

PRELIMINARY STATEMENT - PART VII - TRACKING ACCOUNTS
NATIVE GAS TRACKING ACCOUNT (NGTA)

Sheet 1

The NGTA is an interest bearing tracking account recorded on SoCalGas' financial statements pursuant to the Settlement Agreement approved by D.06-06-065 and modified by D.07-11-032. The purpose of the NGTA is to track the ratepayers' share of revenues and costs associated with the Native Gas Program Mechanism as described in Preliminary Statement, Part XIII.

SoCalGas maintains the NGTA by making entries to the account at the end of each month, as follows:

- a. A credit entry equal to the 100% of the net revenues related to the sale of native gas from the Aliso SS-1-0 producing well, reduced by one-half of any unsuccessful permitting costs as described in Preliminary Statement Part XIII, B.1.
- b. A credit entry equal to the ratepayers' 50% allocation of the net revenues related to the sale of native gas from the known native gas reservoir at the La Goleta Storage field or other successful prospects that result in proven oil and gas reserves after reimbursement of interest to shareholders for funding the ratepayers' 50% share of development and production costs and contribution to the Acquisition and Exploration (A&E) Internal Order (I/O) up to a ceiling of \$3 million as described in Preliminary Statement, Part XIII, B.2. and B.3.b., respectively.
- c. A credit entry equal to the balance transferred from the A&E I/O as described in Preliminary Statement Part XIII, B.4.c.
- d. A credit entry for the ratepayers' 50% share of actual de-commissioning costs that are less than the amount reserved for any well as described in Preliminary Statement, Part XIII, B.2.
- e. An entry equal to the amortization of the balance as authorized by the Commission.
- f. 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.

The ratepayers' 50% share of development, production and de-commissioning costs are limited to their 50% share of revenues from the sale of native gas, gas condensates, and/or oil as described in Preliminary Statement Part XIII, B.2.b. The disposition of the balance in the NGTA will be refunded to ratepayers in connection with SoCalGas' Annual Regulatory Account Balance Update filing for transportation rates effective January 1 of the following year. The balance in the account shall be allocated 70% to core customers and 30% to noncore customers. The shareholders' allocation of net revenues, including A&E costs for unsuccessful prospects and de-commissioning costs in excess of amounts initially reserved for a producing well, will be an exclusion under SoCalGas' Performance Based Ratemaking (PBR) Sharing Mechanism.

(TO BE INSERTED BY UTILITY)

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DECISION NO. 06-06-065 and 07-11-032
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ISSUED BY

Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

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