

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 17, 2010

Advice Letter 4060

Rasha Prince, Director
Regulatory Affairs
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**Subject: Modification of Fixed Cost Balancing Accounts for Recovery of
Assembly Bill (AB) 32 Administrative Fees**

Dear Mr. Prince:

Advice Letter 4060 is denied per Resolution G-3447.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3447

June 24, 2010

R E S O L U T I O N

Resolution G-3447. Pacific Gas and Electric Company (PG&E) seeks to modify its gas and electric regulatory accounts to recover from its core and noncore gas and electric customers a portion of the California Air Resources Board's (CARB) Assembly Bill (AB) 32 Cost of Implementation Fee (AB 32 Fee) paid to CARB.

San Diego Gas & Electric Company (SDG&E) seeks to revise its regulatory accounts to record the costs associated with the CARB AB 32 Fee and to recover these costs in customer gas transportation and electric commodity rates.

Southern California Edison Company (SCE) seeks to modify its regulatory accounts to record and recover AB 32 Fees paid to CARB.

Southern California Gas Company (SoCalGas) seeks to modify its Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) to record and recover AB 32 Fees paid to CARB.

PROPOSED OUTCOME: The utility requests are denied without prejudice.

ESTIMATED COST: None.

By PG&E Advice Letter (AL) 3094-G/3618-E, filed on February 12, 2010; SCE AL 2434-E, filed on February 5, 2010; SDG&E AL 2137-E/1917-G, filed on January 15, 2010; SoCalGas AL 4060, filed on January 15, 2010, and 4060-A, filed on February 10, 2010.

SUMMARY

PG&E, SCE, SDG&E and SoCalGas are requesting to establish balancing accounts to record and recover from their respective customers fees they expect to pay to the California Air Resources Board (CARB) for its administration of Assembly Bill (AB) 32. The ALs are denied without prejudice pursuant to Rule 5.1 of General Order (G.O.) 96-B because the utilities do not have the necessary authorization to file their proposals, which result in a rate increase (assuming CARB adopts its proposed AB 32 fee regulations), by AL. The utilities may file an application to request approval of their proposals as provided for in Rule 5.2 of G.O. 96-B. Utilities with Z-Factor mechanisms (SCE, SDG&E and SoCalGas) can also consider recovering the AB 32 fees through that procedure.

Pursuant to our general rate case (GRC) ratemaking policies, the utilities are typically at risk for any expenses they incur exceeding their authorized GRC revenue requirements. In their GRC applications, the utilities may request to include anticipated AB 32 fee payments in their revenue requirements.

BACKGROUND

CARB is developing regulations to collect fees annually from investor-owned utilities and other entities for administering the California Global Warming Solutions Act of 2006 (commonly referred to as AB 32).^{1 2} Finalizing the regulations is expected this year. The utilities estimate that their first payment to CARB will be due by the fourth quarter of 2010. On June 23, 2009, the Commission's Energy Division (ED) submitted comments to CARB on the feasibility of implementing certain aspects of the proposed regulations.

¹ Go to: <http://www.arb.ca.gov/cc/adminfee/adminfee.htm>

² CARB staff presented the total FY 10-11 revenue requirement (\$63.1 million of which \$36.2 million represents annual program costs and \$26.9 million debt repayment) for the AB 32 fee at its August 25, 2009 public workshop. The amount estimated to be collected from natural gas sources (investor-owned utilities, municipally-owned utilities, proprietary pipelines, and interstate pipelines serving the state), is \$19.2 million or 30.2% of the total revenue requirement. The AB 32 fee would be collected from the designated entities on an annual basis. Go to: http://www.arb.ca.gov/cc/adminfee/meetings/042009/slides_4-20-09.pdf

PG&E AL 3094-G/3618-E; SCE AL 2434-E, SDG&E AL 2137-E/1917-G; SoCalGas AL 4060 and 4060-A/cpe

PG&E, SCE, SDG&E and SoCalGas filed ALs seeking to establish balancing accounts to record the AB 32 fees paid to CARB and to provide for the recovery of these payments from their respective customers.

