

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



January 26, 2004

Advice Letter 2458-E

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

Subject: Transmission owner rate case – preliminary refund accounting entry for retail electric customers

Dear Ms Smith:

Advice Letter 2458-E is effective December 31, 2003. A copy of the advice letter is returned herewith for your records.

Sincerely,

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

Paul Clanon, Director  
Energy Division



**Pacific Gas and  
Electric Company**

**Karen A. Tomcala**  
Vice President  
Regulatory Relations

77 Beale Street, Room 1065  
San Francisco, CA 94105

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Mail Code B10A  
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December 31, 2003

**Advice 2458-E**  
(Pacific Gas and Electric ID U39E)

Public Utilities Commission of the State of California

**Subject: Transmission Owner Rate Case – Preliminary Refund  
Accounting Entry for Retail Electric Customers (TO3)**

Pacific Gas and Electric Company (PG&E) hereby submits for approval a preliminary Transmission Owner Rate Case Settlement Refund plan for its TO3 case. On August 28, 2003, the Federal Energy Regulatory Commission (FERC) issued its decision in TO3 (Docket No. ER99-2326-000). Since the rate level approved in the decision is lower than the one originally filed and FERC accepted rates in TO3, certain refund obligations have accrued with respect to the originally filed TO3 rates. While certain limited appeals are still pending before FERC, the only effect of these appeals (if granted) would be to further reduce the final TO3 rate level by a modest amount.<sup>1</sup> In Advice 2458-E, PG&E requests that the Commission approve an appropriate entry to PG&E's Transition Revenue Account (TRA) to account for the TO3 refund obligation in an amount corresponding to the rate level authorized by the August 28, 2003, FERC decision (Docket No. ER99-2326-000), because the effective period of the TO3 rates coincided with the AB 1890 rate freeze period.<sup>2</sup> Should the pending appeals be granted by FERC, and the final rate level be further modified, PG&E will submit a subsequent advice letter to account for any differences between the August 28, 2003, decision and the final FERC order.

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<sup>1</sup> Following resolution of the appeals, PG&E will make a final compliance filing at FERC. While it is possible that final action on the appeals may further reduce the final TO3 rate level by a modest amount, there is no possibility that the final rate level will be higher than is described here.

<sup>2</sup> The Company 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, the Company 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.

**Background:**

On March 31, 1999, PG&E filed its third TO rate case in Docket No. ER99-2326-000 (TO3). On May 27, 1999, FERC accepted PG&E's proposed tariff rates for filing, with the rates to become effective on May 31, 1999, subject to refund, suspended them and set them for hearing. On September 1, 1999, PG&E filed its fourth TO rate case in Docket No. ER99-4323-000 (TO4), and on October 27, 1999, FERC accepted PG&E's proposed tariff rates for filing, with the TO4 rates to become effective on April 1, 2000, subject to refund. Thus, the effective period for PG&E's TO3 rates was the ten-month period from May 31, 1999 through April 1, 2000.

On August 28, 2003, FERC issued a final decision in the TO3 case, authorizing an annual retail transmission access revenue requirement of \$329,000,000 for the TO3 record period. This amount is 2.08 percent less than the revenue requirement of \$336,000,000 that PG&E had used to develop its filed rates. Except for the effects of the AB 1890 rate freeze, PG&E would therefore need to refund to all applicable customers the amounts that were collected in excess of the rate level specified in the TO3 decision. Final disposition of the TO3 refund obligation is still pending, however, because FERC has not yet disposed of requests for re-hearing of the August 28, 2003 decision which were filed by three intervenors on or about September 29, 2003.

Because of the effect of the AB 1890 rate freeze, PG&E requests authorization to account for the refunds through an appropriate credit entry to the TRA. The TO3 rates that were originally accepted and made effective by FERC, subject to refund, provided the basis for all of PG&E's TRA entries recording the retail transmission revenues that it received during the TO3 effective period. Because these rates were in effect during the statutory period of the rate freeze, nearly all of PG&E's customers paid frozen rates during this period, regardless of the level of the TO rates. If lower rates corresponding to the August 28, 2003, FERC decision had been in effect during the TO3 record period, customers would still have paid the same total rates, but their contributions to CTC collection would have been larger. Therefore, except for a limited number of CTC-exempt customers, the refund amounts should be recorded as a credit entry to the TRA. A similar procedure was approved by the Commission earlier this year, when it accepted PG&E's Advice 2346-E, submitted on February 18, 2003 to address refund obligations associated with PG&E's TO1 and TO2 rate cases.

