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**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION E-3514  
DECEMBER 16, 1997**

**RESOLUTION**

**RESOLUTION E-3514. PACIFIC GAS AND ELECTRIC COMPANY (PG&E), SOUTHERN CALIFORNIA EDISON COMPANY (EDISON), AND SAN DIEGO GAS & ELECTRIC COMPANY (SDG&E) REQUEST COMMISSION APPROVAL OF REVISIONS TO THEIR TARIFFS TO REFLECT THE STREAMLINING DECISION (D.)97-10-057. APPROVED AS MODIFIED.**

**BY PG&E ADVICE LETTERS 1705-E, 1706-E, EDISON ADVICE LETTER 1254-E, 1255-E, AND SDG&E ADVICE LETTER 1052-E. ALL FILED NOVEMBER 3, 1997**

**SUMMARY**

1. On November 3, 1997, Southern California Edison (Edison), Pacific Gas and Electric (PG&E) and San Diego Gas & Electric (SDG&E) filed advice letters requesting approval of changes to their tariffs in compliance with the Streamlining Decision (D.) 97-10-057 or (Decision).
2. In Edison Advice Letter (AL) 1254-E, the company seeks to modify its tariffs with the scope of eliminating the Energy Cost Adjustment Clause (ECAC) and the Electric Revenue Adjustment Mechanism (ERAM) accounts.
3. In Edison AL 1255-E, the company seeks to modify its tariffs with the scope of eliminating several obsolete accounts and establishing a new Transition Revenue Account (TRA) for the purpose of calculating headroom.
4. In PG&E AL 1705-E, the company seeks to modify its tariffs with the scope of eliminating its ECAC and ERAM accounts, and establishing a new TRA.
5. In PG&E AL 1706-E, the company seeks to modify its tariffs with the scope of eliminating several obsolete accounts.
6. In SDG&E AL 1052-E, the company seeks to modify its tariffs with the scope of eliminating its ECAC and ERAM accounts as well as several other obsolete accounts.

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7. On November 24, 1997, the Office of Ratepayer Advocates (ORA) filed protests to Edison's AL 1254-E and 1255-E and to PG&E's AL 1705-E.

8. Responses to these protests were filed by Edison and PG&E on December 4, 1997.

9. Broadly speaking, the Streamlining Decision orders the utilities to take three kinds of actions:

- a) Eliminate ERAM and ECAC accounts, and transfer balances to the Interim Transition Cost Balancing Account (ITCBA)
- b) Establish Transition Revenue Accounts (TRAs) (applies to PG&E and Edison).
- c) Eliminate certain memorandum and balancing accounts which are no longer useful.

10. Compliance with the first requirement (eliminating ERAM and ECAC accounts) is straightforward. Compliance with the second requirement (establishing TRA accounts for PG&E and Edison) is more challenging. However, the instructions provided in the Decision, combined with policy goals previously articulated by the Commission and by the Legislature, do provide a clear direction as to how to construct the TRAs. The approach adopted in this Resolution differs substantially from that proposed by PG&E and Edison in their advice letters. Finally, with regard to the third requirement, and utilizing the principles considered for the TRAs, this Resolution adopts some, but not all, of the utility requests for disposition of certain memorandum and balancing accounts.

#### BACKGROUND

1. On February 20, 1997, the Commission's Energy Division held a workshop to discuss elimination of various balancing accounts and memorandum accounts that are not necessary under a restructured electric industry. A hearing was held on August 25, 1997, where the utilities provided information regarding existing and proposed ratemaking mechanisms. The Commission issued Decision 97-10-057 in response to the workshop and hearing to ensure that the regulatory accounting mechanisms in place on January 1, 1998 are consistent with the rate freeze and in compliance with Assembly Bill (AB) 1890.

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More specifically, the Decision ordered, in parts pertinent to the advice letters under consideration, that:

- PG&E, Edison, and SDG&E modify their tariffs by filing advice letters no later than November 3, 1997 to eliminate ECAC mechanisms and ERAM mechanisms (applies only to PG&E and SDG&E) effective January 1, 1998. Balances remaining in these accounts on December 31, 1997 are to be transferred to the ITCBA. (Ordering Paragraphs 2 and 3)
- The utilities retain accounts relating to DSM, RD&D, and CARE programs. (Ordering Paragraphs 4, 5, and 6)
- No changes be made in cost allocations established in the Unbundling Decision (D.97-08-056 Ordering Paragraph 8)
- PG&E's proposal for a TRA be adopted, except that it was not to receive ERAM-style protection for its transmission revenues. (Ordering Paragraph 15)
- Edison be allowed to use the Base Rate Performance Memorandum Account to track PBR rewards, penalties, sharing, or other costs of revenues.

Southern California Edison Company

2. In AL 1254-E, Edison seeks pursuant to D.97-10-057, elimination of Edison's ECAC mechanism, Preliminary Statement, Part G, effective January 1, 1998. Any remaining balances in ECAC as of December 31, 1997 are to be transferred to the ITCBA which would ultimately transfer to the TCBA.

3. Also pursuant to D.97-10-057, the ERAM Balancing Account balance as of December 31, 1997, is to be transferred to the ITCBA which would ultimately transfer to the TCBA. Preliminary Statement, Part J, ERAM is to be eliminated effective January 1, 1998.

4. This AL also revises several tariffs impacted by the elimination of ECAC and ERAM. All references to ECAC and ERAM are to be deleted from the following parts of the Preliminary Statement:

- Part O - California Alternate Rates for Energy (CARE Adjustment Clause)
- Part P - Optional Pricing Adjustment Clause (OPAC)
- Part Q - Demand-Side Management Adjustment Clause (DSMAC)

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- Part U - Electric Vehicle Adjustment Clause (EVAC)
- Part V - Hazardous Substance Cleanup Cost Recovery Mechanism
- Part X - Research, Development and Demonstration Adjustment Clause (RDDAC)
- Part Y - Economic Development Adjustment Clause (EDAC)
- Part Z - Songs 2&3 Ratemaking Procedure
- Part BB - Nongeneration Base Rate Adjustment Mechanism (NBRAM)
- Part CC - Base Rate Performance Mechanism (BRPM)
- Part EE - Electric Deferred Refund Account (EDRA)
- Part FF - Palo Verde Ratemaking Procedure

5. As authorized by D.97-10-057, Edison would submit future advice letters necessary to change and/or eliminate other balancing and memorandum accounts which are affected by the Commission's approval of Edison's TCBA. Edison would then transfer the balances of such accounts to the TCBA.

