



**Pacific Gas and
Electric Company**

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Advice 2555-G-A/2521-E-A
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Supplemental Filing - 2003 Headroom Calculation Complying with Bankruptcy Settlement Decision and Accounting for Certain Executive Compensation Complying with 2003 General Rate Case Decision

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

Pursuant to Ordering Paragraph (OP) 4 of Resolution E-3906, PG&E is hereby submitting changes to Preliminary Statement Part DE – *Headroom Account*.

Changes to Part DE were originally proposed in Advice 2570-E. However, OP 3d and 4 of Resolution E-3906 required PG&E to remove the Part DE changes proposed in Advice 2570-E, and instead file the changes as a supplement to Advice 2555-G/2521-E.

Background

On June 14, 2004, PG&E filed Advice 2555-G/2521-E, which provided the calculation of and accounting for PG&E's 2003 headroom revenues and requested to replace the 2004 beginning balance in the Headroom Account (HA) previously adopted by the Commission with the revised excess 2003 headroom. PG&E also provided information on its accounting for certain executive compensation expenses pursuant to OP 11 of Decision (D.) 04-05-055. Finally, PG&E requested approval to revise the name of the revised Utility Generation Balancing Account (UGBA) to the Generation Revenue Adjustment Mechanism (GRAM). PG&E requested an effective date for Advice 2555-G/2521-E of July 24, 2004, which was 40 days after the date of filing. No protests were received to Advice 2555-G/2521-E.

On October 15, 2004, PG&E filed its Annual Electric Rate True-up filing (Advice 2570-E) to: (1) establish 2005 electric rates for recovery of the balances in balancing accounts already approved for amortization in 2005; (2) establish the 2005 Regulatory Asset revenue requirement; and (3) consolidate other CPUC and Federal Energy Regulatory Commission (FERC)-authorized revenue requirement changes effective January 1, 2005. Advice 2570-E is consistent with the requirements of D.03-12-035 and D.04-02-062 implementing PG&E's post-rate freeze ratemaking mechanisms and the Rate Design Settlement Agreement. PG&E requested a January 1, 2005, effective date for Advice 2570-E.

As part of Advice 2570-E, PG&E filed revisions to Preliminary Statement Part DE, to reflect credits to customers for additional excess headroom consistent with D.03-12-035. Specifically, Part DE is modified to account for certain transmission related refund obligations that have resulted from specific FERC orders issued during 2004: 1) the Transmission Owner (TO) 3 refund; 2) the TO6 refund; and 3) the PBOP/LTD (Post-Retirement Benefits Other than Pension/Long-Term Disability) refund. PG&E will file a supplement to this Advice implementing rate changes related to the revised 2005 revenue requirement for the HA once the Commission approves this Advice 2555-G-A/2521-E-A.

Effective Date

As described in OP 4 of Resolution E-3906 this supplemental filing is not subject to protests. PG&E requests that this supplement become effective **July 24, 2004**, which is effective date requested in the original filing.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

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

Brian K. Cherry / TSN

Director - Regulatory Relations

Attachments

cc: Service Lists for A.02-11-017 and I.02-04-026.

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
22636-E	Preliminary Statement Part DE – Headroom Account	21122-E
22637-E	Table of Contents (Cont'd.) – Preliminary Statement (Cont'd.)	21653-E
22638-E	Table of Contents	22633-E



PRELIMINARY STATEMENT
(Continued)

DE. HEADROOM ACCOUNT (HA)