PG&E is requesting approval for its preliminary accounting entry now, because it expects the TRA to end prior to final resolution of the pending appeal of the TO3 decision. Should the pending appeals be granted by FERC, a small additional refund would be necessary. Under this circumstance, PG&E would submit a second advice letter to request approval of a plan to account for any remaining residual refund obligation, beyond that associated with the decision that is currently under appeal. However, if (as expected) FERC disposes of the appeal

without modifying the authorized revenue requirement of its August 28, 2003 decision, no further action will be necessary.

PG&E has determined the monthly amounts for the necessary credit entries to the TRA by calculating the amounts that total transmission revenue would have been lower each month under the rates corresponding to the TO3 decision, applying a uniform percentage correction of 2.08 percent to those transmission revenues that it recognized in the TRA during each month of the TO3 record period. This produces total retail transmission revenue adjustments of \$5.455 million (exclusive of interest) for the ten months of the TO3 record period. After accounting for total interest in the amount of \$1.741 million through December 31, 2003, the total credit entry to the TRA would be \$7.195 million. Supporting calculations are provided in Attachment I.

As a result of the final decision in the TO3 case, PG&E will owe refunds to a small group of CTC Exempt customers, because these customers' bills during the TO3 record period would have been lower if the lower TO3 rates had been in effect. These refund amounts will be based on the approved reductions to the original transmission revenue requirements described above (2.08 percent).<sup>3</sup> However, the refunds due to the CTC Exempt customers will not affect the primary credit entry to the TRA, because they will only have the effect of increasing the amounts of the total CTC exemptions received by these customers. The reduction in these customers' TO1 and TO2 record period retail transmission revenues has already been reflected in the calculations provided in Attachment I.

### Protests

Anyone wishing to protest this filing may do so by sending a letter by **January 20, 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, 4<sup>th</sup> Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

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<sup>3</sup> There are approximately 200 such customers who will be owed refunds, based on customer-specific calculations derived from their original TO3 record period billing records. Final refunds in a total amount of approximately \$55,000 are still pending for the TO1/TO2 record period for this group of customers. PG&E estimates the corresponding total amount for the TO3 record period to be approximately \$15,000, and will issue combined refunds (or make appropriate billing adjustments) to settle all of these outstanding refunds from the first three TO record periods as soon as the pending appeal of the TO3 decision is resolved.

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: Director, Regulatory Relations  
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 **December 31, 2003**.

**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 (415) 973-7572. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

*Karen A. Loucaba /sue*

Vice President - Regulatory Relations

Attachments

**Attachment I**

Transition Revenue Account (TRA) - Account 1823097

Pacific Gas and Electric Company  
 Transition Revenue Account (TRA) - Account 1823097  
 Adjustments for Preliminary Final TO3 Rate Level

Line No.	Description	Jun 1999	Jul 1999	Aug 1999	Sep 1999	Oct 1999	Nov 1999	Dec 1999	Jan 2000	Feb 2000	Mar 2000
1	Record Period Transmission Revenues	\$26,265,160	\$30,462,015	\$35,043,020	\$29,707,126	\$31,545,865	\$29,419,734	\$27,467,350	\$12,851,574	\$20,233,778	\$18,839,270
2	Adjustments per Preliminary Final TO3 Rate Level	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%	2.08%
3	Adjustment Dollar Amounts for TRA	\$547,191	\$634,625	\$730,063	\$618,898	\$657,206	\$612,911	\$572,236	\$267,741	\$421,537	\$392,485
	TO3 Record Period Subtotal:										
	Interest (see next page):										
	Grand Total:										

TO3 Record Period Subtotal:

\$5,454,894

Interest (see next page):

\$1,740,513

Grand Total:

\$7,195,406

L = D+K

K = J+K,PREV

J = G+H

I

H

G

F

E

D = C+D,PREV

C

B

A

MONTH	MONTHLY DIFFERENCE (Service Provided) (\$)	MONTHLY DIFFERENCE (Month Accrued) (\$)	TOTAL ACCRUED PRINCIPAL (\$)	FERC ANNUAL INTEREST RATE (%)	No. Days Interest Accrued (Partial Months)	CURRENT INTEREST ON ACCRUED PRINCIPAL (\$)	TOTAL ACCRUED INTEREST FOR COMPOUND INTEREST (\$)	CURRENT INTEREST ON ACCRUED INTEREST (\$)	CURRENT MONTH ACCRUED INTEREST (\$)	TOTAL ACCRUED INTEREST (\$)	TOTAL INTEREST AND PRINCIPAL (\$)
Jan-99	\$0	\$0	\$0	8.17%		\$0	\$0	\$0	\$0	\$0	\$0
Feb-99	\$0	\$0	\$0	8.17%		\$0	\$0	\$0	\$0	\$0	\$0
Mar-99	\$0	\$0	\$0	8.17%		\$0	\$0	\$0	\$0	\$0	\$0
Apr-99	\$0	\$0	\$0	7.75%		\$0	\$0	\$0	\$0	\$0	\$0
May-99	\$547,191	\$547,191	\$547,191	7.75%	15	\$1,751	\$1,751	\$0	\$1,751	\$1,751	\$548,942
Jun-99	\$634,625	\$634,625	\$1,181,816	7.75%	15	\$5,588	\$1,751	\$11	\$5,599	\$7,350	\$1,189,166
Jul-99	\$730,063	\$730,063	\$1,911,879	7.75%	15	\$10,018	\$1,751	\$11	\$10,029	\$17,379	\$1,929,258
Aug-99	\$618,898	\$618,898	\$2,530,778	7.75%	15	\$14,408	\$1,751	\$11	\$14,419	\$31,798	\$2,562,576
Sep-99	\$657,206	\$657,206	\$3,187,983	7.94%	15	\$18,872	\$31,798	\$210	\$19,082	\$50,880	\$3,238,864
Oct-99	\$612,911	\$612,911	\$3,800,894	7.94%	15	\$23,063	\$31,798	\$210	\$23,274	\$74,154	\$3,875,048
Nov-99	\$572,236	\$572,236	\$4,373,131	7.94%	15	\$26,974	\$31,798	\$210	\$27,185	\$101,339	\$4,474,469
Dec-99	\$267,741	\$267,741	\$4,640,872	8.29%	15	\$31,085	\$101,339	\$700	\$31,785	\$133,124	\$4,773,996
Jan-00	\$421,537	\$421,537	\$5,062,409	8.29%	14	\$33,371	\$101,339	\$700	\$34,071	\$167,195	\$5,229,604
Feb-00	\$392,485	\$392,485	\$5,454,894	8.29%	15	\$36,265	\$101,339	\$700	\$36,965	\$204,160	\$5,659,054
Mar-00	\$0	\$0	\$5,454,894	8.58%		\$39,275	\$204,160	\$1,460	\$40,735	\$244,895	\$5,699,789
Apr-00	\$0	\$0	\$5,454,894	8.58%		\$39,275	\$204,160	\$1,460	\$40,735	\$285,630	\$5,740,524
May-00	\$0	\$0	\$5,454,894	8.58%		\$39,275	\$204,160	\$1,460	\$40,735	\$326,365	\$5,781,259
Jun-00	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$326,365	\$2,453	\$43,365	\$369,730	\$5,824,623
Jul-00	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$326,365	\$2,453	\$43,365	\$413,095	\$5,867,988
Aug-00	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$326,365	\$2,453	\$43,365	\$456,460	\$5,911,353
Sep-00	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$46,707	\$503,167	\$5,958,060
Oct-00	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$46,707	\$549,874	\$6,004,768
Nov-00	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$46,707	\$596,581	\$6,051,475
Dec-00	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$46,707	\$644,398	\$6,099,292
Jan-01	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$47,817	\$692,215	\$6,147,108
Feb-01	\$0	\$0	\$5,454,894	9.50%		\$43,094	\$456,460	\$3,614	\$47,817	\$740,031	\$6,194,925
Mar-01	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$740,031	\$5,563	\$46,474	\$786,506	\$6,241,359
Apr-01	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$740,031	\$5,563	\$46,474	\$832,980	\$6,287,873
May-01	\$0	\$0	\$5,454,894	9.02%		\$40,912	\$740,031	\$5,563	\$46,474	\$879,454	\$6,334,348
Jun-01	\$0	\$0	\$5,454,894	7.79%		\$35,457	\$879,454	\$5,709	\$41,166	\$920,820	\$6,375,514
