

May 18, 2000

ADVICE 1999-E

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (the Company) hereby provides the Commission with notice of transmission-related rate changes for retail electric customers, consistent with the Company's currently pending reliability services (RS) ratemaking request filed with the Federal Energy Regulatory Commission (FERC) on April 28, 2000 and assigned to FERC Docket No. ER00-2360-000. The Company has requested an effective date of June 28, 2000, for the new RS rates.

The RS rates would recover the costs of reliability must-run (RMR) contracts and certain other reliability-related transmission services that the Company pays to the California Independent System Operator (ISO). The Company currently recovers these costs from ratepayers by recording those payments made to the ISO as debit entries to the CPUC-jurisdictional Transition Revenue Account (TRA). However, because this ratemaking treatment will end at the end of the rate freeze, it is important that a separately stated rate component be developed and put in place now in order to ensure that there is no interruption in the Company's authority to recover these costs when the rate freeze ends.

The new FERC-jurisdictional RS rates have been calculated using the 12 Coincident Peak (12-CP) cost allocation and rate design methodology, which is the methodology that the Company believes FERC is most likely to adopt for the Company's basic retail transmission revenue allocation and rate design under its currently pending Docket No. ER99-2326-000. The new RS rates are set forth in Attachment I in exactly the same format as filed with FERC.

In order to preserve the rate freeze mandated by Assembly Bill 1890, the resulting proposed changes to the Company's total retail transmission and transmission-related rates should be offset exactly by corresponding changes to the Generation and CTC components of the Company's total effective rates. This is the same process that the Company has used to implement its most recent prior retail transmission rate changes, as in its recently approved Advice 1757-E-A (Resolution E-3623) and Advice 1860-E, approved by Commission letter dated December 16, 1999, and Advice 1968-E-A, submitted on March 29, 2000.

However, the rate changes required in order to implement the new RS rates, while also preserving the rate freeze, are somewhat more complex than those that have ordinarily been required in order to implement the basic transmission rate changes. This is because the prior transmission-related changes have involved relatively small changes to the existing basic transmission rate component, rather than the introduction of an entirely new rate component. Also, the new RS rates are structurally somewhat different from the current basic transmission rates, because they are based on a 12-CP rate design rather than the equal percent of marginal cost (EPMC) methodology used for most CPUC-jurisdictional rates. For example, the 12-CP based RS rates are assigned entirely to maximum demand charges for most of the Company's demand-metered Medium and Large Light and Power rate schedules, while the current EPMC methodology assigns most basic transmission revenue responsibility to the on-peak and part-peak demand charges for these rate schedules. This structural change means that, in order to exactly preserve each of the current total rates for each rate schedule, the adjusted Generation component of the maximum demand charge for many rate schedules will be shown as a negative charge.

The revised rate components are shown in Attachment II.¹ Corresponding changes to the billing factors used for the Rate Group Transition Cost Obligation Memorandum Account are shown in Attachment III. Complete workpapers are provided in Attachment IV to Energy Division staff only. After FERC has accepted the new RS rates and established an authorized effective date, PG&E will submit revised tariff sheets in a supplemental advice letter.

As more thoroughly discussed in the filing at FERC (a copy of which was delivered at the time that it was filed to Mr. Peter Arth, Jr. of the Commission's Legal Division), the purpose of the proposed rate change is to reflect the Company's most current estimates of the cost of obtaining transmission-related reliability services, and to provide for the future recovery of those costs through a separately stated FERC-jurisdictional rate component after the rate freeze ends and cost recovery through the TRA is no longer possible.

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

¹ As discussed in the April 28, 2000 FERC filing, the total of the basic transmission charges and the new RS charges will be presented as a single combined transmission services charge on customer bills.

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While the proceeding and forum for parties to respond to the appropriateness of these rates is the FERC proceeding in which these rates will be considered, anyone wishing to protest this filing may do so by sending a letter within 20 days of the date of this filing. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 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, CA 94177, Facsimile: (415) 973-7226. The protest shall 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, the Company is mailing copies of the advice filing to the utilities and interested parties shown on the attached list. Attachment IV may be obtained by contacting Nelia Avendano at (415) 973-3529. Address change requests should also be directed to Ms. Avendano.

Vice President - Regulatory Relations

Attachments



LIST OF CONTRACTS AND DEVIATIONS
(Continued)

Name and Location of Customer PG&E Installation Reference No.	Type or Class of Service	Execution and Expiration Dates	Commission Authorization Number and Date	Most Comparable Regular Tariff	
				Schedule or Rule No.	Contract Difference
<u>CORPORATE CENTER</u>					
<u>Federal Agencies</u>					
Dept. of Transportation Federal Aviation Admin.	Coml	3-12-79 5 Years*1	—	Rule 15	Cost of Ownership Charge
General Services Administration	Res/ Coml/ Ind	3-1-97 10 Years	G.O.96-A,X.B.	—	Areawide Agreement
Dept. of Energy DOE Laboratories and Western Area Power Administration	Coml/ Ind	3-17-99 10 Years	G.O. 96-A,X.B	—	Power Delivery Service
<u>State Agencies</u>					
State of California Dept. of Transportation	Street and traffic operations	4-24-00	G.O. 96-A,X.B	LS-3, TC-1	Applicability Deviation and Addendum (T) (T)
<u>Supplemental Power</u>					
N62474-67-0101 U.S. Navy: Vallejo, Stockton, Dixon, Lemoore and Moffett Field	Supplemental	10-1-66 9-30-76	G.O.96-A,X.B. 11-28-67	—	Special Rate
DWR-855503 State of California Dept. of Water Resources State Water Project	Trans. & Exchange	11-18-66	G.O.96-A,X.B. 12-18-68	—	Special Rate Transmission, Exchange and Substation Service
<u>Developers/Subdividers</u>					
Various Developers, Lot-sale Subdivisions: 24 Cash Advances 35 Performance Bonds 53 Letters of Credit	Domestic Service	Various	Res. E-1316 3-21-72	Rule 15	Annual Charge for Excess Facilities

*1 to *4. See last page of Electric Contracts and Deviations Section for explanation of footnotes.

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