

PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298



December 4, 2019

Advice Letter 5539-G

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

SUBJECT: Modification and Amortization of the Regulatory Accounts in Compliance with Decision (D.)19-09-051

Dear Mr. van der Leeden:

Advice Letter 5539-G is effective as of January 1, 2020.

Sincerely,

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

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

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October 31, 2019

Advice No. 5539
(U 904 G)

Public Utilities Commission of the State of California

Subject: Modification and Amortization of the Regulatory Accounts in Compliance with Decision (D.) 19-09-051

Southern California Gas Company (SoCalGas) hereby submits for approval with the California Public Utilities Commission (Commission) revisions to its revenue requirement and rates effective January 1, 2020, and revisions to its tariff schedules, applicable throughout its service territory, as shown in Attachments A and B.

Purpose

In compliance with D.19-09-051, SoCalGas' Test-Year (TY) 2019 General Rate Case (GRC), this submittal amortizes certain regulatory account balances in rates, revises existing balancing, memorandum, and tracking accounts in Preliminary Statement, Part V, Description of Regulatory Accounts – Balancing, and Preliminary Statement, Part VI, Description of Regulatory Accounts – Memorandum, and Preliminary Statement, Part VII, Description of Tracking Accounts, respectively, and establishes the following new accounts:

- Liability Insurance Premium Balancing Account (LIPBA)
- Pipeline Safety Enhancement Plan Memorandum Account (PSEPMA)
- Morongo Rights of Way Memorandum Account (MROWMA)

In addition, this submittal amortizes the Transmission Integrity Management Balancing Account (TIMPBA) and the Distribution Integrity Management Program Balancing Account (DIMPBA) associated with the 2012-2015 and 2016-2018 GRC cycles.

The Commission issued D.19-09-051 adopting, among other things, SoCalGas' revenue requirements for its TY 2019 GRC and post-test year ratemaking. The decision also sets the effective date for the change in the revenue requirement, and accordingly for all regulatory accounts associated with this GRC, as January 1, 2019.

Amortization of Regulatory Account Balances

Pursuant to Ordering Paragraph (OP) 7 of D.19-09-051, SoCalGas' regulatory account proposal to amortize regulatory balances were approved except for a reduction of \$0.1 million of interest recorded in the Fire Hazard Prevention Memorandum Account (FHPMA). The following regulatory account balances, updated for estimated regulatory interest and other adjustments through December 31, 2019, will be incorporated in rates for amortization over a 12-month period beginning January 1, 2020.

In addition, SoCalGas is also amortizing its TIMPBA and DIMPBA associated with the 2016-2018 GRC cycle. In SoCalGas' TY 2019 GRC, SoCalGas did not forecast year-end 2018 balances. Consequently, SoCalGas did not propose to return any overcollection from the TY 2016 GRC cycle to customers because of the uncertainty of whether the unspent funds existed at the time of the submittal of the 2019 GRC application or if they would continue to exist at the end of the GRC period. SoCalGas had anticipated these overcollections would have been absorbed by costs incurred through the end of the 2016 GRC cycle. However, as of December 31, 2018, the TIMPBA and DIMPBA for the 2016 GRC period recorded overcollection balances of \$22,846,395 and \$2,145,975, respectively. SoCalGas projects the TIMPBA and DIMPBA balances at December 31, 2019, will decrease to \$22,743,080 and \$1,844,372, respectively, for regulatory interest accruing in the accounts and other year-end true-up adjustments recorded in January 2019. As indicated in SoCalGas' 2017 Accountability Report, SoCalGas is incorporating the return of these overcollection balances to customers in connection with its TY 2019 GRC rate implementation. SoCalGas is also amortizing its TIMPBA associated with the 2012-2015 GRC cycle, which consists of residual interest of \$684,179 accruing to the account balance after amortization of the undercollection balances submitted in SoCalGas' Advice Nos. 4632, 4819, and 5057, which were approved by Commission Resolutions G-3499, G-3517, and G-3528, respectively. In addition, SoCalGas is amortizing its DIMPBA associated with the 2012-2015 GRC cycle, an overcollected balance of \$3,911,639 which includes interest accruing through December 31, 2019.

Account Description	Balances Estimated at December 31, 2019 <i>(over)/under collection</i>
RDDEA (2016 – 2018 GRC cycle)	\$ (269,409)
Post-2011 DIMPBA (2012-2015 GRC cycle)	(3,911,639)
Energy Data Request Memorandum Account (EDRMA)	1,717,448
Operation Flow Order Cost Memorandum Account (OFCMA)	(94,537)
Fire Hazard Prevention Memorandum Account (FHPMA)	2,400,406
Advanced Meter Opt-Out Program Balancing Account (AMOPBA)	(182,549)
Aliso Canyon Memorandum Account (ACMA)	5,387,588
Aliso Canyon True-up Tracking Account (ACTTA)	967,325
Post-2011 DIMPBA (2016-2018 GRC cycle)	(1,844,372)
TIMPBA (2016-2018 GRC cycle)	(22,743,080)
TIMPBA (2012-2015 GRC cycle)	684,179
Total Regulatory Account Amortization	\$ (17,888,640)

Modified and Established Regulatory Account Mechanisms

Details of the corresponding accounts being amortized, modified or established pursuant to OP 7 of D.19-09-051 are discussed below. The establishment or modification to the Preliminary Statement Part V, Part VI, and Part VII for the balancing, memorandum and tracking accounts as discussed below are effective January 1, 2019.

Part V, Description of Regulatory Accounts - Balancing

- **Liability Insurance Premium Balancing Account (LIPBA)** – SoCalGas establishes the LIPBA as a two-way interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of the LIPBA is to record the difference between the authorized revenue requirement adopted in this TY 2019 GRC specific to liability insurance premiums charged to SoCalGas from Corporate Center and the actual expenses incurred and charged to SoCalGas. SoCalGas will amortize the balance in the LIPBA in customers' gas transportation rates in connection with its annual regulatory account update advice letter submittal. However, SoCalGas shall submit a separate Tier 2 advice letter when it seeks recovery of costs for additional liability insurance coverage that were not requested in this GRC.
- **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. Effective with the 2019 GRC cycle, 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.
- **Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA)** – The purpose of the PBOPBA is to record the actual annual Post-Retirement Benefits Other Than Pensions (PBOP) costs embedded in authorized rates with the actual tax-deductible contributions to the PBOP Trust. 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 effective with the 2019 GRC cycle.
- **Post-2011 Distribution Integrity Management Program Balancing Account (Post-2011 DIMPBA)** – The purpose of the Post-2011 DIMPBA is to record the difference between actual and authorized costs associated with SoCalGas' Distribution Integrity Management Program (DIMP). SoCalGas is updating the Post-2011 DIMPBA to continue the two-way balancing account treatment for DIMP costs effective with the 2019 GRC cycle. In addition, as proposed in testimony, SoCalGas is also updating the Post-2011 DIMPBA to submit a Tier 3 advice letter for recovery of any DIMP undercollections associated with up to 35% of the 2019 GRC cycle based on authorized Operating & Maintenance (O&M) and capital expenditures. Any undercollections above the 35% threshold will be subject to recovery through a separate application. In addition, if SoCalGas has not overspent in excess of its total authorized O&M

and capital expenditures for the GRC cycle, but an undercollection exists in the balancing account due to compounding of the actual capital revenue requirements recorded to the balancing account, SoCalGas will incorporate the undercollected balance in its annual regulatory account update advice letter submittal for recovery in the following year's gas transportation rates.

In addition, for the 2012-2015 and 2016-2018 GRC cycles, SoCalGas will transfer any residual balance at the end of the amortization period to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA) and close the 2012-2015 and 2016-2018 GRC cycles of the Post-2011 DIMPBA.

- Transmission Integrity Management Program Balancing Account (TIMPBA) – The purpose of the TIMPBA is to record the difference between actual and authorized costs associated with SoCalGas' Transmission Integrity Management Program (TIMP). SoCalGas is updating the TIMPBA to continue the two-way balancing account treatment for TIMP costs effective with the 2019 GRC cycle. In addition, SoCalGas is also updating the TIMPBA to submit a Tier 3 advice letter for recovery of any TIMP undercollections associated with up to 35% of the 2019 GRC cycle total authorized O&M and capital expenditures. Any undercollections above the 35% threshold will be subject to recovery through a separate application. In addition, if SoCalGas has not overspent in excess of its total authorized O&M and capital expenditures for the GRC cycle, but an undercollection exists in the balancing account due to compounding of the actual capital revenue requirements recorded to the balancing account, SoCalGas will incorporate the undercollected balance in its annual regulatory account update advice letter submittal for recovery in the following year's gas transportation rates. In addition, for the 2012-2015 and 2016-2018 GRC cycles, SoCalGas will transfer any residual balance at the end of the amortization period to the CFCA and NFCA and close the 2012-2015 and 2016-2018 GRC cycles of the TIMPBA.
- Storage Integrity Management Program Balancing Account (SIMPBA) – The purpose of the SIMPBA is to record the difference between actual and authorized costs associated with SoCalGas' Storage Integrity Management Program (SIMP). SoCalGas is updating the SIMPBA to continue the two-way balancing account treatment for SIMP costs effective with the 2019 GRC cycle. In addition, SoCalGas is also updating the SIMPBA to submit a Tier 3 advice letter for recovery of any SIMP undercollections associated with up to 35% of the 2019 GRC cycle total authorized O&M and capital expenditures. Any undercollections above the 35% threshold will be subject to recovery through a separate application. In addition, if SoCalGas has not overspent in excess of its total authorized O&M and capital expenditures for the GRC cycle, but an undercollection exists in the balancing account due to compounding of the actual capital revenue requirements recorded to the balancing account, SoCalGas will incorporate the undercollected balance in its annual regulatory account update advice letter submittal for recovery in the following year's gas transportation rates.

