

PRELIMINARY STATEMENT

1. SERVICE TERRITORY

Southwest Gas Corporation (the Company) provides natural gas service within the following counties: San Bernardino, Placer, El Dorado and Nevada. Service is provided in the geographical areas definitively set forth by cross-hatching on the maps of the Company's service areas contained in this California Gas Tariff.

- 1A. The following communities are included in the Company's Southern California service area:

Adelanto	Fawnskin	Moonridge
Apple Valley	Helendale	Needles
Barstow	Hesperia	North Barstow
Big Bear City	Hinkley	Oro Grande
Big Bear Lake	Lenwood	Sugarloaf
Bryman	Lockhart	Summit
Calico	Lucerne Valley	Victorville
Daggett	Marianas Ranchos	Yermo

- 1B. The following communities are included in the Company's Northern California and South Lake Tahoe service areas:

Agate Bay	Homewood	Sunnyside
Brockway	Kings Beach	Tahoe City
Carnelian Bay	McKinney Bay	Tahoe Donner
Cedar Flat	Meeks Bay	Tahoe Pines
Chambers Lodge	Northstar	Tahoe Vista
Dollar Point	Rubicon Point	Tahoma
Donner Lake	South Lake Tahoe	Talmont
Glenshire	Sugar Pine Point	Truckee

The Company maintains separate distribution service rates for South Lake Tahoe and the remainder of its Northern California service area as reflected on the Northern California Division and South Lake Tahoe Statement of Rates.

2. DESCRIPTION OF SERVICE

The Company is principally engaged in the business of purchasing, distributing and transporting natural gas to residential, commercial and industrial customers in the southwestern United States.

PRELIMINARY STATEMENT
(Continued)

2. DESCRIPTION OF SERVICE (Continued)

All service shall be provided by the Company in accordance with the rates, conditions and rules set forth in the following tariff schedules. The rates specified in these schedules apply only to the use of such gas as is furnished or transported by the Company in its service territory. The gas supplied is to be of the heating value, quality and pressure as set forth in Rule No. 2 of this California Gas Tariff.

3. PROCEDURE TO OBTAIN SERVICE

Normal procedure for a customer to apply for gas service is to contact the Company's Customer Business Office and provide the required information in the application for service set forth in Rule No. 3 of this California Gas Tariff. The customer's application is merely a request for service and does not in itself bind the Company to provide gas service, except under reasonable conditions, nor does it bind the customer to take gas service for a period longer than 30 days.

4. SERVICE AREA MAPS

The areas identified by cross-hatching on the maps on the following pages delineate the territory described in Section 1, above. However, these maps shall not be considered by the Public Utilities Commission of the State of California or any other public body as final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

5. CONTINGENT REFUNDS AND RATE REDUCTIONS

Supplier refunds are passed through to the appropriate customer classes in accordance with Section 7E.5 of this Preliminary Statement.

6. SYMBOLS IN CONFORMANCE WITH SECTION 491 OF THE PUBLIC UTILITIES CODE

- (C) To signify changed listing, rule, or condition which may affect a rate, charge, term or condition;
- (D) To signify discontinued material, including a listing, rate, charge, rule or condition;
- (I) To signify a rate or charge increase;

PRELIMINARY STATEMENT
(Continued)

6. SYMBOLS IN CONFORMANCE WITH SECTION 491 OF THE PUBLIC UTILITIES CODE (Continued)

- (L) To signify material relocated from or to another part of tariff schedules with no change in text, rate, rule or condition.
- (N) To signify new material including a listing, rate, charge, rule or condition;
- (P) To signify material subject to change under a pending application or advice letter;
- (R) To signify a rate or charge reduction; and
- (T) To signify a textual change that does not affect a rate, charge, term or condition.

7. PURCHASED GAS COST BALANCING ACCOUNT (PGA)

7A. PURPOSE

The purpose of the PGA Balancing Account is to balance the actual cost of purchased gas incurred by the Company with the gas costs recovered through the sales rates.

7B. APPLICABILITY

This PGA Provision applies to bills for service under all core sales rate schedules in the Company's California service areas.

7C. REVISION DATE

The Company shall file monthly to adjust gas cost rates as specified in Schedule No. GCP. The Company shall also file as necessary to update the PGA Balancing Account Adjustment. This filing shall be informational only.

7D. PURCHASED GAS COST BALANCING ACCOUNT ADJUSTMENT

The PGA Balancing Account Adjustment shall be determined by dividing the balance in the account by the total volumes of gas estimated to be delivered to core sales customers during the requested amortization period following the revision date.

PRELIMINARY STATEMENT
(Continued)

7. PURCHASED GAS COST BALANCING ACCOUNT (PGA) (Continued)

7E. ACCOUNTING PROCEDURE

Separate accounts will be maintained for the Company's service areas. The Company shall make the following entries to the PGA Balancing Accounts at the end of each month:

1. A debit entry equal to the actual cost of purchased gas for the month.
2. A credit entry equal to the revenue from the sale of gas delivered during the month, including the amortization of the previous months' over- or under-collection, excluding adjustments for franchise taxes and uncollectible accounts expense.
3. An entry to record credits from interstate pipeline capacity release activity or inter-divisional capacity transfer activity for the month.
4. An entry to record interest on the PGA Balancing Account balance after entry (1) above, calculated as set forth in Section 12B of this Preliminary Statement.
5. A credit entry equal to an allocated portion of any cash refund, including interest, received by the Company as a result of an order by the Federal Energy Regulatory Commission (FERC) or the California Public Utilities Commission (CPUC or Commission). If required, refunds shall be allocated to core sales and core aggregation customers based on the volume of gas sold to such customers.

PRELIMINARY STATEMENT
(Continued)

8. INTRASTATE TRANSPORTATION COST ADJUSTMENT MECHANISM (ITCAM)

8A. PURPOSE

The purpose of the ITCAM Balancing Account is to balance recorded upstream intrastate variable transportation cost recovery from both the core and noncore markets with the actual intrastate variable transportation costs incurred by the Company for the upstream transportation of gas on Southern California Gas Company's system.

8B. APPLICABILITY

This ITCAM applies to bills for service under all core and noncore rate schedules effective in the Company's Southern California service area.

8C. REVISION DATE

The Company shall file to adjust the Upstream Intrastate Variable Charge rates for this provision as often as necessary to ensure that effective rates reflect projected costs. The Company shall file periodically to update the Intrastate Transportation Cost Balancing Account Adjustment.

8D. FORECAST PERIOD

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date.

8E. INTRASTATE TRANSPORTATION COST BALANCING ACCOUNT
ADJUSTMENT

The Intrastate Transportation Cost Balancing Account Adjustment shall consist of an amount necessary to recover or return the amount accumulated in the Intrastate Transportation Cost Balancing Account and shall be determined by dividing the balance in the account at the end of the latest available month at the time of filing by the total volumes of gas estimated to be delivered to core and noncore customers during the Forecast Period. The Intrastate Transportation Cost Balancing Account Adjustment shall be as set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT

(Continued)

8. INTRASTATE TRANSPORTATION COST ADJUSTMENT MECHANISM (ITCAM)

(Continued)

8F. ACCOUNTING PROCEDURE

The Company shall make the following entries to the Intrastate Transportation Cost Balancing Account at the end of each month:

1. A debit or credit entry equal to the difference between the actual cost of upstream intrastate transportation on Southern California Gas Company's system for the month and that calculated by multiplying the Upstream Intrastate Variable Charge and the Intrastate Transportation Cost Balancing Account Adjustment components of currently-effective tariff rates, excluding adjustments for franchise taxes and uncollectible accounts expense, by the total applicable core and noncore volumes delivered during the month.
2. An entry to record interest on the Intrastate Transportation Cost Balancing Account balance after entry (1) above, calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

9. FIXED COST ADJUSTMENT MECHANISM (FCAM)

9A. PURPOSE

The purpose of the FCAM is to balance the difference between authorized levels of Southwest Margin, recorded Upstream Storage Charges, and Interstate Reservation/Firm Access Charges with recorded revenues intended to recover these costs.

9B. APPLICABILITY

This FCAM provision applies to bills for service under all rate schedules in the Company's California service areas.

9C. REVISION DATE

The Company shall submit an annual Post Test Year Rate Adjustment filing to adjust the Southwest Margin component of this provision, and shall file to adjust the Upstream Storage Charge and Interstate Reservation/Firm Access Charge rates for this provision as often as necessary to ensure that effective rates reflect projected costs. The Company shall file periodically to update the Fixed Cost Balancing Account Adjustment, which will include a margin balancing component to clear over- and under-recoveries of authorized margin.

9D. FORECAST PERIOD

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date, as specified in the Company's most recent general rate case.

9E. FIXED COST BALANCING ACCOUNT ADJUSTMENT

The Fixed Cost Balancing Account Adjustment shall consist of an amount necessary to recover or return the amount accumulated in the Fixed Cost Adjustment Mechanism and shall be determined by dividing the balance in the account at the end of the latest available month at the time of filing by the total volumes of gas estimated to be delivered to customers during the Forecast Period. The Fixed Cost Balancing Account Adjustment shall be as set forth from time to time in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

9. FIXED COST ADJUSTMENT MECHANISM (FCAM) (Continued)

9F. ACCOUNTING PROCEDURE

1. Separate accounts will be maintained for the Company's Southern California, Northern California and South Lake Tahoe service areas. The Company shall make the following entries to the FCAM Balancing Accounts at the end of each month:
 - a. A debit entry equal to the monthly portion of Southwest's annual margin, as reflected below;
 - b. A debit entry equal to the actual cost of reservation/firm access charges and storage charges for the month; and
 - c. A credit entry equal to the amount calculated by multiplying Southwest's Margin Charges, reservation/firm access charges, storage charges, and the Fixed Cost Balancing Account Adjustment components of the currently-effective tariff rates, excluding adjustments for franchise taxes and uncollectible accounts expense, by the applicable volumes delivered during the month.

Amounts related to reservation/firm access charges and storage charges will be recorded in a subaccount of the Purchased Gas Adjustment Account (191.0). Amounts related to margin balancing will be recorded in a miscellaneous Current and Accrued Asset Account (174.0).

