



PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

T. INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA)

1. Purpose

The ITBA is an interest-bearing balancing account that is recorded on the utilities' financial statements pursuant to D.06-04-033 and D.XX-XX-XXX. The ITBA consists of two subaccounts: System Integration (SI) Subaccount and the Firm Access Rights and Off-System Delivery (FAR OFF) Subaccount. The purpose of the SI Subaccount is to record the difference between the authorized transmission system revenue requirements and the corresponding transmission revenues. The FAR OFF Subaccount will record a credit to ratepayers for firm and interruptible access charges. As detailed below, interruptible access shall be balanced 100% to the extent of eliminating any undercollection in the ITBA by the end of the calendar year and 90% balanced for any remaining interruptible access revenues. The remaining 10% shall be allocated to SDG&E's shareholders subject to a \$5 million annual cap which is applicable to the combined interruptible access revenues from SoCalGas and SDG&E. Although SDG&E will not have an Off-System Delivery tariff, the costs and revenues related to this service that are reflected in SoCalGas' ITBA shall be allocated between both SDG&E and SoCalGas in connection with the update to the ITBA rate.

2. Applicability

The ITBA shall apply to all customers.

3. Rates

The balance in the ITBA will be included in gas rates upon Commission approval.

4. Accounting Procedure

The **SI Subaccount** shall record entries at the end of the month as follows:

- a. A debit entry equal to one-twelfth of the authorized transmission revenue requirement;
- b. A credit entry equal to the actual transmission revenues;
- c. A credit/debit entry equal to the amortization of the previous year balance;
- d. An entry equal to interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.c above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

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PRELIMINARY STATEMENT

IV. BALANCING ACCOUNTS

T. INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA) (Continued)

4. Accounting Procedure (Continued)

The **FAR Subaccount** shall record entries at the end of the month as follows:

- a. A debit entry equal to one-twelfth of the authorized Firm Access Charge (FAC) and Interruptible Access Charge (IAC);
- b. A credit entry equal to the actual firm access reservation charges (i.e. Firm Access Charge) ;
- c. A credit entry equal to 100% of interruptible access revenues to the extent that any ITBA undercollection in the current calendar year is eliminated;
- d. A credit entry equal to 90% of the interruptible access revenues not used to offset an ITBA undercollection in the current calendar year as referenced in entry c and subject to a cap as referenced in entry e;
- e. To the extent that any ITBA undercollection in the current calendar year is eliminated, a credit entry equal to 100% of interruptible access revenues in excess of \$50 million from the combined sale of SoCalGas and SDG&E interruptible access service provided in the current year;
- f. A credit/debit entry equal to the amortization of the previous year balance;
- g. An entry equal to interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.e above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.

5. Disposition

The balance in the ITBA shall be combined with the balance in SoCalGas' ITBA and re-allocated between the utilities based on cold year throughput. SDG&E's allocation of the combined ITBA balance shall then be amortized in the following year's transportation rates as proposed in SDG&E's October regulatory account balance update filing.

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