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February 17, 2000

SoCalGas Advice No. 2895
(U 904 G)

Public Utilities Commission of the State of California

Subject: Gas Industry Restructuring Memorandum Account

Sempra Energy, on behalf of Southern California Gas Company (SoCalGas), hereby submits for filing and approval with the Public Utilities Commission (Commission) revisions to SoCalGas' Tariffs, applicable throughout its service territory, as listed in Attachment B to this advice letter.

Purpose

This filing revises Preliminary Statement, Part VI, Description of Regulatory Accounts - Memorandum, to reflect establishment of a Gas Industry Restructuring Memorandum Account (GIRMA). The GIRMA is intended to record incremental costs incurred by SoCalGas related to the planning and implementation of gas industry restructuring, being considered by the Commission in R.98-01-011, I.99-07-003, and the cost of any successor or associated proceedings that may be established, which are not presently being recovered by SoCalGas.

Background

By the filing of this Advice Letter, SoCalGas is requesting authority to establish a memorandum account to record those incremental costs that SoCalGas will incur associated with the restructuring of the gas industry. Entries recorded into this memorandum account would be subjected to review by the Commission before SoCalGas would be allowed recovery of approved costs in its rates.

The Commission may soon approve the implementation of a number of regulatory changes for the gas industry structure in California with the intention of enhancing competition and improving efficiency for the benefit of consumers. Some of these potential changes would cause SoCalGas to incur significant incremental costs. When the Commission adopts such changes, SoCalGas wants to be able to effectively implement them as soon as possible for the benefit of consumers. SoCalGas believes that it is reasonable for it to recover incremental costs it incurs to implement and administer regulatory changes the Commission adopts for the benefit of consumers. Therefore, SoCalGas is seeking approval of the GIRMA to ensure that recovery of such costs will not be barred by the rule against retroactive ratemaking should the Commission find after-the-fact that it is reasonable to allow SoCalGas to recover such costs.

The memorandum account treatment proposed herein for gas industry restructuring is very comparable to the memorandum account treatment the Commission authorized for electric industry restructuring in D.95-12-063, as modified by D.96-01-009, D.97-03-069 and D.97-05-040. This treatment on the electric side was confirmed by the adoption of Section 376 of the Public Utilities Code in AB 1890. The tariff language proposed herein is patterned directly on SDG&E's electric Industry Restructuring Memorandum Account ("IRMA) for gas industry restructuring activities that are likely to parallel electric industry restructuring activities.

The "Interim Settlement Enhancing and Enabling Competitive Markets on the SoCalGas System" filed December 27, 1999, in I.99-07-003 ("Interim Settlement") provides for the establishment of an account to track and recover costs that would fall within the definition of one of the sub-accounts proposed for GIRMA.

Information

The GIRMA shall record all incremental costs incurred by SoCalGas to enable the further provisions for Gas Industry Restructuring authorized by the Commission.

The above Gas Industry Restructuring costs shall be tracked separately in individual subaccounts. The following briefly describes each of these proposed subaccounts:

- 1) The Capacity Service Trading Systems Cost Subaccount will record incremental expenditures incurred directly related to developing, implementing, and operating new or enhanced computer systems to accommodate pooling, imbalance trading, and trading of storage contract rights and firm intrastate transmission rights.
- 2) The Customer Education Program Subaccount will record the incremental expenditures incurred directly by SoCalGas to inform customers and other stakeholders of the changes in the gas industry resulting from R.98-01-011, I.99-07-003, and any future successor or associated proceedings, and to provide customers with information to help them make appropriate choices as to their gas service.

- 3) The Direct Access Implementation Costs Subaccount will record costs related to incremental expenditures incurred related to Customer Service, Energy Service Providers (ESPs) Services, Employee Training, and Direct Access Support.
- 4) The UDC Systems Modification Costs Subaccount will record costs associated with incremental expenditures for developing systems and processes within Retail Billing, Revenue Reporting, Credit and Collections, and third party meter ownership.
- 5) The Customer Information Release Systems Cost Subaccount will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to various Customer Service information release requests.

SoCalGas acknowledges that Commission approval of the GIRMA does not automatically authorize recovery of incremental restructuring costs but simply allows SoCalGas the opportunity to subsequently request future rate recovery of the amounts recorded in the GIRMA.

This filing will not increase or decrease any rate or charge, conflict with any rate schedules or rules nor cause the withdrawal of service.

Protests

Anyone may protest this advice letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this supplemental advice letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

IMC Branch Program Manager
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102

A copy should also be mailed to the Energy Division-IMC Branch, Room 4005 (at the address shown above). It also requested that a copy of the protest be sent via electronic mail and facsimile to Sempra Energy on the same date it is mailed or delivered to the Commission (at the address shown below.)

Attn: Sid Newsom
Regulatory Tariff Administration
Sempra Energy – GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@sempra.com

Attn: C. Richard Swanson
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Sempra Energy – HQ 14C
101 Ash Street
San Diego, CA 92101-3017
Facsimile No. (619) 696-4027
E-mail: rswanon@sempra.com

Requested Effective Date

SoCalGas respectfully requests that this filing be made effective as of March 28, 2000, which is not less than forty (40) days regular statutory notice.

Notice

In accordance with Section III.G of General Order No. 96-A, a copy of this advice letter is being sent to the parties listed on Attachment A and to interested parties in I.99-07-003.

