



PRELIMINARY STATEMENT

Sheet 1

**III. MEMORANDUM ACCOUNTS
GAIN/LOSS ON SALE MEMORANDUM ACCOUNT (GLOSMA)**

1. **Purpose:** The GLOSMA is an interest bearing memorandum account recorded on the Utility's financial statements. The purpose of the GLOSMA is to record the ratepayers' allocation of the after tax gains or losses associated with the sale of Utility assets pursuant to the mechanism adopted by D.06-05-041 dated May 25, 2006, modified by D.06-12-043 dated December 14, 2006, and Resolution G-3399 dated July 26, 2007.
2. **Rates:** The GLOSMA does not have a rate component.
3. **Accounting Procedure:** The Utility shall maintain the GLOSMA by making entries at the end of each month as follows:
 - a. A credit entry equal to the ratepayers' allocation of any after tax gains associated with the sale of Utility assets.
 - b. A debit entry equal to the ratepayers' allocation of any after tax losses associated with the sale of Utility assets.
 - c. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries 3 a-b above, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor publication.
4. **Disposition:** The ratepayers' allocation of the after tax gains or losses described in entries 3 a. and b. shall be grossed-up for income taxes as described in Preliminary Statement, Part VI, Gain/Loss on Sale Mechanism. The balance in the GLOSMA shall be transferred to the Utility's Rewards and Penalties Balancing Account (RPBA) on an annual basis in connection with the Utility's annual regulatory account balance update filing.

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