

Application No.: A.17-03-XXX  
Exhibit No.: \_\_\_\_\_  
Witness: R. Austria

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) for (A) Approval of the Forecasted Revenue Requirement Associated with Certain Pipeline Safety Enhancement Plan Projects and Associated Rate Recovery, and (B) Authority to Modify and Create Certain Balancing Accounts

Application 17-03-\_\_\_\_\_  
(Filed on March 30, 2017)

**CHAPTER V**  
**PREPARED DIRECT TESTIMONY OF**  
**REGINALD M. AUSTRIA**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

March 30, 2017

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1 **I. PURPOSE AND OVERVIEW OF TESTIMONY**

2 The purpose of my testimony is to sponsor the regulatory accounting treatment of costs and  
3 the corresponding forecasted revenue requirements associated with Phase 1B and Phase 2 of  
4 Southern California Gas Company’s (SoCalGas) and San Diego Gas & Electric Company’s  
5 (SDG&E) or “Utilities” or “Applicants” Pipeline Safety Enhancement Program (PSEP).

6 **II. PSEP COSTS SUBJECT TO BALANCING ACCOUNT TREATMENT**

7 The Utilities propose to balance actual O&M and capital-related revenue requirements based  
8 on fully-loaded expenditures consistent with the Utilities’ methodology in developing the forecasted  
9 revenue requirements for Phase 1B and Phase 2 PSEP projects as presented by the Prepared Direct  
10 Testimony of Karen Chan (Chapter IV). Costs shall include the allocation of incremental overheads  
11 as discussed in Chapter IV; General, Management and Administration (GMA) costs as discussed in  
12 the Prepared Direct Testimony of Jose Pech (Chapter III); and hydro testing and pipe replacement  
13 costs, including planning and engineering design costs as discussed in the Prepared Direct  
14 Testimony of Hugo Mejia (Chapter I) and Ronn Gonzalez (Chapter II). Costs will exclude non-  
15 incremental overheads (e.g., warehousing costs, etc.) and pension and Post-Retirement Benefits  
16 Other than Pension (PBOP) costs, as these costs are subject to separate balancing account treatment  
17 in the Utilities’ Pension and PBOP balancing accounts.

18 **III. REGULATORY ACCOUNTING TREATMENT OF COSTS AND FORECASTED**  
19 **REVENUE REQUIREMENTS ASSOCIATED WITH PHASE 1B**

20 Utilities propose a limited modification of their existing Safety Enhancement Expense  
21 Balancing Accounts (SEEBAs) and Safety Enhancement Capital Cost Balancing Accounts  
22 (SECCBAs) in order to establish two subaccounts within each account to better track project costs  
23 and revenues:

- 24 1) Phase 1A Subaccounts – These subaccounts are the same as the prior approved  
25 SEEBAs and SECCBA mechanisms that will continue to record PSEP activity

1 associated with Phase 1A, which is currently subject to after-the-fact reasonableness  
2 reviews and 50% interim rate recovery pursuant to Commission Decision  
3 (D.) 16-08-003.<sup>1</sup>

- 4 2) Phase 1B Subaccounts – These subaccounts will record, on an aggregate project  
5 basis, the differences between actual PSEP revenue requirements associated with  
6 Phase 1B and the corresponding forecasted revenue requirements adopted in this  
7 Application.

8 Similar to the current balancing account mechanism, Phase 1A and Phase 1B Subaccounts  
9 are interest bearing accounts which will continue to record the following costs or adjustments:

10 SEEBA

- 11 • Incremental O&M costs related to Phase 1A and Phase 1B of the Utilities’ PSEP,  
12 excluding the cost for pressure testing pipeline segments installed after 1955 “where  
13 pressure test records are not available that provide the minimum information to  
14 demonstrate compliance with the industry or regulatory strength testing and record  
15 keeping requirements then applicable” pursuant to D.15-12-020.<sup>2</sup>

16 SECCBA

- 17 • Capital-related costs (depreciation, return and taxes) related to the Phase 1A or  
18 Phase 1B of the Utilities’ PSEP. The basis of the capital asset will be reduced in  
19 accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual  
20 pressure testing when the replacement of the pipeline installed after 1955 is planned  
21 rather than testing existing pipelines “where pressure test records are not available to

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<sup>1</sup> This subaccount will also include Phase 1 projects not included in this forecast application.