LEE SCHAVRIEN
Director – Regulatory Case Management
and Tariff Administration
Sempra Energy

Attachments

ATTACHMENT A

Advice No. 2895

General Order 96-A Distribution List

Burbank Public Service Department
California Manufacturers Association
City of Anaheim Public Utilities Department
City of Azusa Light and Power Department
City of Banning Municipal Utilities
City of Lompoc
City of Los Angeles
City of Riverside, Public Utilities Department
City of Vernon, Director, Water & Power Department
Colton Bureau of Light & Water
General Services Administration, San Francisco
General Services Administration, Washington D.C.
Glendale Public Service Department
Imperial Irrigation District
Long Beach Gas Department
Los Angeles Department of Water and Power
March Air Force Base
Naval Facilities Engineering Command, Western Division
Pacific Gas and Electric Company
Pasadena Water and Power Department
San Diego Gas & Electric Company
San Gabriel Valley Water Company
Southern California Edison Company
Southwest Gas Corporation
[The Utility Reform Network](#)
Vandenberg Air Force Base

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Aglet Consumer Alliance James Weil P. O. Box 1599 Foresthill, CA 95631	Alcantar & Elsesser LLP Evelyn Elsesser One Embarcadero Center, #2420 San Francisco, CA 94111	Anderson, Donovan & Poole Edward G. Poole, Esq. 601 California Street, Suite 1300 San Francisco, CA 94108-2818
Aquila Energy Will Wright 1100 Walnut St., #3300 P. O. Box 13207 Kansas City, MO 64199-3207	BETA Consulting John Burkholder 2023 Tudor Lane Fallbrook, CA 92028	Barkovich & Yap, Inc. Catherine E. Yap P. O. Box 11031 Oakland, CA 94611
Berliner, Camdon & Jimison John W. Jimison 1225 19th St., N.W., Ste. 800 Washington, D.C. 20036	CEC Caryn Holmes 1516 Ninth Street, MS-14 Sacramento, CA 95814	CEC Gail Budin-Gordon 1516 9th Street, MS-14 Sacramento, CA 95814-5512
CEC Michael R. Jaske 1516 Ninth Street, MS-22 Sacramento, CA 95814	CEC W. William Wood 1516 Ninth Street, MS-23 Sacramento, CA 95814	CPUC Decision-Making Support Branch 505 Van Ness Avenue, Area 4-A San Francisco, CA 94102-3214
CPUC Division of Strategic Planning 505 Van Ness Avenue, Area 5-B San Francisco, CA 94102-3214	CPUC - ALJ Division Andrea L. Biren 505 Van Ness Avenue, Rm. 5103 San Francisco, CA 94102-3214	CPUC - Analysis Branch Valerie Beck 505 Van Ness Ave., Area 4-A San Francisco, CA 94102-3214
CPUC - Energy Division Ed Quan 505 Van Ness Avenue, Room 4209 San Francisco, CA 94102	CPUC - Energy Division James Reede, Jr. 505 Van Ness Avenue San Francisco, CA 94102	CPUC - Energy Division Sarita Sarvate 505 Van Ness Avenue San Francisco, CA 94102
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Glendale, CA 91206-4496**

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Palo Alto, CA 94303**

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Rufus Hightower
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Pasadena, CA 91101**

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San Francisco, CA 94111**

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Sacramento, CA 95814**

**Downey Brand Seymour & Rohwer
Dan L. Carroll
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Sacramento, CA 95814-4686**

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**Electric Clearinghouse, Inc.
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**Jeffer, Mangels, Butler & Marmaro
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San Francisco, CA 94104-4430**

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Los Angeles, CA 90013-1025**

**Jones, Day, Reevis & Pogue
Gregory Klatt
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Salt Lake City, UT 84158**

**LADWP
Robert L. Pettinato
Natural Gas Supply Manager
c/o ECC, Rm 1148
P. O. Box 51111
Los Angeles, CA 90051-0100**

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Canada T2P 4K9

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White & Case LLP
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San Francisco, CA 94111-3162

Williams Energy Services
Roger T. Pelote
12731 Califa Street
Valley Village, CA 91607

ATTACHMENT B
Advice No. 2895

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Cal. P.U.C. Sheet No.</u>
32306-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 1 of 22	31897-G*
32307-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 2 of 22	31898-G*
32308-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 3 of 22	31899-G*
32309-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 4 of 22	31900-G*
32310-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 5 of 22	31901-G*
32311-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 6 of 22	31902-G*
32312-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 7 of 22	31903-G*
32313-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 8 of 22	31904-G*
32314-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 9 of 22	31905-G*
32315-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 10 of 22	31906-G*
32316-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 11 of 22	31907-G*
32317-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 12 of 22	31908-G*

ATTACHMENT B
Advice No. 2895

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Cal. P.U.C. Sheet No.</u>
32318-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 13 of 22	31908.1-G
32319-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 14 of 22	31909-G*
32320-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 15 of 22	
32321-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 16 of 22	
32322-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 17 of 22	
32323-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 18 of 22	
32324-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 19 of 22	
32325-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 20 of 22	
32326-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 21 of 22	
32327-G	Preliminary Statement, Regulatory Accounts - Memorandum, Sheet 22 of 22	
32328-G	Table of Contents, General and Preliminary Statement, Sheet 1 of 2	32305-G

PRELIMINARY STATEMENT

PART VI

DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

A. GENERAL

Memorandum accounts are special accounts authorized by the Commission for the purpose of tracking certain costs and revenues. Please refer to each individual memorandum account description for the specific accounting treatment applicable to each account.

B. LISTING OF MEMORANDUM ACCOUNTS

- Conservation Expense Account (CEA)
- Environmental Fee Account (EFA)
- PCB Expense Account (PCBEA)
- Research Development and Demonstration Expense Account (RDDEA)
- Curtailment Violation Penalty Account (CVPA)
- Economic Practicality Shortfall Memorandum Account (EPSMA)
- Catastrophic Event Memorandum Account (CEMA)
- Interconnect Charge Memorandum Account (ICMA)
- Vernon Avoided Distribution Cost Memorandum Account (VADCMA)
- Noncore Cost/Revenue Memorandum Account (NCRMA)
- Interstate Capacity Step-Down Account (ICSDA)
- Vernon Rate Savings Memorandum Account (VRSMA)
- Vernon Negotiated Core Contract Memorandum Account (VNCCMA)
- Earthquake Valve Installation Service Memorandum Account (EVISMA)
- Research Royalty Memorandum Account (RRMA)
- Fuel Cell Proceeds Memorandum Account (FCPMA)
- NGV Research Development & Demonstration Memorandum Account (RDDNGV)
- Intervenor Award Memorandum Account (IAMA)
- Z Factor Account (ZFA)
- Tax Interest Account (TIA)
- Energy Efficiency/DSM Memorandum Account (EEDSMMA)
- Applicant Installation Trench Inspection Memorandum Account (AITIMA)
- Gas Industry Restructuring Memorandum Account (GIRMA)

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(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY CAL. P.U.C.)

