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

May 26, 2004

Advice 2512-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

<u>**Subject:**</u> **Elimination of Regulatory Accounts Pursuant to Resolution E-3862 (Settlement Agreement Adopted in Decision 03-12-035)**

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.

Purpose

This filing is made pursuant to Resolution E-3862, which approved, with modifications, PG&E's proposed tariff changes filed in Advice 2510-G/2460-E and 2460-E-A – Implementation of the Ratemaking Provisions Supporting the Settlement Agreement Adopted in Decision (D.) 03-12-035.

In Advice 2510-G/2460-E and 2460-E-A, PG&E proposed to establish, modify, and eliminate numerous regulatory accounts that were no longer necessary as a result of the MSA. Resolution E-3862 found the proposed tariff revisions reasonable except for the elimination of electric Preliminary Statement Part AA - *Electric Deferred Refund Account*, and Part CH - *Utility Retained Generation Income Tax Memorandum Account*. Resolution E-3862 further ordered PG&E to file a compliance advice letter to delete the regulatory accounts approved for such action by the resolution. PG&E hereby provides copies of the deleted tariff sheets in compliance with Resolution E-3862, in Attachment II.

Effective Date

Pursuant to the terms of the Settlement Plan, PG&E requests that this advice filing become effective **January 1, 2004**.

Protests

Anyone wishing to protest this filing should do so by sending a letter via postal mail <u>and</u> facsimile by **June 15, 2004,** which is 20 days after 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, Room 4002
San Francisco, California 94102

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

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Brian K. Cherry
Director, Regulatory Relations
Pacific Gas and Electric Company
P.O. Box 770000 Mail Code B10C
San Francisco, California 94177

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

The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest.

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 to parties on the list for Investigation (I.) 02-04-026. Address changes should be directed to Sharon Tatai (415) 973-2788. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs

Karen A. Tomcala /TSN

Vice President - Regulatory Relations

Attachments

cc: Service List – I. 02-04-026

REVISED

Attachment 1
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Cal P.U.C Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
Deleted	Preliminary Statement Part F - Helms Adjustment Account (HAA)	11995-E
Deleted	Preliminary Statement Part N - Transition Revenue Account (TRA)	20485, 20486, 20980, 20488-E
Deleted	Preliminary Statement Part V - Arbitration Memorandum Account (AMA)	13360-E
Deleted	Preliminary Statement Part W - Interruptible Load Curtailment Penalty Memorandum Account (ILCPMA)	17896-E
Deleted	Preliminary Statement Part AC - Power Exchange Memorandum Account (PXMA)	14260-E
Deleted	Preliminary Statement Part AF - Block-Forward Market Memorandum Account (BFMMA)	17028-E
Deleted	Preliminary Statement Part AG - Competition Transition Charge Exemptions Memorandum Account	14277, 14278-E
Deleted	Preliminary Statement Part AM - Emergency Procurement Surcharge Memorandum Account (EPSMA)	19378-E
Deleted	Preliminary Statement Part AQ - Reduced Return on Equity Memorandum Account (RROEMA)	14449-E
Deleted	Preliminary Statement Part AV - Transition Cost Balancing Account (TCBA)	20489 through 20493, 20981, 20495, 20496, 20497, 20498, 20499-E
Deleted	Preliminary Statement Part AW - Rate Group Transition Cost Obligation Memorandum Account (RGTCOMA)	16635, 15005, 18715, 18716-E
Deleted	Preliminary Statement Part BD – PU Code Section 381(d)-Renewable Program Costs Tracking Account	15018-E
Deleted	Preliminary Statement Part BP - PX Credit Audit Memorandum Account (PXCAMA)	16647-E

Cal P.U.C Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
Deleted	Preliminary Statement Part BS - Schedule E-BID Memorandum Account (E-BIDMA)	16991, 16992-E
Deleted	Preliminary Statement Part BW - Power Exchange Bilateral Option Memorandum Account (PXBOMA)	17843-E
Deleted	Preliminary Statement Part CJ - Surcharge Amortization Revenue Memorandum Account (SARMA)	18937-E
21630-E	Table of Contents (Cont'd.) – Preliminary Statements	21126-E
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RATE SCHEDULES

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Attachment II

PRELIMINARY STATEMENT (Continued) (L)

F. HELMS ADJUSTMENT

1. PURPOSE: The purpose of the Helms Adjustment is to reflect in rates the cost of owning, operating, and maintaining the Helms Pumped Storage Project.

2. APPLICABILITY: The Helms Adjustment shall apply to all rate schedules and contracts for electric service subject to the jurisdiction of the Commission.

3. HELMS ADJUSTMENT ACCOUNT: Beginning July 5, 1984, PG&E shall maintain a Helms Adjustment Account to which the following entries shall be made each month: (T)

   a. A debit entry of $8,702,000 to reflect the estimated cost of owning, operating, and maintaining the Helms Pumped Storage Project. Effective January 1, 1985, the debit entry shall be $10,203,000. This amount shall be adjusted for a partial month, if necessary.

   b. A credit entry equal to the product of PG&E's current as-available capacity prices per kWh applicable to purchases from qualifying facilities and the kilowatt-hours generated. (T) (T)

   c. A credit entry equal to the sum of the products of the daily average on-peak incremental generation cost per kWh and the kilowatthours generated daily. (T)

   d. A debit entry equal to the sum of the products of the daily average off-peak incremental generation cost per kWh and the kilowatt-hours consumed daily for pumping. (T)

   e. A debit or credit entry equal to interest on the average of the account balance at the beginning of the month and the account balance after entries a. through d., at a rate equal to 1/12 the interest rate on three-month Commercial Paper for the previous month as published in the Federal Reserve Statistical Release, G.13, or its successor.

   The kilowatt-hours used for entries in b. through d. shall be prorated using the jurisdictional allocation factor applicable to the current month's entry to the PG&E's Energy Cost Adjustment Account. (T) (T)

   A debit entry equal to the sum of 3.b. through 3.d. shall be made each month to the PG&E's Energy Cost Adjustment Account. (T) (T)

4. REVISION:

   a. The balance in the Helms Adjustment Account shall be adjusted, if necessary, to reflect the costs of owning, operating, and maintaining the Helms Pumped Storage Project that are found to be just and reasonable by the Commission.

   b. Effective January 1 of the year following a decision in PG&E's next General Rate Case, or at an earlier date as the Commission may direct, PG&E shall discontinue the entries to the Helms Adjustment Account as described in 3.a. through 3.d. Subject to the Commission's authorization, any remaining balance shall be transferred to PG&E's Energy Cost Adjustment Account. (T) (T) (T) (L)

   c. Pursuant to D.85-08-012, Part F.4.b. is in effect and the entries described in 3.a. through 3.d. above were discontinued effective September 1, 1985. The balance in the Helms Adjustment Account, accrued pursuant to D.84-07-070 when the Helms units were out of service from September 30, 1984 through April 30, 1985, shall remain in place pending a Commission decision on an application for recovery by PG&E. (N) (N)

PRELIMINARY STATEMENT

N. TRANSITION REVENUE ACCOUNT (TRA)

1. PURPOSE: The purpose of the Transition Revenue Account (TRA) is to match the amount of billed revenues against the amount of the separated revenue requirement and Commission-approved obligations. This matching process facilitates determination of billed Competition Transition Charge (CTC) revenues, which will be transferred to the Transition Cost Balancing Account (TCBA). Separated revenue requirement consists of transmission, distribution, public purpose programs, and nuclear decommissioning. Commission-approved obligations include the costs associated with the Consumer Education Program (CEP) and the Electric Education Trust (EET) funded by PG&E, pursuant to Decision 99-05-031 (Finding Of Fact 6; Conclusion Of Law 16). PG&E's costs associated with CEP and EET, up to the amount authorized for PG&E by the CPUC, are recorded in the TRA. Further, pursuant to Decision 02 12-074, the Energy Resource Recovery Account (ERRA) (electric Preliminary Statement Part CP) authorized monthly revenue requirements credited to the ERRA are debited to the TRA and ongoing Department of Water Resources (DWR) obligations and generation costs excluding costs recorded in ERRA, are recorded in the TRA. The purpose of the TRA is also to ensure dollar-for-dollar recovery of the Department of Water Resources (DWR) obligations, distribution, nuclear decommissioning, public purpose program costs, costs related to the CEP and EET and other approved costs. The TRA will be in effect until the Commission determines the date when the rate freeze should have ended. (T) | | (T) (T)

2. APPLICABILITY: This TRA provision applies to all bills for service under all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those specifically excluded by the Commission.