- New Environmental Regulation Balancing Account (NERBA) – The purpose of the account is to balance the difference between actual and authorized incremental costs associated with certain new and proposed federal and state environmental regulations. Pursuant to D.16-06-054 and D.17-06-015, the NERBA consists of 5 five subaccounts: 1) Assembly Bill 32 Administration Fees Subaccount, 2) Subpart W Subaccount, 3) Municipal Separate Storm Sewer System (MS4) Subaccount, 4) Leak Detection and Repair (LDAR) Subaccount, and 5) Natural Gas Leak Abatement Program (NGLAP) Subaccount. SoCalGas will continue the ratemaking treatment for these five subaccounts for the TY 2019 GRC cycle where: (1) the disposition of the Assembly Bill 32 Administration Fees Subaccount, Subpart W Subaccount, MS4 Subaccount, and LDAR Subaccount balances are incorporated into customers' rates in connection with SoCalGas' annual regulatory accounts update advice letter submittal, and (2) the revenue requirement and disposition for the NGLAP Subaccount are to be determined in a separate Tier 3 advice letter submittal pursuant to D.17-06-015.
- Core Fixed Cost Account (CFCA) - The purpose of this account is to balance the difference between authorized margin and other non-gas costs allocated to core customers and the revenues intended to recover these costs. In D.16-06-046, the Commission approved the closure of four branch offices and ordered SoCalGas to record any net savings as a result of the closures to the CFCA until those net savings are incorporated in SoCalGas' next GRC. Beginning with TY 2019 GRC, net savings from the closure of the four branch offices are now included in the GRC; therefore, SoCalGas will modify the CFCA to discontinue recording net savings to the CFCA effective with the TY 2019 GRC decision. In addition, as discussed in Mr. Garcia's testimony (Ex. SCG-17) on SoCalGas' Advanced Meter Infrastructure (AMI) Project, SoCalGas has estimated AMI module failures that will require SoCalGas to incur costs to replace them and manually read meters associated with the module failures until replacements have been installed. SoCalGas will record any credits received from the vendor to the CFCA in order to refund these dollars back to core customers.
- Advanced Metering Infrastructure Balancing Account (AMIBA) - SoCalGas' AMI project was approved with a seven-year deployment period of April 2010 through April 2017. Pursuant to D.10-04-027, the AMIBA was created with the purpose of recording the costs and revenue requirements associated with AMI. Implementation of Advice No. (AL) 4110 (which was approved by the Commission on August 4, 2010) also included authority to continue to update AMI revenue requirements through an advice letter process until the costs and benefits were included in SoCalGas' next GRC. Due to the timing of the completion of SoCalGas' AMI deployment in 2017, which went beyond the TY 2016 GRC, SoCalGas excluded AMI costs and O&M benefits from its TY 2016 GRC and continues to balance costs and benefits in the AMIBA. Pursuant to D.16-06-054, SoCalGas submitted AL 5134 on May 5, 2017, to request for the 2018 revenue requirement associated with the estimated deployment and post-deployment costs for incorporation in 2018 gas transportation rates and extend the AMIBA through 2018. Modifications to the AMIBA include the

creation of three subaccounts: 1) Deployment Phase Cost Subaccount to record any deployment costs incurred through 2018, 2) Post-Deployment Phase Cost Subaccount to record any post-deployment maintenance costs, and 3) Escalated Jurisdictions Cost Subaccount to record costs associated with the manual reading of meters in counties where AMI was not deployed due to permitting issues. The Commission also approved a cost sharing mechanism between ratepayers and shareholders in D.10-04-027 where any cost overruns or savings of the approved \$1.05 billion funding for the AMI deployment phase would be shared. For cost overruns, costs are shared 50% by ratepayers and 50% by shareholders up to \$100 million of excess costs. Any savings up to \$100 million would be subject to sharing 90% by ratepayers and 10% by shareholders. Since SoCalGas has extended the AMIBA through 2018 to complete the deployment phase and continue post-deployment activities, SoCalGas will record the cost sharing adjustment in the Deployment Phase Cost Subaccount of the AMIBA once all deployment costs have been recorded and analyzed.

SoCalGas will then request amortization of both the Deployment Phase Cost and the Post-Deployment Phase Cost Subaccounts balances in customers' gas transportation rates in connection with SoCalGas' annual regulatory account balance update submittal. Any residual balance after the amortization period will be transferred to the CFCA and the Deployment Phase Cost and Post-Deployment Phase Cost Subaccounts will be closed. The balance in the Escalated Jurisdictions Subaccount is not addressed in this GRC, but rather in SoCalGas' next GRC proceeding. Beginning with TY 2019, AMI costs and related benefits are included in the GRC as discussed by the Customer Services – Field & Meter Reading testimony of Gwen Marelli (Exhibit SCG-18). Therefore, SoCalGas will discontinue recording AMI costs in the Deployment Phase Cost and Post-Deployment Phase Cost Subaccounts of the AMIBA effective with a Commission decision on its TY 2019 GRC.

- Advanced Meter Opt-Out Program Balancing Account (AMOPBA) - The purpose of the AMOPBA is to record incremental costs to implement the Advanced Meter Opt-Out Program and associated revenues in accordance with D.14-02-019. Pursuant to Resolution E-4723, the AMOPBA consists of two subaccounts: 1) Authorized Program Cost (APC) Subaccount to record incremental costs up to a maximum of \$4.5 million and the opt-out fee revenues and 2) Excess Program Cost (EPC) Subaccount to record incremental costs in excess of the \$4.5 million threshold. The estimated balance as of December 31, 2019 is approximately \$183 thousand overcollected. SoCalGas will amortize this balance in customers' gas transportation rates. Beginning with the TY 2019 GRC, SoCalGas has included opt-out costs and revenues in its GRC. Therefore, SoCalGas will transfer any residual balance in the AMOPBA to the CFCA at the end of the amortization period and eliminate the account.
- Master Meter Balancing Account (MMBA) – The purpose of the MMBA is to record the incremental costs associated with the conversion of master-metered service (i.e., Mobile Home Park (MHP) Conversion Program) at mobile home parks and manufactured housing communities to direct utility

service. The Commission approved costs for 32 MHP conversion projects that were completed through 2016 for inclusion in TY 2019 GRC. As a result, the MMBA will no longer record costs on the “to-the-meter” assets associated with these MHP conversion projects.

Part VI, Description of Regulatory Accounts - Memorandum

- Pipeline Safety Enhancement Plan Memorandum Account (PSEPMA) – SoCalGas establishes the PSEPMA as an interest-bearing memorandum account recorded on SoCalGas’ financial statements. The PSEPMA consists of two subaccounts:
 - PSEP-GRC Subaccount - Pursuant to D. 19-09-051, the purpose PSEP-GRC Subaccount of the PSEPMA is to track costs overruns in excess of the amounts authorized in this decision.
 - Line 44 Subaccount – The purpose of the Line 44 Subaccount is to record costs related to Line 44-1008.

The PSEP-GRC and Line 44 Subaccount balances of the PSEPMA will be addressed in SoCalGas’ next GRC or other applicable proceeding.

- Morongo Rights of Way Memorandum Account (MROWMA) – SoCalGas establishes the MROWMA to record pre-construction costs associated with the evaluation of potential relocation of transmission pipelines that run underneath land held by the United States Government in trust for the Morongo Band of Mission Indians. The MROWMA will record incremental pre-construction costs, including applicable incremental overheads, for developing alternatives, including the possible complete relocation of gas transmission pipelines and connection to the distribution system. The MROWMA will also record costs associated with the renewal of expiring rights-of-way within the Morongo reservation. Costs include incremental O&M and capital-related costs, including applicable incremental overheads, associated with seeking and acquiring renewal of the expiring rights-of-way for SoCalGas’ transmission and distribution lines, which are located within the Morongo reservation, or costs incurred to maintain operation of the transmission and distribution system until a long-term solution is reached. To the extent SoCalGas must perform some infrastructure modifications or enhancements to segments of transmission and/or distribution lines to attain and maintain the long-term rights-of-way or relocate, either within and/or outside of the Morongo reservation, these costs, and the relevant pre-construction costs, would be recorded in the MROWMA. The disposition of the MROWMA balance would be addressed in SoCalGas’ next GRC. SoCalGas has incurred costs associated with its renewal effort as of the beginning of the test year and will not be recorded to the MROWMA. These costs may include, but are not limited to, internal labor, consulting and legal fees, professional services, and Tribal member education and communications in support of renewal. SoCalGas plans to absorb these costs as part of base business but will present the ongoing capital-related costs in its next GRC.

