

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



August 9, 2013

**Advice Letter 4506-G**

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

**SUBJECT: Modification of the Regulatory Accounts and Performance Based Regulation Mechanism in Compliance with D.13-05-010**

Dear Ms. Prince:

Advice Letter 4506-G is effective as of July 21, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



Rasha Prince  
Director  
Regulatory Affairs

555 West Fifth Street, GT14D6  
Los Angeles, CA 90013-1011  
Tel: 213.244.5141  
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*RPrince@semprautilities.com*

June 21, 2013

Advice No. 4506  
(U 904 G)

Public Utilities Commission of the State of California

**Subject: Modification of the Regulatory Accounts and Performance Based Regulation Mechanism in Compliance with Decision (D.) 13-05-010**

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) revisions to its tariff schedules, applicable throughout its service territory, as shown on Attachment B.

**Purpose**

In compliance with D.13-05-010, SoCalGas' Test-Year (TY) 2012 General Rate Case (GRC), this filing revises existing balancing and memorandum accounts in Preliminary Statement, Part V, Description of Regulatory Accounts – Balancing, and Preliminary Statement, Part VI, Description of Regulatory Accounts – Memorandum, respectively, and updates Preliminary Statement, Part XI, Performance Based Regulation (PBR) as described below. The establishment of new regulatory accounts as authorized in D.13-05-010 will be made through a separate advice letter filing.<sup>1</sup>

SoCalGas also filed Advice No. (AL) 4496<sup>2</sup> to implement the revenue requirement authorized by this Commission order.

**Background**

The Commission issued D.13-05-010 adopting, among other things, SoCalGas' revenue requirements for its TY 2012 GRC and post-test year ratemaking. The decision also finds the effective date for the change in the revenue requirement, and accordingly all regulatory accounts associated with this GRC, is January 1, 2012, which resolves the effective date of the GRC Memorandum Account (GRCMA) authorized by the Scoping Memo and Ruling in the TY 2012 GRC.<sup>3</sup>

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<sup>1</sup> SoCalGas filed AL 4507 on June 21, 2013 to establish three balancing accounts.

<sup>2</sup> SoCalGas filed AL 4496 on May 24, 2013 for rate implementation effective June 1, 2013.

<sup>3</sup> See Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling (March 2, 2011).

## **Regulatory Account Mechanisms**

The following regulatory account mechanisms are being modified, and for some regulatory accounts, the preliminary statement format has been updated for consistency among SoCalGas' regulatory accounts:

### **Part V, Description of Regulatory Accounts - Balancing**

- **Pension Balancing Account (PBA)** – The purpose of the PBA is to record the difference between the forecasted and actual minimum contributions to the SoCalGas pension fund. Pursuant to Ordering Paragraph (OP) 24 of D.13-05-010, effective for the 2012 GRC cycle ending December 31, 2015, SoCalGas is updating the PBA to continue the two-way balancing account treatment for pension costs recorded in the PBA and annual amortization of the PBA balance in rates and to reflect adjustments of future funding amounts for pension benefits based on the greater of minimum required contribution or the amount necessary to maintain an 85% funding level.
- **Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)** – The purpose of the PBOPBA is to record the actual annual PBOP costs embedded in authorized rates with the actual tax-deductible contribution to the PBOP Trust. Pursuant to OP 24 of D.13-05-010, SoCalGas is updating the PBOPBA to continue the two-way balancing account treatment for PBOP costs recorded in the PBOPBA and annual amortization of the PBOPBA balance in rates through the 2012 GRC cycle ending December 31, 2015.
- **Integrated Transmission Balancing Account (ITBA)** – The purpose of the ITBA is to record the difference between the authorized transmission system revenue requirement and corresponding transmission revenues that are not reflected in the Backbone Transmission Balancing Account. Based on its uncontested proposal,<sup>4</sup> SoCalGas is updating the ITBA to also record costs associated with the testing, management, removal, and disposal of PCBs existing in SoCalGas natural gas pipeline system and any reimbursements of PCB clean-up costs paid by Transwestern Pipeline Company. These PCB costs and related reimbursements have been recorded in the Polychlorinated Biphenyls Expense Account (PCBEA), which will be eliminated as proposed by SoCalGas, so SoCalGas will also update its PCBEA to reflect this change.
- **Rewards and Penalties Balancing Account (RPBA)** – In D.08-07-046, SoCalGas' 2008 GRC, the RPBA was authorized to record rewards and penalties associated with its performance indicator adopted in the GRC's post-test year mechanism. With the mechanism ending as of December 31, 2011, SoCalGas is updating the RPBA to remove the recording of any rewards and penalties associated with the performance indicator. The RPBA will continue to record rewards and penalties associated with its energy efficiency programs and the ratepayer's share of net revenues associated with SoCalGas' Mover Services Program.

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<sup>4</sup> See A.10-12-006, Exhibit 264, Prepared Direct Testimony of Gregory D. Shimansky on Behalf of Southern California Gas Company (December 15, 2010).

- Distribution Integrity Management Program Balancing Account (DIMPBA) – Pursuant to D.08-07-046, SoCalGas established the DIMPBA to record the difference between actual and authorized costs associated with SoCalGas' Distribution Integrity Management Program and was effective for the GRC cycle of 2008 through 2011. Pursuant to D.13-05-010, SoCalGas is updating the DIMPBA to amortize the balance in gas transportation rates on an Equal Percent of Authorized Margin (EPAM) basis and transfer any residual balance after the amortization period to the CFCA and NFCA. As mentioned above, SoCalGas will submit a separate AL for new regulatory accounts including the establishment of a new DIMPBA to record post-2011 activity in accordance with D.13-05-010.
- Core Fixed Cost Account (CFCA) – The purpose of the CFCA is to balance the difference between the authorized margin (excluding the transmission revenue requirements and Backbone Transportation Service revenue requirement) and other non-gas costs allocated to the core market with revenues intended to recover these costs. In addition, pursuant to Resolution G-3452, the CFCA will be credited for the increased revenues from the 1% surcharge on franchise fees charged to core customers in the City of Huntington Beach until the system-wide franchise fee factor is updated in SoCalGas' next GRC. As the system-wide franchise fee has been updated in its 2012 GRC, SoCalGas is updating the CFCA to no longer record the 1% surcharge on franchise fees pursuant to Resolution G-3452.
- Noncore Fixed Cost Account (NFCA) - The purpose of the NFCA is to balance the difference between the authorized margin (excluding the transmission revenue requirements and Backbone Transportation Service revenue requirement) and other non-gas costs allocated to the noncore market with revenues intended to recover these costs. In addition, pursuant to Resolution G-3452, the NFCA will be credited for the increased revenues from the 1% surcharge on franchise fees charged to noncore customers in the City of Huntington Beach until the system-wide franchise fee factor is updated in SoCalGas' next GRC. As the system-wide franchise fee has been updated in its 2012 GRC, SoCalGas is updating the NFCA to no longer record the 1% surcharge on franchise fees pursuant to Resolution G-3452.

#### Part VI, Description of Regulatory Accounts - Memorandum

- General Rate Case Memorandum Account (GRCMA) – Consistent with OP 7 of D.13-05-010, SoCalGas is updating the GRCMA to reflect that the regulatory account will be amortized in rates through December 31, 2015.<sup>5</sup>
- Polychlorinated Biphenyls Expense Account (PCBEA) – The purpose of the PCBEA was to record costs associated with the testing, management, removal, and disposal of PCBs existing in SoCalGas' natural gas pipeline system and any reimbursements of PCB clean-up costs paid by Transwestern Pipeline Company. As discussed above, the PCBEA will no longer record any PCB costs and any related reimbursements, as such activity will be recorded in the ITBA. Pursuant to D.13-05-010, SoCalGas is updating the PCBEA to amortize the balance in gas transportation rates on an Equal Cents Per Therm (ECPT) basis and transfer any residual balance after the amortization period to the ITBA. At that point, the PCBEA will be eliminated.

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<sup>5</sup> In AL 4496, SoCalGas proposed to begin amortizing the GRCMA effective June 1, 2013.