NOTICE

Notice of PG&E AL 3094-G/3618-E, SDG&E AL 2137-E/1917-G, SCE AL 2434-E, SoCalGas AL 4060 and 4060-A was made by publication in the Commission's Daily Calendar. PG&E, SDG&E, SCE and SoCalGas state that a copy of the Advice Letter was mailed and distributed in accordance with Section 3.14 of General Order 96-B.

PROTESTS

On February 4, 2010, the Indicated Producers (IP) protested SoCalGas AL 4060. IP recommended that SoCalGas should file its balancing account proposal when CARB finalizes its AB 32 fee regulations. IP also asserted that the tariffs filed in the AL did not include a credit mechanism to prevent SoCalGas from over-collecting the AB 32 fee from customers.

On February 4, 2010, the Southern California Generation Coalition (SCGC) protested SoCalGas AL 4060. SCGC also argued that SoCalGas did not include a credit mechanism in its proposed tariffs. SCGC recommended that the utility re-file the AL to correct this problem.

On February 10, 2010, SoCalGas replied to the AL 4060 protests. SoCalGas said that filing the AL now will enable it to be prepared to record and recover the expected AB 32 fees from customers. The utility also said it would issue a supplemental AL to address the credit mechanism concerns. On February 10, 2010, SoCalGas filed AL 4060-A with the credit mechanism modifications.

On February 22, 2010, SCGC protested SoCalGas AL 4060-A. SCGC believes that the credit adjustment mechanism in AL 4060-A may inaccurately calculate the amount of a credit. To correct this, SCGC recommended that the credit mechanism should be structured in a separate balancing account.

On March 1, 2010, SoCalGas replied to the AL 4060-A protest. SoCalGas claimed that the modifications filed in AL 4060-A are functional and included an example of how the credit mechanism works as proof.

DISCUSSION

Rule 5.1 of G.O. 96-B specifies that a utility must have the necessary authority to file an AL which results in a rate increase. Without such authority, the utilities must file their requests by application per Rule 5.2 of G.O. 96-B. Rule 5.1 of G.O. 96-B specifies that a utility may request a rate increase by an AL if the following condition is met.

“A utility may seek a rate increase by means of an advice letter only if use of an advice letter for this purpose is authorized by statute or Commission order.” (Rule 5.1 of G.O. 96-B)

If such authorization has not been granted, a utility may only make its request by an application, as specified below.

“Except as provided in General Rule 5.1, a utility must file an application to seek approval of a rate increase; a change to its tariffs; or an alteration of any classification, contract, practice, or rule as to result in a new rate.”
(Rule 5.2 of G.O. 96-B)

PG&E, SCE, SDG&E and SoCalGas failed to comply with Rule 5.1 of G.O. 96-B. In the ALs, the utilities are seeking to establish balancing accounts to record AB 32 fees paid to CARB and to recover the recorded amounts from their customers. Collecting the AB 32 fees through the amortization of the balancing accounts will result in a rate increase. The utilities did not cite in their ALs any statute or Commission order specifically authorizing such an AL filing as Rule 5.1 of G.O. 96-B requires. Therefore, we deny the ALs without prejudice.

We note that SoCalGas refers to ED’s June 23, 2009 letter to CARB as justification for its filing. ED states in the letter that, “To the extent the fee results in additional costs to investor-owned utilities, the CPUC will be able to allow them

to recover the costs via appropriate regulatory proceedings.³ Because the utilities do not have the necessary authorization to file the ALs, an application is the appropriate regulatory proceeding for the consideration of their proposals as Rule 5.2 of G.O. 96-B provides.

