



PRELIMINARY STATEMENT

Sheet 1

IV. BALANCING ACCOUNTS
GAS ENERGY EFFICIENCY BALANCING ACCOUNT (GEEBA)

1. Purpose

The purpose of the Gas Energy Efficiency Balancing Account (GEEBA) is to balance GEE program expenses against revenues from January 1, 1998 forward. The GEEBA will also facilitate the transference of gas funds to a new administrator(s), and certain other adjustments to funding levels as authorized by Commission Decision(s).

Commission Resolution G-3303, dated December 21, 2000, adopted gas PPP surcharge rates effective January 1, 2001 as directed by Assembly Bill (AB) 1002. Resolution G-3303 also 1) exempts some customers from the PPP surcharge who were not exempt to charges in rates prior to January 1, 2001 and 2) requires utility to make quarterly payments to the California Board of Equalization (BOE).

Commission D.04-08-010 authorized utilities to modify their regulatory accounts to facilitate the unbundling of PPP costs from their rates. D.04-08-010 also notes that while the surcharge collections are in the possession of the State, the applicable interest that applies is the actual amount of interest that accrued while the remittances were on deposit in the State's Gas Consumption Surcharge Fund (Fund).

Commission D.05-09-043 adopted On-Bill Financing (OBF), for which the associated costs will be tracked in the GEEBA.

For energy efficiency and low income energy efficiency program cycles beginning January 1, 2006, program costs and related surcharge funds will be recorded to the Post-2005 Gas Energy Efficiency Balancing Account and the Post-2005 Gas Low Income Energy Efficiency Balancing Account respectively.

2. Applicability

The GEEBA shall separately apply to non-low-income energy efficiency and low-income energy efficiency-related activities and funding from January 1, 1998 forward as approved by the Commission.

3. Accounting Treatment

The GEEBA shall have Pre-2001 and Post-2000 sub-accounts to record expenses and revenues for the applicable timeframes.

The GEEBA shall be recorded at the end of each month as follows:

- a. A debit entry equal to all expenses incurred for energy efficiency programs and activities;
- b. A debit entry to transfer funds as directed by the Commission to a new administrator(s);

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Advice Ltr. No. 1632-G

Decision No. _____

Issued by
Lee Schavrien
Vice President
Regulatory Affairs

Date Filed Aug 15, 2006

Effective Sep 14, 2006

Resolution No. _____

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3. Accounting Treatment (Continued)

- c. A debit entry equal to the cost of funds calculated at the utilities' weighted average cost of capital rate of 8.43% on the average monthly balance of net funds loaned for the OBF Program;
- d. A debit entry equal to the actual cost of defaults associated with the OBF Program;
- e. A credit entry equal to the surcharge for the energy efficiency programs from the recorded gas PPP surcharge billed for the month, net of actual bad debt write-offs;
- f. A debit entry equal to the surcharge for the energy efficiency programs from the gas PPP surcharge funds, net of any refunds to exempt customers, remitted to the BOE pursuant to AB 1002;
- g. A debit entry equal to surcharge for the energy efficiency programs related to the refunds to customers that are exempt from the PPP surcharge under Section 896 of the Public Utilities Code and the California Energy Resources Surcharge Regulation Sections 2315 and 2316;
- h. A credit entry equal to the surcharge for the energy efficiency programs from the reimbursement of the gas PPP surcharge funds, which may include surcharge funds from interstate non-exempt pipeline customers including actual interest earned in the Fund while the funds were in the possession of the State. The amount reimbursed excludes the funds retained by the BOE/Commission to offset their administration costs, the RD&D administrator funds, and any refunds paid by the BOE to customers that are exempt from the surcharge;
- i. A year-end credit entry, if necessary, equal to the excess of annual expenditures above annual authorized levels (including authorized carry-over funding); and
- j. An entry equal to the interest by applying the interest rate to the average of the beginning and ending balances. The interest 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.

4. Disposition

Pursuant to Commission D.04-08-010, the Utility shall file by October 31 of each year an advice letter requesting to establish the gas PPP rate effective January 1 of the following year consisting of the net amortization component of gas PPP account balances consistent with the Commission's prevailing policy on PPP accounting methods and the Commission's currently authorized program budget revenue requirements for the PPP. Program spending is limited and over-expenditures may not be recovered from ratepayers. Shareholders absorb the balance in the event that actual program expenses exceed authorized levels.

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