6. In AL 1255-E, Edison seeks elimination of the following regulatory accounts from Edison's Preliminary Statement beginning January 1, 1998, which are believed to be unnecessary during the transition period:

1. Part K, Major Additions Adjustment Clause (MAAC)
2. Part N, Memorandum Accounts:
  - a. Section No.3 - Women, Minority, and Disabled Veterans Business Enterprises (WMDVBE)
  - b. Section No.11 - Demand Side Management (DSM) Tax Change Memorandum Account
  - c. Section No. 13 - Arbitration Memorandum Account
  - d. Section No. 16 - TOU-PA-6 Memorandum Account

7. With the exception of WMDVBE, all of the above mentioned accounts are inactive with zero balances. The WMDVBE Memorandum Account's balance is to be transferred to ERAM on December 31, 1997 which will subsequently be transferred to the ITCBA as filed in Advice 1254-E.

8. Pursuant to Ordering Paragraph No. 16 of D.97-10-057, this AL also seeks to revise Preliminary Statement, Part N, Memorandum Accounts, Base Rate Performance Memorandum Account (BRPMA) original Section No. 26, to include language reflecting that balances in BRPMA may not be carried over to affect rates following the transition period. Furthermore, the duplication of text due to an inadvertent error has been

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corrected. Also, the sections of Part N are renumbered to reflect the elimination of the Sections listed above.

9. D.97-10-057 (Slip opinion p. 20) authorizes Edison to establish a specific account in the tariff modifications submitted in compliance with this Decision if Edison believes it requires such an account to reflect the calculation of Edison's "headroom." Edison believes that a specific account is required because it maintains that:

- the Commission should provide a consistent methodology for calculating amounts to be entered into the TCBA for all utilities;
- its implementation provides simplicity in that it individually performs the function of a number of balancing accounts such as those established for tracking nuclear decommissioning and Public Purpose Programs costs;
- it would simplify ratemaking treatment for existing generation costs and certain costs that have yet to be approved by the Commission.

10. Edison, therefore, requests establishment of Preliminary Statement, Part R, TRA as an accounting mechanism designed to facilitate the calculation of the revenues available to offset uneconomic generation costs entered into the TCBA. The TRA would track revenues by function to calculate the residual revenues available for paying off uneconomic generation costs. The TRA would not calculate the transmission revenue requirement residually as adopted for PG&E in Decision No. 97-08-056. Instead, Edison's deduction for transmission and PBR-related distribution operations would be based on actual revenues rather than an adopted revenue requirement, consistent with Federal Energy Regulatory Commission (FERC) jurisdiction over transmission ratemaking and Edison's PBR mechanism. Edison submits its TRA to include an accounting procedure to be effective January 1, 1998, which provides for the monthly determination of residual revenues available for the recovery of transition costs.

Pacific Gas and Electric Company

11. In AL 1705-E, PG&E seeks changes to the following parts of the Preliminary Statement:

Part B. Pursuant to Ordering Paragraph 2 of D. 97-10-057, PG&E's ECAC balancing account balance as of December 31, 1997 is to be transferred on that date to its ITCBA and the ECAC will be eliminated effective January 1, 1998.

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Part D. Pursuant to Ordering Paragraphs 2 and 3 of D. 97-10-057, PG&E's ERAM balancing account balance as of December 31, 1997, is to be transferred on that date to the ITCBA, and ERAM will be eliminated effective January 1, 1998.

Part N. In compliance with ordering Paragraph 15 of D. 97-10-057, PG&E submits its TRA: The TRA includes an accounting procedure to be effective January 1, 1998, which provides for the monthly determination of residual revenues available for the recovery of Competition Transition Charges (CTC). The TRA is to track revenues by function to calculate the level of credits available for paying off uneconomic generation costs.

12. In AL 1706-E, PG&E seeks elimination of the following parts of its Preliminary Statement:

- Part C - Conservation Financing Adjustment (CFA)
- Part I - Rate Schedule Summary
- Part L - Tax Reform Act of 1986
- Part R - Citrus and Avocado Producers Energy Payment Deferral Account
- Part U - Air Quality Adjustment Clause
- Part W - Electromagnetic Field Memorandum Account
- Part X - Electromagnetic Field Experimental Research Balancing Account

13. In Addition, PG&E seeks elimination of the following memorandum accounts:

- Workforce Reduction Rate mechanism (WRRM)
- WMDVBE Balancing Account

14. PG&E also seeks revision of the following parts of the Preliminary Statement:

- Part M - California Alternate Rates for Energy (CARE)
- Part O - DSM Tax Change Memorandum Account
- Part P - Customer Energy Efficiency Adjustment
- Part Z - Electric Vehicle Balancing Account
- Part AJ - System Safety and Reliability Enhancement Funds Balancing Account

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San Diego Gas & Electric Company

15. In AL 1052-E, SDG&E seeks elimination of the following accounts by December 31, 1997:

ECAC Balancing Account  
ERAM Balancing Account  
Electric and Magnetic Fields Memorandum Account (EMFMA) Memorandum Account.  
Electric Magnetic Fields Study Expense Account (EFSEA) Memorandum Account  
WMDVBE Memorandum Account  
PBR Consultant Services (PBRCS) Memorandum Account  
Hazardous Substance Cleanup Cost Account (HSCCA)

16. Following is a list of the balancing and memorandum accounts, each having zero balances, that SDG&E intends to eliminate as of January 1, 1998:

Balancing Accounts:

Electric and Magnetic Fields Experimental Research Balancing Account (EMFERBA)  
MAAC

Memorandum Accounts:

Pollution Control Expense Memorandum Account (PCEMA)  
1993 Federal Tax Reform Legislation Memorandum Account  
Electric DSM Memorandum Account  
Arbitration Memorandum Account (AMA)  
Hazardous Waste Minimization Audit Memorandum Account (HWMAMA)

17. Following is a listing of accounts that SDG&E intends to retain. The balances, if any, are to be transferred to ERAM as of December 31, 1997. In addition, SDG&E proposes to transfer the balances in these accounts annually to the TCBA throughout the rate freeze period:

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Catastrophic Event Memorandum Account (CEMA)  
CARE Adjustment Clause  
Electric Vehicle Adjustment Clause (EVAC) Balancing Account  
Research, Development & Demonstration (RD&D) One-Way Balancing Account  
DSM Balancing Account (Post-1992)

#### NOTICE

1. Notice of PG&E ALs 1705-E and 1706-E, Edison ALs 1254-E and 1255-E, and SDG&E AL 1052-E were made by publication in the Commission's Daily Calendar and by mailing copies of the filings to adjacent utilities and interested parties in R.94-04-031/1.94-04-032