ADVICE LETTER NO. 2895

William L. Reed

DATE FILED FEB 17,2000

DECISION NO.

VICE PRESIDENT
CHIEF REGULATORY OFFICER

EFFECTIVE _____

RESOLUTION NO. _____

PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS

CONSERVATION EXPENSE ACCOUNT (CEA)

The CEA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between authorized costs in rates, and actual demand-side management program costs. This account covers regular and low income demand-side management programs.

SoCalGas maintains this account by making monthly entries as follows: a) debits for actual demand-side management costs, e.g., conservation costs, low income weatherization ("Direct Assistance Program") costs, and other marketing program costs; and for amortization of balances, if any, due to ratepayers from prior program cycles where actual expenses fell short of authorized levels; and b) a credit entry for the authorized costs being collected in rates.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission order, SoCalGas will return the balance plus interest to ratepayers via lower rates or will carry the balance forward to offset expenses in future proceedings. Since program spending is limited and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

ENVIRONMENTAL FEE ACCOUNT (EFA)

The EFA is a memorandum account recorded on the Utility's financial statements. The purpose of this account is to track actual environmental fees assessed by air quality management districts and other governmental agencies with authorized fees. The difference between recorded and adopted expense will be amortized in Utility's next general rate case.

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

- a. A debit entry equal to recorded environmental fees paid during the month.
b. A credit entry equal to one-twelfth of the annual authorized fees.
c. An entry to amortize the forecasted remaining balance in the account less F & U.

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY CAL. P.U.C.)

ADVICE LETTER NO. 2895

William L. Reed

DATE FILED FEB 17,2000

DECISION NO.

VICE PRESIDENT
CHIEF REGULATORY OFFICER

EFFECTIVE

RESOLUTION NO.

PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

PCB EXPENSE ACCOUNT (PCBEA)

The PCBEA is a memorandum account recorded on the Utility's financial statements. The purpose of this account is to record all past and future costs associated with the Transwestern PCB arbitration proceeding, including capital costs. These PCB clean-up costs will be considered for rate recovery after arbitration is concluded, following a reasonableness review in an annual hazardous waste review proceeding.

Utility shall maintain the PCBEA by making entries into the account as follows:

- a. Transfer all prior costs and authorized revenues into the account,
b. Make monthly debit entries equal to recorded PCB clean-up costs paid during the month.

RESEARCH DEVELOPMENT AND DEMONSTRATION EXPENSE ACCOUNT (RDDEA)

The RDDEA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track the difference between authorized costs in rates, and actual costs associated with research, development, and demonstration programs. D.97-07-054 (PBR) authorized SoCalGas to continue using this account through the five-year PBR period, December 31, 2002.

SoCalGas maintains this account by making monthly entries as follows: a) debit entries for actual research, development, and demonstration expenses; and for amortization of balances, if any, due to ratepayers from prior program cycles where actual expenses fell short of authorized levels; and b) a credit entry for authorized costs being collected in rates .

At the end of the period, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission order, SoCalGas will return the balance plus interest to ratepayers via lower rates or will carry the balance forward to offset expenses in future proceedings. Since program spending is limited and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

CURTAILMENT VIOLATION PENALTY ACCOUNT (CVPA)

The CVPA is a memorandum account. The purpose of this account is to record actual revenues from the assessment of penalties for violation of curtailment, and expenses associated with installation of electronic metering for curtailment monitoring .

Commencing on August 1, 1991, Utility shall maintain CVPA by making entries at the end of each month as follows:

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY CAL. P.U.C.)

ADVICE LETTER NO. 2895

William L. Reed

DATE FILED FEB 17,2000

DECISION NO.

VICE PRESIDENT
CHIEF REGULATORY OFFICER

EFFECTIVE

RESOLUTION NO.

PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

CURTAILMENT VIOLATION PENALTY ACCOUNT (CVPA) (continued)

- a. A credit entry equal to all curtailment penalty charges collected, and
b. A debit entry equal to recorded expenditures for installation of electronic metering for purpose of curtailment monitoring.

ECONOMIC PRACTICALITY SHORTFALL MEMORANDUM ACCOUNT (EPSMA)

The EPSMA is a memorandum account. The purpose of this account is to record the shortfall in revenue which occurs in the Core Fixed Cost Account (CFCA) as a result of large core customers being transferred from core service to noncore service by way of economic practicality during the period January 1, 1994 through the revision date of the Utility's next cost allocation proceeding.

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

- a. A debit entry equal to the revenue shortfall for the month calculated as the product of (1) all service quantities transferred to noncore service by way of economic practicality during the period of January 1, 1994 and the revision date of the Utility's next cost allocation proceeding and (2) the difference between the otherwise applicable core rate and the applicable noncore rate for such quantities.

CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)

This memorandum account has been established pursuant to CPUC Resolution No. E-3238, dated July 24, 1991. The purpose of CEMA is to allow for the recovery of Utility's costs of restoring Utility services to its customers; repairing, replacing or restoring damaged Utility facilities; and complying with governmental agency orders in connection with events which are officially declared disasters by competent state or federal authorities. The costs recorded in CEMA will be recovered in rates only after request by the Utility and subsequent approval by the Commission as to the reasonableness of such costs.