<sup>2</sup> D.15-12-020, mimeo., at 24 (Ordering Paragraph 1).

1 provide the minimum information to demonstrate compliance with the industry or  
2 regulatory strength testing and record keeping requirements then applicable.”

- 3 • An adjustment for the revenue requirement associated with the remaining  
4 undepreciated book of any post-1955 pipeline that is abandoned or replaced “where  
5 pressure test records are not available that provide minimum information to  
6 demonstrate compliance with the industry or regulatory strength testing and record  
7 keeping requirements then applicable.”

8 To the extent any planning and engineering design costs were previously incurred or any  
9 50% interim cost recovery was realized and recorded under the Utilities’ currently existing SEEBAs  
10 and SECCBAs, these costs and revenues will be properly allocated to the Phase 1A and Phase 1B  
11 Subaccounts. Unlike the Phase 1A Subaccount, the Phase 1B Subaccount will reflect a credit for  
12 the forecasted revenue requirements associated with Phase 1B PSEP projects, less amounts  
13 previously collected from customers pursuant to the 50% interim rate recovery adopted in  
14 D.16-08-003. The Phase 1A Subaccount will continue to reflect the 50% interim recovery and  
15 authorized recovery obtained in reasonableness review decisions.

#### 16 **IV. REGULATORY ACCOUNTING TREATMENT OF COSTS AND FORECASTED** 17 **REVENUE REQUIREMENTS ASSOCIATED WITH PHASE 2**

##### 18 **A. PSEP-P2MAs**

19 In A.15-06-013, Utilities sought authorization to proceed with Phase 2 and establish  
20 memorandum accounts to record the planning and engineering design costs for consideration and  
21 recovery in a future application. In D.16-08-003, the Commission found that Applicants had  
22 justified their request for Pipeline Safety Enhancement Plan Memorandum Accounts (PSEPMAAs) in  
23 which to record planning and engineering costs associated with their respective PSEP Phase 2  
24 projects, and that properly recorded costs would be subject to later ratemaking review pursuant to

1 the schedule adopted.<sup>3</sup> The PSEPMAAs were created as PSEP-Phase 2 Memorandum Accounts  
2 (PSEP-P2MAAs) by SoCalGas Advice Letter 5017-A and SDG&E Advice Letter 2506-G-A for this  
3 purpose. In this Application, Utilities propose to establish balancing account mechanisms for their  
4 Phase 2 PSEP work, similar to the regulatory balancing account mechanisms authorized in the  
5 Phase 1 PSEP, but modified to record the forecasted revenue requirements adopted in the  
6 Commission’s decision on this Application. Applicants further propose to transfer relevant Phase  
7 2A planning and engineering design costs recorded to PSEP-P2MAAs pursuant to Commission order  
8 to the appropriate PSEP balancing accounts (i.e., the SEEBA-P2 and/or SECCBA-P2). It is  
9 consistent with Applicants’ prior cost-recovery applications that the costs of discrete projects be  
10 considered together, as a whole, rather than piecemeal.

11 **B. SEEBA-P2 and SECCBA-P2**

12 Utilities each further seek authority to create the following balancing accounts to record  
13 Phase 2 capital and O&M costs: Safety Enhancement Expense Balancing Account – Phase 2  
14 (SEEBA-P2) and Safety Enhancement Capital Cost Balancing Account – Phase 2 (SECCBA-P2).

15 **1. SEEBA-P2**

16 The SEEBA-P2 is an interest-bearing balancing account which will record, on an aggregate  
17 project basis, the difference between actual and forecasted revenue requirements. Actual revenue  
18 requirements include the following:

- 19 • Incremental O&M costs related to Phase 2 of the Utilities’ PSEP, excluding the cost  
20 for pressure testing of pipeline segments installed after 1955 “where pressure test  
21 records are not available that provide the minimum information to demonstrate  
22 compliance with the industry or regulatory strength testing and record keeping  
23 requirements then applicable” pursuant to D.15-12-020.

