

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
SAFETY ENHANCEMENT CAPITAL COST
BALANCING ACCOUNT (SECCBA)

Sheet 1

1. Purpose

The SECCBA is an interest-bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 14-06-007, SoCalGas' 2013 Triennial Cost Allocation Proceeding (TCAP), and modified by D.15-12-020, the SECCBA will record the capital-related costs on capital assets associated with SoCalGas' Pipeline Safety Enhancement Plan (PSEP). SoCalGas will begin recording costs effective June 12, 2014, the date of the 2013 TCAP decision. Pursuant to D.19-03-025, the SECCBA consists of two subaccounts for PSEP costs subject to reasonableness review/50% interim recovery and recovery on a forecast basis:

- PSEP Phase 1A Subaccount – records PSEP activity associated with Phase 1A
- PSEP Phase 1B Subaccount – records PSEP activity associated with Phase 1B

The PSEP Phase 1A Subaccount is a two-way balancing account mechanism subject to reasonableness review and 50% interim recovery; PSEP Phase 1B Subaccount is a one-way balancing account mechanism.

2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures – PSEP Phase 1A Subaccount

SoCalGas shall maintain the PSEP Phase 1A Subaccount by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) related to SoCalGas' PSEP; the basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A credit entry for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned and replaced "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5459
 DECISION NO. 19-03-025

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Apr 26, 2019
 EFFECTIVE May 1, 2019
 RESOLUTION NO. _____

T

N

N

N

N,D

L

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
SAFETY ENHANCEMENT CAPITAL COST
BALANCING ACCOUNT (SECCBA)

Sheet 2

(Continued)

4. Accounting Procedures – PSEP Phase 1A Subaccount (Continued)

- c) A credit entry equal to the transfer of Phase 1B planning and engineering design costs to PSEP Phase 1B Subaccount;
- d) A debit entry equal to the transfer of the 50% interim recovery of planning and engineering design costs to the PSEP Phase 1B Subaccount;
- e) An entry equal to the amortization of the PSEP Phase 1A Subaccount balance as authorized by the Commission; and
- 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.

5. Accounting Procedures – PSEP Phase 1B Subaccount

SoCalGas shall maintain the PSEP Phase 1B Subaccount by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) related to SoCalGas’ PSEP; the basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines “where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable” (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A credit entry for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned and replaced “where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable” (See D.15-12-020, at 24; Ordering Paragraph 1);
- c) A credit entry equal to the authorized PSEP revenues adopted in D.19-03-025, net of planning and engineering design costs recovered on an interim basis in rates pursuant to D.16-08-003;
- d) A debit entry equal to the transfer of Phase 1B planning and engineering design costs from the PSEP Phase 1A Subaccount;
- e) A credit entry equal to the transfer of the 50% interim recovery of planning and engineering design costs from the PSEP Phase 1A Subaccount;

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5459
 DECISION NO. 19-03-025

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Apr 26, 2019
 EFFECTIVE May 1, 2019
 RESOLUTION NO. _____

N
 N
 N
 L,T,D
 L,T
 L,T
 L,T
 N
 N
 L

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS
SAFETY ENHANCEMENT CAPITAL COST
BALANCING ACCOUNT (SECCBA)

Sheet 3

(Continued)

5. Accounting Procedures – PSEP Phase 1B Subaccount (Continued)

- f) An entry equal to the amortization of the PSEP Phase 1B Subaccount balance as authorized by the Commission; and
- g) 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.

6. Disposition

Pursuant to D.14-06-007, SoCalGas is required to file cost recovery applications to review the reasonableness of the completed PSEP capital projects and the capital-related costs recorded in the SECCBA (modified as PSEP Phase 1A Subaccount as noted in Purpose Section). SoCalGas may file annual applications after December 31, 2015 to seek recovery of the PSEP Phase 1A Subaccount balance of the SECCBA. Pursuant to OP 3.a. of D.16-08-003, SoCalGas is authorized interim rate recovery of 50% of the recorded PSEP Phase 1A Subaccount balance, subject to refund. The PSEP Phase 1A Subaccount balance of the SECCBA for determining interim rate recovery shall be reduced by amounts currently under Commission review. Upon Commission approval of the application or advice letter requesting interim rate recovery for the PSEP Phase 1A Subaccount balance, SoCalGas will amortize the PSEP Phase 1A Subaccount balance in rates.

Pursuant to D.19-03-025, the PSEP Phase 1B Subaccount balance will be amortized in connection with SoCalGas' Annual Regulatory Account Balance Update submittal for rates effective January 1st of the following year. The PSEP Phase 1B Subaccount is subject to one-way balancing account treatment, applied on an aggregate basis where the total combined O&M and capital costs will be compared to the corresponding forecasted amounts approved in D.19-03-025. To the extent there is an overspending in the actual, aggregate costs incurred relative to the PSEP aggregate costs authorized at completion of the PSEP projects forecasted in Application 17-03-021, the revenue requirements associated with the overall cost overrun will not be subject to balancing account treatment and appropriate adjustments will be made to the applicable PSEP balancing accounts to ensure ratepayers do not pay for these costs. To the extent there is an underspending of actual PSEP costs relative authorized costs, the overcollection of the associated revenue requirements, if any, will be refunded to ratepayers.

N
|
N

N
|
|
|
|
N

L,T

L
L
L,N
|
L,N
L,N
L,N,D
L
L,N
L,N,D

N
|
|
|
|
|
|
|
|
|
|
N

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 5459
 DECISION NO. 19-03-025

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Apr 26, 2019
 EFFECTIVE May 1, 2019
 RESOLUTION NO. _____