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

# Sheet 1

# 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 postdeployment 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 2 ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)

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4. Accounting Procedures – Deployment Phase Cost Subaccount

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SoCalGas maintains this account by making monthly entries net of franchise fees and uncollectibles where applicable (except for entry "4.e." which is recorded upon completion of the deployment phase of the AMI project) as follows:

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a) A debit entry equal to the AMI operating and maintenance (O&M) costs incurred by SoCalGas during the deployment period, including the costs of development, accounting, evaluation and administration;

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b) An entry equal to the AMI capital related costs incurred during the deployment and postdeployment periods by SoCalGas for depreciation, property taxes, income taxes and return on investment associated with the AMI assets placed in service during the deployment period;

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c) A credit entry equal to the monthly AMI authorized revenue requirement, net of benefits, that are recovered through rates;

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d) A credit entry equal to O&M benefits based on the cumulative number of AMI meters installed and in operation for at least five months multiplied by \$1.0304 which represents the average O&M benefit per meter per month as calculated in Exhibit SCG-7 of SoCalGas Application (A.) 08-09-023, Attachment MF-5, and adopted in D.10-04-027 (included in the authorized revenue requirement in 4.c.); the factor, as well as the corresponding O&M benefit embedded in the revenue requirement described in entry "c" above, is subject to revision to the extent O&M benefits associated with the AMI project are incorporated in future SoCalGas General Rate Case (GRC) proceedings;

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e) Upon completion of the deployment phase of the AMI project, a debit or credit entry for the shareholder allocation of any rewards for project cost underruns or penalties for project cost overruns, respectively, associated with the program funding limits described in Section 7.c. and 7.d. below;

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f) An entry for amortization of the Deployment Phase Cost Subaccount of the AMIBA balance as authorized by the Commission; and

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g) 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 Sheet 3 ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)

(Continued)

# 5. Accounting Procedures – Post-Deployment Cost Subaccount

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 ongoing AMI operating and maintenance (O&M) costs incurred by SoCalGas during the post-deployment period that are consistent with D.10-04-027;
- b) An entry equal to the AMI capital related costs incurred by SoCalGas for depreciation, property taxes, income taxes and return on investment associated with the AMI assets placed in service during the post-deployment period;
- c) A credit entry equal to the monthly AMI authorized revenue requirement, net of benefits, that are recovered through rates;
- d) A credit entry equal to the actual O&M and any capital-related cost benefits realized during the post-deployment period;
- e) An entry for amortization of the Post Deployment Cost Subaccount balance as authorized by the Commission: and
- f) An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

## 6. Accounting Procedures – Escalated Jurisdictions Cost Subaccount

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 costs associated with the manual meter reading of customer facilities in escalated jurisdictions;
- b) An entry for amortization of the Escalated Jurisdictions Cost Subaccount 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 V - BALANCING ACCOUNTS Sheet 4 ADVANCED METERING INFRASTRUCTURE BALANCING ACCOUNT (AMIBA)

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# 7. Program Funding Limit

The total authorized gas program cost for SoCalGas is \$1,050.7 million for the seven-year deployment period beginning in 2010 consistent with D.10-04-027. Any unused funding can be carried over from one year to the next up to the maximum limit of \$1,050.7 million during the deployment period. Consistent with Ordering Paragraph (OP) 1 and OP 2 of D.10-04-027, risk contingency and sharing mechanisms are described as follows:

- a) Expenditures up to the total project cost of \$1,050.7 million are deemed reasonable and will be recovered in rates without any after-the-fact reasonableness review.
- b) To the extent actual project costs exceed the total cost of \$1,050.7 million by up to \$100 million, then 50% of the costs that exceed \$1,050.7 million will be recovered in rates without any after-the-fact reasonableness review. The ratepayer portion of costs that exceed \$1,050.7 million will be recorded in and recovered through the Deployment Phase Cost Subaccount of the AMIBA.
- c) To the extent actual project costs exceed the total cost of \$1,050.7 million by up to \$100 million, then 50% of the costs that exceed \$1,050.7 million will be borne by SoCalGas shareholders and will not be recovered in rates. The shareholder allocation of these costs will be removed from the Deployment Phase Cost Subaccount of the AMIBA (i.e., reflected as a credit adjustment to the subaccount balance for the revenue requirement associated with the cost overrun).
- d) To the extent actual project costs are below the total cost of \$1,050.7 million, then 10% of the difference between the \$1,050.7 million and the actual project costs will be awarded to SoCalGas shareholders. This sharing mechanism will be applied to no more than the first \$100 million of expenditures that fall below the total cost of \$1,050.7 million. The shareholder allocation of the cost savings will be recorded as an adjustment to the Deployment Phase Cost Subaccount of the AMIBA (i.e., reflected as a debit adjustment to the subaccount balance for the revenue requirement associated with the cost underrun).
- e) Project costs associated with the deployment phase that exceed \$1,150.7 million may be recoverable in rates to the extent approved by the Commission following a reasonableness review of the additional costs.

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Vice President

Regulatory Affairs

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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:

- <u>Deployment Phase Cost Subaccount</u> 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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