PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 11, 2013

Advice Letter 911-G

Don Soderberg, Vice-President/Pricing
Southwest Gas Corporation
P O Box 98510
Las Vegas, NV 89193-8510

Subject: To Remove Preliminary Statement 16 – Facilities Surcharge

Dear Mr. Soderberg:

Advice Letter 911-G is effective January 17, 2013.

Sincerely,

Edward F. Randolph, Director
Energy Division

SOUTHWEST GAS CORPORATION

Justin Lee Brown, Vice President/Pricing

January 17, 2013

ATTN: Honesto Gatchalian
Tariff Unit, Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4005
San Francisco, CA 94102

Subject: Southwest Gas Corporation (U 905 G)
Advice Letter No. 911

Dear Mr. Gatchalian:

Enclosed herewith are five (5) copies of Southwest Gas Corporation's Advice Letter No. 911 together with California Gas Tariff P.U.C. Sheet Nos. 26 through 45.

Sincerely,

Justin Lee Brown
Vice President/Pricing

JLB:kt
Enclosures

Advice Letter No. 911

January 17, 2013

PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Southwest Gas Corporation (Southwest Gas or Company) (U 905 G) hereby tenders for filing the following tariff sheets:

California Gas Tariff

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
2nd Revised Sheet No. 26	Preliminary Statement	Original Sheet No. 26
1st Revised Sheet No. 27	Preliminary Statement	Original Sheet No. 27
1st Revised Sheet No. 28	Preliminary Statement	Original Sheet No. 28
1st Revised Sheet No. 29	Preliminary Statement	Original Sheet No. 29
1st Revised Sheet No. 30	Preliminary Statement	Original Sheet No. 30
1st Revised Sheet No. 31	Preliminary Statement	Original Sheet No. 31
1st Revised Sheet No. 32	Preliminary Statement	Original Sheet No. 32
1st Revised Sheet No. 33	Preliminary Statement	Original Sheet No. 33
1st Revised Sheet No. 34	Preliminary Statement	Original Sheet No. 34
1st Revised Sheet No. 35	Preliminary Statement	Original Sheet No. 35
1st Revised Sheet No. 36	Preliminary Statement	Original Sheet No. 36
1st Revised Sheet No. 37	Preliminary Statement	Original Sheet No. 37
1st Revised Sheet No. 38	Preliminary Statement	Original Sheet No. 38

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal. P.U.C. Sheet No.
1st Revised Sheet No. 39	Preliminary Statement	Original Sheet No. 39
1st Revised Sheet No. 40	Preliminary Statement	Original Sheet No. 40
3rd Revised Sheet No. 41	Preliminary Statement	1st Revised Sheet No. 41
2nd Revised Sheet No. 42	Preliminary Statement	1st Revised Sheet No. 42
3rd Revised Sheet No. 43	Held For Future Use	2nd Revised Sheet No. 43
1st Revised Sheet No. 44-45	Held for Future Use	Original Sheet No. 44-45

Purpose

The purpose of this filing is to remove California Gas Tariff Preliminary Statement 16 which authorized Southwest Gas to implement a Facilities Surcharge of $0.12416 per therm in the Company's Northern California Expansion Areas pursuant to Decision Nos. 94-12-022 and 00-02-016, and to discontinue billing the Facilities Surcharge. On December 7, 1994, the Commission issued its Decision in Southwest Gas' General Rate Case (D.94-12-022), authorizing the Facilities Surcharge to remain in effect until the recovery amount, including interest, was fully amortized (Appendix A, page 21). At December 31, 2012 the Account Balance was $52,495 and the balance will be fully collected during the current month. Any residual amounts remaining in the Facilities Surcharge account will be transferred to the Northern California Fixed Cost Balancing Account.

Effective Date

In accordance with D.94-12-022, Southwest Gas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to General Order 96-B. Southwest Gas respectfully requests that this Advice Letter be made effective January 17, 2013, which is the date of filing.

Protest

Anyone wishing to protest this filing may do so by sending a letter within 20 days of the filing. The protest should set forth the grounds upon which it is based and should be submitted expeditiously. There is no restriction on who may file a protest.