Should a disaster occur, the Utility shall, if possible, inform the Executive Director of the CPUC by letter within thirty (30) days after the catastrophic event if the Utility has started booking costs in CEMA. Such letter shall specify the declared disaster, date, time, location, service area affected, impact on the Utility's facilities, and an estimate of the extraordinary costs expected to be incurred, with expense and capital items shown separately.

Upon declaration of a disaster or state of emergency, Utility shall maintain CEMA with entries made to this account at the end of each month as follows:

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY CAL. P.U.C.)

ADVICE LETTER NO. 2895

William L. Reed

DATE FILED FEB 17, 2000

DECISION NO.

VICE PRESIDENT
CHIEF REGULATORY OFFICER

EFFECTIVE

RESOLUTION NO.

PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA) (continued)

- a. A debit entry equal to the amounts recorded in the Utility's Operations and Maintenance and Administrative and General Expense Accounts that were incurred as a result of the disaster and related events.
b. A debit/credit entry equal to:
1. depreciation expense on the average of the beginning and end-of-month balance of plant additions installed to restore service to customers, or to replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
2. the return on investment on the average of the beginning and the end-of-month balance of plant additions installed to restore service to customers or replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth of Utility's annual rate of return; plus
3. the return on the allowance for working capital using the calculations most recently adopted by the CPUC and the rate of return applicable in b.2. above; plus
4. the return on net cost of removal of facilities required as a result of the disaster and related events, using the rate of return applicable in b.2. above; less
5. the return on the average of beginning and end-of-month accumulated depreciation, and an average accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, using the rate of return applicable in b.2. above.
c. A debit entry equal to federal and state taxes based on income associated with item b. above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.
For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the Utility's most recently adopted percentage of net investment.
d. A credit entry to transfer all or a portion of the balance in the CEMA to other adjustment clauses for future rate recovery, as may be approved by the CPUC.

(continued)

(TO BE INSERTED BY UTILITY)
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William L. Reed
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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA) (continued)

- e. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the entries from a. through c. above, at a rate equal to one-twelfth the interest rate on Commercial Paper (prime, 3-month) for the previous month, as reported in the Federal Reserve Statistical Release, G.13, or its successor.

Entries in Items a. and b. above, shall be made net of the appropriate insurance proceeds.

The Utility shall record the balance in the CEMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary .

INTERCONNECT CHARGE MEMORANDUM ACCOUNT (ICMA)

The ICMA is an interest bearing memorandum account, the balance of which is recorded on the Utility's financial statements. Pursuant to Decision No. 94-01-048, the purpose of the ICMA is to track charges that would have been assessed for access to the Utility's Wheeler Ridge Interconnection facility under original Schedule G-ITC, Pursuant to Decision No. 94-01-048 the allocation of ICMA costs associated with the period January 1, 1994 through April 13, 1994 are to be recovered through the ICMA surcharge as described in Schedule ITC.

The Utility shall maintain the ICMA by making the following entries at the end of each month:

- a. A debit entry equal to the total charges that would have been assessed under Schedule G-ITC between July 13, 1993 (the original date of Schedule No. G-ITC) and December 31, 1993 and were subsequently refunded to customers pursuant to Decision No. 94-01-048.
b. A debit entry equal to the total charges that would have been assessed under Schedule No. G-ITC between January 1, 1994 and April 13, 1994 (the effective date of revised Schedule No. G-ITC).
c. A credit entry equal to the charges collected through the ICMA surcharge as described in Schedule G-ITC.
d. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

(continued)

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

VERNON AVOIDED DISTRIBUTION COST MEMORANDUM ACCOUNT (VADCMA)

The VADCMA is a memorandum account, established pursuant to D.93-05-008, to record utility distribution costs that are identified as avoided by the service provided to Vernon under Schedules G-CS, GT-F, and GT-I. Allocation of avoided costs will be allocated in the Utility's cost allocation proceeding or whenever there is a Commission-authorized change in gas rates.

The Utility shall maintain the VADCMA by making entries to the account at the end of each month, as follows:

- a. A debit entry equal to the value of distribution costs not currently reflected in rates identified as being avoided as a result of service to Vernon under Schedules G-CS, GT-F, and GT-I.

NONCORE COST/REVENUE MEMORANDUM ACCOUNT (NCRMA)

The NCRMA is an interest-bearing memorandum account. The NCRMA balance will only be recorded to the financial statements when the balance exceeds the revenue cap. Pursuant to D. 94-07-064, the variance between forecasted and actual noncore and wholesale revenues, excluding Enhanced Oil Recovery (EOR) and unbundled storage revenues is recorded in the account .

The Utility will calculate rates for the five-year period, effective August 1, 1994 through July 31, 1999, for noncore cost allocation, based on 1991 actual throughput, subject to the following adjustments:

- a. To reflect normal temperature conditions for the core market;
- b. The transfer of UEG loads from Long Beach wholesale service to retail service;
- c. The addition of Southwest Gas as a wholesale customer;
- d. Core to noncore transfers.

The Utility shall retain 100% of the annual variance applicable only for cases where actual revenues exceed forecasted revenues, up to the annual noncore revenue variance cap, for the period effective August 1, 1994 and through July 31, 1999 as follows:

- Year 1: \$11 million
- Year 2: \$13 million
- Year 3: \$15 million
- Year 4: \$17 million
- Year 5: \$19 million

(continued)

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

NONCORE COST/REVENUE MEMORANDUM ACCOUNT (NCRMA) (continued)

If at the end of any year, the variance, as measured pursuant to the above description, exceeds the annual variance cap for that year, the Utility shall retain 12.5% and credit 87.5% of the excess to the cost of service in the following year.

The utility shall maintain the NCRMA by making entries once the revenue cap has been exceeded as follows:

- a. A debit entry equal to one twelfth (1/12) of the authorized annual cost used to develop the effective rates for noncore transportation service (excluding Enhanced Oil Recovery, EOR).
b. A credit entry equal to the recorded revenue from noncore transportation service less F & U (excluding EOR). In the event that the annual recorded revenues exceed the annual forecasted costs by more than the revenue cap, 87.5% of the excess will be recorded to the financial statements as a credit entry.
c. An entry equal to the interest on the average balance in the account during the month calculated in the manner described in Preliminary Statement I, J.

