

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 4, 2005

Advice Letter 2542-E

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Amortization proposal for the unrecovered DWR bond charges attributable to customer generation departing load

Dear Ms de la Torre:

Advice Letter 2542-E is effective February 24, 2005 subject to the conditions of Resolution E-3909. A copy of the advice letter and resolution are returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "S. H. Gallagher".

Sean H. Gallagher, Director
Energy Division

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3909
FEBRUARY 24, 2005

R E S O L U T I O N

Resolution E-3909. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) filed advice letters in compliance with Ordering Paragraph (OP) 14 of Resolution E-3831 to propose methods to equitably allocate responsibility for the unrecovered Bond Charges Attributable to Customer Generation (CG) effective as of April 3, 2003. Approved with modifications.

By PG&E Advice Letter (AL) 2542-E, SCE AL 1821-E, and SDG&E AL 1610-E Filed on August 9, 2004.

SUMMARY

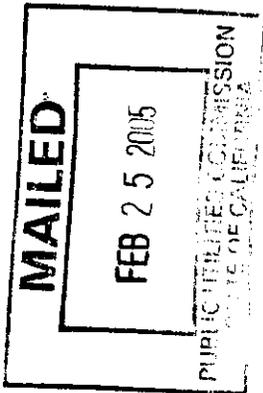
The Utilities shall recover past Bond Charges, at the CG customer's option, either in a lump sum or in payments amortized over 2 years.

This Resolution directs PG&E, SCE, and SDG&E (Utilities) to offer CG customers two options for paying past unrecovered Bond Charges incurred as of April 3, 2003. Customers shall elect to pay their individual past bond charges either in a single lump sum or in payments amortized over two years. The Utilities shall contact their CG customers to determine their payment preferences and begin billing applicable customers accordingly on the first billing cycle beginning 60 days after this Resolution becomes effective. The Utilities shall allow customers 60 days following initial billing to pay past Bond Charges in a single lump sum.

BACKGROUND

CG customers are responsible for a Bond Charge undercollection incurred from April 3, 2003 until the Utilities began billing Bond Charges on CG load.

On July 8, 2004, the Commission issued Resolution E-3831 to implement the Cost Responsibility Surcharge (CRS) for Customer Generation (CG) pursuant to Decision (D.) 03-04-030, as modified by D.03-04-041. The Department of Water Resources



(DWR) Bond Charge, a component charge of the CG CRS, is a uniform cents-per-kWh charge applicable to non-exempt bundled service, direct access (DA), and CG customers. Resolution E-3831 clarified that cost responsibility for the DWR Bond Charge applies to CG sales as of April 3, 2003, the date D.03-04-030 was issued (Resolution E-3831, OP 8). CG customers are responsible for the DWR Bond Charge undercollection, which accrued between April 3, 2003 and the date the Utilities began billing CG customers for these charges.¹ The DWR Bond Charge billed to non-exempt CG for the applicable periods during 2003 and 2004 will be equal to the DWR Bond Charge applied to non-exempt bundled service and DA customers during the same applicable periods during 2003 and 2004. Resolution E-3831 directed PG&E, SCE, and SDG&E to file advice letters to make amortization proposals to equitably allocate responsibility for these unrecovered DWR Bond Charges.

The Utilities filed Advice Letters to make amortization proposals to recover past Bond Charges from CG customers.

In AL 2542-E, because the DWR Bond Charge undercollection is substantial for certain customers, PG&E proposes to amortize each affected customer's undercollection over a 12 month period, through a **DWR Bond Charge undercollection amortization charge equal to 1/12 of the total customer-specific undercollection amount**. In AL 1821-E, SCE proposes to allow the customer to elect to pay its past DWR Bond Charge obligation either in payments amortized over a two-year period or in a single lump sum amount. In AL 1610-E, SDG&E states that it will provide customers with the option of establishing payment arrangements as reasonable.

PG&E and SDG&E propose to begin billing applicable customers for their past DWR Bond Charges in an amortization charge on the first billing cycle following 60 days after this Advice Letter becomes effective. SCE does not make a specific proposal in this regard. PG&E and SDG&E believe this timing should give customers sufficient notice of the upcoming charges.

1. SCE and SDG&E began issuing bills to applicable CG customers for DWR Bond Charges on July 19, 2004; and PG&E began on September 1, 2004.

NOTICE

Advice Letters were properly noticed and distributed.

Notice of PG&E AL 2542-E, SCE AL 1821-E, and SDG&E AL 1610-E was made by publication in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A to parties on the attached list, as well as to the service list in Rulemaking (R.) 02-01-011.