1. PURPOSE: The purpose of the HA is to record and recover an adjustment, if necessary, to the 2003 headroom revenues, as defined in the Chapter 11 Modified Settlement Agreement (MSA), Paragraph 8b as clarified by Decision 03-12-035 for purposes of calculating the headroom for 2003. The HA will also be used to implement three refunds to customers that occurred in 2004: (1) the Transmission Owner (TO) 3 refund (FERC Docket ER99-2326-000); (2) the TO6 refund (FERC Docket ER03-409-000, et al.; and (3) the PBOP/LTD (Post-Retirement Benefits Other than Pension/Long-Term Disability) refund (CPUC Resolution G-3362, dated March 16, 2004). (T)
(N)
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(N)
2. APPLICABILITY: The HA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. REVISION DATE: Disposition of amounts in this account shall be determined in the Annual Electric True-up Proceeding or any other proceeding or advice letter process as authorized by the Commission. (T)
(T)
(T)
4. RATES: The HA rates are set forth in electric Preliminary Statement Part I.
5. ACCOUNTING PROCEDURE: PG&E shall maintain the HA by making entries to this account at the end of each month as follows:
 - a. A credit or debit entry equal to an adjustment, if necessary, to the 2003 headroom revenues, as defined in the MSA Paragraph 8b (i.e., if the 2003 headroom revenue is greater than \$875 million the difference (adjustment) will be a credit to this account; and if the headroom revenue is less than \$775 million the difference (adjustment) will be a debit to this account) (T)
 - b. An entry equal to the revenue from the HA amortization rate component.
 - c. An entry equal to 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 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.



TABLE OF CONTENTS
(Continued)

PRELIMINARY STATEMENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Part CA	Food Service Technology Center Memorandum Account	18781-E
Part CB	DWR/ISO Cost Balancing Account.....	20500-E
Part CC	Real Time Energy Metering Memorandum Account	18307,18308-E
Part CD	Kern Restoration and Operation Memorandum Account	18509-E
Part CE	Baseline Balancing Account	21587,21588-E
Part CF	Net Energy Metering Memorandum Account	18831-E
Part CG	Utility Generation Balancing Account.....	21648-E
Part CH	Utility Retained Generation income Tax Memorandum Account	20502-E
Part CI	Wholesale DWR/ISO Cost Memorandum Account.....	20503-E
Part CJ	Not Being Used	
Part CK	Distribution Bypass Deferral Rate Memorandum Account.....	20619-E
Part CL	Distributed Energy Resources Memorandum Account	19042-E
Part CM	Bond Charge Balancing Account.....	20245,19556-E
Part CN	Research, Development, and Demonstration Balancing Account	19371-E
Part CO	Renewables Balancing Account	19372-E
Part CP	Energy Resource Recovery Account	21824,21112,21113-E
Part CQ	Modified Transition Cost Balancing Account	21860,21884-E
Part CR	Common Area Balancing Account	19768,19769-E
Part CS	Advanced Metering and Demand Response Account	21510,21565,21566-E
Part CT	Direct Access Shortfall Account.....	20244-E
Part CU	Customer Credit Holding Account.....	21533-E
Part CV	Financial Hedging Memorandum Account	20631-E
Part CY	El Paso Settlement Electric Memorandum Account	20985-E
Part CZ	Distribution Revenue Adjustment Mechanism	21649,21650-E
Part DA	Public Purpose Program Revenue Adjustment Mechanism	21651-E
Part DB	Nuclear Decommissioning Adjustment Mechanism.....	21652-E
Part DC	Regulatory Asset Revenue Adjustment Mechanism.....	21861,21497-E
Part DD	Regulatory Asset Tax Balancing Account.....	21498-E
Part DE	Headroom Account	22636-E
Part DF	Electric Reimbursable Fees Balancing Account	21123-E
Part DG	DWR Power Charge Balancing Account.....	21885-E
Part DH	Electric Credit Facilities Fees Tracking Account.....	21125-E
Part DI	Procurement Energy Efficiency Balancing Account.....	21172-E
Part DJ	Procurement Transaction Auditing Account.....	21160-E
Part DK	Gas Procurement Audit Memorandum Account.....	21202-E
Part DL	DA Revenue Shortfall Tracking Account.....	21607,21608,21609-E
Part DM	Bundled Financing Allocation Tracking Account.....	21610-E
Part DN	Municipal Surcharges on Department of Water Resources Sales.....	21500-E

(T)

(Continued)



