

February 24, 2000

ADVICE 1969-E

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariff sheets. The affected tariff sheets are listed on the enclosed Attachment I.

-The purpose of this filing is to revise Preliminary Statement Parts AZ--*Non-Must-Run Hydroelectric/Geothermal Memorandum Account* and BE--*Must-Run Hydroelectric/Geothermal Plant Memorandum Account* in compliance with Decision (D.) 00-02-046, in Application (A.) 97-12-020, PG&E's Test Year 1999 General Rate Case.

Ordering Paragraph 2 of D. 00-02-046 requires PG&E to submit modifications to its tariffs to modify the hydroelectric and geothermal generation facilities revenue requirement mechanism. The mechanism was originally adopted in D. 97-12-096, and was based on recorded capital costs, on an interim basis, as the record in that proceeding did not include a forecast of capital-related costs. Ordering Paragraph 4 directed PG&E to submit a forecast in the GRC of the capital-related revenue requirement for its hydroelectric and geothermal generation facilities. D. 00-02-046 ordered that the revenue requirement mechanism now be based on forecast costs. PG&E therefore revises Preliminary Statement Parts AZ and BE.

PG&E has not yet received a copy of the final decision and therefore bases this filing on the draft decision. If the final decision affects what is included in herein, PG&E will supplement this advice letter.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

PG&E requests that this filing become effective on **April 4, 2000**, which is 40 days after the date of filing.

Anyone wishing to protest this filing may do so by sending a letter within 20 days of this filing. Protests should be mailed to:

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IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division (address above), and Les Guliasi, Regulatory Relations Manager, 77 Beale Street, Mail Code B10C, P.O. Box 770000, San Francisco, California 94177, Facsimile (415) 973-7451. The protest should set forth the grounds upon which it is based and shall be submitted expeditiously. There are no restrictions on who may file a protest.

In accordance with Section III, Paragraph G of General Order 96-A, PG&E is mailing copies of this advice filing to the utilities and interested parties shown on the attached list, and all parties in A. 97-12-020. Address change requests should be directed to Nelia Avendano at (415) 973-3529.

Vice President – Regulatory Relations

Attachments



PRELIMINARY STATEMENT
 (Continued)

AZ. NON-MUST-RUN HYDROELECTRIC/GEOTHERMAL MEMORANDUM ACCOUNT (Cont'd.)

5. ACCOUNTING PROCEDURE (Cont'd.)

- E. If the average of the month's beginning and ending balance in this account is a credit balance, a monthly credit entry equal to the average of the month's beginning and ending balance in this account multiplied by one-twelfth the reduced rate of return. If the average of the month's beginning and ending balance in this account is a debit balance, no interest will be applied.
- F. At the end of the calendar year, as appropriate, if the sum of the total yearly fuel expense, expense-related revenue requirement, and capital additions revenue requirement (Items 5.A. through 5.C., above) is less than the sum of the total yearly revenues and applicable interest (Items 5.D. and 5.E., above), a credit entry equal to the excess revenues shall be transferred to Item 6.A.9 of the TCBA, Part AV of PG&E's Preliminary Statement (Transition Cost Balancing Account).
- G. At the end of the calendar year, as appropriate, if the sum of the total yearly fuel expense, expense-related revenue requirement, and capital additions revenue requirement (Item 5.A. through 5.C., above) is more than the sum of the total yearly revenues and applicable interest (Items 5.D. and 5.E., above), this debit balance shall be cleared, and these costs shall not be recoverable from PG&E's customers.
- H. At the end of the calendar year, as appropriate, if the total yearly post-first quarter 1998 capital additions revenue requirement (Item 5.C., above) is greater than the credit entry in Item 5.G., above, the debit balance, equal to the total yearly post-first quarter 1998 capital additions revenue requirement less Item 5.G., shall be cleared and these costs shall not be recoverable from PG&E's customers. (T)



PRELIMINARY STATEMENT
(Continued)

BE. MUST-RUN HYDROELECTRIC/GEOTHERMAL PLANT MEMORANDUM ACCOUNT (MRHGMA)
(Cont'd.)