- Research Development & Demonstration Expense Account (RDDEA) – The purpose of the RDDEA is to record the difference between authorized Research Development & Demonstration (RD&D) funding recovered in base margin rates and actual costs associated with nonpublic purpose RD&D programs. In its application for the 2019 GRC proceeding, SoCalGas proposed to continue the current ratemaking treatment for RD&D program costs. In addition, SoCalGas proposed to transfer any residual balance for the 2016-2018 program cycle at the end of the amortization period to the CFCA and NFCA. These proposals were not contested. Therefore, SoCalGas is updating the RDDEA to continue the current ratemaking treatment effective with the 2019 GRC cycle and to transfer any residual balance for the 2016-2018 program cycle to the CFCA and NFCA after the amortization period.
- 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 D.13-05-010, revenues are split 75%/25% between ratepayers and shareholders, respectively, for projects commencing on January 1, 2012. In its application for the 2019 GRC proceeding, SoCalGas proposed to continue the sharing mechanism approved in D.13-05-010 for projects that start on or after January 1, 2019. The proposal was not contested. Therefore, SoCalGas is updating its RRMA to continue the sharing mechanism approved in D.13-05-010, effective with the 2019 GRC cycle.
- Federal Energy Regulatory Commission (FERC) Settlement Proceeds Memorandum Account (FSPMA) - The FSPMA is an interest-bearing memorandum account that is recorded on SoCalGas' financial statements. Pursuant to D.03-10-087, the FSPMA was created to track El Paso Settlement proceeds allocable to core aggregation transportation (CAT) customers. D.10-01-024 expanded the scope of the FSPMA to also include FERC settlement proceeds allocable to CAT customers as a result of the 2000-2001 energy crisis. SoCalGas has received all expected settlement proceeds allocable to CAT customers as a result of the energy crisis and has no further need to keep the FSPMA open. Although no settlement proceeds have been received or recorded to the FSPMA since 2014, a residual balance due to variances in sales throughput continues to be amortized annually in CAT customers' gas transportation rates in connection with SoCalGas' annual regulatory account update submittal. SoCalGas will transfer any remaining residual balance in the FSPMA as of December 31, 2018, to the CFCA and eliminate the account.
- Deductible Tax Repairs Benefits Memorandum Account (DTRBMA) - Pursuant to the Administrative Law Judge's (ALJ) Ruling on The Utility Reform Networks Motion to Establish Memorandum Accounts, issued on January 15, 2015, in Application (A.)14-11-003/004 (consolidated), SoCalGas submitted Advice Letter (AL) No. 4771 to establish the DTRBMA. The DTRBMA is a memorandum account that is not recorded on SoCalGas' financial statements.

The purpose of the DTRBMA is to track the revenue requirement difference associated with the effect on SoCalGas' income tax expense of using the authorized revenue requirement based on the percentage repair allowance deduction when compared with using an alternative accounting method allowed by the Internal Revenue Service (IRS) for computing the repairs deduction for 2015. In compliance with D.16-06-054, SoCalGas updated its rates effective August 1, 2016 to amortize the DTRBMA balance over a 17-month period (August 2016 through December 2017). SoCalGas is forecasting a zero balance in the DTRBMA as of December 31, 2017; however, if there is any remaining residual balance as of December 31, 2017, the residual balance will be transferred to the CFCA and NFCA. SoCalGas established the Tax Memorandum Account (TMA), effective January 1, 2016. Activity related to tax repair deductions for the period of January 1, 2016, through December 31, 2018, will be recorded to the TMA, rather than the DTRBMA. Accordingly, the DTRBMA is no longer required and, thus, SoCalGas will eliminate the DTRBMA.

- Energy Data Request Memorandum Account (EDRMA) - The purpose of this account is to record the incremental costs associated with providing access to energy usage and usage-related data to local government entities, researchers, and state and federal agencies pursuant to D.14-05-016. The estimated balance as of December 31, 2019, is \$1.7 million undercollected. SoCalGas will amortize this balance in customers' gas transportation rates. Since ongoing costs related to providing access to energy usage and usage-related data are included in the TY 2019 GRC, as discussed by Mr. Baldwin (Ex. SCG-19), SoCalGas will transfer any residual balance in the EDRMA at the end of the amortization period to the CFCA and NFCA and eliminate the account.
- Operational Flow Cost Memorandum Account (OFCMA) - The purpose of this account is to record costs related to the information system modifications to SoCalGas' Envoy and billing systems to implement the new Low Operation Flow Order and Emergency Flow Order requirements to comply with D.15-06-004. The balance estimated as of December 31, 2019, is approximately \$95 thousand overcollected. SoCalGas will amortize this balance in customers' gas transportation rates, and at the end of the amortization period, transfer any residual balances to the CFCA and NFCA and eliminate the account.
- Fire Hazard Prevention Memorandum Account (FHPMA) - The purpose of this account was to record all costs associated with fire hazard prevention incurred from 2009-2011 to comply with D.09-08-029. Fire hazard prevention costs are currently included as part of the scope of SoCalGas' GRC beginning with the TY 2012 GRC and are no longer recorded in the FHPMA as of January 1, 2012. However, the balance recorded in the FHPMA had not been previously requested for recovery. Details of the costs are described in the Underground Storage testimony of Neil Navin (Exhibit SCG-10). The estimated balance as of December 31, 2019, is \$2.4 million undercollected. As part of the TY 2019 GRC, SoCalGas will amortize this balance, net of the \$0.1 million interest disallowance, in customers' gas transportation rates, and at the end of the

amortization period, transfer any residual balances to the CFCA and NFCA and eliminate the account.

- Aliso Canyon Memorandum Account (ACMA) - The purpose of the ACMA is to record incremental costs associated with the Aliso Canyon Turbine Replacement (ACTR) Project that are in excess of the \$200.9 million cost cap approved in D.13-11-023. SoCalGas will amortize in gas transportation rates the estimated undercollection balance of \$6.5 million as of December 31, 2019, associated with excess ACTR Project costs that have been included in rate base as part of this TY 2019 GRC. SoCalGas will continue recording in the ACMA for the capital-related costs associated with these assets in excess of the amount incorporated in the TY 2019 GRC. The balance in the ACMA will be addressed in SoCalGas' next GRC.

Part VII, Description of Regulatory Accounts – Tracking

- Aliso Canyon True-up Tracking Account (ACTTA) - Pursuant to D.13-11-023, the purpose of the ACTTA is to record: 1) the benefits associated with the sale of the Regional Clean Air Incentives Market Trading Credits (RTCs) generated by the ACTR Project in the RTC Subaccount and 2) the difference between estimated O&M and capital benefits included in the ACTR Project revenue requirement versus the actual benefits realized in the O&M/Capital Benefits Subaccount. SoCalGas requests to amortize the estimated undercollection balance of \$1.0 million as of December 31, 2019, in customers' gas transportation rates. O&M and capital benefits forecasted to be generated by the ACTR Project have been included in SoCalGas' TY 2019 GRC. Thus, SoCalGas will discontinue recording benefits to the ACTTA upon implementation of the TY 2019 GRC decision. SoCalGas will eliminate the ACTTA after the remaining balance has been amortized in rates.

The revenue requirement related to the regulatory account balances are amortized in rates over 12 months beginning each January 1. It should be noted that the revenue requirement herein does not include other revenue requirement adjustments expected to be authorized by the Commission for implementation in transportation rates effective January 1, 2020. SoCalGas will submit an advice letter consolidating all Commission-authorized changes in its revenue requirement, and the related changes to its rates, at least three days prior to the January 1, 2020, effective date of such rates.

Protests

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is November 20, 2019. 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). 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: Ray B. Ortiz
Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No.: (213) 244-4957
E-mail: ROrtiz@socalgas.com

Effective Date

SoCalGas believes that this submittal is subject to Energy Division disposition, and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. This submittal is consistent with D.19-09-051. Therefore, SoCalGas respectfully requests that this submittal be approved December 2, 2019, which is more than thirty (30) calendar days after the date submitted, for implementation and inclusion in rates effective January 1, 2020.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list and the Commission's service lists in A.14-11-014, TY 2016 GRC, and A.14-12-017, Phase I of 2017, Triennial Cost Allocation Proceeding. Address change requests to the GO 96-B service list should be directed via e-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 via e-mail at process_office@cpuc.ca.gov.