PRELIMINARY STATEMENT
(Continued)

9. FIXED COST ADJUSTMENT MECHANISM (FCAM) (Continued)

9F. ACCOUNTING PROCEDURE (Continued)

ANNUAL 2025 MARGIN

	<u>Southern California</u>	<u>Northern California</u>	<u>South Lake Tahoe</u>
January	\$ 11,978,147	\$ 3,908,424	\$ 2,075,290
February	\$ 10,436,231	\$ 4,124,872	\$ 1,856,878
March	\$ 9,470,160	\$ 3,963,650	\$ 1,754,750
April	\$ 7,827,698	\$ 3,302,394	\$ 1,473,183
May	\$ 6,929,498	\$ 2,604,664	\$ 1,198,351
June	\$ 6,490,751	\$ 2,197,930	\$ 981,816
July	\$ 6,111,640	\$ 1,846,136	\$ 841,726
August	\$ 4,323,779	\$ 1,172,108	\$ 545,268
September	\$ 6,114,427	\$ 1,876,584	\$ 856,785
October	\$ 6,371,081	\$ 2,203,639	\$ 1,042,911
November	\$ 7,498,173	\$ 2,885,355	\$ 1,413,460
December	\$ 10,160,877	\$ 4,065,375	\$ 1,850,593
<u>Total</u>	<u>\$ 93,712,462</u>	<u>\$ 34,151,131</u>	<u>\$ 15,891,011</u>

2. An entry to record interest on the Fixed Cost Balancing Account balance after entry (1) above, calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

10. PUBLIC UTILITIES COMMISSION REIMBURSEMENT FEE (CPUC)

10A. PURPOSE

In 1983, the Legislature established the Commission Reimbursement Fee to be paid by utilities to fund their regulation by the Commission (Public Utilities Code Sections 401-445). Recovery of the cost of that fee is ordered by the Commission under the authority granted by Public Utilities Code Section 433.

10B. APPLICABILITY

The Commission Reimbursement Fee applies to all gas sales rendered under all tariff rate schedules authorized by the Commission.

10C. RATE

The current Commission Surcharge rate is included in the currently-effective Statement of Rates, applicable to all service areas, in this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

11. PUBLIC UTILITIES COMMISSION MASTER-METERED MOBILE HOME PARK
GAS SAFETY INSPECTION AND ENFORCEMENT PROGRAM SURCHARGE
PROVISION (MHPS)

11A. PURPOSE

In 1990, the Legislature authorized the Commission to establish a surcharge to be paid by mobile home park owners or operators who maintain or operate a master-metered natural gas distribution system in order to fund a safety inspection and enforcement program (Public Utilities Code Sections 4351–4359). The surcharge to recover the cost of the program is ordered by the Commission under the authority granted by Public Utilities Code Sections 4358 and 4359.

11B. APPLICABILITY

The MHPS Surcharge applies to all mobile home park owners or operators who maintain and operate a master-metered natural gas distribution system and receive service under Schedule Nos. G-20/GN-20/SLT-20 or Schedule Nos. GS-25/GN-25/SLT-25 in the Company's California service areas.

11C. RATE

The MHPS Surcharge per mobile home park space per month is set forth in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

12. INTEREST

12A. GENERAL

No interest will be paid by the Company unless it is specifically provided for in the tariff schedules, or ordered by the Commission, except as otherwise provided by Federal Public Law 97-177.

12B. INTEREST ON BALANCING ACCOUNTS

Interest will accrue monthly to the Balancing Accounts as set forth in this Preliminary Statement. The calculation will be based on the average of the beginning and ending balance in such accounts at the rate of 1/12 of the most recent month's interest rate on Commercial Paper (prime, 3-month), published in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on Commercial Paper (prime, 3-month) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on Commercial Paper, which most closely approximates the discounted rate, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

13. INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES

13A. GENERAL

All Contributions in Aid of Construction (Contributions) and Advances for construction, made to the Company pursuant to its California Gas Tariff, shall include a charge to cover the Company's resulting estimated liability for income tax.

13B. DEFINITION

Contributions and Advances shall include cash and noncash considerations provided to the Company by an applicant for service extensions under the terms of a main or service extension agreement or for construction of temporary facilities, or by others for construction-related services deemed taxable income tax purposes.

PRELIMINARY STATEMENT
(Continued)

13. **INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES** (Continued)

13C. APPLICABILITY

Income tax shall be collected on Contributions and Advances under the Company's California Gas Tariff, including but not limited to Rule Nos. 13, 15 and 16.

A Public Benefit Exemption may apply on a Contribution or Advance made to the Company by a government agency on the basis of either:

1. The Contribution or Advance is made pursuant to actual condemnation or the threat thereof as recognized by Internal Revenue Code Section 1033; or
2. The Contribution or Advance does not reasonably relate to the provision of service, but rather to the benefit of the public at large.

13D. DETERMINATION

The ITCC shall be calculated by multiplying the Balance of the Contribution by the applicable Tax Factor as follows:

<u>Effective Date</u>	<u>Applicable Tax Factor</u>
Beginning January 1, 2019, and thereafter	24%

The Company will submit to the Commission an advice letter filing to reflect any changes in the tax factor which would cause an increase or decrease of 5 percentage points or more.

The tax factor is established by using Method 5 as set forth in Decision Nos. 87-09-026 and 87-12-028 in Order Instituting Investigation 86-11-019.

The tax factors in Section 13D shall apply to all Contributions and Advances in accordance with Section D.6 of Rule No. 15, Gas Main Extensions, and Section E.4. of Rule No. 16, Gas Service Extensions of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

14. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)

14A. PURPOSE

The purpose of the Catastrophic Event Memorandum Account (CEMA) is to record all costs incurred by the Company associated with a catastrophic event. The Company will record the costs for the following in CEMA:

1. Restoring service to the Company's customers;
2. Repairing, replacing, or restoring damaged Company facilities; and
3. Complying with governmental agency orders.

14B. PROCEDURE

A catastrophic event is defined as a disaster or state of emergency as declared by the appropriate federal or state authorities.

Should a catastrophic event occur, the Company will inform the Commission by letter within 30 days after the event, that the Company has started accruing costs in the CEMA. The letter shall be mailed to the Director of the Energy Division.

The letter shall specify the date, time and location of the catastrophic event. The letter shall also state which service areas are affected, the impact on the Company's facilities, and give an estimate of the extraordinary costs expected to be incurred.

Entries to the CEMA shall be made at the end of each month commencing with the month in which the event occurs. The Company shall record capital costs and expenses separately.

14C. APPLICABILITY

The CEMA balance will be recovered from all customer classes, unless specifically requested for exclusion by the Company.

14D. CHANGES IN RATES

Costs recorded in the CEMA may be recovered in rates only after a request by the Company, a showing of reasonableness, and approval by the Commission. Such a request may be made by formal application specifically for that purpose, by inclusion in a subsequent general rate case, or other rate-setting request.

PRELIMINARY STATEMENT
(Continued)

15. TRANSPORTATION FRANCHISE FEE SURCHARGE PROVISION

15A. PURPOSE

The purpose of this provision is to provide for the calculation and collection of a Franchise Fee Surcharge on behalf of local municipalities for energy transported by utilities, but procured from other sources by customers (customer-secured natural gas) pursuant to Senate Bill No. (SB) 278 (1993).

15B. APPLICABILITY

The Transportation Franchise Fee (TFF) Surcharge applies to all core and noncore customer-secured natural gas volumes transported over the intrastate facilities of the Company in its California service areas, except as specifically exempted herein.

15C. RATE

The TFF Surcharge rate is calculated by multiplying the monthly Core Procurement Charge from the Statement of Rates — Effective Transportation Rates, excluding franchise fees, by the most current authorized Franchise Fee factor, excluding Uncollectibles, adopted in the Company's most recent general rate case.

The TFF Surcharge rate per therm will then be multiplied by the applicable volumes to determine the total surcharge amount.

The Core Procurement Charge is updated monthly. The TFF Surcharge will vary by month based on the updates to the Core Procurement Charge. The TFF Surcharge calculation will be included in each monthly Core Procurement Charge update to the Statement of Rates — Effective Transportation Rates.

PRELIMINARY STATEMENT
(Continued)

15. TRANSPORTATION FRANCHISE FEE SURCHARGE PROVISION (Continued)

15D. SPECIAL CONDITIONS

1. The following core and noncore transportation customers may be exempt from the Company's TFF Surcharge under the provisions of SB 278:
 - a. The State of California or political subdivisions thereof;
 - b. A utility transporting natural gas through another utility's service area for end use in its own service area; and
 - c. A utility transporting its own natural gas through its own facilities for the purposes of generating electricity or for use in its own operations.
2. The surcharge assessed for natural gas utilized to generate electricity by a non-utility facility shall be the same as the surcharge assessed for natural gas utilized to generate electricity by the electric utility serving the area.
3. The TFF Surcharge will be shown on the core and noncore transportation customers' or agents' monthly bill based on the billed volumes of customer-secured natural gas transported by the Company.
4. The TFF Surcharge will be shown as a separate line item on the core and noncore transportation customers' or agents' monthly bill.
5. In the event that payment from the customer or agent to the Company pursuant to the provisions of the TFF Surcharge and SB 278 becomes more than 90 days delinquent, the Company shall notify the appropriate municipality of the delinquency and provide the name and address of the customer and the amount of the surcharge delinquent. The Company shall not be liable to the municipality for delinquent surcharges.

PRELIMINARY STATEMENT

(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS

16A. PURPOSE

The purpose of the PPP Balancing Accounts is to balance the actual cost incurred by the Company in providing public purpose programs such as low-income assistance, energy efficiency, and public interest research and development with PPP Surcharge revenue collected to recover public purpose program costs.

1. PPP SURCHARGE REFUNDS

Per Decision 04-08-010, to prevent the issuance of duplicate refunds of PPP Surcharge collection, the Company shall inform the California Department of Tax and Fee Administration (CDTFA) of any PPP surcharge refunds it intends to issue. The refunds will not be issued if previously made by the CDTFA. The utilities shall inform the CDTFA of any refunds that they issue. The Company will annually review its customer accounts to determine if any refunds are warranted.

2. CA DEPARTMENT OF TAX AND FEE ADMINISTRATION REMITTANCES

Per Public Utilities Code Sections 892 and 892.1, the Company remits revenues collected from the PPP Surcharge to the CDTFA on a quarterly basis.

3. DISTRIBUTION AND TREATMENT OF AMOUNTS RECEIVED FROM THE GAS CONSUMPTION SURCHARGE FUND

Per Decision 04-08-010, all funds remitted to the CDTFA are to be returned to the Company in a timely manner, except for Research and Development (R&D) funds (excluding R&D funds to reimburse the utility for R&D activities conducted in 2004), the CDTFA and Commission administration costs, and deductions for any refunds issued by the CDTFA. Non-exempt interstate pipeline customer remittances to CDTFA are to be returned to the public utility in whose service territory the customer resides. All amounts received from the Gas Surcharge Consumption Fund are to be recorded to the appropriate PPP balancing accounts.

4. TREATMENT OF FRANCHISE AND UNCOLLECTIBLES (F&U)

Per Decision 04-08-010, F&U shall not be included in the calculation of the PPP Surcharge and the Company shall exclude PPP Surcharge amounts in determining franchise payments.

PRELIMINARY STATEMENT

(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16A. PURPOSE (Continued)

5. PPP SURCHARGE RATE CALCULATION

The PPP Surcharge shall be calculated in accordance to formulas and throughput volumes specified in Decision 04-08-010.

16B. APPLICABILITY

The PPP Balancing Accounts apply, as appropriate, to all sales and transportation service in the Company's California service areas as set forth in Rate Schedule No. G-PPPS.

16C. REVISION DATE

Decision 04-08-010 requires the Company to file an advice letter with the proposed PPP Surcharges by October 31 of each year, with a requested effective date of January 1 of the following year. The Company may file at other times if failure to make the rate change would result in a forecasted total rate increase of 10 percent or more on January 1 of the following year, as provided for in Decision 04-08-010.