- Research Development & Demonstration Expense Account (RDDEA) – The purpose of the RDDEA is to record the difference between authorized RD&D funding recovered in base margin rates and actual costs associated with non-public purpose RD&D programs. Pursuant to D.13-05-010, the RDDEA is authorized to continue through the 2012 GRC period ending December 31, 2015. In addition, SoCalGas is updating the RDDEA to amortize the overcollected balance from the prior GRC cycle (2008-2011) in gas transportation rates on an EPAM basis.
- Research Royalty Memorandum Account (RRMA) – The purpose of the RRMA is to record actual revenues from ratepayer funded research programs in which ratepayers receive, pursuant to D.97-07-054, 100% of revenues from projects underway or completed prior to January 1, 1998 or 50% of revenues from projects that start on or after January 1, 1998. Pursuant to D.08-07-046, revenues are split 60%/40% between ratepayers and shareholders, respectively, from projects that start on or after January 1, 2008. Pursuant to OP 23 in D.13-05-010, SoCalGas is updating the RRMA for revenues to be split 75%/25% between ratepayers and shareholders, respectively, from projects that start on or after January 1, 2012.
- Natural Gas Appliance Testing Memorandum Account (NGATMA) – The purpose of the NGATMA is to record the difference between low-income energy efficiency (LIEE)-related natural gas appliance testing costs and the corresponding authorized costs embedded in base rates. The cost differential is a result of D.08-11-031 which set aggressive goals for a number of homes to be treated through the LIEE program in order to meet the Commission's programmatic initiative. This represents a significant increase from the goals established in SoCalGas' 2008 GRC. As D.13-05-010 authorized an increase in base rates for these costs, SoCalGas is updating the NGATMA to no longer record the cost differential effective January 1, 2012 to reflect this change. The balance in the NGATMA will be addressed in SoCalGas' next GRC or other appropriate proceeding.
- Firm Access & Storage Rights Memorandum Account (FASRMA) – The purpose of the FASRMA is to record costs to implement a firm, tradable access and storage rights structure to provide customers with an opportunity to obtain firm access into the utility system at a specific receipt point and storage capacity throughout the year. In addition, the FASRMA will record costs to, among other things, establish and maintain new postings on the Electronic Bulletin Board and new optional enhanced balancing services. Pursuant to D.13-05-010, the costs associated with the completion of these projects have been included in rate base for recovery, so SoCalGas is updating the FASRMA to no longer record these costs effective January 1, 2012. The FASRMA will continue to record system modification costs in providing interruptible and firm Off-System Delivery (OSD) services and any related revenues to recover OSD costs.
- Environmental Fee Memorandum Account (EFMA) – The purpose of the EFMA is to record SoCalGas' allocation of the California Air Resource Board's (CARB) administrative costs which was authorized recoverable by the CARB under Assembly Bill 32 (AB 32). As D.13-05-010 authorized the establishment of the New Environmental Regulation Balancing Account (NERBA) to balance, among other things, the difference between the actual CARB administrative cost and the authorized cost in base rates, SoCalGas is updating the EFMA to no longer record the CARB administrative cost. In

addition, SoCalGas will close the EFMA effective January 1, 2014 and will transfer any remaining residual balance to the AB32 Admin Fees Subaccount of the NERBA.

- Fire Hazard Prevention Memorandum Account (FHPMA) – The purpose of the FHPMA is to record costs associated with fire hazard prevention incurred in complying with D.09-08-029 that have not been previously authorized for recovery in SoCalGas GRC or other regulatory proceeding. As D.13-05-010 authorized an increase in base rates for these costs, SoCalGas is updating the FHPMA to no longer record such costs effective January 1, 2012 to reflect this change.

### **Performance Based Regulation**

Consistent with D.13-05-010, SoCalGas is updating the following sections of its Preliminary Statement Part XI, PBR, to establish or modify the following post-test year mechanisms:

#### **Post Test Year Revenue Requirement**

The GRC covers a minimum of four years, TY 2012 plus Attrition Years (AY) 2013, 2014, and 2015. Annual revenue requirement changes will increase by adopted percentages as follows:

AY2013	-	2.65%
AY2014	-	2.75%
AY2015	-	2.75%

Revenue requirement amounts subject to balancing account treatment (e.g., Pensions, PBOPs, etc.) will be increased above TY2012 levels in addition to routine amortization of over or under collections or any post-test year incremental changes to the level of funding authorized by the Commission. In addition, there will be no true-up or after-the-fact modification to any attrition year revenue requirement increase. Other Commission-approved revenue requirement and rate base changes such as cost of capital are incremental to the fixed amounts above.

#### **Sharing Mechanism**

Pursuant to D.13-05-010, SoCalGas will not be subject to an earnings sharing mechanism for the GRC period.

#### **Z Factor Mechanism**

SoCalGas shall continue its Z Factor mechanism through 2015.

#### **Performance Indicators**

Performance indicators authorized in SoCalGas' 2008 GRC are no longer effective with the 2012 GRC and have been eliminated.

#### **Safety Report**

Pursuant to OP 11 of D.13-05-010, SoCalGas is required to submit a semi-annual Gas Transmission, Distribution, and Storage Safety Report (Safety Report) to the Directors of Safety and Enforcement Division and Energy Division. The format of the Safety Report is described in Attachment C of this decision. SoCalGas shall submit its first Safety Report on July 1, 2013

covering the one-year period from January 1, 2012 through December 31, 2012. Each subsequent Safety Report will cover each subsequent six-month period. The second Safety Report will be submitted on September 1, 2013 with subsequent semi-annual Safety Reports submitted on March 1 and September 1 thereafter until further notice.

### Overview

The Overview section will be modified to reflect the items noted above. An additional clean-up item not related to the 2012 GRC is also reflected. As part of implementing D.13-03-015, which authorized a new Cost of Capital Mechanism (CCM) effective March 21, 2013, SoCalGas filed AL 4485 to establish Preliminary Statement XIV to describe the mechanism. However, SoCalGas inadvertently omitted to include revisions to its Overview section as part of that AL filing to remove language related to the former authorized CCM. As such, SoCalGas has cleaned-up the Overview section by removing references to its former CCM.

### Protest

Anyone may protest this AL 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 must be received within 20 days of the date this AL which is July 11, 2013. 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 the Energy Division Tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)). 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](mailto: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 General Order 96-B. SoCalGas respectfully requests that this filing be approved July 21, 2013, 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, which includes the interested parties in the SoCalGas' TY 2012 GRC A.10-12-006.

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Rasha Prince  
Director, Regulatory Affairs

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) #: 4506

Subject of AL: Modification of the Regulatory Accounts and Performance Based Regulation Mechanism in Compliance with D.13-05-010

Keywords (choose from CPUC listing): GRC, Balancing Account, Memorandum Account, PBR

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

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

D.13-05-010

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 AL<sup>1</sup>: N/A

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

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: 7/21/13

No. of tariff sheets: 38

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: CFCA, NFCA, PBA, PBOPBA, ITBA, DIMPBA, RPBA, PCBEA, RDDEA, RRMA, FASRMA, FHPMA, NGATMA, EFMA, GRCMA, PS XI, TOCs

Service affected and changes proposed<sup>1</sup> See Advice Letter

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**

[EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

**Southern California Gas Company**

**Attention: Sid Newsom**

**555 West 5<sup>th</sup> Street, GT14D6**

**Los Angeles, CA 90013-1011**

[SNewsom@semprautilities.com](mailto:SNewsom@semprautilities.com)

[tariffs@socalgas.com](mailto:tariffs@socalgas.com)

<sup>1</sup> Discuss in AL if more space is needed.

