



**ELECTRIC PRELIMINARY STATEMENT PART DT  
ENERGY RECOVERY BOND BALANCING ACCOUNT**

Sheet 1

**DT. ENERGY RECOVERY BOND BALANCING ACCOUNT (ERBBA)**

1. **PURPOSE:** The purpose of the ERBBA is to record the benefits and costs associated with Energy Recovery Bonds (ERBs) that are not provided to customers elsewhere and to return those benefits or charge those costs to customers. In addition, the purpose of the ERBBA is to ensure that the benefits of the net amount of energy supplier refunds, claim offsets and other credits received after the second series of ERBs are issued are provided to customers. The ERBBA also provides the methodology for calculating the pre-tax amount of energy supplier refunds, claim offsets and other credits received after the first series of ERBs are issued but before the second series of ERBs are issued, which amount is to be used to reduce the principal amount of the second series of ERBs to be issued. An Energy Supplier Refund Litigation Cost (ESRLC) subaccount is established in the ERBBA in order to record litigation costs and litigation recovery amounts relating to energy supplier refunds, and to debit or credit those costs and recovery amounts to the ERBBA on a periodic basis consistent with the purpose of the ERBBA. ERBs are authorized by the Commission in Decision (D.) 04-11-015 to provide the funds necessary to refinance PG&E's Modified Settlement Agreement Regulatory Asset (Regulatory Asset) in accordance with D.03-12-035 and Senate Bill 772.
2. **APPLICABILITY:** The ERBBA shall apply to all rate schedules as identified in Part DP of this Preliminary Statement.
3. **REVISION DATE:** Disposition of the balance in the account shall be determined through the advice letter process.
4. **ERBBA RATES:** The ERBBA rates are set forth in the Electric Preliminary Statement Part I.
5. **TIME PERIOD:** The ERBBA will become effective upon approval of Advice 2624-E and will expire after the ERBs are fully repaid and any remaining balance is returned to or recovered from customers.
6. **ENERGY SUPPLIER REFUND LITIGATION COST SUBACCOUNT (ESRLC).** The Energy Supplier Refund Litigation Cost subaccount is established in the ERBBA to record litigation costs actually incurred that are reasonably related to energy supplier refund settlements, as well as amounts separately allocated and received by PG&E from claimants' escrow accounts for litigation costs established under energy supplier refund settlements. The ESRLC is subject to audit under the Energy Resource Recovery Account (ERRA) proceeding. PG&E may apply separately to the Commission for recovery of any under-collected amount of litigation costs remaining in the ESRLC when the ERBBA is terminated. Any remaining balance of amounts from claimants' escrow accounts in the ESRLC after PG&E has fully recovered its reasonable litigation costs actually incurred that are related to energy supplier refunds shall reduce the balance of the ERBBA by the amount over-collected.
7. **ACCOUNTING PROCEDURES:** PG&E shall maintain the ERBBA by making entries at the end of each month. Entries shall be reviewed and verified by the Commission in a proceeding designated by it or by the Energy Division as necessary. The monthly entries are as follows:
  - a. A debit or credit entry equal to the revenue from the ERBBA rate component, less an adjustment for Revenue Fees and Uncollectible (RF&U) accounts expense. (T)
  - b. A credit entry equal to the interest earnings of funds held by PG&E before transfer to the Bond Trustee.
  - c. An entry equal to the servicing fees paid to PG&E in excess of PG&E's recorded incremental cost of billing and collecting the Dedicated Rate Component (DRC) charges as specified in Preliminary Statement Part DP.

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<i>Advice</i>	5082-E	<i>Issued by</i>	<i>Date Filed</i>	June 12, 2017
<i>Decision</i>	15-09-001	<b>Robert S. Kenney</b>	<i>Effective</i>	January 1, 2017
		<i>Vice President, Regulatory Affairs</i>	<i>Resolution</i>	



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Sheet 2

DT. ENERGY RECOVERY BOND BALANCING ACCOUNT (ERBBA) (Continued)

(N)

- d. A credit entry – after the second series of ERBs is issued – equal to the pretax carrying costs (at PG&E’s adopted rate of return on rate base) on the average unamortized ERB principal amount (excluding unamortized issuance expenses) from the second series of ERBs and on the average unamortized energy supplier refunds used to reduce the size of the second series of ERBs.
- e. A credit entry equal to any distributions for return of or return on investment made by PG&E Energy Recovery Funding LLC (PERF) to PG&E, other than those related to the Capital Subaccount for PG&E’s equity investment in PERF.
- f. A debit entry equal to federal income and state franchise tax accruals on revenues received to fund the ERB repayment in excess of the amortization of ERB proceeds and energy supplier refunds available to cover those income taxes.
- g. A debit entry equal to the estimated franchise fee requirements on the DRC charge revenues received from customers.
- h. A credit or debit entry to reflect the balance in the ESRLC subaccount.
- i. An entry – between the issuance of the first and second series of ERBs -- equal to the carrying cost at the short-term commercial paper rate on the difference between the proceeds from the first series of ERBs (less issuance expenses) and the unrecovered balance of the Regulatory Asset at the time of issuance. After the issuance of the second series of ERBs, this entry is zero.
- j. A credit entry equal to the carrying cost at the short-term commercial paper rate on the average balance for the month of after-tax energy supplier refunds received between the issuance of the first and second series of ERBs. The pre-tax amount of any energy supplier refunds that PG&E receives on or after the date the first series of ERBs is issued but before the second series is issued is used to reduce the size of the second series of ERBs.
- k. After the second series of ERBs is issued:
  - i. An entry equal to the net pre-tax amount of refunds, claim offsets or other credits received from generators or other energy suppliers.
  - ii. An entry to reflect any difference between the net pre-tax amounts of such refunds, claim offsets or other credits received and the amounts calculated for purposes of sizing the second series of ERBs.
- l. A one-time entry equal to the amount transferred from the Regulatory Asset Revenue Requirement Account needed to close that account and eliminate the Regulatory Asset and the Regulatory Asset Revenue Adjustment Mechanism.
- m. 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 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.

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Advice	2624-E	Issued by	Date Filed	February 7, 2005
Decision	04-11-015	<b>Robert S. Kenney</b>	Effective	March 1, 2005
		Vice President, Regulatory Affairs	Resolution	