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<sup>3</sup> D.16-08-003, mimeo., at 8, 14-15.

- Planning and engineering design costs that are allocated to the Phase 2 PSEP projects forecasted in this Application, which are proposed herein to be transferred from the Utilities' PSEP-P2MAs to the SEEBA-P2 accounts.

The SEEBA-P2 will also reflect a credit for the forecasted revenue requirements associated with Phase 2 PSEP O&M projects.

## **2. SECCBA-P2**

The SECCBA-P2 is an interest-bearing balancing account which will record, on an aggregate project basis, the difference between actual and forecasted revenue requirements. Similar to the Phase 1B Subaccount of the SECCBA, the SECCBA-P2s will record the following costs and adjustments:

- Capital-related costs (depreciation, return and taxes) related to Phase 2 of the Utilities' PSEP. The basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when the replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines "where pressure test records are not available to provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable."
- An adjustment for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned or replaced "where pressure test records are not available that provide minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable."

- Planning and engineering design costs that are allocated to the Phase 2 PSEP projects forecasted in this Application, which are proposed herein to be transferred from the Utilities' PSEP-P2MAs to the SECCBA-P2 accounts.

The SECCBA-P2 will also reflect a credit for the forecasted revenue requirements associated with Phase 2 PSEP replacement projects.

## **V. RATE RECOVERY**

The Utilities propose that the true-up of balances in the Phase 1B Subaccounts of the SEEBAs and SECCBAs and the SEEBAs-P2s, and SECCBA-P2s be addressed in the Utilities' annual regulatory account balance update advice letter filing for gas transportation rates effective January 1 of the following year. If the Utilities determine that any over- or under-collections in these PSEP balancing accounts are due to timing and not due to permanent differences, these balances will be carried over to the following year and not incorporated in the following year's gas transportation rates. For the capital cost-related PSEP balancing accounts (i.e., Phase 1B Subaccounts of the SECCBAs and the SECCBA-P2s), these accounts will continue to balance, on an aggregate project basis, the difference between actual and forecasted capital-related revenue requirements until the Phase 1B and Phase 2 PSEP assets are rolled-in authorized ratebase in connection with the Utilities' next General Rate Case.

## **VI. CONCLUSION**

The relief sought herein regarding rate recovery and regulatory accounting treatment of expenditures and corresponding forecasted revenue requirements associated with Phase 1B and Phase 2 of the Utilities' PSEP are reasonable requests to ensure the Utilities are adequately funded on a timely basis and can complete the PSEP projects proposed in the Application in an efficient and expeditious manner, and therefore should be granted. Upon Commission approval of these



1 requests, Utilities will file the preliminary statements (drafts of which are appended hereto as  
2 Attachment A) to modify and create the regulatory accounts proposed herein.

3 This concludes my prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Reginald M. Austria. I am employed by SoCalGas. My business address is 555  
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts Manager of  
4 the Regulatory Accounts group within the Accounting and Finance Department which supports the  
5 regulatory accounting and reporting activities for SoCalGas. I have held my current position since  
6 April 1, 2002. I am responsible for managing SoCalGas' authorized regulatory balancing, tracking  
7 and memorandum accounts. My responsibilities include: implementing regulatory accounting  
8 procedures for compliance with Commission decisions; quantifying and recording the monthly  
9 entries and adjustments to the Commission-authorized regulatory account mechanisms; and  
10 managing the general administration of SoCalGas' authorized regulatory accounts. Prior to April 1,  
11 2002, I was the Utility Accounting Manager for SoCalGas, in which I had similar responsibilities to  
12 my current duties.