#### PROTEST

1. Three protests were filed, all by ORA, on November 24, 1997. ORA protested Edison's AL 1254-E, AL 1255-E, and PG&E's AL 1705-E.
2. ORA's protest to AL 1254-E dealt with Edison's Catastrophic Event Memorandum Account (CEMA) and Hazardous Substance Clean-Up and Litigation Cost Account (HSCLS). ORA requested that the Commission direct Edison to revise its advice letter filing to properly state that only non-generation-related costs be entered into these accounts, effective January 1, 1998. ORA noted that SDG&E's and PG&E's filings already reflected this exclusion of non-generation-related costs.
3. Edison responded on December 4, 1997 to ORA's protest of AL 1254-E. Edison maintains that it has complied with the order to exclude generation costs from these accounts, but has done so in AL 1245-E, which is its Ratesetting compliance filing. Edison maintains that it would be inappropriate to show these changes in the current filing, as AL 1245-E has not yet been approved.
4. ORA's protest of AL 1255-E dealt with Edison's proposed TRA. ORA recommended that the Commission direct Edison to modify its tariffs to (1) reflect that the TRA is only to be used for the transition period, and (2) provide clear Commission authorization allowing cost recovery for all the items that Edison intends to make entries to the TRA.



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5. Edison responded on December 4, 1997 to ORA's protest of AL 1255-E. Edison does not object to ORA's first recommendation to modify its TRA tariff to specify that the TRA will be in place beginning January 1, 1998 until the end of the rate freeze. Responding to ORA's second objection, Edison provided a list of Commission citations allowing cost recovery of the 57 items included in its proposed TRA.

6. ORA's protest to PG&E AL 1705-E dealt with PG&E's proposed TRA.

(a) ORA requested that PG&E's paragraph describing the "Purpose" of the account be altered. ORA proposed the following language:

Purpose: The purpose of the Transition Revenue Account (TRA) is to match the amount of billed revenues against the amount of the separated revenue requirement and Commission-approved obligations. This matching process facilitates determination of billed Competition Transition Charge (CTC) revenues, which will be transferred to the Transition Cost Balancing Account (TCBA). Separated revenue requirement consists of transmission, distribution, public purpose programs, and nuclear decommissioning. Commission-approved obligations consist of Independent System Operator (ISO) charges, and Power Exchange (PX) charges.

(b) ORA also stated that PG&E had not provided citations of Commission authorization for all of the entries into the TRA.

(c) ORA pointed out that the Commission has not yet authorized the expenses related to Humboldt Bay Power Plant Nuclear Unit 3, and so it is premature to collect the costs in the account.

(d) ORA claimed that the ISO charges were not authorized by D.97-10-057, and so should not be included in the account. In addition, ORA stated that the Commission decision on generation PBR, which among other things deals with treatment of certain must-run units' revenue requirements, is still pending.

(e) Finally, ORA found confusing certain language which PG&E has included in its entry dealing with purchases from the PX. ORA objects to the parenthetical phrase "including generation supplied by Diablo Canyon, Qualifying Facilities, and other Purchased Power Agreements." ORA maintains that the phrase places a misleading constraint on PG&E's PX purchases.

7. PG&E responded on December 4, 1997 to ORA's protest of AL 1255-E.

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- (a) PG&E accepts ORA's proposed language for the "Purpose" paragraph, except that it requests that two words in the last sentence of ORA's version be changed, from "consist of" to "include".
- (b) In its response to ORA's objection to a lack of citations for the entries into the TRA, PG&E supplied a listing of Commission citations allowing cost recovery of the 26 items included in its proposed TRA.
- (c) With regard to Humboldt expenses, PG&E states that these were authorized in PG&E's 1996 GRC D.95-12-055 and in the 1998 revenue requirements adopted in D.97-08-056. PG&E states that it has petitioned to have these costs included as part of the nuclear decommissioning revenue requirement. PG&E states that prior to a ruling on this petition, these costs must be included in the TRA, as they are not considered transition costs for inclusion in the TCBA.
- (d) With regard to ISO charges, PG&E cites the language in D.97-10-057 (slip opinion, p.8) describing PG&E's TRA, a description which includes the ISO. PG&E then cites Ordering Paragraph No.15 which authorizes PG&E to establish the TRA. PG&E further notes that it believes that ORA is confusing the ISO charges which the utility must pay with the revenue requirements of must-run units.
- (e) Regarding the extra language attached to the entry describing the PX purchases, PG&E agrees to remove it.

## DISCUSSION

### TRA Tariffs for PG&E and for Edison

#### Introduction:

1. Procedurally, the TRA was first proposed by PG&E in the Unbundling proceeding. In D.97-08-056 the Commission stated that the TRA would be more appropriately reviewed in the Streamlining proceeding. (slip opinion, p.33) PG&E never submitted a draft TRA tariff for review in either of the proceedings. However, the Streamlining Decision did outline quite clearly both the purpose and the structure of the TRA (Section V.A., slip opinion p.8):

PG&E is currently subject to traditional general rate case reviews with an associated ERAM mechanism which assures recovery of the revenue requirement developed in the general rate case. PG&E proposes to replace its ERAM and

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ECAC with a Transition Revenue Account (TRA) beginning January 1, 1998. The TRA would be an accounting mechanism designed to facilitate the calculation of the revenues available to offset uneconomic generation costs entered into the TCBA. Specifically, the TRA would be credited with all billed revenues. From that total, PG&E would subtract the authorized revenue requirements for distribution, transmission, public benefits programs, and nuclear decommissioning. PG&E would then subtract any payments to the PX and Independent System Operator (ISO). The remaining balance would determine "headroom," the amount available to offset uneconomic generation costs entered into the TCBA. PG&E proposes that the amounts subtracted for distribution, transmission, public benefits programs, and nuclear decommissioning would be exactly the authorized revenue requirements for each category, rather than the actual revenues it collects. Accordingly, the TRA has the effect of an ERAM. That is, PG&E would not assume any risk for the difference between forecasted sales and actual sales for distribution, transmission, nuclear decommissioning, or public benefits program costs.

2. The above discussion shows that for PG&E, the TRA is meant to perform two functions. First, it has the "ERAM effect" of providing the company dollar-for-dollar revenue, regardless of sales levels. Second, it facilitates the calculation of headroom. As to the TRA's structure, the Decision understood PG&E's proposal as the following:

(credit)	Total –	actual billed revenues
(debit)	Distribution –	authorized revenue requirement
(debit)	Transmission --	authorized revenue requirement
(debit)	Public Benefit –	authorized revenue requirement
(debit)	Nuclear Decommissioning –	authorized revenue requirement
(debit)	PX --	actual payments
(debit)	ISO --	actual payments
(balance)	Headroom, to be transferred to Transition Cost Balancing Account (TCBA).	

