

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
NONCORE FIXED COST ACCOUNT (NFCA)

Sheet 1

1. Purpose

The NFCA is an interest-bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to balance the difference between the authorized margin (excluding the transmission revenue requirement and firm access rights (FAR) revenue requirement ~~upon implementation of system integrated rates and the FAR system, respectively~~ transition, and other non-gas fixed costs as detailed below associated with the noncore market, including administrative costs and uncollectible deferred billings associated with the payment deferral plan pursuant to Resolution E-4065 with noncore revenues intended to recover these costs. The noncore market revenues excludes Enhanced Oil Recovery (EOR) and the Unbundled Storage Program revenues and revenues from (1) non-tariff contracts for service to DGN, (2) future non-tariff contracts with Sempra Energy affiliates not subject to competitive bidding, and (3) Competitive Load Growth Opportunities for noncore Rule No. 38 and Red Team incentive revenues. Pursuant to D.03-10-017, revenues also include noncore's allocation of the capital component of FIG (fiber optic cable in gas pipeline) revenues associated with the use of the gas distribution system until superseded by ratemaking adopted in SoCalGas' 2004 PBR/Cost of Service Proceeding (A.02-12-027). Pursuant to the BCAP Decision 09-xx-xxx, the Commission authorized the NFCA 100% balancing account treatment protection (i.e., balancing of 100% of noncore costs and revenues) effective January 1, 2003 until the date the new BCAP rates go into effect.

The NFCA shall be divided into two subaccounts: 1) authorized base margin and 2) non-base margin costs and revenues.

2. Applicability

The NFCA shall apply to all noncore gas customers excluding EOR.

3. Rates

The projected year-end NFCA balance will be applied to noncore gas transportation rates.

4. Accounting Procedures – Authorized Base Margin Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U. On a monthly basis, SoCalGas maintains this account as follows:

- a. A debit entry equal to the seasonalized monthly amount of the authorized margin;
- b. A credit entry equal to recorded noncore revenues to recover the authorized margin excluding revenues from (1) future non-tariff contracts with Sempra Energy affiliates not subject to competitive bidding and (2) Competitive Load Growth Opportunities for noncore Rule No. 38 and Red Team incentive revenues;
- c. An entry to amortize the previous year's balance; and
- d. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

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5. Accounting Procedures – Non-Base Margin Costs and Revenues Subaccount

SoCalGas shall maintain this subaccount by recording entries at the end of each month, net of FF&U, as follows:

- a. A debit entry equal to the recorded cost for the noncore portion of company-use fuel (excluding transmission and load balancing company-use fuel);
- b. A debit entry equal to the recorded cost for the noncore portion of unaccounted for gas;
- c. A debit entry equal to the recorded cost for the noncore portion of well incidents and surface leaks;
- d. A debit entry equal to incremental administrative costs and any amounts written off as uncollectible associated with the payment deferral plan related to noncore customers;
- e. A credit entry equal to recorded noncore revenues to recover the costs associated with this subaccount;
- f. A credit entry equal to 100% of the net recorded revenues associated with the Utility System Operator providing transportation imbalance services under Schedule No. G-IMB to the Utility Gas Acquisition Department;
- g. An entry to amortize the previous year's balance; and
- h. An entry equal to interest on the average balance in the subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

6. Disposition

In each annual October regulatory account balance update filing, SoCalGas will amortize the projected year-end balance effective January 1 of the following year. For the first year subsequent to the BCAP decision, both the Authorized Base Margin Subaccount and Non-Base Margin Costs and Revenues Subaccount will be allocated on an Equal Cents Per Therm (ECPT) basis. Starting in the second year subsequent to the BCAP decision, the Authorized Base Margin Subaccount will be allocated on an Equal Percent of Authorized Base-Margin (EPABM) basis. The Non-Base Margin Costs and Revenues Subaccount will continue to be allocated on an ECPT basis.

~~SoCalGas debits this account with 100% of the seasonally forecasted noncore and wholesale revenues, including transition and certain non-gas costs allocated to the noncore market, incremental administrative costs and any amounts written off as uncollectible associated with the payment deferral plan pursuant to Resolution E-4065, and excluding the transactions stated above less F&U.~~

~~SoCalGas credits this account with 100% of the actual noncore and wholesale revenues excluding the transactions stated above less F&U.~~

~~SoCalGas credits this account with 100% of the net revenues associated with the Utility System Operator providing transportation imbalance services under Schedule No. G-IMB to the Utility Gas Procurement Department.~~

~~In addition, SoCalGas adjusts this account to amortize previously accumulated overcollected or undercollected balances to reflect payment to, or recovery from, ratepayers.~~

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 3966  
DECISION NO.

ISSUED BY  
**Lee Schavrien**  
Senior Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
DATE FILED Feb 23, 2009  
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RESOLUTION NO. \_\_\_\_\_