13 I received my Bachelor of Science degree in Accounting from California State University,  
14 Long Beach in 1982. I am a Certified Public Accountant and a member of the American Institute of  
15 Certified Public Accountants and the California Society of Certified Public Accountants. I began  
16 my employment with SoCalGas in 1983 in the Accounting and Finance Department. I have held  
17 various positions of increasing responsibility in Internal Audit, Cost Accounting, General  
18 Accounting, and Utility Regulatory Accounting before assuming my current position.

19 I have previously testified before the Commission.

ATTACHMENT A

Preliminary Statements

Phase 1

Safety Enhancement Capital Cost Balancing Accounts  
Safety Enhancement Expense Balancing Accounts

Phase 2

Safety Enhancement Capital Cost Balancing Accounts-P2  
Safety Enhancement Expense Balancing Accounts-P2

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT CAPITAL COST  
BALANCING ACCOUNT (SECCBA)

Sheet 1

1. Purpose

The SECCBA is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 14-06-007, SoCalGas' 2013 Triennial Cost Allocation Proceeding (TCAP), and modified by D.15-12-020, the SECCBA will record the capital-related costs on capital assets associated with SoCalGas' Pipeline Safety Enhancement Plan (PSEP). SoCalGas will begin recording costs effective June 12, 2014, the date of the 2013 TCAP decision. Pursuant to D.XX-XX-XXX, the SECCBA consists of two subaccounts for PSEP costs subject to reasonableness review/50% interim recovery and recovery on a forecast basis:

- Phase 1A Subaccount records PSEP activity associated with Phase 1A
- Phase 1B Subaccounts— records PSEP activity associated with Phase 1B

2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures - PSEP Phase 1A Subaccount

SoCalGas shall maintain the PSEP Phase 1A SubaccountSECCBA by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) related to SoCalGas' PSEP; the basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A credit entry for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned and replaced "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- c) A credit entry equal to the transfer of Phase 1B planning and engineering design costs to PSEP Phase 1B Subaccount;
- b)d) A debit entry equal to the transfer of the 50% interim recovery of planning and engineering design costs to the PSEP Phase 1B Subaccount;
- e)e) An entry equal to the amortization of the PSEP Phase 1A SubaccountSECCBA balance as

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ADVICE LETTER NO. 4922  
DECISION NO. 15-12-020

ISSUED BY  
**Dan Skopec**  
Vice President  
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(TO BE INSERTED BY CAL. PUC)  
DATE FILED Feb 1, 2016  
EFFECTIVE Mar 2, 2016  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT CAPITAL COST  
BALANCING ACCOUNT (SECCBA)

Sheet 1

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authorized by the Commission; and

~~d)f) 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.

5. Accounting Procedures - PSEP Phase 1B Subaccount

SoCalGas shall maintain the PSEP Phase 1B Subaccount by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) related to SoCalGas' PSEP; the basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A debit entry equal to the transfer of Phase 1B planning and engineering design costs from PSEP Phase 1A Subaccount;
- c) A credit entry for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned and replaced "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- d) A credit entry equal to authorized PSEP revenues adopted in D.XX-XX-XXX, net of planning and engineering design costs recovered on an interim basis in rates pursuant to D.16-08-003;
- e) A credit entry equal to the transfer of the 50% interim recovery of planning and engineering design costs from PSEP Phase 1A Subaccount;
- f) An entry equal to the amortization of the PSEP Phase 1B Subaccount balance as authorized by the Commission; and
- g) 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.

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ADVICE LETTER NO. 4922  
DECISION NO. 15-12-020

ISSUED BY  
**Dan Skopec**  
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(TO BE INSERTED BY CAL. PUC)  
DATE FILED Feb 1, 2016  
EFFECTIVE Mar 2, 2016  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT CAPITAL COST  
BALANCING ACCOUNT (SECCBA)

Sheet 2

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65. Disposition

Pursuant to D.14-06-007, SoCalGas is required to file cost recovery applications to review the reasonableness of the completed PSEP capital projects and the capital-related costs recorded in the SECCBA. SoCalGas may file annual applications after December 31, 2015 to seek recovery of the SECCBA. Pursuant to OP 3.a. of D.16-08-003, SoCalGas is authorized interim rate recovery of 50% of the recorded SECCBA balance, subject to refund. The SECCBA balance for determining interim rate recovery shall be reduced by amounts currently under Commission review. Pursuant to D.XX-XX-XXX, the Phase 1B Subaccount balance will be amortized in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1<sup>st</sup> of the following year. Upon Commission approval of the application or advice letter requesting interim rate recovery for the Phase 1A Subaccount balance, SoCalGas will amortize the Phase 1A Subaccount ~~SECCBA~~ balance in rates.

