

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
GREENHOUSE GAS BALANCING ACCOUNT (GHGBA)

Sheet 1

1. Purpose

The GHGBA is an interest bearing two-way balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 14-12-040, the purpose of the GHGBA is to record costs incurred to comply with the California Cap and Greenhouse Gas (GHG) Emissions and Market-Based Compliance mechanisms (Cap-and-Trade Program) regulations imposed by the Air Resources Board (ARB). The GHGBA will record actual Cap-and-Trade Program costs incurred by SoCalGas as a regulated natural gas supplier that delivers gas to California end-users and as owners and operators of facilities that are classified as covered entities under the Cap-and-Trade Program regulations with the corresponding actual revenues billed to applicable customers to recover such costs as authorized by the Commission. In addition, the GHGBA will record revenues received from consignment of natural gas supplier allowances for auction. Pursuant to D.15-10-032, the GHGBA will also separately identify and record GHG compliance costs associated with Lost and Unaccounted For (LUAF) gas. The GHGBA is effective December 18, 2014, the effective date of D.14-12-040, and modified on October 22, 2015, the effective date of D.15-10-032.

Senate Bill 1477 (SB) requires the CPUC to develop and supervise the administration of the Technology and Equipment for Clean Heating (TECH) Initiative and the Building Initiative for Low-Emissions Development (BUILD) Program. In compliance with Resolution (Res.) G-3565, SoCalGas will reduce the annual forecast of funding available to customers for the Climate Credit refund by the authorized annual funding obligation associated with the TECH Initiative and BUILD Program (collectively, "SB 1477 Compliance Costs").

Pursuant to D.20-03-027, effective April 6, 2020, SoCalGas will remit its respective "SB 1477 Compliance Costs" directly to Southern California Edison (SCE), the utility assigned to disburse funds to both the TECH Initiative Implementor and the BUILD Program administrator. Per Ordering Paragraph (OP) 7 of D.20-30-027, the entire first year funding shall be distributed on or before June 1, 2020. Further OP 8 states that on a quarterly basis remittance shall be made on or before March 1, June 1, September 1, and December 1. Funding obligations shall cease following the remittance made on June 1, 2023 unless otherwise directed by a subsequent decision of the Commission. Lastly, OP 3 of D.20-30-207 states that any unspent funds remaining as of July 1, 2033 shall be returned to the ratepayers of the respective gas corporations as part of the California Climate Credit.

Consistent with OP 5 of D.20-12-031, effective December 17, 2020, SoCalGas modifies its Consignment Revenue Subaccount of its GHGBA to record the transfer of the Cap-and-Trade allowance proceeds to the Cap-and-Trade Funded Monetary Incentive Program Subaccount of the Biomethane Cost Incentive Program Balancing Account (BCIPBA) that are set aside for its 49.26% share of the additional \$40 million, or \$19,704,000, made available for the monetary incentive program. Funding will be recorded in quarterly installments beginning no later than March 1, 2022, and ending on December 1, 2023.

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Dan Skopec
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 Regulatory Affairs

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Sheet 2

(Continued)

1. Purpose (Continued)

Pursuant to OP 43 of D.22-02-025, effective February 24, 2022, SoCalGas shall file an application no later than July 1, 2023 proposing at least one woody biomass gasification project focused on conversion of woody biomass to methane. Consistent with OP 46 of D.22-02-025, SoCalGas modifies its GHGBA to establish the Biomass Project Fund Subaccount to record the Cap-and-Trade allowance proceeds that are set aside for its 49.26% share of the \$40 million, or \$19,704,000, to fund costs associated with this project. Funding will be recorded in quarterly installments no later than March 1, June 1, September 1, and December 1 of 2022. The first quarterly set aside may be delayed from March 1 to no later than June 1 to provide adequate time for the filing and approval of the newly created GHGBA subaccount. Lastly, OP 48 of D.22-02-025 states that any unspent Cap-and-Trade allowance proceeds shall be returned to ratepayers in the California Climate Credit by December 31, 2032 pursuant to Cap-and-Trade Regulation Section 95893 (d)(8).

Pursuant to OP 8 and OP 10 of D.22-04-036, SoCalGas modifies its Consignment Revenue Subaccount of its GHGBA to record the transfer of the 2023 Cap-and-Trade allowance proceeds to the Heat Pump Water Heater (HPWH) Fund Subaccount of the Self-Generation Program Memorandum Account (SGPMA) that are set aside for its share of the additional \$40 million, or \$20,032,000, made available to augment the Self-Generation Incentive Program's (SGIP) HPWH program. Funding will be recorded in four quarterly installments on or before March 1, June 1, September 1, and December 1 of 2023.