3. The Streamlining Decision adopted PG&E's proposed TRA (Ordering Paragraph No.15), but with certain qualifications for transmission rates. Conclusion of Law #6 states that "FERC has primary jurisdiction over transmission rates and the Commission may not adjust transmission rates to account for variations between forecasted sales and actual sales." This indicates that PG&E should not receive ERAM-style protection for transmission transactions. Ordering Paragraph No.15 elaborates further that in the event that "the FERC defers to this Commission for establishing ratemaking mechanisms for the transmission revenue requirement, PG&E shall modify its tariffs consistent with its

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proposal herein which provides that PG&E will subtract from total billed revenues the total authorized revenue requirement for transmission." In other words, if FERC hands over transmission ratemaking authority to the Commission, then PG&E is given its original proposed TRA, but otherwise it is to be at risk for transmission revenues.

4. Edison did not propose its "modified" TRA until after the Streamlining Proposed Decision had already been issued. In the final Decision, while there is no order for Edison to establish a TRA, the discussion in Section VI.H. (slip opinion p.20) states:

For Edison, the calculation would operate just as it would for PG&E, applying the TRA, with the exception that the deduction for Edison's distribution operations would be based on actual revenues rather than an adopted revenue requirement, consistent with Edison's PBR mechanism...[O]ur intent is that the calculation of Edison's "headroom" would be made as if Edison had a TRA. If Edison believes it requires a specific account to effect this calculation, it may propose one in the tariff modifications it submits in compliance with this order."

5. In other words, Edison's TRA is for purposes of calculating headroom, and not to protect the company from risk associated with sales fluctuations.

6. SDG&E, which has a regulatory structure similar to Edison's, did not ask for and was not authorized a TRA. During the research for this Resolution, SDG&E was asked how it intended to calculate headroom. The company's response, while not an official filing, is informative:

Each month after 1/1/98, SDG&E's frozen rates will be allocated to the different components adopted in the Unbundling Decision. Each month a portion of the frozen rates will go to Transmission, Distribution, Nuclear Decommissioning, Public Purpose Programs, and the PX rate. The remaining or residual rate will be the CTC rate which will determine the revenue (headroom) going to the TCBA each month to recover SDG&E's transition costs.

7. SDG&E's intended methodology for calculating headroom is thus a very simple one and is identical (except for the omission of the ISO component) to that outlined in the Streamlining Decision.

Policy guidelines in reviewing TRA tariff proposals:

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8. The following guidelines, discussed below, are used in reviewing TRA tariff proposals:

- a. Maintain the intention of the Streamlining Decision;
- b. Do not alter company risk levels;
- c. Maintain proper allocation of costs to functional components;
- d. Promote regulatory streamlining.

9. The first guideline is paramount. The Decision is explicit in terms of what the purpose of the TRA is for PG&E and what its purpose is for Edison. The Decision also describes conceptually how the TRA should be structured. Thus, the TRA tariffs should maintain both the purpose and the structure of the Decision's intention.

10. With regard to the second guideline, the Decision states that "This decision makes several changes to utility regulatory accounting mechanisms, either eliminating them or replacing them. It does not, however, change any regulatory accounts in a way that would affect utility risk..." (slip opinion p.20) This guideline will have relevance when considering the disposition of balances in certain memorandum and balancing accounts, given the fact that recovery of all such balances is subject to Commission approval and that, in general, memorandum account balances carry a lower degree of assurance of recovery than do balancing account balances.

11. The California Legislature as well as this Commission have emphasized the importance of the third guideline. AB 1890 states "The cost recovery plan shall provide for identification and separation of individual rate components such as charges for energy, transmission, distribution, public benefit programs, and recovery of uneconomic costs. (PU Code Sec.368.b.) Regarding the disposition of amounts in a variety of memorandum accounts, the Unbundling decision states "We have stated that one criteria for evaluating parties' proposals here is whether costs are allocated to the function with which they are associated." (slip opinion p.30) The TRA tariffs should not interfere with the allocation of costs to their appropriate functional categories.

12. Fourth, the very purpose of the Streamlining Proceeding is to eliminate needless processes, avoid confusion, and clarify the regulatory process. The discussion which follows will show that the TRA proposals filed by PG&E and Edison do not promote these goals, and consequently should be modified.

Review of PG&E's and Edison's TRA proposed tariffs:

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13. PG&E and Edison have filed proposed TRA tariffs substantially different from that envisioned by the Streamlining Decision. In addition to the credit for total energy sales revenues, and debits for the various functional components, they have added many other entries, including various memorandum and balancing accounts, and adjustments for Fixed Transition Amount (FTA) Charges, annual Commission fees, fees for intervenor compensation, credits for shareholder participation, credits for nuclear decommissioning amounts billed to departing load customers, etc.. All told, PG&E's proposed TRA tariff contains 26 entries, while Edison's contains 57 entries.

14. The proposed TRAs would operate in the following way. The TRA Revenue Amounts (which PG&E's tariff defines as the basic components – transmission, distribution, public purpose, and nuclear decommissioning) are to be altered annually in the Revenue Adjustment Proceeding (RAP). Then, each month, entries to the TRA would be made from these basic components, as well as the myriad other entries noted above. The balance of these entries would then be transferred monthly to the TCBA.

15. PG&E's and Edison's proposed tariffs are correct in noting that the basic TRA revenue amounts (i.e., the functionalized components) are to be adjusted annually. They are also correct in the basic approach of each month subtracting from total revenues the cost components determined by the Unbundling proceeding (which can be seen as the prototypical RAP). However, the tariffs deviate significantly from compliance by their inclusion of the additional entries. The following discusses why these additional entries do not belong in this account:

a) In their structure, the proposed tariffs do not maintain the intention of the Streamlining Decision. Rather than the seven entries discussed in the Streamlining Decision, there are 26 and 57 entries total for PG&E and Edison respectively.

b) In many cases, there is no indication given where the reasonableness for the memo account balances will be reviewed. By transferring memorandum account balances to the TRA and thence to the TCBA, these balances are "upgraded", given a greater likelihood of recovery. This is a reduction in risk which is not authorized in either the Unbundling or the Streamlining proceedings.

c) In their TRA tariff filings, PG&E and Edison are not compliant with the intent of the Unbundling decision with regard to flowing balances in the various memo and balancing accounts into the functional categories (transmission, distribution, public purpose, etc.). The tariffs transfer the balances from these

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accounts each month directly into the TRA, and from there into the TCBA. They do not flow through the functional categories.

d) The proposed TRA tariffs do not promote the goals of streamlining. First, the proposed tariffs are confusing. They leave unclear: if and how the functionalization of the account balances and other adjustments to the authorized revenues shall be accomplished; the role of the RAP; and where and how the reasonableness of account balances is to be determined.

