

April 2, 2001

ADVICE 2096-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Rate Stabilization Plan
Establishment of the Procurement Surcharge Balancing Account**

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

Purpose

This filing is made in compliance with Ordering Paragraphs 1 and 2 of Decision (D.) 01-03-082, which grant an electric rate surcharge of three-cents per kilowatt-hour (kWh), and require that revenues from this surcharge and the one-cent per kWh surcharge implemented on January 4, 2001, and made permanent by D.01-03-082, be applied to power costs incurred on or after March 27, 2001.

The Company is submitting Preliminary Statement AI – *Procurement Surcharge Balancing Account (PSBA)*, in which PG&E proposes to record the revenues associated with the average three-cents per kWh rate surcharge and the corresponding power costs that will be paid from both the three-cents and the one-cent rate surcharge revenues.

Background

D. 01-03-082 grants authority to increase rates by adding to current rates an average three-cents per kWh surcharge, subject to refund, in response to the current emergency in the electric industry. This decision also makes permanent the one-cent per kWh emergency surcharge approved on January 4, 2001.

Finding of Fact 32 of D. 01-03-082 requires, "Revenues generated by the rate increases will be applied only to electric power costs incurred after the effective date of this order. The revenues will be subject to refund if, at a later date, we determined that the utilities failed to use the funds to pay for future power purchases."

Additionally, Finding of Fact 33 of the same decision requires, "The revenues the utilities have collected and continue to collect from the one-cent per kilowatt-hour rate increase authorized on January 4, 2001, must be used to pay for power purchases and not for any other costs incurred by the utilities."

Accounting Mechanism

D. 01-03-082 requires PG&E to establish balancing accounts to record revenues from the rate increases. (Ordering Paragraph 2). As required by the decision, the revenues collected will be used to pay for power purchases incurred after the effective date of the decision and not for any other costs incurred by the utility. The PSBA will record revenues from the Procurement Surcharge (PS) rate increases of one cent and average three-cents per kWh and power purchase costs incurred beginning March 27, 2001.

The PSBA will consist of two subaccounts: the Revenue Subaccount to track the difference between authorized revenues of the average three cents per kWh and actual revenues received, and a Cost Subaccount to track purchase power costs incurred on and after March 27, 2001, and actual revenues from both the one cent and the average three cent rates.

Revenue Subaccount

D. 01-03-082, Ordering Paragraph 1 adds three-cents per kWh to the generation-related rate for PG&E that was adopted in Ordering Paragraph 1 of D. 01-03-081. Ordering Paragraph 2 of D. 01-03-082 further requires that PG&E enter the revenues from the rate increase into a balancing account and that the revenue shall be subject to refund if, at a later date, it is determined that PG&E failed to use the funds to pay for future power purchases. In order to ensure that PG&E recovers no more or less than its authorized three-cents per kWh surcharge, PG&E will track the authorized revenue requirement and actual revenues received from the three-cents per kWh surcharge in the Revenue Subaccount of the PSBA. Additionally, while D. 01-03-082 is effective immediately, the rate design, which will exempt certain customers pursuant to Ordering Paragraphs 12 and 13 and Conclusion of Law 16, will be addressed in the next phase of the Rate Stabilization Plan. Therefore, it is necessary for PG&E to establish a mechanism for tracking the revenues it should receive pursuant to D. 01-03-082.

The Revenue Subaccount of the PSBA will record, on a monthly basis, the actual revenues received from the average three cents per kWh rate increase. Additional entries to the Revenue Subaccount will reflect the approved revenues derived by multiplying the three-cents per kWh by the total electric retail kWh sales. To the extent there is a revenue shortfall, PG&E will true-up this shortfall in the subsequent years using the rate that will be established in Schedule E-EPS. PG&E will file Schedule E-EPS in accordance with the Commission's schedule for completing the rate design for the three-cent per kWh increase.

D. 01-03-082, Ordering Paragraph 6, also makes permanent the one-cent surcharge implemented pursuant to D.01-01-018, and as set forth in Schedule E-EPS. Because this surcharge is applicable to all electric customers except for those customers eligible for the California Alternative Rates for Energy (CARE) program and customers on Schedule E-DEPART, there is no need to track the difference between the authorized and actual revenues received as a result of the one-cent surcharge in the Revenue Subaccount. Actual revenues received from this one-cent surcharge are recorded in the Cost Subaccount.

