

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
PENSION BALANCING ACCOUNT (PBA)

Sheet 1

1. Purpose

The PBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the forecasted and actual minimum contributions to the Utility's pension fund. Pursuant to Decision (D.) 19-09-051, TY 2019 General Rate Case (GRC), effective January 1, 2019, the PBA will continue for the three-year GRC cycle through December 31, 2021, or until the effective implementation date of SoCalGas' next GRC. Pursuant to Advice No. 5233, the PBA was modified effective January 1, 2018, to follow the new accounting guidance under Generally Accepted Accounting Principles for the treatment of the non-service cost component of pension costs.

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

2. Applicability

The PBA shall apply to gas customers.

3. Rates

The PBA balance will be included in gas transportation rates.

4. Accounting Procedures

Consistent with D. 92-12-015 which initially adopted the PBA regulatory mechanism modified in D. 09-09-011, authorized to be continued per D.19-09-051 and modified per Advice No. 5233, SoCalGas will maintain the PBA by making entries 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 pension funding level currently embedded in rates, reduced by the component of authorized pension costs capitalized to utility ratebase and
2. Actual pension expense, reduced by the component of pension costs capitalized to utility ratebase;

(Continued)

(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  
 RESOLUTION NO. \_\_\_\_\_

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Sheet 2

(Continued)

4. Accounting Procedures (Continued)

Depreciation/Return Component – Current Year

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

1. One-twelfth of the revenue requirement associated with the authorized pension costs capitalized to utility ratebase in the current year, including pension costs embedded in authorized depreciation, and the related return, and
2. The current month's capital-related costs associated with the actual pension costs capitalized to utility ratebase in the current year, including pension costs embedded in recorded depreciation, and the related return;

Depreciation/Return Component – Prior Year(s) [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 pension costs capitalized to utility rate base in prior years, including pension costs embedded in authorized depreciation, and the related return, and
2. The current month's capital-related costs associated with the unamortized balance of actual pension costs capitalized to utility rate base in prior years, including pension costs embedded in recorded depreciation, and the related return;

Other Adjustments

d. An entry to amortize the PBA balance; 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

Pursuant to D.19-09-051, SoCalGas will continue to adjust its future funding amounts for pension benefits based on the greater of the ERISA minimum required contribution or the amount necessary to maintain an 85% funding level.

Pursuant to D.19-09-051, SoCalGas will amortize the projected year-end PBA balance in connection with its annual regulatory account balance update submittal for rates effective January 1 of the following year. The projected year-end balance will be allocated on an Equal Percent of Authorized Margin (EPAM) basis.

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