Furthermore, depending on how the tariff proposals are interpreted, they would lead to increased complexity in the regulatory process. For example, from Edison's tariff, it appears that certain accounts are flowed into the TRA and then to the TCBA before they are reviewed and authorized. Now, if some of these balances were later to be disallowed, they would have to be backed out of the TCBA, a more difficult procedure than simply screening these amounts before they were authorized.

Adopted form for TRA tariffs:

16. The "Purpose" statement proposed by ORA for PG&E's TRA should be adopted for both Edison and PG&E, as it states clearly both what the account is for, and how it functions. However, to include the changes to the TRA which this Resolution orders, the ORA statement should be modified for the items discussed below.

17. Regarding ORA's protest of AL 1255-E dealing with Edison's "Purpose" statement for the TRA, the statement should be modified to note that the account will be in effect only during the rate freeze. Also regarding that protest, the citations provided by Edison authorize the company to apply for recovery of these expenses, but do not specifically authorize inclusion into the TRA of the entries.

18. This Resolution orders the utilities to file new tariff language that brings the TRAs into compliance with Commission decisions. PG&E and Edison should file new tariff language. The sections that describe the operation of the TRA (section 6 for PG&E and section 4 for Edison) should be substantially reduced to include only the entries originally authorized in the Streamlining Decision - total revenues, transmission, distribution, public purpose programs, nuclear decommissioning, FERC-authorized ISO charges which are exclusive of the other transmission component, and PX charges.

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19. PG&E may also include the special charges related to its Diablo plant which were authorized for collection in base revenues in Resolution E-3508.

20. PG&E has included in its TRA tariff proposal an entry for "Shareholder Participation". This credits the TRA the amount of shareholder contribution associated with several discounted sales agreements, thereby increasing headroom. This entry should be allowed in the TRA, since it is effectively an additional component of Total Revenues from sales.

21. Regarding ORA's protest to AL 1705-E, PG&E in response provided a list of Commission citations allowing the company to apply for recovery of these amounts, but not specifically for inclusion in the TRA.

22. PG&E has not been authorized in any Commission decision to collect Humboldt Nuclear Power Plant O&M shutdown expenses in the TRA, and must await a decision on its petition to modify D.97-08-056 for possible inclusion of these costs in its Nuclear Decommissioning component of the TRA.

23. In the Streamlining Decision's description of PG&E's TRA proposal, it included ISO charges. The decision also ordered PG&E to establish the TRA, thereby implying that ISO charges should be included in the TRA.

24. PG&E should alter its tariff to remove its ERAM-style protection for the transmission component. The Streamlining Decision was explicit (Conclusion of Law #6 and Ordering Paragraph No.15) in this regard.

25. There should be no inclusion of FTA charges (associated with Rate Reduction Bonds) in the TRA. The Rate Reduction Bond decisions (D.97-05-056, slip opinion pp.26, 27, and D.97-05-055, slip opinion pp.24, 25) state explicitly that the issuance of the bonds and the 10 percent rate reduction shall have no impact on the collection of stranded costs. Since including an FTA component in the TRA would alter the resulting headroom and consequently the TCBA balance, it is clear that the FTA Charge has no place in the TRA.

26. This Resolution in no way seeks to disallow the future recovery in rates of reasonably incurred costs which have been and will be posted into various accounts. Nor does it intend to preclude the opportunity for the utilities to demonstrate the reasonableness of any account balances. If utilities want to recover balances accrued in any accounts, the appropriate forum for them to do this is through the RAP.



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#### **Disposition of Certain Memorandum and Balancing Accounts**

27. While requiring that the utilities retain their DSM, RD&D, and CARE-related accounts (Ordering Paragraph No.4), the Decision also invited the utilities to eliminate any accounts which are believed to be unnecessary during the transition period. The utilities have responded by proposing in their advice letter filings to eliminate a number of balancing and memorandum accounts. Some of these accounts have zero balances while others have non-zero balances.

28. This Resolution orders the utilities to eliminate those accounts which are no longer useful or active, and which have zero balances. The reason for allowing the elimination of only those accounts with zero balances is the importance, discussed in the previous section, of being able to conduct a reasonableness review, and also of being able to allocate costs to their appropriate function. If the accounts with non-zero balances were closed on January 1, 1998, the balances would be transferred to the TCBA without reasonableness review and without being functionally allocated. While these amounts could be reviewed later for reasonableness, they would already have been "upgraded" from memo to balancing accounts, as discussed earlier, thus inappropriately decreasing the utilities' risk of non-recovery. Furthermore, it is not clear how they would ever be functionally allocated.

29. For the above-stated reasons, SDG&E's request to transfer the balances of several on-going accounts to ERAM as of December 31, 1997 should be denied.

30. For those accounts they are unable to eliminate through this Resolution, the utilities may renew their request for their elimination once the RAP has reviewed, authorized, and functionalized the remaining balances.

31. The Streamlining Decision eliminates ERAM and ECAC accounts. In addition to serving their main functions -- of providing dollar-for-dollar collection of base revenues and providing financial protection from fluctuations in fuel costs, respectively -- these accounts also have included a number of sub-accounts which provided tracking for such items as intervenor compensation, Commission fees, etc. When, on January 1, 1998, ERAM and ECAC are eliminated, these sub-accounts will also be eliminated, even though the expenses which they track have been authorized for possible collection in rates. PG&E and Edison, in their filed TRAs, have attempted to place these sub-accounts

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in the TRA. For reasons discussed above, the TRA is not the proper place for these cost items. However, if the companies wish to apply for future recovery the costs associated with these sub-accounts, they should be allowed to file in advice letters for the creation of a new memorandum account – the “Streamlining Residual Account”. This new account should not include any items which are not currently in the ERAM and ECAC tariffs. Nor should it include any generation-related items. For each utility, the balance in this new account will be reviewed, authorized, and functionalized in the RAP.

32. Regarding ORA’s protest of AL 1254-E dealing with Edison’s CEMA and HSCLS accounts, Edison’s response is correct that the issue of excluding generation items should be, and is being, dealt with in a different advice letter.

33. Another consideration in determining which accounts to allow the utilities to retain and which to eliminate is that of uniformity. For example, should one utility be allowed to keep its Arbitration Memorandum Account, while the other two eliminate theirs? While this is an important consideration, there will be more time to investigate this question thoroughly during the next RAP proceeding, when all of the utilities’ accounts come under review, per Ordering Paragraph No.7.

34. Edison has proposed tariff language changes -- changes having to do with Monthly Distribution Percentages, rules on fund shifting, etc -- which exceed the scope of changes authorized by the Streamlining Decision, to the following accounts:

- Part Q – Demand-Side Management Adjustment Clause (DSMAC)
- Part U – Electric Vehicle Adjustment Clause (EVAC)
- Part X – Research, Development and Demonstration Adjustment Clause (RDDAC)
- Part Y – Economic Development Adjustment Clause (EDAC)

It is not appropriate for Edison to propose these changes in this compliance filing.

