccount - Shareholder's 10% Share
- Subaccount C - Insurance Litigation Cost Subaccount - Ratepayer's 70% Share
- Subaccount D - Insurance Litigation Cost Subaccount - Shareholder's 30% Share
- Subaccount E - Insurance Recovery Subaccount

Effective June 3, 1994, the following entries are recorded to the HSCRA at the end of each month:

Hazardous Substance and Insurance Litigation Costs

- a. A debit entry is recorded to Subaccount A equal to 90% of covered hazardous substance costs.
- b. A debit entry is recorded to Subaccount B equal to 10% of covered hazardous substance costs.
- c. A debit entry is recorded to Subaccount C equal to 70% of covered insurance litigation costs.
- d. A debit entry is recorded to Subaccount D equal to 30% of covered insurance litigation costs.

Ratepayer Recovery

- e. A credit entry is recorded to Subaccount A equal to the revenues collected from customers net of franchise fees and uncollectibles.

Third Party Recovery

- f. A credit entry is recorded to Subaccount A equal to 90% of recoveries from third parties.
- g. A credit entry is recorded to Subaccount B equal to 10% of recoveries from third parties.

Insurance Carrier Recovery

- h. A credit entry is recorded to Subaccount E equal to insurance recoveries net of contingency fees, if any. Each insurance recovery will be recorded separately and distributed against covered hazardous substance and insurance litigation costs on a first-in, first-out basis.
- i. A credit entry is recorded to Subaccount C equal to the lesser of 70% of insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, or the balance in Subaccount C. Subaccount C cannot have a credit balance.
- j. A credit entry is recorded to Subaccount D equal to the lesser of 30% of insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, or the balance in Subaccount D. Subaccount D cannot have a credit balance.

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Lee Schavrien
Vice President
Regulatory Affairs

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
GAS COST REWARDS AND PENALTIES ACCOUNT (GCRPA)

Sheet 1

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The GCRPA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the shareholders' allocation of the award/penalty under its Gas Cost Incentive Mechanism (GCIM) as modified pursuant to the Settlement Agreement approved by Decision 02-06-023 and the corresponding revenues based on rates established under the Utility's core monthly pricing program. The Utility maintains the GCRPA by making entries at the end of the month as follows:

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- a. A debit/credit entry equal to the shareholders' allocation of the gas cost reward/penalty based on the Utility's most recent GCIM monthly report.
- b. A credit/debit entry equal to the actual award/penalty revenues collected from/returned to gas procurement customers.
- c. 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.

The balance of the GCRPA shall be allocated in the Utility's core monthly pricing mechanism to applicable gas procurement customers.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PENSION BALANCING ACCOUNT (PBA)

Sheet 1

The PBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance, subject to a 20% shareholder limitation described below, the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Pursuant to Decision 04-12-015 which adopted the Settlement Agreement for SoCalGas' Cost of Service base margin revenue requirements effective on January 1, 2004, SoCalGas will maintain the PBA by making entries at the end of each month as follows:

O&M Component

- a. A debit/credit entry equal to the difference between:
 - 1. One-twelfth of the Utility's annual pension funding level currently embedded in rates, reduced by the component of authorized pension costs capitalized to utility ratebase and
 - 2. Actual pension expense, reduced by the component of pension costs capitalized to utility ratebase;

Depreciation/Return Component – Current Year

- b. Actual pension expense, reduced by the component of pension costs capitalized to utility ratebase;
 - 1. One-twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized pension costs capitalized to utility ratebase and
 - 2. The current month's actual pension costs embedded in recorded depreciation, including the return associated with the actual pension costs capitalized to utility ratebase;

Depreciation/Return Component – Prior Year(s) [i.e., beginning with the initial year of the cost of service period]

- c. A debit/credit entry equal to the difference between:
 - 1. One-twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized pension costs capitalized to utility ratebase in prior years and
 - 2. The corresponding pension costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual pension costs capitalized to utility ratebase in prior years;

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
PENSION BALANCING ACCOUNG (PBA)

Sheet 2

(Continued)

Other Adjustments

- d. A debit or credit entry for amortization of pension refund /recovery in rates;
- e. On an annual basis, if actual pension contributions exceed the forecasted amount as described below, a credit entry shall be made equal to 20% of the corresponding pension component differences associated with O&M, depreciation and return;
- f. An entry equal to the interest on the average of the balance in the account during the month using the interest rate described in Preliminary Statement, Part I, J herein.

