

PRELIMINARY STATEMENT - PART VI - MEMORANDUM ACCOUNTS
SELF-GENERATION PROGRAM MEMORANDUM ACCOUNT (SGPMA)

Sheet 1

The SGPMA is an interest bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the SGPMA is to record the incremental costs associated with SoCalGas' Self-Generation Incentive Program (SGIP) as outlined in Commission Decision (D.) 02-02-026, dated February 7, 2002; D.01-09-012, dated September 6, 2001, D.01-07-028, dated July 12, 2001, D.01-03-073, dated March 27, 2001, and the California Solar Initiative (CSI) adopted in D.05-12-044 and D.06-01-024, dated December 15, 2005 and January 12, 2006, respectively.. Self-generation, as defined in D.01-03-073, refers to distributed generation technologies, such as microturbines, small gas turbines, wind turbines, photovoltaics, fuel cells, internal combustion engines, and combined heat and power (or cogeneration). Self-generation units, with a 1.5 MW maximum system size limit, are installed on the customer's side of the utility meter and provide electricity for all or a portion of that customer's electric load.

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The SGPMA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission. The SGPMA balance and current year's revenue requirement will be included in transportation rates annually.

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SoCalGas shall maintain the SGPMA by making entries at the end of each month as follows:

- a. A debit entry equal to the incremental O&M costs incurred by SoCalGas associated with this program, such as the costs of marketing, contract administration, regulatory reporting, program evaluation, and customer's incentives.
- b. A debit entry equal to the incremental capital costs incurred by SoCalGas associated with this program, such as depreciation, return on investment and related taxes.
- c. A credit entry related to one-twelfth of the authorized CSI revenue requirement (for 2006 only).
- d. A credit entry related to one-twelfth of the authorized SGIP revenue requirement.
- e. A credit entry equal to the revenues from amortization rates as authorized by the Commission.
- f. A debit entry equal to the interest on the average balance in the account during the month, calculated in the manner described in the Preliminary Statement, Part I, J.

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A separate accounting of costs and benefits, by customer class, will be accomplished.

The total authorized program cost for SoCalGas is \$17 million annually over a four-year period beginning on March 27, 2001, and extending through December 31, 2004 as specified in Ordering Paragraph 1 of D. 01-03-073. Any unused funding can be carried over from one year to the next up to a maximum limit of \$68 million for the four-year period. SoCalGas may request approval to borrow against the annual budget of a subsequent year if program participation is larger than anticipated in the current year. The program was extended through December 31, 2007 in accordance with R.04-03-017. For 2006, an additional \$27 million is authorized for the CSI program.

Amounts in the SGPMA shall be amortized into SoCalGas' transportation rates on a uniform cent per therm basis annually. SoCalGas will file an advice letter to make this change in the October Biennial Cost Allocation Proceeding (BCAP) update filing each year with rates effective the following January 1st. Recovery of the undepreciated portion of the capital costs shall be authorized in the utility's next cost of service proceeding. Pursuant to D.05-12-044, SoCalGas may recover its share of the incremental amount authorized for the SGIP in the utility's next rate change following the effective date of D.05-12-044, subject to review of program costs at any time.

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3654-A
 DECISION NO. 06-01-024

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Oct 12, 2006
 EFFECTIVE Nov 11, 2006
 RESOLUTION NO. _____