Jul-01	\$0	\$0	\$5,454,894	7.79%		\$35,457	\$879,454	\$5,709	\$41,166	\$961,786	\$6,416,680
Aug-01	\$0	\$0	\$5,454,894	7.79%		\$35,457	\$879,454	\$5,709	\$41,166	\$1,002,952	\$6,457,845
Sep-01	\$0	\$0	\$5,454,894	6.80%		\$31,093	\$1,002,952	\$5,683	\$36,776	\$1,039,728	\$6,494,622
Oct-01	\$0	\$0	\$5,454,894	6.80%		\$31,093	\$1,002,952	\$5,683	\$36,776	\$1,076,504	\$6,531,398
Nov-01	\$0	\$0	\$5,454,894	6.80%		\$31,093	\$1,002,952	\$5,683	\$36,776	\$1,113,281	\$6,568,174
Dec-01	\$0	\$0	\$5,454,894	6.80%		\$31,093	\$1,002,952	\$5,683	\$36,776	\$1,144,151	\$6,599,045
Jan-02	\$0	\$0	\$5,454,894	5.64%		\$25,638	\$1,113,281	\$5,232	\$30,870	\$1,175,022	\$6,629,915
Feb-02	\$0	\$0	\$5,454,894	5.64%		\$25,638	\$1,113,281	\$5,232	\$30,870	\$1,205,892	\$6,660,786
Mar-02	\$0	\$0	\$5,454,894	4.78%		\$21,820	\$1,205,892	\$4,803	\$26,623	\$1,232,515	\$6,687,409
Apr-02	\$0	\$0	\$5,454,894	4.78%		\$21,820	\$1,205,892	\$4,803	\$26,623	\$1,259,138	\$6,714,032
May-02	\$0	\$0	\$5,454,894	4.78%		\$21,820	\$1,205,892	\$4,803	\$26,623	\$1,285,761	\$6,740,655
Jun-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,285,761	\$5,089	\$26,909	\$1,312,670	\$6,767,564
Jul-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,285,761	\$5,089	\$26,909	\$1,339,579	\$6,794,473
Aug-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,285,761	\$5,089	\$26,909	\$1,366,488	\$6,821,382
Sep-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,366,488	\$5,409	\$27,229	\$1,393,717	\$6,848,610
Oct-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,366,488	\$5,409	\$27,229	\$1,420,945	\$6,875,839
Nov-02	\$0	\$0	\$5,454,894	4.75%		\$21,820	\$1,366,488	\$5,409	\$27,229	\$1,448,174	\$6,903,068
Dec-02	\$0	\$0	\$5,454,894	4.62%		\$21,274	\$1,448,174	\$5,575	\$26,850	\$1,475,024	\$6,929,917
Jan-03	\$0	\$0	\$5,454,894	4.62%		\$21,274	\$1,448,174	\$5,575	\$26,850	\$1,501,873	\$6,956,767
Feb-03	\$0	\$0	\$5,454,894	4.62%		\$21,274	\$1,448,174	\$5,575	\$26,850	\$1,528,723	\$6,983,616
Mar-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,528,723	\$5,414	\$24,506	\$1,553,229	\$7,008,123
Apr-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,528,723	\$5,414	\$24,506	\$1,577,735	\$7,032,629
May-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,528,723	\$5,414	\$24,506	\$1,602,242	\$7,057,135
Jun-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,602,242	\$5,675	\$24,767	\$1,627,008	\$7,081,902
Jul-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,602,242	\$5,675	\$24,767	\$1,651,775	\$7,106,669
Aug-03	\$0	\$0	\$5,454,894	4.25%		\$19,092	\$1,602,242	\$5,675	\$24,767	\$1,676,542	\$7,131,436
Sep-03	\$0	\$0	\$5,454,894	4.07%		\$18,547	\$1,676,542	\$5,686	\$24,233	\$1,700,775	\$7,155,668
Oct-03	\$0	\$0	\$5,454,894	4.07%		\$18,547	\$1,676,542	\$5,686	\$24,233	\$1,725,008	\$7,179,901
Nov-03	\$0	\$0	\$5,454,894	4.07%	16	\$9,819	\$1,676,542	\$5,686	\$15,505	\$1,740,513	\$7,195,406
Dec-03	\$0	\$0	\$5,454,894	4.07%		\$9,819	\$1,676,542	\$5,686	\$15,505	\$1,740,513	\$7,195,406

Total Interest Accrued From April 15, 1998 Through December 31, 2003:

\$1,740,513

**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  
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  
Dynergy 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