

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



January 15, 2004

Advice Letter 2448-E

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

Subject: El Paso Settlement Electric Memorandum Account (EPSEMA)

Dear Ms Smith:

Advice Letter 2448-E is effective January 12, 2004. A copy of the advice letter is sent herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clavin".

Director
Energy Division



**Pacific Gas and
Electric Company**

Karen A. Tomcala
Vice President
Regulatory Relations

77 Beale Street, Room 1065
San Francisco, CA 94105

Mailing Address
Mail Code B10A
P.O. Box 770000
San Francisco, CA 94177

415.972.5209
Internal: 222.5209
Fax: 415.972.5625
Internet: KAT5@pge.com

December 3, 2003

**Advice 2448-E
Pacific Gas and Electric Company (ID U39 E)**

Public Utilities Commission of the State of California

Subject: El Paso Settlement Electric Memorandum Account (EPSEMA)

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

This filing complies with Ordering Paragraph (OP) 2 of Decision (D.) 03-10-087 in Rulemaking (R.) 03-07-008, adopting a memorandum account² for any electric consideration received by PG&E from the El Paso Natural Gas Company (El Paso) settlement (Settlement). Until the Commission determines the extent of previously unrecovered costs to be borne by ratepayers in either PG&E's Bankruptcy proceeding (Investigation (I.)02-04-026) or Rate Stabilization Proceeding (RSP) (Application (A.)00-11-038 et al.), pursuant to Section 3.2 in Attachment A of D. 03-10-087 PG&E proposes to establish Preliminary Statement Part CY - *El Paso Settlement Electric Memorandum Account (EPSEMA)* to record the proceeds of any El Paso Settlement consideration received by PG&E for the future benefit of PG&E's electric ratepayers. The balance in this account will be used to offset PG&E's previously unrecovered costs as determined by the CPUC in either of the previously mentioned proceedings³.

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 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.

² The accounting and ratemaking treatment discussed and adopted in D.03-10-087 are summarized in Attachment A of the decision.

³ In its Bankruptcy Proceeding, PG&E proposed to net any after-tax amount of refunds, claim offsets or other credits from generators or other energy suppliers relating to PG&E's Power Exchange, California Independent System Operator, Qualifying Facility or Energy Service Provider costs that PG&E realizes either in cash or by offset of creditor claims in the Chapter 11 Bankruptcy case will reduce the balance of the Regulatory Asset adopted by the CPUC.

Background

As a result of numerous investigations, complaints and litigation regarding El Paso's alleged contribution to the extremely high natural gas and electric prices in California during the 2000-2001 California energy crisis, El Paso has agreed to provide to all Settlement parties an estimated \$1.5 billion (nominal value) in consideration for resolving related litigation. Approximately \$1 billion of the consideration affects the rates of customers under the jurisdiction of the CPUC.

The CPUC instituted R. 03-07-008 to consider proposals for accounting and ratemaking mechanisms to equitably distribute the proceeds from the Settlement to those under their jurisdiction. Advice 2448-E addresses the consideration for PG&E's electric customers.

The consideration received by PG&E includes upfront cash (including proceeds from the sale of El Paso stock) upon finalization of the settlement agreement⁴ and ongoing fixed semi-annual cash payments for 20 years⁵, beginning July 1 2004. PG&E's estimated portion of the electric consideration to be received over the period is approximately \$210 million⁶. However, this amount is subject to change based upon the final amount of proceeds received from the sale of El Paso stock⁷ and any additional eligible parties⁸ ultimately included in the settlement agreement. The Settlement will become effective upon approval of the Federal Energy Regulatory Commission (FERC), the San Diego Superior Court, and the United States Bankruptcy Court.

⁴ The El Paso Settlement Agreement is expected to be finalized between February 2004 and August 2004.

⁵ The 20-year period may be shortened to 15 years if El Paso Corporation achieves Investment Grade, and certain other conditions are met.

⁶ The settlement proceeds do not reflect tax considerations because the proceeds are not expected to be taxed. In the event the proceeds are taxed, PG&E is entitled to propose:

- (a) adjustment of the consideration such that only the net revenues are credited to ratepayers,
- (b) allowing cost recovery of any tax liability in the next appropriate ratemaking proceeding, or
- (c) authority to create a memorandum account to track adverse tax implications until addressed in a ratemaking proceeding.