16D. ENERGY SAVINGS ASSISTANCE BALANCING ACCOUNT (ESABA)

1. PURPOSE

The purpose of the ESABA is to balance the Company's Commission-authorized Energy Savings Assistance (ESA) program costs, including outreach, administrative, and program audit costs, with the PPP Surcharge revenue that recovers these costs. The ESABA is a one-way balancing account. Any actual program costs in excess of amounts authorized by the Commission are not recoverable.

The Company will use all unspent and uncommitted ESA program funds remaining at the end of a program year to offset the next program year's collections. The difference will not be used to reduce the ESA portion of the PPP Surcharge for the subsequent year's program unless authorized by the Commission. Customer refunds will only occur when the Commission authorizes such.

N/T
N/T
N/T

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16D. ENERGY SAVINGS ASSISTANCE BALANCING ACCOUNT (ESABA) (Cont.)

2. ESABA ADJUSTMENT

If amounts collected in the ESABA are less than the authorized program costs expended, the balance in the ESABA will be amortized into rates by dividing the balance in the account at the end of the most recent available month by the three-year average (consecutive 36-month period) based on the most recently available billed gas volumes. The ESABA will be amortized into rates in accordance with Section No. 16C of this Preliminary Statement. The current ESABA Adjustment rate is a component of the PPP Surcharge set forth in the currently effective Statement of Rates and Schedule No. G-PPPS of this California Gas Tariff.

3. ACCOUNTING PROCEDURE

Separate accounts will be maintained for the Company's California service areas. The Company shall make the following entries to the ESABA:

- a. On a monthly basis, a debit entry equal to the Company's actual Commission-authorized ESA program costs, including outreach, administrative, and program audit costs;
- b. On a monthly basis, a credit entry equal to the revenue collected through the ESA component, including the ESABA Adjustment, of the Company's PPP Surcharge;
- c. On a monthly basis, a debit entry equal to the amount of collections calculated to be remitted to the CDTFA on a quarterly basis for the ESA portion of the PPP Surcharge (reimbursement from the Commission for the CDTFA remittance, less administrative and Research & Development costs, generally occurs within the subsequent quarter). Any differences between amounts collected, remitted or reimbursed are to be used when calculating the ESA component of the PPP surcharge; and

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16D. ENERGY SAVINGS ASSISTANCE BALANCING ACCOUNT (ESABA) (Cont.)

3. ACCOUNTING PROCEDURE (continued)

- d. For amounts held on account by the Company, a monthly entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement. While ESA surcharge collections are in the possession of the State, the applicable interest is the actual amount of interest that accrued while the remittances were on deposit in the Gas Consumption Surcharge Fund.

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16E. CALIFORNIA ALTERNATE RATES FOR ENERGY BALANCING ACCOUNT (CAREBA)

1. PURPOSE

The purpose of the CAREBA is to balance the Company's CARE program costs, including rate discounts, outreach, administrative, and program audit costs, with the PPP Surcharge revenue that recovers these costs. The CAREBA is a two-way balancing account.

2. CAREBA ADJUSTMENT

The balance in the CAREBA will be amortized into rates by dividing the balance in the account at the end of the most recent available month by the three-year average (consecutive 36-month period) based upon the most recently available billed gas volumes. The CAREBA will be amortized into rates in accordance with Section No. 17C of this Preliminary Statement. The current CAREBA Adjustment rate is a component of the non-CARE PPP Surcharge set forth in the currently-effective Statement of Rates and Schedule No. G-PPPS of this California Gas Tariff.

3. ACCOUNTING PROCEDURE

Separate accounts will be maintained for the Company's California service areas. The Company shall make the following entries to the CAREBA:

- a. On a monthly basis, a debit entry equal to actual amount of CARE program costs, including rate discounts, outreach, administrative, and program audit costs;
- b. On a monthly basis, a credit entry equal to the revenue collected through the CARE component, including the CAREBA Adjustment, of the Company's PPP Surcharge;
- c. On a monthly basis, a debit entry equal to the amount of collections calculated to be remitted to the CDTFA on a quarterly basis for the CARE portion of the PPP Surcharge (reimbursement from the Commission for the CDTFA remittance, less administrative and Research & Development costs, generally occurs within the subsequent quarter). Any differences between amounts collected, remitted or reimbursed are to be used when calculating the CARE component of the PPP surcharge; and

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16E. CALIFORNIA ALTERNATE RATES FOR ENERGY BALANCING ACCOUNT
(CAREBA) (Continued)

3. ACCOUNTING PROCEDURE (Continued)

- d. For amounts held on account by the Company, a monthly entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement. While CARE surcharge collections are in the possession of the State, the applicable interest is the actual amount of interest that accrued while the remittances were on deposit in the Fund.

16F. PUBLIC INTEREST RESEARCH AND DEVELOPMENT BALANCING ACCOUNT
(R&DBA)

1. PURPOSE

The purpose of the R&DBA is to balance the Company's allocated share of the State's annual R&D budgeted costs, including any Commission and CDTFA administrative costs, with the PPP Surcharge revenue that recovers these costs. The R&DBA is a two-way balancing account. The payments of the R&D portion of the PPP Surcharge collected by the Company and remitted to the CDTFA will be distributed to the R&D project administrator to cover R&D project costs.

2. R&DBA ADJUSTMENT

The balance in the R&DBA will be amortized into rates by dividing the balance in the account at the end of the most recent available month by the three-year average (consecutive 36-month period) based upon the most recently available billed gas volumes. The R&DBA will be amortized into rates in accordance with Section No. 17C of this Preliminary Statement. The current R&DBA Adjustment rate is a component of the PPP Surcharge set forth in the currently-effective Statement of Rates and Schedule No. G-PPPS of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16F. PUBLIC INTEREST RESEARCH AND DEVELOPMENT BALANCING ACCOUNT
(R&DBA) (Continued)

3. ACCOUNTING PROCEDURE

Separate accounts will be maintained for the Company's California service areas. The Company shall make the following entries to the R&DBA:

- a. On a monthly basis, a debit entry equal to the share of the State's annual R&D budgeted costs, including any CPUC and CDTFA administrative costs allocated to the Company, if any;
- b. On a monthly basis, a credit entry equal to the revenue collected through the R&D component, including the R&DBA Adjustment, of the Company's PPP Surcharge. Such amounts collected will be remitted to the CDTFA on a quarterly basis;
- c. For amounts held on account by the Company during the period when revenue is collected from the PPP Surcharge until those amounts are submitted to the CDTFA, a monthly entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement;
- d. The disposition of the interest held by the Company will be determined by the CPUC.

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16G. CONSERVATION AND ENERGY EFFICIENCY BALANCING ACCOUNT (CEEBA)

1. PURPOSE

The purpose of the CEEBA is to balance the difference between the Company's Commission-authorized CEE program costs, including outreach, administrative, and program audit costs, with the PPP Surcharge revenue collected to recover these costs. The CEEBA is a one-way balancing account.

2. CEEBA ADJUSTMENT

The balance in the CEEBA will be amortized into rates by dividing the balance in the account at the end of the most recent available month by the three-year average (consecutive 36-month period) based on the most recently available billed gas volumes. The CEEBA will be amortized into rates in accordance with Section No. 16C of this Preliminary Statement. The current CEEBA Adjustment rate is a component of the PPP Surcharge set forth in the currently effective Statement of Rates and Schedule No. G-PPPS of this California Gas Tariff.

3. ACCOUNTING PROCEDURE

Separate accounts will be maintained for the Company's California service areas. The Company shall make the following entries to the CEEBA:

- a. On a monthly basis, a debit entry equal to the Company's actual CEE program costs, including outreach, administrative, and program audit costs;
- b. On a monthly basis, a credit entry equal to the revenue collected through the CEE component, including the CEEBA Adjustment, of the Company's PPP Surcharge;

PRELIMINARY STATEMENT
(Continued)

16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS (Continued)

16G. CONSERVATION AND ENERGY EFFICIENCY BALANCING ACCOUNT (CEEBA)
(Cont.)

3. ACCOUNTING PROCEDURE (Cont.)

- c. On a monthly basis, a debit entry equal to the amount of collections calculated to be remitted to the CDTFA on a quarterly basis for the CEE portion of the PPP Surcharge (reimbursement from the Commission for the CDTFA remittance, less administrative and Research & Development costs, generally occurs within the subsequent quarter). Any differences between amounts collected, remitted or reimbursed are to be used when calculating the CEE component of the PPP surcharge; and
- d. A year-end credit entry, if necessary, equal to the excess annual expenditures above annual authorized levels; and,
- e. For amounts held on account by the Company, a monthly entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement. While CEE surcharge collections are in the possession of the State, the applicable interest is the actual amount of interest that accrued while the remittances were on deposit in the Gas Consumption Surcharge Fund.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM)

17A. PURPOSE

The Gas Cost Incentive Mechanism (GCIM) provides objective standards to measure gas procurement performance, and a methodology to share annual savings and costs between the Company's shareholders and ratepayers. The annual GCIM period shall begin each November 1 and conclude the following October 31. The GCIM is calculated separately for the Company's California service areas.

The GCIM provides the Company with an incentive to achieve overall gas costs that are at or below the prevailing market prices. This is accomplished by establishing a quantity-weighted performance benchmark (GCIM Benchmark), which represents the gas market environment experienced during the annual GCIM period. Savings or costs resulting from differences between the Company's actual gas cost and the GCIM Benchmark are compared at the end of each annual GCIM period and are shared between the Company's customers and shareholders if the difference exceeds certain tolerance bands. The methodology used to calculate the sharing components of the GCIM is detailed in Section 17E of this Preliminary Statement.

17B. APPLICABILITY

The GCIM shall apply to all core customer classes in the Company's California service areas.

17C. GCIM BENCHMARK

The GCIM Benchmark is the sum of the Gas Commodity Benchmark and the Gas Transportation Benchmark. The GCIM Benchmark is compared to the actual GCIM Purchased Gas Costs at the end of the annual GCIM period to determine any shared savings or costs.

1. The Gas Commodity Benchmark establishes an objective basis for evaluating gas costs. The benchmark is quantity-weighted (by MMBtu) based on the trading point where the gas supplies are purchased. Quantities are included in the Gas Commodity Benchmark calculation during the period when the supplies are purchased.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17C. GCIM BENCHMARK (Continued)

The Gas Commodity Benchmark is determined by multiplying daily purchased quantities by the corresponding contract price or Benchmark Price Index. Which price is utilized is determined by whether the purchased quantities are: 1) made under the Volatility Mitigation Program (VMP); or 2) index priced or spot market purchases; or 3) Biomethane Gas Program (BGP).

If the purchased quantities were made under the VMP, then the corresponding contract price is used. If the purchased quantities were index priced or spot market purchases, then the corresponding Benchmark Price Index is used. If the purchased quantities is made under BGP, then the corresponding contract price is used.