3. TRA SEPARATED REVENUE REQUIREMENT AMOUNTS: Beginning January 1, 1999, the TRA Separated Revenue Requirement Amounts for Distribution, Public Purpose Programs, and Nuclear Decommissioning shall reflect the 1999 General Rate Case (GRC) decision as adopted in Decision (D) 00-02-046, and any other changes that are authorized by the Commission.

4. REVISIONS: The TRA Separated Revenue Requirement Amounts are revised annually on January 1, or as authorized by the Commission in a future Revenue Adjustment Proceeding (RAP).

5. ACCOUNTING PROCEDURE: PG&E shall maintain the TRA by making entries to this account at the end of each month as follows:

(L)

a. A credit entry equal to the amount of total recorded CPUC jurisdictional revenue from the sale and/or delivery of electricity during the month; (T)

b. A debit entry equal to the obligations to the DWR excluding Bond Charges; (T) (L)

c. A debit entry equal to the obligations to the DWR for Bond Charges; (T) (L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

N. TRANSITION REVENUE ACCOUNT (TRA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.):

d. A debit entry equal to the recorded revenue for the period from residential and small commercial customers from the Fixed Transition Amount (FTA) charge, as provided for in Decision 97-09-055 and defined in electric Preliminary Statement AS-Fixed Transition Amount charge; (T) (L)

(D)

e. On and after the date the Commission or its delegate declares to be the start date for direct access, a debit entry equal to the Transmission TRA Separated Revenues, based upon rates approved by the Federal Energy Regulatory Commission (FERC); (T)

f. A debit entry equal to the annual applicable Distribution TRA Separated Revenue Requirement Amount divided by twelve; (T)

g. A debit entry equal to the annual applicable Nuclear Decommissioning TRA Separated Revenue Requirement Amount divided by twelve; (T)

h. A debit entry equal to the annual applicable Public Purpose Programs TRA Separated Revenue Requirement Amount divided by twelve; (T)

(D)

i. A debit entry equal to the costs associated with CEP and EET funded by PG&E, up to the amount authorized for PG&E by the CPUC;

j. A debit entry equal to the recorded incentives paid to customers for avoided power purchases during the period between June 1, 2000, and December 31, 2000, as provided for under electric Rate Schedule E-BID;

k. A credit entry equal to the recorded amount of revenue cycle services credits given to customers for revenue cycle services provided by entities other than PG&E;

l. A credit entry equal to the amount of Shareholder Participation, as defined in Section 6 below;

(D)

(Continued)

PRELIMINARY STATEMENT
(Continued)

N. TRANSITION REVENUE ACCOUNT (TRA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.):

m. An entry equal to the costs of Electric Energy Transactions Administration;

n. An entry equal to the balance in the Utility Generation Balancing Account (UGBA) (electric Preliminary Statement Part CG);

o. A debit or credit entry equal to the balance in the DWR/ISO Cost Balancing Account (DWR/ISO BA) (electric Preliminary Statement Part CB);

p. A debit entry equal to and offsetting the authorized monthly Energy Resource Recovery Account (ERRA) revenue requirement recorded in the ERRA (electric Preliminary Statement Part CP);

q. One-time entries to record the costs associated with implementing the 2002 Utility Retained Generation (URG) revenue requirement pursuant to D.02-04-016, the accounting changes (T) adopted in D.01-03-082, and in accordance with the balancing accounts established by (T) Resolution E-3822:

1) Credit the retained generation costs recorded in 2001 and 2002.

2) Debit 2002 Electric Energy Transactions Administration costs.

3) Credit the DWR/ISO Balancing Account costs recorded in 2002.

4) Debit 2002 UGBA-related costs.

5) Credit Diablo Canyon Independent Safety Committee costs recorded in 2002.

6) Credit the overcollected Generation Memorandum Accounts' monthly balances from (N) 1998 through 2000. (N)

7) Credit to reverse interest recorded in 1998 through 2002.

r. A debt or credit entry to transfer the balance in the TRA to the Transition Cost Balancing (T) Account (TCBA) (electric Preliminary Statement AV). (T)

(D)

(Continued)

PRELIMINARY STATEMENT
(Continued)

N. TRANSITION REVENUE ACCOUNT (TRA) (Cont'd.)

6. SHAREHOLDER PARTICIPATION: PG&E's shareholders bear some responsibility for economic risks and rewards associated with, but not limited to, Commission-approved economic discounts and credits to certain PG&E customers. This section ensures that ratepayers will not assume shareholders' obligations.

   Shareholder Participation will be calculated monthly as the sum of the following:

   a. The actual amount of the Economic Stimulus Rate discount in accordance with Decision 94-12-047. The actual amount of the discount is equal to the product of the number of kilowatt-hours sold to eligible customers and $0.00432.

   b. The amount of the Shareholder Participation Mechanism for the USS-POSCO Inc. contract approved by the Commission in Decision 94-11-023.

   c. The amount of the Shareholder Participation Mechanism for the Business Attraction Agreements, Business Expansion and Retention Agreements, and Cogeneration Deferral Agreements approved by the Commission in Decision 95-10-033.

   d. The amount of the Shareholder Participation Mechanism for Schedules E-TD, E-TDI, and AG-8 approved by the Commission in Decision 97-09-047. This amount is subject to future recovery in rates upon the Commission's final resolution of the issue of discounting policies.

   e. The amount of the Shareholder Participation Mechanism for Schedule ED, in accordance with Resolution E-3654.

PRELIMINARY STATEMENT (N)

(Continued)

V. ARBITRATION MEMORANDUM ACCOUNT (AMA)

1. PURPOSE: The purpose of the Arbitration Memorandum Account (AMA) is to record and track all expenditures PG&E incur's in connection with the arbitration process to deal with challenges to the auction results in the Final Standard Offer 4 (FSO4) solicitation, authorized by Decision 93-12-018, dated December 3, 1993.

PG&E shall record expenses designated for arbitration, including, but not limited to, travel, housing and compensable hours. The recorded entries include but are not limited to, the date, name of the arbitrator, the reason for the expense and the amount of the expense. Expenses related to wheeling and non-wheeling arbitrations will be separately accounted for.

PG&E shall also record all sums recovered from losing claimants. These entries include, but are not limited to, the date, name of the claimant and the amount of the recovery.

PG&E will calculate the amount of arbitration expenses that were not offset by the recovered sums. This is the amount to be recovered in rates. All entries made into the AMA are subject to Commission reasonableness review.

2. APPLICABILITY: The AMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. AMA RATES: The AMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE: PG&E shall maintain the AMA by making entries at the end of each month as follows:

   a. A debit entry equal to the difference between expenses and recovered sums.

   b. A debit entry at the end of each month equal to the interest on the average of the balance at the beginning of the month and the balance at the end of the month, after entry 4.a above, at a rate equal to one-twelfth the interest rate on the three-month Commercial Paper for the previous month as reported in the Federal Reserve Statistical Release, G.13, or its successor. (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

W. INTERRUPTIBLE LOAD CURTAILMENT PENALTY MEMORANDUM ACCOUNT (ILCPMA) (N)

1. PURPOSE: The purpose of the ILCPMA is to track all noncompliance penalties paid and due under PG&E's interruptible tariffs for applicable non-firm service customers failing to curtail the use of electricity when PG&E requested them to do so during the period of October 1, 2000, through January 25, 2001, as established in Decision (D.) 01-01-056 (Interim Opinion in Rulemaking 00-10-002). A deviation was also authorized for two public utility pipeline companies (SFPP, Inc., and GATX) to track their noncompliance penalties for the period of October 1, 2000, through January 18, 2001. (N)

2. APPLICABILITY: The ILCPMA shall apply to all non-firm service customers under Schedules E-19 and E-20 who failed to curtail the use of electricity when PG&E requested them to do so during the applicable time period.

3. REVISION DATE: Disposition of amounts in this account shall be determined in the proceeding addressing the reassessment of the interruptible program, pursuant to D.01-01-056.

4. RATE: This memorandum account does not currently have a rate component.

5. ACCOUNTING PROCEDURE: PG&E shall maintain the ILCPMA by making entries at the end of each month to track the noncompliance penalties for applicable customers and time periods as follows:

   a. A credit entry equal to all noncompliance penalties already billed and paid.

   b. A debit entry equal to all outstanding noncompliance penalties already billed but not yet paid.

   c. A credit entry equal to all noncompliance penalties yet to be billed.

   d. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G. 13 or its successor. (N)

(Continued)

PRELIMINARY STATEMENT (Continued)

AC. POWER EXCHANGE MEMORANDUM ACCOUNT (PXMA)

1. PURPOSE: The purpose of the PXMA is to: 1) record all costs incurred by PG&E on or after July 17, 1996, which have been rejected for recovery in federal rates by the Federal Energy Regulatory Commission (FERC) associated with the development of the Power Exchange (PX), which is being established in accordance with Decision 95-12-063, as modified by Decision 96-01-009, Resolution E-3459 and Decision 96-08-038, as modified by Public Utilities Code Section 361, and 2) record any liability which may arise as a result of PG&E's guarantee of the loans on behalf of the PX Trust. Costs recorded in the PXMA shall exclude any PG&E labor and labor associated expenses. (T)

   PG&E's costs associated with PX development shall only be recorded in the PXMA after such time as FERC has rejected recovery in PX rates.

