

PRELIMINARY STATEMENT

Sheet 5

T

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

ENHANCED OIL RECOVERY ACCOUNT (EORA) (Continued)

1. A floor rate of 3.0¢ per therm for contracts signed on or before December 3, 1986, and a floor rate equal to the short-run marginal cost for contracts signed subsequent to December 3, 1986,
 2. Gas procurement costs, and
 3. Interutility transportation costs; and
 4. LUAF, CU and CCSI.
- d. An entry equal to interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J.

NONCORE STORAGE BALANCING ACCOUNT (NSBA)

The NSBA is a balancing account. The purpose of this account is to (1) balance the authorized at-risk non-gas costs for unbundled storage service as authorized in Decision No.00-04-060 and the reservation and in-kind energy charge revenues collected from customers who contract for these unbundled storage services, and (2) record the unallocated fully scaled unbundled noncore storage revenue requirement. Pursuant to D.XX-XX-XXX, the shareholders' 50% share of noncore storage revenues in excess of the cost allocation assigned to the at-risk portion of the unbundled storage program (i.e., "storage earnings") is capped at \$20 million annually (excluding F&U), prorated for the partial year beginning on April 1, 2007. For example, the 2007 storage earnings cap will be prorated to \$15 million for the last 9 months of the year. The storage earnings for the first 3 months of 2007 will not be subject to the storage earnings cap. The storage earnings cap will be subject to revision based on changes in the revenue requirement allocated to the at-risk portion of the unbundled storage program resulting from an overall change in the revenue requirement for storage, such as a general rate case, annual inflation, or investment in storage expansion facilities. The storage earnings cap will also change proportionately due to changes in cost allocation to the at-risk unbundled storage revenue requirement resulting from any regulatory proceeding.

The Utility shall maintain the NSBA by making entries at the end of the month as follows:

- a. A credit entry equal to 50% (to the extent that the annual storage earnings cap, prorated as described above, is not exceeded) of all reservation and variable O&M charge revenues less ~~(a) the revenues collected from the reservation charges resulting from the Utility's sale of core storage capacity rights under Schedule No. G-AUC, (b) the allowance for F&U on net revenue, as applicable, and (c) the reservation charge revenues collected for subscribed unbundled storage service from expansion storage facilities;~~
- b. A credit entry equal to 100% of all reservation and variable O&M charge revenues in the event that actual storage earnings exceed the current annual storage earnings cap as revised pursuant to changes in the revenue requirement allocated to the at-risk portion of the unbundled storage

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 3061-A
 DECISION NO. 02-02-026

ISSUED BY
Lee Schavrien
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Mar 8, 2002
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PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

program less the allowance for F&U on net revenue, as applicable;

bc. A debit entry equal to 50% of one-twelfth of the authorized at-risk non-gas costs allocated to unbundled storage service (i.e., \$21 million annually pursuant to D.00-04-060), less the allowance for F&U on net revenue, as applicable;

c. A debit entry equal to 50% ~~of Company use fuel and of~~ well incidents allocated to the unbundled storage programs,

dd. A debit entry equal to the difference between 100% of one-twelfth of the authorized fully scaled unbundled noncore storage revenue requirement and one-twelfth of the \$21 million at-risk unbundled storage level pursuant to D.00-04-060, less the allowance for F&U on net revenue, as applicable;

(Continued)

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ISSUED BY
Lee Schavrien
Vice President
Regulatory Affairs

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PRELIMINARY STATEMENT

Sheet 6

PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING

(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

NONCORE STORAGE BALANCING ACCOUNT (NSBA) (Continued)

- fe. An entry equal to the authorization of the forecasted remaining balance less F&U; and,
- gf. 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.

The balance of the NSBA shall be allocated in the Utility's cost allocation proceedings to all customers.

CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (CAREA)

The CAREA is a balancing account. The purpose of this account is to balance California Alternate Rates for Energy (CARE) program expenses incurred against gas surcharge funds reimbursed from the State of California (State). 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. Pursuant to Commission Decision 02-07-033 effective July 17, 2002, the utility is also authorized to record all costs related to automatic enrollment, which include the CARE rate subsidy costs, utility administrative costs (including start-up and implementation), and the Commission's clearinghouse costs. These costs will be recorded as separate line items in the CAREA.

Commencing on the effective date of this tariff, Utility shall maintain the CAREA by making entries at the end of each month as follows:

- a. A debit entry equal to recorded administrative costs for the CARE program, excluding costs associated with the automatic enrollment process into the CARE Program.
- b. A debit entry equal to the recorded incremental administrative and general expenses, including Commission's allocated incremental clearinghouse costs, associated with the automatic enrollment process into the CARE Program.
- c. A debit entry equal to the recorded CARE program discounts billed for the month, excluding F&U, to customers who have not been automatically enrolled in the program.
- d. A debit entry equal to the recorded CARE program discounts billed for the month, excluding F&U, to customers who have been automatically enrolled in the program.
- e. A debit entry equal to revenue shortfalls associated with discounts to the service establishment charge adopted in D.97-04-082 and implemented in D.97-07-054 for CARE customers.

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