Each day during the annual GCIM period, the quantity purchased under the VMP is multiplied by the respective contracted price corresponding to the specific VMP quantity purchased. The result of this calculation is the Daily VMP Benchmark Cost.

Each day during the annual GCIM period, the index priced and spot market purchased quantity is multiplied by the corresponding Benchmark Price Index. The result of this calculation is the Daily Index or Spot Market Purchase Benchmark Cost.

Each day during the annual GCIM period, the quantity purchased under the BGP is multiplied by the respective contracted price corresponding to the specific BGP quantity purchased. The result of this calculation is the Daily BGP Benchmark Cost.

Each day during the annual GCIM period, the off-system quantity sold under the BGP is multiplied by the respective contracted sales price corresponding to the specific BGP quantity sold. The result of this calculation is the Daily BGP Benchmark Sales Revenue.

The Gas Commodity Benchmark is the sum of the Daily VMP Benchmark Costs, the Daily Index or Spot Market Purchase Benchmark costs, the Daily BGP Benchmark Costs, and the Daily BGP Benchmark Sales Revenue for the entire annual GCIM period.

PRELIMINARY STATEMENT

(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17C. GCIM BENCHMARK (Continued)

For baseload purchases made for an entire month for the Southern California service area. The Southern California Benchmark Price Index is based on the simple average of first of the month prices reported in *Platts Inside FERC's Gas Market Report* for each of the indicated basin and border market trading points and the corresponding index prices from *Natural Gas Intelligence*. For purchases made for less than an entire month for the Southern California service area, the Southern California Benchmark Price Index is calculated daily and is based on the simple average of daily prices reported in *Platt's Gas Daily* for each of the indicated production and market center trading points and the corresponding index prices from *SNL Energy Daily Gas Report*. If one of the two publications used to calculate the simple average does not report an index price for a specific basin or market trading point, the other publication will be used. If neither publication used to calculate the simple average reports a price for an indicated basin or market trading point, the Benchmark Price Index will be based on another available trade publication. If the selected trade publication(s) subsequently revises its reported price within the annual GCIM period, the Benchmark Price Index will be recalculated to reflect the corrected price.

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PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17C. GCIM BENCHMARK (Continued)

The Northern California and South Lake Tahoe Benchmark Price Index is calculated daily and is based on the simple average of daily prices reported in *Platt's Gas Daily* for each of the indicated production and market center trading points and the corresponding index prices from *SNL Energy Daily Gas Report*. If one of the two publications used to calculate the simple average does not report an index price for a specific production or market center trading point, the other publication will be used. If neither publication used to calculate the simple average reports a price for an indicated production or market center trading point, the Benchmark Price Index will be based on another available trade publication. If the selected trade publication subsequently revises its reported price within the annual GCIM period, the Benchmark Price Index will be recalculated to reflect the corrected price.

2. The Gas Transportation Benchmark is the sum of all pipeline transportation costs for delivery of gas supply quantities to the Company's distribution system and all fixed and variable storage costs.

a. Pipeline transportation costs include fixed reservation charges, variable transportation costs, refunds, adjustments, credits, all applicable and effective surcharges and other related costs. The transportation costs are determined from the Company's transportation invoices, separately for each pipeline, for gas deliveries from the indicated basins/receipt points.

b. Storage costs include injection, withdrawal, inventory charges, refunds, adjustments and credits as invoiced.

17D. GCIM PURCHASED GAS COST

The GCIM Purchased Gas Cost includes the following:

1. All gas commodity costs, including any adjustments, refunds, surcharges, penalties, inventory charges or credits;
2. Pipeline Transportation costs, including fixed reservation charges, variable transportation costs, refunds, adjustments, credits, all applicable and effective surcharges and other related costs included with the transportation invoices for deliveries to the Company's California service areas.
3. Storage costs including injection, withdrawal, and inventory charges and appropriate refunds, adjustments, and credits as invoiced;
4. Any revenues from release and brokering of pipeline or storage capacity;

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17D. GCIM PURCHASED GAS COST (Continued)

5. Any fees, charges or credits associated with the delivery of gas supplies through the Southern California Gas Company (SoCalGas) and Pacific Gas and Electric Company systems, including incremental costs for firm access rights if applicable;
6. Any gains, losses or expenses from gas futures and financial derivatives transactions, including but not limited to, forward contracts, futures, options, basis swaps, price swaps (including contracts for differences), and exchanges of futures for physical deliveries;
7. Any revenues from gas commodity sales (e.g. gas sales in the imbalance market, or other off-system sale);
8. Any revenues from the off-system sale of BGP, including the monetization of any biomethane gas environmental attributes, and
9. Any appropriate GCIM annual period adjustments.

17E. ANNUAL SHARED SAVINGS/COST

Annual shared savings or costs are calculated when the GCIM Purchased Gas Costs are outside the tolerance bands. These are calculated as a percentage of the annual Gas Commodity Benchmark to create an "upper tolerance band" and "lower tolerance band." Costs above the upper tolerance band and savings below the lower tolerance band are shared between ratepayers and shareholders. No sharing occurs when GCIM Purchased Gas Costs are between the tolerance bands.

1. Determination of the Tolerance Bands
 - a. The upper tolerance band is calculated as the GCIM Benchmark, plus 3 percent of the Gas Commodity Benchmark.
 - b. The lower tolerance band is calculated as the GCIM Benchmark, minus 2 percent of the Gas Commodity Benchmark.
2. Calculation of Shared Savings and Costs
 - a. On an annual basis, GCIM Purchased Gas Costs are compared to the GCIM Benchmark to determine if shared savings or costs exist.
 - b. If GCIM Purchased Gas Costs are greater than the upper tolerance band, costs above the upper tolerance band are shared 50 percent to the ratepayers and 50 percent to the shareholders.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17E. ANNUAL SHARED SAVINGS/COST (Continued)

2. Calculation of Shared Savings and Costs (Continued)

- c. If GCIM Purchased Gas Costs are less than the lower tolerance band, savings below the lower tolerance band are shared 75 percent to the ratepayers and 25 percent to the shareholders.
- d. In no event shall the Company's portion of the annual shared savings or costs exceed 1.5 percent of the respective actual annual GCIM commodity costs for either of the Northern or Southern California Divisions.
- e. In the event of an emergency (e.g. earthquake, pipeline failure, or other *force majeure* event), incremental costs and quantities associated with that event will be excluded from GCIM Purchased Gas Costs and the GCIM Benchmark for the purpose of calculating any shared savings or costs. These exclusions will be justified by the Company in its annual GCIM report submitted pursuant to Section 17J of this Preliminary Statement.
- f. Extraordinary or unforeseen commodity, transportation, and storage costs incurred by the Company in response to SoCalGas Operational or Emergency Flow Orders, reduced daily balancing windows, non-performance of firm contracted resources such as storage and pipeline capacity, and daily balancing or other curtailment procedures, shall be excluded from GCIM Purchased Gas Costs and the GCIM Benchmark for the purpose of calculating any shared savings or costs. These exclusions will be justified by the Company in its annual GCIM report submitted pursuant to Section 17J of this Preliminary Statement.¹

17F. VOLATILITY MITIGATION PROGRAM (VMP)

The purpose of the VMP is to identify and secure contracts for natural gas supplies that contribute to the mitigation of short-term market price volatility. Pursuant to D.05-05-033, VMP purchase costs are flowed through the GCIM calculations and have no impact on any GCIM Shared Savings or Costs. This flow through is accomplished by calculating the Daily VMP Benchmark Cost for each VMP purchase by multiplying the daily VMP purchase quantities by the contract price corresponding to that specific VMP purchase quantity.

¹ Section 17E.2.f will be removed from this Gas tariff upon the termination of Section N. OFO Trading and Section O. Temporary Settlement Term of SoCalGas' tariff Rule No. 30, Transportation of Customer-Owned Gas.

PRELIMINARY STATEMENT

(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) *(Continued)*

17F. VOLATILITY MITIGATION PROGRAM (VMP) *(Continued)*

VMP purchase prices are fixed when the contract is awarded, based on then current market conditions. Contracted supply terms can range from one to twelve months, but shall not exceed two years. The Company solicits VMP bids for both the Company's Southern California service area and the Company's Northern California and South Lake Tahoe service areas. Solicitations are scheduled periodically throughout the year. In any solicitation, one or both of the California divisions may be involved, depending on the amount of VMP supplies already acquired. Up to 25 percent of the total forecasted annual supply is purchased as part of the VMP.

VMP contracts are awarded to the lowest acceptable bidder as part of a solicitation process. Because the contracts are selected through a bidding process, prices for VMP purchases are assumed to be representative of the market at the time of the solicitation. Evaluating these purchases will include comparing the awarded contract to the corresponding bids received during the solicitation process. All contracts and information related to the solicitation process will be submitted with the annual GCIM filing.

17G. SOUTHERN CALIFORNIA STORAGE

Consistent with D.08-12-020, the Company receives a set-aside of SoCalGas storage inventory, injection, and withdrawal capacity equal to 1.98 percent of the inventory, injection, and withdrawal capacities that are allocated to the combined core customers of SoCalGas and San Diego Gas & Electric Company. Such storage set-aside is adjusted annually, no later than April 1. When this set-aside of SoCalGas storage is available, the Company uses its southern California storage resources primarily to reduce the impact of short-term or seasonal volatility in natural gas prices and as a peak demand supply source. To a lesser extent, storage is also employed as an imbalance management tool for intrastate capacity. The Company will endeavor to dispatch supplies into and out of storage in a manner that provides the greatest economic benefit to the ratepayers, based on market information available at that time and minimizes the purchase of supplies for periods less than an entire month for the Southern California service area. Prior to each November 1, the Company will have storage reserves filled to a target level of no less than 80 percent of capacity. If the storage target is not met, the Company will explain the variance and impact to core customers in the annual GCIM filing.

PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17H. BIOMETHANE GAS PROGRAM (BGP)

The purpose of the BGP is to identify and secure gas supply or sales contracts that further the goals of: the California Global Warming Solutions Act of 2006, as amended; the California Low Carbon Fuel Standard (California Code of Regulations §95480 through §95497); Senate Bill (SB) 1383 *Short-lived Climate Pollutants*; or other current or future legislative or regulatory efforts to reduce greenhouse gas emissions. BGP costs include the cost to purchase BGP supplies and the revenue that may be generated through the off-system sale or monetization of associated biomethane gas environmental attributes. Revenue associated with on-system BGP sales are not considered in or part of the GCIM calculations.

On-system sales of biomethane gas purchases made to meet SB 1440 Biomethane Procurement Program obligations approved in D.22-02-025 (SB 1440 BPP) shall be incremental to the BGP. These costs will be tracked separately from the BGP in the Biomethane Procurement and Administrative Cost Balancing Account established pursuant to D.22-02-025 and included in the Preliminary Statement of this Gas Tariff.