2. APPLICABILITY: The PXMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. PXMA RATES: The PXMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE: PG&E shall maintain the PXMA by making entries at the end of each month as follows:

   a. A debit entry equal to PG&E's recorded costs associated with PX development which have been rejected by FERC for recovery in PX rates.

   b. A debit entry equal to any liability recorded by PG&E which arises as a result of PG&E's guarantee of the loans on behalf of the PX Trust, which shall include all funds advanced to the PX from the Trust without condition, and without regards to whether funds are expended by the Trustee for work within the scope of the Trust, or at the request of the PX board. (T) | (T)

   c. A credit entry equal to any funds received from the PX Trust or FERC rates for repayment of costs recorded in Item 4.b above.

   d. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 4.a, 4.b and 4.c, 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, G.13 or its successor.

PG&E may request recovery of the balance in the PXMA after 1998 pursuant to Decision 96-08-038.

PRELIMINARY STATEMENT
(Continued)

AF. BLOCK-FORWARD MARKET MEMORANDUM ACCOUNT (BFMMA) (N)

1. PURPOSE: The purpose of the BFMMA is to record costs incurred by PG&E to participate in the Power Exchange's (PX's) Block-Forward Market that are not billed to PG&E by the PX or the Independent System Operator (ISO). These costs include, but are not limited to: credit and collateral costs including surety bond fees, cash collateral account financing costs, other fees associated with credit and collateral costs, and other costs directly resulting from PX requirements to participate in the Block-Forward Market.

2. APPLICABILITY: The BFMMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. BFMMA RATES: The BFMMA does not have a rate component.

4. ACCOUNTING PROCEDURE: PG&E shall maintain the BFMMA by making entries at the end of each month as follows:

   a. A debit entry for monthly financing costs associated with maintaining the cash collateral account equal to the average monthly balance in the cash collateral account multiplied by one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

   b. A credit entry equal to monthly interest earned on the cash collateral account.

   c. A debit entry equal to fees associated with opening, maintaining or transacting in the cash collateral account.

   d. A debit entry equal to letter of credit fees.

   e. A debit entry equal to surety bond fees.

   f. A debit entry equal to other costs directly resulting from PX requirements to participate in the Block-Forward Market. These shall not include any costs associated with legal counsel, consultants, or advisors.

   g. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 4.a. through 4.f. 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, G. 13 or its successor.

   PG&E shall request recovery of the balance in the BFMMA in the annual Revenue Adjustment Proceeding (RAP), or other proceeding expressly authorized by the Commission. Amounts authorized by the Commission in the RAP shall be included in the PX credit calculation. (N)

PRELIMINARY STATEMENT
(Continued)

AG. COMPETITION TRANSITION CHARGE EXEMPTIONS MEMORANDUM ACCOUNT (CTCEMA) (N)

1. PURPOSE: The purpose of the CTCEMA is to record, retroactive to December 20, 1995, the Competition Transition Charge (CTC) costs that would have been recovered if not for exemptions set forth in Assembly Bill (AB) 1890. These exempted CTC costs can be recovered from other customers subject to the requirements outlined in AB 1890. This account is being established in accordance with Decision 96-12-077.

2. APPLICABILITY: The CTCEMA shall apply to all customer classes, except for those specifically excluded by the Commission or AB 1890.

3. CTCEMA RATES: The CTCEMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE: The CTCEMA consists of the following four subaccounts:

The Residential and Small Commercial[1] Customer Irrigation Districts[2] Subaccount records exempted CTC costs for Irrigation Districts that would have been recovered from Residential and Small Commercial customers.

The Residential and Small Commercial Non-Irrigation District[3] Subaccount records exempted CTC costs from other than Irrigation Districts that would have been recovered from Residential and Small Commercial customers.

The Large Customer Irrigation Districts Subaccount records exempted CTC costs for Irrigation Districts that would have been recovered from customers other than Residential and Small Commercial.

The Large Customer Non-Irrigation District[4] Subaccount records exempted CTC costs from other than Irrigation Districts that would have been recovered from customers other than Residential and Small Commercial.

PG&E shall maintain this CTCEMA by making entries to each subaccount as follows:

a. Residential and Small Commercial Customer Irrigation Districts Subaccount

1) A debit entry equal to the amount of CTC costs that would have been recovered from residential and small commercial customers but were exempted based on the Irrigation Districts exemptions.

2) A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.a.1, 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, G.13 or its successor. (N)

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1 Small Commercial customers are defined in AB 1890 as customers that have a maximum peak demand of less than 20 kilowatts.

2 Includes approximately 70 MW of load served by irrigation districts within PG&E's boundary, or within San Joaquin or Stanislaus counties; 75 MW of load served by Merced Irrigation District; and South San Joaquin Valley Power Authority pumping loads as defined in AB 1890.

3 Includes congenerating and self-generating loads, as defined in AB 1890.

4 Includes congenerating and self-generating loads and University of California at Davis loads, as defined in AB 1890.

(Continued)

PRELIMINARY STATEMENT
(Continued)

AG. COMPETITION TRANSITION CHARGE EXEMPTIONS MEMORANDUM ACCOUNT (CTCEMA) (Cont'd.) (N)

4. ACCOUNTING PROCEDURE: (Cont'd.)

b. Residential and Small Commercial Customer Non-Irrigation District Subaccount

1) A debit entry equal to the amount of CTC costs that would have been recovered from residential and small commercial customers but were exempted for other than Irrigation District exemptions.

2) A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.b.1, 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, G.13 or its successor.

c. Large Customer Irrigation Districts Subaccount

1) A debit entry equal to the amount of CTC costs that would have been recovered from customers other than residential and small commercial customers but were exempted based on the Irrigation Districts exemptions.

2) A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.c.1, 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, G.13 or its successor.

d. Large Customer Non-Irrigation District Subaccount

1) A debit entry equal to the amount of CTC costs that would have been recovered from customers other than residential and small commercial customers but were exempted for other than Irrigation District exemptions.

2) A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.d.1, 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, G.13 or its successor.

The amount of CTC costs recorded in Items 4.a.1, 4.b.1, 4.c.1, and 4.d.1 for the period before January 1, 1998, will be equal to the product of each exempt customer's average monthly bill and the ICTC multiplier of 39.20 percent, where the average monthly bill is based on the customer's average demand and energy usage over the 12-month period prior to the customer's submission of notice of claim of exemption, and the rates in effect as of January 1, 1996. Beginning on January 1, 1998, or at such time as the Commission adopts a final CTC methodology for all customers, the calculation will be applied based on the final CTC multiplier or rate that is then applicable for service under the customer's pre-departure rate schedule and service options. These calculations are subject to true-up calculations in Section 6 of Preliminary Statement Part AF--Interim Competition Transition Charge Procedure.

PG&E will use the CTCEMA to assure that the firewall provision in AB 1890 is correctly adhered to in the collection of CTCs. In addition, the Non-Irrigation Districts subaccounts can not be collected after the year 2001, and the Irrigation Districts subaccounts must be collected by March 31, 2002.

PG&E may request recovery of the balance in the CTCEMA subaccounts by separate application to the Commission, or by any other means deemed appropriate by the Commission. (N)

PRELIMINARY STATEMENT
(Continued)

AM. EMERGENCY PROCUREMENT SURCHARGE MEMORANDUM ACCOUNT (EPSMA)

1. PURPOSE: The purpose of EPSMA is to track the Emergency Procurement Surcharge (EPS) established in Decision 01-01-018 and the Generation Surcharge adopted in Decision 01-03-082. (T) (T) (D)

2. APPLICABILITY: The EPSMA shall apply to all electric customers except for those customers eligible for the California Alternative Rates for Energy (CARE) program, and customers on electric Rate Schedule E-DEPART. (T)

3. REVISION DATE: Disposition of amounts in this account shall be determined in a proceeding authorized by the Commission.