SCE, SDG&E and SoCalGas may be able to recover the AB 32 fees through their Z-Factor mechanisms if the applicable criteria are met.⁴ Z-Factor events are unforeseen items that are generally exogenous to a utility, uncontrollable by management, involve costs not considered ordinary, and impact a utility disproportionately. A deductible must be met before a utility can collect Z-Factor costs from its customers. One example of a Z-Factor event is the following:

“Costs resulting from other mandated state, federal, or local governmental programs or from regional environmental programs.”⁵

In response to an ED data request, the utilities opined that the AB 32 fees are not a Z-Factor event. SDG&E and SoCalGas claimed that they will not be disproportionately impacted by the AB 32 fees as all businesses subject to AB 32 will be affected proportionately. They also said that AB 32 benefits all Californians and that the Commission traditionally has allowed full cost recovery of such programs. SCE considers the AB 32 fee to be a procurement-related expense and that Z-Factor events are GRC-type costs.

We find the utilities arguments about the Z-Factor mechanism’s applicability confusing and unconvincing, especially in light of the example provided above. SCE, SDG&E and SoCalGas should re-consider whether the AB 32 fee is a

³ June 23, 2009 letter from Julie A. Fitch, ED Director to Mary Nichols, Chair of CARB, p. 2, emphasis added.

⁴ SCE, SDG&E and SoCalGas have Z Factor event mechanisms. Go to:
<http://www.sce.com/NR/sc3/tm2/pdf/ce267-12.pdf>

http://www.sdge.com/tm2/pdf/ELEC_ELEC-PRELIM_EPBR.pdf
<http://www.socalgas.com/regulatory/tariffs/tm2/pdf/PS-XI.pdf>

⁵ Go to: <http://www.socalgas.com/regulatory/tariffs/tm2/pdf/PS-XI.pdf> , Sheet 3

Z-Factor event. We make no definitive determination in this resolution whether the CARB AB 32 fees meet the Z-Factor criteria.

Under our GRC ratemaking principles, utilities are generally not compensated for expenses that exceed their GRC authorized revenue requirements.

Through GRC proceedings, the utilities are provided with an authorized revenue requirement for various expenses they anticipate will be incurred to provide service in a future test year. Adjustments to the test year revenue requirement are also approved to account for the period between the test year and next rate case (referred to as attrition). As explained in the following excerpts, the utilities have some discretion regarding the use of their authorized revenue requirements and generally stand to benefit when actual costs fall below the forecast; however, they are not compensated for costs exceeding the forecast.

“Our decision today is guided by a fundamental tenet of forecast test year ratemaking that inclusion of a particular expense, or category of expense, in a general rate case (GRC) authorization does not, by itself, create a specific obligation for the utility to spend the authorized amount during the test year. Utility management is generally provided discretion regarding use of authorized funds and is not bound by the adopted forecast.” (D.09-03-025, *slip op*, p. 3)

“If the adopted forecast overestimates expenses we do not ask a utility to return the funds to ratepayers. Similarly, if an adopted forecast underestimates expenses, we do not go back and give the utility funds to complete projects that should have been addressed in the prior GRC cycle.” (D.09-03-025, *slip op*, p. 4)

“In addition, traditional test-year ratemaking in general rate cases provides utilities an authorized test year revenue requirement with specified formulae and factors to adjust that revenue requirement for years following the test year. If a utility spends less than the adopted amount for a particular expense category, they are not typically required to return the unspent money to ratepayers. And, if a utility spends more than the forecasted amount for an expense category, it may not request an increase in the authorized revenue requirement unless the utilities can make a case that some unforeseen event had substantially changed their actual

expenditures from the forecast used in determining the test year revenue requirement.” (Resolution G-3441, p. 7)

Consistent with and given these principles, we find that, in any application they may file outside the normal GRC process to seek recovery of the ARB fees, the utilities would need to convincingly demonstrate that additional recovery is warranted. In the absence of such an application and its approval, the utilities are obligated to pay the AB 32 fees to CARB without any need for us to adjust their currently authorized revenue requirements. In any application, including a GRC application, the utilities can request to include a forecasted amount of AB 32 fees they expect to pay in their revenue requirements. The utilities shall not retroactively recover from their customers any AB 32 fees paid to CARB.