35. PG&E has stated in AL 1706-E that it needs to alter the tariff for Customer Energy Efficiency Adjustment (CEEA) to accommodate the elimination of ERAM. However, PG&E is proposing changes that exceed what was authorized by the Streamlining Decision. If PG&E’s tariff for the CEEA account makes reference to language that is being eliminated in the ERAM, then that language may be imported in to the tariff for the CEEA account, but the functioning of the account should not be altered.

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36. To bring the utilities' memorandum and balancing account tariffs into conformance with this Resolution, tariff language for each retained account should be added which reads "Disposition of amounts in this account shall be determined in the annual Revenue Adjustment Proceeding (RAP) or other proceeding expressly authorized by the Commission."

### FINDINGS

1. On November 3, 1997, Southern California Edison (Edison), Pacific Gas and Electric (PG&E) and San Diego Gas and Electric (SDG&E) filed advice letters requesting approval of changes to their tariffs in compliance with the Streamlining Decision (D.) 97-10-057.
2. In Edison Advice Letter (AL) 1254-E, the company seeks to modify its tariffs with the scope of eliminating the Energy Cost Adjustment Clause (ECAC) and the Electric Revenue Adjustment Mechanism (ERAM) accounts.
3. In Edison AL 1255-E, the company seeks to modify its tariffs with the scope of eliminating several obsolete accounts and establishing a new Transition Revenue Account (TRA) for the purpose of calculating headroom.
4. In PG&E AL 1705-E, the company seeks to modify its tariffs with the scope of eliminating its ECAC and ERAM accounts, and establishing a new TRA.
5. In PG&E AL 1706-E, the company seeks to modify its tariffs with the scope of eliminating several obsolete accounts.
6. In SDG&E AL 1052-E, the company seeks to modify its tariffs with the scope of eliminating its ECAC and ERAM accounts as well as several other obsolete accounts.
7. On November 24, 1997, the Office of Ratepayer Advocates (ORA) filed protests to Edison's AL 1254-E and 1255-E and to PG&E's AL 1705-E.
8. ORA's protest to AL 1254-E dealt with Edison's Catastrophic Event Memorandum Account (CEMA) and Hazardous Substance Clean-Up and Litigation Cost Account (HSCLS). ORA requested that the Commission direct Edison to revise its advice letter filing to properly state that only non-generation-related costs be entered into these accounts, effective January 1, 1998.

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9. ORA's protest of Edison's AL 1254-E is denied, as Edison's filing here does not deal with the exclusion of generation from these accounts, and Edison is addressing this issue elsewhere.

10. ORA's protest AL 1255-E dealt with Edison's proposed TRA. ORA recommended that the Commission direct Edison to modify its tariffs to (1) reflect that the TRA is only to be used for the transition period, and (2) provide clear Commission authorization allowing cost recovery for all the items that Edison intends to make entries to the TRA.

11. It is reasonable that Edison should clarify in its TRA tariff that the TRA will be in existence only during the rate freeze. Since Edison does not object to ORA's protest, ORA's protest is denied as moot.

12. While Edison's citations of Commission authorization for including 57 items in the TRA, in fact, allow the company to track these costs for potential recovery in rates, they do not authorize Edison to include these entries in the TRA. ORA's protest is granted.

13. ORA's protest to PG&E's AL 1705-E dealt with PG&E's proposed TRA.

(a) ORA requested that PG&E's paragraph describing the "Purpose" of the account be altered.

(b) ORA also stated that PG&E had not provided citations of Commission authorization for all of the entries into the TRA.

(c) ORA pointed out that the Commission has not yet authorized the expenses related to Humboldt Bay Power Plant Nuclear Unit 3, and so it is premature to collect the costs in the account.

(d) ORA claimed that the ISO charges were not authorized by D.97-10-057, and so should not be included in the account. In addition, ORA stated that the Commission decision on generation PBR, which among other things deals with treatment of certain must-run units' revenue requirements, is still pending.

(e) Finally, ORA found confusing certain language which PG&E has included in its entry dealing with purchases from the PX. ORA objects to the parenthetical

PG&E AL 1705-E, 1706-E

Edison AL 1254-E, 1255 E

SDG&E AL 1052-E

phrase "including generation supplied by Diablo Canyon, Qualifying Facilities, and other Purchased Power Agreements." ORA maintains that the phrase places a misleading constraint on PG&E's PX purchases.

14. The "Purpose" statement proposed by ORA for PG&E's TRA should be adopted for both Edison and PG&E, as it states clearly both what the account is for, and how it functions. However, to include the changes to the TRA which this Resolution orders, the ORA statement should be modified for the items discussed below.

15. It is reasonable to alter PG&E's paragraph describing the purpose of its TRA. PG&E's alterations to ORA's proposed language, which allow for the inclusion of additional items into the account, should be denied. ORA's protest is granted. Among "Commission-approved obligations" should be added "Diablo-related, base-revenue, ICIP exclusions." The following sentence should also be added to the "Purpose" section: "The purpose of the TRA is also to ensure dollar-for-dollar recovery of distribution, nuclear decommissioning, and public purpose program costs."

16. While PG&E's citations of Commission authorization for including 26 items in the TRA, in fact, allow the company to track these costs for potential recovery in rates, they do not authorize PG&E to include these entries in the TRA. ORA's protest is granted.

17. PG&E has not been authorized in any Commission decision to collect Humboldt Nuclear Power Plant-related decommissioning costs in the TRA, and must await a decision on its petition to modify D.97-08-056 for possible inclusion of these costs in its Nuclear Decommissioning component of the TRA. ORA's protest is granted.

18. PG&E has included in its TRA tariff proposal an entry for "Shareholder Participation". This credits the TRA the amount of shareholder contribution associated with several discounted sales agreements, thereby increasing headroom. This entry should be allowed in the TRA, since it is effectively an additional component of Total Revenues from sales.

19. PG&E was authorized in D.97-08-056 to enter the ISO charges for transmission support into its TRA. ORA's protest is denied.