4. RATE: The EPSMA rate is set forth in electric Rate Schedule E-EPS. (T)

5. ACCOUNTING PROCEDURE: The following entries shall be made each month: (T) (D)

   a. A credit entry equal to the EPS revenues received from the customer class during the month.

   b. A credit entry equal to the three-cent surcharge revenues received from the customer class during the month, excluding the half-cent catch-up surcharge tracked in the Surcharge Amortization Revenue Memorandum Account (SARMA) (electric Preliminary Statement Part CJ). (T) | | (T) (D)

   c. 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. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AQ. REDUCED RETURN ON EQUITY MEMORANDUM ACCOUNT (RROEMA)

1. PURPOSE: The purpose of the RROEMA is to record the difference in authorized revenue requirements stemming from the difference in the return on equity adopted in Decision 96-11-060, and the reduced return on equity adopted in Decision 95-12-063, as modified by Decision 96-01-009, and affirmed in Decision 96-12-088, and applied to the investment related assets for which PG&E is seeking eligibility for transition cost recovery. PG&E's 1995 authorized cost of debt shall be used for calculating the reduced return on equity, as established in Decision 96-04-059. The RROEMA is established pursuant to Decision 97-07-059. (N)

2. APPLICABILITY: The RROEMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. RROEMA RATES: The RROEMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE: Commencing on the effective date, July 28, 1997, PG&E shall maintain the RROEMA by making entries at the end of each month as follows:

   a. A credit entry equal to difference in the authorized revenue requirement attributable to the difference in the adopted reduced return on equity versus the 1997 adopted return on equity applied to investment-related assets for which PG&E is seeking eligibility for transition cost recovery.

   b. A credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.a, 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, G.13 or its successor.

Entries to the RROEMA shall cease, except for accrued interest, upon the commencement of accelerated recovery of the investment-related assets for which PG&E is seeking eligibility for transition cost recovery. (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA)

1. PURPOSE

The purpose of the Transition Cost Balancing Account (TCBA) is to track all CTC revenues and CTC-eligible generation-related costs as well as track Commission-approved costs that result from the implementation of Electric Industry Restructuring (EIR) and any other costs or revenues ordered by this Commission. The TCBA allows PG&E to track the recovery of its current transition costs. The TCBA consists of CTC revenues and other credits that will be used to recover the Post 2001-Eligible Costs Section. (T) (D)

2. DEFINITIONS

a. Assembly Bill (AB) 1890: Electric industry restructuring legislation passed by the state legislature on August 31, 1996, and signed by the Governor of the State of California on September 23, 1996. (Statutes 1996, Ch. 854, codified in a number of sections of the Public Utilities Code, including 330-397, 840-847, 9600-9606.)

b. California Public Utilities Commission (CPUC or Commission): The state agency that regulates the rates and services of natural gas, electric, water, steam, pipeline, sewer, telephone, cellular and radio telephone, and telegraph utilities as well as railroad, moving and privately owned bus companies.

c. Competition Transition Charge (CTC): A non-bypassable charge set to recover from all customers the uneconomic costs of PG&E's generation-related assets and obligations, as defined by Public Utilities (PU) Code Sections 367, 368, 369, 375 and 376.

(D)

d. Federal Energy Regulatory Commission (FERC): An independent federal regulatory agency which administers federal laws and regulations governing energy issues, including the interstate sale and transportation of natural gas, interstate electric power transmission and the sale of electric power for resale, and the licensing of hydroelectric projects. (T)

e. Fixed Transition Amount (FTA): Non-bypassable rates and other charges that are authorized by the CPUC Financing Order Decision 97-09-055 to recover Financed Transition Costs and the costs of providing, recovering, financing or refinancing the costs of issuing, servicing and retiring Rate Reduction Bonds (RRBs). (PU Code Section 840(d)) (T)

f. Financed Transition Costs: The portion of transition costs that electric utilities will recover through the issuance of RRBs. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

2. DEFINITIONS (Cont'd.)

g. Fixed Transition Amount (FTA) Charge: Component of the residential and small commercial customer rate which represents payment of the FTA. The FTA charge will be cents-per-kilowatt hour charge based on usage. (T)

h. Franchise Fees and Uncollectible (FF&U) Accounts: FF&U accounts expense shall be included at the rate derived from PG&E's most recent general rate case (GRC) decision issued by the Commission. (T)

i. Independent System Operator (ISO): A non-profit corporation organized under the Non-profit Public Benefit Corporation Law, which ensures efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Reliability Council. (PU Code Section 345) (T)

j. Interest Rate: Unless otherwise noted, the monthly interest rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month as published in the Federal Reserve Statistical Release, H.15. If publication of the interest rate on three-month Commercial Paper is discontinued, the interest rate will be equal to one-twelfth of the previous month's interest rate on Commercial Paper which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication. (T) (T) (T)

k. Jurisdictional Split: The computation used to divide the electric revenue requirement between the service provided to customers under FERC jurisdiction and the service provided to customers under the CPUC jurisdiction, as specified in PG&E's most recent GRC decision. (T)

(D)

l. Preferred Policy Decision: CPUC Decision 95-12-063 as modified by Decision 96-01-009. (T)

(D)

m. Rate Freeze: Rates may not increase for any rate schedule, contract, or tariff option above the levels in effect on June 10, 1996. Residential and small commercial customer rates will be reduced by 10 percent due to Rate Reduction Bonds. The rate freeze shall remain in effect until the earlier of March 31, 2002, or the date on which the CPUC authorized costs for utility generation-related assets and obligations have been fully recovered. (PU Code Sections 367, 368) (T)

(D)

n. Rate Reduction Bonds (RRBs): Bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, the proceeds of which are used to provide, recover, finance or refinance transition costs and to acquire transition property and that are secured by or payable from transition property. (PU Code Section 840(e)) (L) (T) (L)

(D)

o. Utility Distribution Company (UDC): The utility company that provides distribution services and will continue to be regulated by the CPUC. The distribution category includes revenue requirements for: (1) all distribution plant, (2) customer access equipment at all voltages, and (3) the infrastructure required to provide distribution services. The UDC will be responsible for providing nondiscriminatory distribution services to all customers, including direct access customers, in its service territory. (T) (L) (L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.) (L)

3. COST RECOVERY PERIODS

The TCBA will begin on January 1, 1998. CTC recovery throughout and beyond the rate freeze period will be considered in future Commission proceedings pursuant to Decision 02-01-001 and Decision 02-04-016. PG&E will seek recovery of these transition costs beyond the rate freeze period and beyond December 31, 2001 through the TCBA or some other mechanism, as may be authorized by the Commission. (D) (T)

(D)

4. CTC RATES

The TCBA does not have a rate component. Rather, the CTC-related revenue is calculated on a residual basis, as described in the CTC Revenue Section below, and tracked in the TCBA. (T)

5. REPORTING REQUIREMENTS

Pursuant to Decision 97-11-074, Ordering Paragraph 14, PG&E shall provide for the duration of the transition period: (L)

a. Monthly reports of all entries to the transition cost balancing account (TCBA); (T)

b. Balances and returns used to develop transition cost revenue requirements; (T)

c. The assumptions used in estimating market value; (T)

d. The results of any actual market valuations; and (T)

(D)

e. Changes in amortization schedules due to changes in market value estimates or actual market valuations.

(D)

These reports shall be submitted 30 days after the end of the month, to the Energy Division and served on the parties to the CTC proceeding (A.96-08-001, et al.). PG&E shall provide the Energy Division with three hard copies of each monthly report and an electronic version (on computer disk or via electronic mail) which contains each report and the underlying data, in either Word, Excel, or other format as specified by the Energy Division, pursuant to Decision 97-11-074, Ordering Paragraph 14.

In addition to the reporting requirements above, commencing March 31, 1998, PG&E will file with the CPUC an annual report showing the activity of the TCBA for the twelve months ending December 31 of the previous year. (L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (L)

The accounting procedures in the following sections will comply with the following guidelines, as adopted by the Commission on pages 49-51 of Decision 97-06-060, as modified by Decision 97-12-039:

a. The recovery of certain costs that are currently incurred may be deferred. The recovery of employee transition costs (as addressed in §375) may be deferred to the post 2001 period and recovered through December 31, 2006.[1] Section 376 provides that, to the extent that Federal Energy Regulatory Commission (FERC) or Commission-approved recovery of the costs of utility-funded programs to accommodate implementation of direct access, the Power Exchange, and the ISO, reduces the ability of the utilities to collect generation-related transition costs, those generation-related costs may be collected after December 31, 2001, in an amount equal to the implementation costs that are not recovered from the Power Exchange or ISO. Generation-related transition costs which may be displaced by the collection of renewable program funding (as addressed in §381(d)) may be collected through March 31, 2002. Other than these exceptions, current costs should be recovered as incurred, as required by ratemaking principles and the accounting principle of matching revenues and expenses. (L)

b. To accommodate on-going market valuations and accelerated recovery, the utilities should recalibrate recovery levels for remaining months of the schedule, if necessary. To the extent that revenues do not cover costs in a current period, revenues should be applied first to costs incurred during that period and then to scheduled amortization, including that of regulatory assets. (N)