INTERSTATE CAPACITY STEP-DOWN ACCOUNT (ICSDA)

The ICSDA account was established pursuant to D.95-12-037. The purpose of this account is to track all costs and cost savings and any cost surcharges associated with the relinquishment by SoCalGas of 300 MMcf/d on El Paso's system January 1, 1996 and its relinquishment of 450 MMcf/d (457 MMDth/d) on Transwestern's system November 1, 1996. The ICSDA is an interest bearing account and is not recorded on the Utility's financial statements.

- a. Starting in January of 1996 and each month thereafter, the Utility will record to the ICSDA any cost savings associated with relinquishment of firm interstate transportation on El Paso based on the following calculation:

The capacity on El Paso prior to January 1, 1996 of 1,450 MMcf/d times the rate effective on December 31, 1995 minus the capacity at 1,150 MMcf/d multiplied by the current rate. Any adjustment to rates from January 1, 1996, resulting from a decision by the FERC in El Paso's General Rate Case, RP95-363-000, will be recorded to the ICSDA .

- b. Pending a decision by the FERC in El Paso's General Rate Case, RP95-363-000, the Utility will record to the ICSDA any cost surcharges associated with relinquishment of firm interstate transportation on El Paso separate from the base rate.

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

INTERSTATE CAPACITY STEP-DOWN ACCOUNT (ICSDA) (continued)

c. Starting in November of 1996 and each month thereafter, the Utility will record to the ICSDA any cost savings associated with relinquishment of firm interstate transportation on Transwestern based on the following calculation:

The capacity on Transwestern prior to November 1, 1996 of 750 MMcf/d (763 MMDth/d) times the rate effective on October 31, 1996 minus the capacity at 300 MMcf/d (306 MMDth/d) multiplied by the current rate.

d. Starting in November of 1996, the Utility will record to the ICSDA any cost surcharges associated with relinquishment of firm interstate transportation on Transwestern separate from the base rate, pursuant to the Transwestern Settlement and Agreement Filing, RP95-271.

e. An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

VERNON RATE SAVINGS MEMORANDUM ACCOUNT (VRSMA)

The VRSMA was established pursuant to the SoCalGas-Vernon Stipulation and Settlement Agreement approved in D. 96-09-104. The purpose of this account is to track the core rate savings resulting from the Agreement. The initial balance of the VRSMA will be established at \$2.5 million, which is the fixed amount of rate savings afforded to these customers. The VRSMA is a non-interest bearing account and is not recorded on the Utility's financial statements.

a. The core rate savings shall be computed by (1) taking the difference between the applicable GN-10 and GT-10 "V" Tier II tariff rate and the GN-10 and GT-10 Tier II tariff rate applicable for customers not located in Vernon, and (2) multiplying the result by the applicable GN-10 and GT-10 "V" Tier 2 volumes used by customers in Vernon. The core rate savings will be computed on a monthly basis and will be a reduction to the \$2.5 million balance in the VRSMA.

b. A corresponding credit adjustment will be made to the CFCA (see Preliminary Statement, Part V, C) for the core rate savings tracked in the VRSMA to ensure that revenue shortfalls are not reallocated to the Utility's core customers. In no event shall the cumulative adjustments made to the CFCA exceed \$2.5 million.

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C. DESCRIPTION OF ACCOUNTS (continued)

VERNON NEGOTIATED CORE CONTRACT MEMORANDUM ACCOUNT (VNCCMA)

The VNCCMA was established pursuant to the SoCalGas-Vernon Stipulation and Settlement Agreement approved in D. 96-09-104. Pursuant to the Agreement, the Utility shall be at risk for any core negotiated contracts with customers in the City of Vernon. Any revenue shortfall resulting from the new Vernon GN-10 or GT-10 rates or the current GN-20 or GT-20 rates, whichever is applicable, and the negotiated contract rate will not be applied against the \$2.5 million balance in the VRSMA. Utility shall record monthly the net difference between the revenue the Utility receives from the G-10/G-20 customers in Vernon that are served under a negotiated contract and the revenue the Utility would have received at the otherwise applicable tariff rates in Vernon. A corresponding adjustment shall be made to the CFCA (see Preliminary Statement, Part V, C) so that Utility's core customers are not affected by the negotiated core contracts with customers in Vernon.

EARTHQUAKE VALVE INSTALLATION SERVICE MEMORANDUM ACCOUNT (EVISMA)

The EVISMA is a memorandum account recorded on SoCalGas' financial statements. Pursuant to D.96-09-044, EVISMA was established to track all costs and revenues associated with implementing the Earthquake Valve Installation Service Program. The Earthquake Valve Installation Service Program is entirely funded by SoCalGas' shareholders.

The SoCalGas maintains the EVISMA by making monthly entries as follows: a) debits for actual costs associated with program, and b) credits for all revenues collected from customers in the program.

RESEARCH ROYALTY MEMORANDUM ACCOUNT (RRMA)

The RRMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. D.93-12-043 (TY94 GRC) authorized SoCalGas to establish this account to track actual revenues from ratepayer-funded research programs. D.97-07-054 (PBR) added the following revenue sharing program: a) ratepayers get 100% of revenues from projects underway or completed prior to 1/1/98, and b) ratepayers and shareholders equally split the revenues from projects that start after 1/1/98.

SoCalGas maintains this account by making monthly entries as follows: a) debits for funds returned to ratepayers in rates, and b) credit entries for ratepayer's portions of actual research royalties, licensing fees, and other revenues.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due to ratepayers, pursuant to Commission order, SoCalGas will decrease rates to return the balance plus interest to ratepayers.

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

FUEL CELL PROCEEDS MEMORANDUM ACCOUNT (FCPMA)

The FCPMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. Resolution G-3101 (Fuel Cell) authorized SoCalGas to establish this account to track the proceeds from the sale of one Fuel Cell to Vandenburg Airforce Base.