**ATTACHMENT A**

**Advice No. 4506**

**(See Attached Service Lists)**

ATTACHMENT B  
Advice No. 4506

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 49305-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 47158-G*
Revised 49306-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 2	Revised 47104-G
Revised 49307-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 1	Revised 47159-G*
Revised 49308-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NONCORE FIXED COST ACCOUNT (NFCA), Sheet 2	Revised 47106-G
Revised 49309-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Revised 45013-G
Revised 49310-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNG (PBA), Sheet 2	Revised 45014-G
Revised 49311-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 1	Revised 45015-G
Revised 49312-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 2	Revised 45016-G
Revised 49313-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA)	Revised 47161-G
Revised 49314-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM, BALANCING ACCOUNT (DIMPBA)	Original 43694-G
Revised 49315-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA), Sheet 1	Revised 46167-G
Revised 49316-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, REWARDS AND	Revised 48972-G

ATTACHMENT B  
Advice No. 4506

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
	PENALTIES BALANCING ACCOUNT (RPBA), Sheet 2	
Revised 49317-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, PCB EXPENSE ACCOUNT (PCBEA), Sheet 1	Revised 40893-G
Revised 49318-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH DEVELOPMENT AND , DEMONSTRATION EXPENSE ACCOUNT (RDDEA), Sheet 1	Revised 43697-G
Revised 49319-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA), Sheet 1	Revised 43698-G
Revised 49320-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT, FIRM ACCESS AND STORAGE RIGHTS MEMORANDUM ACCOUNT (FASRMA), Sheet 1	Revised 47343-G
Original 49321-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT, FIRM ACCESS AND STORAGE RIGHTS MEMORANDUM ACCOUNT (FASRMA), Sheet 2	
Revised 49322-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, FIRE HAZARD PREVENTION MEMORANDUM ACCOUNT (FHPMA)	Original 44984-G
Revised 49323-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, NATURAL GAS APPLIANCE TESTING MEMORANDUM ACCOUNT (NGATMA)	Original 46700-G
Revised 49324-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ENVIRONMENTAL FEE MEMORANDUM ACCOUNT (EFMA), Sheet 1	Original 46691-G
Revised 49325-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, GENERAL RATE CASE MEMORANDUM ACCOUNT (GRCMA), Sheet 1	Original 47558-G
Revised 49326-G	PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 45064-G Revised 43901-G

ATTACHMENT B  
Advice No. 4506

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 49327-G	Sheet 1 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 45064-G Revised 43704-G
Revised 49328-G	Sheet 2 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 43704-G Revised 43705-G
Revised 49329-G	Sheet 3 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 43705-G Revised 43706-G
Revised 49330-G	Sheet 4 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 43706-G
Revised 49331-G	Sheet 5 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49178-G, 49072-G Revised 49070-G, 49071-G
Revised 49332-G	Sheet 6 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49178-G, 49072-G Revised 49179-G, 49071-G
Revised 49333-G	Sheet 7 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49179-G Revised 49075-G
Revised 49334-G	Sheet 8 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49075-G Revised 49076-G
Revised 49335-G	Sheet 9 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49077-G
Revised 49336-G	Sheet 10 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49078-G
Revised 49337-G	Sheet 11 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49079-G
Revised 49338-G	Sheet 12 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49080-G
Revised 49339-G	Sheet 13 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	Revised 49081-G
Original 49340-G	Sheet 14 PRELIMINARY STATEMENT, PART XI, PERFORMANCE BASED REGULATION,	
	Sheet 15	
Revised 49341-G	TABLE OF CONTENTS	Revised 49304-G
Revised 49342-G	TABLE OF CONTENTS	Revised 49093-G
Revised 49343-G	TABLE OF CONTENTS	Revised 49205-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 Backbone Transportation Service (BTS) revenue requirement) and other non-gas costs as detailed below, including funding of SoCalGas' Gas Assistance Fund (GAF) program pursuant to Advice No. 4168, and storage costs associated with the allocation of storage adopted in D.08-12-020 that are not currently reflected in current rates, 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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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 the actual funds used, up to amounts authorized by the Commission, in providing eligible customers with assistance in paying their bills in connection with SoCalGas' Gas Assistance Fund (GAF) program;
- f. An adjustment to reflect storage costs consistent with the allocation of storage adopted in D.08-12-020 that are not currently reflected in current transportation rates;

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4506  
DECISION NO. 13-05-010

ISSUED BY  
**Lee Schavrien**  
Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Jun 21, 2013  
EFFECTIVE Jul 21, 2013  
RESOLUTION NO. \_\_\_\_\_

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

Sheet 2

(Continued)

4. Accounting Procedures (Continued)

- 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.

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

- a. A debit entry equal to actual funds provided to customers for paying their gas bills;
- b. A credit entry equal to funds to be used in providing customers with assistance in paying their gas bills; and
- c. 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.

5. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end CFCA balance effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Cents Per Therm (ECPT) basis.

For the GAF subaccount, the disposition of any unspent funds will be addressed in SoCalGas' next annual regulatory account update filing or other appropriate filing.

T,D  
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(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4506  
DECISION NO. 13-05-010

ISSUED BY  
**Lee Schavrien**  
Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Jun 21, 2013  
EFFECTIVE Jul 21, 2013  
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 Backbone Transportation Service (BTS) revenue requirement) and other non-gas costs as detailed below associated with the noncore market, including funding of SoCalGas' Gas Assistance Fund (GAF) program pursuant to Advice No. 4168 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.

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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 the actual funds used, up to amounts authorized by the Commission, in providing eligible customers with assistance in paying their bills in connection with SoCalGas' Gas Assistance Fund (GAF) program;
- e. A credit entry equal to the noncore revenues to recover the costs associated with this subaccount;
- f. 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;
- g. An entry to amortize the previous year's balance; and
- h. 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.

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

Sheet 1

1. Purpose

The PBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Pursuant to D.13-05-010, TY 2012 General Rate Case (GRC), effective January 1, 2012, the PBA will continue for the four-year GRC cycle through December 31, 2015 or until the effective implementation date of SoCalGas' next GRC.

The authorized pension revenue requirement and the related actual pension expenses recorded in the PBA are adjusted for related pension costs capitalized in ratebase and for inter-company pension costs (i.e., for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBA records an adjustment for the difference between pension costs embedded in authorized depreciation along with the related return and the corresponding actual pension costs embedded in recorded depreciation along with the related return.

2. Applicability

The PBA shall apply to gas customers.

3. Rates

The PBA balance will be included in gas transportation rates.

4. Accounting Procedures

Consistent with D. 92-12-015 which initially adopted the PBA regulatory mechanism modified in D. 09-09-011, and authorized to be continued per D.13-05-010, 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;

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

Sheet 2

(Continued)

4. Accounting Procedures (Continued)

Depreciation/Return Component – Current Year

b. A debit/credit entry equal to the difference between:

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

Depreciation/Return Component – Prior Year(s) [beginning with the initial year of the GRC period]

c. A debit/credit entry equal to the difference between:

1. One-twelfth of the revenue requirement associated with the unamortized balance of authorized pension costs capitalized to utility rate base in prior years, including pension costs embedded in authorized depreciation, and the related return, and
2. The current month's capital-related costs associated with the unamortized balance of actual pension costs capitalized to utility rate base in prior years, including pension costs embedded in recorded depreciation, and the related return;

Other Adjustments

d. An entry to amortize the PBA balance; and

e. 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.

5. Disposition

Pursuant to D. 13-05-010, SoCalGas will adjust its future funding amounts for pension benefits based on the greater of the ERISA minimum required contribution or the amount necessary to maintain an 85% funding level.

Pursuant to D.13-05-010, SoCalGas will amortize the projected year-end PBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Percent of Authorized Margin (EPAM) basis.

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

Sheet 1

1. Purpose

The PBOPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the annual PBOP costs embedded in authorized rates and the actual tax-deductible contributions to the PBOP Trust. Pursuant to D.13-05-010, TY 2012 General Rate Case (GRC), effective January 1, 2012, the PBOPBA will continue for the four-year GRC cycle through December 31, 2015 or until the effective implementation date of SoCalGas' next GRC.

The authorized PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related PBOP costs capitalized in ratebase and for inter-company PBOP costs (i.e., for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the PBOPBA records an adjustment for the difference between PBOP costs embedded in authorized depreciation along with the related return and the corresponding actual PBOP costs embedded in recorded depreciation, along with the related return.

2. Applicability

The PBOPBA shall apply to gas customers.

3. Rates

The PBOPBA balance will be included in gas transportation rates.

