PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1 T
DIRECT ASSISTANCE PROGRAM BALANCING ACCOUNT (DAPBA) T

The DAPBA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track, beginning on January 1, 2006 with the implementation of the 2006-2007 cycle approved by D.05-12-026, the difference between low-income energy efficiency program (i.e., "Direct Assistance Program" or DAP) component of the gas surcharge funds reimbursed from the State and the corresponding actual DAP costs. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by utilities pursuant to the Natural Gas Surcharge D. 04-08-010. L

SoCalGas maintains this account by making monthly entries as follows:

a. A debit entry equal to actual DAP costs (e.g., low-income weatherization costs and other marketing program costs);

b. A credit entry equal to the DAP surcharge component of the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;

c. A debit entry equal to the DAP surcharge component of the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the State Board of Equalization (BOE) pursuant to Assembly Bill 1002;

d. A debit entry equal to DAP surcharge component of the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;

e. A credit entry equal to the DAP surcharge component of the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers, including actual interest earned in the Gas Consumption Surcharge Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the R&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;

f. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and

g. 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.

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels. L