



PRELIMINARY STATEMENT

Sheet 1

II. BALANCING ACCOUNTS
REWARDS AND PENALTIES BALANCING ACCOUNT (RPBA)

1. Purpose

Pursuant to CPUC Decision 97-10-057, dated October 22, 1997, and CPUC Resolution E-3588, dated February 18, 1999, the Rewards and Penalties Balancing Account is established to track the utility's rewards, penalties and PBR revenue sharing. In accordance with AL 2178-E, the RPBA shall record the ratepayer's allocation of gross revenues associated with its non-tariffed Movers Service Program (MSP).

The RPBA shall have two subaccounts: 1) Rewards and Penalties (R&P) and 2) Non-tariffed Products & Services (NTP&S).

2. Applicability

This account shall apply to all electric services that are within the jurisdiction of the Commission.

3. Rates

The projected year-end account balance will be applied to the electric distribution rate as described in items 4.b.(3) and 5. below.

4. Accounting Procedure – R&P Subaccount

This account shall reflect the following periodic entries:

a. A debit entry equal to the electric authorized amounts for each of the following items:

- (1) Rewards allocated to the Electric Department as a result of the PBR Base Rates Mechanism or its successor, the Electric Distribution PBR;
- (2) Rewards allocated to the Electric Department as a result of the utility's Annual Earnings Assessment Proceeding ("AEAP"), net of DSM rewards included in the current distribution rate.
- (3) Rewards allocated to the Electric Department as a result of the sharing mechanism for under-expenditures in the Advanced Metering Infrastructure (AMI) project pursuant to the settlement adopted in D.07-04-043.

b. A credit entry equal to the electric authorized amounts for each of the following items:

- (1) Penalties allocated to the Electric Department as a result of the PBR Base Rates Mechanism or its successor, the Electric Distribution PBR;
- (2) Penalties allocated to the Electric Department as a result of the utility's AEAP, net of DSM penalties included in the current distribution rate; and

(Continued)

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Advice Ltr. No. 2178-E

Decision No. _____

Issued by
Lee Schavrien
Senior Vice President
Regulatory Affairs

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Resolution No. _____

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N
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PRELIMINARY STATEMENT

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4. Accounting Procedure (Continued)

b.

- (3) Revenue allocated to the Electric Department from the revenue sharing portion of the PBR Base Rates Mechanism or its successor, the Electric Distribution PBR. (If the rate indexing formula is approved for the Electric Distribution PBR mechanism, the revenue sharing portion will be applied to the electric distribution rate as a percentage change to the rate component on an annual basis.)
- (4) Costs allocated to the Electric Department as a result of the sharing mechanism for over-expenditures in the Advanced Metering Infrastructure (AMI) pursuant to the settlement adopted in D.07-04-043.
- (5) Royalties allocated to the Electric Department due to the licensing of intellectual property related to PlugSmart to Juice Technologies.

c. An entry shall be made to reflect the amount collected from/returned to customers due to the amortization of the prior year ending balance, pursuant to item 5. below.

d. Each year, as applicable, an entry shall be made for authorized account balance transfers to the RPBA.

e. The current month balance shall equal the expenses in 4.a. above less the revenues in 4.b. above, plus or minus any adjustment from 4.c & 4.d.

f. The accumulated month ending balance shall equal the sum of:

- (1) the current month's entries from 4.e.;
- (2) the account balance at the beginning of the month;
- (3) the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

5. Accounting Procedures – NTP&S Subaccount

This account shall reflect the following periodic entries:

- a. A credit entry for the ratepayers 10% allocation of gross revenues associated with the MSP.
- b. An entry shall be made to amortize the prior year ending balance; and
- c. An entry equal to the Monthly Interest Rate multiplied by one-half of the sum of the account balance at the beginning of the month plus the account balance at the end of the month.

6. Account Disposition

The Utility shall file in October of each year an advice letter requesting to apply the projected year-end overcollected or undercollected balance in the R&B Subaccount and/or the overcollected balance in the NTP&S Subaccount as a twelve-month amortization to electric rates effective January 1 of the following year.

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