PROTESTS

EPUC et al. protested PG&E's and SDG&E's advice letters, arguing that CG customers should have a 2-year payment option for past Bond Charges.

On August 30, 2004, Energy Producers and Users Coalition,² Kimberly Clark Corporation, and Goodrich Aerostructures Group (EPUC et al.) protested PG&E's AL 2542-E and SDG&E's AL 1610-E. EPUC et al. objects to PG&E's proposed automatic 12-month amortization period and to SDG&E's proposed offering of payment arrangements "as reasonable." In both cases, EPUC et al. protests that the utilities should offer customers an optional 2-year amortization period, as proposed by SCE in AL 1821-E. No party protested SCE's AL.

SDG&E responded to the protest of EPUC et al. on September 7, 2004. PG&E did not respond to the protest of EPUC et al. SDG&E in its response disagrees with the request of EPUC et al., because the "Resolution does not specify a specific amortization period for repayment, but rather leaves it up to each utility to submit its specific plan. SDG&E's proposal to provide customers with the option of establishing payment arrangements that are reasonable comports with the Commission directive and is fair."

2. EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP America Inc. (including Atlantic Richfield Company), Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power & Gas Services, Inc., Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company - California.

DISCUSSION

Resolution E-3831 directs the Utilities to make equitable amortization proposals to recover the DWR Bond Charge undercollection applicable to non-exempt CG departing load beginning April 3, 2003 (Resolution OP 14 and at p. 4). While each of the Utilities has complied with the explicit directive in Resolution E-3831, we believe a uniform method for all three Utilities is preferable to approving each utility's unique proposal. Therefore, we adopt SCE's proposal to allow the customer to select between the lump sum and the 2-year amortization payment alternatives. The methods we adopt are preferable, due to (1) the time involved (CG Bond Charges effective as of April 3, 2003 but not billed until the latter half of 2004), and (2) customer acceptance of these methods, as demonstrated by the protests.

The Utilities shall recover past CG Bond Charges on a customer specific basis.

The Utilities' proposal to allocate the undercollection on a customer-specific basis is equitable, given the varying periods of bond charge applicability to different customers. As SDG&E explains in its AL, "some accounts were established sometime before April 3, 2003, while others started on or after April 3, 2003. Additionally, several accounts had departing load during some months but not during all of the months." **The customer specific feature of the Utilities' proposals was not protested and is adopted.**

The Utilities shall allow CG customers to elect to pay past Bond Charges either in payments amortized over 2 years or in a single lump sum.

In its protests to PG&E's and SDG&E's ALs, EPUC et al. recommend that the Utilities offer customers an optional 2-year amortization period, as proposed by SCE. EPUC et al. argue that this modification will increase uniformity among the utility tariffs and comply with Resolution E-3831.

The amount of the unrecovered CG Bond Charges is substantial on an average per customer basis. PG&E and SDG&E in their ALs quantified the amount of past unrecovered Bond Charges and numbers of responsible customers shown in the table below. SCE provided the Energy Division with the information for its territory on January 13, 2005.

Unrecovered CG Bond Charges³ and Numbers of Customers

<u>Utility</u>	<u>Bond Charge Undercollection</u>	<u>No. Customers</u>	<u>Avg. \$/Cust.</u>
PG&E	\$3.7 million	22	\$168, 182
SCE	\$4.045 million	102	\$ 39,657
SDG&E	\$0.306 million	14	\$ 21,857

We adopt uniform Bond Charge recovery methods for past CG Bond Charges in all three Utility territories. CG customers may, at their option, pay their past Bond Charge obligations either in a single lump sum due 60 days from the date billed or in payments amortized over 2 years. The Utilities shall, as stated in their ALs, remit the DWR Bond Charge undercollection collected from CG customers to DWR, which will serve to reduce future DWR Bond Charge revenue requirements. The Utilities did not propose that additional interest be included in the amortization. The complexity of such individual customer computations makes them impractical for the benefit involved. Therefore no additional interest shall apply to payment of past unrecovered CG Bond Charges.

COMMENTS

Public Utilities Code section 311(g)(1) provides that a draft resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, the draft resolution was issued for comment to all parties no later than 30 days prior to being considered by the Commission. SDG&E provided comments on Draft Resolution E-3909 on February 9, 2005, and PG&E in its comments provided on February 11, supported SDG&E's comments with one refinement. SCE provided comments on February 11, which expressed full support for Draft Resolution E-3909, which adopts SCE's proposed payment options for CG customers. No party provided reply comments.

