



ELECTRIC PRELIMINARY STATEMENT PART BU
VEGETATION MANAGEMENT BALANCING ACCOUNT

Sheet 1

BU. VEGETATION MANAGEMENT BALANCING ACCOUNT (VMBA)

1. PURPOSE

The purpose of the VMBA is to record the difference between the vegetation management expense adopted in PG&E's General Rate Case (GRC) or other base revenue proceeding, and PG&E's recorded vegetation management expense. The VMBA is created in compliance with Decision 00-02-046, and will record the differences between revenues and expenses beginning January 1, 1999. The incremental inspection and removal costs tracking account is created in compliance with D.07-03-044 and will record costs of incremental work required by the California Department of Forestry and Fire Protection (CDF).

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 (N)

2. APPLICABILITY

The VMBA is applicable to all rate schedules, except those expressly authorized by the Commission.

3. VMBA RATES

The VMBA does not have a rate component.

4. VMBA ACCOUNTING PROCEDURE

(T)

PG&E shall maintain the VMBA by making entries at the end of each month as follows:

- a. A debit entry equal to PG&E's recorded vegetation management expense for the month, less the vegetation management expenses allocated to Federal Energy Regulatory Commission (FERC) jurisdiction. FERC jurisdiction allocation is determined by multiplying the recorded vegetation management expense by the ratio of FERC to total electric distribution revenues as adopted in PG&E's GRC or other base revenue proceeding.
- b. A credit entry equal to one-twelfth of the amount adopted in PG&E's GRC or other base revenue proceeding for vegetation management expense, less the vegetation management expenses allocated to FERC Jurisdiction.
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 4.a and 4.b above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

The VMBA is a one-way balancing account. PG&E shall file an annual advice letter which shall include a summary of the entries to this account and a proposal for the disposition of any credit balance in the account.

(Continued)



ELECTRIC PRELIMINARY STATEMENT PART BU
VEGETATION MANAGEMENT BALANCING ACCOUNT

Sheet 2

BU. VEGETATION MANAGEMENT BALANCING ACCOUNT (VMBA) (Cont'd.)

INCREMENTAL INSPECTION AND REMOVAL COST TRACKING ACCOUNT ACCOUNTING
PROCEDURE

(N)

PG&E shall maintain a separate tracking account to record incremental inspection and removal costs PG&E incurs due to CDF required work.

a. A debit entry equal to recorded incremental inspection and removal costs PG&E incurs due to:

- 1) New CDF rules and/or requirements that increase hazard tree inspections or removals;
- 2) Re-interpretation by CDF of its existing rules and/or requirements that increase hazard tree inspections or removals;
- 3) Changes in CDF enforcement approach that require PG&E to significantly increase the scope of its Vegetation Management program, either through significantly increased inspections or tree mitigation activities; and
- 4) New incremental work related to so-called major woody stems, including removal of the major woody stems, adding tree wire to existing lines if appropriate, or relocating power lines further away from major woody stems.

b. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 5.a above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

If the costs in the Incremental Inspection and Removal Cost Tracking account exceed \$5 million in any calendar year, and if PG&E's overall expenses for Vegetation Management exceed \$148.38 million (\$150 million SAP\$), as adjusted for attrition, PG&E shall be authorized to recover through an advice filing all costs appropriately recorded in this tracking account for that calendar year through the Distribution Revenue Adjustment Mechanism (DRAM), or subsequently established mechanism by the Commission, subject to DRA audit of those costs showing compliance with the provisions above.

(N)