

December 20, 2002

Advice 2322-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Retail Reliability Services and Transmission Revenue
Balancing Account Adjustment Rates for 2003**

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, 2003, in order to conform these two rate components with the revised 2003 rates that PG&E is submitting in a concurrent annual compliance filing before the Federal Energy Regulatory Commission (FERC).¹ Both of these changes will decrease the currently effective rates for these two rate components. To retain total rates at their current level, the resulting transmission rate decreases should be exactly offset by corresponding increases to the generation component of PG&E's total effective rates. Rate tables that show the RS and TRBAA rate components for the affected rate schedules are included in Attachment I. In anticipation that other rates will change effective January 1, 2003, PG&E will consolidate all rate changes that are to be implemented on January 1, 2003, in final tariff form on or about the first of the year.

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

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.

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 an amendment to its TO Tariff with FERC on April 28, 2000 (FERC Docket No. ER00-2360-000). This amendment 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. On November 1, 2002, the FERC issued a final Order and accepted a partial settlement of the RS case, which provides for collection of RS charges from retail customers as proposed in the original RS filing. As prescribed in PG&E's filing, 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 TO Tariff for TRBAA and RSBA rates.² The effect of the RS rate change is to decrease the total level of costs to be recovered from PG&E's retail electric customers from its current level of approximately \$308 million per year during 2002 to approximately \$260 million per year under the 2003 rates. The effect of the TRBAA rate change will be to change the current rate from (\$0.00145) per kWh to (\$.00230) per kWh. The current TRBAA rate was designed to return certain transmission-related revenue credits to ratepayers at a level of approximately \$110 million per year during 2002, while the new TRBAA rate will return \$181 million to ratepayers during 2003 at the currently expected level of 2003 sales. Together, these two rate changes will decrease the total amount of revenue collected in PG&E's retail transmission and transmission-related RS rates by approximately \$120 million during 2003.

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 by **January 9, 2002**, which is 20 days from the date of this filing. The protest must state the

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, 2003. However, no TACBAA-related costs are billed to PG&E's retail end-use electric customers at this time.

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, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to 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, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on **January 1, 2003**, 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 Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

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

Vice President - Regulatory Relations

Attachments