SoCalGas maintains this account by making monthly entries to amortize the balance due to ratepayers. Once the entire balance is returned to ratepayers at the end of 1998, this account will no longer be needed.

NGV RD&D MEMORANDUM ACCOUNT (RDDNGV)

The RDDNGV is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track actual NGV-related research, development and demonstration (RD&D) program costs. D.93-12-043 (TY94 GRC) authorized SoCalGas to track NGV-related RD&D expenses separate from other RD&D costs; and D.95-11-035 (LEV) authorized SoCalGas to use this account for the six-year period December 21, 1995, through December 20, 2001.

SoCalGas maintains this account by making monthly entries as follows: a) a debit for actual NGV-related research, development, and demonstration expenses plus interest; and b) a credit for amortization of costs that are being collected in rates, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed. If there is a balance due from ratepayers, pursuant to Commission order, SoCalGas will increase rates to recover the balance. However, since program spending is limited for the six-year period and over-expenditures may not be recovered from ratepayers, shareholders absorb the balance in the event actual expenses exceed authorized levels.

INTERVENOR AWARD MEMORANDUM ACCOUNT (IAMA)

The IAMA is a memorandum account, the balance of which is recorded on the Utility's financial statements. The purpose of the IAMA is to track intervenor compensation payments authorized by the Commission. The balance in the IAMA will be addressed in the Utility's Biennial Cost Allocation Proceeding (BCAP).

Each month the Utility will debit the IAMA an amount equal to the intervenor compensation payments authorized by the Commission and recorded during the month.

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

Z FACTOR ACCOUNT (ZFA)

The ZFA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of this account is to track costs associated with events that are potential "Z Factors." Z Factors are exogenous and unforeseen events largely beyond SoCalGas' control that have a material impact on SoCalGas' costs. D.97-07-054 (PBR), Conclusion of Law 16, authorized SoCalGas to establish the ZFA to allow Z Factor costs to be handled outside the PBR mechanism. Examples of Z Factors include, but are not limited to, accounting rule changes, new government mandates, and tax law changes. For more detail on Z Factors, see Preliminary Statement Part XI, section E.

SoCalGas maintains the ZFA by adding sub-accounts, and making appropriate accounting entries to each sub-account. When a potential Z Factor event occurs, SoCalGas will promptly advise the Commission of its occurrence, and add a new sub-account to the ZFA. Once the sub-account is established, SoCalGas maintains the sub-account(s) by making monthly entries as follows: debits for actual Z Factor costs related to the corresponding event; and credits for the amortization of prior sub-account balances, as authorized by the Commission, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed, taking into consideration the \$5,000,000 deductible which is applicable to each qualifying Z Factor event.

TAX INTEREST ACCOUNT (TIA)

The TIA is an interest bearing memorandum account recorded on SoCalGas' financial statements. D.93-12-043 (TY 1994 GRC), Ordering Paragraph 5, authorized SoCalGas to establish the TIA for the sole purpose of tracking costs associated with interest and penalties that may arise as a result of the Supreme Court's Indopco decision.

SoCalGas maintains this account by making monthly entries as follows: debit entries for actual interest and penalties imposed by the IRS or FTB; and credit entries for authorized costs being collected in rates, as authorized by the Commission, if any.

For each BCAP filing, SoCalGas will reconcile this account and adjust rates as needed.

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

ENERGY EFFICIENCY/DSM MEMORANDUM ACCOUNT (EEDSMMA)

The EEDSMMA is an interest bearing memorandum account established in accordance with Commission Resolution E-3592, dated April 1, 1999. The purpose of the EEDSMMA is to record payments made to the California Energy Commission (CEC) in conducting data studies used for calculating or comparing Energy Efficiency and Demand-Side Management (DSM) cost effectiveness. These studies include the Commercial Building Survey and the Update of the Database for Energy Efficient Resources (DEER). These activities total \$2.1 million annually through December 31, 2000. The utility's portion is \$186,000.

The dates and amounts of the electronic transfer of funds to the CEC shall be made in accordance with the table below:

<u>Transfer Date</u>	<u>Amount</u>
6/30/99*	\$93,000
12/31/99	\$93,000
6/30/00	\$93,000
12/31/00	\$93,000

* If Advice No. 2760-C is not approved by June 30, 1999, the first transfer shall occur within 15 days of the approval of Advice No. 2760-C.

The utility shall maintain the EEDSMMA by making entries at the end of each month as follows:

- a. A debit entry equal to the transfer of funds to the CEC in association with conducting the Commercial Building Survey and the DEER, as specified in the table above.
- b. A credit entry shall be made, if any is required, at the end of the expenditure period to reflect any unspent funds that are returned to the utility.
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries a. and b. above, calculated in the manner described in the Preliminary Statement, Part I, J.

Based on Resolution E-3592, the utility will, at the end of each year, transfer the balance in the EEDSMMA to the Conservation Expense Account (CEA) .

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(continued)

APPLICANT INSTALLATION TRENCH INSPECTION MEMORANDUM ACCOUNT (AITIMA)

The purpose of the AITIMA is to record all nonrefundable inspection fees charged by the Utility associated with individual applicant-installed projects under the Applicant Installation Option, Section G, Rule No. 20, Gas Main Extensions, and to record amounts subject to future reimbursement by ratepayers, upon final Commission resolution of the Application for Rehearing of Decision No. 99-06-079.

The AITIMA applies to all applicant-installed projects. First inspection fees will be charged by the Utility and paid by the applicant. Such revenues will be tracked by individual applicant-installed project or project segment within the AITIMA.

The actual first inspection fees charged by the Utility will vary by individual applicant installed project. Such first inspection fees shall be based on the Utility's estimate of the applicant-installed project and actual inspection time required.

