

July 24, 2002

**Advice 2267-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California (CPUC)

**Subject: Revisions to Catastrophic Event Memorandum Account (CEMA) and Hazardous Substance Mechanism (HSM) to include Generation-related 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.<sup>1</sup>

**Purpose**

The purpose of this filing is to revise PG&E's electric Preliminary Statement tariffs for the Catastrophic Event Memorandum Account (CEMA) and the Hazardous Substance Mechanism (HSM) to allow generation-related costs for events occurring after March 31, 1998, to be included in the accounts, pursuant to the Assembly Bill (AB) X1 6 requirement for California public utilities to retain generation facilities until January 1, 2006.

**Background**

Prior to implementation of electric industry restructuring, generation-related catastrophic event and hazardous substance clean-up costs were recovered in the CEMA and HSM. To prevent potential competitive advantage to California investor-owned utilities (Utilities) due to their access to regulatory sources of generation-related catastrophic event or hazardous substance clean-up cost recovery, the Commission ordered Utilities to amend their tariffs to eliminate such recovery in Decision (D.) 97-08-056, effective January 1, 1998. Recovery of generation-related catastrophic event or hazardous substance clean-up costs would be through sales into the market, as envisioned in Preferred Policy Decision D. 95-12-063 and D. 96-12-088. D. 97-11-073 further modified D. 97-08-056 to

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<sup>1</sup> PG&E reserves all legal rights to challenge the decisions or statutes, including AB X1 6, 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.

allow recovery of generation-related catastrophic event and hazardous substance clean-up costs in the CEMA and HSM after January 1, 1998, if those costs were related to events that occurred prior to January 1, 1998.<sup>2</sup>

On January 18, 2001, AB X1 6 was signed into law. Among other things, AB X1 6 prohibits the sale of any generation facility owned by a public utility prior to January 1, 2006. Existing law had required that generation assets owned by any public utility prior to June 1, 1997, and subject to the regulation of the California Public Utilities Commission (CPUC), shall continue to be subject to regulation by the Commission until those assets have undergone market valuation. Because ABX1 6 deleted these provisions, certain modifications to the text in the CEMA and HSM Preliminary Statements are necessary.

Specifically, the CEMA and the HSM tariffs must be modified to reflect the inclusion of generation-related costs as mandated by AB X1 6. Current tariff language excludes generation related costs related to events that occurred after the start of Direct Access, with certain exceptions, from being recorded into these ratemaking mechanisms. Because AB X1 6 requires utilities to retain generation facilities until January 1, 2006, subject to CPUC regulation, it is appropriate for the generation-related costs associated with catastrophic events and hazardous substance cleanup to be included in these mechanisms.

### **Tariff Revisions**

PG&E is revising gas and electric Preliminary Statement Part G (CEMA) and Part S (HSM) to revise current language to include recovery of any incurred catastrophic event or hazardous substance clean-up generation-related costs through the CEMA and HSM cost recovery mechanisms after January 18, 2001.

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

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **August 13, 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:

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<sup>2</sup> Decision 97-12-131 amended the January 1, 1998, cutoff date to the date the Commission or its delegate declares to be the start date for Direct Access.

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**

PG&E requests that this advice filing become effective on regular notice, **September 3, 2002**, which is 41 days after the date of filing.

### **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 Rose Abao at (415) 973-2218. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

Attachments



PRELIMINARY STATEMENT  
(Continued)

G. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA):

1. **PURPOSE:** The purpose of the CEMA is to recover the costs associated with the restoration of service and PG&E facilities affected by a catastrophic event declared a disaster or state of emergency by competent federal or state authorities. The balance in the CEMA will be recovered in rates after CPUC review and audit of the recorded CEMA balance. The authority to establish this account was granted in CPUC Resolution E-3238, dated July 24, 1991. Costs recorded in the CEMA shall include generation-related costs pursuant to Assembly Bill X1 6, which prohibits a facility for the generation of electricity owned by a public utility from being disposed of prior to January 1, 2006.