The actual pension contribution shall not exceed the ERISA minimum contribution for any given year, if any, as set forth in IRS Code Section 412. If the actual annual pension contribution exceeds the forecasted annual amounts as shown Appendix III of Exhibit 12 of SoCalGas' Cost of Service Application, only 80% of the current year's funding above the forecasted annual amount is recorded in the PBA. SoCalGas' shareholders shall fund the remaining 20% of the current year's annual pension funding above the forecasted annual amount. In addition, for the entries described above other than entry d. and f., authorized and actual pension costs shall be adjusted for the applicable intercompany pension costs billed to or charged from SoCalGas' affiliated companies. Disposition of any balance recorded in the PBA will be recovered/refunded in connection with SoCalGas' next cost of service or general rate case proceeding.

(TO BE INSERTED BY UTILITY)

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ISSUED BY

Lee Schavrien
 Vice President
 Regulatory Affairs

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS
BALANCING ACCOUNT (PBOPBA)

Sheet 2

(Continued)

Other Adjustments

- d. A debit or credit entry for amortization of PBOP refund / recovery in rates;
- e. If actual PBOP contributions exceed PBOP costs calculated under FAS 106, a credit entry shall be made equal to the corresponding PBOP component differences associated with O&M, depreciation and return;
- f. An entry equal to the interest on the average of the balance in the account during the month using the interest rate described in Preliminary Statement, Part I, J herein.

The PBOPA balance is limited to the revenue requirements recovery of PBOP costs calculated under FAS 106 and the revenue requirements based on the actual annual contributions to the PBOP trust. In addition, for the entries described above other than entry d. and f., authorized and actual PBOP costs shall be adjusted for the applicable intercompany PBOP costs billed to or charged from SoCalGas' affiliated companies. Disposition of any balance recorded in the PBOPBA will be recovered/refunded in connection with SoCalGas' next cost of service or general rate case proceeding.

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(TO BE INSERTED BY UTILITY)
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Lee Schavrien
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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
RESEARCH DEVELOPMENT AND DEMONSTRATION
GAS SURCHARGE ACCOUNT (RDDGSA)

Sheet 1

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The RDDGSA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track the gas surcharge collected from non-exempt customers effective January 1, 2005, that will be remitted to the State Board of Equalization (BOE) to fund programs administered by the California Energy Commission (CEC) or other non-utility entity designated by the Commission. This account also tracks SoCalGas' allocation of the annual BOE and the California Public Utilities Commission (CPUC) administrative costs authorized by the CPUC. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by the utilities pursuant to the Natural Gas Surcharge Decision (D.) 04-08-010.

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SoCalGas maintains this account by making monthly entries as follows (entries are "memo" only and not recorded on the financial statements):

- a. A credit entry equal to the surcharge for the R&D program and the BOE and CPUC administrative costs from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs and refunds to customers that are exempt from the surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- b. A debit entry equal to the 1/12 of the annual PPP R&D funding authorized by the CPUC;
- c. A debit entry equal to 1/12 of SoCalGas' allocation of the annual BOE and CPUC administrative costs authorized by the CPUC;

SoCalGas also maintains this account by recording the following monthly entry:

- d. An entry equal to the interest on the average of the billed surcharges in the possession of the Utility at the beginning of the month that have not been remitted to BOE, including interest previously recorded in the account, and the billed surcharges after entry a. above, at a rate equal to 1/12 the interest rate described in Preliminary Statement, Part I, J.