(D)
(D)

c. To the extent that any additional headroom revenues remain, any additional revenues should be applied first to accelerate the depreciation of those transition cost assets with a high rate of return and in a manner which provides the greatest tax benefits. In this way, accelerated recovery of transition costs will benefit shareholders and ratepayers. (T)

(D)
(D)

d. As a general guideline for those assets subject to market valuation, generation-related assets should be written down to their estimated market value, but not below, based on a relatively broad estimate of market value. We will be somewhat flexible in applying this guideline. We recognize both PG&E's and Edison's concerns that public disclosure of such estimates could adversely affect the auction process and will address the need for protective orders and confidentiality as the need arises. It is not our intent to revisit the market valuation process occurring in other proceedings. (T)

(L)

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1 All statutory references are to the Public Utilities Code, unless otherwise noted. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

e. It is the duty of the Commission to determine what transition costs are reasonable and because such costs cannot be determined to be uneconomic or not until we have more information, we reject the utilities' request for complete flexibility in managing their transition cost recovery. We require monthly and annual reports and will institute an annual transition cost proceeding, separate from the Revenue Adjustment Proceeding. In Decision 96-12-088, we provided that authorized revenues would be established in the respective proceedings for various issue areas and would be consolidated in the Revenue Adjustment Proceeding. In addition, to provide further clarity to this concept, we will require the utilities to revise their pro forma tariffs to indicate that the cost accounts and subaccounts they establish are not labeled as transition cost subaccounts, but are merely the sunk costs accounts and subaccounts. This is important because we are establishing the sunk costs in Phase 2 of these proceedings, but the uneconomic portion of those costs (which is the portion eligible for transition cost recovery) must be established on an ongoing basis. (T) (L)

(D)

f. To the extent possible, the utilities should manage acceleration assets to achieve a matching of revenues to current costs plus the portion of noncurrent costs that is accelerated, in a manner to avoid major under- or over-collections of the competition transition charge (CTC). To the extent that noncurrent costs are accelerated, the utilities should recalibrate the remaining months of the recovery schedule to adjust the depreciation schedule through the end of the transition period. To the extent that over- or under-collections occur, interest will accrue at the usual 90-day commercial paper rate, with the exception of deferred generation-related transition costs displaced because of funding the §381(d) programs. (T)

g. CTC Revenue Section (T)

The CTC Revenue Section records all CTC monthly revenues, excluding an allowance for FF&U Accounts Expense, recorded from customers through electric rates, imputed revenues, and other credits as described below. The CPUC jurisdictional portion of all entries shall be made at the end of each month as follows: (T)

1) A monthly credit or debit entry to transfer the monthly balance in the Transition Revenue Account (TRA), to reflect the amount of CTC residual revenue recorded from PG&E's customers for services rendered during the month. (T)

2) A monthly credit entry equal to one-twelfth of the CPUC portion of the generation-related authorized Other Operating Revenue, pursuant to PG&E's most recent General Rate Case (GRC) decision. (T)

3) A monthly credit entry equal to the Ten Percent Rate Reduction Amount, net of FF&U, as provided for in Decision 97-09-055 and defined in Part AT of PG&E's Preliminary Statement (Rate Reduction Bonds Memorandum Account). (T)

(L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

g. CTC Revenue Section (Cont'd.)

4) A monthly credit entry equal to the monthly revenue recorded from residential and small commercial customers from the FTA Charge, net of FF&U, as provided for in Decision 97-09-055 and defined in Part AS of PG&E's Preliminary Statement (Fixed Transition Amount Charge).

5) A credit entry, if applicable, at the time of final market valuation, equal to the CPUC portion of the following three components: (1) market value of each plant, (2) less the net book value of the plant, (3) less transaction costs and other costs, that are authorized for recovery through the market valuation process, pursuant to Decision 97-11-074, Findings of Fact (FOF) 21 and Decision 97-12-039, FOF 3.

6) A one-time entry to transfer any balance in the Generation Asset Balancing Account, as defined in Preliminary Statement Part AL, upon final market valuation.

7) A monthly credit entry equal to the monthly CTC revenue, net of FF&U, recorded from Departing Load customers, beginning January 1, 1998.

8) A monthly credit entry equal to the CPUC portion of the gross revenue recorded from the sale of air emission credits or allowances (e.g. sulfur dioxide allowances), less reasonably incurred sales costs not already recovered in rates, pursuant to Decision 97-11-074, COL 25, 27.

9) A credit or debit entry equal to the CPUC portion of the net of tax proceeds from the sales of real property authorized by the Commission to be recorded to the TCBA.

10) A credit entry equal to the CPUC portion of the credit balance, net of FF&U, in the Generating Facility Operations and Maintenance (GFOM) Account as defined in Part BG of PG&E's Preliminary Statement at the time of the conclusion of the last Operations and Maintenance Agreement for divested plants, pursuant to Decisions 97-06-060, 97-09-046 and 97-11-030.

11) One-time entries to record the costs associated with implementing the 2002 Utility Retained Generation (URG) revenue requirement pursuant to D.02-04-016, the accounting changes adopted in D.01-03-082, and in accordance with the balancing accounts established by Resolution E-3822.

a. Debit Diablo Canyon Property Tax costs recorded in 2001.

b. Credit Electric Energy Transactions Administration costs recorded in 2002.

c. Debit to reverse Generation Memorandum Account amounts transferred to the TCBA for 1998 and 1999. (N)

d. Credit to reverse the cots recorded in 2000 in the Accelerated Costs Section of the TCBA. |

e. Debit to record sunk cost revenue requirements for September through December 2000 (continuation of scheduled amortization over a 48 month period). |

f. Debit to record interest on restated activity from 1998 through 2002. (N)

12) If applicable, a monthly entry equal to interest on the average balance in the CTC Revenue Section at a rate as defined in Section AV.2.j, above.

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

(D)
|
(D)

g. CTC Revenue Section (Cont'd.)

13) If applicable, a one-time debit to transfer the balance in the Current Costs and Accelerated Costs Sections of the TCBA on December 31, 2001, to this subaccount to include in the TCBA generation-related transition costs incurred during the rate freeze period whose recovery may be extended, as provided for in Decision 02-01-001. (N)

(D)
|
(D)

h. Post 2001-Eligible Costs Section

The Post 2001-Eligible Costs Section records costs that are eligible for recovery after the rate freeze period or December 31, 2001 (whichever is earlier). To the extent the rate freeze ends before December 31, 2001, costs in this section are recoverable before December 31, 2001. This account includes, but is not limited to, employee transition costs that are incurred by PG&E during the rate freeze period, as specified by Decision 97-06-060, Findings of Fact (FOF) 24 and COL 4. Additionally, this account includes generation-related transition costs incurred during the rate freeze period whose recovery may be extended as provided for in Decision 02-01-001. This account also includes the cost of renewables programs funded by PG&E after 2001, up to the limits designated in PU Code Section 381 and Decision 97-06-060, FOF 24 and COL 5, Decision 97-02-014, and Decision 97-11-022, FOF 5. (T) (D)

(D)

The CPUC jurisdictional portion of all entries, net of FF&U, shall be made at the end of each month as follows:

1) Additional Renewables Program Funding Costs Subaccount (T)

a) A debit entry, as appropriate, equal to the funding of renewables program costs that PG&E incurs after December 31, 2001, not to exceed PG&E's portion of the $75 million, identified in Section 381, AB 1890, in order to ensure that the full amount of dollars for renewables programs is funded as specified in AB 1890, Section 381 and pursuant to Decision 97-06-060, FOF 24 and COL 5 and Decision 97-11-022, FOF 5. Pursuant to Decision 97-06-060, FOF 24 and COL 5, the rate freeze may continue until March 31, 2002 in order to recover the costs in this subaccount. (T)

b) If applicable, after revenue has been applied, a monthly debit entry equal to interest on the average balance of this subaccount to the extent the balance is undercollected, at a rate as defined in Section AV.2.j., above. (T)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

h. Post 2001-Eligible Costs Section (Cont'd.) (T)

2) Displaced Transition Cost Recovery Subaccounts

At the end of 2001, if any balances remain in either the Current Costs Section or the Accelerated Costs Section, these costs will be transferred to one or more of the following three subaccounts, subject to the monetary and non-monetary limits as specified in PU Code Sections 367(a)(5), 381(d), and 376, Decision 97-06-060, FOF 24 and COL 5 for each of the three cost categories. The rate freeze may be extended beyond December 31, 2001, to recover these costs. Revenue collected through the extension of the rate freeze after December 31, 2001, must first be applied to the Additional Renewables Program Funding Costs Subaccount as described above. After (T) these costs are recovered, revenue may be applied to the Irrigation District Exemptions (T) Subaccount. After these costs are recovered, revenue will be applied to the Renewables Program Costs Subaccount. (T)

a) Irrigation District Exemptions Subaccount

(1) One-time debit entries equal to the amount of generation-related transition (T) costs, including interest, that remain unrecovered on December 31, 2001, if any, due to irrigation district exemptions. Pursuant to Decision 97-06-060, FOF 38 and COL 5, 19, 24, 25, and 26 the amount of principal costs to be debited is limited to $50 million, as designated in PU Code Section 367 (a)(5). The costs to be included are those costs that remain unrecovered as of December 31, 2001. The transfer of remaining costs will be accomplished by making one-time credits to the Current Costs and/or the Accelerated Costs Sections and debiting this subaccount by an equivalent amount. The rate freeze may continue until March 31, 2002, to recover the costs in this subaccount, consistent with the provisions of the Firewall Mechanism described in Item 7 below.