4. Accounting Procedures

Consistent with Decision (D.) 92-12-015 which initially adopted the PBOP regulatory mechanism, modified in D. 09-09-011, and authorized to be continued per D.13-05-010, SoCalGas will maintain the PBOPBA 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 PBOP funding level currently embedded in rates, reduced by the component of authorized PBOP costs capitalized to utility ratebase and
2. Actual tax-deductible PBOP contributions to the PBOP Trust, reduced by the component of PBOP costs capitalized to utility ratebase;

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

Sheet 2

(Continued)

4. Accounting Procedures (Continued)

Depreciation/Return Component – Current Year

b. A debit/credit entry equal to the difference between:

1. One-twelfth of the revenue requirement associated with the authorized PBOP costs, capitalized to utility ratebase in the current year, including PBOP costs embedded in authorized depreciation, and the related return, and
2. The current month's capital-related costs associated with the actual PBOP costs capitalized to utility ratebase in the current year, including PBOP costs embedded in recorded depreciation, and the related return;

Depreciation/Return Component – Prior Year(s) [beginning with the initial year of the GRC period]

c. A debit/credit entry equal to the difference between:

1. One-twelfth of the revenue requirement associated with the unamortized balance of authorized PBOP costs capitalized to utility rate base in prior years, including PBOP costs embedded in authorized depreciation, and the related return, and
2. The current month's capital-related costs associated with the unamortized balance of actual PBOP costs capitalized to utility rate base in prior years, including PBOP costs embedded in recorded depreciation, and the related return;

Other Adjustments

d. An entry to amortize the balance; and

e. 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.

5. Disposition

Pursuant to D.13-05-010, SoCalGas will amortize the projected year-end PBOPBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Percent of Authorized

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA)

1. Purpose

The ITBA is an interest-bearing balancing account that is recorded on the Utility's financial statements pursuant to D.06-04-033, D.06-12-031, Resolution G-3407, and D.11-04-032. The purpose of the ITBA is to record the difference between the authorized transmission system revenue requirements and the corresponding transmission revenues that are not reflected in the Backbone Transmission Balancing Account (BTBA). In addition, pursuant to D.13-05-010, SoCalGas' TY 2012 General Rate Case, the ITBA is authorized to record costs associated with the testing, management, removal, and disposal of PCBs existing in SoCalGas' natural gas system, including capital-related costs. Under the prior arbitration agreement with Transwestern Pipeline Company (Transwestern), which Transwestern terminated on December 31, 2009, Transwestern reimbursed SoCalGas for 86% of PCB clean-up costs.

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2. Applicability

The ITBA shall apply to all gas customers.

3. Rates

The projected year-end ITBA balance will be applied to gas rates as described in item 5 below.

4. Accounting Procedures

SoCalGas shall maintain the ITBA 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 transmission revenue requirement which excludes the BTS revenue requirement;
- b. A credit entry equal to the recorded transmission revenues;
- c. A debit entry equal to recorded operating and maintenance (O&M) costs and capital-related costs (i.e., depreciation, return, taxes) related to the testing, management, removal, and disposal of PCBs existing in SoCalGas' natural gas system;
- d. A credit entry equal to any reimbursement of PCB clean-up costs paid by Transwestern;
- e. An entry to amortize the previous year's balance; and
- f. 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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5. Disposition

Under System Integration, the projected year-end balance in the ITBA shall be combined with the projected year-end balance in SDG&E's ITBA and re-allocated between the utilities based on cold year throughput. SoCalGas' allocation of the ITBA balances shall be amortized in the following year's rates as proposed in SoCalGas' annual October regulatory account balance update filing.

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**PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS**  
**DISTRIBUTION INTEGRITY MANAGEMENT PROGRAM**  
**BALANCING ACCOUNT (DIMPBA)**

1. Purpose

The DIMPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the DIMPBA will record the difference between actual and authorized costs associated with SoCalGas' Distribution Integrity Management Program (DIMP). The DIMPBA is effective for the GRC cycle of 2008 through 2011. Pursuant to D.13-05-010, SoCalGas' TY 2012 GRC, SoCalGas is authorized to amortize any overcollected balance in the DIMPBA.

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2. Applicability

See Disposition section.

3. Rates

The balance in the DIMPBA will be included in gas transportation rates.

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4. Accounting Procedures

SoCalGas maintains this account by making monthly entries as follows:

- a) A debit entry to record actual O&M costs related to SoCalGas' DIMP,
- b) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' DIMP,
- c) An entry to amortize any overcollected balance, and
- 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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5. Disposition

Any over- or under-collected balance at the end of each year within the GRC cycle will be carried over to the following year. Any unspent DIMP funds at the end of the current GRC cycle will be returned to customers in rates in SoCalGas' next GRC cycle. Pursuant to D.13-05-010, any overcollections in the DIMPBA will be amortized on an Equal Percent of Authorized Margin (EPAM) basis with any residual balance after the amortization period to be transferred to the Core Fixed Cost Account and Noncore Fixed Cost Account.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

Sheet 1

1. Purpose

The RPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The RPBA will record rewards and penalties based on incentive mechanisms associated with SoCalGas' energy efficiency programs. The RPBA also records the ratepayers' share of net revenues associated with SoCalGas' Mover Services Program (MSP) approved in Advice No. 4124.

The RPBA shall be divided into two subaccounts: 1) Rewards and Penalties (R&P) and 2) Non-Tariffed Products & Services (NTP&S).

2. Applicability

This account shall apply to gas customers.

3. Rates

The projected year-end RPBA balance will be applied to gas rates as described in item 6 below.

4. Accounting Procedures – R&P Subaccount

SoCalGas maintains this account by making monthly entries as follows:

- a) A debit entry for rewards based on the incentive mechanism associated with SoCalGas' energy efficiency programs,
- b) A credit entry for penalties based on the incentive mechanism associated with SoCalGas' energy efficiency programs,
- c) An entry to amortize the previous year's balance, and
- d) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

Sheet 2

(Continued)

5. Accounting Procedures – NTP&S Subaccount

SoCalGas maintains this account by making monthly entries as follows:

- a) A credit entry for the ratepayers' 30% allocation of gross revenues associated with the MSP, pursuant to Resolution G-3456,
- b) An entry to amortize the previous year's balance, and
- 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.

6. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the year-end overcollected or undercollected balance in the R&P Subaccount and any overcollected balance in the NTP&S Subaccount effective January 1 of the following year. The disposition of both subaccounts in the RPBA will be allocated on an Equal Percent of Authorized Margin (EPAM) basis.

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

1. Purpose

The PCBEA is an interest-bearing 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. Pursuant to Decision (D.) 13-05-010, SoCalGas' Test Year 2012 General Rate Case, PCB clean-up costs and any related reimbursements paid by Transwestern Pipeline Company will no longer be recorded in the PCBEA but will be recorded in the Integrated Transmission Balancing Account (ITBA). In addition, SoCalGas is authorized to amortize the PCBEA balance.

2. Applicability

The PCBEA will apply to gas customers.

3. Rates

The PCBEA balance will be included in gas transportation rates.

4. Accounting Procedures

SoCalGas will maintain the PCBEA by recording entries at the end of the month, net of applicable FF&U, as follows:

- a. An entry to amortize the balance, and
- b. 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.

5. Disposition

In the annual October regulatory account balance update filing, pursuant to D.13-05-010, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Cents Per Therm (ECPT) basis. Any residual balance at the end of the amortization period will be transferred to the ITBA.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1  
RESEARCH DEVELOPMENT AND  
DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

1. Purpose

The RDDEA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between authorized costs in rates, and actual costs associated with non-public purpose research, development, and demonstration (RD&D) programs. D.97-07-054 (PBR) authorized SoCalGas to continue using this account through the five-year PBR period, December 31, 2002. D.01-10-030 extended the account through December 31, 2003. In D.04-12-015 and D.08-07-046, SoCalGas was authorized to continue using this account through the four-year Cost of Service and General Rate Case (GRC) periods ending December 31, 2007 and December 31, 2011, respectively. Pursuant to D.13-05-010, TY 2012 GRC, effective January 1, 2012, SoCalGas is authorized to continue using this account through the four-year GRC cycle ending December 31, 2015 or until the effective implementation date of SoCalGas' next GRC.

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2. Applicability

See Disposition section.

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3. Rates

The RDDEA balance will be included in gas transportation rates.