Ronald van der Leeden
Director – Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



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

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

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:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

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

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

ATTACHMENT A
Advice No. 5539

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 56825-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, DESCRIPTION AND LISTING OF BALANCING ACCOUNTS, Sheet 2	Revised 56418-G
Revised 56826-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 1	Revised 53433-G
Revised 56827-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, CORE FIXED COST ACCOUNT (CFCA), Sheet 4	Original 53436-G
Revised 56828-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNT (PBA), Sheet 1	Revised 54544-G
Revised 56829-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, PENSION BALANCING ACCOUNG (PBA), Sheet 2	Revised 52941-G
Revised 56830-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 1	Revised 54545-G
Revised 56831-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST- RETIREMENT BENEFITS OTHER THAN PENSIONS, BALANCING ACCOUNT (PBOPBA), Sheet 2	Revised 52943-G
Revised 56832-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA), Sheet 1	Revised 54429-G
Revised 56833-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA), Sheet 5	Revised 54430-G
Revised 56834-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NEW ENVIRONMENTAL REGULATION BALANCING ACCOUNT (NERBA), Sheet 1	Revised 54547-G
Revised 56835-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, NEW ENVIRONMENTAL REGULATION BALANCING ACCOUNT (NERBA), Sheet 3	Revised 54132-G

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Revised 56836-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, TRANSMISSION INTEGRITY MANAGEMENT PROGRAM , BALANCING ACCOUNT (TIMPBA), Sheet 1	Revised 52948-G
Original 56837-G		PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, TRANSMISSION INTEGRITY MANAGEMENT PROGRAM , BALANCING ACCOUNT (TIMPBA), Sheet 2
Revised 56838-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT, PROGRAM BALANCING ACCOUNT (Post-2011 DIMPBA), Sheet 1	Revised 52949-G
Revised 56839-G	PRELIMINARY STATEMENT - PART V – BALANCING ACCOUNTS, MASTER METER BALANCING ACCOUNT (MMBA)	Revised 56145-G
Revised 56840-G	PRELIMINARY STATEMENT - PART V – BALANCING ACCOUNTS, MASTER METER BALANCING ACCOUNT (MMBA)	Original 53816-G
Revised 56841-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ADVANCED METER OPT-OUT PROGRAM BALANCING ACCOUNT, (AMOPBA), Sheet 1	Original 51904-G
Revised 56842-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, ADVANCED METER OPT-OUT PROGRAM BALANCING ACCOUNT, (AMOPBA), Sheet 2	Original 51905-G
Revised 56843-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, STORAGE INTEGRITY MANAGEMENT PROGRAM , BALANCING ACCOUNT (SIMPBA)	Original 52951-G
Original 56844-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, STORAGE INTEGRITY MANAGEMENT PROGRAM , BALANCING ACCOUNT (SIMPBA)	
Original 56845-G	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS, LIABILITY INSURANCE PREMIUM BALANCING ACCOUNT (LIPBA), Sheet 1	
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Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 56847-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, DESCRIPTION AND LISTING OF MEMORANDUM ACCOUNTS, Sheet 2	Revised 56712-G
Revised 56848-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH DEVELOPMENT AND , DEMONSTRATION EXPENSE ACCOUNT (RDDEA), Sheet 1	Revised 52952-G
Revised 56849-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH DEVELOPMENT AND , DEMONSTRATION EXPENSE ACCOUNT (RDDEA), Sheet 2	Original 52953-G
Revised 56850-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA), Sheet 1	Revised 52954-G
Revised 56851-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, FIRE HAZARD PREVENTION MEMORANDUM ACCOUNT (FHPMA), Sheet 1	Revised 49322-G
Revised 56852-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ALISO CANYON MEMORANDUM ACCOUNT (ACMA), Sheet 1	Original 49759-G
Revised 56853-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, ENERGY DATA REQUEST MEMORANDUM ACCOUNT (EDRMA), Sheet 1	Original 50422-G
Revised 56854-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, OPERATIONAL FLOW COST MEMORANDUM ACCOUNT (OFCMA), Sheet 1	Original 51753-G
Original 56855-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, MORONGO RIGHTS OF WAY MEMORANDUM ACCOUNT (MROWMA), Sheet 1	
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	ACCOUNT (MROWMA), Sheet 2	
Original 56857-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, PIPELINE SAFETY ENHANCEMENT PLAN MEMORANDUM ACCOUNT (PSEPMA), Sheet 1	
Original 56858-G	PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS, PIPELINE SAFETY ENHANCEMENT PLAN MEMORANDUM ACCOUNT (PSEPMA), Sheet 2	
Revised 56859-G	PRELIMINARY STATEMENT - PART VII – TRACKING ACCOUNTS, ALISO CANYON TRUE-UP TRACKING ACCOUNT (ACTTA), Sheet 1	Original 49761-G
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Revised 56863-G	TABLE OF CONTENTS	Revised 56611-G
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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DESCRIPTION AND LISTING OF BALANCING ACCOUNTS

Sheet 2

(Continued)

B. LISTING OF BALANCING ACCOUNTS (Continued)

Distributed Energy Resources Services Balancing Account (DERSBA)
Storage Integrity Management Program Balancing Account (SIMPBA)
Natural Gas Leak Abatement Program Balancing Account (NGLAPBA)
Statewide Energy Efficiency Balancing Account (SWEEBA)
Dairy Biomethane Project Memorandum Account (DBPBA)
San Joaquin Valley Disadvantaged Communities Balancing Account (SJVDACBA)
Safety Enhancement Expense Balancing Account – Phase 2 (SEEBA-P2)
Safety Enhancement Capital Cost Balancing Account – Phase 2 (SECCBA-P2)
Liability Insurance Premium Balancing Account (LIPBA)

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Regulatory Affairs

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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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In accordance with Advice No. 4177-A, submitted pursuant to D.07-08-029, D.10-09-001, and Resolution G-3489, the CFCA will be credited for the core's allocation of the System Modification Fee (SMF) charged to California Producers to offset the system modification costs which have been incorporated in base rates in connection with SoCalGas' 2012 General Rate Case (GRC).

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In accordance with Advice No. 4772, submitted pursuant to D.13-05-010, the CFCA will be debited for the core's allocation of the revenue requirement adjustments to comply with the normalization requirements of Internal Revenue Code Section 168(i)(9), as interpreted by the Internal Revenue Service in Private Letter Ruling (PLR) 136851-14. These revenue requirement adjustments are associated with SoCalGas' net operating loss carry-forward amounts that should have been used to reduce SoCalGas' accumulated deferred income tax liability balance in determining SoCalGas' authorized rate base in connection with SoCalGas' 2012 GRC.

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As addressed in D.19-09-051, SoCalGas' Test Year 2019 GRC, for its Advanced Meter Infrastructure (AMI) Project, SoCalGas estimated AMI module failures that required SoCalGas to incur costs to replace them, so SoCalGas will record any credits received from the vendor in the CFCA in order to refund these amounts back to core customers.

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Pursuant to D.16-10-004, SoCalGas' 2017 Triennial Cost Allocation Proceeding (TCAP), the CFCA (excluding GAF activity) is segregated into two subaccounts: NGV Class Subaccount and non-NGV Core Subaccount. The NGV Class Subaccount will balance the difference between the authorized margin (excluding transmission and BTS revenue requirements) and other non-gas costs allocated to the NGV customer class with revenues intended to recover these costs. The non-NGV Core Subaccount will balance the difference between the authorized margin (excluding transmission and BTS revenue requirements) and other non-gas costs allocated to all other core classes (i.e., excluding the NGV class) with revenues intended to recover these costs. In addition, as described in detail in Section 8. below, D.16-10-004 authorizes SoCalGas to implement a true-up mechanism to amortize in rates the additional unamortized over- or under-collection that remains in the CFCA at the end of each year.

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

Sheet 4

(Continued)

5. Accounting Procedures – non-NGV Core Subaccount (Continued)

- l. A credit entry equal to any refunds received from vendors related to AMI module failures; and
- m. 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. Accounting Procedures – GAF Subaccount

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.

7. 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 for the non-NGV Core Subaccount will be allocated to all non-NGV core customer classes on an Equal Cents Per Therm (ECPT) basis. The NGV Class Subaccount will be allocated only to the NGV customer class.

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.

8. True-up Mechanism

D.16-10-004 authorizes SoCalGas the following rate trigger mechanism detailed below to determine whether a true-up of rates will be made for the unamortized portion of the CFCA balance (total of all subaccounts).

- SoCalGas will total the authorized margin recorded in the CFCA for the last four months of the year and compare 10% of the total amount to the unamortized portion of the CFCA balance.
- If the unamortized portion of the CFCA balance is greater than 10% of the total amount SoCalGas will submit an advice letter proposing to update rates for the unamortized portion of the CFCA balance.
- SoCalGas will submit a Tier 2 advice letter by February 28th of the following year requesting the rate update to be effective April 1. Rates will be updated to reflect recovery or refund of the unamortized portion of the CFCA balance over the remaining nine months of the year.