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20. Regarding ORA's protest to AL 1705-E, PG&E in response provided a list of Commission citations allowing the company to apply for recovery of these amounts, but not specifically for inclusion in the TRA.
21. PG&E has not been authorized in any Commission decision to collect Humboldt Nuclear Power Plant O&M shutdown expenses in the TRA, and must await a decision on its petition to modify D.97-08-056 for possible inclusion of these costs in its Nuclear Decommissioning component of the TRA.
22. In the Streamlining Decision's description of PG&E's TRA proposal, it included ISO charges. The decision also ordered PG&E to establish the TRA, thereby implying that ISO charges should be included in the TRA.
23. PG&E's description of its PX entry in its TRA would be clarified by removing the language "including generation supplied by Diablo Canyon, Qualifying Facilities, and other Purchased Power Agreements." ORA's protest is granted.
24. Resolution E-3508 ordered PG&E to recover Diablo Canyon-related expenses -- including the ICIP exclusions listed in PG&E's TRA proposal as items N.6.k. through N.6.o. -- through its TRA or other appropriate filing.
25. SDG&E does not have tariffs for the following in-use accounts: DSM Balancing Account, RD&D Balancing Account; Women/Minority/Disabled Veterans Business Enterprise Balancing Account (WMDVBEBA).
26. PG&E does not have tariffs for the following in-use accounts: Workforce Reduction Rate Mechanism (WRRM) Memorandum Account; the WMDVBE Memorandum Account.
27. This Resolution orders the utilities to eliminate those accounts which are no longer useful or active, and which have zero balances. The reason for allowing the elimination of only those accounts with zero balances is the importance, discussed in the previous section, of being able to conduct a reasonableness review, and also of being able to allocate costs to their appropriate function. If the accounts with non-zero balances were closed on January 1, 1998, the balances would be transferred to the TCBA without reasonableness review and without being functionally allocated. While these amounts could be reviewed later for reasonableness, they would already have been "upgraded" from memo to balancing accounts, as discussed earlier, thus inappropriately decreasing

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the utilities' risk of non-recovery. Furthermore, it is not clear how they would ever be functionally allocated.

28. The following Edison accounts have zero balances and are no longer necessary:

Major Additions Adjustment Clause (MAAC)  
DSM Tax Change Memorandum Account  
Arbitration Memorandum Account  
TOU-PA-6 Memorandum Account

29. The following PG&E accounts have zero balances and are no longer necessary:

Tax Reform Act of 1986 memorandum account  
Citrus and Avocado Producers Energy Payment Deferral Account  
EMF Experimental Research Balancing Account (EMFERBA)

30. The following SDG&E accounts have zero balances and are no longer necessary:

Electric and Magnetic Fields Experimental Research Balancing Account  
(EMFERBA)  
Major Additions Adjustment Clause (MAAC)  
Pollution Control Expense Memorandum Account (PCEMA)  
1993 Federal Tax Reform Legislation Memorandum Account  
Electric DSM Memorandum Account (AMA)  
Arbitration Memorandum Account (AMA)  
Hazardous Waste Minimization Audit Memorandum Account (HWMAMA)

31. Edison has proposed tariff language changes -- changes having to do with Monthly Distribution Percentages, rules on fund shifting, etc -- which exceed the scope of changes authorized by the Streamlining Decision, to the following accounts:

Part Q -- Demand-Side Management Adjustment Clause (DSMAC)  
Part U -- Electric Vehicle Adjustment Clause (EVAC)  
Part X -- Research, Development and Demonstration Adjustment Clause  
(RDDAC)  
Part Y -- Economic Development Adjustment Clause (EDAC)

It is not appropriate for Edison to propose these changes in this compliance filing.

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32. PG&E has stated in AL 1706-E that it needs to alter the tariff for CEEA accommodate the elimination of ERAM. However, PG&E is proposing changes that exceed what was authorized by the Streamlining Decision. If PG&E's tariff for the CEEA account makes reference to language that is being eliminated in the ERAM, then that language may be imported in to the tariff for the CEEA account, but the functioning of the account should not be altered.

33. The Streamlining Decision eliminates ERAM and ECAC accounts. In addition to serving their main functions -- of providing dollar-for-dollar collection of base revenues and providing financial protection from fluctuations in fuel costs, respectively -- these accounts also have included a number of sub-accounts which provided tracking for such items as intervenor compensation, Commission fees, etc. When, on January 1, 1998, ERAM and ECAC are eliminated, these sub-accounts will also be eliminated, even though the expenses which they track have been authorized for possible collection in rates. PG&E and Edison, in their filed TRAs, have attempted to place these sub-accounts in the TRA. For reasons discussed above, the TRA is not the proper place for these cost items. However, if the companies wish to apply for future recovery the costs associated with these sub-accounts, they should be allowed to file in advice letters for the creation of a new memorandum account -- the "Streamlining Residual Account". This new account should not include any items which are not currently in the ERAM and ECAC tariffs. Nor should it include any generation-related items. For each utility, the balance in this new account will be reviewed, authorized, and functionalized in the RAP.

34. To include FTA charges in the TRA would violate D.97-09-055 and D.97-09-056, which stated that the 10 percent rate reduction and the issuance of the Rate Reduction Bonds should have no impact on collection of stranded costs.

**THEREFORE IT IS ORDERED THAT:**

1. Edison, PG&E, and SDG&E shall transfer balances in their ECAC accounts to their ITCBA, which will ultimately transfer to the TCBA, and shall remove from their tariffs the tariff sheets describing the ECAC accounts beginning January 1, 1998:
2. PG&E and SDG&E shall transfer balances in their ERAM accounts to their ITCBA, which will ultimately transfer to the TCBA, and shall remove from their tariffs the tariff sheets describing the ERAM accounts beginning January 1, 1998:



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3. Edison shall remove from its tariffs the tariff sheets describing the following accounts beginning January 1, 1998:

Major Additions Adjustment Clause (MAAC)  
DSM Tax Change Memorandum Account  
Arbitration Memorandum Account  
TOU-PA-6 Memorandum Account

4. PG&E shall remove from its tariffs the tariff sheets describing the following accounts beginning January 1, 1998:

Tax Reform Act of 1986 memorandum account  
Citrus and Avocado Producers Energy Payment Deferral Account  
EMF Experimental Research Balancing Account (EMFERBA)

5. SDG&E shall remove from its tariffs the tariff sheets describing the following accounts beginning January 1, 1998:

Electric and Magnetic Fields Experimental Research Balancing Account  
(EMFERBA)  
Major Additions Adjustment Clause (MAAC)  
Pollution Control Expense Memorandum Account (PCEMA)  
1993 Federal Tax Reform Legislation Memorandum Account  
Electric DSM Memorandum Account (AMA)  
Arbitration Memorandum Account (AMA)  
Hazardous Waste Minimization Audit Memorandum Account (HWMAMA)

6. As applicable the utilities shall file supplemental advice letters no later than December 24 effecting the following actions:

- a. The proposed changes to Edison's Base Rate Performance Memorandum account (BRPMA) shall be adopted, except that Edison shall replace the last sentence of the proposed new language, "Annual balances shall be transferred to the TRA." with "Disposition of amounts in this account shall be determined in the annual Revenue Allocation Proceeding (RAP) or other proceeding expressly authorized by the Commission."

