

March 10, 2003

Advice 2354-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Request for Authorization to Reimburse DWR for Payments for PG&E's Renewable Transitional Procurement Contracts (D. 02-08-071, D. 02-12-045, and R. E-3805)

Purpose

The purpose of this filing is to obtain authorization from the California Public Utilities Commission (Commission) for Pacific Gas and Electric Company (PG&E) to reimburse the California Department of Water Resources (DWR) on a monthly basis for actual costs incurred by DWR for the renewable transitional procurement contracts approved by the Commission in Resolution E-3805.

Background

Decision (D.) 02-08-071 authorized PG&E and Southern California Edison Company (SCE) to enter into procurement contracts with the credit support provided by DWR between the effective date of this decision, August 22, 2002, and January 1, 2003.

Resolution E-3805 issued by the Commission on December 19, 2002, approved PG&E's Advice 2303-E, which requested the Commission's review and approval of several renewable energy contracts pursuant to D. 02-08-071. In Advice 2303-E, PG&E stated that until PG&E regains its investment-grade credit rating and is able to assume all rights and obligations as specified under each contract, DWR will serve as the creditworthy purchaser for the products received under these contracts.

Further, Ordering Paragraph (OP) 14 of D. 02-12-045 ordered that any portion of DWR's 2003 revenue requirement pertaining to power contracts entered into by DWR between August 22, 2002, and January 1, 2003 (pursuant to D. 02-08-071) should be allocated to the customers of the utility entering the relevant contract. Decision (D.) 02-12-045, at p. 40, found that because such contracts are entered

into by the individual utilities on behalf of their own customers (as opposed to the earlier contracts negotiated by DWR on behalf of the whole state), it is reasonable to assign the costs of those contracts to the customers of the utility that entered into them.

Resolution E-3805 contemplated that the costs of the contracts would be included in DWR's revenue requirement and recovered by DWR through its power charge remittance rate. However, the costs of these contracts have not been included in DWR's 2003 revenue requirement. Therefore, in this filing PG&E requests the Commission's authorization to reimburse DWR monthly for payments made by DWR on the contracts DWR entered into on behalf of PG&E's customers and approved by Resolution E-3805.

Request

Pursuant to D. 02-08-071, D. 02-12-045, and Resolution E-3805, DWR and PG&E entered the renewable transitional procurement contracts.

PG&E requests that the Commission authorize PG&E to reimburse DWR monthly for payments made on the contracts approved by Resolution E-3805 on an actual, incurred cost basis. PG&E would remit the actual costs of the contracts paid by DWR within two business days after DWR confirms they have paid the supplier.

The costs of these renewable contracts are not currently included in the approved DWR 2003 power charge revenue requirement, and DWR is not currently being reimbursed for these costs as part of the DWR power charges paid by PG&E customers.

The reimbursement remittances made on an actual incurred cost basis would come from PG&E's revenue at existing rates and would be recorded in the Electric Resource Recovery Account (ERRA) for ratemaking purposes.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **March 31, 2003**, 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, 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: Brian Cherry
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 upon Commission approval. PG&E will then reimburse DWR for all costs incurred under these contracts, including the costs incurred prior to the effective date.

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 service list for Application 00-11-038. Address changes should be directed to Sandra Ciach at (415) 973-7572. 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 A. 00-11-038