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DECISION NO. 16-08-039

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(TO BE INSERTED BY CAL. PUC)

DATE FILED Aug 31, 2016  
EFFECTIVE Sep 1, 2016  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT EXPENSE BALANCING ACCOUNT (SEEBA)

1. Purpose

The SEEBA is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) 14-06-007, SoCalGas' 2013 Triennial Cost Allocation Proceeding (TCAP), and modified by D.15-12-020, the SEEBA will record incremental operating & maintenance (O&M) costs associated with SoCalGas' Pipeline Safety Enhancement Plan (PSEP). SoCalGas will begin recording costs effective June 12, 2014, the date of the 2013 TCAP decision. Pursuant to D.XX-XX-XXX, the SEEBA consists of two subaccounts for PSEP costs subject to reasonableness review/50% interim recovery and recovery on a forecast basis:

- Phase 1A Subaccount – records PSEP activity associated with Phase 1A
- Phase 1B Subaccounts– records PSEP activity associated with Phase 1B

2. Applicability

See Disposition section.

3. Rates

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

4. Accounting Procedures – PSEP Phase 1A Subaccount

SoCalGas shall maintain the PSEP Phase 1A SubaccountSEEBA by recording entries at the end of each month, net of applicable FF&U, as follows:

- A debit entry equal to the incremental O&M costs related to SoCalGas' PSEP excluding the cost for pressure testing of pipeline segments installed after 1955 "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- An entry equal to the amortization of the PSEP Phase 1A SubaccountSEEBA balance as authorized by the Commission; and
- 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.

5. Accounting Procedures – PSEP Phase 1B Subaccount

SoCalGas shall maintain the PSEP Phase 1B Subaccount by recording entries at the end of each month, net of applicable FF&U, as follows:

- A debit entry equal to the incremental O&M costs related to SoCalGas' PSEP excluding the cost

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ADVICE LETTER NO. 5017-A  
DECISION NO. 16-08-039

ISSUED BY  
**Dan Skopec**  
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(TO BE INSERTED BY CAL. PUC)  
DATE FILED Aug 31, 2016  
EFFECTIVE Sep 1, 2016  
RESOLUTION NO. \_\_\_\_\_

**PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT EXPENSE BALANCING ACCOUNT (SEEBA)**

for pressure testing of pipeline segments installed after 1955 “where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable” (See D.15-12-020, at 24; Ordering Paragraph 1);

- b) A credit entry equal to authorized PSEP revenues adopted in D.XX-XX-XXX;
- c) An entry equal to the amortization of the PSEP 1B Subaccount balance as authorized by the Commission; and
- 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.

**65. Disposition**

Pursuant to D.14-06-007, SoCalGas is required to file cost recovery applications to review the reasonableness of the PSEP O&M costs recorded in the SEEBA. SoCalGas may file annual applications after December 31, 2015 to seek recovery of the SEEBA. Pursuant to OP 3.a. of D.16-08-003, SoCalGas is authorized interim rate recovery of 50% of the recorded SEEBA balance, subject to refund. The SEEBA balance for determining interim rate recovery shall be reduced by amounts currently under Commission review. Pursuant to D.XX-XX-XXX, the Phase 1B Subaccount balance will be amortized in connection with SoCalGas’ Annual Regulatory Account Balance Update filing for rates effective January 1<sup>st</sup> of the following year. Upon Commission approval of the application or advice letter requesting interim rate recovery for the Phase 1A Subaccount balance, SoCalGas will amortize the Phase 1A SubaccountSEEBA balance in rates.