(2) If applicable, after revenue has been applied, a monthly debit entry equal to (T) interest on the average balance of this subaccount to the extent the balance is undercollected, at a rate as defined in Section AV.2.j., above. (T)

b) Renewables Program Costs Subaccount

(1) One-time debit entries equal to the amount of generation-related transition costs, including interest, that remain unrecovered on December 31, 2001, if any, due to the recovery, during the period between January 1, 1998 and December 31, 2001, of costs of renewables programs. The amount of principal costs debited to this subaccount will not exceed the December 31, 2001, balance in the PU Code Section 381(d) Renewable program Costs Tracking Account, as designated by PU Code Section 381(d) and Decision 97-06-060, FOF 24 and COL 5, and 6. The costs to be included are those transition costs from the Current Costs Section and/or the Accelerated Costs Section that remain unrecovered as of December 31, 2001.

(L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

h. Post 2001-Eligible Costs Section (Cont'd.)

2) Displaced Transition Cost Recovery Subaccounts (Cont'd.)

b) Renewables Program Costs Subaccount (Cont'd.)

(1) On January 1, 2002, the transfer of remaining costs will be accomplished by making one-time credits to one or more of the CTC Revenue subaccount and one-time debits to this subaccount by an equivalent amount. Pursuant to Decision 97-06-060, and FOF 24 and COL 5, and 6, the rate freeze may continue until March 31, 2002, in order to recover the costs in this subaccount. (T) (L)

(2) A one-time credit equal to the amount of interest earned on the displaced transition costs in this subaccount during the transition period. This credit is meant to remove any interest that has been applied to transition costs that are displaced due to the recovery of the renewables program costs. (T)

c) Restructuring Implementation Costs Subaccount

(1) One-time debit entries on January 1, 2002, equal to the amount of generation-related transition costs, including interest, that remain unrecovered on December 31, 2001, if any, due to the recovery, during the period between January 1, 1998 and December 31, 2001, of the restructuring implementation costs that are tracked in the PU Code Section 376 Restructuring Implementation Tracking Account. The amount of principal costs to be debited to this account will not exceed $95 million, pursuant to Decision 99-05-031. The costs to be included are those transition costs from the CTC Revenue Section that remain unrecovered as of December 31, 2001. (T)

On January 1, 2002, the transfer of remaining costs will be accomplished by making one-time credits to one or more of the subaccounts within the CTC Revenue Section and debiting this subaccount by an equivalent amount. Recovery of these costs will continue beyond 2001 until these costs are fully recovered. (T)

(2) If applicable, after revenue has been applied, a monthly debit entry equal to interest on the average balance of this subaccount to the extent the balance is undercollected at a rate as defined in Section AV.2.j., above. (T)

(L)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

h. Post 2001-Eligible Costs Section (Cont'd.)

3) Employee Transition Costs Subaccount (T)

a) These employee-related transition costs are described in Advice 1642-E. (T) (L)

A debit entry, as appropriate, equal to PG&E's recorded employee transition costs for utility personnel affected by electric industry restructuring. These costs may be recovered until December 31, 2006, pursuant to Decision 97-06-060, FOF 4, 24, COL 4, and 17. (T) (L)

b) If applicable, after revenue has been applied, a monthly debit entry equal to interest on the average balance of this subaccount to the extent the balance is undercollected at a rate as defined in Section AV.2.j., above. (N)

(D)

4) Interest (T)

A debit or credit entry equal to interest on the average balance in the TCBA will be recorded at a rate as defined in Section AV.2.j., above. (T)

The costs in these subaccounts have various amortization periods. PG&E will revise these tariff provisions accordingly after the rate freeze period. (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

7. FIREWALL MECHANISM

PU Code Section 330(v)(2) and Decision 97-06-060, FOF 38, COL 24, and 25 requires that a "firewall" be created to ensure that the two customer groups (combined residential and small commercial classes versus remaining large customer classes) pay only for their own CTC exemptions. The Competition Transition Charge Exemptions Memorandum Account (CTCEMA) as approved by Decision 96-12-077 records the CTC costs that would have been recovered if not for exemptions. In a separate tracking mechanism, PG&E will impute the amount of CTC exempted revenues into the TCBA. For tracking purposes only, the amounts of the exempted revenues will be "credited" as imputed revenues into the CTC Revenue Section as though PG&E had actually received CTC revenue from exempted customers. Based on the sum of actual CTC revenues, and the imputed exempt CTC revenues, the balances in all the CTC cost accounts may reach zero at some time during the transition period. This determines the point in which all CTC-eligible costs would have been recovered, had there not been exemptions. In reality, the amount of CTC-eligible costs that actually remain to be recovered in the actual CTC Cost Accounts is equal to the amount of exemptions that have occurred. These remaining costs will be recovered by further extending the rate freeze. However, CTC collection would only continue for a particular customer category to pay off the amount of CTC exemptions that are recorded in the CTCEMA for a particular customer group. After that, the rate freeze for that customer group would end.

Extension of the rate freeze to recover the costs associated with the above-mentioned exemptions is subject to an end date of December 31, 2001, with the exception of exemptions for irrigation districts. If transition costs have not been fully recovered by the end of 2001, the rate freeze may continue until March 31, 2002, to pay for CTC exemptions, up to the $50 million associated with irrigation district exemptions. In this case, the rate freeze would continue for CTC collection for exemptions related to irrigation districts until either that class' portion of exemptions due to irrigation districts is paid (as recorded in the CTCEMA), the $50 million limit is reached, or until March 31, 2002. If all irrigation district exemption-related costs are recovered or the $50 million limit is reached before March 31, 2002, the rate freeze would then continue to recover the displaced transition costs associated with renewables program costs until all the costs are recovered, or until March 31, 2002.

PRELIMINARY STATEMENT

AW. RATE GROUP TRANSITION COST OBLIGATION MEMORANDUM ACCOUNT (RGTCOMA)
(From the Effective Date though the Rate Freeze Period Termination Date)

(1) Rate Group Transition Cost Obligation Subaccount (RGTCOS):

PG&E shall maintain a Rate Group Transition Cost Obligation Subaccount (RGTCOS) effective January 1, 1998. The purpose of the RGTCOS is to track, on a monthly basis, the transition cost obligation by rate group pursuant to Commission Decisions 97-06-060, 97-08-056, and 97-12-039. The total recorded Current, Accelerated, and Post-2001 Eligible Transition Costs reflected in the Transition Cost Balancing Account (TCBA) portion of PG&E's Preliminary Statement, Part AV, shall be allocated to rate groups based upon Equal Percentage of Marginal Cost (EPMC) factors authorized in Decision 92-12-057, as modified by Decision 95-12-051. The EPMC factor for each (T)
rate group is as follows:

Rate Group	EPMC Factor %	
Residential	39.69	(C)
Schedules A-1, A-6, A-10 (<20kW), E-19V (<20kW)	11.22	|
Schedules A-10 (>20 kW), E-19V (>20kW), E-36, E-37	21.31	|
E-19, A-15	5.24	|
E-20T	4.74	|
E-20P	5.90	|
E-20S	5.64	|
Agricultural (<35 kW)	1.04	|
Agricultural (>35 kW)	4.30	|
Schedules TC-1 and Streetlights	0.75	|
Standby	0.18	(C)
Total	100.00	

The Rate Group Transition Cost Obligation amount for each rate group shall be the total above-market costs recorded in the Current Costs, Accelerated Costs, and Post-2001 Eligible Costs Sections of the TCBA, times the EPMC factor for the rate groups shown in the above table. The Rate Group Transition Cost Obligation amount shall be recorded in the Rate Group Transition Cost Obligation Subaccount (RGTCOS) by rate group within the RGTCOMA.

Interest will not be applied to the RGTCOS since interest will accrue in the TCBA portion of PG&E's Preliminary Statement.