Costs associated with BGP and SB 1440 BPP target purchases and off-system sales revenues are flowed through the GCIM calculations and have no impact on any GCIM Shared Savings or Costs. This flow through is accomplished by calculating the Daily BGP Benchmark Costs for each BGP purchase, SB 1440 BPP purchase, or off-system sale transaction by multiplying the daily BGP purchase, SB 1440 BPP purchase, or off-system sale quantities by the contract price corresponding to that specific BGP purchase, SB 1440 BPP purchase, or off-system sale quantity. In addition, the GCIM Purchased Gas Cost includes the BGP purchase costs, any revenue from BGP off-system sales or monetization of associated biomethane gas environmental attributes, and the SB 1440 BPP purchase costs.

BGP purchase or sales prices are determined on a case-by-case basis and are heavily dependent on the type of facility producing the biomethane gas, the feedstock for the biomethane gas and the location of the biomethane gas processing facilities in relation to the Company's distribution system. There is no minimum quantity that the Company must purchase or sell pursuant to the

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PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17H. BIOMETHANE GAS PROGRAM (BGP) (continued)

BGP. BGP purchase or sales contracts are independent of the SB 1440 BPP procurement targets or process and may be awarded through arms-length negotiations or as part of a solicitation process. Information related to BGP purchases and sales will be included with the Company's annual GCIM report submitted pursuant to Section 17J of this Preliminary Statement.

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PRELIMINARY STATEMENT
(Continued)

17. GAS COST INCENTIVE MECHANISM (GCIM) (Continued)

17I. BALANCING ACCOUNT TREATMENT

The Company portion of annual saving or cost calculated pursuant to the GCIM shall be recorded separately in the Company's Purchased Gas Cost Balancing Account. In the event of a shared saving, a debit entry shall be recorded in the Purchased Gas Cost Balancing Account. In the event of a shared cost, a credit entry shall be recorded in the Purchased Gas Cost Balancing Account.

Upon approval by the Commission, the total Company portion of annual GCIM saving or cost shall be amortized in rates as described in Preliminary Statement 7, Purchased Gas Cost Balancing Account.

17J. REPORTING AND FILING REQUIREMENTS

Within ninety (90) days of the conclusion of each annual GCIM period, the Company shall submit to the Commission's Energy Division and Public Advocates Office (Cal Advocates) a compliance filing containing the annual GCIM report. The report will describe the results of the annual GCIM period and provide all necessary data in support of the calculation of the GCIM period shared savings or costs. The confidential contents of the report are subject to the provisions of Decision 16-08-024, General Order 66-D and Section 583 of the Public Utilities Code. If the compliance report indicates that shared savings or costs are warranted, the Company shall file an advice letter requesting authorization to make the appropriate accounting entries.

PRELIMINARY STATEMENT

(Continued)

18. ENVIRONMENTAL COMPLIANCE COST MEMORANDUM ACCOUNT (ECCMA)

18A. PURPOSE

The purpose of the ECCMA is to record the Company's allocated portion of California Air Resources Board (ARB) administrative fees associated with the implementation of Assembly Bill (AB) 32, the California Global Warming Solutions Act of 2006.

18B. APPLICABILITY

Costs recorded in the ECCMA will apply to all customer classes, excluding the Company's "self-reporting" customers that are directly billed by the ARB.

18C. ACCOUNTING PROCEDURES

The Company shall make the following entries to the ECCMA:

1. Debit entries equal to the cost of the Company's allocation of the ARB administrative fees;
2. Credit entries for the recovery of any ECCMA amounts that may be authorized by the Commission; and
3. An entry to record interest on the ECCMA balance after entries (1) and (2) above are calculated as set forth in Section 12B of these Preliminary Statements.

18D. DISPOSITION

The ECCMA December 31 balance, at the end of the last estimated calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general rate case or other ratesetting application.

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PRELIMINARY STATEMENTS

(Continued)

19. PUBLIC PURPOSE PROGRAM MEMORANDUM ACCOUNT (PPPMA)

19A. PURPOSE

Effective January 1, 2012, the purpose of the PPPMA is to record the difference between the Company's Public Purpose Program (PPP) revenue requirement authorized in Decision (D.) 11-11-009 and that requested by the Company in Application (A.) 11-06-019. D.14-11-005 extended the PPPMA on a month-to-month basis beginning January 1, 2015 until the Commission adopts a final decision approving Southwest Gas' 2015-2017 ESA and CARE Program Budget Application.

19B. APPLICABILITY

CARE and NonCARE costs recorded in the PPPMA will be recovered from customers in the same manner as the Company's authorized PPP revenue requirement.

19C. DISPOSITION

Costs recorded in the PPPMA will be reconciled with the Company's PPP expenses and revenues recorded pursuant to Section 17 Public Purpose Program (PPP) Balancing Accounts (Section 17) of the Preliminary Statements of this California Gas Tariff. Costs, including interest calculated as set forth in Section 12B of these Preliminary Statements, in excess of those recoverable pursuant to Section 17 may be recovered in rates only after request by the Company and approval by the Commission.

PRELIMINARY STATEMENT
(Continued)

20. INFRASTRUCTURE RELIABILITY AND REPLACEMENT ADJUSTMENT MECHANISM (IRRAM)

20A. PURPOSE

The purpose of the IRRAM is to balance the difference between the revenue requirements associated with Commission-approved programs with recorded revenues to recover these costs. The IRRAM will allow the Company to establish rates to recover the revenue requirement on these programs between general rate cases.

20B. APPLICABILITY

This IRRAM provision applies to bills for service under the rate schedules in the Company's California service areas excluding service provided under a Special Contract or any other exclusion provided for by the Commission.

20C. REVISION DATE

The Company will file an advice letter with the proposed IRRAM Adjustments by November 30 of each year, with a requested effective date of January 1 of the following year.

20D. FORECAST PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision date.

20E. INFRASTRUCTURE RELIABILITY AND REPLACEMENT BALANCING ACCOUNT ADJUSTMENT

The Infrastructure Reliability and Replacement Balancing Account (IRRBA) Adjustment shall consist of a rate per therm to recover or return the amounts accumulated in the IRRBA plus an amount to recover the estimated annual revenue requirement, for each Commission-approved program included in the IRRAM.

PRELIMINARY STATEMENT
(Continued)

20. INFRASTRUCTURE RELIABILITY AND REPLACEMENT ADJUSTMENT
MECHANISM (IRRAM) (Continued)

20E. INFRASTRUCTURE RELIABILITY AND REPLACEMENT BALANCING
ACCOUNT ADJUSTMENT (Continued)

The IRRBA Adjustment shall be determined by dividing the sum of the balance in the IRRBA at the end of the latest available month at the time of filing and the estimated annual revenue requirement for each Commission-approved program included in the IRRAM by the total Forecast Period Volume gas deliveries. The IRRBA Adjustment shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

20F. ACCOUNTING

Separate accounts will be maintained for the Company's Southern California, Northern California and South Lake Tahoe service areas and work performed under each Commission-approved IRRAM program shall be tracked separately.

The Company shall make the following entries to the IRRBA at the end of each month:

- a. A debit entry equal to the revenue requirement associated with work performed on each Commission-approved IRRAM program.
- b. A credit entry equal to the monthly recorded revenue associated with the IRRBA Adjustment.
- c. An entry to record interest in the IRRBA after entries a. and b. above, calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

21. PENSION BALANCING ACCOUNT (PBA)

21A. PURPOSE

The PBA is a two-way balancing account recorded in the general ledger of the Company. The purpose of this account is to balance the difference between authorized and actual amounts associated with the Company pension fund that are allocable to California. The PBA was established pursuant to D.14-06-028.

21B. ACCOUNTING PROCEDURES

Debit and or credit entries will be made at the end of each calendar year equal to the difference between pension amounts that were allocated to California and embedded in authorized rates, and actual pension amounts allocable to California, using the same allocation methodology approved in the Company's most recent general rate case.

21C. DISPOSITION

The PBA December 31 balance, at the end of the most recently recorded calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general rate case or other ratesetting application.

PRELIMINARY STATEMENT

(Continued)

22. MOBILE HOME PARK CONVERSION BALANCING ACCOUNT (MHPCBA)

22A. PURPOSE

The MHPCBA is a two-way balancing account for the purpose of recording and recovering the incremental revenue requirement associated with converting submetered residents at mobile home parks from master-metered natural gas service to direct utility service in accordance with the Mobilehome Park (MHP) Conversion Pilot Program provisions adopted in Decision (D.) 14-03-021 and extended pursuant to Resolution E-4958. D.20-04-004 further authorized a ten-year Mobilehome Park Conversion Program, beginning January 1, 2021. The Company established the MHPCBA pursuant to D.14-03-021 and will continue to record MHP program expenses in the MHPCBA in accordance with D.20-04-004. A separate MHPCBA will be maintained for each of the Company's California rate jurisdictions.

22B. APPLICABILITY

The MHPCBA provision applies to all rate schedules, excluding customers served under a Special Contract or any other exclusion provided for by the Commission.

22C. REVISION DATE

Annually, the Company shall submit a Tier I Advice Letter to update the MHPCBA adjustment rates using the month ended September 30 MHPCBA balance.

22D. FORECAST PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date.

22E. ACCOUNTING

The Company will maintain separate subaccounts in the MHPCBA for its costs up to and including the customer's meter ("to the meter" costs) and for the reimbursable costs for work performed beyond the Company's meter ("beyond the meter" costs).

1. The Company shall make the following entries to the "to the meter" MHPCBA subaccount at the end of each month:

- a. A debit entry for incremental O&M start-up costs, such as program development, customer outreach and administration expenses, not otherwise recovered in rates;

PRELIMINARY STATEMENT

(Continued)

22. MOBILE HOME PARK CONVERSION BALANCING ACCOUNT (MHPCBA)

(Continued)

- b. A debit entry equal to the revenue requirement associated with the Company's actual "to the meter" facilities cost. The revenue requirement is defined as an amount equal to the depreciation expense, property tax and return on plant in service. Depreciation expense will be calculated using the Company's authorized depreciation rates. Property tax will be calculated at the Company's authorized effective tax rates. Return on investment will be calculated at the Company's authorized pre-tax return on rate base;
 - c. A credit entry equal to the MHPCBA Adjustment Rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month;
 - d. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statements.
2. The Company will make the following entries to the "beyond the meter" MHPCBA subaccount at the end of each month:
- a. A debit entry equal to the revenue requirement related to the "beyond the meter" costs incurred, which includes amortization expense, all related taxes, and authorized return on investment at the Company's authorized pre-tax return on rate base. "Beyond the meter" costs are recorded as a regulatory asset and will be amortized over a period of ten years;
 - b. A credit entry equal to the ten year straight line amortization of the "beyond the meter" subaccount, as established in the Company's next general rate case;
 - c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statements.

22F. MHPCBA ADJUSTMENT RATES

A MHPCBA Adjustment Rate will be established for each of the Company's rate jurisdictions. The MHPCBA Adjustment Rates will be determined by dividing the September 30 balances recorded in the "to the meter" MHPCBA subaccounts by the total Forecast Period volumes. The MHPCBA Adjustment Rates shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff. "Beyond the meter" balances will be amortized over a ten-year period beginning with the Company's first general rate case after the MHPs is cutover to direct service through the Company's gas distribution system.