The Account will consist of two subaccounts. The first subaccount shall be the Ratepayer Subaccount. The second subaccount shall be the Applicant Subaccount.

The Utility shall maintain the AITIMA by making the following entries at the end of each month:

- a. A debit entry will be made to the Ratepayer Subaccount each month for an amount equal to first trench inspection fees paid by applicants during the month.
b. A credit entry will be made to the Applicant Subaccount each month for an amount equal to first trench inspection fees paid by applicants during the month

The initial disposition of the amounts in the AITIMA will be decided at such time as the Commission issues a decision on the Joint Utility Respondent's request for rehearing of Decision No. 99-06-079. Final disposition of amounts recorded in the AITIMA shall be determined in the BCAP or other proceeding expressly authorized by the Commission.

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA)

The purpose of the GIRMA is to record incremental costs incurred by the Utility related to the planning and implementation of gas industry restructuring. Incremental, for purposes of the GIRMA, shall mean expenditures that exceed the amount, if any, explicitly included in base rates, for the activities covered by each Subaccount in the GIRMA at the time the expenditures booked to the Account are made. The GIRMA shall apply to all customer classes, except for those specifically excluded by the Commission. The GIRMA does not currently have a rate component.

Accounting Procedure : The GIRMA consists of five (5) Subaccounts.

The Capacity Service Trading Systems Cost Subaccount (item 1. below) will record the following costs:

- a) Systems to Accommodate Pooling
The Utility will record costs associated with incremental expenditures incurred directly related to developing, implementing, and operating new or enhanced computer systems to allow it to establish pooling of gas supplies by customers and marketers on its system and to facilitate the trading of gas supplies in pools on its system.
b) Systems to Accommodate Imbalance Trading
The Utility will record costs associated with incremental expenditures incurred directly related to developing, implementing, and operating new or enhanced computer systems to provide an electronic platform for customers or other persons to trade transportation imbalances, for monthly periods and for shorter periods as may be permitted by SoCalGas' tariffs in the future.
c) Systems to Accommodate Trading of Storage Contract Rights and Firm Intrastate Transmission Rights
The Utility will record costs associated with incremental expenditures incurred directly related to developing, implementing, and operating new or enhanced computer systems to allow customers or other persons to trade existing storage contracts, or to trade storage or intrastate transmission rights as may be permitted by SoCalGas' tariffs in the future.

The "Interim Settlement Enhancing and Enabling Competitive Markets on the SoCalGas System" filed December 27, 1999, in I.99-07-003 ("Interim Settlement") provides for the establishment of an account to track and recover costs of the kind subject to this Subaccount. In the event the Interim Settlement is approved by the Commission, a new account will be established pursuant to its terms, and the balance in this Subaccount shall be transferred to that new account and shall be subject to the provisions of the Interim Settlement.

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C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

Accounting Procedure : (continued)

The Customer Education Program Subaccount (item 2. below) records the incremental expenditures incurred directly by the Utility to inform customers and other stakeholders of the changes in the gas industry resulting from R.98-01-011, I.99-07-003, and any future successor or associated proceedings, and to provide customers with information to help them make appropriate choices as to their gas service.

The Direct Access Implementation Costs Subaccount (item 3. below) will record the following costs:

a) Customer Service

The Utility will record costs associated with incremental expenditures incurred directly related to Customer Service such as: 1) fielding requests for information about direct access; 2) processing requests for direct access and returning to bundled service; and 3) coordinating customer direct access elections. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Customer Service when approved by the Commission.

b) Energy Service Providers (ESPs) Services

The Utility will record costs associated with incremental expenditures incurred directly related to ESPs Services such as: 1) coordinating ESPs requests; 2) developing policies and procedures for interactions with ESPs; 3) developing standard interfaces with ESPs; and 4) developing and implementing agreements with ESPs; and 5) processing direct access service requests.

c) Employee Training

The Utility will record costs associated with incremental expenditures incurred directly related to Employee Training activities such as: 1) informing employees about the changes required to implement direct access capabilities; 2) developing training materials required to prepare the workforce for processing customer inquiries, direct access elections, billing options and other protocols; and 3) training time for employees performing direct access related functions.

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C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

Accounting Procedure (continued)

The Direct Access Implementation Costs Subaccount (continued)

d) Direct Access Support

The Utility will record costs associated with incremental expenditures incurred directly related to Direct Access Support such as: 1) overall project management; 2) coordinating the efforts for setting policies and procedures; 3) developing and implementing direct access controls and accounting treatment; and 4) building the technical infrastructure to support direct access.

UDC Systems Modification Costs Subaccount (item 4. below) will record the following costs:

a) Retail Billing

The Utility will record costs associated with incremental developing systems and processes within Retail Billing such as: 1) billing per unbundled charge factors; 2) updating charge factors based on market energy cost; 3) computing avoided energy cost for direct access customers; 4) obtaining market energy cost to UDC energy customers; 5) providing billing data to ESPs for presentation to customers; 6) receiving billing data from external sources for bill presentation to customers; 7) displaying new bill components; and 8) the cost of EDI transfers of data and the cost for developing Internet accessing tools. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Retail Billing when approved by the Commission.

b) Revenue Reporting

The Utility will record costs associated with incremental expenditures incurred, directly related to developing and modifying existing Revenue Reporting systems for unbundled rate components such as: 1) reporting revenue per unbundled charge factors; 2) reporting revenue for multiple entities; and 3) tracking and reporting revenues received for providing direct access services. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

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C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

Accounting Procedure (continued)

