



PRELIMINARY STATEMENT

Sheet 1

II. BALANCING ACCOUNTS
RATE DESIGN SETTLEMENT COMPONENT ACCOUNT (RDSCA)

1. Purpose

The purpose of this account is to record the credits and revenues attributed to the 2006 Rate Design Settlement Component (2006 RDS) reflected in rates adopted by the Commission in D.05-12-003.

2. Applicability

The RDSCA shall apply to all customers except those defined in Rule 1 – Rate Design Settlement Component.

3. Rates

The amounts in the RDSCA shall be included in electric rates as described in Section 5 below.

4. Accounting Procedure

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

- a. An entry equal to the net credit from the 2006 RDS component applied to customers subject to negative 2006 RDS unit charges.
- b. An entry equal to the net revenue generated from the 2006 RDS component applied to customers not subject to AB 1X rate caps.
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entry 4.a and 4.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.

5. Disposition

The balance in the RDSCA shall be applied to all customers subject to 2006 RDS charges described in 4.b. above. The disposition of the RDSCA shall be addressed as part of the Utility's annual consolidated electric rate change filing in December of each year.

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