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(N)

Should a disaster occur, PG&E will inform the Executive Director of the CPUC by letter within 30 days after the catastrophic event that PG&E has started booking costs in the CEMA.

The letter shall specify the declared disaster, date, time, location, service area affected, impact on PG&E's facilities, and an estimate of the extraordinary costs expected to be incurred, with costs due to expenses and capital items shown separately.

PG&E shall not record any capital costs or expenses incurred prior to the start of the declared disaster or state of emergency, as identified by the appropriate Authorities, pursuant to Government Code Sections 8558, 8588, and 8625, or comparable federal authority.

Descriptions of the terms and definitions used in this section are found in Rule 1.

2. **APPLICABILITY:** The CEMA balance will be recovered from all customer classes, except those specifically excluded by the CPUC.
3. **CEMA RATES:** The CEMA does not currently have a rate component.
4. **ACCOUNTING PROCEDURE:** Upon declaration of a disaster or state of emergency, PG&E shall maintain the CEMA from the date of the event causing the disaster occurred by making entries to this account at the end of each month as follows:
  - a. A debit entry equal to the amounts recorded in PG&E's Operations and Maintenance, and Administrative and General Expense Accounts that were incurred as a result of the disaster and related events.
  - b. A debit entry equal to:
    - (1) depreciation expense on the average of the beginning and the end-of-month balance of plant installed to restore service to customers, or to replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth the annual depreciation rates approved by the CPUC for these plant accounts; plus
    - (2) the return on investment on the average of the beginning and the end-of-month balance of plant installed to restore service to customers or replace, repair, or restore any plant or facilities, or to comply with government agency orders, in connection with events declared disasters, at one-twelfth of the annual rate of return on investment last adopted for PG&E's Electric Department by the CPUC; plus

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PRELIMINARY STATEMENT  
(Continued)

S. HAZARDOUS SUBSTANCE MECHANISM (HSM)

- 1. PURPOSE: The Hazardous Substance Mechanism (HSM) provides a uniform methodology for allocating costs and related recoveries associated with covered hazardous substance-related activities, including hazardous substance clean-up and litigation, and related insurance recoveries, as set forth in Decision 94-05-020. The HSM includes a balancing account, the Hazardous Substance Cost Recovery Account (HSCRA), and an interest-bearing tracking account, the Other Hazardous Substance Tracking Account (OHSTA). Costs recorded in the HSM shall include generation-related costs pursuant to Assembly Bill X1 6, which prohibits a facility for the generation of electricity owned by a public utility from being disposed of prior to January 1, 2006.

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(N)

Terms and definitions relating to hazardous substance-related activities are found in Decision 94-05-020, Appendix A.

- 2. APPLICABILITY: The HSCRA applies to all covered costs and recoveries associated with manufactured gas plant sites, presently-identified federal superfund sites, and other identified sites included in Decision 94-05-020, Appendix A. The OHSTA is an interest-bearing tracking account for costs and recoveries for sites not included within one of the three defined categories set forth in Decision 94-05-020, Appendix A.
- 3. REVISION DATE: PG&E shall determine when to seek rate recovery for any balance under the HSM and is authorized to include balances under the HSM as part of any application which PG&E deems appropriate.

The California Public Utilities Commission (CPUC) will not conduct a reasonableness review of costs under the HSM except, at its discretion, of costs recorded in the OHSTA.

- 4. HSM RATES: The HSM currently does not have a rate component.
- 5. REPORTING REQUIREMENTS: On or before August 2, 1994, PG&E will file an initial report with the Commission Advisory and Compliance Division (CACD), describing previously recorded hazardous substance costs transferred to the HSCRA. (Requirements for this initial report are found in Decision 94-05-020, Appendix A, p. 14.)

Commencing March 1, 1995, PG&E will file an annual report with the CACD to reflect the costs and recoveries recorded by PG&E in the HSM for the 12-month period ending December 31 of the previous year, except for the first year report, which will cover the period from June 3, 1994, through December 31, 1994. The Annual Report will be served on all parties to Application No. (A.) 91-04-044.

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