PG&E expects no adverse tax effect from the El Paso consideration. PG&E tax issues, if any, will be addressed in the bankruptcy proceeding to the extent they are an issue in the proposed Plan of Reorganization Settlement Agreement (POR SA), and are relevant to the CPUC's consideration of the proposed POR SA.

⁷ The El Paso Settlement Agreement authorized a specific number of stock shares to sell. The ultimate amount of proceeds received from the sale of stock will depend on the market value of the stock at time of sale.

⁸ Primarily municipalities.

Tariff Revisions

Pursuant to Section 3.2 in Attachment A of D. 03-10-087, PG&E is establishing a new interest bearing electric Preliminary Statement Part CY- *El Paso Settlement Electric Memorandum Account (EPSEMA)*, to track any proceeds received from El Paso for the benefit of electric ratepayers by using the proceeds to offset PG&E's previously unrecovered costs to the extent ultimately borne by ratepayers as determined by the CPUC in either PG&E's Bankruptcy proceeding (I.02-04-026) or Rate Stabilization Proceeding (RSP) (A.00-11-038 et al.). The remaining balance, if any, in the memorandum account (e.g., if the El Paso consideration is refunded over a period longer than the ratemaking mechanism adopted in the Bankruptcy or RSP) will be returned to ratepayers through a credit to an authorized balancing account, or other account, in effect at the time.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **December 23, 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 upon 40 days' regular notice, which is **January 12, 2004**.

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 R.03-07-008. 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. Jimcala / kj
Vice President - Regulatory Relations

Attachments

cc: Service List – R. 03-07-008

**Attachment I
Advice 2448-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
20985-E	Preliminary Statement, Part CY – El Paso Settlement Electric Memorandum Account (EPSEMA)	--
20986-E	Table of Contents (Continued) -- Preliminary Statements	19877-E
20987-E	Table of Contents	20807-E



PRELIMINARY STATEMENT
(Continued)

CY. EL PASO SETTLEMENT ELECTRIC MEMORANDUM ACCOUNT (EPSEMA)

(N)

1. PURPOSE:

Ordering Paragraph (OP) 2 of Decision 03-10-087 adopts a memorandum account for any electric consideration received by PG&E from the El Paso Natural Gas Company (El Paso) settlement. PG&E proposes to establish Preliminary Statement CY – El Paso Settlement Electric Memorandum Account (EPSEMA) to record the proceeds of any El Paso Settlement consideration received by PG&E for the future benefit of PG&E's electric ratepayers. The balance in this account will be used to pay PG&E's previously unrecovered cost as determined in PG&E's Bankruptcy Proceeding (I.02-04-26) or the Rate Stabilization Proceeding (A.00-11-038 et al.).

2. APPLICABILITY:

The EPSEMA shall apply to all customer classes, except for any classes that may be specifically excluded by the CPUC.

3. REVISION DATE:

Pursuant to Section 3-2 in Attachment A of Decision 03-10-087, PG&E is establishing the EPSEMA to track any proceeds received from El Paso for the benefit of ratepayers by using the proceeds to offset PG&E's previously unrecovered costs to the extent ultimately borne by ratepayers as determined by the Commission in either PG&E's Bankruptcy Proceeding (I.02-04-026) or Rate Stabilization Proceeding (RSP) (A.00-11-038 et al.). The remaining balance if any, in the memorandum account (e.g., if the El Paso consideration is refunded over a period longer than the ratemaking mechanism adopted in the Bankruptcy or RSP) will be returned to ratepayers through a credit to an authorized balancing account, or other account, in effect at the time.

4. RATES:

This account does not have a rate component.

5. ACCOUNTING PROCEDURE:

PG&E shall maintain the EPSEMA, making entries at the end of each month as follows:

- a. A credit entry equal to the settlement proceeds received from El Paso Natural Gas Company as described in the Purpose section.
- b. A debit entry to transfer all or a portion of the balance in the EPSEMA to a balancing account, or other account, for the benefit of ratepayers, as may be approved by the CPUC.
- c. A credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the entries above, at a rate equal to one-twelfth 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)



TABLE OF CONTENTS
 (Continued)

