



PRELIMINARY STATEMENT

Sheet 1

II. BALANCING ACCOUNTS
TRANSITION COST BALANCING ACCOUNT (TCBA)

1. Purpose

The purpose of the TCBA is to accrue all Competition Transition Charge (CTC) revenues and recover all CTC-eligible generation-related costs, as well as those costs imposed by Electric Industry Restructuring. Pursuant to the end of the statutory rate freeze transition period, the TCBA consists of one revenue account (CTC Revenue Account), one cost account (Post Rate Freeze-Eligible Costs Account), and an Account to record the amortization of the overcollection due to AB X1 43 customers, as defined in D.01-09-059.

2. Definitions

- a. **Assembly Bill (AB) 1890:** Electric industry restructuring legislation passed by the state legislature on August 31, 1996, and signed into law by the governor on September 23, 1996.
- b. **California Public Utilities Commission (CPUC or Commission):** The state agency that regulates the rates and services of natural gas, electric, water, steam, pipeline, sewer, telephone, cellular and radio telephone, and telegraph utilities as well as railroad, moving and privately owned bus companies.
- c. **Competition Transition Charge (CTC):** A non-bypassable charge set to recover from all customers the uneconomic costs of the utility's generation-related assets and obligations, as defined by Public Utilities (PU) Code Sections 367, 368, 369, 375 and 376.
- d. **Federal Energy Regulatory Commission (FERC):** An independent federal regulatory agency which administers federal laws and regulations governing energy issues, including the interstate sale and transportation of natural gas, interstate electric power transmission and the sale of electric power for resale, and the licensing of hydroelectric projects.
- e. **Franchise Fees and Uncollectible Accounts (FF&U):** FF&U Expense shall be included at the rate derived from the utility's most recent general rate case decision issued by the Commission.
- f. **Independent System Operator (ISO):** Under FERC jurisdiction, the ISO provides non-discriminatory transmission service and ensures efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Reliability Council. (PU Code Section 345)
- g. **Interest Rate:** The monthly interest rate will equal one-twelfth of the interest rate on Commercial Paper (3 months) for the previous month as published in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on three-month Commercial Paper be discontinued, interest will accrue at the rate of one-twelfth of the previous month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

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4. TCBA Rates

Upon the end of the rate freeze, the CTC revenue requirement will have a separate rate component, which will be based on a fixed per kilowatt-hour energy charge for each rate classification. The CTC will be allocated to customers using the top 100 hours methodology adopted in D.00-06-034.

5. Rate Freeze Transition Cost Recovery

During the rate freeze period, the difference between the actual costs recorded in the TCBA and the amount collected from customers (including the proceeds from the sale of non-nuclear power plants) was a \$1.9 million overcollection (including interest). Pursuant to D.99-10-057, this amount will be returned to customers as an amortization to the ongoing CTC rate the next time the utility updates its CTC rate component. Pursuant to D.00-06-034, the utilities are to propose a method to return the overcollected CTC in the first annual Transition Cost proceeding following the end of the rate freeze. Interest on the \$1.9 million shall accrue at the 3-month commercial paper rate.

6. Accounting Procedure

The accounting procedures in the following sections will comply with the following guidelines, as adopted by the Commission in D. 97-12-039 and D.99-05-051:

- a. CTC Revenue Account: This account records all CTC monthly revenues, excluding FF&U expense, received from customers through electric rates.

Entries shall be made into the CTC Revenue Account at the end of each month as follows:

- (1) an entry equal to the amount of the revenue received from the CTC rate component or the amortization of an existing TCBA balance.

- b. Post Rate Freeze-Eligible Costs Account

The Post Rate Freeze-Eligible Costs Account records costs that are eligible for recovery after the rate freeze period or December 31, 2001 (whichever is earlier). This account also includes any costs associated with employee transition that are incurred by the utility during the rate freeze period, as specified by Decision 97-06-060. Additionally, this account includes generation-related transition costs incurred during the rate freeze period whose recovery may be extended until March 31, 2002, as designated by PU Code Sections 367(a), 376, and 381(d) and Decision 97-06-060. The costs listed in this account are subject to different recovery ending dates, as specified in PU Code Sections 367(a) and 381(d), depending on the specific cost. Finally, this account includes the cost of renewables programs funded by the utility after the rate freeze, up to the limits designated in PU Code Section 381 and Decisions 97-06-060 and 97-02-014. Employee costs and restructuring implementation costs will earn interest.

