

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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Tel. No. (415) 703-1691



May 6, 2004

Advice Letter 2487-E

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

Subject: 2004 Energy Resource Recovery Account (ERRA), Trigger Amount, In Compliance with Decision
04-01-050

Dear Ms Smith:

Advice Letter 2487-E is effective May 11, 2004. 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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April 1, 2004

**Advice 2487-E
(Pacific Gas and Electric Company ID U39E)**

Public Utilities Commission of the State of California

**Subject: 2004 Energy Resource Recovery Account (ERRA) Trigger
Amount – Compliance with Decision 04-01-050**

Pacific Gas and Electric Company (PG&E) hereby submits its annual ERRA trigger calculation for the year 2004. Decision (D.) 04-01-050 (page 176) directs PG&E to file its 2004 ERRA trigger calculation by Advice Letter no later than April 1, 2004.

Purpose

The purpose of this Advice Letter is to set forth PG&E's 2004 ERRA trigger calculation; that is, the maximum level of overcollection or undercollection in PG&E's ERRA that is allowed under Public Utilities Code (PUC) Section 454.5(d)(3) before triggering a rate change. PG&E asks that the California Public Utilities Commission (Commission) adopt PG&E's 2004 ERRA trigger amount of \$190.9 million.

PUC Section 454.5(d)(3) requires the Commission to adopt a ratemaking mechanism that ensures timely recovery of procurement costs and that requires rate adjustments and prompt amortizations of overcollections or undercollections of procurement costs. Specifically, Section 454.5(d) states:

A procurement plan approved by the commission shall accomplish each of the following objectives:

(3) Ensure timely recovery of prospective procurement costs incurred pursuant to an approved procurement plan. The commission shall establish rates based on forecasts of

procurement costs adopted by the commission, actual procurement costs incurred, or combination thereof, as determined by the commission. The commission shall establish power procurement balancing accounts to track the differences between recorded revenues and costs incurred pursuant to an approved procurement plan. The commission shall review the power procurement balancing accounts, not less than semiannually, and shall adjust rates or order refunds, as necessary, to promptly amortize a balancing account, according to a schedule determined by the commission. **Until January 1, 2006, the commission shall ensure that any overcollection or undercollection in the power procurement balancing account does not exceed 5 percent of the electrical corporation's actual recorded generation revenues for the prior calendar year excluding revenues collected for the Department of Water Resources.** The commission shall determine the schedule for amortizing the overcollection or undercollection in the balancing account to ensure that the 5 percent threshold is not exceeded. After January 1, 2006, this adjustment shall occur when deemed appropriate by the commission consistent with the objectives of this section. (Emphasis added.)

In PG&E's 2003 ERRA forecast application (A.03-02-002), PG&E proposed that its annual ERRA trigger amount be calculated based on PG&E's total generation revenues for the preceding year less revenues collected for DWR in the preceding year, multiplied by 5 percent. PG&E's proposed methodology was approved by the Commission in D.03-10-059. Using that same methodology, PG&E's 2004 ERRA trigger amount is approximately \$190.9 million. The attached table provides the monthly detail supporting this calculation.

Conclusion

PG&E asks that the Commission adopt \$190.9 million as the maximum level of overcollection or undercollection that can accrue in the ERRA in 2004 before triggering a rate change. PG&E asks that this 2004 trigger amount remain in effect until the Commission adopts the 2005 trigger amount, to be submitted by Advice Letter no later than April 1, 2005.

Protest:

Anyone wishing to protest this filing may do so by sending a letter by **April 21, 2004**, which is 20 days from the date of filing. The protest should be 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 K. 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

In compliance with D. 04-01-050, PG&E requests that Advice 2487-E be effective on **May 11, 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 parties for Rulemaking (R.) 01-10-024 and Application (A.) 03-08-004. 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 D. Domcalo /s/
Vice President - Regulatory Relations

cc: R. 01-10-024, A.03-08-004

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
21530-E	Electric Preliminary Statement CP – Energy Resource Recovery Account (ERRA)	20861-E
	Electric Preliminary Statement CP (Continued)	20862-E
21531-E	Table of Contents – Preliminary Statements (Continued)	21474-E
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PRELIMINARY STATEMENT

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

- 1. PURPOSE: The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), bilateral contracts, forward hedges, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run revenues (RMR), PG&E's allocation of surplus sales revenues and the ERRA revenue requirement.

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the Department of Water Resources.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (O.P. 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues including surcharge revenues used as authorized in Decision 02-11-026 for utility retained generation and power procurement costs incurred during that year, less revenues collected for DWR during that year. An ERRA Trigger Application for overcollections will not be filed until the ERRA has been in operation for a full twelve months. (T)

The ERRA annual revenue requirement for 2003 is \$1,373 million.

- 2. APPLICABILITY: The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
- 3. REVISION DATES: The revision dates applicable to the ERRA in 2003 shall be the (i) February 1 and August 1 filing dates established in Decision 02-12-074, and (ii) as determined in Section 1 above in the case of an ERRA Trigger Application. (T)

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year (ii) the reasonableness review in February 2005, and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year. (N)

- 4. RATES: The ERRA currently does not have a rate component.
- 5. ACCOUNTING PROCEDURES: The CPUC-jurisdictional portion of all entries shall be made at the end of each month as follows:
 - a) A credit entry equal to the authorized monthly ERRA revenue requirement;
 - b) A credit entry equal to RMR and ancillary services revenues from PG&E-owned generation facilities;
 - c) A credit entry equal to surplus sales revenues allocated to PG&E per the Operating Agreement between PG&E and the DWR, if applicable;
 - d) A debit entry equal to the amount paid for ISO-related charges;



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Part CD	Kern Restoration and Operation Memorandum Account	18509-E
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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
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
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
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Tabors Caramanis & Associates
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Tecogen, Inc
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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