PRELIMINARY STATEMENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Part CA	Food Service Technology Center Memorandum Account	18781-E
Part CB	DWR/ISO Cost Balancing Account.....	18784-E
Part CC	Real Time Energy Metering Memorandum Account	18307,18308-E
Part CD	Kern Restoration and Operation Memorandum Account.....	18509-E
Part CE	Baseline Balancing Account	18812,18813-E
Part CF	Net Energy Metering Memorandum Account.....	18831-E
Part CJ	Surcharge Amortization Revenue Memorandum Account.....	18937-E
Part CL	Distributed Energy Resources Memorandum Account.....	19042-E
Part CM	Bond Charge Balancing Account (BCBA).....	19555,19556-E
Part CN	Research, Development, and Demonstration Balancing Account.....	19371-E
Part CO	Renewables Balancing Account	19372-E
Part CP	Energy Resource Recovery Account.....	19379,19876-E
Part CQ	Modified Transition Cost Balancing Account	19381-E
Part CR	Common Area Balancing Account.....	19768,19769-E
Part CS	Advanced Metering and Demand Response Account.....	19875-E
Part CY	El Paso Settlement Electric Memorandum Account (EPSEMA)	20985-E

(Continued)



TABLE OF CONTENTS

	<u>CAL P.U.C. SHEET NO.</u>
Title Page	8285-E
Table of Contents:	
Rate Schedules	20987,20806,19873-E
Preliminary Statements	20088,19373,20986-E
Rules, Maps, Contracts and Deviations	20378-E
Sample Forms	19880,20377,20196,19236,18911,19572,19308-E

RATE SCHEDULES

<u>SCHEDULE</u>	<u>TITLE OF SHEET</u>	<u>CAL P.U.C. SHEET NO.</u>
RESIDENTIAL RATES		
E-1	Residential Service	20634,20635,19910,20636,20637-E
E-2	Experimental Residential Time-of-Use Service	19882,20638,20639,20235,19886,19887,20640,20641-E
E-3	Experimental Residential Critical Peak Pricing Service	19890,20642,20643,20240,19894,19895,19896,20644,20645-E
EE	Service to Company Employees	18188-E
EM	Master-Metered Multifamily Service	20646,20647,20648,20649,20650-E
ES	Multifamily Service	20651,20652,19920,20653,20654-E
ESR	Residential RV Park and Residential Marina Service	20655,20656,20657,20658,20659-E
ET	Mobilehome Park Service	20660,20661,19930,20662,20663-E
E-7	Residential Time-of-Use Service	19170,20664,20665,20666,20667-E
E-A7	Experimental Residential Alternate Peak Time-of-Use Service	19172,20668,20669,20670,20671-E
E-8	Residential Seasonal Service Option	20672,20673,20674-E
E-9	Experimental Residential Time-of-Use Service for Low Emission Vehicle Customers	19176,20675,20676,20677,20678,20679,20680,20681-E
EL-1	Residential CARE Program Service	20682,19951,20683,20684-E
EML	Master-Metered Multifamily CARE Program Service	20685,19955,20686,20687-E
ESL	Multifamily CARE Program Service	20688,19959,20689,20690-E
ESRL	Residential RV Park and Residential Marina CARE Program Service	20691,19963,20692,20693-E
ETL	Mobilehome Park CARE Program Service	20694,19967,20695,20696,20697-E
EL-7	Residential CARE Program Time-of-Use Service	19190,20698,19781,20699-E
EL-A7	Experimental Residential CARE Program Alternate Peak Time-of-Use Service	19192,20700,19783,20701-E
EL-8	Residential Seasonal CARE Program Service Option	20702,20703,20704-E
COMMERCIAL/INDUSTRIAL		
A-1	Small General Service	20706,20707,20708,20709-E
A-6	Small General Time-of-Use Service	19790,20710,19791,20711,20712-E
A-10	Medium General Demand-Metered Service	19794,20713,20714,19987,20715,20716,19990-E
A-T	Nondomestic Interruptible Service	11862-E
A-15	Direct-Current General Service	20717,20718-E
E-19	Medium General Demand-Metered Time-of-Use Service	19797,17092,17093,20719,20720,20721,19997,20722,20723,18037,18864,18039,18040,18865,17900,16414,15330,20512,20724,20725,20726,20003,20004,19800,19801,20727,20728,20729,19805,20730,20731-E
E-20	Service to Customers with Maximum Demands of 1,000 Kilowatts or More	19209,17254,20732,20733,20734,20010,20735,19314,20736,18866,18044,18045,18867,15356,16430,15358,20513,20737,20738,20739,20016,20017,16434,16435,16436,20740,20741,17101,20742-E

(Continued)

**PG&E Electric Advice Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Agllet 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
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
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 &
Grueneich 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.
Meyer, Joseph
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