

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
DEMAND SIDE MANAGEMENT BALANCING ACCOUNT (DSMBA)

Sheet 1

1. Purpose

The DSMBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track, beginning on January 1, 2006 with the implementation of the 2006-2008 cycle approved by Decision (D.) 05-09-043, the difference between the non-low-income energy efficiency program (i.e., "Demand Side Management" or DSM) component of the gas surcharge funds reimbursed from the State and the corresponding actual DSM program costs. In compliance with D.21-05-031, SoCalGas will request for approval of Energy Efficiency budgets on a four-year program portfolio, beginning with program year 2024. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge D.04-08-010. The DSMBA also tracks the costs associated with the On-Bill Financing (OBF) Program adopted in D.05-09-043 and extended by D.09-09-047.

Pursuant to D.21-01-004, the School Energy Efficiency Stimulus Program (SEESP) subaccount is established within the SoCalGas' existing energy efficiency balancing account (i.e., the DSMBA) to record the allocation and transfer of Stimulus Program funds to the California Energy Commission (CEC). Pursuant to Ordering Paragraph 2, Conclusions of Law 2, and Section 4.2 of D.21-01-004, SoCalGas will transfer SEESP funds to the CEC, no later than April 1, 2021, and quarterly thereafter. The CEC will administer the SEESP for its program years of 2021 through 2023.

As authorized in D.21-01-004, SoCalGas shall be required to fund the SEESP for program years 2021, 2022 and 2023. Annual program funding for Program Year 2021 is estimated to be \$5,000,000 and will be paid quarterly to CEC. Estimated amount may be adjusted based on SoCalGas' actual unspent and uncommitted funds from Program Year 2020 in connection with SoCalGas' September 1, 2021 annual budget advice letter. Program funding for subsequent years will be determined based on unspent funds in the prior years.

As a result, the DSMBA consists of the following Subaccounts:

- 1) Energy Efficiency Program (EEP) Subaccount
- 2) SEESP Subaccount

2. Applicability

The DSMBA shall apply to customers charged the Public Purpose Program Surcharge (PPS).

3. Rates

See Disposition section.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 6194-G
DECISION NO.

ISSUED BY
Dan Skopec
Sr Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
SUBMITTED Sep 26, 2023
EFFECTIVE Oct 26, 2023
RESOLUTION NO. _____

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Sheet 2

(Continued)

4. Accounting Procedures – EEP Subaccount

SoCalGas shall maintain the EEP Subaccount by making monthly entries, net of FF&U, as follows:

- a. A debit entry equal to actual DSM costs (e.g., conservation costs and other marketing program costs);
- b. A debit entry equal to the cost of funds calculated at the Utility’s authorized weighted average cost of capital rate (8.43%) on the average monthly balance of net funds loaned for the OBF Program
- c. A debit entry equal to the actual cost of defaults associated with the OBF Program;
- d. A debit entry equal to the amount of unspent funds to the SEESP Subaccount to fund the SEESP;
- e. A credit entry equal to the DSM surcharge component of the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- f. A debit entry equal to the DSM surcharge component of the PPP surcharge funds, net of any refunds to exempt customers, remitted to the California Department of Tax and Fee Administration (CDTFA), formerly handled by the State Board of Equalization (BOE), pursuant to Assembly Bill 1002;
- g. A debit entry equal to DSM surcharge component of the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- h. A credit entry equal to the DSM surcharge component of the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the CDTFA/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the CDTFA to customers that are exempt from the surcharge;
- i. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding);
- j. An entry to amortize the prior year’s balance; and
- k. 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.

(Continued)

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Sheet 3

(Continued)

5. Accounting Procedures – SEESP Subaccount

SoCalGas shall maintain the SEESP Subaccount by recording monthly entries as follows:

- a. A debit entry equal to the amount of funds transferred quarterly to the CEC;
- b. A credit entry equal to the unspent funds transferred from the EEP Subaccount to fund the SEESP; and
- c. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I.

6. Disposition

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission’s prevailing policy on PPP accounting methods and the Commission’s currently authorized program budget revenue requirements for the PPP. Program spending for the EEP Subaccount is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

No later than February 1, 2027, SoCalGas will submit an advice letter to the Commission detailing the actual amount of funds remaining in its SEESP Subaccount, seek authorization to close the SEESP Subaccount, and either return any remaining funds to ratepayers or offset future energy efficiency budget collections as soon as practically possible.

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