

January 25, 2001

**Advice 2076-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject:** 1999 Annual Transition Cost Proceeding - Accounting Adjustments  
Pursuant to Decision (D.) 01-01-020

**Purpose**

Pacific Gas and Electric Company (the Company) hereby submits its compliance advice letter confirming the accounting adjustments recorded in the Transition Cost Balancing Account (TCBA) and related memorandum accounts pursuant to D. 01-01-020 in the 1999 Annual Transition Cost Proceeding (ATCP) (Application 99-09-006).

**Background**

On January 4, 2001, the Commission issued D. 01-01-020 in PG&E's 1999 ATCP. In its decision, the Commission adopted the Stipulation Agreement between the Company and the Office of Ratepayer Advocates Resolving Issues in the 1999 Annual Transition Cost Proceeding (Appendix B of D. 01-01-020).<sup>1</sup> The Commission requested that the Company file a compliance advice letter confirming the adjusted entries recorded in its TCBA and related memorandum accounts. The Company submits its compliance advice letter herein and discusses these accounting adjustments as follows:

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<sup>1</sup> In addition, the Commission ruled on the two contested issues and authorized the Company to recover \$500,000 for payments under the Bargaining Unit Severance and Displacement Program and approximately \$2 million related to the Workforce Reduction Rate Mechanism.

**A. Mt. Poso Cogeneration Termination and Bridging Agreements<sup>2</sup>**

As stated in the Company's 1999 ATCP Update Testimony filed on April 3, 2000, the Company removed \$1.7 million of Qualifying Facility Shareholder Savings (QFSS) incentives from the TCBA in October 1999 to reflect the withdrawal of the Mt. Poso restructuring application. Subsequently, the Company filed a separate application (A. 00-04-016) seeking approval of the Mt. Poso Bridging Agreements and recovery of the associated payments and QFSS incentives of \$350,601. On August 3, 2000, the Commission approved the Bridging Agreements and authorized recovery of the requested QFSS Incentives (D. 00-08-005). The Company recorded the approved Mt. Poso QFSS incentives of \$350,601 in the TCBA. Per the adopted Stipulation Agreement, since the Commission approved the QFSS incentives amount as requested, no further adjustment is necessary.

**B. San Joaquin Cogeneration Termination Agreement**

The Company filed a separate application (A. 99-04-009) seeking authorization to terminate the San Joaquin Cogeneration Agreement and requesting QFSS incentives of \$10 million. On November 8, 1999, PG&E and ORA reached a settlement agreement which recommended QFSS incentives of \$3.8 million. In D. 00-11-013, the Commission granted the recovery of \$3.8 million of QFSS incentives. PG&E adjusted its QFSS incentives for a total reduction of \$6.2 million in the TCBA (\$4.0 million in July 1999, and \$2.2 million in November 1999). Consistent with the adopted Stipulation Agreement, no further adjustment is necessary.

**C. Ultrapower Blue Lake Termination Agreement**

The Company filed Advice Letter 1927-E on October 13, 1999, requesting authorization to terminate the Ultrapower Blue Lake Agreement and recovery of the associated QFSS incentive. In Resolution E-3657, the Commission approved an incentive payment of \$1.1 million (\$0.1 million less than the initial estimate of \$1.2 million). In September 1999, PG&E adjusted its QFSS incentives by a reduction of \$0.1 million. Consistent with the adopted Stipulation Agreement, no further adjustments are necessary.

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<sup>2</sup> PG&E discusses the Mt. Poso, San Joaquin and Ultrapower Blue Lake contracts in the 2000 ATCP testimony (A. 00-09-001). Details of the accounting entries are also included in the confidential workpapers supporting that application. In the adopted Stipulation Agreement (Appendix B, page 3), the Stipulation states "PG&E and ORA agree that during the record period PG&E recorded costs associated with these restructurings in the TCBA. PG&E and ORA also agree that if the Commission does not approve the recovery of costs associated with these additional restructurings as recorded in the TCBA, PG&E will adjust these costs including associated interest..."

**D. Associated QF Shareholder Savings Incentives**

As stated in the Stipulation Agreement, the Company and ORA agreed to reduce the Company's requested QFSS incentives by \$6,100 related to the Big Creek Buyout. As such, the Company adjusted its QFSS Incentives by \$6,100 in the TCBA in November 2000. This entry may be reviewed for accuracy in the 2001 ATCP.

As indicated in the Stipulation Agreement, the Company has made various adjustments in the TCBA. These adjustments were: (1) an adjustment of \$3,082,556, plus interest, to correct the Post Retirement Benefits Other than Pensions (PBOP) amortization expense in December 1999; (2) a correction of \$352,211 related to the interest on a prior QF Incentive Disallowance (D. 99-06-089) in January 2000; and (3) an adjustment of \$174,878, plus interest, to reverse the revenues received from departing load customers in January 2000. In addition, the Company agrees that further adjustments to the TCBA may be required once a decision is issued on the investigation related to the December 8, 1998, San Francisco Outage (I. 98-12-013).

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

PG&E requests that this advice letter become effective on **March 6, 2001**, 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 the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. 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, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company  
Attention: Les Guliasi

Director, Regulatory Relations  
77 Beale Street, Mailcode B10C  
P.O. Box 770000  
San Francisco, CA 94177  
Facsimile: (415) 973-7226

**Notice**

In accordance with Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and to the service list for A. 99-09-006. Address changes should be directed to Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

cc: 1999 Annual Transition Cost Proceeding Service List A. 99-09-006