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP and authorized BOE/CPUC administrative costs. Interest accumulated in the RDDGSA will be excluded from the annual update of PPP rates and held in the RDDGSA until further direction from the CPUC.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DEMAND SIDE MANAGEMENT BALANCING ACCOUNT (DSMBA)

Sheet 1

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The DSMBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track, beginning on January 1, 2006 with the implementation of the 2006-2008 cycle approved by D.05-09-043, the difference between the non-low-income energy efficiency program (i.e., "Demand Side Management" or DSM) component of the gas surcharge funds reimbursed from the State and the corresponding actual DSM program costs. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge D.04-08-010.

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SoCalGas maintains this account by making monthly entries as follows:

- a. A debit entry equal to actual DSM costs (e.g., conservation costs and other marketing program costs);
- b. A credit entry equal to the DSM surcharge component of the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- c. A debit entry equal to the DSM surcharge component of the PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;
- d. A debit entry equal to DSM surcharge component of the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- e. A credit entry equal to the DSM surcharge component of the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;
- f. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and
- g. 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.

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DIRECT ASSISTANCE PROGRAM BALANCING ACCOUNT (DAPBA)

Sheet 1

The DAPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track, beginning on January 1, 2006 with the implementation of the 2006-2007 cycle approved by D.05-12-026, the difference between low-income energy efficiency program (i.e., "Direct Assistance Program" or DAP) component of the gas surcharge funds reimbursed from the State and the corresponding actual DAP costs. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge D. 04-08-010.

SoCalGas maintains this account by making monthly entries as follows:

- a. A debit entry equal to actual DAP costs (e.g., low-income weatherization costs and other marketing program costs);
- b. A credit entry equal to the DAP surcharge component of the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- c. A debit entry equal to the DAP surcharge component of the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;
- d. A debit entry equal to DAP surcharge component of the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- e. A credit entry equal to the DAP surcharge component of the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;
- f. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and
- g. 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.

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

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 DECISION NO.

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS

Sheet 1

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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

- PCB Expense Account (PCBEA)
- Research Development and Demonstration Expense Account (RDDEA)
- Curtailement Violation Penalty Account (CVPA)
- Economic Practicality Shortfall Memorandum Account (EPSMA)
- Catastrophic Event Memorandum Account (CEMA)
- Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
- Vernon Rate Savings Memorandum Account (VRSMA)
- Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
- Research Royalty Memorandum Account (RRMA)
- NGV Research Development & Demonstration Memorandum Account (RDDNGV)
- Intervenor Award Memorandum Account (IAMA)
- Z Factor Account (ZFA)
- 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)
- Cost of Service Revenue Requirement Memorandum Account (COSRRMA)
- FERC Settlement Proceeds Memorandum Account (FSPMA)
- Interim Call Center Memorandum Account (ICCMA)
- Late Payment Charge Memorandum Account (LPCMA)
- San Diego Gas & Electric Storage Memorandum Account (SDGESMA)
- Gain On Sale Memorandum Account (GOSMA)
- Affiliate Transfer Fee Account (ATFA)

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
PCB EXPENSE ACCOUNT (PCBEA)

The PCBEA is a memorandum account recorded on the Utility's financial statements. The purpose of this account is to record all past and future costs associated with the Transwestern PCB arbitration proceeding, including capital costs. These PCB clean-up costs will be considered for rate recovery after arbitration is concluded, following a reasonableness review in an annual hazardous waste review proceeding.

Utility shall maintain the PCBEA by making entries into the account as follows:

- a. Transfer all prior costs and authorized revenues into the account,
- b. Make monthly debit entries equal to recorded PCB clean-up costs paid during the month.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
CURTAILMENT VIOLATION PENALTY ACCOUNT (CVPA)

Sheet 1

The CVPA is a memorandum account. The purpose of this account is to record actual revenues from the assessment of penalties for violation of curtailment, and expenses associated with installation of electronic metering for curtailment monitoring.