Protests should be mailed to:

Investigation, Monitoring & Compliance Program Manager
California Public Utilities Commission, Energy Division
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: 415-703-2200

Copies should also be mailed to the attention of Director, Energy Division, Room 4004 at the same address as above, and mailed and faxed to:

Mr. Justin Lee Brown
Vice President/Pricing
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, Nevada 89193-8510
Facsimile: 702-222-1475

Notice

Pursuant to Energy Industry Rule 3.1(1), Southwest is exempt from the notice requirements set forth in General Rule 4.2 in G.O. 96-B since the adjustments proposed herein are being filed pursuant to Southwest's approved California Tariff.

Service

In accordance with General Order 96-B, General Rule 4.3, Southwest Gas is mailing copies of this advice letter and related tariff sheets to the utilities and interested parties shown on the attached list.

Communications regarding this filing should be directed to:

Ed Gieseking
Director/Pricing and Tariffs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-364-3271
E-mail: ed.gieseking@swgas.com

Debra S. Gallo
Director/Government and State
Regulatory Affairs
Southwest Gas Corporation
P.O. Box 98510
Las Vegas, NV 89193-8510
Telephone: 702-876-7163
E-mail: debra.gallo@swgas.com

Respectfully submitted,

SOUTHWEST GAS CORPORATION

By ______________________

Attachments

DISTRIBUTION LIST

Advice Letter No. 911

In Conformance with G.O. 96-B, General Rule 4.3

Southern California Edison Company

Pacific Gas & Electric Company

Sierra Pacific Power Company

San Diego Gas & Electric Company

Southern California Gas Company

Southern California Water Company

R. Thomas Beach

Duane Morris, LLP

Director/Division of Ratepayer Advocates

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PRELIMINARY STATEMENT
(Continued)

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16. PUBLIC PURPOSE PROGRAM (PPP) BALANCING ACCOUNTS T

16A. PURPOSE T

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 State Board of Equalization (BOE) of any PPP surcharge refunds it intends to issue. The refunds will not be issued if previously made by the BOE. The utilities shall inform the BOE of any refunds that they issue. The Company will annually review its customer accounts to determine if any refunds are warranted.

2. STATE BOARD OF EQUALIZATION REMITTANCES

   Per Public Utilities Code Sections 892 and 892.1, the Company remits revenues collected from the PPP Surcharge to the State Board of Equalization 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 BOE 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 BOE and Commission administration costs, and deductions for any refunds issued by the BOE. Non-exempt interstate pipeline customer remittances to BOE 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. L

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PRELIMINARY STATEMENT
(Continued)

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

16A. PURPOSE *(Continued)*

5. PPP SURCHARGE RATE CALCULATION T

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

16B. APPLICABILITY T

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 T

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. LOW INCOME ENERGY EFFICIENCY BALANCING ACCOUNT (LIEEBA)

1. PURPOSE T

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

If the LIEE portion of PPP Surcharge revenue amounts recorded in the LIEEBA exceed the authorized program costs expended, the difference is carried forward to supplement the subsequent year's program. The difference will not be used to reduce the LIEE 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.

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PRELIMINARY STATEMENT
(Continued)

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

16D. LOW INCOME ENERGY EFFICIENCY BALANCING ACCOUNT (LIEEBA) *(Cont.)* T

2. LIEEBA ADJUSTMENT

If amounts collected in the LIEEBA are less than the authorized program costs expended, the balance in the LIEEBA 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 LIEEBA will be amortized into rates in accordance with Section No. 17C of this Preliminary Statement. The current LIEEBA 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 LIEEBA:

a. On a monthly basis, a debit entry equal to the Company's actual Commission-authorized LIEE program costs, including outreach, administrative, and program audit costs;

b. On a monthly basis, a credit entry equal to the revenue collected through the LIEE component, including the LIEEBA Adjustment, of the Company's PPP Surcharge;

c. An entry to reflect any difference between the payments of the LIEE portion of the PPP Surcharge collected by the Company and remitted to the BOE, and the funding obtained from the Gas Consumption Surcharge Fund for such program costs; and

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 LIEE 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.