We do not comment on the merits of the IP and SCGC protests because we denied the ALs without prejudice on procedural grounds.

COMMENTS

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

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on May 25, 2010.

On June 14, 2010, PG&E, SCE, SDG&E and SoCalGas commented on the Draft Resolution. SCE said that its AL should not be denied because it will not necessarily result in a rate increase. This is because the recovery of the AB 32 fees would be considered in SCE’s annual Energy Resource Recovery Account (ERRA) review proceedings. As an alternative, SCE requested that it be allowed to establish a memorandum account to record the AB 32 fees. PG&E, SDG&E and SoCalGas also requested that they be allowed to establish memorandum accounts through this resolution.

We are not persuaded by the utilities' comments to modify the Draft Resolution. Establishing memorandum accounts and SCE's ERRRA account proposal might essentially result in a revenue requirement increase outside of the normal GRC or other appropriate application process prior to the effective date of a decision in such proceedings. As the Draft Resolution explained, an application is the proper venue for us to consider such a request. Also, a misstatement by SCE needs to be corrected. In its comments, SCE said that the Draft Resolution concluded that the utility should recover the AB 32 fees through its Z-Factor mechanism. This is incorrect. The Draft Resolution said that SCE as well as SDG&E and SoCalGas should consider whether recovery of the AB 32 fees through their Z-Factor mechanisms would be appropriate.

FINDINGS AND CONCLUSIONS

1. In the event CARB adopts its proposed AB 32 fee regulations, PG&E, SCE, SDG&E and SoCalGas will incur increased costs.
2. Adopting the balancing account proposals of PG&E, SCE, SDG&E and SoCalGas would result in a rate increase if the CARB AB 32 fee regulations are approved.
3. Rule 5.1 of G.O. 96-B specifies that a utility can only request a rate increase through an AL if authorized by statute or Commission order.
4. PG&E, SCE, SDG&E and SoCalGas do not have the authority specified in Rule 5.1 of G.O. 96-B to file their proposal by AL.
5. PG&E, SCE, SDG&E and SoCalGas may file their request by application as provided for in Rule 5.2 of G.O. 96-B.
6. In any application filed by the utilities seeking additional revenue requirement for the CARB AB 32 fees, the utilities must demonstrate that their requests are reasonable.
7. PG&E, SCE, SDG&E and SoCalGas are not barred from paying the AB 32 fees under their current GRC authorized revenue requirements.

THEREFORE IT IS ORDERED THAT:

1. The requests of PG&E in AL 3094-G/3618-E, SCE in AL 2434-E, SDG&E in AL 2137-E/1917-G and SoCalGas in ALs 4060 and 4060-A are denied without prejudice.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 24, 2010; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners



Ronald van der Leeden
Director
Rates, Revenues & Tariffs

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January 15, 2010

Advice No. 4060
(U 904 G)

Public Utilities Commission of the State of California

Subject: Modification of Fixed Cost Balancing Accounts for Recovery of Assembly Bill (AB) 32 Administrative Fees

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) revisions to its Preliminary Statement Part V, Balancing Accounts, applicable throughout its service territory, as shown on Attachment B.

Purpose

This filing seeks approval to modify SoCalGas' Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) to record AB 32 administrative fees paid to the California Air Resources Board (ARB) for cost recovery in future gas transportation rates.

Background

On September 26, 2006, Governor Schwarzenegger signed AB 32, the Global Warming Solutions Act of 2006. The legislation requires a reduction of greenhouse gas (GHG) emissions to 1990 levels by 2020. The ARB is the lead agency for implementing AB 32 and is responsible for setting the major milestones for establishing the program. In addition, AB 32 authorizes the ARB to adopt, by regulation based on Health and Safety Code section 38597, a schedule of fees to be paid by sources of GHG emissions to support the administrative costs of implementing AB 32.

