



ELECTRIC PRELIMINARY STATEMENT PART AT
RATE REDUCTION BOND MEMORANDUM ACCOUNT

Sheet 1

AT. RATE REDUCTION BOND MEMORANDUM ACCOUNT (RRBMA)

1. Purpose: The purpose of the RRBMA is to record the difference between the Rate Reduction Bond (RRB) Savings Amount and the 10 Percent Rate Reduction Amount provided to the residential and small commercial customers in accordance with AB 1890. This account will determine whether it is necessary for PG&E to issue additional RRBs or to provide a credit to residential and small commercial customers over the remaining life of the RRBs. The RRBMA will also track other credits that may be given to residential and small commercial customers, as defined in Part AS of this Preliminary Statement.
2. Applicability: The RRBMA shall apply to all rate schedules as identified in Part AS of this Preliminary Statement.
3. REVISION DATE: Disposition of the balance in this account shall be determined through the advice letter process.
4. RRBMA RATES: The RRBMA rate, as set forth in each applicable rate schedule, shall be established to amortize the balance in this account.
5. DEFINITIONS:
 - a. Rate Reduction Bonds: RRBs are authorized by the Commission in Decision 97-09-055 to provide the funds necessary to allow for the 10 percent rate reduction in accordance with AB 1890.
 - b. RRB Savings Amount: The RRB Savings Amount is equal to the difference between the Fixed Transition Amount (FTA) revenue requirement and the revenue requirements associated with the portion of the transition costs that are recovered through the issuance of the RRBs, as defined in Item 5.a. (T)
 - c. 10 Percent Rate Reduction Amount: The 10 Percent Rate Reduction Amount is the difference between the residential and small commercial customer revenues actually billed and the residential and small commercial customer revenues that would have been billed, based on frozen rates as of June 10, 1996.
6. Time Period: The RRBMA will become effective January 1, 1998, and will expire after the RRBs are fully repaid.
7. Accounting PROCEDURES: The RRBMA consists of several memorandum subaccounts. These memorandum subaccounts and the entries made to these subaccounts are identified below:
 - a. RRB Proceeds Adjustment Memorandum Subaccount

The following entries shall be made to this subaccount:

 1. A monthly debit equal to 10 Percent Rate Reduction Amount.
 2. A monthly credit equal to the RRB Savings Amount.

(Continued)



ELECTRIC PRELIMINARY STATEMENT PART AT
RATE REDUCTION BOND MEMORANDUM ACCOUNT

Sheet 2

AT. RATE REDUCTION BOND MEMORANDUM ACCOUNT (RRBMA)

7. Accounting Procedures: (Cont'd.) (T)

b. Servicing Fees Memorandum Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the amount of monthly servicing fees associated with the RRBs that are refundable to residential and small commercial customers.

c. Carrying Cost Memorandum Subaccount

A monthly credit equal to the interest earned on FTA revenues held by PG&E.

d. SPE Investment Earnings Memorandum Subaccount

A monthly credit equal to the amount received by PG&E, from SPE dividends or due to an increase in PG&E's ownership interest in the SPE, due to the investment earnings on the funds held by the Bond Trustee in the general, overcollateralization, and reserve subaccounts of the collection account between distribution dates, net of any taxes or other expenses incurred by the SPE.

e. Overcollateralization Memorandum Subaccount

A credit equal to the amount received by PG&E, from SPE dividends or due to an increase in PG&E's ownership interest in the SPE, due to the FTA charge revenues remitted to the Bond Trustee and returned to the SPE in excess of the amount needed to pay the total debt service and other costs associated with the RRBs.

f. Financed Tax Memorandum Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the benefits due to the carrying cost savings of the financed taxes that occur because of the RRB financing.

g. RRBMA Rate Revenues Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the revenues received from the RRBMA rates, excluding an allowance for franchise fees and uncollectible accounts expenses at the rates authorized in PG&E's most recent General Rate Case (GRC).

8. INTEREST: Interest shall accrue on the average of the beginning and ending month balance in this RRBMA, at a rate equal to one-twelfth of the interest rate, based on the three-month commercial paper rate, for the previous month as reported in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on the three-month commercial paper be discontinued, interest will so accrue at the rate of the one-twelfth of the previous month's interest rate on commercial paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication. (T)

Pursuant to Decision 97-09-055, the interest rate for the RRB Proceeds Adjustment Memorandum Subaccount, Item 7.a above, shall be adjusted to PG&E's authorized rate of return when PG&E calculates the credit due residential and eligible small commercial customers.