



**PRELIMINARY STATEMENT**

Sheet 1

IV. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

1. Purpose

The PBOPBA is an interest bearing balancing account recorded on SDG&E's financial statements. The purpose of this account is to balance the actual annual PBOP costs embedded in authorized rates with the actual tax-deductible contributions to the PBOP Trust, including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, pursuant to Decision 04-12-015. Decision 92-12-015 initially adopted the PBOP regulatory mechanism. Pursuant to D.08-07-046, TY 2008 General Rate Case (GRC), effective January 1, 2008, the PBOPBA will continue for the 4-year GRC cycle through December 31, 2011.

The Utility shall allocate all PBOP costs, 78.3% to the Electric Department and 21.7% to the Gas Department in 2008. These percentages are consistent with the administrative and general expenses in Account 926, Pension and Benefits, allocated based on operating payroll and approved pursuant to D.08-07-046. In years 2009 through 2011 the allocation of PBOP costs between the Electric and Gas Departments will be trued up based on total pension costs recorded for the previous year. The Utility shall allocate all PBOP revenue 78.3% to the Electric Department and 21.7% to the Gas Department over the 4-year GRC cycle.

The authorized gas PBOP revenue requirement and the related actual PBOP expenses recorded in the PBOPBA are adjusted for related pension costs capitalized in ratebase and inter-company pension costs (i.e., for shared services) billed to and charged from SDG&E's affiliate companies. In addition, the PBOPBA records an adjustment for the difference in PBOP costs embedded in authorized and actual depreciation along with the related return.

2. Applicability

The PBOPBA shall apply to all customer classes, except for any classes that may be specifically excluded by the Commission.

3. Rates

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

4. Accounting Procedure

The Utility shall maintain the PBOPBA by making entries at the end of each month as follows:

a. O&M Component:

A debit/credit entry equal to the difference between:

- (1) One-twelfth of the Utility's annual PBOP funding level currently embedded in rates, reduced by the component of authorized PBOP costs capitalized to utility rate base; and
- (2) Actual tax-deductible PBOP contributions to the PBOP Trust, including "pay-as-you-go" PBOP costs that are paid directly to pre-1993 retirees, reduced by the component of PBOP costs capitalized to utility rate base;

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**PRELIMINARY STATEMENT**

Sheet 2

IV. BALANCING ACCOUNTS

POST-RETIREMENT BENEFITS OTHER THAN PENSIONS BALANCING ACCOUNT (PBOPBA)

4. Accounting Procedure (Continued)

b. Depreciation/Return Component – Current Year: (Continued)

A debit/credit entry equal to the difference, prorated for the year, between:

- (1) One twelfth of the current year's revenue requirement embedded in authorized depreciation, including the return associated with the authorized PBOP costs capitalized to utility rate base; and
- (2) The current month's actual PBOP costs embedded in recorded depreciation, including the return associated with the actual PBOP costs capitalized to utility rate base;

c. Depreciation/Return Component- Prior Year(s) [i.e. beginning with the initial year of the cost of service period]:

A debit/credit entry equal to the difference between:

- (1) One twelfth of the prior years' revenue requirement embedded in authorized depreciation, including the return associated with the unamortized balance of authorized PBOP costs capitalized to utility rate base in prior years; and
- (2) The corresponding PBOP costs embedded in recorded depreciation, including the return associated with the unamortized balance of actual PBOP costs capitalized to utility rate base in prior years;

d. Other Adjustments

- (1) A debit/credit entry for amortization of PBOP refund/recovery in rates;

e. An entry equal to the interest calculated on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.d 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.

5. Disposition

Pursuant to D.09-09-011, SDG&E will amortize the PBA balance in connection with its annual regulatory account balance update filing for rates effective January 1 of the following year.

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