

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
HAZARDOUS SUBSTANCE  
COST RECOVERY ACCOUNT (HSCRA)

Sheet 1

1. Purpose

The HSCRA is a balancing account, which compares covered hazardous substance and insurance litigation costs related to manufacturing gas plant sites, presently identified federal Superfund sites, and other sites identified by the Utility with recoveries from third parties, insurance carriers, and ratepayers as set forth in D. 94-05-020. The HSCRA consists of five subaccounts:

- Subaccount A - Hazardous Substance Cost Subaccount - Ratepayer's 90% Share
- Subaccount B - Hazardous Substance Cost Subaccount - Shareholder's 10% Share
- Subaccount C - Insurance Litigation Cost Subaccount - Ratepayer's 70% Share
- Subaccount D - Insurance Litigation Cost Subaccount - Shareholder's 30% Share
- Subaccount E - Insurance Recovery Subaccount

2. Applicability

The HSCRA shall apply to gas customers.

3. Rates

The projected year-end HSCRA balance will be applied to gas transportation rates.

4. Accounting Procedures

Effective June 3, 1994, SoCalGas shall maintain HSCRA by recording entries at the end of each month, net of FF&U, as follows:

Hazardous Substance and Insurance Litigation Costs

- a. A debit entry is recorded to Subaccount A equal to 90% of covered hazardous substance costs.
- b. A debit entry is recorded to Subaccount B equal to 10% of covered hazardous substance costs.
- c. A debit entry is recorded to Subaccount C equal to 70% of covered insurance litigation costs.
- d. A debit entry is recorded to Subaccount D equal to 30% of covered insurance litigation costs.

Ratepayer Recovery

- e. A credit entry is recorded to Subaccount A equal to the revenues collected from customers net of franchise fees and uncollectibles.

Third Party Recovery

- f. A credit entry is recorded to Subaccount A equal to 90% of recoveries from third parties.
- g. A credit entry is recorded to Subaccount B equal to 10% of recoveries from third parties.

(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 (Continued)

Insurance Carrier Recovery

- h. A credit entry is recorded to Subaccount E equal to insurance recoveries net of contingency fees, if any. Each insurance recovery will be recorded separately and distributed against covered hazardous substance and insurance litigation costs on a first-in, first-out basis.
- i. A credit entry is recorded to Subaccount C equal to the lesser of 70% of insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, or the balance in Subaccount C. Subaccount C cannot have a credit balance.
- j. A credit entry is recorded to Subaccount D equal to the lesser of 30% of insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, or the balance in Subaccount D. Subaccount D cannot have a credit balance.
- k. A credit entry is recorded to Subaccount B equal to the lesser of 90% of the remaining insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, not applied in entry i. and j. above or the balance in Subaccount B.
- l. A credit entry is recorded to Subaccount A for the lesser of 10% of the remaining insurance recoveries net of contingency fees paid to outside attorneys to obtain recoveries, if any, not applied in entry i. and j. above or 11.111% of the insurance recoveries net of contingency fees paid to attorneys to obtain recoveries, if any, recorded in Subaccount B.
- m. A debit entry is recorded to Subaccount E equal to the sum of insurance recoveries allocated to Subaccount A through D in entries i. through l. above.
- n. A debit entry is recorded to Subaccount E, 72 months after receiving a specific insurance recovery for one-fifth or 20% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- o. If an entry is recorded for entry n. above, a credit entry is recorded to Subaccount A for 60% of entry n. to recognize the ratepayer's portion of the insurance recovery. The difference between entries n. and o. or 40% of entry n. is the Utility's share of the insurance recovery.
- p. A debit entry is recorded to Subaccount E, 84 months after receiving a specific insurance recovery for one-fourth or 25% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- q. If an entry is recorded for entry p. above, a credit entry is recorded to Subaccount A for 60% of entry p. to recognize the ratepayer's portion of the insurance recovery. The difference between entries p. and q. or 40% of entry p. is the Utility's share of the insurance recovery.
- r. A debit entry is recorded to Subaccount E, 96 months after receiving a specific insurance recovery for one-third or 33.333% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.

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Sheet 3

(Continued)

4. Accounting Procedures (Continued)

Insurance Carrier Recovery (Continued)

- s. If any entry is recorded for entry r. above, a credit entry is recorded to Subaccount A for 60% of entry r. to recognize the ratepayer's portion of the insurance recovery. The difference between entries r. and s. or 40% of entry r. is the Utility's share of the insurance recovery.
- t. A debit entry is recorded to Subaccount E, 108 months after receiving a specific insurance recovery for one-half or 50% of the balance for that specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- u. If an entry is recorded for entry t. above, a credit entry is recorded to Subaccount A for 60% of entry t. to recognize the ratepayer's portion of the insurance recovery. The difference between entries t. and u. or 40% of entry t. is the Utility's share of the insurance recovery.
- v. A debit entry is recorded to Subaccount E, 120 months after receiving a specific insurance recovery for any remaining portion of the specific insurance recovery in Subaccount E. The entry is only recorded if the recovery has not been fully allocated to offset covered hazardous substance and insurance litigation costs.
- w. If an entry is recorded for entry v. above, a credit entry is recorded to Subaccount A for 60% of entry v. to recognize the ratepayer's portion of the insurance recovery. The difference between entries v. and w. or 40% of entry v. is the Utility's share of the insurance recovery.
- x. An entry to Subaccounts A through E equal to 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

Upon final disposition of all covered hazardous substance and insurance litigation costs and related recoveries, any balance remaining in Subaccounts B and D will be the responsibility of the Utility. In its annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end HSCRA balance in Subaccounts A and C effective January 1 of the following year.

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