

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



April 9, 2004

Advice Letter 2419-E|E-A

Ms Anita Smith, Rate Analyst
Pacific Gas and Electric Company
77 Beale Street, 10B Mail Code
San Francisco, CA 94177

Subject: Establish Customer Credit Holding Account and Revise DWR Remittance
Rate in Compliance with D.03-09-018

Dear Ms Smith:

Advice Letter 2419-E|E-A is effective September 5, 2003. A copy of the advice letter is sent herewith for your records.

Sincerely,

A handwritten signature in cursive script, appearing to read "Paul Clavin".

Director
Energy Division



April 1, 2004

Advice 2419-E-A
(Pacific Gas and Electric Company (ID U39 E))

Public Utilities Commission of the State of California

Subject: Establish Customer Credit Holding Account and Revise DWR Remittance Rate in Compliance with Decision 03-09-018 - Proposed Disposition of the Remaining Excess Funds Associated with the \$1 billion DWR Bill Credit

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental filing to address the disposition of the remaining excess funds associated with PG&E's share of the \$1 billion DWR Bill Credit. This filing supplements Advice 2419-E (dated September 12, 2003), which established the Customer Credit Holding Account (CCHA) and revised the bundled power charge remittance rate paid to the Department of Water Resources (DWR) in compliance with Decision (D.) 03-09-018.¹ This supplemental advice letter is filed pursuant to the discussions PG&E had with the Energy Division and DWR to resolve the disposition of excess funds remaining after the one-time customer bill credit ("unrefunded amount"), as well as the related Memorandum dated March 24, 2004, issued by DWR to assist in implementing D. 03-09-018. In addition, the resolution of Advice 2419-E will allow the Commission to resolve two other DWR related pending advice letters consistent with PG&E's and DWR's agreement.²

Background

D. 03-09-018 allocated the 2003 DWR revenue requirement reduction of \$1.002 billion among PG&E, SCE, and SDG&E, and ordered the utilities to return the allocated amounts to ratepayers through a one-time bill credit within 45 days. In this decision the Commission established a total refund amount for PG&E of \$444.183 million. Of this amount, PG&E has refunded \$441.464 million to its eligible customers through January 26, 2004. The difference between the total

¹ Advice 2419-E revised the bundled power charge remittance rate for September 5, 2003, through December 31, 2003, period to adjust the remittance rate adopted in Decision 03-09-018 to reflect the DWR power charge revenues expected from Direct Access customers.

² Approval of Advice 2417-E and 2466-E would revise PG&E's bundled 2003 and interim 2004 remittance rates. Upon approval of these advice letters, PG&E and DWR have agreed that PG&E should withhold remittances until the overpayments to DWR have been recovered.

refund amount established by the Commission and the amount PG&E has refunded is \$2.719 million³.

Decision 03-09-018 also ordered PG&E to establish the Customer Credit Holding Account (CCHA), to be held in trust for DWR and to be used to record provided bill credits. The initial balance in the CCHA, equal to \$444.183 million, was to be reduced to reflect the bill credits paid out by PG&E. The Commission ordered that the timing of the reductions in the CCHA balance reflective of the bill credits be in accordance with the collection curve contained in the PG&E-DWR Servicing Order. Because the CCHA balance is subject to the collection curve, a true-up may be necessary for the actual uncollectible percentage at the end of the CCHA collection curve period (estimated to be completed by August 1, 2004).

On October 2, 2003, DWR submitted a memorandum in response to the investor-owned utilities' (IOUs) advice letters that addressed, among other issues, how the IOUs should treat any excess funds that remained after processing the one-time bill credit ordered by D. 03-09-018.⁴ DWR proposed one alternative whereby the Commission would direct the IOUs to return any undistributed funds to DWR along with interest, consistent with the approach of D. 03-09-018. DWR stated that it believes this approach remains reasonable because it would ensure that remaining funds are used to lower DWR's next revenue requirement.

In furtherance of this approach, DWR issued another memorandum, dated March 24, 2004, that re-affirmed DWR's recommendation to order the IOUs to return the undistributed amounts to DWR. DWR proposed that it would track these amounts on a utility-specific basis. In addition, DWR provided an example of an accounting mechanism that DWR would use to enable such tracking.

Remaining Excess Funds to be Returned to DWR for the Benefit of PG&E Customers

PG&E supports the approach proposed by DWR and requests the Commission's approval to remit to DWR the unrefunded amount of \$2.619 million plus accrued interest to date.⁵ The unrefunded amount is calculated as \$2.719 million less \$100,000 in outstanding PG&E customers' bill credit adjustment claims.

These remitted amounts are to be tracked by DWR on a utility-specific basis and will be used for the benefit of PG&E customers. PG&E recommends that the Commission establish that these utility-

³ As reported by PG&E in its "Report on the Electric Bill Credit Plan" dated February 2, 2004, to the Energy Division.

⁴ DWR's memorandum served as a protest to the IOU's advice letters.