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PRELIMINARY STATEMENT
(Continued)

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

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

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. An entry to reflect any difference between the payments of the CARE portion of the PPP Surcharge collected by the Company and remitted to the BOE, and the funding obtained from the Gas Consumption Surcharge Fund for such program costs; and

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PRELIMINARY STATEMENT
(Continued)

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

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

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) T

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 BOE 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 BOE 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.

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PRELIMINARY STATEMENT
(Continued) L

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

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

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 BOE 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 State Board of Equalization 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 BOE, 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. L

PRELIMINARY STATEMENT
(Continued)

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17. GAS COST INCENTIVE MECHANISM (GCIM) T

17A. PURPOSE T

The Gas Cost Incentive Mechanism (GCIM) provides appropriate objective standards to measure gas procurement performance, and a methodology to share annual savings and costs between Southwest'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 Southwest with an incentive to achieve overall gas costs that are at or below the prevailing market prices. This is accomplished by establishing a volume-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 Southwest'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 18E of this Preliminary Statement.

17B. APPLICABILITY T

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

17C. GCIM BENCHMARK T

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 volume-weighted (by MMBtu) based on the trading point where the gas supplies are purchased. Volumes are included in the Gas Commodity Benchmark calculation during the period when the supplies are purchased.

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PRELIMINARY STATEMENT
(Continued)

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

17C. GCIM BENCHMARK *(Continued)* T

The Gas Commodity Benchmark is determined by multiplying purchased volumes by the corresponding index or contract price. Volumes for Volatility Mitigation Program (VMP) purchases are multiplied by the respective contracted fixed price. Volumes for indexed priced and spot market purchases are multiplied by the corresponding Benchmark Price Index. The resulting dollar amounts are added together to calculate the Gas Commodity Benchmark.

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*. If one of the two publications does not report an index price for a specific basin or border market trading point, the other publication will be used. If neither publication 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.

The Northern California and South Lake Tahoe Benchmark Price Index 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 *BTU's Midday Report*. If one of the two publications does not report an index price for a specific production or market center trading point, the other publication will be used. If neither publication 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.

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PRELIMINARY STATEMENT
(Continued) L

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

17C. GCIM BENCHMARK *(Continued)* T

2. The Gas Transportation Benchmark is the sum of all pipeline transportation costs for delivery of gas supply volumes 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 T

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;
5. Any fees, charges or credits associated with the delivery of gas supplies through the Southern California Gas Company and Pacific Gas and Electric Company systems, including incremental costs for firm access rights if applicable;

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PRELIMINARY STATEMENT
(Continued)

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

17D. GCIM PURCHASED GAS COST *(Continued)* T

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); and

8. Any appropriate GCIM annual period adjustments.

17E. ANNUAL SHARED SAVINGS/COST T

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. L

PRELIMINARY STATEMENT
(Continued) L

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

17E. ANNUAL SHARED SAVINGS/COST *(Continued)* T

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 volumes 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.

17F. VOLATILITY MITIGATION PROGRAM (VMP) T

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. Prices are usually 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. Southwest 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. L

PRELIMINARY STATEMENT
(Continued)

L

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

17G. SOUTHERN CALIFORNIA STORAGE T

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. Southwest's current storage contract with SoCalGas provides for a total of 1.5 Bcf of storage inventory. The contractual amount of storage may be subject to change pursuant to a capacity preapproval process as required in Ordering Paragraph 4 in Decision 04-09-022 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. 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.

17H. BALANCING ACCOUNT TREATMENT T

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.

17I. REPORTING AND FILING REQUIREMENTS T

Within ninety (90) days of the conclusion of each annual GCIM period, the Company shall submit to the Commission's Energy Division and Division of Ratepayer Advocates (DRA) 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 the General Order 66-C 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.