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4. Accounting Procedures

SoCalGas maintains the RDDEA by making monthly entries, net of FF&U, as follows:

- a) A debit entry for actual RD&D expenses,
- b) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' RD&D program,
- c) An entry to amortize the prior program cycle's balance, and
- d) An entry equal to interest on the average of the balance in this account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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5. Disposition

For the current GRC cycle (2012-2015), any over- or under-collected balance at the end of each year within the GRC cycle will be carried over to the following year. For any unspent RD&D funds at the end of the current GRC cycle, SoCalGas will propose in its next GRC proceeding to return the unspent funds in rates to customers. Overspent funds may not be recovered from ratepayers and shareholders will absorb the balance in the event actual expenses exceed authorized levels.

For the prior GRC cycle (2008-2011), SoCalGas is authorized to amortize any overcollection in gas transportation rates on an Equal Percent of Authorized Margin (EPAM) basis.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS  
RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA)

Sheet 1

1. Purpose

The RRMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. Decision (D.) 93-12-043, SoCalGas' Test Year (TY) 1994 General Rate Case (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. Pursuant to D.08-07-046, TY 2008 GRC, revenues associated with projects commencing on and after January 1, 2008 are subject to a revenue sharing mechanism which allocates 60% of revenues to ratepayers and the remaining 40% to shareholders. Pursuant to D.13-05-010, TY 2012 GRC, revenues associated with projects commencing on or after January 1, 2012 are subject to a revenue sharing mechanism which allocates 75% of revenues to ratepayers and the remaining 25% to shareholders.

2. Applicability

The RRMA shall apply to gas customers.

3. Rates

The RRMA balance will be included in gas transportation rates.

4. Accounting Procedures

SoCalGas maintains the RRMA by making entries at the end of each month, net of applicable FF&U, as follows:

- a. A credit entry for ratepayers' portions of actual research royalties, licensing fees, and other revenues;
- b. An entry to amortize the balance; and
- c. 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.

5. Disposition

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNT  
FIRM ACCESS AND STORAGE RIGHTS MEMORANDUM ACCOUNT (FASRMA)

Sheet 2

(Continued)

5. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end balance (excluding transactions identified in entries a. and b.) effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Cents Per Therm (ECPT) basis.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS  
FIRE HAZARD PREVENTION MEMORANDUM ACCOUNT (FHPMA)

1. Purpose

The purpose of the FHPMA is to record all costs associated with fire hazard prevention incurred in complying with D.09-08-029 that have not been previously authorized for recovery in SoCalGas' General Rate Case (GRC) or other regulatory proceeding. These costs may include: (1) expenses associated with increasing trim clearance of vegetation (interim revisions to General Order (GO) 95); (2) expenses incurred in design, construction, and maintenance of facilities to mitigate fire hazard in high speed wind areas; and (3) any other expenses incurred in implementing this order. D.13-05-010, SoCalGas' Test-Year 2012 GRC, authorized an increase in base rates for these costs, so effective January 1, 2012, the FHPMA will no longer record these costs.

2. Applicability

This account shall apply to all gas customers.

3. Rates

The projected year-end FHPMA balance will be applied to gas transportation rates as authorized by the Commission.

4. Accounting Procedures

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

- a) A credit entry equal to the revenues to recover these costs as authorized by the Commission; and
- b) 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.

5. Disposition

The balance in this account will be addressed in Phase 2 of Rulemaking 08-11-005.

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ISSUED BY  
**Lee Schavrien**  
Senior Vice President

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS  
NATURAL GAS APPLIANCE TESTING MEMORANDUM ACCOUNT (NGATMA)

1. Purpose

The NGATMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. Per Decision (D.) 10-12-002, the NGATMA tracks the difference between recorded Low-Income Energy Efficiency (LIEE)-related NGAT costs and the corresponding authorized costs embedded in base rates. The cost differential is a result of D. 08-11-031 which set aggressive goals for the number of homes to be treated through the LIEE program in order to meet the Commission's programmatic initiative which represents a significant increase from the goals established in SoCalGas' last General Rate Case (GRC). D.13-05-010, SoCalGas' Test-Year 2012 GRC, authorized an increase in base rates for NGAT costs, so effective January 1, 2012 the NGATMA will no longer record this cost differential.

2. Applicability

See disposition section.

3. Rates

The balance in the NGATMA will be included in gas transportation rates upon Commission approval.

4. Accounting Procedure

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

- a. 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.

5. Disposition

The disposition of the account balance will be addressed in SoCalGas' next GRC or other appropriate proceeding.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS  
GENERAL RATE CASE MEMORANDUM ACCOUNT (GRCMA)

Sheet 1

1. Purpose

The GRCMA is an interest bearing memorandum account that is recorded on the Utility's financial statements. Pursuant to Assigned Commissioner and Administrative Law Judge's Scoping Memo and Ruling ("Commission Ruling") dated March 2, 2011 and approved in Resolution G-3460 on September 8, 2011, the purpose of this account is to record the shortfall or overcollection resulting from the difference between the rates currently in effect for utility service and the final rates adopted by the Commission in a decision for Application (A.) 10-12-006. Pursuant to the Commission Ruling on SoCalGas' TY 2012 General Rate Case (GRC), the GRCMA is effective January 1, 2012.

2. Applicability

This account shall apply to all gas customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. Accounting Procedures

Utility shall maintain the GRCMA by making the following entries detailed below.

- a. A debit entry equal to the pro rata allocation of SoCalGas' annual base margin revenue requirement adopted in A.10-12-006 for the period January 1, 2012 until the effective date of rates adopted in a decision for A.10-12-006. This entry will be recorded once the decision is approved.
- b. A credit entry equal to the pro rata allocation of SoCalGas' current annual base margin revenue requirement for each month beginning January 1, 2012 until the effective date of rates adopted in a decision for A.10-12-006. This entry will be recorded once the decision is approved.
- c. An entry equal for amortization of the GRCMA balance as authorized by the Commission; and
- d. 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.

5. Disposition

Per Decision 13-05-010, SoCalGas' 2012 GRC, the GRCMA will be amortized in rates beginning on June 1, 2013 through December 31, 2015. In its annual October regulatory account balance update filing, SoCalGas will include the projected GRCMA balance to be amortized in the subsequent year's rates. The GRCMA balance will be amortized on Equal Percent of Authorized Margin ("EPAM") basis.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1  
ENVIRONMENTAL FEE MEMORANDUM ACCOUNT (EFMA)

1. Purpose

The EFMA is an interest bearing memorandum account that is recorded on SoCalGas' financial statements. Per Decision (D.) 10-12-026, the purpose of the EFMA is to record SoCalGas' allocation of the California Air Resources Board's (CARB's) administrative costs which was authorized recoverable by the CARB under Assembly Bill (AB) 32. Pursuant to D.13-05-010, SoCalGas' Test-Year 2012 General Rate Case, effective January 1, 2012 SoCalGas established the New Environmental Regulation Balancing Account to balance, among other things, the difference between the actual CARB administrative cost and the authorized cost in base rates. As a result, the EFMA will no longer record SoCalGas' allocation of the CARB administrative cost.

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2. Applicability

The EFMA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission or direct billed by the CARB.

3. Rates

See Disposition Section.

4. Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of franchise fees and uncollectibles where applicable as follows:

- a) An entry for amortization of the EFMA balance as authorized by the Commission; and
- b) 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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5. Disposition

Pursuant to D.12-10-044, SoCalGas will amortize the projected year-end balance in rates beginning January 1, 2013. The projected year-end balance will be allocated on an Equal Cents Per Therm (ECPT) basis.

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PRELIMINARY STATEMENT  
 PART XI  
PERFORMANCE BASED REGULATION

Sheet 1

A. OVERVIEW

Pursuant to Decision (D.) 13-05-010, Test Year (TY) 2012 General Rate Case (GRC), the Performance Based Regulation (PBR) Mechanism consists of 1) an authorized base margin effective January 1, 2012 and the related increase for each of the post TYs, 2) a revenue adjustment mechanism, 3) Z-Factor, and 4) gas transmission, distribution, and storage safety reporting requirements.