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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 Decision (D.) 19-09-051, TY 2019 General Rate Case (GRC), effective January 1, 2019, the PBA will continue for the three-year GRC cycle through December 31, 2021, 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.

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.19-09-051 and modified per Advice No. 5233, SoCalGas will maintain the PBA by making entries at the end of each month as follows:

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;

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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.19-09-051, SoCalGas will continue to 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.19-09-051, SoCalGas will amortize the projected year-end PBA balance in connection with its annual regulatory account balance update submittal 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 Decision (D.) 19-09-051, TY 2019 General Rate Case (GRC), effective January 1, 2019, the PBOPBA will continue for the three-year GRC cycle through December 31, 2021, 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.

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.19-09-051 and modified per Advice No. 5233, SoCalGas will maintain the PBOPBA by making entries at the end of each month as follows:

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 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.19-09-051, SoCalGas will amortize the projected year-end PBOPBA balance in connection with its annual regulatory account balance update submittal 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 Sheet 1
ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)

1. Purpose

The AMIBA is an interest-bearing balancing account that is recorded on SoCalGas' financial statements. The purpose of the AMIBA is to record the costs and corresponding revenue requirement associated with the Advanced Metering Infrastructure (AMI) project, as outlined in Commission Decision (D.) 10-04-027 dated April 8, 2010. SoCalGas will deploy an AMI system by installing gas AMI meter modules and supporting communication network throughout its service territory. The total authorized gas program cost for SoCalGas is \$1,050.7 million for a seven-year deployment period beginning in 2010 subject to additional costs authorized as described in Section 7 below. Pursuant to D.16-06-054, SoCalGas' 2016 General Rate Case (GRC), Advice No. 5134, and Advice No. 5215, the AMIBA has been extended beyond the seven-year deployment period until the costs and benefits associated with the completion of the AMI Project are incorporated in SoCalGas' next GRC. Pursuant to Advice No. 5134, the AMIBA will consist of the following three subaccounts:

- a) Deployment Phase Cost Subaccount – record costs associated with deployment activities.
- b) Post-Deployment Cost Subaccount – record costs and benefits associated with post-deployment activities.
- c) Escalated Jurisdictions Cost Subaccount – record meter reading costs associated with escalated jurisdictions where the AMI network has not been deployed.

Upon implementation of D.19-09-051, SoCalGas' Test Year 2019 GRC, SoCalGas will no longer record any cost or revenue requirement activity related to the AMI Project in the Deployment Phase Cost Subaccount nor the Post-Deployment Phase Cost Subaccount other than adjustments associated with the reconciliation of the total AMI Project costs.

2. Applicability

The AMIBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The AMI authorized revenue requirement will be included in gas transportation rates as approved by the Commission.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 5
ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)

(Continued)

8. Disposition

The disposition of the subaccount balances will be addressed as follows:

- Deployment Phase Cost Subaccount – Pursuant to D.10-04-027, SoCalGas will include in rates the authorized revenue requirement for the AMI project over the project period and through the interim period prior to incorporation of the AMI costs and benefits in SoCalGas’ next GRC pursuant to Advice No. 5134 and Advice No. 5215. The subaccount balance remaining, except the shareholder costs noted in Section 7, will be amortized in connection with SoCalGas’ Annual Regulatory Account Balance Update submitted in October of each year. Project costs that exceed \$1,150.7 million will be included in rates after they are approved by the Commission following a reasonableness review.
- Post-Deployment Phase Cost Subaccount – The subaccount balance associated with the recording of the ongoing incremental O&M costs/benefits and capital-related costs associated with AMI assets placed in service during the post-deployment period will also be amortized in rates in connection with SoCalGas’ Annual Regulatory Account Balance Update submittal until such costs/benefits are incorporated in SoCalGas’ next GRC.
- Escalated Jurisdictions Cost Subaccount – The subaccount balance will be addressed in connection with SoCalGas’ next GRC or other applicable proceeding designated by the Commission.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NEW ENVIRONMENTAL REGULATION BALANCING ACCOUNT (NERBA)

Sheet 1

1. Purpose

The NERBA is an interest-bearing two-way balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 13-05-010, Test-Year (TY) 2012 General Rate Case (GRC), effective January 1, 2012, the NERBA will record the difference between actual costs and authorized costs in rates associated with new greenhouse gas (GHG) requirements. Per D.16-06-054, TY 2016 GRC, the NERBA is authorized for the three-year GRC period ending December 31, 2018 or until the effective implementation date of SoCalGas' next GRC. In addition, pursuant to D.16-06-054, the NERBA is expanded to include subaccounts to record costs associated with the Municipal Separate Storm Systems (MS4) compliance requirements and Leak Detection and Repair (LDAR) as detailed below. The NERBA is further expanded to establish the Natural Gas Leak Abatement Program (NGLAP) Subaccount to record the difference between actual incremental costs and corresponding authorized revenue requirement associated with the implementation of the Best Practices of the Natural Gas Leak Abatement Program approved in D.17-06-015. D.19-09-051, SoCalGas' TY 2019 GRC, authorized the continuation of the five subaccounts and the ratemaking treatment for the NERBA for the three-year GRC period ending December 31, 2021, or until the effective implementation date of SoCalGas' next GRC.

The NERBA shall consist of five subaccounts:

- 1) AB 32 Admin Fees Subaccount records actual administrative fees paid to the California Air Resources Board (CARB) and the associated authorized cost in base rates;
- 2) Subpart W Subaccount records operating and maintenance (O&M) and capital-related costs associated with the monitoring and reporting requirements of Subpart W to the GHG Mandatory Reporting Rule issued by the US Environmental Protection Agency and the associated authorized costs in base rates;
- 3) MS4 Compliance Subaccount records costs associated with compliance with MS4 local ordinance requirements which addresses the cleanliness of SoCalGas' parking lots and potential storm water runoff and discharge from company facilities; and
- 4) LDAR Subaccount records costs associated with compliance with the rules and procedures under Senate Bill 1371 and other new emergent regulatory requirements governing gas leakage abatement for gas infrastructure.
- 5) NGLAP Subaccount records the costs associated with implementation of Best Practices of the Natural Gas Leak Abatement Program approved in D.17-06-015.

2. Applicability

The NERBA shall apply to gas customers.

3. Rates

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

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Dan Skopec
 Vice President
 Regulatory Affairs

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NEW ENVIRONMENTAL REGULATION BALANCING ACCOUNT (NERBA)

Sheet 3

(Continued)

7. LDAR Subaccount - Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry to record O&M costs related to complying with LDAR regulations,
- b) A debit entry to record capital-related costs (depreciation, return, and income taxes) related to compliance with LDAR regulations,
- c) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' LDAR compliance costs,
- d) An entry to amortize the prior year's balance, and
- e) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

8. NGLAP Subaccount - Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry to record incremental O&M costs associated with the implementation of the Best Practices of the Natural Leak Abatement Program adopted in D.17-06-015,
- b) A debit entry to record the incremental capital-related costs (depreciation, return, and income taxes) associated with the implementation of the Best Practices of the Natural Leak Abatement Program adopted in D.17-06-015,
- c) A credit entry equal to one-twelfth of the cost authorized in rates approved in the October Tier 3 advice letter submittal establishing the authorized revenue requirements associated with the implementation of the Best Practices of the Natural Gas Leak Abatement Program,
- d) An entry to amortize the prior year's balance, and
- e) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

9. Disposition

In each annual October regulatory account balance update submittal, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. The projected year-end balance in the AB 32 Admin Fees Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis consistent with the allocation for the CARB fee cost recovery. The projected year-end balance in the remaining subaccounts will be allocated on an Equal Percent of Authorized Margin (EPAM) basis consistent with the allocation of current base margin pursuant to D.13-05-010. Pursuant to D.17-06-015, SoCalGas will submit a Tier 3 advice letter to establish the 2018 and 2019 revenue requirement for the NGLAP Subaccount, and proposed allocation methodology, for the implementation of the Best Practices of the Natural Gas Leak Abatement Program. The revenue requirement will be carried forward in subsequent years until addressed in SoCalGas' next GRC or other applicable proceeding.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
TRANSMISSION INTEGRITY MANAGEMENT PROGRAM
BALANCING ACCOUNT (TIMPBA)

Sheet 1

1. Purpose

The TIMPBA is an interest-bearing, two-way balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 19-09-051, SoCalGas' TY 2019 General Rate Case (GRC), effective January 1, 2019, the TIMPBA will record the difference between the authorized and actual operating and maintenance (O&M) and capital-related costs associated with SoCalGas' Transmission Integrity Management Program (TIMP). Per D.19-09-051, the TIMPBA is authorized for the three-year GRC period ending December 31, 2021, or until the effective implementation date of SoCalGas' next GRC.

