# PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS SAFETY ENHANCEMENT EXPENSE BALANCING ACCOUNT (SEEBA)

Sheet 1

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#### 1. Purpose

The SEEBA 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 SEEBA will record incremental operating & maintenance (O&M) costs 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 SEEBA 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 SEEBA 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 incremental O&M costs related to SoCalGas' PSEP excluding the cost for pressure testing of pipeline segments installed after 1955 "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) An entry equal to the amortization of the PSEP Phase 1A Subaccount balance as authorized by the Commission: and

c) 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.

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

ISSUED BY **Dan Skopec** Vice President Regulatory Affairs

(TO BE INSERTED BY CAL. PUC) DATE FILED Apr 26, 2019 May 1, 2019 **EFFECTIVE** 

RESOLUTION NO.

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# PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS SAFETY ENHANCEMENT EXPENSE BALANCING ACCOUNT (SEEBA)

Sheet 2

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# 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 incremental O&M costs related to SoCalGas' PSEP excluding the cost for pressure testing of pipeline segments installed after 1955 "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 equal to the authorized PSEP revenues adopted in D.19-03-025;
- c) An entry equal to the amortization of the PSEP Phase 1B Subaccount balance as authorized by the Commission; and
- d) 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. <u>Disposition</u>

Pursuant to D.14-06-007, SoCalGas is required to file cost recovery applications to review the reasonableness of the PSEP O&M costs recorded in the SEEBA (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 SEEBA. 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 of the SEEBA, subject to refund. The PSEP Phase 1A Subaccount balance of the SEEBA 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 1<sup>st</sup> 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.

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ISSUED BY

Dan Skopec

Vice President

Regulatory Affairs

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