- Authorized Base Margin – The GRC decision establishes an authorized base margin for TY 2012 and an increase for each of the post-test years for the GRC cycle through 2015.
- Revenue Adjustment Mechanisms – All base rate revenues shall be recoverable by SoCalGas through the operation of revenue adjustment mechanisms to ensure that the recovery of approved revenue requirements is not affected by variance in sales forecasts.
- Z-Factor – Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SoCalGas.
- Safety Report – SoCalGas is required to submit a semi-annual Gas Transmission, Distribution, and Storage safety report to the Directors of the Safety and Enforcement Division and the Energy Division.

B. EFFECTIVE DATE/DURATION

The PBR mechanism shall be effective January 1, 2012 through the end of 2015. Pursuant to D.13-05-010, the performance incentive shall be effective from 2012 onwards until modified or terminated by further action of the Commission. SoCalGas shall file a Test Year 2016 general rate case application.

C. AUTHORIZED BASE MARGIN

The 2012 authorized base margin for SoCalGas is \$1,855,615,000. For the attrition years of 2013-2015 the authorized base margin revenue requirement will increase by an adopted percentage for each year as follows:

- 2.65% in 2013,
- 2.75% in 2014, and
- 2.75% in 2015.

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PRELIMINARY STATEMENT  
PART XI  
PERFORMANCE BASED REGULATION

Sheet 2

(Continued)

C. AUTHORIZED BASE MARGIN (Continued)

There will be no true-up or after-the-fact modification to any attrition year revenue requirement increase. Revenue requirement and rate base changes outside the scope of D.13-05-010 (e.g. cost of capital, Catastrophic Event Memorandum Account, etc) are incremental to the fixed attrition amounts. The attrition adjustment will be incorporated in rates in connection with SoCalGas' consolidated rate update filing for rates effective January 1 of the following year.

D. REVENUE ADJUSTMENT MECHANISM

On a monthly basis, actual base margin revenues are recorded to the Core Fixed Cost Account (CFCA), Enhanced Oil Recovery Account (EORA), Integrated Transmission Balancing Account (ITBA), and the Noncore Fixed Cost Account (NFCA) and balanced against the monthly portion of the authorized base margin revenue requirement. The CFCA, NFCA, ITBA, and EORA balance the costs and revenues associated with serving the core, noncore, and Enhanced Oil Recovery customer classes as is further described in Preliminary Statement, Part V, Regulatory Accounts – Balancing.

E. Z FACTOR

1. Definition

Z Factors are exogenous events, unforeseen at the implementation of PBR, largely uncontrollable by management, having a material and disproportionate impact on SoCalGas as described below. Additionally, Z factors include costs which are not a normal part of doing business, the costs and event are not reflected in the rate update mechanism, and the cost impact must be measurable and incurred reasonably. Potential Z Factors shall include, but are not limited to the items set forth below:

- a. Accounting rule changes promulgated by the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission (SEC) or the California Public Utilities Commission (CPUC);
- b. Tax law changes by the federal government, the State Franchise Tax Board, Board of Equalization, or any local jurisdiction having taxing authority;
- c. Costs resulting from other mandated state, federal, or local governmental programs or from regional environmental programs;
- d. In the event that the Catastrophic Event Memorandum Account (CEMA) is subsequently eliminated, material cost impacts resulting from natural disasters; and
- e. Other events meeting the criteria set forth herein.

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PRELIMINARY STATEMENT  
PART XI  
PERFORMANCE BASED REGULATION

Sheet 3

(Continued)

E. Z FACTOR

1. Definition (Continued)

SoCalGas must promptly notify the Commission of all potential Z Factors in compliance with D.97-07-054. Notice to the Commission shall be by a letter addressed to the Executive Director. Copies of the letter shall be sent to the following at the Commission: the Director of the Energy Division, the Investigations, Monitoring and Compliance Branch Chief, Energy Division, and the Director of the ORA. The letter shall clearly identify the proposed Z Factor to be recorded in the Z Factor Memorandum Account, shall include a detailed description of the event and a forecast of the annual cost impact of such Z Factor. SoCalGas shall then be authorized to record, on a monthly basis, the associated cost in the Z Factor Memorandum Account.

2. Operation of the Z Factor Memorandum Account

SoCalGas shall maintain a separate Z Factor Memorandum Sub-Account for each identified Z Factor. Recorded costs are charged to each sub-account at the end of each month. Revenues authorized by the Commission to amortize the balance are credited to each sub-account at the end of each month. Interest shall accrue on a monthly basis by applying the interest rate, as set forth in Section J of Preliminary Statement Part I, to the average of the beginning and ending balance (either positive or negative) less a \$5,000,000 deductible amount which is applicable to each qualifying Z Factor event.

3. Measure of Adjustment

a. Z Factor Calculation

The impact of the Z Factor event is less the \$5,000,000 deductible. The impact of the Z Factor event above the \$5,000,000 deductible will be the Z Factor used in the Base Rate Indexing Mechanism. The precise calculation is shown in the following formula:

$$Z_s = ZC_s - \$5,000,000$$

Where:

$Z_s$  = A particular Z Factor for subject year  $s$

$ZC_s$  = Z Factor cost level in subject year  $s$

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PRELIMINARY STATEMENT  
 PART XI  
PERFORMANCE BASED REGULATION

Sheet 4

(Continued)

E. Z FACTOR (Continued)

3. Measure of Adjustment (Continued)

b. Capital Related Z Factor Costs

The formula is identical for capital costs except that the result is multiplied by the Capital Service Price, where the Capital Service Price is defined as the margin requirement for capital related costs determined under traditional cost of service methodology divided by the associated capital costs. Such costs are: return on weighted average rate base (using the current CPUC authorized rate of return), taxes on that return, depreciation expense at the CPUC adopted system average rate, plus authorized franchise fees and uncollectible expense. The precise calculation is shown in the following formula:

$$Z_s = (ZC_s * SP_s) - \$5,000,000$$

Where:

$Z_s$  = A particular Z Factor for subject year  $s$

$ZC_s$  = Z Factor cost level in subject year  $s$

$SP_s$  = Capital Service Price in subject year  $s$

c. Subsequent Year Adjustment

In subsequent years the Z Factor will be modified as described in E.4 below.

4. Operation of the \$5,000,000 Deductible Feature

To limit recoverable Z Factors to material events, the deductible feature of \$5,000,000 was authorized by the Commission in D.97-07-054 to operate as follows:

- a. The deductible is a one-time feature applicable to the first \$5,000,000 in costs for each Z Factor event. For example, if a qualified Z Factor increased costs by \$20,000,000 in each year 1, 2 and 3 above the base level, the deductible will apply in year 1. Thus, the compensable amounts will be \$15,000,000, \$20,000,000 and \$20,000,000 in years 1, 2 and 3, respectively.

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PRELIMINARY STATEMENT  
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Sheet 5

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E. Z FACTOR (Continued)

4. Operation of the \$5,000,000 Deductible Feature (Continued)

b. The deductible is cumulative for each Z Factor event and completes its application in the first year that the cumulative Z Factor costs exceed the deductible amount. For example, if a qualified Z Factor increased costs by \$4,000,000, \$4,000,000 and \$4,000,000 in years 1, 2 and 3 above the base level, the deductible will be fully applied during year 2. Thus, the compensable amounts will be \$0, \$3,000,000 (\$4,000,000 plus \$4,000,000 minus \$5,000,000) and \$4,000,000 in years 1, 2 and 3, respectively. As demonstrated above, once a Z Factor is created and the full deductible is applied, the Z Factor remains compensable in subsequent years even if the amount is less than the one-time deductible.

c. The deductible is applicable to each separate Z Factor event. Thus, in the event of multiple Z Factors, the following table depicts the Z Factor amounts, application of the deductible, and the compensable amounts:

(\$ Millions)	Year		
	<u>1</u>	<u>2</u>	<u>3</u>
Z Factor (a)	\$8	\$3	\$3
Z Factor (b)	<u>6</u>	<u>6</u>	<u>4</u>
Sub-Total	14	9	7
Deductible (a)	(5)	-	-
Deductible (b)	<u>(5)</u>	<u>-</u>	<u>-</u>
Compensable Amount	\$4	\$9	\$7

As demonstrated above, the deductible is a one-time amount applicable to each individual Z Factor. Again, once the deductible level is exceeded in any year for an individual Z Factor, that Z Factor is fully compensable in subsequent years.