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2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures

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

- a) A debit entry to record actual O&M costs related to SoCalGas' TIMP,
- b) A debit entry to record capital-related costs (depreciation, return, and income taxes) related to SoCalGas' TIMP,
- c) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' TIMP,
- d) An entry to amortize the TIMPBA as approved by the Commission, and
- e) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
TRANSMISSION INTEGRITY MANAGEMENT PROGRAM
BALANCING ACCOUNT (TIMPBA)

Sheet 2

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(Continued)

5. Disposition

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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 TIMP undercollections as a result of overspending up to 35% of the total authorized O&M and capital expenditures, SoCalGas will submit a Tier 3 advice letter seeking recovery of the undercollected amount. For undercollections due to overspending greater than 35% of the total authorized O&M and capital expenditures, SoCalGas will seek recovery through a separate application. If SoCalGas has not overspent in excess of the total authorized O&M and capital expenditures for the current GRC cycle, but an undercollection exists in the TIMPBA due to compounding of actual capital revenue requirement recorded in the TIMPBA, SoCalGas will incorporate the undercollected balance in its annual regulatory account balance update submittal for recovery in the subsequent year's rates. For any unspent TIMP 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.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
POST-2011 DISTRIBUTION INTEGRITY MANAGEMENT
PROGRAM BALANCING ACCOUNT (Post-2011 DIMPBA)

Sheet 1

1. Purpose

The DIMPBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 19-09-051, TY 2019 General Rate Case (GRC), effective January 1, 2019, the DIMPBA is a two-way balancing account which will record the difference between actual operating and maintenance (O&M) and capital-related costs and authorized costs associated with SoCalGas' Distribution Integrity Management Program (DIMP). Per D.19-09-051, the DIMPBA is authorized for the three-year GRC period ending December 31, 2021, or until the effective implementation date of SoCalGas' next GRC.

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2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry to record actual O&M costs related to SoCalGas' DIMP,
- b) A debit entry to record capital-related costs (depreciation, return, and income taxes) related to SoCalGas' DIMP,
- c) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' DIMP,
- d) An entry to amortize the DIMPBA as approved by the Commission, and
- e) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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5. Disposition

For 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 DIMP undercollections as a result of overspending up to 35% of the total authorized O&M and capital expenditures, SoCalGas will submit a Tier 3 advice letter seeking recovery of the undercollected amount. For undercollections due to overspending greater than 35% of the total authorized O&M and capital expenditures, SoCalGas will seek recovery through a separate application. If SoCalGas has not overspent in excess of the total authorized O&M and capital expenditures for the current GRC cycle, but an undercollection exists in the DIMPBA due to compounding of actual capital revenue requirement recorded in the DIMPBA, SoCalGas will incorporate the undercollected balance in its annual regulatory account balance update submittal for recovery in the subsequent year's rates. For any unspent DIMP 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.

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PRELIMINARY STATEMENT - PART V – BALANCING ACCOUNTS
MASTER METER BALANCING ACCOUNT (MMBA)

Sheet 1

1. Purpose

The MMBA is an interest-bearing balancing account reflected on SoCalGas’ financial statements. The purpose of the MMBA is to record the incremental costs associated with the conversion of master-metered service (i.e., Mobile Home Park Conversion Program) at mobile home parks and manufactured housing communities to direct utility service. The Mobile Home Park (MHP) Conversion Program is a pilot program as authorized in Decision (D.) 14-03-021. Pursuant to Resolution E-4878, the MMBA will continue to record program expenses until the earlier date of December 31, 2019 or the issuance of a Commission decision on the continuation, expansion, or modification of the program. The MMBA will further record program expenses for parks that are converted pursuant to Resolution E-4958, which extends the Mobile Home Park Conversion Program through the earlier of December 31, 2021, or the issuance of a Commission Decision for the continuation, expansion or modification of the program in Rulemaking 18-04-018. Pursuant to D.19-09-051, SoCalGas’ Test Year (TY) 2019 General Rate Case (GRC), the Commission approved costs for thirty-two MHP conversion projects that were completed through 2016 for inclusion in TY 2019 GRC. As a result, effective with the implementation of the TY 2019 GRC, the MMBA will no longer record O&M and capital-related costs on the “to-the-meter” assets associated with these MHP conversion projects.

2. Applicability

This account will be incorporated in gas distribution rates and apply to all gas distribution customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. Accounting Procedures

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

- a) A debit entry equal to the actual incremental revenue requirements (i.e., O&M and capital-related costs such as depreciation, taxes and return) associated with the “to the meter” Mobile Home Park conversion costs capitalized and placed in service upon system cutover to direct utility service, including incremental O&M start-up costs such as customer outreach, administration and other ongoing costs to implement the pilot program;

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PRELIMINARY STATEMENT - PART V – BALANCING ACCOUNTS
MASTER METER BALANCING ACCOUNT (MMBA)

Sheet 2

(Continued)

4. Accounting Procedures (Continued)

- b) A debit entry equal to the actual incremental revenue requirements (i.e., amortization, income taxes and return), of the regulatory asset balance associated with “beyond the meter” Mobile Home Park conversion costs amortized in rates over a ten-year period at SoCalGas’ current authorized rate of return on ratebase;
- c) An entry equal to amortization of the MMBA 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

The balance in the MMBA will be amortized in connection with SoCalGas’ annual regulatory account balance for gas transportation rates effective January 1 of the following year until mobile home park “to the meter” conversion costs are rolled into base rates in connection with a General Rate Case (GRC) or other applicable proceeding and “beyond the meter” costs are fully amortized over a ten-year period.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
ADVANCED METER OPT-OUT PROGRAM BALANCING ACCOUNT
(AMOPBA)

Sheet 1

1. Purpose

The AMOPBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of the AMOPBA is to record the incremental costs to implement the Utility's Advanced Meter Opt-Out Program (Program) and the associated revenues from the Program pursuant to Decision (D.) 14-02-019 and D.14-12-078. The AMOPBA also reflects the transfer of the Advanced Meter Opt-Out Memorandum Account (AMOPMA) ending balance, excluding any "exit fee" or "turn off" costs, pursuant to Resolution E-4723. The AMOPBA is effective December 18, 2014, the effective date of D.14-12-078, and modified effective September 17, 2015, pursuant to Resolution E-4723.

The AMOPBA shall consist of two subaccounts:

- 1) Authorized Program Cost (APC) Subaccount records incremental costs up to a maximum of \$4.5 million as authorized in D.14-12-078 and corresponding revenues associated with the Program; and
- 2) Excess Program Cost (EPC) Subaccount records incremental costs above the \$4.5 million program cost cap.

Upon implementation of D.19-09-051, SoCalGas' Test Year 2019 General Rate Case (GRC), the AMOPBA will no longer record any revenue or cost activity for the Program in the two subaccounts other than to amortize the balance in rates.

2. Applicability

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

3. Rates

See Disposition section.

4. Accounting Procedures

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

Authorized Program Cost Subaccount

- a) An entry to amortize the APC Subaccount balance 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.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
ADVANCED METER OPT-OUT PROGRAM BALANCING ACCOUNT
(AMOPBA)
 (Continued)

Sheet 2

4. Accounting Procedures (Continued)

Excess Program Cost Subaccount

- a) An entry to amortize the EPC Subaccount balance 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.

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5. Disposition

Pursuant to D.14-12-078, SoCalGas shall include a summary of costs incurred and revenues collected associated with providing the Program in its next GRC. Pursuant to D.19-09-051, SoCalGas will amortize the over- or undercollected subaccount balances in the AMOPBA in transportation rates. The AMOPBA balance will be allocated to the residential customer class. At the end of the amortization period, any residual balance will be transferred to the Core Fixed Cost Account and the AMOPBA will be eliminated.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
STORAGE INTEGRITY MANAGEMENT PROGRAM
BALANCING ACCOUNT (SIMPBA)

Sheet 1

1. Purpose

The SIMPBA is an interest-bearing, two-way balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 19-09-051, SoCalGas' Test Year (TY) 2019 General Rate Case (GRC), effective January 1, 2019, the SIMPBA will record the difference between the authorized and actual operating and maintenance (O&M) and capital-related costs associated with SoCalGas' Storage Integrity Management Program (SIMP). Per D.19-09-051, the SIMPBA is authorized for the three-year GRC period ending December 31, 2021, or until the effective implementation date of SoCalGas' next GRC.

