

PRELIMINARY STATEMENT - BALANCING
SYSTEM RELIABILITY MEMORANDUM ACCOUNT

Sheet 1

SYSTEM RELIABILITY MEMORANDUM ACCOUNT (SRMA)

The SRMA is an interest bearing account that is recorded on the Utility's financial statements. The purpose of this account is to record certain costs associated with the Utility System Operator's purchase and delivery of gas to sustain operational flows on the SoCalGas/SDG&E system. Costs include, but are not limited to, costs that are associated with the following:

- 1) Contracts for purchase and use of firm or interruptible interstate capacity;
- 2) Installation of physical facilities on the SDG&E or SoCalGas system;
- 3) Negotiated pipeline to pipeline operational agreements;
- 4) Voluntary flow requirements by shippers including emergency request made to Utility Gas Procurement Department;
- 5) Involuntary Operational flow orders on shippers or firm rights holders;
- 6) Placing additional restriction on changes to scheduled deliveries from interstate pipelines;
- 7) Gas commodity purchases on a spot market basis; and/or
- 8) Negotiating voluntary curtailment agreements on the SDG&E/SoCalGas system or off the system in order to maintain system reliability.

Utility shall maintain the SRMA by making entries at the end of each month as follows:

- a. A debit entry for the cost of gas delivered to various receipt points on the SoCalGas/SDG&E system, including capacity costs or other O&M costs incurred for maintaining system reliability.
- b. A debit entry equal to the incremental capital-related expenses incurred by the System Operator for the installation of physical facilities on SoCalGas/SDG&E system in order to maintain system reliability, such as depreciation, return on investment and related taxes.
- c. A credit entry equal to the revenues from the sale of gas that was originally purchased for system reliability purposes as described in entry "a." which is no longer necessary and therefore made available for sale in the marketplace.
- d. An entry equal to amortization as authorized by the Commission.
- e. An entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

The disposition of the SRMA balance shall be allocated on a cold-year throughput basis and allocated to all customers in connection with SoCalGas annual regulatory account balance update filing for rates effective January 1 of the following year.

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. PS V, VI, VII
DECISION NO.

ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
DATE FILED _____
EFFECTIVE _____
RESOLUTION NO. _____