PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS Sheet 1 T
RESEARCH DEVELOPMENT AND DEMONSTRATION T
GAS SURCHARGE ACCOUNT (RDDGSA) T

The RDDGSA is an interest bearing balancing account recorded on SoCalGas' financial statements. The purpose of this account is to track the gas surcharge collected from non-exempt customers effective January 1, 2005, that will be remitted to the State Board of Equalization (BOE) to fund programs administered by the California Energy Commission (CEC) or other non-utility entity designated by the Commission. This account also tracks SoCalGas' allocation of the annual BOE and the California Public Utilities Commission (CPUC) administrative costs authorized by the CPUC. The gas surcharge was established pursuant to Assembly Bill 1002 and implemented by the utilities pursuant to the Natural Gas Surcharge Decision (D.) 04-08-010. L

SoCalGas maintains this account by making monthly entries as follows (entries are "memo" only and not recorded on the financial statements):

a. A credit entry equal to the surcharge for the R&D program and the BOE and CPUC administrative costs from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs and refunds to customers that are exempt from the surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;

b. A debit entry equal to the 1/12 of the annual PPP R&D funding authorized by the CPUC;

c. A debit entry equal to 1/12 of SoCalGas' allocation of the annual BOE and CPUC administrative costs authorized by the CPUC;

SoCalGas also maintains this account by recording the following monthly entry:

d. An entry equal to the interest on the average of the billed surcharges in the possession of the Utility at the beginning of the month that have not been remitted to BOE, including interest previously recorded in the account, and the billed surcharges after entry a. above, at a rate equal to 1/12 the interest rate 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 and authorized BOE/CPUC administrative costs. Interest accumulated in the RDDGSA will be excluded from the annual update of PPP rates and held in the RDDGSA until further direction from the CPUC. L