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2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures

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

- a) A debit entry to record actual O&M costs related to SoCalGas' SIMP,
- b) A debit entry to record capital-related costs (depreciation, return, and income taxes) related to SoCalGas' SIMP,
- c) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' SIMP,
- d) An entry to amortize the SIMPBA as approved by the Commission, and
- e) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
STORAGE INTEGRITY MANAGEMENT PROGRAM
BALANCING ACCOUNT (SIMPBA)

Sheet 2

(Continued)

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. For any SIMP undercollections as a result of overspending up to 35% of the total authorized O&M and capital expenditures, SoCalGas will submit a Tier 3 advice letter seeking recovery of the undercollected amount. For undercollections due to overspending greater than 35% of the total authorized O&M and capital expenditures, SoCalGas will seek recovery through a separate application. If SoCalGas has not overspent in excess of the total authorized O&M and capital expenditures for the current GRC cycle, but an undercollection exists in the SIMPBA due to compounding of actual capital revenue requirement recorded in the SIMPBA, SoCalGas will incorporate the undercollected balance in its annual regulatory account balance update submittal for recovery in the subsequent year's rates. For any unspent SIMP 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.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
LIABILITY INSURANCE PREMIUM BALANCING ACCOUNT (LIPBA)

Sheet 1

1. Purpose

The LIPBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to record the difference between the authorized revenue requirement adopted in this TY 2019 General Rate Case (GRC) specific to liability insurance premiums (LIP) charged to SoCalGas from Corporate Center and the actual expenses incurred and charged to SoCalGas.

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

2. Applicability

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

3. Rates

See Disposition Section.

4. Accounting Procedures

SoCalGas will maintain the LIPBA by making entries, net of FF&U as applicable, at the end of each month as follows:

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 LIP funding level currently embedded in rates, reduced by the component of authorized LIP costs capitalized to utility ratebase, and
2. Actual LIP expense, reduced by the component of LIP costs capitalized to utility ratebase.

Depreciation/Return/Tax Component – Current Year

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

1. One-twelfth of the revenue requirement associated with the authorized LIP costs capitalized to utility ratebase in the current year, including LIP costs embedded in authorized depreciation, and the related return and taxes, and

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
LIABILITY INSURANCE PREMIUM BALANCING ACCOUNT (LIPBA)

Sheet 2

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4. Accounting Procedures (Continued)

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Depreciation/Return/Tax Component – Current Year (Continued)

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

2. The current month's capital-related costs associated with the actual LIP costs capitalized to utility ratebase in the current year, including LIP costs embedded in recorded depreciation, and the related return and taxes.

Depreciation/Return/Tax 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 LIP costs capitalized to utility rate base in prior years, including LIP costs embedded in authorized depreciation, and the related return and taxes, and
2. The current month's capital-related costs associated with the unamortized balance of actual LIP costs capitalized to utility rate base in prior years, including LIP costs embedded in recorded depreciation, and the related return and taxes.

Other Adjustments

d. An entry to amortize the LIPBA balance as authorized by the Commission; 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

SoCalGas will amortize the balance in the LIPBA in customers' gas transportation rates in connection with its annual regulatory account update advice letter submittal. However, SoCalGas shall submit a separate Tier 2 advice letter when it seeks recovery of costs for additional liability insurance coverage that were not requested in this GRC.

The projected year-end balance will be allocated on an Equal Percent of Authorized Margin (EPAM) basis.

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

Sheet 2

(Continued)

B. LISTING OF MEMORANDUM ACCOUNTS (Continued)

- Pipeline Safety Enhancement Plan – Phase 2 Memorandum Account (PSEP-P2MA)
- Officer Compensation Memorandum Account (OCMA)
- Tax Memorandum Account (TMA)
- Winter Demand Response Memorandum Account (WDRMA)
- System Operator Gas Account (SOGA)
- Avoided Cost Calculator Update Memorandum Account (ACCUMA)
- Injection Enhancement Cost Memorandum Account (IECMA)
- Natural Gas Leak Abatement Program Memorandum Account (NGLAPMA)
- Otay Mesa Pipeline Capacity Memorandum Account (OMPCMA)
- Dairy Biomethane Solicitation Development Memorandum Account (DBSDMA)
- Wildfires Customer Protection Memorandum Account (WCPMA)
- Line 1600 Records Audit Memorandum Account (L1600RAMA)
- General Rate Case Memorandum Account 2019 (GRCMA2019)
- Emergency Customer Protections Memorandum Account (ECPMA)
- San Joaquin Valley Data Gathering Plan Memorandum Account (SJVDGPMA)
- Dairy Biomethane Project Memorandum Account (DBPMA)
- Officer Compensation Memorandum Account 2019 (OCMA2019)
- Core Gas Balancing Memorandum Account (CGBMA)
- California Consumer Privacy Act Memorandum Account (CCPAMA)
- Line 235 Memorandum Account (L235MA)
- Morongo Rights of Way Memorandum Account (MROWMA)
- Pipeline Safety Enhancement Plan Memorandum Account (PSEPMA)

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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. Decision (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, D.08-07-046, and D.13-05-010, 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, December 31, 2011, and December 31, 2015, respectively. Pursuant to D.16-06-054, TY 2016 GRC, effective January 1, 2016, SoCalGas is authorized to continue using this account through the three-year GRC cycle ending December 31, 2018, or until the effective implementation date of SoCalGas' next GRC. Pursuant to D.19-09-051, TY 2019 GRC, effective January 1, 2019, SoCalGas is authorized to continue using this account through the three-year GRC cycle ending December 31, 2021 or until the effective implementation date of SoCalGas' next GRC.

2. Applicability

See Disposition section.

3. Rates

The RDDEA balance will be included in gas transportation rates.

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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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 2
RESEARCH DEVELOPMENT AND
DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

(Continued)

5. Disposition

For the current GRC cycle (2019-2021), 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 cycles (2012-2015 and 2016-2018), SoCalGas is authorized to amortize any overcollection in gas transportation rates on an Equal Percent of Authorized Margin (EPAM) basis and transfer any residual balance at the end of the amortization period to the Core Fixed Cost Account (CFCA) and Noncore Fixed Cost Account (NFCA).

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5539
 DECISION NO. 19-09-051

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Oct 31, 2019
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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA)

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. D.16-06-054, TY 2016 GRC, approves the continuation of the sharing mechanism authorized in D.13-05-010 for the period commencing on or after January 1, 2016. Pursuant to D.19-09-051, SoCalGas' TY 2019 GRC, SoCalGas will continue the sharing mechanism authorized in D.16-06-054 for projects for the period commencing on or after January 1, 2019.

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

In each annual October regulatory account balance update submittal, SoCalGas will amortize the projected year-end RRMA balance 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 VI - MEMORANDUM ACCOUNTS
FIRE HAZARD PREVENTION MEMORANDUM ACCOUNT (FHPMA)

Sheet 1

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 (TY) 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

Pursuant to D.19-09-051, SoCalGas' TY 2019 GRC, SoCalGas will amortize the balance in rates (net of the \$0.1 million interest disallowance), and at the end of the amortization period, transfer any residual balance to the Core Fixed Cost Account and Noncore Fixed Cost Account and eliminate the account.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
ALISO CANYON MEMORANDUM ACCOUNT (ACMA)

1. Purpose

The ACMA is an interest-bearing memorandum account that is recorded on SoCalGas' financial statements. The purpose of the ACMA is to record the incremental costs associated with the Aliso Canyon Turbine Replacement Project that are in excess of the \$200.9 million maximum total cost approved in Decision (D.) 13-11-023. Upon implementation of D.19-09-051, SoCalGas' Test Year (TY) 2019 General Rate Case (GRC), the ACMA will only record capital-related costs associated with the portion of assets in excess of the \$275.5 million incorporated in rates for TY 2019 GRC.

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2. Applicability

The ACMA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The amortization of the ACMA balance will be included in gas transportation rates as approved by the Commission.

4. Accounting Procedures

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

- a) A debit entry equal to the capital-related costs (such as depreciation, return on investment and related taxes) associated with the portion of assets in excess of the \$275.5 million incorporated in the TY 2019 GRC for the Aliso Canyon Turbine Replacement Project;
- b) An entry for amortization of the ACMA balance as authorized by the Commission; and
- c) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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5. Disposition

Pursuant to D.19-09-051, SoCalGas is authorized to amortize in rates the balance in the ACMA associated with the portion of assets in excess of \$200.9 million cost cap up to the approved \$275.5 million incorporated in the TY 2019 GRC. The balance in the ACMA associated with the portion of assets in excess of \$275.5 million will be addressed in SoCalGas' next General Rate Case or other applicable proceeding.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
ENERGY DATA REQUEST MEMORANDUM ACCOUNT (EDRMA)

Sheet 1

1. Purpose

The EDRMA is an interest-bearing memorandum account that is recorded on the Utility's financial statements. The purpose of the EDRMA is to record the incremental costs associated in complying with Commission Decision (D.) 14-05-016 which adopts rules that provide access to energy usage and usage-related data to local government entities, researchers, and state and federal agencies by creating a data request and release process. In D.14-05-016, the Commission directs SoCalGas to submit this advice letter to create a memorandum account to record actual incremental expenses and capital-related costs associated with the development and implementation of the energy usage data request and release process. The EDRMA is effective May 5, 2014, the date of issuance of the decision. Upon implementation of D.19-09-051, SoCalGas' Test Year 2019 General Rate Case (GRC), the EDRMA will no longer record cost activity related to the energy usage data request and release process, but only to amortize the balance in rates.