3. The CG bond charge undercollection is calculated using the Bond Charge remittance rates adopted in the DWR Revenue Requirement proceeding, A.00-11-038, for the applicable periods during 2003 and 2004 as applied to non-exempt bundled service and DA customers during the same applicable periods.

The Utilities shall contact CG customers in advance to determine their payment method preferences and bill accordingly.

SDG&E in its comments states that due to system constraints, it cannot show on its bills both the lump-sum payment amount and the monthly amount that would be owed if amortized over two years. PG&E also states in its comments that its billing system has similar constraints in that it cannot show two alternative amounts on the same bill within the time frame set forth in the Draft Resolution. Thus SDG&E recommends changes to Ordering Paragraphs (Ops) 2 and 3 to provide that the Utilities should contact each CG customer to determine its payment method preference and then bill accordingly. PG&E concurs with the changes proposed by SDG&E. In addition, PG&E recommends that the 2-year amortized payment method serve as the default alternative for those customers that do not specify a payment method preference. The approach recommended by SDG&E and PG&E is reasonable, and Ops 2 and 3 are modified accordingly.

FINDINGS

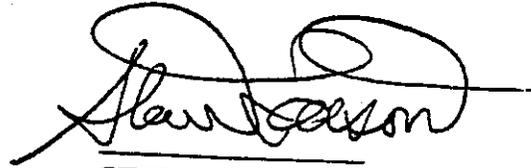
1. **Resolution E-3831 directed PG&E, SCE, and SDG&E to file advice letters to make amortization proposals to equitably allocate responsibility for the unrecovered DWR Bond Charges, which accrued from CG customers between April 3, 2003 and the date the Utilities begin billing the Bond Charge on CG load.**
2. On August 9, 2004, PG&E filed Advice Letter (AL) 2542-E; SCE filed AL 1821-E; and SDG&E filed AL 1610-E. EPUC et al. protested PG&E's and SDG&E's ALs. No party protested SCE's AL. SDG&E responded to the protest of EPUC et al.; PG&E did not respond.
3. While each of the Utilities has complied with the explicit directive in Resolution E-3831, a uniform method for recovery of past CG Bond Charges applicable in all three utility service territories is preferable to approving each utility's unique proposal.
4. The Utilities' proposal to allocate unrecovered Bond Charges on a customer-specific basis is equitable, given the varying periods of Bond Charge applicability to different customers.
5. An optional 2-year amortization period is reasonable for CG customers to pay their unrecovered Bond Charge obligations, given the substantial amounts due.

THEREFORE IT IS ORDERED THAT:

1. The past CG Bond Charge amortization proposals of PG&E in AL 2542-E, SCE in AL 1821-E, and SDG&E in AL 1610-E are approved as modified herein.
2. The Utilities shall provide CG customers with the option to pay past Bond Charges individually incurred by them either in a single lump sum or in payments amortized over two years. The Utilities shall contact the applicable customers prior to billing the past Bond Charges to determine which payment method they prefer.
3. The Utilities shall begin billing applicable CG customers for their past DWR Bond Charge obligations on the first billing cycle beginning 60 days after this Resolution becomes effective, based on the payment option elected by the CG customer. For those customers that do not elect an option, the Utilities shall bill past Bond Charges using the amortized payment option. No additional interest shall be included in either the lump sum or the amortization payment alternatives.
4. The Utilities shall allow customers 60 days from the billing date to pay past Bond Charge obligations in a single lump sum.
5. The protests of EPUC et al. to PG&E's AL 2542-E and SDG&E's AL 1610-E are granted as adopted herein to provide CG customers with a 2-year payment option for past Bond Charges.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 24, 2005; the following Commissioners voting favorably thereon:



STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

Commissioner Dian M. Grueneich recused herself from this agenda item and was not part of the quorum in its consideration.



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Cellular: 415.517.5067
Internet: BKC7@pge.com

August 9, 2004

**Advice 2542-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Amortization Proposal for the Unrecovered DWR Bond
Charges Attributable to Customer Generation Departing Load,
In Compliance with Resolution E-3831**

In compliance with Ordering Paragraph 14 of California Public Utilities Commission (Commission) Resolution E-3831, Pacific Gas & Electric Company (PG&E) submits the following proposal for amortization of the Department of Water Resources (DWR) Bond Charge undercollection (approximately \$3.7 million) applicable to non-exempt Customer Generation Departing Load (CG DL) for the period April 3, 2003, through August 31, 2004.

