PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1
GAS COST REWARDS AND PENALTIES ACCOUNT (GCRPA)

1. Purpose N

The GCRPA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the shareholders' allocation of the award/penalty under its Gas Cost Incentive Mechanism (GCIM) as modified pursuant to the Settlement Agreement approved by Decision 02-06-023 and the corresponding revenues based on rates established under the Utility's core monthly pricing program.

2. Applicability N

See Disposition Section.

3. Rates

See Disposition Section

4. Accounting Procedures N

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

a. A debit/credit entry equal to the shareholders' allocation of the gas cost reward/penalty based on the Utility's most recent GCIM monthly report.

b. A credit/debit entry equal to the actual award/penalty revenues collected from/returned to gas procurement customers.

c. An entry to amortize the balance, and N

d. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J. T

5. Disposition N

The projected prior month's balance of the GCRPA shall be included in SoCalGas' monthly Gas Core Procurement Rate update applicable to gas procurement customers. TD