

June 17, 2002

Advice 2250-E-A

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Surcharge Amortization
Revenue Memorandum Account (SARMA)**

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 This filing supersedes and replaces Advice 2250-E, filed on June 11, 2002.

Purpose

The purpose of this filing is to establish a memorandum account, with interest, in accordance with Resolution (R.) E-3776 dated June 6, 2002, in order to record revenues for the portion of Schedule E-EPS—*Energy Procurement Surcharge*, amortizing unrecovered surcharge revenues associated with applying the average three-cents per kilowatt-hour (kWh) generation surcharge to all energy sales from March 27, 2001, through June 1, 2001, the implementation date of Rates Section 2 of Schedule E-EPS.

Background

Decision (D.) 01-03-082, dated March 27, 2001, granted PG&E authority to add an average three cents per kWh generation surcharge to customers' bills to pay for increased costs of electricity in response to the emergency in California's electric industry. Decision 01-05-064 authorized PG&E to collect additional "catch-up" surcharge revenues for the period from March 27, 2001, to the date the average three-cent surcharge portion of Schedule E-EPS was implemented, June 1, 2001. The amortization period for PG&E's catch-up surcharge was June 1, 2001, through May 31, 2002.

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.

In compliance with D. 01-03-082, on April 2, 2001, PG&E filed Advice 2096-E to establish electric Preliminary Statement Part AI--*Procurement Surcharge Balancing Account (PSBA)*, to track the one-cent and three-cent surcharges and the costs to be offset by the surcharge revenues. In compliance with D. 02-04-016, PG&E submitted revisions to the PSBA in Advice 2240-E on May 6, 2002. Revenue from the three-cent surcharge currently is being recorded in the Transition Revenue Account, pending approval of the PSBA.

On April 15, 2002, PG&E filed Advice 2227-E to discontinue the catch-up portion (approximately 0.52 cent per kWh) of the average three-cent surcharge effective June 1, 2002. PG&E proposed to reduce the surcharge rates currently shown in Rates Section 2 of Schedule E-EPS by 14.8 percent for each customer class. (The percentage is the ratio of 0.52 cents per kWh to 3.52 cents per kWh). This reduction to Schedule E-EPS surcharge rates would result in an annual decrease in revenues of approximately \$423 million relative to the revenues that the "catch up" surcharge was originally designed to collect. However, R. E-3776 ordered PG&E to continue charging the surcharge rates authorized in D. 01-05-064 and track revenues associated with the "catch-up surcharge" in a separate memorandum account until such time as the Commission determines proper disposition and allocation of these surcharge revenues.

Tariff Revisions

PG&E proposes to implement R. E-3776 by establishing Preliminary Statement Part CJ--*Surcharge Amortization Revenue Memorandum Account (SARMA)*. The SARMA provides for tracking of revenue associated with the Schedule E-EPS "catch-up" surcharge. The amount to be recorded in this account is 14.8 percent of the recorded revenue from the Schedule E-EPS Rate Section 2 surcharges adopted in D. 01-05-064.

Upon Commission approval of Advice 2240-E, PG&E will re-file PSBA Preliminary Statement Part AI, to include the SARMA as a subaccount to the PSBA and cancel SARMA Preliminary Statement Part CJ. Should the Commission adopt an alternative method for allocating the rate reduction associated with the elimination of the "catch up" surcharge, PG&E will use that method to determine the revenues to be recorded in the SARMA.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **July 8, 2002**, which is 21 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 R. E-3776, PG&E requests that this advice filing become effective on the date of R. E-3776, which is **June 6, 2002**.

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 A. 00-11-056. Address changes should be directed to Rose Abao at (415) 973-2218. Advice filings can also be accessed electronically at:

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

Vice President - Regulatory Relations

Attachments

cc: Service List – A. 00-11-056



PRELIMINARY STATEMENT
(Continued)

CJ. SURCHARGE AMORTIZATION REVENUE MEMORANDUM ACCOUNT (SARMA)

(N)

1. **PURPOSE:** The purpose of the Surcharge Amortization Revenue Memorandum Account (SARMA) is to record, beginning June 1, 2002, the total revenues PG&E receives from customers from the portion of the Schedule E-EPS average three-cents per kilowatt-hour (kWh) surcharge associated with amortizing the unrecovered surcharge revenues for the period between March 27, 2001, the effective date of Decision 01-03-082, and June 1, 2001, the surcharge rate implementation date pursuant to Decision 01-05-064. The amount to be recorded is 14.8 percent of the recorded revenue for the average three-cents surcharge adopted by Decision 01-05-064, which is the ratio of the surcharge attributed to the \$.0052/kWh amortization portion of the surcharge to the total surcharge of \$.0352/kWh.
2. **APPLICABILITY:** The SARMA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the amounts in this account shall be determined by the Commission at a future date, pursuant to Resolution E-3776.
4. **SARMA RATES:** The SARMA does not currently have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E shall maintain the SARMA by making entries at the end of each month as follows:
 - a. A credit entry equal to 14.8 percent of the recorded revenues for the average three-cents per kWh surcharge, or computed as otherwise ordered by the Commission.
 - b. A credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry 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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