TABLE OF CONTENTS

	CAL P.U.C. SHEET NO.
Title Page	8285-E
Table of Contents:	
Rate Schedules	22638,22632,22633,22634-E (T)
Preliminary Statements	22629,21010,22637-E (T)
Rules, Maps, Contracts and Deviations	21627,21637-E
Sample Forms	19880,20472,21583,19236,20509,19572,22628-E

RATE SCHEDULES

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
RESIDENTIAL RATES		
E-1	Residential Service	22493,22494,21219,19910,22495,21221-E
E-2	Experimental Residential Time-of-Use Service	22122,22118,22266,22120,22267,22122,22297,22124,22268,21231,21614,21232,22126-E
E-3	Experimental Residential Critical Peak Pricing Service	21234,22496,22497,22498,22499,22131,22500,22133,22501,21243,21615,19896,22135-E
EE	Service to Company Employees	22502-E
EM	Master-Metered Multifamily Service	22503,22504,21248,20648,22505,21250-E
ES	Multifamily Service	22506,22507,21253,22142,22508,21256-E
ESR	Residential RV Park and Residential Marina Service	22509,22510,21259,20657,22511,21261-E
ET	Mobilehome Park Service	22512,22513,21264,22149,22514,21267-E
E-7	Residential Time-of-Use Service	21268,22515,22516,21271,21272,22517-E
E-A7	Experimental Residential Alternate Peak Time-of-Use Service	21274,22518,22519,21277,21278,22520-E
E-8	Residential Seasonal Service Option	22521,22522,22523,22159-E
E-9	Experimental Residential Time-of-Use Service for Low Emission Vehicle Customers	20891,22524,22525,22526,22527,21288,21289,22528,21291-E
EL-1	Residential CARE Program Service	22165,22529,21294,21295,22530-E
EML	Master-Metered Multifamily CARE Program Service	22168,22531,21299,22532,22170-E
ESL	Multifamily CARE Program Service	22533,22534,21304,22173,22535,21307-E
ESRL	Residential RV Park and Residential Marina CARE Program Service	22536,22537,21310,21311,22538,21313-E
ETL	Mobilehome Park CARE Program Service	22539,22540,21316,22180,22541,21319-E
EL-7	Residential CARE Program Time-of-Use Service	21320,22182,22542,21323,22543,21325-E
EL-A7	Experimental Residential CARE Program Alternate Peak Time-of-Use Service	21326,22185,22544,19783,22545,21330-E
EL-8	Residential Seasonal CARE Program Service Option	22188,22546,22547,22190-E
E-FERA	Family Electric Rate Assistance	21641,21642,21643-E
COMMERCIAL/INDUSTRIAL		
A-1	Small General Service	22548,22549,21337,22550,21339-E
A-6	Small General Time-of-Use Service	21340,22551,22552,21343,22553,21345-E
A-10	Medium General Demand-Metered Service	21346,22554,22555,22556,22557,21351,22201,22558,21354,21355-E
A-15	Direct-Current General Service	22559,22560-E
E-19	Medium General Demand-Metered Time-of-Use Service	21358,17092,21359,22561,22562,22563,22564,21364,22207,22208,21365,18864,21016,21017,21018,21019,16414,15330,21020,22565,22566,22210,20935,22567,20729,19805,21370,21371-E
E-20	Service to Customers with Maximum Demands of 1,000 Kilowatts or More	21372,21373,22568,22569,21377,22213,19314,22214,21378,21022,21023,21024,21025,21379,15358,21027,22570,22571,22572,20944,17101,20945,21383-E

(Continued)

Advice Letter No. 2521-E-A
Decision No.

Issued by
Karen A. Tomcala
Vice President
Regulatory Relations

Date Filed December 30, 2004
Effective _____
Resolution No. _____

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

ABAG Power Pool
Accent Energy
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 Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
Cooperative Community Energy
CPUC
Creative Technology
Cross Border Inc
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
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
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.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources

Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
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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Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA