LOS ANGELES, CALIFORNIA CANCELING

CAL. P.U.C. SHEET NO. 56845-G CAL. P.U.C. SHEET NO.

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS LIABILITY INSURANCE PREMIUM BALANCING ACCOUNT (LIPBA)

Sheet 1

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1. Purpose

The LIPBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to is to record the difference between the authorized revenue requirement adopted in this TY 2019 General Rate Case (GRC) specific to liability insurance premiums (LIP) charged to SoCalGas from Corporate Center and the actual expenses incurred and charged to SoCalGas.

The authorized LIP revenue requirement and the related actual LIP expenses recorded in the LIPBA are adjusted for related LIP costs capitalized in ratebase and for inter-company LIP costs (i.e., for shared services) billed to and charged from SoCalGas' affiliate companies. In addition, the LIPBA records an adjustment for the difference between LIP costs embedded in authorized depreciation, along with the related return and taxes, and the corresponding actual LIP costs embedded in recorded depreciation, along with the related return and taxes.

2. Applicability

This account shall apply to all gas customers except those specifically excluded by the Commission.

3. <u>Rates</u>

See Disposition Section.

4. Accounting Procedures

SoCalGas will maintain the LIPBA by making entries, net of FF&U as applicable, at the end of each month as follows:

O&M/Other Expense/Other Income Component

- a. A debit/credit entry equal to the difference between:
 - 1. One-twelfth of the Utility's annual LIP funding level currently embedded in rates, reduced by the component of authorized LIP costs capitalized to utility ratebase, and
 - 2. Actual LIP expense, reduced by the component of LIP costs capitalized to utility ratebase.

Depreciation/Return/Tax Component - Current Year

b. A debit/credit entry equal to the difference between:

1. One-twelfth of the revenue requirement associated with the authorized LIP costs capitalized to utility ratebase in the current year, including LIP costs embedded in authorized depreciation, and the related return and taxes, and

(Continued) ISSUED BY

Dan Skopec Vice President Regulatory Affairs (TO BE INSERTED BY CAL. PUC) SUBMITTED Oct 31, 2019 EFFECTIVE Jan 1, 2020 RESOLUTION NO. Ν

LOS ANGELES, CALIFORNIA CANCELING

CAL. P.U.C. SHEET NO. 56846-G CAL. P.U.C. SHEET NO.

	PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTSSheet 2LIABILITY INSURANCE PREMIUM BALANCING ACCOUNT (LIPBA)
	(Continued)
4.	Accounting Procedures (Continued)
	Depreciation/Return/Tax Component - Current Year (Continued)
	b. A debit/credit entry equal to the difference between: (Continued)
	2. The current month's capital-related costs associated with the actual LIP costs capitalized to utility ratebase in the current year, including LIP costs embedded in recorded depreciation, and the related return and taxes.
	<u>Depreciation/Return/Tax Component – Prior Year(s)</u> [beginning with the initial year of the GRC period]
	c. A debit/credit entry equal to the difference between:
	1. One-twelfth of the revenue requirement associated with the unamortized balance of authorized LIP costs capitalized to utility rate base in prior years, including LIP costs embedded in authorized depreciation, and the related return and taxes, and
	The current month's capital-related costs associated with the unamortized balance of actual LIP costs capitalized to utility rate base in prior years, including LIP costs embedded in recorded depreciation, and the related return and taxes.
	Other Adjustments
	d. An entry to amortize the LIPBA balance as authorized by the Commission; and
	e. An entry equal to interest on the average balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.
5.	Disposition
	SoCalGas will amortize the balance in the LIPBA in customers' gas transportation rates in connection with its annual regulatory account update advice letter submittal. However, SoCalGas shall submit a separate Tier 2 advice letter when it seeks recovery of costs for additional liability insurance coverage that were not requested in this GRC.
	The projected year-end balance will be allocated on an Equal Percent of Authorized Margin (EPAM) basis.

ISSUED BY Dan Skopec Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC) SUBMITTED Oct 31, 2019 EFFECTIVE Jan 1, 2020 RESOLUTION NO.