

March 26, 2003

Advice 2362-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Revisions to Electric Preliminary Statement Part AE -
Generation Divestiture Transaction Costs Memorandum
Account (GDTCMA).**

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

The purpose of this filing is to revise electric Preliminary Statement Part AE - *Generation Divestiture Transaction Costs Memorandum Account (GDTCMA)* to comply with the 2001 Annual Transition Cost Proceeding (ATCP) Decision (D.) 03-02-028 issued February 13, 2003.

Background

Certain divestiture transaction costs have been tracked in the GDTCMA since November 1996. Upon valuation of the related assets, these costs are transferred to the Transition Cost Balancing Account (TCBA). Hydroelectric divestiture transaction costs of \$34.8 million were reviewed in the 2001 ATCP and determined to be reasonable. A portion of these costs had been transferred to the TCBA upon the interim valuation ordered by the Commission in D. 00-02-048. The remainder of the approved costs is in the GDTCMA balance.

In D. 03-02-028 Ordering Paragraph 3, the Commission required the approved costs to be held in a memorandum account to be allocated at the disposition of the generation facilities. Should the hydro facilities remain with PG&E after 2006, the Commission will entertain a petition for recovery of the memorandum account. (D. 03-02-028 page 21) In order to ensure clarity in future proceedings, PG&E proposes to segregate the amount of divestiture transaction costs reviewed and

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.

approved in D. 03-02-028 from divestiture transaction costs not yet reviewed. Therefore, PG&E proposes to revise the GDTCA memorandum account by establishing two separate sub-accounts in the GDTCA to track the reviewed and unreviewed costs separately.

Tariff Revisions

Currently PG&E records transaction costs incurred related to facilities that are not yet market valued in the GDTCA. Pursuant to D.03-02-028, this memorandum account will be revised to establish the following two separate sub-accounts:

Unreviewed Costs Subaccount: all transaction costs incurred by PG&E associated with divestiture of its generation facilities and not yet approved by the Commission for recovery will be recorded in this subaccount.

Costs Deemed Reasonable Subaccount: transaction costs associated with divestiture of its generation facilities, already approved as reasonable by the Commission for recovery will be recorded in this subaccount. These costs will be transferred to this subaccount from the current GDTCA balance or from the TCBA.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **April 15, 2003**, 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, 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 on **February 13, 2003**, which is the date D. 03-02-028 was issued.

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 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



PRELIMINARY STATEMENT
(Continued)

AE. GENERATION DIVESTITURE TRANSACTION COSTS MEMORANDUM ACCOUNT (GDTCSMA)

1. PURPOSE: The purpose of the GDTCSMA is to record transaction costs incurred by PG&E associated with the divestiture of its generation facilities. The divestiture is being undertaken in accordance with Decision 95-12-063, as modified by Decision 96-01-009, Assembly Bill 1890, and Decision 03-02-028. Costs recorded in the GDTCSMA include all transaction costs including, but not limited to, investment banker fees and commissions, environmental impact reports and audits, outside legal support for regulatory proceedings and sales negotiations. Costs recorded in the GDTCSMA shall exclude any PG&E labor expenses. (T)
(T)
2. APPLICABILITY: The GDTCSMA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. GDTCSMA RATES: The GDTCSMA does not currently have a rate component.
4. ACCOUNTING PROCEDURE: The GDTCSMA consists of the following two Subaccounts: (T)
 - Unreviewed Costs Subaccount: to record all transition costs incurred by PG&E associated with divestiture of its generations facilities, and not yet approved by the Commission for recovery. (N)
 - Costs Deemed Reasonable Subaccount: to record transition costs associated with divestiture of its generation facilities, approved as reasonable by the Commission for recovery. (N)

PG&E shall maintain this GDTCSMA by making entries to each subaccount as follows:

 - a. Unreviewed Costs Subaccounts: (N)
 - 1) A debit entry equal to PG&E's recorded transaction costs associated with the divestiture of generation facilities. (T)
 - 2) A debit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of 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. (T)
 - b. Costs Deemed Reasonable Subaccounts: (N)
 - 1) A debit entry equal to the amount associated with the divestiture of generation facilities approved by the Commission as reasonable in Decision 03-02-028, but deferred for recovery. (N)
 - 2) A debit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, at a rate equal to one-twelfth of 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)
5. FINANCIAL REPORTING: PG&E may, at its discretion, record the balance in the GDTCSMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary.

PG&E may request recovery of the balance in the GDTCSMA by separate application to the Commission, or by any other means deemed appropriate by the Commission.



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