(2) Rate Group Transition Cost Revenue Subaccount (RGTCRS):

PG&E shall maintain a Rate Group Transition Cost Revenue Subaccount (RGTCRS) effective January 1, 1998. The purpose of the RGTCRS is to track, on a monthly basis, the recorded CTC revenues by rate group pursuant to Commission Decisions 97-06-060, 97-08-056, and 97-12-039. The Rate Group Transition Cost Revenue amount shall be recorded in the Rate Group Transition Cost Revenue Subaccount (RGTCRS) by rate group within the RGTCOMA. The CTC revenues recorded within the Rate Group Transition Cost Revenue Subaccount (RGTCRS) shall be equal to the CTC revenues recorded in the TCBA and will not reflect any miscellaneous revenue adjustments to the TCBA which cannot be identified with a specific rate group.

(Continued)

PRELIMINARY STATEMENT
(Continued)

AW. RATE GROUP TRANSITION COST OBLIGATION MEMORANDUM ACCOUNT (RGTCOMA) (Cont'd.)
(From the Effective Date though the Rate Freeze Period Termination Date)

(2) Rate Group Transition Cost Revenue Subaccount (RGTCRS): (Cont'd.) (N)

CTC revenues calculated in the TRA and transferred to the TCBA shall be determined residually by reducing total revenue by the sum of Distribution revenue requirement, Transmission revenue, Nuclear Decommissioning revenue requirement, Public Purpose Program revenue requirement, ISO and Power Exchange payments, Trust Transfer Amount, and the Shareholder Participation amount.

CTC revenue calculated in the TRA and transferred to the TCBA is neither designated nor allocated by rate group.

Since CTC revenues recorded to the RGTCRS shall be equal to the residually determined CTC revenues calculated in the TRA and recorded in the TCBA an allocation mechanism needs to be established to distribute any differences in revenue.

The monthly allocation factors shall equal each rate group's monthly recorded CTC revenues (monthly generation revenues net of PX costs) divided by total monthly recorded CTC revenues. The appropriate monthly recorded revenues for each rate group will be equal to the sum of the recorded CTC revenues from each schedule in the rate group. Each rate schedule's contribution to CTC revenues will be equal to the total otherwise applicable revenues that would have been received under the bundled rate schedule multiplied by the appropriate generation percentage from the table below, net of PX costs.

The monthly allocation factors shall be applied to the total monthly residually determined CTC revenues calculated in the TRA and recorded in the TCBA to determine the monthly recorded CTC revenues by rate group.

Interest will not be applied to the RGTCRS since interest will accrue in the TCBA portion of PG&E's Preliminary Statement. (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AW. RATE GROUP TRANSITION COST OBLIGATION MEMORANDUM ACCOUNT (RGTCOMA) (Cont'd.)
(From the Effective Date though the Rate Freeze Period Termination Date)

FACTORS FOR TRACKING COMPETITION CHARGES

BILLING PERCENTAGES:

	Transmission and Reliability Services	Distribution	Public Purpose Programs	Generation and CTC	Nuclear Decom-missioning
E-1	6.525%	34.394% (I)	3.521%	55.169% (R)	0.391% (I)
EL-1	8.342%	16.524% (I)	3.271%	71.363% (R)	0.500% (I)
E-7	7.820%	32.790% (I)	3.785%	55.203% (R)	0.402% (I)
E-8	7.538%	31.512% (I)	3.719%	56.832% (R)	0.399% (I)
EL-8	9.495%	14.956% (I)	3.285%	71.762% (R)	0.502% (I)
E-9	7.820%	32.790% (I)	3.785%	55.203% (R)	0.402% (I)
A-1	5.819%	34.351% (I)	3.507%	55.921% (R)	0.402% (I)
A-6	7.901%	21.597% (I)	3.821%	66.279% (R)	0.402% (I)
A-15	2.681%	84.545% (I)	3.035%	9.337% (R)	0.402% (I)
A-10 Transmission	18.343%	5.853% (R)	3.837%	71.565% (I)	0.402% (I)
A-10 Primary	9.786%	19.193% (R)	3.873%	66.746% (I)	0.402% (I)
A-10 Secondary	8.507%	25.365% (I)	3.813%	61.913% (R)	0.402% (I)
E-19 V Transmission	8.560%	10.120% (I)	4.040%	76.878% (R)	0.402% (I)
E-19 V Primary	8.051%	18.736% (I)	4.105%	68.706% (R)	0.402% (I)
E-19 V Secondary	5.454%	22.802% (I)	4.006%	67.336% (R)	0.402% (I)
E-19 Transmission	8.080%	10.717% (I)	4.142%	76.659% (R)	0.402% (I)
E-19 Primary	7.299%	17.955% (I)	4.160%	70.184% (R)	0.402% (I)
E-19 Secondary	6.334%	23.850% (I)	3.926%	65.488% (R)	0.402% (I)
E-20 Transmission	11.277%	6.445% (I)	5.040%	76.836% (R)	0.402% (I)
E-20 Primary	8.876%	17.721% (I)	4.351%	68.650% (R)	0.402% (I)
E-20 Secondary	7.735%	25.469% (I)	4.055%	62.339% (R)	0.402% (I)
E-36	6.604%	33.008% (I)	3.799%	56.204% (R)	0.385% (I)
E-37	6.604%	33.008% (I)	3.799%	56.204% (R)	0.385% (I)
A-RTP (E-19 Secondary)	8.154%	24.379% (I)	4.127%	62.938% (R)	0.402% (I)
A-RTP (E-20 Transmission)	7.465%	13.966% (I)	4.276%	73.891% (R)	0.402% (I)
A-RTP (E-20 Secondary)	9.772%	20.513% (I)	4.080%	65.233% (R)	0.402% (I)
LS-1, LS-2, LS-3, OL-1	4.244%	38.569% (I)	4.575%	51.922% (R)	0.690% (I)
TC-1	6.971%	49.227% (I)	2.632%	40.768% (R)	0.402% (I)

(Continued)

PRELIMINARY STATEMENT
(Continued)

AW. RATE GROUP TRANSITION COST OBLIGATION MEMORANDUM ACCOUNT (RGTCOMA) (Cont'd.)
(From the Effective Date though the Rate Freeze Period Termination Date)

FACTORS FOR TRACKING COMPETITION CHARGES

BILLING PERCENTAGES:
(Cont'd.)

	Transmission and Reliability Services	Distribution	Public Purpose Programs	Generation and CTC	Nuclear Decom-missioning
S Transmission	41.817%	27.432% (I)	4.011%	26.338% (R)	0.402% (I)
S Primary	18.231%	40.884% (R)	3.411%	37.072% (I)	0.402% (I)
S Secondary	17.119%	30.794% (R)	3.590%	48.095% (I)	0.402% (I)
AG-1A	2.978%	48.242% (R)	3.210%	45.168% (I)	0.402% (I)
AG-1B	3.837%	40.658% (I)	3.377%	51.726% (R)	0.402% (I)
AG-RA	4.306%	44.366% (I)	3.468%	47.458% (R)	0.402% (I)
AG-RB	4.462%	36.353% (I)	3.499%	55.284% (R)	0.402% (I)
AG-VA	4.327%	41.833% (I)	3.472%	49.966% (R)	0.402% (I)
AG-VB	4.706%	37.302% (I)	3.546%	54.044% (R)	0.402% (I)
AG-4A	4.486%	42.762% (R)	3.503%	48.847% (I)	0.402% (I)
AG-4B Primary	5.503%	23.500% (I)	4.016%	66.530% (R)	0.451% (I)
AG-4B Secondary	4.915%	34.021% (I)	3.586%	57.076% (R)	0.402% (I)
AG-4C	4.832%	44.974% (I)	3.571%	46.221% (R)	0.402% (I)
AG-5A	5.458%	36.160% (I)	3.692%	54.288% (R)	0.402% (I)
AG-5B Transmission	9.363%	12.755% (I)	5.386%	71.951% (R)	0.545% (I)
AG-5B Primary	9.600%	15.832% (I)	5.521%	68.488% (R)	0.559% (I)
AG-5B Secondary	6.604%	33.008% (I)	3.799%	56.204% (R)	0.385% (I)
AG-5C	7.045%	35.644% (I)	4.001%	52.908% (R)	0.402% (I)
AG-7A	3.601%	45.636% (R)	3.331%	47.030% (I)	0.402% (I)
AG-7B	5.997%	33.441% (I)	3.797%	56.363% (R)	0.402% (I)
Contracts Transmission	0.000%	0.000%	0.000%	0.000%	0.000%
Contracts Secondary	7.948%	29.257% (I)	2.632%	59.761% (R)	0.402% (I)

NOTES: FACTORS FOR TRACKING COMPETITION TRANSITION CHARGES

1. PG&E will impute the revenues for Direct Access sales and Rate Reduction Bonds.
2. For Schedules ES, ESL, ET, and ETL, PG&E will adjust billed revenues to include the master meter credit based on historical information.
3. For Schedules LS-1, LS-2, and OL-1, PG&E will apply the Generation Factor from the above table to the energy revenues for these schedules.

