PRELIMINARY STATEMENT Sheet 25
PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING
(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued)

INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA) N

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 (FAR) 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 Subaccount will record the credit to ratepayers for firm and interruptible access charges. Interruptible access charges shall be 100% balanced 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 SoCalGas' shareholders subject to a $5 million annual cap which is applicable to the combined interruptible access revenues from SoCalGas and SDG&E.

The Utility shall record entries at the end of the month as follows:

SI Subaccount

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. An entry equal to the actual revenues authorized by the Commission to amortize the balance in the SI Subaccount;

d. An entry equal to interest on the average of the balance in the SI Subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

FAR Subaccount

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); N

(Continued)

PRELIMINARY STATEMENT Sheet 26
PART V
DESCRIPTION OF REGULATORY ACCOUNTS - BALANCING
(Continued)

C. DESCRIPTION OF ACCOUNTS (Continued) N

INTEGRATED TRANSMISSION BALANCING ACCOUNT (ITBA) (Continued)

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 any 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 delivery revenues in excess of $50 million from the combined sale of SoCalGas and SDG&E interruptible access service provided in the current year;

f. An entry equal to the actual revenues authorized by the Commission to amortize the balance in the FAR Subaccount; and

g. An entry equal to interest on the average of the balance in the FAR Subaccount during the month, calculated in the manner described in Preliminary Statement, Part I, J.

The balance in the ITBA shall be combined with the balance in SDG&E' ITBA and re-allocated between the utilities based on cold year throughput. SoCalGas' allocation of the combined ITBA balance shall then be amortized in the following year's transportation rates as proposed in SoCalGas' October 15 regulatory account balance update filing. The 10% shareholder incentive of interruptible access revenues shall be an exclusion in determining sharable earnings under SoCalGas' PBR sharing mechanism. N

(Continued)