

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



May 11, 2004

Advice Letter 2486-E

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

Subject: Compliance with Ordering Paragraph 22 in D.04-02-057 – Baseline Balancing Account and
Common Area Balancing Account Undercollection

Dear Ms Smith:

As you have filed a petition to modify Decision 04-02-057, no action is taken on this advice letter. If the petition is approved, PG&E will be exempt from O. P. 22. 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

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March 26, 2004

ADVICE 2486-E
(Pacific Gas & Electric Company ID U39E)

Subject: Compliance with Ordering Paragraph 22 in D.04-02-057 - Baseline Balancing Account (BBA) and Common Area Balancing Account (CABA) Undercollection

Pacific Gas and Electric Company (PG&E) hereby submits for filing its Advice Letter in compliance with Ordering Paragraph 22 of D.04-02-057. No rates or tariff sheets are affected by this filing.

Purpose

The purpose of this Advice Letter is to comply with Ordering Paragraph 22 of D.04-02-057, which provides:

Each electric utility that has a BBA or CABA, except SCE, shall file and serve a compliance advice letter within 30 days of the effective date of this order, with tariff modifications to become effective within 45 days of the effective date of this order, to adjust its non-generation or non-commodity rates to reflect the on-going effect of changes currently being accrued in its BBA and (for PG&E only) CABA and to amortize over 12 months its existing undercollection of non-generation or non-commodity revenue requirements. Generation or commodity rates shall be adjusted so that total rates are unchanged. The advice letters shall become effective after appropriate review by Energy Division.

Background

On the same day the Commission issued D.04-02-057, the Commission also issued D.04-02-062. In D.04-02-062, the Commission approved the "Settlement Agreement with Respect to Allocation and Rate Design Issues Associated with the Decrease in 2004 Revenue Requirement Arising from Approval of the Modified Settlement Agreement in Commission Decision 03-12-035" (Rate Design Settlement Agreement or RDSA). The RDSA and the resulting rate

changes on March 1, 2004, fully address the need to make changes to rates to ensure that further accruals to the Baseline Balancing Account (BBA) (resulting from D.02-04-026) and to the Common Area Balancing Account (CABA) (resulting from D.03-01-037) are no longer necessary.¹ The RDSA (paragraph 5), in part, provides that:

With implementation of the rates proposed in this agreement further accruals to the Baseline Balancing Account ("BBA") resulting from the baseline quantity changes adopted in D.02-04-026 and the Common Area Balancing Account ("CABA") will cease, except for ongoing interest accruals.

Accordingly, no rate changes are required to correct non-generation rates on an on-going basis as envisioned by Ordering Paragraph 22. Ordering Paragraph 22, however, also requires PG&E to "amortize over 12 months its existing undercollection of non-generation or non-commodity revenue requirements. Generation or commodity rates shall be adjusted so that total rates are unchanged." The RDSA (again paragraph 5) approved by D.04-02-062 addresses the historic balances in CABA and BBA as follows:

The treatment of the historic BBA and CABA balances will be addressed in a subsequent proceeding such as Phase 2 of PG&E's 2003 GRC.

Thus, while D.04-02-057 requires an adjustment to non-generation rates immediately to collect the historic undercollection in CABA and the BBA, D.04-02-062 defers this issue to a subsequent proceeding. PG&E proposes to resolve this apparent inconsistency by filing a Petition to Modify D.04-02-057 soon to allow the issue of recovery of historic CABA and BBA balances to be deferred to a future proceeding. Accordingly, PG&E has not included revisions to generation or non-generation rates in this filing. PG&E believes this course of action is appropriate since the proposals for rate recovery in Phase 2 of the Baseline Proceeding were largely considered in the context of the rate freeze, and may not be equally applicable now. In contrast, the provisions of the RDSA were clearly written and approved in the context of current rates that are based on a sum of revenue requirements.

Protests

Anyone wishing to protest this filing may do so by sending a letter by April 15, 2004, which is 20 days from the date of this filing. The protest must state the

¹ Nuclear decommissioning, public purpose program and distribution rates were not changed on March 1, 2004, due to a limitation in billing. Specifically, PG&E could not change these component rates without increasing charges to direct access customers, which the D.04-02-062 did not allow. The decision specifically allows PG&E to change rates for each of these components as a result of a decision in Phase 1 of PG&E's GRC.

grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protest should be mailed to:

IMC Branch Chief - Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests should also be sent by email 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 email 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, CA 94177

Facsimile: (415) 973-7226
E-mail: rxdd@pge.com

Effective Date

PG&E requests that this advice letter become effective after appropriate review by the Energy Division.

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 R. 01-05-047. Address

March 26, 2004

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>

Kevin Tomcala / by DRP
Vice President – Regulatory Relations

Attachments

cc: Service List – R. 01-05-047

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
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Braun & Associates
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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.
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
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Simpson Paper Company
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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