

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 1, 2018

Advice Letter 5233-G

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

SUBJECT: Revision of Gas Preliminary Statements to Implement New Accounting Guidance Principles

Dear Mr. van der Leeden:

Advice Letter 5233-G is effective as of January 1, 2018.

Sincerely,

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

Edward Randolph
Director, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957

RvanderLeeden@semprautilities.com

December 14, 2017

Advice No. 5233
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of Gas Preliminary Statements to Implement New Accounting Guidance Principles

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

Background

This filing revises the Pension Balancing Account (PBA) and Post-Retirement Benefits Other Than Pensions (PBOPs) Balancing Account (PBOPBA) in SoCalGas' Preliminary Statement Part V., Balancing Accounts.

Background

In March 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (Update) No. 2017-07 which requires the service cost component of pension and PBOP costs to be presented in the same income statement line item as other employee compensation costs arising from services rendered during the period and the non-service cost components of pension and PBOP costs to be presented separately outside of operating income (other income or expense). Update No. 2017-07 modifies only the classification of costs on the income statement and does not change the calculation of pension and PBOP costs, or the service and non-service cost components.

SoCalGas does not have discretion whether or not to follow Update No. 2017-07. The United States Securities and Exchange Commission (SEC) has the legal authority to mandate accounting practices for U.S. publicly-traded companies, including SoCalGas. Although the SEC has delegated to FASB the determination of Generally Accepted Accounting Principles (GAAP) to be followed for these companies, the SEC retains the legal authority to enforce GAAP as developed by the FASB to ensure that public companies are meeting their financial reporting obligations under the federal securities

laws. The SEC requires companies to prepare their financial statements in conformance with GAAP, including the accounting changes promulgated in Update No. 2017-07.

Tariff Revisions

To ensure non-service pension and PBOP cost components continue to be fully balanced as authorized in SoCalGas 2016 General Rate Case (GRC), SoCalGas proposes the following revisions to “Section 4. Accounting Procedures” in the PBA and PBOPBA Preliminary Statements as summarized below and reflected in Attachment A.

- Revise topic heading within Section 4 from “O&M Component” to “O&M/Other Expense/Other Income Component.”
- In the “Purpose Section” and in the first paragraph of “Accounting Procedures Section,” include references to this advice letter for approval of these changes as proposed herein.

SoCalGas plans to address pension and PBOP non-service costs in its next GRC to align the regulatory treatment of these costs consistent with current GAAP.

Protest

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date this advice letter, which is January 3, 2018. 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
Attention: 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). A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@semprautilities.com

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) and respectfully requests an approval date of January 1, 2018, the date the new accounting standard is effective.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service list for A.14-11-004, 2016 GRC. Address change requests to the GO 96-B service list should be directed by electronic mail to tariffs@socalgas.com or call 213-244-2837. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
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: Ray B. Ortiz

Phone #: (213) 244-3837

E-mail: ROrtiz@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) #: 5233

Subject of AL: Revision of Gas Preliminary Statements to Implement New Accounting Guidance Principles

Keywords (choose from CPUC listing): Balancing Accounts

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

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

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

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

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

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 1/1/18

No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

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: Preliminary Statements and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

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

Southern California Gas Company
Attention: Ray B. Ortiz
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
ROrtiz@semprautilities.com
Tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 5233

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 54544-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Revised 52940-G
Revised 54545-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 1	Revised 52942-G
Revised 54546-G	TABLE OF CONTENTS	Revised 54540-G

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 Decision (D.) 16-06-054, TY 2016 General Rate Case (GRC), effective January 1, 2016, the PBA will continue for the three-year GRC cycle through December 31, 2018 or until the effective implementation date of SoCalGas' next GRC. Pursuant to Advice No. 5233, the PBA was modified effective January 1, 2018 to follow the new accounting guidance under Generally Accepted Accounting Principles for the treatment of the non-service cost component of pension costs.

N
|
N

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, authorized to be continued per D.16-06-054 and modified per Advice No. 5233, SoCalGas will maintain the PBA by making entries at the end of each month as follows:

N

N

O&M/Other Expense/Other Income 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;

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5233
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Dec 14, 2017
 EFFECTIVE Jan 1, 2018
 RESOLUTION NO. _____

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 Decision (D.) 16-06-054, TY 2016 General Rate Case (GRC), effective January 1, 2016, the PBOPBA will continue for the three-year GRC cycle through December 31, 2018 or until the effective implementation date of SoCalGas' next GRC. Pursuant to Advice No. 5233, the PBOPBA was modified effective January 1, 2018 to follow new accounting guidance under Generally Accepted Accounting Principles for the treatment of the non-service cost component of PBOP costs.

N
|
N

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 D.92-12-015 which initially adopted the PBOP regulatory mechanism, modified in D.09-09-011, authorized to be continued per D.16-06-054 and modified per Advice No. 5233, SoCalGas will maintain the PBOPBA by making entries at the end of each month as follows:

N

O&M/Other Expense/Other Income Component

N

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;

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5233
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Dec 14, 2017
 EFFECTIVE Jan 1, 2018
 RESOLUTION NO. _____

TABLE OF CONTENTS

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

GENERAL

Cal. P.U.C. Sheet No.

Title Page 40864-G
 Table of Contents--General and Preliminary Statement 54546-G,54517-G,54139-G,54176-G
 Table of Contents--Service Area Maps and Descriptions 53356-G
 Table of Contents--Rate Schedules 54538-G,54539-G,54520-G
 Table of Contents--List of Cities and Communities Served 52484-G
 Table of Contents--List of Contracts and Deviations 52484-G
 Table of Contents--Rules 53910-G,54515-G
 Table of Contents--Sample Forms 53958-G,53707-G,51537-G,53998-G,54253-G,52292-G

PRELIMINARY STATEMENT

Part I General Service Information 45597-G,24332-G,24333-G,24334-G,48970-G
 Part II Summary of Rates and Charges 54522-G,54523-G,54524-G,54148-G,54149-G,54525-G
 54477-G,46431-G,46432-G,53561-G,54486-G,54487-G,54488-G,54154-G
 Part III Cost Allocation and Revenue Requirement 53582-G,50447-G,53583-G
 Part IV Income Tax Component of Contributions and Advances 52273-G,24354-G
 Part V Balancing Accounts
 Description and Listing of Balancing Accounts 52939-G,54130-G
 Purchased Gas Account (PGA) 52769-G,53254-G
 Core Fixed Cost Account (CFCA) 53433-G,53434-G,54507-G,53436-G
 Noncore Fixed Cost Account (NFCA) 53255-G,54508-G,54509-G
 Enhanced Oil Recovery Account (EORA) 49712-G
 Noncore Storage Balancing Account (NSBA) 52886-G,52887-G
 California Alternate Rates for Energy Account (CAREA) 45882-G,45883-G
 Hazardous Substance Cost Recovery Account (HSCRA) 40875-G, 40876-G,40877-G
 Gas Cost Rewards and Penalties Account (GCRPA) 40881-G
 Pension Balancing Account (PBA) 54544-G,52941-G
 Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) . 54545-G,52943-G
 Research Development and Demonstration Surcharge Account (RDDGSA).....40888-G
 Demand Side Management Balancing Account (DSMBA).....45194-G,41153-G
 Direct Assistance Program Balancing Account (DAPBA)52583-G,52584-G
 Integrated Transmission Balancing Account (ITBA)49313-G

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5233
 DECISION NO.

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
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