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 ADVICE LETTER NO. 5017-A  
 DECISION NO. 16-08-039

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 DATE FILED Aug 31, 2016  
 EFFECTIVE Sep 1, 2016  
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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT CAPITAL COST  
BALANCING ACCOUNT - PHASE 2 (SECCBA-P2)

Sheet 1

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1. Purpose

The SECCBA-P2 is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) XX-XX-XXX, the SECCBA-P2 will record the capital-related costs on capital assets associated with SoCalGas' Phase 2 of SoCalGas' Pipeline Safety Enhancement Plan (PSEP).

2. Applicability

See Disposition section.

3. Rates

The balance in the SECCBA-P2 will be included in gas rates upon Commission approval.

4. Accounting Procedures

SoCalGas shall maintain the SECCBA-P2 by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) related to Phase 2 of SoCalGas' PSEP; the basis of the capital asset will be reduced in accordance with D.14-06-007 and D.15-12-020 by the system average cost of actual pressure testing when replacement of the pipeline installed after 1955 is planned rather than testing existing pipelines "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A credit entry for the revenue requirement associated with the remaining undepreciated book value of any post-1955 pipeline that is abandoned and replaced "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- c) A debit entry equal to the capital-related costs (depreciation, return, and income and property taxes) associated with allocated, capitalized planning and engineering design costs to Phase 2 PSEP replacement projects;
- d) A credit entry equal to authorized PSEP revenues adopted in D.XX-XX-XXX;
- e) An entry equal to the amortization of the SECCBA-P2 balance as authorized by the Commission; and
- f) 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.

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(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. 4922  
DECISION NO. 15-12-020

ISSUED BY  
**Dan Skopec**  
Vice President  
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(TO BE INSERTED BY CAL. PUC)  
DATE FILED Feb 1, 2016  
EFFECTIVE Mar 2, 2016  
RESOLUTION NO. \_\_\_\_\_

PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT CAPITAL COST  
BALANCING ACCOUNT – PHASE 2 (SECCBA-P2)

Sheet 2

(Continued)

5. Disposition

Pursuant to D.XX-XX-XXX, SECCBA-P2 balance will be amortized in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1<sup>st</sup> of the following year.

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PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
SAFETY ENHANCEMENT EXPENSE BALANCING ACCOUNT – PHASE 2 (SEEBA-P2)

1. Purpose

The SEEBA-P2 is an interest bearing balancing account recorded on SoCalGas' financial statements. Pursuant to Decision (D.) XX-XX-XXX, the SEEBA-P2 will record incremental operating & maintenance (O&M) costs associated with Phase 2 of SoCalGas' Pipeline Safety Enhancement Plan (PSEP).

2. Applicability

See Disposition section.

3. Rates

The balance in the SEEBA-P2 will be included in gas rates upon Commission approval.

4. Accounting Procedures

SoCalGas shall maintain the SEEBA-P2 by recording entries at the end of each month, net of applicable FF&U, as follows:

- a) A debit entry equal to the incremental O&M costs related to Phase 2 of SoCalGas' PSEP excluding the cost for pressure testing of pipeline segments installed after 1955 "where pressure test records are not available that provide the minimum information to demonstrate compliance with the industry or regulatory strength testing and record keeping requirements then applicable" (See D.15-12-020, at 24; Ordering Paragraph 1);
- b) A debit entry equal to the transfer of planning and engineering costs from the PSEP-P2 Memorandum Account allocated to Phase 2 PSEP hydro test O&M projects;
- c) A credit entry equal to authorized PSEP revenues adopted in D.XX-XX-XXX;
- d) An entry equal to the amortization of the SEEBA-P2 balance as authorized by the Commission; and
- e) 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.

5. Disposition

Pursuant to D.XX-XX-XXX, SEEBA-P2 balance will be amortized in connection with SoCalGas' Annual Regulatory Account Balance Update filing for rates effective January 1<sup>st</sup> of the following year.

(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO.  
DECISION NO.

100

ISSUED BY

**Dan Skopec**  
Vice President  
Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)

DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_  
RESOLUTION NO. \_\_\_\_\_