

August 8, 2000

ADVICE 2026-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 revised tariff sheets are listed on Attachment I and are attached hereto.

On July 21, 2000, PG&E filed an Emergency Motion requesting Commission approval to purchase energy and ancillary services and capacity products in the bilateral market (Emergency Motion). On that same date, Southern California Edison Company (Edison) filed a similar Emergency Motion.¹ In Decision (D.) 00-08-023 effective August 3, 2000, the Commission approved the Emergency Motions of PG&E and Edison.

Specifically, D. 00-08-023:

1. Authorizes PG&E to enter into bilateral contracts that expired on or before December 31, 2005.
2. Finds PG&E's proposed reasonableness standards acceptable for near and interim purchases subject to the quantity restrictions previously adopted for block forward market transactions.
3. Approves PG&E's Power Exchange Bilateral Option Memorandum Account.
4. Allows adjustments to Schedule PX, provided that to the extent reasonableness reviews are required, rates are subject to refund.
5. Requires PG&E to disclose all bilateral transactions to the Energy Division on a confidential basis in a monthly report.

¹ On July 14, 2000, Edison filed Advice 1469-E and 1470-E seeking authorization to use the bilateral option and capacity products offered by the PX. On July 18, 2000, PG&E filed Advice 2017-E for the same purpose. The respective advice filings were withdrawn and replaced with the Emergency Motions described herein.

6. Requires PG&E to serve a compliance filing within five (5) days of the effective of the decision, to inform the Commission of any markets in which its affiliates or subsidiaries operate and in which PG&E intends to procure electricity or ancillary services.

In compliance with D. 00-08-023:

1. PG&E will identify for the Energy Division and the Office of Ratepayer Advocates, ahead of time, the specific sources of prices offered in the market for energy, ancillary services and capacity products that will be used to price the bilateral transactions. These identified sources will provide a target price range for PG&E's contracts. Any purchases made by PG&E within this approved range will be reasonable per se.
2. PG&E submits for filing herein the Preliminary Statement Part BW--*Power Exchange Bilateral Option Memorandum Account (PXBOMA)*, which was filed with PG&E's July 21, 2000 Emergency Motion. The gains/losses associated with the bilateral contracts will be recorded to the Transition Revenue Account (TRA) on a monthly basis and reviewed in PG&E's Revenue Adjustment Proceeding (RAP). If a reasonableness review is indicated, such review will be conducted as part of PG&E's Annual Transition Cost Proceeding (ATCP).
3. PG&E submits for filing herein a modified Schedule PX--*Power Exchange Energy Cost*, to allow for the inclusion of energy costs and gains and losses on bilateral purchases in the calculations described in that schedule.
4. PG&E agrees to provide the Energy Division with monthly reports disclosing all bilateral transactions on a confidential basis.
5. As required by D. 00-08-023, PG&E wishes to inform the Commission that it intends to enter into bilateral arrangements in the Western U.S. electricity markets where PG&E affiliate companies operate, including, among other transaction points, the California-Oregon Border, Palo Verde, and Mid-

Columbia (Mid-C). Transactions with affiliates, if any, will strictly adhere to existing affiliate rules.

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

In accordance with D. 00-08-023, this advice filing is effective **August 3, 2000**.

In accordance with Section III, Paragraph G, of General Order No. 96-A, PG&E is mailing copies of this advice filing to the interested parties shown on the attached advice letter mailing list and A.99-01-016. Address change requests for the advice letter mailing list should be directed to Nel Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Attachments

cc: Service List—A. 99-01-016

ID U39 E



PRELIMINARY STATEMENT
(Continued)

BW. POWER EXCHANGE BILATERAL OPTION MEMORANDUM ACCOUNT (PXBOMA)

(N)

1. PURPOSE:

The purpose of the PXBOMA is to record net costs incurred by PG&E in procuring energy, ancillary services, capacity products, and transmission related services needed to use the bilateral option offered by the California Trading Services (CTS) Division of the California Power Exchange (PX) or for delivery through the PX Day-Ahead or Day-Of markets.

2. APPLICABILITY:

The PXBOMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. PXBOMA RATES:

The PXBOMA does not have a rate component.

4. ACCOUNTING PROCEDURE:

PG&E shall maintain the PXBOMA by making entries at the end of each month as follows:

- a. A debit or credit entry for payments to or receipts from, respectively, third parties for energy, ancillary services, capacity products, and transmission related services.
- b. A credit entry equal to monthly revenues received from the PX for bilateral energy, ancillary services, and capacity products.
- c. A debit entry for scheduling and settlement fees invoiced by the PX for use of the bilateral delivery option.
- d. 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.c. 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 PXBOMA in the annual Revenue Adjustment Proceeding (RAP), or other proceeding expressly authorized by the Commission. The PXBOMA amounts authorized by the Commission in the RAP shall be included in the PX credit calculation.

(N)

(Continued)



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, 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 as defined in Resolution E-3658, and modified pursuant to subsequent Commission decisions and resolutions. 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.

(D)

2. Estimate of Real-time Settlement Costs:

An estimate of real-time settlement costs for the trading day will be calculated hourly and added to the cost derived in Part 1 of this section on the trading day, or as soon thereafter as practicable. This rate is determined by dividing the estimate of the real-time cost amount, including spinning reserve, non-spinning reserve, replacement reserve, regulation, and imbalance energy, by PG&E's estimate of the load to be served by the PX.

3. Real-time Settlement Costs True-Up:

A real-time settlement cost true-up, representing the real-time costs not yet reflected in charges to customers for the trading day 60 days or earlier, is added to the cost derived in Parts 1 and 2 of this section. This rate is determined by dividing the real-time cost amount (which is the dollar amount (either positive or negative) incremental to the cost described in Parts 1 and 2 of this section) by PG&E's estimate of the load 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 true-ups on a single day's hourly prices, in order to shorten the lag between the real-time settlement cost true-up and the trading day.

(Continued)



SCHEDULE PX—POWER EXCHANGE ENERGY COST
(Continued)

RATES:
(Cont'd.)

4. 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), costs recorded in the PXBOMA (Preliminary Statement Part BW) 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 PG&E's estimate of the 24 hourly loads for the day to determine an adjustment (\$/MW) for the day.

(N)
(N)

5. 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, 3 and 4 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 1.002456.

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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