The GHGBA shall consist of five subaccounts:

- 1) End Users GHG Compliance Cost Subaccount records costs and corresponding revenues associated with emission allowances and/or offsets purchases for SoCalGas' natural gas deliveries to end users;
- 2) Company Facilities GHG Compliance Cost Subaccount records costs and corresponding revenues associated with emission allowances and/or offsets purchases for SoCalGas' covered facilities;
- 3) LUAF GHG Compliance Cost Subaccount records costs and corresponding revenues associated with emission allowances and/or offsets purchases for SoCalGas' LUAF gas; and
- 4) Consignment Revenues Subaccount records revenues received from consignment of natural gas supplier allowances for auction.
- 5) Biomass Project Fund Subaccount records the Cap-and-Trade allowance proceeds that are set aside for SoCalGas' 49.26% share of the \$40 million, or \$19,704,000 to fund costs associated with woody biomass gasification project(s).

2. Applicability

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

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Sheet 3

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3. Rates

See Disposition Section.

4. End Users GHG Compliance Cost Subaccount - Accounting Procedures

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

- a) A debit entry to record an allocation of the cost of Cap-and-Trade allowances and/or offsets purchases based on GHG emissions associated with SoCalGas' natural gas deliveries to end users to comply with the Cap-and-Trade Program requirements;
- b) A credit entry equal to actual GHG revenues billed to customers for recovery of Cap-and-Trade Program compliance costs for natural gas deliveries to end users;
- c) An entry to amortize the prior year's balance; and
- d) 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. Company Facilities GHG Compliance Cost Subaccount - Accounting Procedures

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

- a) A debit entry to record an allocation of the cost of Cap-and-Trade allowances and/or offsets purchases based on GHG emissions associated with SoCalGas' covered facilities to comply with the Cap-and-Trade Program requirements;
- b) A credit entry equal to actual GHG revenues billed to customers for recovery of Cap-and-Trade Program compliance costs for SoCalGas' covered facilities;
- c) An entry to amortize the prior year's balance; and
- d) 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. LUAF GHG Compliance Cost Subaccount - Accounting Procedures

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

- a) A debit entry to record an allocation of the cost of Cap-and-Trade allowances and/or offsets purchases based on GHG emissions associated with LUAF gas to comply with the Cap-and-Trade Program requirements;
- b) A credit entry equal to actual GHG revenues billed to customers for recovery of Cap-and-Trade Program compliance costs associated with LUAF;
- c) An entry to amortize the prior year's balance; and
- d) 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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Sheet 4

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7. Consignment Revenues Subaccount - Accounting Procedures

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

- a) A credit entry equal to the revenues received from the consignment of natural gas supplier allowances for auction under the Cap-and-Trade Program;
- b) A debit entry equal to the quarterly transfer of Cap-and-Trade allowance proceeds that are set aside for SoCalGas' share of funding being made available for these projects to the:
 - i. Cap-and-Trade Funded Monetary Incentive Program Subaccount of the BCIPBA;
 - ii. Biomass Project Fund Subaccount within GHGBA; and
 - iii. HPWH Fund Subaccount of the SGPMA
- c) A credit entry equal to the transfer back of any remaining, unused Cap-and-Trade allowance proceeds from the:
 - i. Cap-and-Trade Funded Monetary Incentive Program Subaccount of the BCIPBA;
 - ii. Biomass Project Fund Subaccount within GHGBA; and
 - iii. HPWH Fund Subaccount of the SGPMA
- d) A debit entry equal to the quarterly transfer of Cap-and-Trade allowance proceeds to the Biomass Project Fund Subaccount that are set aside for SoCalGas' share of the \$40 million as approved in D.22-02-025;
- e) A credit entry equal to the transfer back from the Biomass Project Fund Subaccount for any remaining Cap-and-Trade allowance proceeds unused as of December 31, 2032;
- f) A debit entry equal to the portion of GHG revenues returned to customers;
- g) An annual debit entry to transfer allowance proceeds to the GHG Memorandum Account, as authorized by the Commission;
- h) An entry to transfer funding for the TECH and BUILD pilot programs to SCE (including a return from SCE of any unspent funds remaining at the end of the programs); and
- i) 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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8. Biomass Project Fund Subaccount - Accounting Procedures

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

- a) a credit entry equal to the quarterly transfer of the Cap-and-Trade allowance proceeds from the Consignment Revenues Subaccount that are set aside for SoCalGas' share of the \$40 million as approved in D.22-02-025;
- b) a debit entry to the transfer back to the Consignment Revenues Subaccount for any remaining Cap-and-Trade allowance proceeds unused as of December 31, 2032; 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, J.

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Sheet 5

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9. Disposition

In connection with the annual October regulatory account balance update filing, SoCalGas will incorporate the following year's forecast of compliance costs and consignment revenues, including amortization of the current year's projected year-end balances, in rates effective January 1 of the following year for GHG compliance costs, and as an annual natural gas California Climate Credit refunded to residential customers in April for consignment revenues. The forecast compliance cost and projected year-end balance in the End Users GHG Compliance Cost Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis excluding customers who are identified by the ARB as being Covered Entities in the Cap-and-Trade Program. The forecast compliance cost and projected year-end balance in the Company Facilities GHG Compliance Cost Subaccount will be allocated on an ECPT basis to all customers. The forecast compliance cost and projected year-end balance in the LUAF GHG Compliance Cost Subaccount will be allocated consistent with the allocation of LUAF expenses, as determined in SoCalGas' most recent Cost Allocation Proceeding.

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