

March 26, 2002

Advice 2214-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Balancing Account Recovery of Independent System Operator Costs

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

Decision (D.) 02-03-058 dated March 21, 2002, determines, in part, cost recovery for charges paid by the California Department of Water Resources (DWR) to the Independent System Operator (ISO) on behalf of utility customers, and orders these costs be included in the retained generation revenue requirements. Pursuant to Ordering Paragraph (OP) 4, PG&E is to file an advice letter to implement a DWR/ISO cost balancing account for recovering revenues in rates in order to reimburse DWR. In addition, pursuant to OP 6, PG&E concurrently is filing a pleading to establish the Wholesale DWR/ISO Cost memorandum account to quantify and track disputed ISO-related charges incurred on behalf of municipal utilities and other wholesale entities.

Background

On February 21, 2002, in a letter to Commission President Loretta Lynch, DWR identified certain cost adjustments to its revenue requirement relating to ISO costs that it is billed. On March 4, 2002, President Lynch issued an assigned Commissioner ruling requesting comments on DWR's February 21st letter. Appropriate parties submitted comments. The Commission thereafter issued D. 02-03-058, noting that by acting expeditiously, balancing accounts could be

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.

established and charges can be allocated such that an increased revenue requirement for DWR could be avoided. Holdings in this decision will be incorporated into the upcoming decision on issues pertaining to Utility Retained Generation (URG), which will affect utilities' overall revenue requirements.

The proposed DWR/ISO Cost Balancing Account records those costs that are paid to the ISO or to DWR for ISO-related costs.

Tariff Revisions

Preliminary Statement Part CB--DWR/ISO Cost Balancing Account (DWR/ISO BA), is established pursuant to OP 4 of D. 02-03-058. The purpose of the DWR/ISO BA is to provide for recovery from ratepayers of payments that PG&E makes for ISO-related costs.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **April 15, 2002**, which is 20 days from 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, California 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, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

Effective Date

In accordance with D. 02-03-058, PG&E requests that this advice filing become effective upon Commission approval.

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, and the parties on the service list for Application (A.) 00-11-038, A. 00-11-056, and A. 00-10-028. Address changes should be directed to Rose Abao at (415) 973-2218. Advice letter filings can also be accessed electronically at:

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

Vice President - Regulatory Relations

Attachments

cc: Service List - Application (A.) 00-11-038, A. 00-11-056, and A. 00-10-028



PRELIMINARY STATEMENT
(Continued)

CB. DWR/ISO COST BALANCING ACCOUNT (DWR/ISO BA):

(N)

1. **PURPOSE:** The purpose of the DWR/ISO BA is to provide for recovery from ratepayers of payments that PG&E makes to the California Department of Water Resources (DWR) or to the Independent System Operator (ISO) for ISO-related charges.
2. **APPLICABILITY:** The DWR/ISO BA balance will be collected from all Customer classes except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of amounts in this account shall be determined in the Revenue Adjustment Proceeding or other proceeding authorized by the Commission.
4. **FORECAST PERIOD:** There is no forecast period for this account.
5. **DWR/ISO BA RATES:** This account does not have a rate component.
6. **ACCOUNTING PROCEDURE:**

PG&E shall maintain the DWR/ISO BA by making entries at the end of each month as follows:

- a. A debit entry equal to the amount paid by PG&E to the ISO or DWR for ISO related charges;
- b. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 6.a 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, H.15 or its successor.

(N)



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