Commencing on August 1, 1991, Utility shall maintain CVPA by making entries at the end of each month as follows:

- a. A credit entry equal to all curtailment penalty charges collected, and
- b. A debit entry equal to recorded expenditures for installation of electronic metering for purpose of curtailment monitoring.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
ECONOMIC PRACTICALITY SHORTFALL
MEMORANDUM ACCOUNT (EPSMA)

The EPSMA is a memorandum account. The purpose of this account is to record the shortfall in revenue which occurs in the Core Fixed Cost Account (CFCA) as a result of large core customers being transferred from core service to noncore service by way of economic practicality during the period January 1, 1994 through the revision date of the Utility's next cost allocation proceeding.

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

- a. A debit entry equal to the revenue shortfall for the month calculated as the product of (1) all service quantities transferred to noncore service by way of economic practicality during the period of January 1, 1994 and the revision date of the Utility's next cost allocation proceeding and (2) the difference between the otherwise applicable core rate and the applicable noncore rate for such quantities.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
VERNON AVOIDED DISTRIBUTION COST
MEMORANDUM ACCOUNT (VADCMA)

The VADCMA is a memorandum account, established pursuant to D.93-05-008, to record utility distribution costs that are identified as avoided by the service provided to Vernon under Schedules G-CS, GT-F, and GT-I. Allocation of avoided costs will be allocated in the Utility's cost allocation proceeding or whenever there is a Commission-authorized change in gas rates.

The Utility shall maintain the VADCMA by making entries to the account at the end of each month, as follows:

- a. A debit entry equal to the value of distribution costs not currently reflected in rates identified as being avoided as a result of service to Vernon under Schedules G-CS, GT-F, and GT-I.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
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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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
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.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
INTERVENOR AWARD MEMORANDUM ACCOUNT (IAMA)

Sheet 1

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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).

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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.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
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, D.01-03-073, dated March 27, 2001, and the California Solar Initiative (CSI) adopted in D.05-12-044, dated December 15, 2005. 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.
- b. A debit entry equal to the incremental capital costs incurred by SoCalGas associated with this program, such as depreciation, return on investment and related taxes.
- c. A credit entry related to one-twelfth of the authorized CSI revenue requirement.
- d. A credit entry equal to the revenues from amortization rates as authorized by the Commission.
- e. 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.

A separate accounting of costs and benefits, by customer class, will be accomplished.

The total authorized program cost for SoCalGas is \$17 million annually over a four-year period beginning on March 27, 2001, and extending through December 31, 2004 as specified in Ordering Paragraph 1 of D. 01-03-073. Any unused funding can be carried over from one year to the next up to a maximum limit of \$68 million for the four-year period. SoCalGas may request approval to borrow against the annual budget of a subsequent year if program participation is larger than anticipated in the current year. The program was extended through December 31, 2007 in accordance with R.04-03-017. For 2006, an additional \$27 million is authorized for the CSI program.

Amounts in the SGPMA shall be amortized into SoCalGas' transportation rates on a uniform cent per therm basis annually. SoCalGas will file an advice letter to make this change in the October Biennial Cost Allocation Proceeding (BCAP) update filing each year with rates effective the following January 1st. Recovery of the undepreciated portion of the capital costs shall be authorized in the utility's next cost of service proceeding. Pursuant to D.05-12-044, SoCalGas may recover its share of the incremental amount authorized for the SGIP in the utility's next rate change following the effective date of D.05-12-044, subject to review of program costs at any time.

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
GAIN ON SALE MEMORANDUM ACCOUNT (GOSMA)

The GOSMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the GOSMA is to record the gain-on-sale associated with the sale of the 36 lots at Playa del Rey (PdR) and Marina del Rey (MdR), pursuant to Decision 06-04-032 dated April 13, 2006.