PRELIMINARY STATEMENT

BD. PU CODE SECTION 381(d)-RENEWABLE PROGRAM COSTS TRACKING ACCOUNT

Tracking of these costs in this account does not, by itself, prejudge their reasonableness. Costs and categories of costs recorded in this account are subject to separate review, either in the applications utilities are to file on March 31, 1998, pursuant to Ordering Paragraph 18 of Decision 97-11-074 in which reasonableness and recovery will be reviewed, or in some other Commission or Federal Energy Regulatory Commission Proceeding.

1. PURPOSE (N)

The purpose of the Renewable Program Costs Tracking Account is to record renewable program revenues collected through rates during the period from the Effective Date through December 31, 2001 to determine the extent to which generation-related transition costs may be collected after December 31, 2001 through March 31, 2002 if, and only if, those categories of transition costs where collection must end by December 31, 2001 are not fully collected on December 31, 2001, per Assembly Bill 1890, California PU Code Section 381 (d)

2. APPLICABILITY

The Renewable Program Costs Tracking Account shall apply to all customer classes, except for those specifically excluded by the Commission.

3. RENEWABLE PROGRAM COSTS TRACKING ACCOUNT

The Renewable Program Costs Tracking Account does not currently have a rate component.

4. ACCOUNTING PROCEDURE

Determination of the amount of generation-related costs that may be collected after December 31, 2001 is as follows:

The Section 381 Renewable Program Costs Tracking Account shall be effective January 1, 1998 through December 31, 2001. Monthly entries made to this tracking account shall be determined from the following calculations:

a. Recorded revenues associated with renewable program funding collected through the Public Purpose Programs Charge up to the funding limit of $540,000,000 in aggregate for the three utilities.

b. No interest shall accrue on this account.

To the extent there is an undercollection in the Transition Cost Balancing Account on December 31, 2001, excluding any post 2001 eligible costs, then generation-related transition costs equal to the amounts recorded in the Section 381 Renewable Program Costs Tracking Account as of December 31, 2001, may be collected in rates after December 31, 2001 through March 31, 2002. (N)

PRELIMINARY STATEMENT
(Continued)

BP. PX CREDIT AUDIT MEMORANDUM ACCOUNT (PXCAMA) (N)

1. PURPOSE:

The purpose of the PXCAMA is to record the costs associated with or related to the monthly audit of the Power Exchange (PX) Energy Credit calculations. The PXCAMA is specified in the Stipulation Agreement (PX Credit Auditing Procedure, filed on March 11, 1999, by PG&E, Edison, SDG&E and Western Power Trading Forum) adopted by Commission Decision 99-06-058.

2. APPLICABILITY:

The PXCAMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. PXCAMA RATES:

The PXCAMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE:

PG&E shall maintain the PXCAMA by making entries to this account at the end of each month as follows:

a. A debit entry equal to the recorded costs associated with or related to the monthly audit of the PX Energy Credit calculations. Prior Commission approval must be received for all costs invoiced by the auditors.

b. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.a, 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, G.13 or its successor.

PG&E shall request the recovery of the balance in the PXCAMA through the Revenue Adjustment Proceeding (RAP), or other proceeding as authorized by the Commission. (N)

PRELIMINARY STATEMENT
(Continued)

BS. SCHEDULE E-BID MEMORANDUM ACCOUNT (E-BIDMA)

1. PURPOSE: The purpose of the E-BIDMA is to record the costs incurred by PG&E to implement and administer Schedule E-BID, pursuant to Resolution E-3650. These costs include, but are not limited to, PG&E's start-up costs and ongoing administrative costs for the Schedule E-BID program. (N)

2. APPLICABILITY: The E-BIDMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. E-BIDMA RATES: The E-BIDMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE: PG&E shall maintain the E-BIDMA by making entries to this account at the end of each month as follows:

   a. A debit entry equal to the start-up and administrative expenses recorded in PG&E's Operations and Maintenance, and Administrative and General Expense Accounts that were incurred as a result of the Schedule E-BID program.

   b. A debit entry for capital-related start-up and administrative costs for the Schedule E-BID program equal to:

      1) Depreciation expense on the average of the beginning and the end-of-month balance of plant installed for the Schedule E-BID program at one-twelfth of the annual depreciation rates approved by the CPUC for these plant accounts; plus

      2) The return on investment on the average of the beginning and the end-of-month balance of plant installed for the Schedule E-BID program, at one-twelfth of the annual rate of return on distribution investment last adopted for PG&E's Electric Department by the CPUC; less

      3) The return on the average of beginning and end-of-month accumulated depreciation, and on average accumulated net of deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on distribution investment last adopted for PG&E Electric Department by the CPUC (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

BS. SCHEDULE E-BID MEMORANDUM ACCOUNT (E-BIDMA) (Continued)

4. ACCOUNTING PROCEDURE: (Cont'd.) (N)

c. A debit entry equal to federal and state taxes based on income associated with item 4.b. above, calculated at marginal tax rates currently in effect. This will include all applicable statutory adjustments.

For federal and state taxes, this will conform to normalization requirements as applicable. Interest cost will be at the percentage of net investment last adopted by the CPUC with respect to PG&E.

d. A debit entry equal to the monthly property taxes on the plant installed

e. A credit entry equal to the enrollment fees collected from customers participating in the Schedule E-BID program.

f. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after entry 4.a. through 4.e. 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, G.13 or its successor.

PG&E shall request the recovery of the balance in the E-BIDMA through the Revenue Adjustment Proceeding (RAP), or other proceeding as authorized by the Commission. Pursuant to Resolution E-3650, the start-up and administrative costs of the program will be subject to reasonableness review primarily to ensure that recorded funds were actually spent. Further, any amounts in the E-BIDMA shall be included in the PX credit calculation, as they are recorded. (N)

PRELIMINARY STATEMENT
(Continued)

BW. POWER EXCHANGE BILATERAL OPTION MEMORANDUM ACCOUNT (PXBOMA) (N)

1. PURPOSE:

The purpose of the PXBOMA is to record net costs incurred by PG&E in procuring energy, ancillary services, capacity products, and transmission related services needed to use the bilateral option offered by the California Trading Services (CTS) Division of the California Power Exchange (PX) or for delivery through the PX Day-Ahead or Day-Of markets.

2. APPLICABILITY:

The PXBOMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. PXBOMA RATES:

The PXBOMA does not have a rate component.

4. ACCOUNTING PROCEDURE:

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

a. A debit or credit entry for payments to or receipts from, respectively, third parties for energy, ancillary services, capacity products, and transmission related services.

b. A credit entry equal to monthly revenues received from the PX for bilateral energy, ancillary services, and capacity products.

c. A debit entry for scheduling and settlement fees invoiced by the PX for use of the bilateral delivery option.

d. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 4.a. through 4.c. 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, G. 13 or its successor.

PG&E shall request recovery of the balance in the PXBOMA in the annual Revenue Adjustment Proceeding (RAP), or other proceeding expressly authorized by the Commission. The PXBOMA amounts authorized by the Commission in the RAP shall be included in the PX credit calculation. (N)

(Continued)

PRELIMINARY STATEMENT
(Continued)

CJ. SURCHARGE AMORTIZATION REVENUE MEMORANDUM ACCOUNT (SARMA) (N)

1. PURPOSE: The purpose of the Surcharge Amortization Revenue Memorandum Account (SARMA) is to record, beginning June 1, 2002, the total revenues PG&E receives from customers from the portion of the Schedule E-EPS average three-cents per kilowatt-hour (kWh) surcharge associated with amortizing the unrecovered surcharge revenues for the period between March 27, 2001, the effective date of Decision 01-03-082, and June 1, 2001, the surcharge rate implementation date pursuant to Decision 01-05-064. The amount to be recorded is 14.8 percent of the recorded revenue for the average three-cents surcharge adopted by Decision 01-05-064, which is the ratio of the surcharge attributed to the $.0052/kWh amortization portion of the surcharge to the total surcharge of $.0352/kWh.

2. APPLICABILITY: The SARMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. REVISION DATE: Disposition of the amounts in this account shall be determined by the Commission at a future date, pursuant to Resolution E-3776.

4. SARMA RATES: The SARMA does not currently have a rate component.

5. ACCOUNTING PROCEDURE: PG&E shall maintain the SARMA by making entries at the end of each month as follows:

   a. A credit entry equal to 14.8 percent of the recorded revenues for the average three-cents per kWh surcharge, or computed as otherwise ordered by the Commission.

   b. A credit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry 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)

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
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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
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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