

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
NONCORE STORAGE BALANCING ACCOUNT (NSBA)

Sheet 1

1. Purpose

The NSBA is a balancing account. The purpose of this account is to balance the authorized embedded costs for unbundled storage service as authorized in SoCalGas' 2020 Triennial Cost Allocation Proceeding (TCAP) Decision (D.) 20-02-045, Increased Capacity Scenario. This account will be revised for any subsequent changes adopted in a cost allocation proceeding and the corresponding reservation revenues collected from customers who contract for storage service under the unbundled storage program, including any net revenues from any storage expansions undertaken that are allocated to the unbundled storage program. In addition, the net revenues from hub services collected under SoCalGas' G-PAL (Operational Hub Services) tariff that was approved pursuant to D.07-12-019 are treated as unbundled storage revenues and subject to the sharing mechanism as described in the Accounting Procedures Section below.

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2. Applicability

See Disposition Section.

3. Rates

The balance in the NSBA will be included in gas transportation rates upon Commission approval.

4. Accounting Procedures

The Utility shall maintain the NSBA by making entries at the end of the month as follows:

- a. A credit entry equal to 100% of the reservation and variable O&M charge revenues associated with the unbundled storage program and any net revenues from storage expansions undertaken during the settlement period that are allocated to the unbundled storage program, less the allowance for F&U on net revenue, as applicable;
- b. A credit entry equal to 100% of the net revenues from hub services provided under Schedule G-PAL less the allowance for F&U on net revenue, as applicable;
- c. A debit entry equal to one-twelfth of the authorized embedded costs allocated to unbundled storage service, less the allowance for F&U, as applicable;
- d. An adjustment to reflect storage costs consistent with the allocation of storage adopted in D.20-02-045 that are not currently reflected in current transportation rates and authorized storage margin as described in entry (c).

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(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5609
 DECISION NO. 20-02-045

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Mar 30, 2020
 EFFECTIVE May 1, 2020
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Sheet 2

(Continued)

4. Accounting Procedures (Continued)

- e. An entry to adjust for the shareholders' allocation of net revenues [i.e., entries (a) through (c)] from unbundled storage and hub services in accordance with sharing mechanism described below;
- f. An entry equal to the amortization of the forecasted remaining balance less F&U; and
- g. 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.

5. Earnings Sharing Mechanism

The Settlement Agreement adopted in D.16-06-039 in Phase 1 of SoCalGas' 2016 TCAP provides a sharing mechanism between ratepayers and shareholders for the net revenues from the sales of unbundled storage and hub services. As such, the cumulative net revenues as recorded in entries (a) through (d) above will be allocated 75/25 between ratepayers and shareholders, respectively, subject to an annual shareholder earnings cap of \$20 million. D.20-02-045 approves the continuation of the sharing mechanism as adopted in D.16-06-039.

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6. Disposition

The balance of the NSBA shall be allocated in the Utility's cost allocation proceedings to all customers and incorporated in rates in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1 of the following year.

(TO BE INSERTED BY UTILITY)

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ISSUED BY

Dan Skopec
 Vice President
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