The ARB adopted the administrative fee during a public hearing on September 25, 2009 and is currently in the rulemaking process to institute this fee. SoCalGas' allocation of the administrative fees has not been determined at this time but is anticipated to be billed by the ARB in the third quarter of 2010 for payment by the fourth quarter of 2010. Total administrative fees to fund the ongoing AB 32 program costs incurred by ARB and other State agencies, is estimated at \$36 million annually. The annual fees will also include the repayment of funds loaned to the ARB, including accrued interest, for expenditures associated with prior year fiscal periods.

Modification to the CFCA and NFCA

To ensure SoCalGas recovers these administrative fees from its core and noncore customers, SoCalGas plans to record these costs to the CFCA and NFCA, respectively. The

allocation of these costs between core and noncore customers will be on equal cents per therm (ECPT) basis and will be recovered in rates in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1 of the following year. The recovery of these administrative costs through these regulatory accounts will continue until addressed in SoCalGas' next General Rate Case (GRC) or other applicable proceeding.

Credit Adjustment for Customers Directly Billed by the ARB

Since the ARB will directly bill wholesale and electric generation customers for their allocation of AB 32 administrative fees, SoCalGas plans to establish a credit surcharge adjustment to these noncore customers to prevent them from being charged twice for these costs through amortization of the NFCA balance.

Protests

Anyone may protest this Advice Letter to the California Public Utilities 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 must be 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 Maria Salinas (mas@cpuc.ca.gov) and to Honesto Gatchalian (ijn@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.

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 should be classified as Tier 2 (effective after staff approval) pursuant to G 96-B. This filing is consistent with Resolution 09-36 on ARB Rulemaking on Administration Fees Regulation and the Energy Division's agreement that these costs should be recoverable from ratepayers and therefore SoCalGas respectfully requests that this filing be approved February 14, 2010, which is thirty (30) calendar days after the date filed.¹

¹ Energy Division letter dated June 23, 2009 to Ms. Mary Nichols, Chair-California Air Resources Board.

Notice

A copy of this advice letter is being sent to all parties listed on Attachment A, which includes the parties on the service lists in A.06-12-010, TY 2008 GRC and A.08-02-001, 2008 BCAP.

Ronald van der Leeden
Director
Rates, Revenues & Tariffs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4060

Subject of AL: Modification of Fixed Cost Balancing Accounts for Recovery of AB 32 Administrative Fees

Keywords (choose from CPUC listing): Compliance, Balancing Account

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 2/14/10

No. of tariff sheets: 4

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: PS Part V and TOCs

Service affected and changes proposed¹: NA

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Southern California Gas Company

Attention: Sid Newsom

555 West 5th Street, GT14D6

Los Angeles, CA 90013-1011

SNewsom@semprautilities.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4060

(See Attached Service Lists)

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ATTACHMENT B
Advice No. 4060

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 45593-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 45273-G
Revised 45594-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 1	Revised 45275-G
Revised 45595-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 2	Original 45276-G
Revised 45596-G	TABLE OF CONTENTS	Revised 45592-G

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

Sheet 1

1. Purpose

The CFCA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the authorized margin, (excluding the transmission revenue requirements and firm access rights (FAR) revenue requirement) and other non-gas costs as detailed below, including administrative costs and uncollectible deferred billings associated with the payment deferral plan pursuant to Resolution E-4065 and Assembly Bill (AB) 32 administrative fees paid to the California Air Resources Board (ARB) pursuant to Advice No. 4060, allocated to the core market with revenues intended to recover these costs. Pursuant to Advice No. 3963, SoCalGas establishes a separate subaccount in the CFCA to track authorized funding by the CPUC and related funds actually used in providing eligible customers with assistance in paying their bills in connection with SoCalGas' Gas Assistance Fund (GAF) program.

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N

2. Applicability

The CFCA shall apply to all core gas customers.

3. Rates

The projected year-end CFCA balance will be applied to core gas transportation rates.