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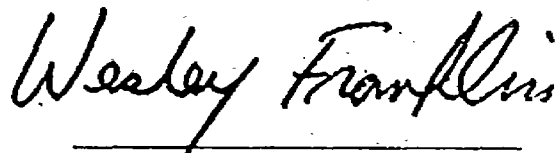
SDG&E AL 1052-E

- b. PG&E, Edison, and SDG&E shall remove tariff references to ERAM and ECAC for all continuing memo and balancing accounts. The following tariff language shall be added for each account: "Disposition of amounts in this account shall be determined in the annual Revenue Allocation Proceeding (RAP) or other proceeding expressly authorized by the Commission."
  - c. PG&E shall file as its TRA tariff the language shown in Attachment 1 to this Resolution.
  - d. Edison shall file as its TRA tariff the language shown in Attachment 2 to this Resolution.
  - e. PG&E, Edison and SDG&E may file tariffs for a new "Streamlining Residual Account" to account for cost items formerly covered under ERAM and ECAC account.
7. I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 16, 1997. The following Commissioners approved it:
8. To the extent the protests of ORA are adopted herein, they are granted, otherwise they are denied.

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9. This Resolution is effective today.



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WESLEY FRANKLIN  
Executive Director

P. Gregory Conlon, President  
Jessie J. Knight, Jr.  
Henry M. Duque  
Josiah L. Nepper  
Richard A. Bilas

[Attachment I: PG&E TRA tariff sheets]

Transition Revenue Account (TRA)

1. **Purpose:** The purpose of the Transition Revenue Account (TRA) is to match the amount of billed revenues against the amount of the separated revenue requirement and Commission-approved obligations. This matching process facilitates determination of billed Competition Transition Charge (CTC) revenues, which will be transferred to the Transition Cost Balancing Account (TCBA). Separated revenue requirement consists of transmission, distribution, public purpose programs, and nuclear decommissioning. Commission-approved obligations consist of Independent System Operator (ISO) charges, Power Exchange charges and Diablo Canyon-related ICIP exclusions. The purpose of the TRA is also to ensure dollar-for-dollar recovery of distribution, nuclear decommissioning, and public purpose program costs. The TRA will be in effect until the end of the rate freeze.
2. **Applicability:** This TRA provision applies to all bills for service under all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those specifically excluded by the Commission.
3. **TRA Separated Revenue Requirement Amounts:** On January 1, 1998, the TRA Separated Revenue Requirement Amounts shall be as adopted in D.97-08-056.
4. **Revisions:** The TRA Separated Revenue Requirement Amounts are revised annually on January 1, or as authorized by the Commission in a future Revenue Adjustment Proceeding (RAP).
5. **Accounting Procedure:** PG&E shall maintain the TRA by making entries to this account at the end of each month as follows:
  - a. A credit entry equal to the amount of total recorded revenue from the sale of electricity during the month, absent the 10 percent rate reduction.
  - b. A debit entry equal to the Transmission TRA Separated Revenues, based upon rates approved by the Federal Energy Regulatory Commission (FERC).
  - c. A debit entry equal to the annual applicable Distribution TRA Separated Revenue Requirement Amount divided by twelve.

- d. A debit entry equal to the annual applicable Nuclear Decommissioning TRA Separated Revenue Requirement Amount divided by twelve.
- e. A debit entry equal to the annual applicable Public Purpose Programs TRA Separated Revenue Requirement Amount divided by twelve.
- f. A debit entry equal to the amount recorded for FERC-authorized ISO charges for transmission support, exclusive of charges in item b.
- g. A debit entry equal to the amount recorded for purchases from the PX for all power PG&E's customers obtain from the PX.
- h. A debit entry equal to the amount recorded for Diablo Canyon-related ICIP exclusion items listed in Findings of Fact 38, 39, and 40 of D.97-05-088.
- i. A credit entry equal to the amount of Shareholder Participation.
- j. A debit or credit entry, as appropriate, to transfer the balance in this account to the TCBA, as defined in Part \_\_\_ of PG&E's Preliminary Statement.

6. Shareholder Participation: [as filed in proposed TRA tariff Section 7]

[Attachment 2: Edison TRA tariff sheets]

Transition Revenue Account (TRA)

1. **Purpose:** The purpose of the Transition Revenue Account (TRA) is to match the amount of billed revenues against the amount of the separated revenue requirement and Commission-approved obligations. This matching process facilitates determination of billed Competition Transition Charge (CTC) revenues, which will be transferred to the Transition Cost Balancing Account (TCBA). Separated revenue requirement consists of transmission, distribution, public purpose programs, and nuclear decommissioning. Commission-approved obligations consist of Independent System Operator (ISO) charges, and Power Exchange charges. The purpose of the TRA is also to ensure dollar-for-dollar recovery of nuclear decommissioning and public purpose program costs. The TRA will be in effect until the end of the rate freeze.
2. **Applicability:** This TRA provision applies to all bills for service under all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those specifically excluded by the Commission.
3. **TRA Separated Revenue Requirement Amounts:** On January 1, 1998, the TRA Separated Revenue Requirement Amounts shall be as adopted in D.97-08-056.
4. **Revisions:** The TRA Separated Revenue Requirement Amounts are revised annually on January 1, or as authorized by the Commission in a future Revenue Adjustment Proceeding (RAP).
5. **Accounting Procedure:** Edison shall maintain the TRA by making entries to this account at the end of each month as follows:
  - a. A credit entry equal to the amount of total recorded revenue from the sale of electricity during the month, absent the 10 percent rate reduction.
  - b. A debit entry equal to the Transmission TRA Separated Revenues, based upon rates approved by the Federal Energy Regulatory Commission (FERC).
  - c. A debit entry equal to the Distribution TRA Separated Revenues.
  - d. A debit entry equal to the annual applicable Nuclear Decommissioning TRA Separated Revenue Requirement Amount divided by twelve.
  - e. A debit entry equal to the annual applicable Public Purpose Programs TRA Separated Revenue Requirement Amount divided by twelve.

- f. A debit entry equal to the amount recorded for FERC-authorized ISO charges for transmission support, exclusive of charges in item b.
- g. A debit entry equal to the amount recorded for purchases from the PX for all power Edison's customers obtain from the PX.
- h. A credit equal to the amount of Shareholder Participation.
- i. A debit or credit entry, as appropriate, to transfer the balance in this account to the TCBA, as defined in Part \_\_\_ of PG&E's Preliminary Statement.

6. Shareholder Participation: [Edison should describe any shareholder contributions associated with special discounted electric sales contract].