Cost Subaccount

Conclusion of Law 13 requires that the revenue from the rate increases be applied only to power costs incurred after the effective date of D. 01-03-082. Additionally, Conclusion of Law 15 requires that a certain amount of the revenues from the rate increases will be provided to DWR for its power costs, once DWR provides a revenue requirement. Therefore, the Cost Subaccount will record the actual monthly revenues received from the average three-cents per kWh surcharge as well as the actual revenues received from the one-cent per kWh surcharge. Netted against these revenues will be payments to the Department of Water Resources for power purchases delivered to PG&E's retail end-use customers; Qualifying Facilities (QFs), Purchase Power Agreements (PPAs), and Irrigation District obligations; block forward market and bilateral contract obligations; and Independent System Operator (ISO) ancillary services and other ISO related costs.

To the extent that there is an over- or undercollection in the Cost Subaccount, any overcollection will be used to offset future procurement costs incurred by PG&E, and any undercollection will be recovered through an annual advice letter, or by any other means deemed appropriate by the Commission.

Effective Date

In accordance with D. 01-03-082, this advice letter is effective upon approval by the Energy Division.

Protests

Anyone wishing to protest this advice letter may do so by sending a letter within twenty (20) days after 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, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, and to Jerry Royer of the Energy Division at the address above. It is also requested that a copy of the protest should 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, Mail Code B10C
P.O. Box 770000

San Francisco, California 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based, and shall be submitted expeditiously. There is no restriction on who may file a protest.

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 the service list for A. 00-11-056. Address changes should be directed to Nelia Avendano at (415) 973-3529. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments



PRELIMINARY STATEMENT

(Continued)

AI. PROCUREMENT SURCHARGE BALANCING ACCOUNT (PSBA) (N)

1. PURPOSE: The purpose of the PSBA is to record 1) revenues from the Procurement Surcharge rate increases of one cent and average three cents per kilowatt hour (kWh), and 2) power purchase costs incurred beginning March 27, 2001, pursuant to Decision 01-03-082. The PSBA has two subaccounts consisting of: 1) a Revenue Subaccount to track the difference between authorized revenues of the average three cents per kWh and actual revenues received; and 2) a Cost Subaccount to track the difference between the purchase power costs incurred beginning March 27, 2001, and actual revenues received from both the one cent and the average three cent rates. (N)

2. APPLICABILITY: The PSBA shall apply to all electric customers except for those customers enrolled in the California Alternative Rates for Energy (CARE) program, and customers on Schedule E-DEPART, subject to rate design as approved by the Commission.

3. REVISION DATES: The revision dates applicable to the PSBA shall be as provided in Schedule E-EPS or as otherwise ordered by the Commission.

4. RATES: The PSBA rates are set forth in Schedule E-EPS.

5. ACCOUNTING PROCEDURE: PG&E shall make entries to the Revenue and Cost Subaccounts at the end of each month as follows:

a. Revenue Subaccount:

- 1) A credit entry equal to the actual revenues received during the month from the average three cents per kWh rate increase.
- 2) A debit entry equal to three cents per kWh adopted rate increase, calculated by multiplying three cents times the total electric recorded retail kWh sales for the month.
- 3) A monthly entry equal to interest on the average balance in the account at the beginning of the month interest and the balance after the above entries, at a rate equal to one-twelfth of the rate on three month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G. 13 or its successor.

To the extent that there is a balance (over- or undercollection) in the Revenue Subaccount, PG&E will file an annual advice letter to adjust the rate, such that on average, PG&E recovers three cents per kWh for all recorded sales. (N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

AI. PROCUREMENT SURCHARGE BALANCING ACCOUNT (PSBA) (Cont'd.) (N)

5. ACCOUNTING PROCEDURE: (Cont'd.) (N)

b. Cost Subaccount:

- 1) A credit entry equal to the actual revenues received during the month from the average three cents per kWh rate increase, excluding an allowance for franchise fees and uncollectibles (FF&U) accounts expense at the rate authorized in PG&E's most recent General Rate Case (GRC).
- 2) A credit entry equal to the actual revenues received during the month from the one cent per kWh rate increase, excluding an allowance for FF&U accounts expense at the rate authorized in PG&E's most recent GRC.
- 3) A debit entry equal to the obligations to the Department of Water Resources (DWR) for power purchases for PG&E's retail end-use customers.
- 4) A debit entry equal to QF obligations.
- 5) A debit or credit entry equal to irrigation districts and other purchase power obligations.
- 6) A debit entry equal to block forward market and bilateral contract obligations.
- 7) A debit entry equal to ISO ancillary services and any other ISO related charges or credits to PG&E.
- 8) A monthly entry equal to interest on the average balance in the account at the beginning of the month interest and the balance after the above entries, at a rate equal to one-twelfth of the rate on three month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G. 13 or its successor.

To the extent that there is an overcollection in the Cost Subaccount, the overcollection will be used to offset future procurement costs incurred by PG&E. If there is an undercollection in the Cost Subaccount, PG&E will seek recovery of the balance through an annual advice letter filing, or by any other means deemed appropriate by the Commission.

(N)



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