⁵ The interest that accrues on the CCHA balance after the remittance requested by this Supplemental Advice Letter is made will be remitted to DWR at the time the CCHA collection curve period is complete.

specific funds will be used to reduce the respective IOUs' shares of the 2004 DWR Revenue Requirement

DWR Bill Credit Adjustment Claims

As of April 1, 2004, PG&E has approximately \$100,000 in outstanding PG&E customers' bill credit adjustment claims that are to be processed. DWR has verbally agreed to allow PG&E to withhold that amount from the aforementioned \$2.719 million. In addition, DWR has agreed to allow PG&E the right to invoice DWR for any additional valid credit adjustment claims upon receipt of such claims.

Revisions to PG&E's Preliminary Statement CU

After the requested remittance of the unrefunded amount and associated interest to DWR is made, PG&E will make corresponding accounting entries in the CCHA to adjust the balance. To enable such accounting entries PG&E hereby submits revisions to its Electric Preliminary Statement CU, Customer Credit Holding Account (CCHA), by adding language to incorporate the accounting mechanism to reflect the proposed remittance:

- c. "A debit entry equal to the remittance to DWR in the amount of remaining excess funds associated with the DWR revenue requirement reduction allocated to PG&E customers in accordance with Decision 03-09-018."
- d. "A debit entry equal to the remittance to DWR in the amount of current interest on the CCHA balance."

DWR's Proposed Accounting Mechanism

In DWR's March 24, 2004, Memorandum, DWR proposed an accounting mechanism wherein DWR would track any undistributed amounts returned to them on a utility-specific basis and calculate applicable interest for those amounts based on the method used by the State Treasury Office. Although the unrefunded amounts will actually be deposited into DWR's operating account, DWR's accounting mechanism will permit the CPUC to maintain an appropriate allocation of these funds among the end use customers of the respective IOUs. PG&E concurs with the DWR-proposed accounting method, and supports DWR's intent to use these funds for the benefit of the respective IOU customers. As discussed above, PG&E recommends that these funds should be used to reduce the respective IOUs' shares of the 2004 DWR Revenue Requirement.

Protests – Request Shortened Protest Period

PG&E requests a shortened protest period ending April 8, 2004. PG&E believes that its request to remit the remaining excess funds and associated interest to DWR is non-controversial as it is intended to return these funds for the ratepayers benefit. In addition, PG&E believes that an expedited process for this supplemental advice letter will facilitate approval of the outstanding advice letters

2417-E (dated September 12, 2003), 2419-E (dated September 12, 2003) and 2466-E (dated January 26, 2004).

Anyone wishing to protest this filing 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 filing become effective on **September 5, 2003**, which is the effective date requested in Advice 2419-E. PG&E also requests that the remittance of the remaining excess funds and associated interest to DWR, requested by this supplemental advice letter, be made upon approval of Advice 2419-E-A.

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 Application (A.) 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/tariffs>

Karen A. Tomcala / tsj

Vice President - Regulatory Relations

Attachments

cc: Service List - A. 00-11-038

**Attachment 1
Advice 2419-E-A**

Cal P.U.C Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
21533-E	Preliminary Statement Part CU – Customer Credit Holding Account	New
21534-E	Table of Contents – Preliminary Statements (Cont'd)	21474, 20629-E
21535-E	Table of Contents	21478, 20630-E



PRELIMINARY STATEMENT

(Continued)

CU. CUSTOMER CREDIT HOLDING ACCOUNT (CCHA)

(N)

1. **PURPOSE:** The purpose of the CCHA is to track the difference, with interest, between the DWR revenue requirement reduction allocated to PG&E customers in accordance with Decision 03-09-018 and the reduction offered to ratepayers through bill credits or other mechanisms.
2. **APPLICABILITY:** The CCHA shall apply to all customer classes, except for any classes that may be specifically excluded by the CPUC.
3. **REVISION DATE:** Disposition of amounts in this account are subject to further Commission direction. The balance and interest in this account will be returned to DWR for the benefit of PG&E's ratepayers. (Decision 03-09-018 page 24, OP 9 and 11.)
4. **RATE:** The CCHA currently does not have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E shall maintain the CCHA by making entries to this account as follows:
 - a. A credit entry equal to the excess DWR funds, as defined in Decision 03-09-018, that are being returned to PG&E ratepayers.
 - b. A debit entry equal to the reduction offered to ratepayers through bill credits or other mechanisms in accordance with the collection curve contained in the PG&E/DWR Servicing Order.
 - c. A debit entry equal to the remittance to DWR in the amount of remaining excess funds associated with the DWR revenue requirement reduction allocated to PG&E customers in accordance with Decision 03-09-018.
 - d. A debit entry equal to the remittance to DWR in the amount of current interest on the CCHA balance.
 - e. An entry equal to the interest on the average balance of the account at the beginning of the month and the balance after the entries above, at a rate equal to one-twelfth the interest rate of the 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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**PG&E Electric Advice Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Childress, David A.
City of Glendale
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Constellation New Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
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Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
Dept of the Air Force
DGS Natural Gas Services
DMM Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America

Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Enron Energy Services
Exeter Associates
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Grueenich Resource Advocates
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
PG&E National Energy Group
Pinnacle CNG Company
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra

Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA