



**ELECTRIC PRELIMINARY STATEMENT PART AS**  
**FIXED TRANSITION AMOUNT CHARGE**

Sheet 1

AS. FIXED TRANSITION AMOUNT CHARGE

(N)

1. **PURPOSE:** The purpose of this section is to establish a Fixed Transition Amount (FTA) charge for residential and small commercial customers who receive the 10 percent rate reduction on January 1, 1998, as mandated in Assembly Bill (AB) 1890 (P.U. Code §368(a)). AB 1890 authorizes electric utilities to recover a portion of their transition costs through the issuance of Rate Reduction Bonds (RRBs) (P.U. Code §840(e)). Conditioned upon the issuance of RRBs, AB 1890 requires utilities to reduce rates for residential and small commercial customers by at least 10 percent beginning on January 1, 1998, and continuing through the rate freeze period. Residential and small commercial customers who receive the 10 percent rate reduction (as well as customers in those classes that enter the system after the rate freeze period) are required to pay the FTA charge. The FTA charge is defined by AB 1890 as a nonbypassable, separate charge that is authorized by the Commission in a financing order to recover Financed Transition Costs and the costs of providing, recovering, financing or refinancing transition costs, including the costs of issuing, servicing, and retiring RRBs (P.U. Code §840(d)). The FTA charge will be comprised of the following components: (1) scheduled debt service on the RRBs, (2) servicing fees, (3) Bond Trustee fees, (4) overcollateralization, (5) allowance for uncollectibles, and (6) other ongoing expenses.

The rights to the FTA charge constitute "transition property" as defined in the Public Utilities Code and have been established pursuant to a Financing Order (Decision 97-09-055) issued by the California Public Utilities Commission. Concurrently with the effectiveness of the FTA charge, PG&E has sold all of its rights with respect to such transition property to PG&E Funding LLC, a Delaware Limited Liability Company. The sale of transition property includes: 1) all rights, titles, and interest in all revenues, collections, claims, payments, money, or proceeds of/or arising from or constituting fixed transition amounts that are subject of the financing order, 2) the rights to be paid all such amounts, and 3) the right to seek and obtain adjustment to the FTA charge as provided in the financing order. PG&E has no rights to the transition property, FTA or any amounts payable thereunder other than its rights as services under the Servicing Agreement.

2. **APPLICABILITY:** This FTA charge shall apply to all residential and small commercial electric customers. In addition to customers on Schedules A-1 and A-6, customers on Schedules A-10 and E-19V with maximum billing demands of less than 20 kW will be classified as small commercial customers. Determination eligibility will be based on the customer's maximum billing demand, which must be less than 20 kW for at least nine billing periods during the most recent 12-month period. The applicability of the rate reduction for these customers shall be determined on a one-time basis in October 1997.
3. **DISCOUNT CALCULATION:** The 10 percent rate reduction will be applied on January 1, 1998, and continue through the rate freeze period. Bills will be calculated as usual and a separate line item will be included on the customer's bill to show the billed amount reduced by 10 percent.
4. **ISSUANCE ADVICE LETTER:** PG&E will file an Issuance Advice Letter with the Commission seeking approval, no less than five business days prior to the close of the sale of the RRBs, to ensure that FTA revenues from the small commercial and residential customer classes are sufficient to make the necessary monthly remittance of the FTA charge to the Bond Trustee. The Issuance Advice Letter shall include a description of the FTA charge calculation, the bond issuance amount, identities of one or more Special Purpose Entities (SPE), identities of one or more Issuers, and identification of the FTA charge as Transition Property.

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(Continued)

Advice Letter No: 1708-E  
 Decision No. 97-09-055

Issued by  
**Thomas E. Bottorff**  
 Vice President  
 Rates Account Services

Date Filed November 6, 1997  
 Effective December 5, 1997  
 Resolution No.



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Sheet 2

AS. FIXED TRANSITION AMOUNT CHARGE (Cont'd.)

- 5. FTA CHARGE ADJUSTMENTS: As provided for in P.U. Code §841(c), PG&E will file a True-Up Mechanism Advice Letter one or more times per year to adjust the FTA charge. The adjustment will be based on the following: (1) the most recent test-year sales forecast; (2) the test-year projected amortization schedule; and (3) changes to projected uncollectibles. The adjustment will be applied such that both the residential and commercial FTA charges will be adjusted by the same percentage increase or decrease.

In addition to the annual revisions, PG&E may also make changes to the FTA charge based on changes to the cash flow model not specified above. In this case, PG&E will file a True-Up Mechanism Advice Letter no later than 90 days before the end of any calendar quarter and request that the revised FTA charge become effective the beginning of the next calendar quarter.

In addition to the routine and non-routine true-ups stated above, AB 1890 has stipulated that the Commission shall determine, on each Finance Order issuance anniversary, whether adjustments to the FTA charge are required, with any resulting adjustments to the FTA charge to be implemented within 90 days of the issuance anniversary (P.U. Code §841(e)). PG&E expects to comply with the statute by filing a True-Up Mechanism Advice Letter 15 days before each Finance Order issuance anniversary but expects to state that these true-ups are unnecessary given the annual true-up mechanisms.

- 6. FTA Charge:

	<u>(cents/kWh)</u>
Residential Rate Schedules .....	0.000 (R)
Eligible Small Commercial Rate Schedules.....	0.000 (R)