Preliminary Statement AJ Page 1

AJ. Customer Assistance Program Balancing Account (CAP BA) (L)(T)

1. PURPOSE

The purposes of this balancing account are to track the CAP credits provided, to track the CAP surcharges collected, and to adjust the CAP surcharges on January 1 of each year. (T) (T)

2. TIMING AND FREQUENCY

An advice letter to adjust the CAP surcharges will be filed by October 31st of each year. The adjusted surcharge will be calculated to zero out the forecasted balance anticipated to be in the account at the end of that year, as well as in the account at the end of the following year. (T)

3. ANNUAL SURCHARGE ADJUSTMENT: Calculation of the adjusted surcharge will reflect:

a. A forecast of the December 31st balance in the CAP BA for the current year that reflects: (T)

   i. The most recent recorded balance;

   ii. The assumption that the proportion of CAP to non-CAP residential enrollment in September will remain constant as a proportion of adopted numbers for October through December; and (T)

   iii. The assumption that current CAP surcharges will be applied to the estimated non-CAP portion of adopted sales (adopted sales minus estimated CAP sales based on the proportion of CAP to non-CAP residential customers in September), plus interest; (T) (T) (T)

b. A forecast of the December 31 balance in the CAP BA for the following year that reflects: (T)

   i. The assumption that the proportion of CAP to non-CAP residential enrollment in September of the previous year will remain constant as a proportion of adopted numbers; and (T)

(L)

AJ. Customer Assistance Program Balancing Account (CAP BA) (continued) (L)(T)

3. ANNUAL SURCHARGE ADJUSTMENT: (continued) (T)

ii. The assumption that the new surcharges will be applied to the estimated non-CAP portion of adopted sales (adopted sales minus estimated CAP sales based on the proportion of CAP to non-CAP residential customers in September of the previous year), plus interest; and (T)(T)(T)

4. ACCOUNTING PROCEDURE: The CAP BA will reflect the following entries: (T)

a. The recorded CAP customer credits for service provided under Schedule No. CAP (debit); (T)

b. Recorded surcharges collected from non-CAP customers (credit);

c. Monthly interest expense calculated at 1/12 of the most recent month's interest rate on Commercial Paper (prime, 90 day), published in the Federal Reserve Statistical Release (debit or credit). (L)