



ELECTRIC PRELIMINARY STATEMENT PART CZ
DISTRIBUTION REVENUE ADJUSTMENT MECHANISM

Sheet 1

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM)

1. **PURPOSE:** The purpose of the DRAM is to record and recover the authorized distribution revenue requirements and certain other distribution-related authorized costs. The DRAM will ensure dollar-for-dollar recovery of these Commission-authorized distribution amounts.
2. **APPLICABILITY:** The DRAM shall apply to all customer bills for service under all rate schedules and contracts for electric distribution service subject to the jurisdiction of the Commission, except for those rate schedules or contracts specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balance in this account shall be determined through the advice letter process.
4. **DISTRIBUTION RATES:** The distribution rates are included in the effective rates set forth in each rate schedule.
5. **ACCOUNTING PROCEDURES:** The following entries shall be made each month:
 - a. A debit entry equal to the annual authorized distribution revenue requirements divided by twelve.
 - b. A debit or credit entry equal to the total of the distribution-related regulatory account balances, including an allowance for franchise fees and uncollectibles (FF&U) accounts expense at the rates authorized in PG&E's most recent GRC, transferred to the DRAM, as authorized in the Electric Annual True-up Proceeding or other proceeding expressly authorized by the Commission.
 - c. A debit entry equal to the costs of the remaining customer education efforts associated with the Electric Education Trust (EET) per Decision 01-05-091, up to the amount authorized for PG&E by the Commission, plus an allowance for FF&U accounts expense at the rates authorized in PG&E's most recent GRC.
 - d. A credit entry equal to the revenue from the distribution rates less the recorded California Public Utilities Commission Reimbursement Fee revenue (defined in Part E of PG&E's electric Preliminary Statement), the Customer Energy Efficiency Incentive revenue (defined in Part P of PG&E's electric Preliminary Statement), the Demand Response Revenue Balancing Account revenue (defined in Part I of PG&E's electric Preliminary Statement), and the SmartMeter Balancing Account revenue (defined in Part I of PG&E's electric Preliminary Statement). (T)
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(T)

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ELECTRIC PRELIMINARY STATEMENT PART CZ
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Sheet 2

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- e. A credit entry equal to the debit entry in the California Alternate Rates for Energy Account (CAREA) that corresponds to the actual CARE revenue shortfall. The corresponding debit entry is defined in PG&E's electric Preliminary Statement Part M, Item 5a. (T)
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(T)
- f. A credit entry equal to the debit entry in the Family Electric Rate Assistance Balancing Account (FERABA) that corresponds to the actual FERA revenue shortfall for the California Solar Initiative. The corresponding debit entry is defined in PG&E's electric Preliminary Statement Part DX, Item 5.b. (N)
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(N)
- g. A credit entry equal to the recorded amount of revenue cycle services credits given to customers for revenue cycle services provided by entities other than PG&E.
- h. A credit entry equal to the amount of Shareholder Participation, as defined in Section 6 below.
- i. A debit entry equal to the payment to fund PG&E Environmental Enhancement Corporation plus an allowance for FF&U, pursuant to the Chapter 11 Settlement Agreement Paragraph 17c adopted in Decision 03-12-035.
- j. A debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to the DRAM for recovery in rates, upon approval by the CPUC.
- k. A debit entry equal to one-twelfth of the electric portion of the current year Self Generation Incentive Program (SGIP) revenue requirement authorized by the CPUC, including an allowance for FF&U expense.
- l. A debit entry equal to one-twelfth of the current-year California Solar Initiative (CSI) revenue requirement authorized by the CPUC, including an allowance for FF&U expense.
- m. A debit entry equal to one-twelfth of the electric portion of the ClimateSmart Administrative and Marketing revenue requirement, including an allowance for FF&U, as authorized by the CPUC.
- n. A debit or credit entry, as appropriate, to record any shareholder rewards or penalties under the Reliability Incentive Mechanism adopted in D.04-10-034.
- o. A debit entry equal to the amounts paid to the Commission for reimbursement of rate case expenses billed to the Utility pursuant to Public Utilities Code Section 631, plus an allowance for Franchise Fees and Uncollectible Accounts expense.
- p. A debit entry equal to the intervenor compensation payments authorized by the Commission, recorded during the month, plus an allowance for Franchise Fees and Uncollectible Accounts expense.
- q. A debit entry equal to the franchise fees paid by PG&E associated with the revenue collected by PG&E under electric Preliminary Statement Part AS – Fixed Transition Amount Charge, calculated in proportion to total franchise-applicable revenue, plus an allowance for Franchise Fees and Uncollectible Accounts expense.

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ELECTRIC PRELIMINARY STATEMENT PART CZ
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Sheet 3

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- r. A debit or credit entry, as appropriate, to record the gain or loss on the sale of an electric distribution non-depreciable asset, as approved by the Commission.
- s. A debit entry equal to the electric portion of incremental administrative costs and amounts written off as uncollectible associated with the payment deferral plan for qualifying citrus and other agricultural growers pursuant to Resolution E-4065, plus an allowance for franchise fees and uncollectibles (FF&U) accounts expense at the rates authorized in PG&E's most recent GRC for the incremental administrative costs.
- t. A debit entry equal to the Schedule E-BIP incentives paid to third party demand response aggregators, net of any penalties paid to PG&E, plus an allowance for Franchise Fees and Uncollectible Accounts expense.
- u. A credit entry equal to \$15 per customer per month for each new solar customer that takes service on Schedule E-7 or EL-7 beyond the 5000 customer limit as established by D.06-12-025. This credit entry will continue through December 31, 2010, in accordance with D.08-06-011, Ordering Paragraph 3. (N)
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(N)
- v. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a 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.

6. SHAREHOLDER PARTICIPATION: PG&E's shareholders bear some responsibility for economic risks and rewards associated with, but not limited to, Commission-approved economic discounts and credits to certain PG&E customers. This section ensures that ratepayers will not assume shareholders' obligations.

Shareholder Participation will be calculated monthly as follows:

The amount of the Shareholder Participation Mechanism for Schedule ED, in accordance with Resolution E-3654.

Note: All debits and credits described above, except for that described in Section 5.t, shall include an allowance for franchise fees and uncollectible accounts expense.