

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS Sheet 1
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 non-public purpose 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. Effective January 1, 2005 this account is to track the difference between the authorized costs in rates and actual costs associated with non-public interest research, development and demonstration programs. D.01-10-030 extended the account through December 31, 2003. D.04-12-015 on Phase I of SoCalGas' Cost of Service (COS) authorized SoCalGas to continue using this account through the four-year COS period ending December 31, 2007. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, SoCalGas is authorized to continue using this account through the four-year GRC period ending December 31, 2011.

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; b) a credit entry for authorized costs being collected in rates; and c) an entry equal to interest on the average of the balance in this account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

At the end of the cost of service or general rate case 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.

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