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PRELIMINARY STATEMENT
(Continued)

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

17J. GCIM PHASE-IN PERIOD T

The Company contracts for VMP supplies well in advance of the start of the traditional gas year. To accommodate contractual commitments made prior to adoption of the GCIM, the Utility will have two complete GCIM annual periods to achieve annual VMP purchases up to 25 percent of total annual forecasted demand. During this phase-in period, all VMP purchases will be included in GCIM calculations notwithstanding whether such purchases exceed 25 percent of total annual forecasted demand. L

PRELIMINARY STATEMENT
(Continued) L

18. ENVIRONMENTAL COMPLIANCE COST MEMORANDUM ACCOUNT (ECCMA) T

18A. PURPOSE T

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 T

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

18C. ACCOUNTING PROCEDURES T

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 T

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

PRELIMINARY STATEMENTS
(Continued) L

19. TAX ACT MEMORANDUM ACCOUNT (TAMA) T

19A. PURPOSE T

The TAMA is a one-way memorandum account for the purpose of tracking revenue requirement impacts of the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (Tax Relief Act). Effective April 14, 2011, it tracks revenue requirement impacts not otherwise reflected in rates resulting from increases in its deferred tax reserve and other direct changes in revenue requirement resulting from taking advantage of the Tax Relief Act. The TAMA shall be used in determining whether any future rate adjustment is appropriate to reflect impacts of the Tax Relief Act; however, if the memorandum account reflects a net revenue requirement increase, the memorandum account shall be terminated without any impact on rates.

This is a memorandum account that is to be tracked "off balance sheet," and no general ledger entries are required at this time. At such time that the Commission rules that the Utility is required to make an adjustment to its revenue requirement and rates, as a result of the tax impacts not otherwise reflected in rates, the Utility will make the appropriate entries in its general ledger.

The following guidelines apply to the additional utility infrastructure investments that may be tracked in the memorandum account: (a) qualifying projects include accelerating existing programs of distribution pipeline replacement, replacement of the riskiest or highest priority gas transmissions based on reasonable engineering assessments, and installing "smart pigs" and associated plant in gas transmission lines; (b) the property that the investment is made in must be Commission-jurisdictional; (c) the property that the investment is made in must itself be eligible for bonus depreciation; (d) at least 90% of the investment must have tax depreciable life of at least 15 years, and any remaining investment be ancillary to such investments; and (e) if a utility determines that it would be best to invest in something other than the typical types of projects included in general rate case type applications, the utility must file an application or advice letter seeking Commission approval in order to record the revenue requirement impact of that investment as an offset in the memorandum account.

19B. APPLICABILITY T

The TAMA applies to all customer classes, except for those specifically excluded by the Commission. Separate accounts will be established for each rate jurisdiction to track jurisdictional specific revenue requirement impacts.

19C. DISPOSITION OF ACCOUNT BALANCES T

Disposition of the account balance will be determined in the Company's next General Rate Case (GRC), or at such other time as ordered in that GRC decision, the Commission shall address the disposition of amounts (a) recorded in the L

PRELIMINARY STATEMENT
(Continued)

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19. TAX ACT MEMORANDUM ACCOUNT (TAMA) *(Continued)* T

19C. DISPOSITION OF ACCOUNT BALANCES *(Continued)* T

memorandum account and (b) forecast for the remainder of the Memo Account Period, and may reflect any net revenue requirement decrease in prospective rates.

19D. ACCOUNTING PROCEDURE T

Annually, the Company may make the following TAMA entries:

1. A credit entry equal to the decrease in revenue requirements resulting from increases in the net deferred tax reserve (deferred tax liabilities net of deferred tax assets).
2. A debit entry equal to the increases in the revenue requirements resulting from taking advantage of the Tax Relief Act to reflect any additional costs or expenses, not otherwise recovered in rates, incurred as a result additional utility infrastructure investment enabled by the bonus depreciation provision of the Tax Relief Act.

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PRELIMINARY STATEMENTS
(Continued)

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20. PUBLIC PURPOSE PROGRAM MEMORANDUM ACCOUNT (PPPMA) T

20A. PURPOSE T

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.12-09-026 extended the PPPMA on a month-to-month basis until the Commission adopts a final decision in the A.11-06-016 et al.

20B. APPLICABILITY T

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.

20C. DISPOSITION T

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.

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HELD FOR FUTURE USE

IF ACTUAL COPY OF FORM IS REQUIRED, PLEASE NOTIFY COMPANY