

December 28, 2001

ADVICE 2186-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Revised Retail Reliability Services and Transmission Revenue Balancing Account Adjustment Rates, Based on Compliance Filing at FERC for Revised 2002 Rates for These Two Rate Components

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.¹

Purpose

The purpose of this filing is to revise the reliability services (RS) and transmission revenue balancing account adjustment (TRBAA) components of all of PG&E's retail electric rates effective January 1, 2002, in order to conform these two rate components with the revised 2002 rates that PG&E is submitting in a concurrent annual compliance filing before the Federal Energy Regulatory Commission (FERC). Both of these changes will increase all of the currently-effective rates for these two rate components. Because the rate freeze mandated by Assembly Bill 1890 will continue to be in effect on January 1, 2002, the resulting transmission rate increases should be exactly offset by corresponding decreases to the generation component of PG&E's total effective rates. Rate tables that show the RS and TRBAA rate components with the affected rate schedules are included in Attachment I. Offsetting generation rate changes are being reflected separately under PG&E's concurrent Advice 2187-E, also dated December 28, 2001.

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

REVISED**Background**

As a part of the preparation for electric industry restructuring, PG&E filed its first Transmission Owner Tariff (TO Tariff) with FERC on March 31, 1997 (FERC Docket No. ER97-2358-000). On December 17, 1997, the Commission accepted PG&E's submittal for filing, subject to refund, to become effective on the date the California Independent System Operator (CAISO) began operation. PG&E's TO Tariff specifies, among other things, the rates and charges for transmission access over the CAISO controlled grid. One component of these charges is the TRBAA. One of the purposes served by the TRBAA is that it is used to ensure that certain transmission revenue credits that are received by PG&E from the CAISO will ultimately be flowed through to those retail and wholesale electric transmission customers who receive service under the TO Tariff. Section 5.5 of the TO Tariff identifies the items subject to the Transmission Revenue Balancing Account (TRBA) and sets forth a procedure for annual revisions to the TRBAA rate.

PG&E filed its initial RS Tariff with FERC on April 28, 2000 (FERC Docket No. ER00-2360-000). The RS Tariff provides for recovery of certain Reliability Services costs, based on payments that PG&E must make to the CAISO. In an order issued on July 12, 2000, FERC accepted the RS Tariff for filing with a one day suspension, permitted the rates to become effective on June 29, 2000, and set the filing for hearing. As prescribed in PG&E's filing and in the RS Tariff, PG&E is required to update its RS rates annually to reflect updated forecasts of RS costs for the following year, together with certain true-up adjustments for Reliability Services Balancing Account (RSBA) carry-over amounts and interest on those amounts.

Concurrently with this advice filing, PG&E is submitting a compliance filing to FERC in order to make the necessary annual adjustment to its filed RS Tariff rates and also the annual adjustment to the TRBAA rate.² The effect of the RS rate change is to increase the total level of costs to be recovered from PG&E's retail electric customers through the RS Tariff, from its current level of approximately \$207.5 million per year during 2001 to approximately \$308.2 million per year under the 2002 rates. The effect of the TRBAA rate change will be to change the current rate from (\$0.00157) per kWh to (\$0.00145) per kWh. The current TRBAA rate was designed to return certain transmission-related revenue credits to ratepayers at a level of approximately \$129 million per year during 2001, while the new TRBAA rate will return \$110 million to ratepayers during 2002 at the currently expected level of 2002 sales. Together, these two rate changes will increase the total amount of revenue collected in PG&E's retail

² The FERC filing also provides for certain changes related to PG&E's FERC-jurisdictional Transmission Access Charge Balancing Account (TACBA), which will also become effective on January 1, 2002. However, no TACBAA-related costs are billed to PG&E's retail end-use electric customers during the rate freeze.

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transmission and transmission-related RS rates by approximately \$120 million during 2002.

A copy of the cover letter to PG&E's compliance filing at FERC is attached. (Service of a complete copy of the compliance filing is being provided separately to Mr. Peter Arth of the CPUC Legal Division.)

Protests

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 PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Les Gullasi
Director, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

Effective Date

PG&E requests that this advice filing become effective on **January 1, 2002**, which is the date that these FERC-jurisdictional rate changes will become effective.

Notice

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

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973-3529. Advice letter filings can also be accessed electronically at:

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

Vice President - Regulatory Relations

Attachments