5. ACCOUNTING PROCEDURE

The following entries will be recorded by generation type (conventional hydroelectric, Helms, and geothermal,) and ISO Contract type (Conditions 1 and 2). The FF&U should be removed, as applicable, from the following entries:

- A. A monthly debit entry equal to the recorded must-run hydroelectric and geothermal fuel expenses. The recorded fuel expenses include water purchase costs for hydroelectric plants and steam purchases for PG&E's geothermal plants, pursuant to Decision 97-12-096.
- B. A monthly debit entry equal to one-twelfth the annual authorized must-run hydroelectric and geothermal expense-related revenue requirements. The expense-related revenue requirement includes the O&M expense, A&G expense, payroll tax, business and other taxes, other adjustments, and the return on working cash, pursuant to Decision 97-12-096. The must-run hydroelectric and geothermal expense-related revenue requirement will be based on PG&E's latest GRC authorized numbers.

Beginning January 1, 1999, the hydroelectric and geothermal expense-related revenue requirement amounts shall reflect the interim 1999 General Rate Case (GRC) Decision 98-12-078. When a final decision in the 1999 GRC becomes effective, the interim 1999 hydroelectric and geothermal expense-related revenue requirement amounts are subject to adjustment, with interest, to account for any difference between the interim 1999 GRC hydroelectric and geothermal expense-related revenue requirement amounts recorded between January 1, 1999, and the date a final 1999 GRC decision becomes effective, and the corresponding amounts that would have been recorded had the final 1999 GRC decision become effective on January 1, 1999.

- C. A monthly debit entry equal to the capital-related revenue requirement which includes depreciation expense, a return on rate base, decommissioning expense, and related taxes, pursuant to Decision 97-12-096. The depreciation expense for these plants is based on Commission approved depreciation rates.

(D)
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(D)
(L)
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(L)

(Continued)



PRELIMINARY STATEMENT
(Continued)

BE. MUST-RUN HYDROELECTRIC/GEOTHERMAL PLANT MEMORANDUM ACCOUNT (MRHGMA)
(Cont'd.)

5. ACCOUNTING PROCEDURE (Cont'd.)

D. A monthly debit entry equal to the post-first quarter 1998 capital-related revenue requirement. For capital additions made between April 1, 1998, and December 31, 1998, the capital-related revenue requirement is based on recorded capital additions. For capital additions made after December 31, 1998, the capital-related revenue requirement is based on the forecast of capital additions adopted in Decision 00-02-046. (T)

A one-time adjustment, with interest, shall be recorded to account for the difference between the hydroelectric and geothermal capital-related revenue requirement amounts recorded between January 1, 1999, and the date a final 1999 GRC decision becomes effective, and the corresponding amounts that would have been recorded had the final 1999 GRC decision become effective on January 1, 1999. (L)

E. A monthly credit entry equal to the PX and ISO revenues earned by the must-run hydroelectric/geothermal plants for generation services and ancillary services rendered to the PX and ISO during the month.

F. For ISO Condition 1 and 2 contracts, if the average of the month's beginning and ending balance in this account is a credit balance, a monthly credit entry equal to the average of the month's beginning and ending balance in this account times one-twelfth the reduced rate of return. If the average of the month's beginning and ending balance in this account is a debit balance, no interest will be applied.

G. Annually (or upon must-run contract termination/change), in the event the balance is a credit:

1. On an individual contract basis, for ISO Condition 1 contracts, a debit entry shall be recorded, as appropriate, in January of each year to transfer the December 31 credit balance for the previous year to Item 6.A.8 of the TCBA.
2. On an individual contract basis, for ISO Condition 2 contracts, any credits as of December 31 will accrue to PG&E's shareholders in January of the following year.

H. Annually (or upon must-run contract termination/change), in the event the balance is a debit:

1. On an individual contract basis, for ISO Condition 1 contracts, a credit entry shall be recorded, as appropriate, in January of each year, to transfer the December 31 debit balance for the previous year to Item 6.B.2.e. of the TCBA.
2. On an individual contract basis, for ISO Condition 2 contracts, as of December 31 of each year, after all the above entries have been made, any remaining balance shall be cleared, and these costs shall not be recoverable from PG&E's customers.

I. For individual ISO Condition 1 contracts, a one-time entry, if applicable, at the time of final market valuation, to transfer the balance to the TCBA.



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