

June 19, 2000

ADVICE 1986-E-A

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 supplement Advice 1986-E in compliance with Resolution E-3672, dated June 8, 2000. Advice 1986-E proposed to: 1) participate and recover the costs of new ancillary service contracts proposed by the California Power Exchange (CalPX) in its February 17, 2000 application with the Federal Energy Regulatory Commission (FERC) in the block forward market (BFM), and 2) establish Preliminary Statement Part AF—*Block Forward Market Memorandum Account*.

Resolution E-3672 approved PG&E's request, subject to modifications listed in the Ordering Paragraphs. PG&E has therefore revised Schedule PX—*Power Exchange Energy Cost* to explicitly list the participation limits for the ancillary services market (Ordering Paragraph 2), and to include authorized amounts in the BFMMA in post-real-time settlement costs (Ordering Paragraph 5). Additionally, PG&E acknowledges that Resolution E-3672 does not authorize any additional participation in any other block forward market (Ordering Paragraph 3), and PG&E will file reports as described in Ordering Paragraph 4. Ordering Paragraph 5 lists revisions to be made to the BFMMA. The BFMMA submitted herein includes those changes.

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 **June 19, 2000**, which is 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. Address change requests should be directed to Ms. Nelia Avendano at (415) 973-3529.

Vice President – Regulatory Relations

cc: California Independent System Operator
California Power Exchange
Electricity Oversight Board
Laura Martin, Energy Division

Attachments

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PRELIMINARY STATEMENT
(Continued)

AF. BLOCK-FORWARD MARKET MEMORANDUM ACCOUNT (BFMMA)

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1. **PURPOSE:** The purpose of the BFMMA is to record costs incurred by PG&E to participate in the Power Exchange's (PX's) Block-Forward Market that are not billed to PG&E by the PX or the Independent System Operator (ISO). These costs include, but are not limited to: credit and collateral costs including surety bond fees, cash collateral account financing costs, other fees associated with credit and collateral costs, and other costs directly resulting from PX requirements to participate in the Block-Forward Market.
2. **APPLICABILITY:** The BFMMA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **BFMMA RATES:** The BFMMA does not have a rate component.
4. **ACCOUNTING PROCEDURE:** PG&E shall maintain the BFMMA by making entries at the end of each month as follows:
 - a. A debit entry for monthly financing costs associated with maintaining the cash collateral account equal to the average monthly balance in the cash collateral account multiplied by 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.
 - b. A credit entry equal to monthly interest earned on the cash collateral account.
 - c. A debit entry equal to fees associated with opening, maintaining or transacting in the cash collateral account.
 - d. A debit entry equal to letter of credit fees.
 - e. A debit entry equal to surety bond fees.
 - f. A debit entry equal to other costs directly resulting from PX requirements to participate in the Block-Forward Market. These shall not include any costs associated with legal counsel, consultants, or advisors.
 - g. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 4.a. through 4.f. 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.

PG&E shall request recovery of the balance in the BFMMA in the annual Revenue Adjustment Proceeding (RAP), or other proceeding expressly authorized by the Commission. Amounts authorized by the Commission in the RAP shall be included in the PX credit calculation.

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SCHEDULE PX—POWER EXCHANGE ENERGY COST
(Continued)

RATES: (Cont'd)

1. Development of hourly forward market costs (Cont'd)

The weighted average cost for these services shall be calculated for each hour as the sum of the costs in the day-ahead market in each zone, plus the costs in the hour-ahead market in each zone, plus the net gain or loss on transactions in the block forward market, which settle at the difference between the trade's matching price and the respective PX average day-ahead price, plus the net cost of block forward market ancillary service transactions which settle at the trade's matching price, all divided by the total kWh purchased in all zones in all forward energy markets for that hour. PG&E's block forward market transactions shall be limited to its net-short position, as defined in Resolution E-3658 for transactions which settle at the difference between the trades matching price and the respective PX average day-ahead price, and to 5 percent of PG&E's historical demand for ancillary service transactions.* Furthermore, PG&E is guaranteed recovery of costs for its block forward market transactions for deliveries until the end of PG&E's rate freeze.