4. Accounting Procedures

SoCalGas shall maintain the CFCA by recording entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to one-twelfth of the authorized margin;
- b. A debit entry equal to the recorded cost of the core portion of company-use fuel (excluding transmission and load balancing company-use fuel);
- c. A debit entry equal to the recorded cost for the core portion of unaccounted for gas;
- d. A debit entry equal to the recorded cost for the core portion of well incidents and surface leaks;
- e. A debit entry equal to incremental administrative costs and any amounts written off as uncollectible associated with the payment deferral plan related to core customers;
- f. A debit entry for core's allocation of AB 32 administrative fees paid to the ARB;
- g. A credit entry equal to the core portion of the following recorded revenues: transportation 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;
- h. An entry to amortize the previous year's balance; and
- i. An entry equal to interest on the average balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4060
 DECISION NO.

ISSUED BY
Lee Schavrien
 Senior Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jan 15, 2010
 EFFECTIVE _____
 RESOLUTION NO. _____

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NONCORE FIXED COST ACCOUNT (NFCA)

Sheet 1

1. Purpose

The NFCA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the authorized margin (excluding the transmission revenue requirement and firm access rights (FAR) revenue requirement and other non-gas costs as detailed below associated with the noncore market, including administrative costs and uncollectible deferred billings associated with the payment deferral plan pursuant to Resolution E-4065 and Assembly Bill (AB) 32 administrative fees paid to the California Air Resources Board (ARB) pursuant to Advice No. 4060 with noncore revenues intended to recover these costs. The noncore market excludes the Unbundled Storage Program. Pursuant to the BCAP Decision 09-11-006, the Commission authorized the NFCA 100% balancing account treatment (i.e., balancing of 100% of noncore costs and revenues).

The NFCA shall be divided into two subaccounts: a) authorized base margin and b) non-base margin costs and revenues.

2. Applicability

The NFCA shall apply to all noncore gas customers excluding EOR.

3. Rates

The projected year-end NFCA balance will be applied to noncore gas transportation rates.

4. Accounting Procedures – Authorized Base Margin Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to the seasonalized monthly amount of the authorized margin;
- b. A credit entry equal to the noncore revenues to recover the authorized margin excluding revenues from (1) future non-tariff contracts with Sempra Energy affiliates not subject to competitive bidding and (2) Competitive Load Growth Opportunities for noncore Rule No. 38 and Red Team incentive revenues;
- c. An entry to amortize the previous year's balance; and
- d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 4060
DECISION NO.

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Senior Vice President
Regulatory Affairs

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NONCORE FIXED COST ACCOUNT (NFCA)

Sheet 2

(Continued)

5. Accounting Procedures – Non-Base Margin Costs and Revenues Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to the recorded cost for the noncore portion of company-use fuel (excluding transmission and load balancing company-use fuel);
- b. A debit entry equal to the recorded cost for the noncore portion of unaccounted for gas;
- c. A debit entry equal to the recorded cost for the noncore portion of well incidents and surface leaks;
- d. A debit entry equal to incremental administrative costs and any amounts written off as uncollectible associated with the payment deferral plan related to noncore customers;
- e. A credit entry equal to the noncore revenues to recover the costs associated with this subaccount;
- f. A debit entry equal to noncore’s allocation of AB 32 administrative fees paid to the ARB;
- g. A credit entry equal to 100% of the net revenues associated with the Utility System Operator providing transportation imbalance services under Schedule No. G-IMB to the Utility Gas Acquisition Department;
- h. An entry to amortize the previous year’s balance; and
- i. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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6. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. For the first year subsequent to the BCAP decision, both the Authorized Base Margin Subaccount and Non-Base Margin Costs and Revenues Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis. Starting in the second year subsequent to the BCAP decision, the Authorized Base Margin Subaccount will be allocated on an Equal Percent of Authorized Margin (EPAM) basis. The Non-Base Margin Costs and Revenues Subaccount will continue to be allocated on an ECPT basis.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. 4060
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ISSUED BY

Lee Schavrien
 Senior Vice President
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(TO BE INSERTED BY CAL. PUC)

DATE FILED Jan 15, 2010
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 RESOLUTION NO. _____

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The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

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