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

- a. A credit entry equal to gain-on-sale associated with the sale of PdR and MdR properties.
- b. 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 balance in the GOSMA shall be determined pending the outcome of the Gain on Sale Rulemaking (R.) 04-09-003.

(TO BE INSERTED BY UTILITY)

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
AFFILIATE TRANSFER FEE ACCOUNT (ATFA)

The ATFA is a memorandum account recorded on SoCalGas' financial statements. The purpose of the ATFA is to record fees received by SoCalGas from covered affiliates when an employee of SoCalGas is transferred, assigned, or otherwise employed by that affiliate. A covered affiliate is one that is engaged in the provision of a product that uses gas or electricity, or the provision of services that relate to the use of gas or electricity, and is not otherwise exempted. This account is authorized by Ordering Paragraph 1 of D.97-12-088, which adopted Appendix A, Rule V.G.2.c.

SoCalGas maintains this account by making monthly entries as follows: a credit entry equal to fees received by SoCalGas from a covered affiliate when an employee of SoCalGas is transferred, assigned, or otherwise employed by the covered affiliate. As described in Rule V.G.2.c., fees do not apply to all employee transfers, e.g., clerical workers, and the transfer of employees during the initial implementation period.

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

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
BROKERAGE FEE ACCOUNT(BFA)

Sheet 1

The BFA is a balancing account. The purpose of the BFA is to balance authorized noncore brokerage fee costs and recorded actual brokerage fee revenues.

Effective January 1, 1995, the Utility shall maintain the BFA by making entries at the end of each month as follows:

Noncore Subaccount

- a. A debit entry equal to one-twelfth of the authorized annual noncore brokerage fee costs;
- b. A credit entry equal to the monthly recorded revenues collected from the noncore brokerage fee surcharge; and,
- c. An entry equal to the interest on the average of the balance in the account during the month using the interest rate described in Preliminary Statement, Part I, J herein.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NATURAL GAS VEHICLE ACCOUNT (NGVA)

Sheet 2

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(Continued)

- g. 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.

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In each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from (to) ratepayers, pursuant to Commission order, SoCalGas will increase (decrease) rates to recover the balance. However, since program spending in 2002 through 2005 is limited to the amounts authorized in Resolution G-3322 and in D.03-10-086 and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
CONSERVATION EXPENSE ACCOUNT (CEA)

Sheet 1

The CEA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between gas surcharge funds reimbursed from the State and actual energy efficiency program costs associated with pre-2006 program cycles. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge Decision (D.) 04-08-010. The CEA covers non-low-income (i.e., "Demand Side Management" or DSM) and low-income (i.e., "Direct Assistance Program" or DAP) energy efficiency programs. The CEA also tracks the costs associated with the On-Bill Financing (OBF) Program adopted in Decision 05-09-043.

SoCalGas maintains this account by making monthly entries as follows:

- a. A debit entry equal to actual DSM and DAP costs (e.g., conservation costs, low-income weatherization costs, and other marketing program costs);
- b. A debit entry equal to the cost of funds calculated at the utilities' authorized weighted average cost of capital rate (8.43%) on the average monthly balance of net funds loaned for the OBF Program;
- c. A debit entry equal to actual cost of defaults associated with the OBF Program;
- d. A credit entry equal to the surcharge for the energy efficiency programs from the recorded gas PPO surcharge billed for the month, net of actual bad debts write-offs;
- e. A debit entry equal to the surcharge for the energy efficiency programs from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;
- f. A debit entry equal to surcharge for the energy efficiency programs related to the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- g. A credit entry equal to the surcharge for the energy efficiency programs from the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
CONSERVATION EXPENSE ACCOUNT (CEA)

Sheet 2

(Continued)

- h. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and
- i. 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.

Pursuant of Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
CALIFORNIA SOLAR INITIATIVE BALANCING ACCOUNT (CSIBA)

Sheet 1

The CSIBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of the CSIBA is to record the program costs beginning on January 1, 2007 and the corresponding revenue requirement associated with the California Solar Initiative (CSI) Program adopted in D.06-01-024, dated January 12, 2006.

The CSIBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission. SoCalGas shall maintain the CSIBA by making entries at the end of each month as follows:

- a. A debit entry equal to the incremental CSI program costs incurred by SoCalGas.
- b. A debit entry equal to the administrative costs, including program evaluation, and marketing and outreach efforts associated with the CSI Program.
- c. A debit entry equal to the Research, Development, and Demonstration (RD&D) costs associated with the CSI Program.
- d. A credit entry related to one-twelfth of the authorized CSI revenue requirement.
- e. A credit entry equal to the revenues from amortization rates as authorized by the Commission.
- f. 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.

A separate accounting of costs and benefits, by customer class, will be accomplished.

The total authorized program cost for SoCalGas is \$225 million over a ten-year period beginning on January 1, 2007, and extending through December 31, 2016 as specified in D.06-01-024. Any unused funding can be carried over from one year to the next up to a maximum limit of \$225 million for the ten-year period. SoCalGas is authorized to borrow against the annual budget of a subsequent year if program participation is larger than anticipated in the current year.

SoCalGas will collect in connection with its Annual Regulatory Account Balance Update advice letter filing the revenue requirement according to the schedule shown on Table 1 of D.06-01-024 for each of the program years unless modified by a subsequent order. If the difference between program expenditures and the amounts collected in rates is substantial, SoCalGas may request adjusting the collection of the revenue requirement. The balance in the CSIBA may be amortized into SoCalGas' transportation rates on a uniform cent per therm basis annually.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
WHEELER RIDGE FIRM ACCESS CHARGE
MEMORANDUM ACCOUNT (WRFACMA)

The WRFACMA is an interest-bearing memorandum account recorded on the Utility's financial statements. The purpose of this account is to record the reservation charges for firm access service charged under Schedule G-ITC. The balance in the account will be amortized in accordance with the Utility's cost allocation proceeding.

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

- a. A credit entry equal to the billed G-ITC firm access reservation charges less franchise fees and uncollectibles (F&U).
- b. An entry to amortize the forecasted remaining balance in the account.
- 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.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA)

Sheet 2

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(Continued)

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

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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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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA)

Sheet 3

(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.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
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.

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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS
DESCRIPTION AND LISTING OF TRACKING ACCOUNTS

Sheet 1

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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)
Noncore Interstate Transition Cost Surcharge Account (NITCSA)
Core Interstate Transition Cost Surcharge Account (CITCSA)
Vernon Revenue Tracking Account (VRTA)
Montebello True-Up Tracking Account (MTTA)

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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS
VERNON REVENUE TRACKING ACCOUNT (VRTA)

Sheet 1

The VRTA is a tracking account. The purpose of the VRTA is to track the difference between wholesale revenues recorded for the City of Vernon and those revenues which would have otherwise been generated at SoCalGas tariff rates from customers situated within the City of Vernon.

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

- a. A debit entry equal to the current weighted average SoCalGas retail rate for those customers who have elected to receive service from the City of Vernon, times the volumes of gas delivered under wholesale service to the City of Vernon.
- b. A credit entry equal to wholesale revenues received from the City of Vernon.
- c. 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.

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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS
MONTEBELLO TRUE-UP TRACKING ACCOUNT (MTTA)

Sheet 1

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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.

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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.

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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS
NONCORE FIXED COST TRACKING ACCOUNT (NFCTA)

Sheet 1

The NFCTA is a tracking account recorded on the Utility's financial statements. Pursuant to D.94-07-064 (Global Settlement), 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.

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

- a. A debit entry for the noncore portion of actual carrying costs of gas in storage.
- b. A credit entry for authorized costs being collected in rates
- c. An entry to amortize the account balance authorized in rates.

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

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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS Sheet 1
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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PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS Sheet 2
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.

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