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PRELIMINARY STATEMENT  
PART XI  
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F. CORE PRICING FLEXIBILITY

1. Overview

- a. D.97-07-054 and D.98-01-040 authorize SoCalGas, at its option, to serve core customers with rates that may be discounted as low as the Commission-authorized floor rates detailed in section F.2 below. Under this arrangement, SoCalGas shareholders are responsible for any reduction in core revenues that may occur under discounting, while any revenue gains are shared between ratepayers and shareholders as described below. SoCalGas may use the following two methods to offer alternative rates to core customers:
- 1) Optional Tariffs - Optional tariff rate schedules apply to all similarly situated customers who meet a certain set of qualifications. At least 10 customers should be potentially eligible.
  - 2) Negotiated Rates - Negotiated rates apply to individual customers, and are established through individually negotiated contracts that may vary from customer to customer.
- b. The entire discounting program is subject to review by the Commission if new customer participation approaches 5% of the total core volume adopted in SoCalGas' 1996 BCAP (D.97-04-082).
- c. Customers eligible for service under optional tariffs or negotiated rates retain the right to be served under their Otherwise Applicable Tariff rate schedule.
- d. To ensure that ratepayers are isolated from any risk of revenue shortfall that may result from SoCalGas offering discounted core rates, the Commission has authorized a Core Fixed Cost Account (CFCA) adjustment mechanism. This mechanism credits the CFCA with revenues equal to those expected absent any optional tariffs or negotiated rates.
- e. SoCalGas will submit documentation on the results of its core pricing flexibility program activity in its annual PBR Report filing.
- f. Optional tariffs and negotiated rates are subject to change by the Commission as authorized by General Order 96-B, Industry Rule 7.1.

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PRELIMINARY STATEMENT  
 PART XI  
PERFORMANCE BASED REGULATION

Sheet 7

(Continued)

F. CORE PRICING FLEXIBILITY (Continued)

2. Class Average Long Run Marginal Cost (LRMC) Floor Rates

- a. D.98-01-040, Finding of Fact No. 5, allows SoCalGas the option to discount core transportation rates down to a LRMC floor rate; however, SoCalGas may not discount the cost of gas. For this program, the LRMC floor rate includes the following components: customer related, medium-pressure distribution, high-pressure distribution, transmission, seasonal storage, load balancing, company use transmission, unaccounted for gas, and interstate pipeline demand charges. In addition to these components, the full transportation rate includes the following components: non-marginal costs in base margin, PITCO/POPCO transition costs, core averaging costs, and other exclusion costs.
- b. The following table lists the full LRMC transportation rates authorized by D.97-04-082, and the class average LRMC floor rates authorized by D.98-01-040. LRMC Floor Rates were updated with new values established in D.00-04-060, D.01-12-018, and SoCalGas Advice No. 4053, effective January 1, 2010. Full Transportation Rates are updated with new values established in D.00-04-060, Resolution G-3303, D.01-12-018, D.06-12-031, Resolution G-3407 and SoCalGas Advice No. 4442 effective January 1, 2013. The floor rates represent the lowest possible average annual rate by class under which SoCalGas can serve gas. These rates represent a starting point for the program and, pursuant to Commission order, may be modified in future rate proceedings.

2. Class Average Long Run Marginal Cost (LRMC) Floor Rates (Continued)

<u>Class</u>	<u>Full Transportation Rate</u>	<u>LRMC Floor Rate</u>
Residential	53.6 cents/therm	23.3 cents/therm
G-10, 0 to 3 Mth	55.4 cents/therm	36.2 cents/therm
G-10, 3-50 Mth	24.4 cents/therm	10.8 cents/therm
G-10, 50-250 Mth	10.4 cents/therm	6.5 cents/therm
G-10, >250Mth	8.6 cents/therm	4.2 cents/therm
Gas A/C	6.0 cents/therm	5.7 cents/therm
Gas Engines	8.1 cents/therm	4.9 cents/therm
NGV	6.8 cents/therm	3.7 cents/therm

- c. Optional tariffs or negotiated rate contracts that would result in average annual rates below class average LRMC will be subject to Commission approval through the Expedited Application Docket (EAD) process.
- d. With prior Commission approval under the EAD process, SoCalGas may discount average annual rates to a floor of customer-specific LRMC that includes the full interstate pipeline reservation charges allocated to core customers.

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PRELIMINARY STATEMENT  
PART XI  
PERFORMANCE BASED REGULATION

Sheet 8

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F. CORE PRICING FLEXIBILITY (Continued)

3. Types of Customers and Contracts

Optional tariffs and negotiated rates are applicable to new or existing customers for the purpose of load growth or load retention.

a. New Customers

A new customer is defined as a new meter measuring volumes not previously served, or a reconnected meter measuring load that has been off the system for at least 12 months.

b. Existing Customers

In addition to customers currently connected, D.98-01-040 defines existing customers as those who have been off SoCalGas' system for less than 12 months.

1) Load Retention

Load retention applies to those existing customers who would use less natural gas if optional tariffs or negotiated rates were not available. In load retention situations, an affidavit (stating the amount of throughput that would be lost absent the load retention agreement) is required.

2) Load Gain

Load gain applies to those existing customers who intend to increase natural gas demand given favorable optional tariffs or negotiated rates.

4. Temperature Sensitive Definition

a. For the purposes of the Temperature Adjustment Mechanism (TAM), the following customers are defined as temperature sensitive: residential customers; all core commercial and industrial customers with an annual consumption of less than 3,000 therms; and individual core commercial and industrial customers who have a seasonal load factor that equals or exceeds the residential load factor of 2.3.

b. The seasonal factor is defined as the ratio of winter (November through April) demand to summer (May through October) demand.

c. The single family residential market's temperature adjustment factor will be used for all customers subject to the TAM.

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PRELIMINARY STATEMENT  
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PERFORMANCE BASED REGULATION

Sheet 9

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F. CORE PRICING FLEXIBILITY (Continued)

5. CFCA Adjustment Mechanism

This mechanism is designed to protect core customers by calculating those revenues which represent base revenues that would have been credited to the CFCA absent any optional tariffs or negotiated rates.

- a. Unless otherwise noted, base revenues are calculated by multiplying base volumes times the Otherwise Applicable Tariff rate plus the customer charge, where base volumes are the amount of gas the customer would have used in the absence of the optional tariff or negotiated rate.
- b. When load being served under optional tariffs and negotiated rates is not separately metered, base volumes are established using the last 12 months recorded usage. In certain cases, base volumes are adjusted, as described in section I.6, for temperature variations.
- c. SoCalGas credits the CFCA with aggregate base revenues annually for all customers participating in the optional tariffs and negotiated rate program. This annual credit is calculated as the sum of the monthly base revenues.

d. CFCA Credits

1) New Customers

For a new customer who provides an affidavit stating they would not have become a customer absent the discounted rate, base volume equals zero, and there is no credit to the CFCA. For a new customer who does not provide an affidavit, the base volume equals the actual volume, and the CFCA credit is equal to 100% of the expected revenue under the Otherwise Applicable Tariff [i.e., 100% \*(total metered actual volumes \* Otherwise Applicable Tariff rate + customer charge)].

2) Existing Customers - Load Retention

The CFCA credit is equal to 95 % of actual revenue [i.e., 95% \* (total metered actual volumes \* optional tariff rate + customer charge)]; the remaining 5% of actual revenues goes to SoCalGas shareholders.

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PRELIMINARY STATEMENT  
PART XI  
PERFORMANCE BASED REGULATION

Sheet 10

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F. CORE PRICING FLEXIBILITY (Continued)

5. CFCA Adjustment Mechanism (Continued)

3) Existing Customers - Load Gain

a) Not Temperature Sensitive

Since customers with an annual load of less than 3,000 therms per year are treated as temperature sensitive, this category applies only to core commercial and industrial customers who use more than 3,000 therms in the base year, and have a seasonal factor less than 2.3. For these customers, base volumes equal the volume for the 12 months preceding the customer's participation in the optional tariff program.

b) Temperature Sensitive

For customers to whom the TAM applies, SoCalGas will use temperature-adjusted base volumes, as described in section I.6.