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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

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

- a) An entry equal to the amortization of the EDRMA balance as authorized by the Commission; and
- b) An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

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5. Disposition

The disposition of this account will be addressed in SoCalGas' next General Rate Case proceeding or other applicable proceeding. Pursuant to D.14-05-016, SoCalGas is required to demonstrate the reasonableness of costs recorded in the EDRMA for recovery in rates. Pursuant to D.19-09-051, SoCalGas will amortize the balance in rates, and at the end of the amortization period, transfer any residual balance to the Core Fixed Cost Account and Noncore Fixed Cost Account and eliminate the account.

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DECISION NO. 19-09-051

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
OPERATIONAL FLOW COST MEMORANDUM ACCOUNT (OFCMA)

Sheet 1

1. Purpose

The OFCMA is an interest-bearing memorandum account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 15-06-004, the purpose of this account is to record costs related to information system modifications to SoCaGas' Envoy and billing systems to implement the new Low Operational Flow Order (OFO) and Emergency Flow Order (EFO) requirements. The OFCMA is effective June 11, 2015, the date of the decision. Upon implementation of D.19-09-051, SoCalGas' Test Year 2019 General Rate Case (GRC), the OFCMA will no longer record cost activity for SoCalGas' Envoy and billing systems, but only to amortize the balance in rates.

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2. Applicability

The OFCMA shall apply to all gas customers except for those specifically excluded by the Commission.

3. Rates

See Disposition Section.

4. Accounting Procedures

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

- a. An entry to amortize the OFCMA balance as authorized by the Commission; and
- b. 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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5. Disposition

The disposition of this account will be addressed in SoCalGas' next GRC or other applicable proceeding. Pursuant to D.15-06-004, SoCalGas is required to demonstrate the reasonableness of the costs recorded in the OFCMA for recovery in rates. Pursuant to D.19-09-051, SoCalGas will amortize the balance in rates, and at the end of the amortization period, transfer any residual balance to the Core Fixed Cost Account and Noncore Fixed Cost Account and eliminate the account.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
MORONGO RIGHTS OF WAY MEMORANDUM ACCOUNT (MROWMA)

Sheet 1

1. Purpose

The MROWMA is an interest-bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the MROWMA is to record the costs associated with the evaluation of potential relocation of transmission pipelines that run underneath land held by the United States Government in trust for the Morongo Band of Mission Indians and renewal of the expiring rights-of-way within the Morongo reservation. The MROWMA will record the following:

- Relocation Costs – Costs include incremental pre-construction costs, including applicable incremental overheads, for developing alternatives, including the possible complete relocation of gas transmission pipelines and connection to the distribution system.
- Renewal of Rights of Way - Costs include incremental O&M and capital-related costs, including applicable incremental overheads, associated with seeking and acquiring renewal of the expiring rights-of-way for SoCalGas' transmission and distribution lines, which are located within the Morongo reservation, or costs incurred to maintain operation of the transmission and distribution system until a long-term solution is reached. To the extent SoCalGas must perform some infrastructure modifications or enhancements to segments of transmission and/or distribution lines to attain and maintain the long-term rights-of-way or relocate, either within and/or outside of the Morongo reservation, these costs, and the relevant pre-construction costs, would be recorded in the MROWMA.

2. Applicability

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

3. Rates

See Disposition Section.

4. Accounting Procedures

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

- a) A debit entry equal to the pre-construction O&M costs incurred for attempting to develop possible new routes for the addition, relocation and/or modification of gas infrastructure to support system reliability;
- b) A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with pre-construction costs incurred for the possible addition, relocation and/or modification of gas infrastructure to support system reliability;

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
MORONGO RIGHTS OF WAY MEMORANDUM ACCOUNT (MROWMA)

Sheet 2

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(Continued)

4. Accounting Procedures (Continued)

N

- c) A debit entry equal to the O&M costs associated with seeking and acquiring renewal of the expiring Morongo rights of way for SoCalGas' transmission and distribution lines;
- d) A debit entry equal to the capital-related costs (e.g., depreciation, return and taxes) associated with seeking and acquiring renewal of the expiring Morongo rights of way for SoCalGas' transmission and distribution lines;
- e) An entry to amortize the account balance as authorized by the Commission; and
- f) 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

The disposition of the MROWMA balance will be addressed in SoCalGas' next General Rate Case or other applicable proceeding designated by the Commission.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
PIPELINE SAFETY ENHANCEMENT PLAN MEMORANDUM ACCOUNT (PSEPMA)

1. Purpose

The PSEPMA is an interest-bearing memorandum account recorded on SoCalGas' financial statements. The PSEPMA consists of two subaccounts:

- PSEP-GRC Subaccount - Pursuant to Decision (D.) 19-09-051, the purpose PSEP-GRC Subaccount of the PSEPMA is to track costs overruns in excess of the amounts authorized in this decision.
- Line 44 Subaccount – The purpose of the Line 44 Subaccount is to record costs related to Line 44-1008.

2. Applicability

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

3. Rates

See Disposition Section.

4. Accounting Procedures – PSEP-GRC Subaccount

SoCalGas maintains this account by making entries for the revenue requirements associated with PSEP cost overruns in excess of the adopted costs in D.19-09-051, net of applicable FF&U, as follows:

- a) A debit entry equal to the operating and maintenance (O&M) costs and capital-related costs (i.e., depreciation, return and taxes) associated with PSEP costs in excess of the amounts authorized for PSEP projects in D.19-09-051;
- b) An entry to amortize the account balance as authorized by the Commission, and
- c) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

5. Accounting Procedures – Line 44 Subaccount

SoCalGas maintains this account by making monthly entries, net of applicable FF&U, as follows:

- a) A debit entry equal to the O&M costs and capital-related costs (i.e., depreciation, taxes and return) related to Line 44-1008;
- b) An entry to amortize the account balance as authorized by the Commission, and
- c) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 2
PIPELINE SAFETY ENHANCEMENT PLAN MEMORANDUM ACCOUNT (PSEPMA)

(Continued)

6. Disposition

The PSEP-GRC and Line 44 Subaccount balances of the PSEPMA will be addressed in SoCalGas' next GRC or other applicable proceeding.

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PRELIMINARY STATEMENT - PART VII – TRACKING ACCOUNTS
ALISO CANYON TRUE-UP TRACKING ACCOUNT (ACTTA)

Sheet 1

1. Purpose

The ACTTA is an interest-bearing tracking account that is recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 13-11-023, the ACTTA consists of two subaccounts: the Regional Clean Air Incentives Market (“RECLAIM”) Trading Credits (or “RTCs”) Subaccount and the O&M/Capital Benefits Subaccount. The purpose of the RTC Subaccount is to record the benefits associated with the sale of RTCs generated by the Aliso Canyon Turbine Replacement Project (“Project”). The O&M/Capital Benefits Subaccount records the difference between the estimated benefits included in the Project revenue requirement and the actual O&M and capital benefits realized. Upon implementation of D.19-09-051, SoCalGas’ Test Year 2019 General Rate Case (GRC), the ACTTA will no longer record activity related to benefits, but only to amortize the balance in rates.

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2. Applicability

The ACTTA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

The amortization of the ACTTA balance will be included in gas transportation rates as approved by the Commission.

4. Accounting Procedures – RTC Subaccount

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 ACTTA - RTC Subaccount 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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PRELIMINARY STATEMENT - PART VII – TRACKING ACCOUNTS
ALISO CANYON TRUE-UP TRACKING ACCOUNT (ACTTA)

Sheet 2

(Continued)

5. Accounting Procedures – O&M/Capital Benefits Subaccount

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 ACTTA – O&M/Capital Benefits Subaccount 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.

6. Disposition

At the end of each year, the balance in the ACTTA (combined balance of both subaccounts) will be allocated to Core Storage, Load Balancing and Unbundled Storage consistent with the “Post Replacement” injection capacity as shown in Table 3 of D.13-11-023. The portion allocated to the Unbundled Storage Program will be transferred to the Noncore Storage Balancing Account (NSBA) and be used to determine the allocation of net storage revenues between ratepayers and shareholders for the following year under the Commission-adopted sharing mechanism. The remaining balance in the ACTTA associated with core storage and load balancing will be recovered in the following year’s rates in connection with SoCalGas’ annual regulatory account balance update submittal, subject to a \$200.9 million cap applicable to capital costs. Once the project is complete and the corresponding revenue requirements are incorporated in base rates in connection with SoCalGas’ General Rate Case, the ACTTA will be eliminated after the remaining balance in the ACTTA is amortized in rates.

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 Vice President
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