PRELIMINARY STATEMENT
(Continued)

23. GREENHOUSE GAS (GHG) BALANCING ACCOUNT (GHGBA)

23A. PURPOSE

The GHGBA is a two-way balancing account for the purpose of tracking and recording costs incurred to comply with the California Air Resource Board's (ARB) natural gas supplier Cap-and-Trade Program and revenues from consignment of the Company's natural gas supplier GHG allowances for auction under the Cap-and-Trade Program. The Company is authorized to establish the GHGBA pursuant to Decision 14-12-040.

23B. APPLICABILITY

Costs and revenues recorded in the GHGBA provision apply to all customer classes ("Non-Covered Entities"), excluding end-use customers who emit 25,000 metric tons of CO₂e or more per year and are directly regulated by the ARB and any other customers who elect to opt-in to direct regulation under ARB's rules ("Covered Entities"). All Cap-and-Trade program costs are to be included in transportation rates for Non-Covered Entities. Covered Entities are only responsible for paying for emissions costs associated with lost and unaccounted for gas (LUAF).

23C. REVISION DATE

The Company shall file to update the GHGBA adjustment rates in its annual November Advice Letter filing to update balancing account surcharges and transportation and storage rates.

23D. FORECAST PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date excluding end-use customers who emit 25,000 metric tons of CO₂e or more per year and are directly regulated by the ARB and any other customers who elect to opt-in to direct regulation under ARB's Rules.

23E. ACCOUNTING

The Company will maintain separate subaccounts in the GHGBA for costs incurred to comply with the ARB's natural gas supplier Cap-and-Trade Program, revenues received from consignment of allowance for auction, emission costs associated with LUAF, and a subaccount for the Bio-SNG Pilots Funding.

1. The Company shall make the following entries for ARB natural gas supplier Cap-and-Trade Program costs in the GHGBA subaccount at the end of each month:
 - a. A debit entry for costs associated with the ARB's natural gas supplier Cap-and-Trade Program, excluding emission costs associated with lost and unaccounted for gas (LUAF);

PRELIMINARY STATEMENT
(Continued)

23. GREENHOUSE GAS (GHG) BALANCING ACCOUNT (GHGBA)

23E. ACCOUNTING (continued)

- b. A debit entry for incremental Commission authorized Cap-and-Trade Program costs, not otherwise recovered in rates;
 - c. A credit entry equal to the GHGBA adjustment rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month; and
 - d. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.
2. The Company will make the following entries for Cap-and-Trade Program GHG revenues from consignment in the GHGBA subaccount at the end of each month:
- a. A credit entry equal to GHG revenues received from consignment of the Company's natural gas supplier GHG allowances for auction under the Cap-and-Trade Program;
 - b. A debit entry equal to the revenues returned to residential customers through the California Climate Credit annually in April; and
 - c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.
 - d. A debit entry equal to the quarterly transfer of GHG revenues to the Bio-SNG Pilots Funding subaccount that are set aside for the Company's share more fully described in 23E (4) below;
 - e. A credit entry equal to the transfer back of the Bio-SNG Pilots Funding subaccount for any remaining GHG revenues that are unused as of December 31, 2032.
3. The Company will make the following entries for emission costs associated with LUAF in the GHGBA subaccount at the end of each month:
- a. A debit entry for emissions costs associated with LUAF;
 - b. A credit entry equal to the GHGBA adjustment rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month; and
 - c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT

(Continued)

23. GREENHOUSE GAS (GHG) BALANCING ACCOUNT (GHGBA)

23E. ACCOUNTING *(continued)*

4. The Company will make the below entries for its 1.63% set aside share, or \$652,000, of GHG allowance revenues to fund the Bio-SNG Pilots in the GHG subaccount. Funding will be recorded in quarterly installments in March 2022, and then on June 1, September 1, and December 1 of 2022.
 - a. A credit entry equal to the quarterly transfer of Cap-and-Trade allowance proceeds to the Bio-SNG Pilots Funding subaccount that are set aside for Southwest Gas' share as approved in D.22-02-025;
 - b. A debit entry equal to the transfer back of the Bio-SNG Pilots Funding subaccount for any remaining Cap-and-Trade allowance proceeds that are unused as of December 31, 2032;
 - c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

23F. GHGBA ADJUSTMENT RATES

The Company's GHG adjustment rates to recover costs to comply with the ARB's natural gas supplier Cap-and-Trade Program and to return revenues received from consignment of the Company's natural gas supplier GHG allowances for auction will be calculated pursuant to the methodologies set forth in D.15-10-032.

PRELIMINARY STATEMENT
(Continued)

24. GREENHOUSE GAS MEMORANDUM ACCOUNT (GHGMA)

24A. PURPOSE

The purpose of the GHGMA is to track the Company's administrative and outreach costs incurred to comply with the California Air Resources Board's (ARB) natural gas supplier Cap-and-Trade Program. The Company is authorized to establish the GHGMA pursuant to Decisions 14-12-040 and 15-10-032.

24B. APPLICABILITY

Costs recorded in the GHGMA will apply to all customer classes excluding end-use customers who emit 25,000 metric tons of CO₂e or more per year and are directly regulated by the ARB and any other customers who elect to opt-in to direct regulation under ARB's rules.

24C. ACCOUNTING

The Company shall make the following entries to the GHGMA:

1. Debit entries equal to the Company's associated administrative and outreach costs that are directly associated with its Cap-and-Trade Program; and
2. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

24D. DISPOSITION

The GHGMA December 31 balance, at the end of the last estimated calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general case or other ratesetting application.

D/N
N
N

PRELIMINARY STATEMENT
(Continued)

25. BIOMETHANE INJECTION INCENTIVE PROGRAM BALANCING ACCOUNT (BIIPBA)

25A. PURPOSE

The BIIPBA is a two-way balancing account for the purpose of tracking and recording the Company's payments for eligible interconnection costs made to biomethane gas suppliers as set forth in Rule No. 22 of this California Gas Tariff. The payments are made in accordance with the Commission's monetary incentive program established in Decision (D.) 15-06-029 and (D.) 20-12-031. The Company is authorized to establish the BIIPBA pursuant to D.15-06-029.

The Company was authorized to establish a subaccount pursuant to D.20-12-031 to record and track Southwest Gas' respective share (1.63% or \$652,000) of the additional \$40 million California Air Resources Board (CARB) allocation of cap-and-trade allowance proceeds compared to the monetary incentive payments to biomethane producers for the development, deployment, and utilization of the utilities' gas pipeline beginning March 1, 2022 and continuing through December 1, 2023.

25B. APPLICABILITY

The BIIPBA provision applies to all rate schedules, excluding customers served under a Special Contract or any other exclusion provided for by the Commission.

25C. FORECASTED PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period during which the BIIPBA adjustment rate is to be effective.

25D. BIIPBA ADJUSTMENT RATE

The Company shall file a Tier 2 Advice Letter, as necessary, to update the BIIPBA adjustment rate, with a requested effective date of January 1 of the following year. The BIIPBA adjustment rate shall be determined by dividing the balance in the account at the end of the latest available month at the time of filing by the Forecasted Period Volumes. The BIIPBA adjustment rate shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

25. BIOMETHANE INJECTION INCENTIVE PROGRAM BALANCING ACCOUNT
(BIIPBA) (Continued)

25E. ACCOUNTING - BIIPBA

The Company will make the following entries to the BIIPBA subaccount at the end of each month.

- a. A debit entry equal to the incentive payments paid to the biomethane gas suppliers;
- b. A credit entry equal to the BIIPBA adjustment rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month;
- c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

25F. ACCOUNTING – Renewable Gas Interconnection Incentive Program

The Company will make the following entries to the Renewable Gas Interconnection Incentive Program subaccount at the end of each month.

- a. A credit entry to record the incentive funding from GHG proceeds as approved by the CPUC in the Annual Gas True-up filing. A corresponding debit entry is recorded to the BIIPBA subaccount.
- b. A debit entry equal to the incentive payments covering eligible interconnection costs incurred by biomethane interconnector.
- c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

26. NEW ENVIRONMENTAL REGULATORY BALANCING ACCOUNT (NERBA)

26A. PURPOSE

The NERBA is a two-way balancing account for the purpose of recording and recovering the revenue requirement associated with the implementation of the Natural Gas Leak Abatement Program best practices. The Company is authorized to establish the NERBA pursuant to Decision 17-06-015.

26B. APPLICABILITY

The NERBA provision applies to all rate schedules, excluding customers served under a Special Contract or any other exclusion provided for by the Commission.

26C. ACCOUNTING

Pursuant to D.17-06-015, the Company will file a Tier 3 Advice Letter to establish the 2018 and 2019 revenue requirement for the NERBA, and proposed allocation methodology, for the implementation of Natural Gas Leak Abatement Program best practices. Upon approval, the Company will begin recording the authorized amounts into the NERBA. Separate accounts will be maintained for each of the Company's three California rate jurisdictions. The Company shall make the following entries to the NERBA account at the end of each month:

1. A debit entry for the revenue requirement associated with Natural Gas Leak Abatement Program expenditures. The revenue requirement is defined as the incremental Operations and Maintenance expenses, the incremental Capital related costs and taxes. The capital related costs include depreciation, taxes and return;
2. A credit entry equal to the amounts recovered through the Commission authorized NERBA rate;
3. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statements.

PRELIMINARY STATEMENT
(Continued)

26. NEW ENVIRONMENTAL REGULATORY BALANCING ACCOUNT (NERBA)
(Continued)

26D. NERBA ADJUSTMENT RATE

The Company shall annually file a Tier 2 Advice Letter to update the NERBA rate with a requested effective date of January 1 of the following year. The NERBA rate shall be calculated by using the year end NERBA balance divided by the volumes of gas estimated to be delivered during the 12 calendar-month period immediately following the adjustment date. The NERBA rate shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

27. NATURAL GAS LEAK ABATEMENT PROGRAM MEMORANDUM ACCOUNT (NGLAPMA)

27A. PURPOSE

The purpose of the NGLAPMA is to track the Company's incremental administrative costs associated with the implementation of the Natural Gas Leak Abatement Program. The Company is authorized to establish the NGLAPMA pursuant to Decision 17-06-015.

27B. TRACKING PROCEDURES

The Company shall maintain the NGLAPMA by tracking the incremental administrative costs associated with the Natural Gas Leak Abatement Program. Separate accounts will be maintained for each of the Company's three California rate jurisdictions. Interest on the tracked balance will be calculated as set forth in Section 12B of this Preliminary Statement.

27C. DISPOSITION

The NGLAPMA December 31 balance of incremental administrative costs, at the end of the most recently recorded calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general rate case or other ratesetting application.

D/N
N

PRELIMINARY STATEMENT
(Continued)

28. NATURAL GAS LEAK ABATEMENT PROGRAM BALANCING ACCOUNT
(NGLAPBA)

28A. PURPOSE

The NGLAPBA is a one-way balancing account for the purpose of recording and recovering costs related to the Company's authorized Natural Gas Leak Abatement Program Pilot Projects and Research and Development (R&D) activities. The Company is authorized to establish the NGLAPBA pursuant to Decision 17-06-015.