UDC Systems Modification Costs Subaccount (continued)

c) Credit and Collections

The Utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to Credit and Collections activity, such as: 1) implementing new and modified credit policies and collections rules for the tracking of UDC receivables; 2) developing receivables priorities and posting receivables collected on behalf of others to the Utility's customer accounting system; 3) risk assessment; 4) obtaining securities from ESPs and direct access customers; 5) tracking and remitting receivables collected on behalf of others; and 6) interface development with external parties for exchange of credit and payment related information. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

d) Metering

The Utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to third party ownership of meters, such as: 1) changing meter record systems to track and identify meters owned by third parties, 2) developing data bases to record and archive the meter performance history of third party meters, 3) changing other operation-related data systems to identify third party meters for proper installation, testing, maintenance and handling, 4) changing accounting systems to track actual costs associated with installation, maintenance and other related meter services performed on third party meters, 5) implementing training programs for employees who will work on third party meters, 6) changing meter set assembly (MSA) components and/or vaults to accommodate third party meters, and 7) expanding data systems for more frequent retrieval of meter reads, related data processing, and more data communication requirements. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

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PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

Customer Information Release Systems Cost Subaccount (item 5. below) will record the following cost:

Customer Service

The Utility will record costs associated with incremental expenditures for the development, implementation, and operation of systems and processes directly related to Customer Service information release requests such as: 1) developing policies and procedures for release of customer information; 2) providing a data base of customer-specific usage information and locational and SIC information, with the customer identity removed; 3) fielding third party requests for direct access information; 4) tracking and reporting of requests handled and in backlog; 5) authorizing customer release of information; 6) developing standard interfaces with external parties, including electronic interchange of information; and 7) handling standard requests for information. Costs recorded in this Subaccount will include system development and maintenance as well as ongoing operational maintenance-related costs.

Any revenues received from customers for these activities shall be tracked separately and may be applied against these costs associated with Customer Service when approved by the Commission.

The Utility shall maintain the GIRMA by making entries to the Subaccounts as follows:

1. Capacity Service Trading Systems Cost Subaccount

The following entries will be made to this Subaccount each month:

- a. A debit entry equal to the incremental expenditures incurred directly related to developing, implementing, and operating new or enhanced computer systems to accommodate pooling, imbalance trading, and trading of storage contract rights and firm intrastate transmission rights.
b. A debit entry equal to interest on the average balance in the Subaccount at the beginning of the month and the balance after entry 1.a. above, calculated in the manner described in the Preliminary Statement, Part I, J.

(continued)

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(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

2. Customer Education Program Subaccount

The following entries will be made to this Subaccount each month:

- a. A debit entry equal to the Utility's recorded Customer Education Program costs associated with its efforts of providing an overview of consumer education .
b. A debit entry equal to interest on the average balance in the Subaccount at the beginning of the month and the balance after entry 2.a. above, calculated in the manner described in the Preliminary Statement, Part I, J.

3. Direct Access Implementation Costs Subaccount

The following entries will be made to this Subaccount each month:

- a. A debit entry equal to the amounts recorded in the Utility's Operations and Maintenance, and Administration and General Expense Accounts that were incurred as a result of the Direct Access Implementation Costs.
b. A debit entry equal to:
(1) depreciation expense on the average of the beginning and the end-of month balance of plant installed for the Direct Access Implementation Costs at one twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
(2) the return on investment on the average of the beginning and the end-of-month balance of plant installed for Direct Access Implementation, at one-twelfth of the annual rate of return on investment last adopted for the Gas Department by the CPUC; less
(3) the return on the average of beginning and end-of-month accumulated depreciation, and on average accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on investment last adopted for the Gas Department by the CPUC.

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PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

3. Direct Access Implementation Costs Subaccount (continued)

c. A debit entry equal to federal and state taxes based on income associated with item 2.b above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to the Utility.

d. A debit entry equal to the monthly property taxes on the plant installed.

e. A debit entry equal to interest on the average balance in the Subaccount at the beginning of the month and the balance after entries 3.a. through 3.d. above, calculated in the manner described in the Preliminary Statement, Part I, J.

4. UDC System Modification Costs Subaccount

The following entries will be made to this Subaccount each month:

a. A debit entry equal to the amounts recorded in the Utility's Operations and Maintenance, and Administration and General Expense Account that were incurred as a result of the UDC System Modification Costs .

b. A debit entry equal to:

- (1) depreciation expense on the average of the beginning and the end-of-month balance of plant installed for the UDC System Modification Costs at one-twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
(2) the return on investment on the average of the beginning and the end-of-month balance of plant installed for the UDC System Modification Costs, at one-twelfth of the annual rate of return on investment last adopted for the Gas Department by the CPUC; less
(3) the return on the average of the beginning and end-of-month accumulated net deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on investment last adopted for the Gas Department by the CPUC.

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PRELIMINARY STATEMENT
PART VI
DESCRIPTION OF REGULATORY ACCOUNTS - MEMORANDUM

(continued)

C. DESCRIPTION OF ACCOUNTS (continued)

GAS INDUSTRY RESTRUCTURING MEMORANDUM ACCOUNT (GIRMA) (continued)

4. UDC System Modification Costs Subaccount (continued)

c. A debit entry equal to federal and state taxes based on income associated with item 4.b. above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to the Utility.

d. A debit entry equal to the monthly property taxes on the plant installed.

e. A credit entry equal to amounts received for services for billing on behalf of the ESP.

f. A debit entry equal to interest on the average balance in the Subaccount at the beginning of the month and the balance after entries 4.a. through 4.e. above, calculated in the manner described in the Preliminary Statement, Part I, J.

5. Customer Information Release Systems Costs Subaccount

The following entries will be made to this Subaccount each month:

a. A debit entry equal to the amounts recorded in the Utility's Operations and Maintenance, and Administration and General Expense Accounts that were incurred as a result of the Customer Information Release System Costs.

b. A credit entry equal to any revenue received from ESPs or other parties for offsetting the costs related to this Subaccount .

c. A debit entry equal to interest on the average balance in the Subaccount at the beginning of the month and the balance after entries 5.a. and 5.b. above, calculated in the manner described in the Preliminary Statement, Part I, J.

Financial Reporting: The Utility may, at its discretion, record the balance in the GIRMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary.

The Utility may request recovery of the balances in the GIRMA by separate application to the Commission, or by any other means deemed appropriate by the Commission.

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