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2. Real-time Settlement Costs:

Real-time Settlement costs, representing the real-time costs (i.e., those costs not reflected in charges to customers based upon prices determined from the day-ahead and/or hour-ahead scheduling of load) for acquiring power for PG&E customers for the trading day 60 days or more earlier, is added to the cost derived in Part 1 of this section. This rate is determined by dividing the real-time cost amount (which is the dollar amount incremental to the cost described in Part 1 of this section) by the load scheduled by PG&E to be served by the PX. Two adjustments may eventually be implemented: one for all customers of PG&E and an incremental adjustment only for customers without real-time meters.

PG&E may make up to two real time settlement cost adjustments on a single day's hourly prices, in order to shorten the lag between the settlement adjustment and the trading day.

* This is defined as 475 MW in any hour for the 1st quarter, 525 MW many hour for the 2nd quarter, 600 MW in any hour for the 3rd quarter, and 500 MW in any hour for the 4th quarter.

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(Continued)



SCHEDULE PX—POWER EXCHANGE ENERGY COST
(Continued)

RATES: (Cont'd.) 3. Post Real-Time Settlement Costs:

Adjustments for incentive payments made to customers taking service under Schedule E-BID, costs recorded in the E-BIDMA (Preliminary Statement Part BS), amounts in the BFMMA (Preliminary Statement Part AF) approved for recovery, black start capability, long term voltage support, PX administration costs, ISO grid management charges, and amounts resulting from dispute resolution may be required after the real-time settlement cost adjustment is incorporated into PX prices. PX charges including, but not limited to, these adjustments which are available after the real-time settlement cost adjustment has been implemented for a specific hour, will be accrued once a month and applied to adjust PX prices in the next full calendar month. Once the total accrued amounts are summed, the total will be divided by the number of days in the next full calendar month to develop a daily amount. The daily amount will be divided by the sum of the 24 scheduled hourly loads for the day to determine an adjustment (\$/MW) for the day.

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4. Adjustments for Distribution Loss Factors (DLFs) and Uncollectibles:

The average hourly cost at the transmission/distribution interface, as determined by the sum of the average costs described in Parts 1, 2 and 3 of this section, is multiplied by the DLF and an uncollectible factor to determine the appropriate price to be paid by end-use customers served at each voltage level. DLFs will be calculated by PG&E based on the forecast hourly PG&E UDC Service Area Load (Direct Access, plus Bundled Service, including Hourly PX Pricing Option Service) per Decision 97-08-056. The hourly DLFs will be broken out by service voltage level and made available each day to market participants during the day-ahead market. PG&E will calculate the hourly DLFs based on samples of hourly service area load by applying the approach approved in Decision 92-12-057. The uncollectible factor is equal to 1.003396.

BUNDLED
SERVICE OR
DIRECT ACCESS
SERVICE:

1. Calculation of PX charges for Bundled Service and Hourly PX Pricing Option Customers and PX credits for Direct Access and Hourly PX Pricing Option Customers:

For purposes of determining PX charges for Bundled Service Customers and the PX credit for Direct Access and Hourly PX Pricing Option Customers, an average for each schedule (or TOU period) is developed through the use of a statistical load profile which represents the average load profile for all customers (both Direct Access and Bundled Service) on a given rate schedule. For Agricultural, Traffic Control, Streetlighting, and Outdoor Lighting rate schedules, the statistical load profiles are "static" and are determined hourly for the entire year based on average historical data for three recorded years. These latter static statistical load profiles are updated each calendar year based on available data for the previous three years. For all remaining rate schedules, the statistical load profile is determined "dynamically," using the most current load research information available. This current data will become available and will be posted approximately seven days from the date of occurrence.

The sum of the products of the (1) average hourly costs, including adjustments, and (2) the hourly loads, divided by the use associated with the statistical load profile (expressed as a fraction of the profile period use allocated to each hour) will yield an average cost for a specific customer group and TOU period. These average PX costs will be updated weekly.

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