28B. APPLICABILITY

The NGLAPBA provision applies to all rate schedules, excluding customers served under a Special Contract or any other exclusion provided for by the Commission.

28C. ACCOUNTING PROCEDURE

Pursuant to D.17-06-015, the Company will file a Tier 3 Advice Letter to establish the 2018 and 2019 revenue requirement for the NGLAPBA, and proposed allocation methodology, for the implementation of Natural Gas Leak Abatement Program Pilot Projects and R&D activities. Upon approval, the Company will begin recording the authorized amounts into the NGLAPBA. Separate accounts will be maintained for each of the Company's three California rate jurisdictions. The Company shall make the following entries to the NGLAPBA:

- a. A debit entry equal to the Company's actual NGLAPBA program costs;
- b. A credit entry equal to the revenue collected through the NGLAPBA rate;
- c. An entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement.

28D. NGLAPBA ADJUSTMENT RATE

The Company shall annually file a Tier 2 Advice Letter to update the NGLAPBA rate with a requested effective date of January 1 of the following year. The NGLAPBA rate shall be calculated by using the year end NGLAPBA balance divided by the volumes of gas estimated to be delivered during the 12 calendar-month period immediately following the adjustment date. The NGLAPBA rate shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

29. TAX MEMORANDUM ACCOUNT (TMA)

29A. PURPOSE

The purpose of the TMA is to track any revenue difference resulting from differences between the Company's authorized income tax expenses and its actually-incurred income tax expenses, including repair deductions and bonus depreciation. The account shall have separate line items detailing the differences resulting from (1) net revenue changes, (2) mandatory tax law changes, tax accounting changes, tax procedural changes, tax policy changes, and (3) elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes. The TMA is established in accordance with Decision (D.) 17-06-006.

29B. TRACKING PROCEDURES

The Company shall maintain the TMA by separately tracking the calendar year difference between authorized income tax expenses and actually-incurred income tax expenses. The TMA shall include separate line items detailing the differences resulting from:

1. Net revenue changes,
2. Mandatory tax law changes, tax accounting changes, tax procedural changes, or tax policy changes, and
3. Elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes.

Interest on the tracked balance will be calculated as set forth in Section 12B of this Preliminary Statement.

PRELIMINARY STATEMENT
(Continued)

29. TAX MEMORANDUM ACCOUNT (TMA)

29C. DISPOSITION

The TMA shall be reviewed in the Company's GRC proceedings until a Commission decision closes the account. The TMA December 31 balance, at the end of the last estimated calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general rate case or other ratesetting application.

29D. REPORTING

The Company will timely notify the Commission of any tax-related changes, including tax-related accounting changes, or tax-related procedural changes that materially affect, or may materially affect, revenues and any revenue differences if applicable. A "material affect" means a potential increase or decrease of \$3 million or more to the Company's California jurisdictions.

D/N
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SOUTHWEST GAS CORPORATION
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Las Vegas, Nevada 89193-8510
California Gas Tariff

Canceling 1st Revised Cal. P.U.C. Sheet No. 45.11
Original Cal. P.U.C. Sheet No. 45.11

HELD FOR FUTURE USE

Advice Letter No. 1168
Decision No. 21-03-052

Issued by
Justin Lee Brown
Senior Vice President

Date Filed March 31, 2021
Effective April 1, 2021
Resolution No. _____ T

PRELIMINARY STATEMENT
(Continued)

31. OFFICER COMPENSATION MEMORANDUM ACCOUNT – 2019 (OCMA-2019)

31A. PURPOSE

The OCMA-2019 is a memorandum account established pursuant to Public Utilities Code Section 706, as enacted by Senate Bill 901 (2018, Dodd). Public Utilities Code Section 706 requires, among other things, that all forms of compensation for officers of electrical or gas corporations shall be paid solely by shareholders. The purpose of the OCMA-2019 is to track the California allocable difference between (1) compensation for officers of the utility that is authorized in General Rate Cases (GRCs) or resolutions and; (2) all compensation as defined by Public Utilities Code Section 706. The term "officer" shall be defined as those employees of the investor owned utilities in positions with titles of Vice President or above, consistent with Rule 240.3b-7 of the Securities Exchange Act.

31B. APPLICABILITY

The OCMA-2019 is effective January 1, 2019 until closed at the direction of the Commission.

31C. ACCOUNTING PROCEDURE

The OCMA-2019 consists of two subaccounts:

The "Authorized Compensation Subaccount" tracks salaries, bonuses, benefits, and all other consideration of any value paid to officers in rates as authorized in D.14-06-28 and modified by D.17-06-006.

The "Total Compensation Subaccount" tracks salaries, bonuses, benefits, and all other consideration of any value paid to officers.

Salaries: Payroll data for Executive Officer base salaries.

Bonuses: Variable Pay/Incentive Compensation Plan (ICP).

Benefits: Employer portion of health and welfare premiums.

Other Consideration: Executive Officer perquisites in payroll data and/or invoices, deferred compensation company match.

PRELIMINARY STATEMENT
(Continued)

31. OFFICER COMPENSATION MEMORANDUM ACCOUNT – 2019 (OCMA-2019)

31C. ACCOUNTING PROCEDURE (Continued)

The Company shall maintain this account by making quarterly entries (or annual entries where applicable when quarterly data is not available) as follows:

1. Authorized Compensation Subaccount

A credit entry equal to the salaries, bonuses, benefits, and all other consideration of any value set aside to be paid to its officers as authorized in D.14-06-28 and modified by D.17-06-006.

2. Total Compensation Subaccount

A debit entry equal to the salaries, bonuses, benefits, and all other consideration of any value paid to its officers.

31D. DISPOSITION

The OCMA-2019 December 31 balance, at the end of the most recently recorded calendar year, will be amortized beginning with the effective date of rates approved in the Company's next general rate case or other ratesetting application.

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D/N

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1st Revised

Cal. P.U.C. Sheet No. 45.14
Cal. P.U.C. Sheet No. 45.14

HELD FOR FUTURE USE

Advice Letter No. 1168
Decision No. 21-03-052

Issued by
Justin Lee Brown
Senior Vice President

Date Filed March 31, 2021
Effective April 1, 2021
Resolution No. _____

PRELIMINARY STATEMENT
(Continued)

33. EMERGENCY CUSTOMER PROTECTIONS MEMORANDUM ACCOUNT (ECPMA)

33A. PURPOSE

Pursuant to Decision (D.) 18-08-004, the purpose of the Emergency Customer Protections Memorandum Account (ECPMA) is to record all incremental costs incurred by the Company associated with providing the residential and non-residential emergency customer protections set forth in D.18-08-004 for any disasters where the Governor of California has declared a State of Emergency that includes the Company's service territories and where the disaster has either: (1) resulted in the loss or disruption of the delivery or receipt of utility service; and/or (2) resulted in the degradation of the quality of utility service.

Should such a disaster occur, the Company shall file a Tier 1 Advice Letter within 15 days of the Governor's State of Emergency Proclamation reporting its compliance with D.18-08-004.

33B. TRACKING PROCEDURES

The Company shall track the incremental costs in the ECPMA at the end of each month, commencing with the month the disaster occurs. Entries to the ECPMA will be segregated by qualifying event. Interest on the tracked balance will be calculated as set forth in Section 12B of this Preliminary Statement.

33C. APPLICABILITY

The ECPMA balance will be recovered from all customer classes, unless specifically requested for exclusion by the Company.

33D. DISPOSITION

Costs recorded in the ECPMA may be recovered in rates only after a request by the Company and approval by the Commission.

PRELIMINARY STATEMENT
(Continued)

34. CUSTOMER DATA MODERNIZATION INITIATIVE BALANCING ACCOUNT
(CDMIBA)

34A. PURPOSE

The CDMIBA is a two-way balancing account for the purpose of recording and recovering the revenue requirement for the incremental operations and maintenance (O&M) and capital costs associated with Customer Data Modernization Initiative, which is replacing two of the Company's legacy systems, the Customer Service System (CSS) and the Gas Transaction System (GTS). The Company is authorized to establish the CDMIBA pursuant to Decision (D.) 20-07-016. A separate CDMIBA will be maintained for each of the Company's California rate jurisdictions.

34B. APPLICABILITY

The CDMIBA balance will be recovered from all customer classes, unless specifically requested for exclusion by the Company.

34C. REVISION DATE

The first CDMIBA rate will be established one month after the Commission Decision to begin recovery of operations and maintenance expenses. Thereafter, the rate will reset annually on January 1, and the Company shall file a Tier I Advice Letter to update the CDMIBA adjustment rates using the month ended September 30 CDMIBA. The revenue requirement on capital expenditures will be recorded in the two-way balancing account beginning the month after each work order is placed into service. Recovery of the revenue requirement on capital expenditures recorded in the two-way balancing account will begin on January 1, the year after each work order is placed into service.

34D. FORECAST PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period immediately following the Revision Date.

34E. ACCOUNTING

The Company shall make the following entries to the CDMIBA account at the end of each month:

PRELIMINARY STATEMENT
(Continued)

34. CUSTOMER DATA MODERNIZATION INITIATIVE BALANCING ACCOUNT
(CDMIBA) (Continued)

34E. ACCOUNTING (Continued)

- a. A debit entry equal to the California jurisdictional revenue requirement associated with the Company's actual capital costs. The monthly revenue requirement will be an amount equal to depreciation and amortization expense, 1/12 of the authorized rate of return (grossed up for income taxes, franchise taxes and uncollectibles) multiplied by the ending rate base each month, plus incremental O&M expenses. The revenue requirement on capital expenditures will be recorded in the CDMIBA beginning the month after each work order is placed into service. The amount equal to the California jurisdictional incremental O&M expenses associated with the CDMI will be recorded in CDMIBA beginning with catch-up entries following the effective date of the mechanism for inception-to-date expenditures and subsequently, on a monthly basis following periods of incurrence.
- b. A credit entry equal to the CDMIBA Adjustment Rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month;
- c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statements.
- d. The monthly debit entries will continue until the rate effective date of the Company's next general rate case. The monthly credit entries will continue until the CDMIBA is fully collected.

34F. CDMIBA ADJUSTMENT RATES

A CDMIBA Adjustment Rate will be established for each of the Company's rate jurisdictions. Recovery of California jurisdictional incremental O&M expenses incurred through the date of the Commission decision issued will begin the month after the Commission issued D.20-07-016 or September 1, 2020.

Recovery of the revenue requirement on capital expenditures recorded in the two-way balancing account will begin on January 1, the year after each work order is placed into service.

PRELIMINARY STATEMENT
(Continued)

34. CUSTOMER DATA MODERNIZATION INITIATIVE BALANCING ACCOUNT
(CDMIBA) (Continued)

34F. CDMIBA ADJUSTMENT RATES (Continued)

The CDMIBA Adjustment Rates will be determined by dividing the September 30 balances recorded in the CDMIBA subaccounts by the total Forecast Period volumes. The CDMIBA Adjustment Rates shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

The revenue requirement related to the CDMI charged to the CDMIBA will cease the day before rates are effective in the next general rate case after the Company's Test Year 2021 general rate case. At that time, the revenue requirement associated with the CDMI project will roll into the base margin revenue requirement.

