

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NEW ENVIRONMENTAL REGULATION BALANCING ACCOUNT (NERBA)

Sheet 1

1. Purpose

The NERBA is an interest-bearing two-way balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 13-05-010, Test-Year (TY) 2012 General Rate Case (GRC), effective January 1, 2012, the NERBA will record the difference between actual costs and authorized costs in rates associated with new greenhouse gas (GHG) requirements. Per D.16-06-054, TY 2016 GRC, the NERBA is authorized for the three-year GRC period ending December 31, 2018 or until the effective implementation date of SoCalGas' next GRC. In addition, pursuant to D.16-06-054, the NERBA is expanded to include subaccounts to record costs associated with the Municipal Separate Storm Systems (MS4) compliance requirements and Leak Detection and Repair (LDAR) as detailed below. The NERBA is further expanded to establish the Natural Gas Leak Abatement Program (NGLAP) Subaccount to record the difference between actual incremental costs and corresponding authorized revenue requirement associated with the implementation of the Best Practices of the Natural Gas Leak Abatement Program approved in D.17-06-015. D.19-09-051, SoCalGas' TY 2019 GRC, authorized the continuation of the five subaccounts and the ratemaking treatment for the NERBA for the three-year GRC period ending December 31, 2021, or until the effective implementation date of SoCalGas' next GRC.

The NERBA shall consist of five subaccounts:

- 1) AB 32 Admin Fees Subaccount records actual administrative fees paid to the California Air Resources Board (CARB) and the associated authorized cost in base rates;
- 2) Subpart W Subaccount records operating and maintenance (O&M) and capital-related costs associated with the monitoring and reporting requirements of Subpart W to the GHG Mandatory Reporting Rule issued by the US Environmental Protection Agency and the associated authorized costs in base rates;
- 3) MS4 Compliance Subaccount records costs associated with compliance with MS4 local ordinance requirements which addresses the cleanliness of SoCalGas' parking lots and potential storm water runoff and discharge from company facilities; and
- 4) LDAR Subaccount records costs associated with compliance with the rules and procedures under Senate Bill 1371 and other new emergent regulatory requirements governing gas leakage abatement for gas infrastructure.
- 5) NGLAP Subaccount records the costs associated with implementation of Best Practices of the Natural Gas Leak Abatement Program approved in D.17-06-015.

2. Applicability

The NERBA shall apply to gas customers.

3. Rates

The balance in the NERBA will be included in gas transportation rates.

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(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5539
 DECISION NO. 19-09-051

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Oct 31, 2019
 EFFECTIVE Jan 1, 2020
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Sheet 3

(Continued)

7. LDAR Subaccount - Accounting Procedures

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

- a) A debit entry to record O&M costs related to complying with LDAR regulations,
- b) A debit entry to record capital-related costs (depreciation, return, and income taxes) related to compliance with LDAR regulations,
- c) A credit entry equal to one-twelfth of the cost authorized in rates related to SoCalGas' LDAR compliance costs,
- d) An entry to amortize the prior year's balance, and
- e) 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.

8. NGLAP Subaccount - Accounting Procedures

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

- a) A debit entry to record incremental O&M costs associated with the implementation of the Best Practices of the Natural Leak Abatement Program adopted in D.17-06-015,
- b) A debit entry to record the incremental capital-related costs (depreciation, return, and income taxes) associated with the implementation of the Best Practices of the Natural Leak Abatement Program adopted in D.17-06-015,
- c) A credit entry equal to one-twelfth of the cost authorized in rates approved in the October Tier 3 advice letter submittal establishing the authorized revenue requirements associated with the implementation of the Best Practices of the Natural Gas Leak Abatement Program,
- d) An entry to amortize the prior year's balance, and
- e) 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.

9. Disposition

In each annual October regulatory account balance update submittal, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. The projected year-end balance in the AB 32 Admin Fees Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis consistent with the allocation for the CARB fee cost recovery. The projected year-end balance in the remaining subaccounts will be allocated on an Equal Percent of Authorized Margin (EPAM) basis consistent with the allocation of current base margin pursuant to D.13-05-010. Pursuant to D.17-06-015, SoCalGas will submit a Tier 3 advice letter to establish the 2018 and 2019 revenue requirement for the NGLAP Subaccount, and proposed allocation methodology, for the implementation of the Best Practices of the Natural Gas Leak Abatement Program. The revenue requirement will be carried forward in subsequent years until addressed in SoCalGas' next GRC or other applicable proceeding.

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