- e. In the event proposed optional tariffs present special circumstances that may cause the CFCA adjustment mechanism to be clearly inappropriate or inaccurate, SoCalGas will propose, by advice letter filing, an alternative CFCA adjustment mechanism. Under such special circumstances, other parties may also propose alternate CFCA adjustment mechanisms.
- f. The revenue calculation for the CFCA adjustment mechanism shall remain unaffected by Backbone Transportation Service (BTS) implementation per D.11-04-032.

6. Temperature Adjustment Mechanism (TAM)

The purpose of the TAM is to calculate temperature-adjusted base volumes that isolate the effect of weather changes from the effect of flexible pricing. The temperature-adjusted base volumes for a given month are calculated by multiplying base volumes times the quantity  $(1 + NF)$ ; where NF stands for normalization factor which is calculated as follows:

$$NF = [0.202 * (CDD - BDD)] / [(0.917 * \text{Billdays}) + (0.202 * BDD)]$$

Where,

- BDD = number of degree days for the base month cycle.
- CDD = number of degree days for the current year month cycle.
- 0.917 = daily non-temperature sensitive demand for single family residential segment.
- Billdays = number of billing days in the base period month.
- 0.202 = temperature adjustment coefficient for single family residential segment.

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**Lee Schavrien**  
 Senior Vice President

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED Jun 21, 2013  
 EFFECTIVE Jul 21, 2013  
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F. CORE PRICING FLEXIBILITY (Continued)

7. Effective Dates

- a. Optional tariffs will be effective upon 20 days after filing unless protested on the basis that the price floor is below class average LRMC; parties may protest such filings on any other basis as well.
- b. Unless otherwise specified in the tariff, SoCalGas may terminate optional rate schedules upon 60 days notice to customers and the Commission.

8. Term Of Contracts

- a. Through December 31, 1999, SoCalGas will not enter into any load retention contracts with a term of more than seven years. After December 31, 1999, SoCalGas will not enter into any load retention contract with a term of five or more years.
- b. As provided by D.97-07-054, contracts with a term of five years or longer will be filed for Commission approval under the EAD process.
- c. Negotiated contracts with terms of less than five years will be available for inspection at SoCalGas' headquarters, and will be submitted to the Commission's Energy Division for informational purposes.
- d. Once a load retention contract is in place for a particular load, the contract cannot be extended or renewed for a period longer than the maximum term permissible at the time the contract was executed.

G. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP)

1. The TCAP is the proceeding by which the Commission authorizes the level and allocation of SoCalGas' revenue requirement including regulatory account balances among customer classes for those items not included in the PBR Mechanism. SoCalGas filed its 2009 Biennial Cost Allocation Proceeding (BCAP) application in February of 2008. Pursuant to D.09-11-006, the 2009 BCAP rates are effective February 1, 2010. Within the TCAP period, rates are updated based on SoCalGas' annual consolidated year end advice letter filings.
2. Noncore Competitive Load Growth Opportunities - Revenue Treatment

(Continued)

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G. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP)

2. Noncore Competitive Load Growth Opportunities - Revenue Treatment (Continued)

a. Overview

1) D.00-04-060 (Finding of Fact Number 9.q.) authorizes SoCalGas, at its option, to exclude from future cost allocations the expanded load that results from two situations:

- a) New negotiated rate contracts that are part of a California Red Team economic development effort.
- b) Contracts where Rule 38 shareholder funding has been used.

Under this arrangement, the volumes and revenues from these situations will not be included in determining noncore commercial and industrial revenue requirements.

- 2) The total volume that can qualify for treatment under this program is capped at 5% of the most recently adopted volume adopted for noncore commercial and industrial throughput in the most recent cost allocation proceeding.
- 3) Customers with contracts qualifying for this treatment are still eligible for service under their otherwise applicable tariff rate schedule.
- 4) To ensure that ratepayers are isolated from any risk of revenue shortfall that may result from SoCalGas excluding these noncore volumes from other noncore volumes, SoCalGas has instituted a Noncore Fixed Cost Account (NFCA) adjustment mechanism. This mechanism ensures that the NFCA records the revenues equal to those expected absent any special treatment under this program.
- 5) SoCalGas will submit documentation on the results of its competitive Load Growth revenue program activity in its annual PBR Report filing.
- 6) Contracts qualifying under this program are subject to change by the Commission as authorized by General Order 96-B, Industry Rule 7.1.
- 7) The revenue calculation for the NFCA adjustment mechanism shall remain unaffected by BTS implementation per D.11-04-032.

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G. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP) (Continued)

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2. Noncore Competitive Load Growth Opportunities - Revenue Treatment (Continued)

b. Contract Terms

- 1) Contract terms will be as negotiated between SoCalGas and the customer. Negotiated rates cannot be less than adopted short run marginal costs.
- 2) Contracts involving Rule 38 incentives will be assumed to run for five years, unless stated otherwise in the Contract. Contracts involving California Red Team will be as negotiated. If no term is set, the contract will be assumed to run for five years.
- 3) SoCalGas may, at its option, file an application with the Commission requesting that a contract receive treatment under this program for a period beyond five years.

c. Customers

- 1) Any load associated with a noncore commercial and industrial customer is eligible under this program.
- 2) Contracts not qualifying for this regulatory treatment are:
  - a) An existing customer that could economically connect to a bypass pipeline.
  - b) A new customer (no recorded usage in the previous 12 months) in close proximity to a bypass pipeline.
  - c) A customer who previously received discounts to prevent fuel switching to a petroleum distillate fuel.
- 3) SoCalGas shall determine which contracts to include in this program, subject to review by the Commission.
- 4) A new customer will have a baseload volume of zero.
- 5) If new equipment is installed at a customer site under a contract qualifying for this program, and the equipment is separately metered, then only the metered volumes and revenues will receive treatment under this program.

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G. TRIENNIAL COST ALLOCATION PROCEEDING (TCAP) (Continued)

2. Noncore Competitive Load Growth Opportunities - Revenue Treatment (Continued)

6) If the new load is not separately metered, then base load volumes will be calculated as the average annual volume over the previous 24 months. If there are unusual characteristics that would cause the customer's 24 month history to be unrepresentative of average annual expected throughput, SoCalGas will select a different period of time that is more representative.

d) Regulatory Requirements

- 1) At the end of every calendar year, SoCalGas shall file with the Commission a confidential report showing a summary of activity under this program. The report will show the number of qualifying contracts, qualifying volumes, revenues received for qualifying volumes, and amounts credited to ratepayers for baseload volumes.
- 2) Customers must sign an affidavit attesting that the contract structure (in case of Red Team contracts) or the incentives (in case of Rule 38) were a material factor in the customer's decision to participate.
- 3) SoCalGas shall track all volumes that qualify under this program. These volumes will be excluded from forecasts adopted for cost allocation purposes for a period of five years after the start of each contract.
- 4) Revenues from customers and contracts qualifying under this are separated into two components:
  - a) Baseload revenues, calculated as the applicable baseload volumes times the otherwise applicable tariff.
  - b) Load growth related revenues, calculated as total revenues received from the customer minus baseload revenues.

Base load revenues will be credited to the Noncore Fixed Cost Account. Load Growth Related Revenues will be credited to the shareholder.

- 5) SoCalGas will track any contract specific costs incurred to support volumes qualifying under this program. Any costs incurred for separate metering, service lines, regulators, main extensions, etc. to serve specific locations that qualify under this program would be tracked. As long as the contract volumes are exempt from inclusion in cost allocation proceedings, these costs will not be included in the authorized utility revenue requirement.

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H. SAFETY REPORT

SoCalGas is required to submit a semi-annual Gas Transmission, Distribution, and Storage Safety Report (Safety Report) to the Directors of the Safety and Enforcement Division and the Energy Division. The format of the Safety Report is described in Attachment C of D.13-05-010. SoCalGas shall submit its first Safety Report on July 1, 2013 covering the one-year period from January 1, 2012 through December 31, 2012. Each subsequent Safety Report will cover each subsequent six-month period. The second Safety Report will be submitted on September 1, 2013 with subsequent semi-annual Safety Reports submitted on March 1 and September 1 thereafter until further notice.

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