The CDMIBA Adjustment rate will remain in place until the revenue requirement and incremental O&M costs recorded in the CDMIBA are fully collected.

PRELIMINARY STATEMENT
(Continued)

35. COVID-19 PANDEMIC PROTECTIONS MEMORANDUM ACCOUNT (CPPMA)

35A. PURPOSE

Pursuant to Resolution M-4842, dated April 16, 2020, the purpose of the CPPMA is to record incremental costs and waived charges incurred by the Company associated with its implementation of the COVID-19 customer protections as outlined in Advice Letter No. 1130-A, and clarified in Advice Letter Nos. 1130-G-B and 1130-G-C. The COVID-19 customer protections apply to all Residential and Small Business Customers (non-residential customers) with an annual consumption of less than 10,000 therms and as defined in Rule No. 1-Definitions of this California Gas Tariff. Resolution M-4849, dated February 11, 2021, extended the COVID-19 customer protections through June 30, 2021. The CPPMA is effective March 4, 2020.

35B. APPLICABILITY

The CPPMA balance will be recovered from customers as authorized by the Commission.

35C. ACCOUNTING PROCEDURES

For costs associated with the implementation of the COVID-19 customer protections, the Company shall will make the following entries to the CPPMA at the end of each month, net of Franchise Fees and Uncollectibles (FF&U), where applicable:

- a. A debit entry equal to the actual operation and maintenance (O&M) costs and capital-related costs (i.e., depreciation, taxes and return);
- b. A debit entry equal to waived charges;
- c. A debit entry for incremental uncollectible expenses;
- d. A debit entry for other incremental costs; and
- e. An entry to record interest on the CPPMA balance calculated as set forth in Section 12B of this Preliminary Statement.

Costs recorded in the CPPMA will be tracked by customer class.

35D. DISPOSITION

Costs recorded in the CPPMA may be recovered in rates only after a request by the Company and approval by the Commission either through a general rate case or other applicable proceeding.

PRELIMINARY STATEMENT
(Continued)

36. BIOMETHANE PROCUREMENT AND ADMINISTRATIVE COST BALANCING ACCOUNT (BPACBA)

36A. PURPOSE

The BPACBA is an interest-bearing two-way balancing account for the purpose of recording and recovering costs related to the Company's compliance with Decision (D.) 22-02-025, which implemented Senate Bill 1440 and established short- and medium-term biomethane (i.e., renewable natural gas and/or bio-synthetic natural gas) procurement targets to reduce short-lived climate pollution emissions. The Company is authorized to establish the BPACBA pursuant to D.22-02-025. The BPACBA shall consist of two subaccounts.

Biomethane Commodity Cost Subaccount – The purpose of this subaccount is to record the above-market Biomethane commodity costs procured subject to D.22-02-025. The above-market Biomethane cost is defined as the difference in the monthly weighted average cost of Biomethane purchases (including the cost of any renewable attributes or credits that are bundled with the purchased Biomethane supply) and the monthly weighted average cost of traditional natural gas purchases.

Biomethane Procurement Administrative Cost Subaccount – The purpose of this subaccount is to record program administrative costs incurred to support the Company's Biomethane procurement subject to D.22-02-025.

36B. APPLICABILITY

The BPACBA provision applies to all rate schedules, except for any customers specifically excluded by the Commission.

36C. ACCOUNTING – Biomethane Commodity Cost Subaccount

Separate entries will be maintained for the Company's Southern California, and Northern California, including South Lake Tahoe, service areas. The Company will make the following entries to the Biomethane Commodity Cost Subaccount at the end of each month:

- a. A debit entry equal to the recorded above-market Biomethane commodity costs incurred subject to D.22-02-025;

PRELIMINARY STATEMENT

(Continued)

36. BIOMETHANE PROCUREMENT AND ADMINISTRATIVE COST BALANCING ACCOUNT (BPACBA) (Continued)

36C. ACCOUNTING – Biomethane Commodity Cost Subaccount *(Continued)*

- b. An entry to amortize the Biomethane Commodity Cost Subaccount; and
- c. An entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement.

36D. ACCOUNTING – Biomethane Procurement Administrative Cost Subaccount

Separate entries will be maintained for the Company's Southern California, and Northern California, including South Lake Tahoe, service areas. The Company will make the following entries to the Biomethane Procurement Administrative Cost subaccount at the end of each month:

- a. A debit entry equal to the recorded administrative costs for Biomethane procurement incurred subject to D.22-02-025;
- b. An entry to amortize the Biomethane Procurement Administrative Cost Subaccount; and
- c. An entry to record interest on the account calculated as set forth in Section No. 12B of this Preliminary Statement.

36E. BPACBA DISPOSITION

The Company shall annually submit a Tier 2 Advice Letter to update the BPACBA rate with a requested effective date of January 1 of the following year. The Biomethane Commodity Cost Subaccount balance will be recovered from core customers through the upstream interstate pipeline component of the Company's Fixed Cost Adjustment Mechanism (FCAM) Balancing Account Adjustment. The Biomethane Procurement Administrative Cost Subaccount balance will be recovered from all customers through the margin component of the Company's FCAM Balancing Account Adjustment.

PRELIMINARY STATEMENT
(Continued)

37. RESIDENTIAL UNCOLLECTIBLES BALANCING ACCOUNT (RUBA)

37A. PURPOSE

The RUBA is an interest-bearing two-way balancing account for the purpose of recording and recovering costs related to the difference between authorized revenues associated with uncollectible expense for residential customers and actual residential customer bad debt expense. The Company is authorized to establish the RUBA pursuant to Decision 22-08-037.

37B. APPLICABILITY

The RUBA provision applies to all rate schedules, except for any customers specifically excluded by the Commission.

37C. ACCOUNTING

Separate entries will be maintained for the Company's Southern California, Northern California, and South Lake Tahoe service areas. The Company will make the following entries to the RUBA at the end of each month:

- a. A debit entry equal to the difference between authorized revenues associated with uncollectible expense for residential customers and actual residential customer bad debt expense;
- b. An entry to amortize the RUBA as authorized by the Commission consisting of a credit or debit entry equal to the RUBA Adjustment Rate, excluding franchise taxes and uncollectible accounts expense, multiplied by the applicable volumes delivered during the month;
- c. An entry to record interest on the balance calculated as set forth in Section 12B of this Preliminary Statement;

37D. FORECAST PERIOD VOLUMES

The volumes of gas, expressed in therms, to be utilized hereunder shall be the volumes estimated to be delivered during the 12 calendar-month period during which the RUBA adjustment rate is to be effective.

PRELIMINARY STATEMENT
(Continued)

37. RESIDENTIAL UNCOLLECTIBLES BALANCING ACCOUNT (RUBA) (Continued)

37E. RUBA ADJUSTMENT RATES

The Company shall annually file a Tier 2 Advice Letter to update the RUBA adjustment rate with a requested effective date of January 1 of the following year. The RUBA rate shall be determined by dividing the September 30 balances recorded in the RUBA subaccounts by the respective Forecast Period volumes. The RUBA adjustment rates shall be set forth in the currently-effective Statement of Rates of this California Gas Tariff.

PRELIMINARY STATEMENT
(Continued)

38. RESIDENTIAL DISCONNECTION PROTECTIONS MEMORANDUM ACCOUNT (RDPMA)

38A. PURPOSE

The purpose of the RDPMA is to track the Company's incremental costs associated with the implementation of the customer protections required by Decision 22-08-037.

38B. APPLICABILITY

The RDPMA balance will be recovered from all customers, except any customers specifically excluded by the Commission.

38C. ACCOUNTING

The Company shall maintain the RDPMA by recording entries at the end of each month as follows, net of Franchise Fees & Uncollectibles (FF&U), where applicable:

- a. A debit entry equal to the actual operation and maintenance (O&M) costs and capital-related costs (i.e., depreciation, taxes and return) associated with implementing the customer protections established in D.22-08-037;
- b. A debit entry equal to waived reconnection charges until addressed in the Company's next general rate case; and
- c. Interest on the tracked balance will be calculated as set forth in Section 12B of this Preliminary Statement.

38D. DISPOSITION

Costs recorded in the RDPMA may be recovered in rates only after a request by the Company and approval by the Commission either through a general rate case or other applicable proceeding.

PRELIMINARY STATEMENT
(Continued)

39. INFRASTRUCTURE INVESTMENT AND JOBS ACT MEMORANDUM ACCOUNT (IIJAMA)

39A. PURPOSE

The purpose of the IIJAMA is to record and track 1) incremental costs for projects seeking and/or awarded federal funding, including incremental costs incurred during the development and preparation of applications for such funding; and 2) tax impacts of federal grant awards, including both tax liabilities related to federal grant awards and tax benefits such as the impact of depreciation pursuant to Resolution E-5254, effective April 6, 2023. The IIJAMA shall consist of two subaccounts.

IIJAMA Cost Subaccount – The purpose of this subaccount is to record incremental costs for any projects seeking and/or awarded federal funding.

IIJAMA Tax Subaccount – The purpose of this subaccount is to record the tax impacts of the federal grant awards funding.

39B. APPLICABILITY

The IIJAMA balance will be recovered from all customers, except any customers specifically excluded by the Commission.

39C. ACCOUNTING – IIJAMA Cost Subaccount

Separate entries will be maintained for the Company's Southern California, and Northern California, including South Lake Tahoe service areas. The Company will make the following entries to the IIJA Cost Subaccount at the end of each month, net of Franchise Fees & Uncollectibles (FF&U), where applicable, as follows:

- a. A debit entry equal to the actual incremental operation and maintenance (O&M) costs and capital-related costs (i.e., depreciation, taxes, and return) for any projects seeking and/or awarded federal funding, including incremental costs incurred for the development and preparation of applications for such funding;

PRELIMINARY STATEMENT
(Continued)

39. INFRASTRUCTURE INVESTMENT AND JOBS ACT MEMORANDUM ACCOUNT
(IIJAMA) (Continued)

39C. ACCOUNTING – IIJA Cost Subaccount (Continued)

- a. An entry to amortize the balance in this subaccount as authorized by the Commission; and
- b. An entry to record interest on the account balance calculated as set forth in Section 12B of this Preliminary Statement.

39D. ACCOUNTING – IIJA Tax Subaccount

Separate entries will be maintained for the Company's Southern California, and Northern California, including South Lake Tahoe service areas. The Company will make the following entries to the IIJA Tax Subaccount at the end of each month, net of FF&U, where applicable, as follows:

- a. A debit or credit entry equal to the tax impacts of the federal grant awards, including any related tax benefits:
- b. An entry to amortize the balance in this subaccount as authorized by the Commission; and
- c. An entry to record interest on the account balance calculated as set forth in Section 12B of this Preliminary Statement.

38E. IIJAMA DISPOSITION

Costs recorded in the IIJAMA may be recovered in rates only after a request by the Company and approval by the Commission either through a general rate case or other applicable proceeding.