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Sheet 4

II. BALANCING ACCOUNTS
TRANSITION COST BALANCING ACCOUNT (TCBA)

6. Accounting Procedure (Continued)

b. Post Rate Freeze-Eligible Costs Account (Continued)

(1) Additional Renewables Program Funding Costs Subaccount

A monthly debit entry equal to the funding of renewables program costs that occur after the end of the rate freeze. These costs may be recovered until March 31, 2002.

(2) Employee Transition Costs Subaccount

A debit entry equal to the employee transition costs (including interest) due to restructuring, as incurred, through the calendar year 2006. These costs may be recovered until December 31, 2006.

(3) QF Subaccount

Recovery of the following costs will continue, after the end of the rate freeze, for the duration of the QF contracts.

(a) An entry equal to payments made to QFs after the end of the rate freeze that are above the market benchmark proxy as specified by the Commission pursuant to D.02-12-074 and D.02-11-022, as modified by D.05-03-014. Payments include those for restructuring, termination, settlement and judgments related to QF power purchase agreements, and the administrative and litigation costs associated with these contracts.

(b) A debit entry, as appropriate, equal to the balance of the QFCRSI in the Industry Restructuring Memorandum Accounts, to the extent QF contracts are restructured after the end of the rate freeze.

(c) Pursuant to D.01-01-061, the Utility shall use the energy from the QF contracts to (in order of priority): 1) serve current load at cost-based rates; 2) sell to other California investor owned utilities at cost-based rates; and 3) sell or barter in a manner that minimizes future generation costs to Utility customers.

(4) Power Purchase Agreement (PPA) Subaccount

Pursuant to D.97-06-060, recovery of the following costs will continue, after the end of the rate freeze, for the duration of the Purchased Power Agreements.

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Issued by
Lee Schavrien
Vice President
Regulatory Affairs

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II. BALANCING ACCOUNTS
TRANSITION COST BALANCING ACCOUNT (TCBA)

6. Accounting Procedure (Continued)

b. Post Rate Freeze-Eligible Costs Account (Continued)

(4) Power Purchase Agreement (PPA) Subaccount (Continued)

(a) An entry, after the end of the rate freeze, equal to payments made under PPAs that are above the market benchmark proxy as specified by the Commission pursuant to D.02-12-074 and D.02-11-022, as modified by D.05-03-014 Payments include those for administrative and litigation costs associated with these contracts.

(b) Pursuant to D.01-01-061, the Utility shall use the energy from the PPAs to (in order of priority): 1) serve current load at cost-based rates; 2) sell to other California investor owned utilities at cost-based rates; and 3) sell or barter in a manner that minimizes future generation costs to Utility customers.

(5) BRPU Settlement Subaccount

A debit entry equal to SDG&E's recorded BRPU Settlement costs approved by the Commission.

(6) Industry Restructuring Memorandum Account (IRMA) Transfer

The utility shall make a debit or credit entry, as appropriate, to record the transfer of the authorized amount recorded in the IRMA that is included in its most recent Annual Transition Cost Proceeding.

c. ABX1 43 Account

An entry equal to the amortization of the overcollection due to ABX1 43 customers as defined in D.01-09-059.

d. Interest

A debit or credit entry, as appropriate, equal to interest on the average of the net balance of the accounts described above (the CTC Revenue Account, the Post Rate Freeze-Eligible Costs CTC Account and the ABX1 43 Account) at the beginning of the month and the net balance of these accounts after entries above, at a rate equal to one-twelfth of the interest rate, based on the three-month Commercial Paper rate, for the previous month as reported in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on three-month Commercial Paper be discontinued, interest will so accrue at the rate of one-twelfth of the previous month's interest rate on Commercial Paper, which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

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