Background

On July 8, 2004, the Commission issued Resolution E-3831 to implement the Cost Responsibility Surcharge (CRS) for certain Customer Generation (CG) Departing Load (DL) pursuant to Decision (D.) 03-04-030, as modified by D.03-04-041.¹ The CRS is comprised of four cost components: (1) the DWR Bond Charge, (2) the DWR Power Charge, (3) the Competition Transition Charge (CTC), and (4) the Regulatory Asset RA Charge.² Resolution E-3831 required PG&E to introduce certain modifications to PG&E's electric rate schedule E-DCG proposed in Advice 2375-E/-E-A. PG&E complied with this requirement by filing Advice 2375-E-B on July 19, 2004 (with substitute sheets filed on July 22, 2004, to correct typographical errors in the July 19 filing).³

Resolution E-3831 clarified that cost responsibility for all of these departing load charges, including the DWR Bond Charge, applies to CG sales as of April 3, 2003, the date D.03-04-030 was issued.⁴ Resolution E-3831 also clarified that

¹ D. 03-04-030 established cost responsibility obligations of CG DL customers for DWR Bond and Power Charges, as well as the Ongoing (CTC).

² The Regulatory Asset charge was established by D. 04-02-062 for customers in PG&E's service territory.

³ On August 9, 2004, PG&E will be filing substitute sheets to Advice Letter 2375-E-B to make it consistent with the Bond Charge undercollection amortization proposed in Advice Letter 2542-E.

⁴ Resolution E-3831, pages 16, 20, 21.

the utilities were authorized to begin billing applicable CG customers for the Bond Charge only after June 11, 2003, the date D. 03-04-030 became final and unappealable.⁵

With respect to the DWR Bond Charge undercollection, which accrued from the CG DL customers between April 3, 2003, and the date the utilities begin billing CG DL customers for these charges, the Resolution directed PG&E, Southern California Edison Company and San Diego Gas and Electric Company to file advice letters to make amortization proposals to equitably allocate responsibility for the unrecovered DWR Bond Charges.⁶

PG&E will begin issuing bills to applicable CG customers for DWR Bond Charges on September 1, 2004.⁷ The estimated CG DL DWR Bond Charge undercollection for the period April 3, 2003, through August 31, 2004, is \$3.7 million and is due from 22 CG DL customers in PG&E's service territory. In accordance with Resolution E-3831, the CG DL Bond Charge undercollection is calculated using the bond charge remittance rates adopted in DWR Revenue Requirement proceeding, A.00-11-038.^{8,9}

Amortization Proposal

In accordance with Ordering Paragraph 14 of Resolution E-3831, PG&E proposes to recover the DWR Bond Charge undercollection attributable to non-exempt CG DL for the period April 3, 2003, through August 31, 2004, on a customer-specific basis. In order for the DWR Bond Charge undercollection to be recovered in a fair and equitable manner, PG&E proposes to recover from each customer its respective undercollection amount, calculated as the applicable DWR Bond Charge rate times usage. The charges for the applicable 2003 and 2004 periods will be calculated based on the 2003 and 2004 DWR Bond Charge rates paid by bundled-service and direct access customers.

Because the DWR Bond Charge undercollection is substantial for certain customers, PG&E proposes to amortize each affected customer's undercollection over a 12 month period, through a DWR Bond Charge

⁵ Resolution E-3831, page 21.

⁶ Resolution E-3831, Ordering Paragraph (OP) 14.

⁷ PG&E's compliance filing, 2375-E-B, which establishes schedule E-DCG to charge CG DL customers for DWR Bond and Power, as well as CTC and Regulatory Asset Charges, is effective on July 19, 2004, subject to Energy Division's determining that it complies with Resolution E-3831.

⁸ Resolution E-3831, page 16.

⁹ Resolution E-3831 notes that utilities were authorized to track Bond Charges applicable to CG in the Bond Charge Balancing Accounts (BCBA), as instructed in D.03-04-030. While PG&E established the BCBA through Advice 2300-E filed on November 13, 2002, it did not book any entries to the Departing Load Customer Subaccount of the BCBA because it did not have a basis for such entries until the Resolution E-3831 was issued, compliance Advice 2375-E-B filed on July 19, 2004, and the protest period for this Advice expired on August 8, 2004.

undercollection amortization charge equal to 1/12 of the total customer-specific undercollection amount.

PG&E proposes to begin billing the applicable customers for the DWR Bond Charge amortization charge on the first billing cycle following 60 days after this Advice Letter becomes effective. This should give customers sufficient notice of the upcoming charges.

The DWR Bond Charge undercollection collected from CG DL will be remitted to DWR and will serve to reduce future DWR Bond Charge revenue requirements. Pursuant to Ordering Paragraph 15 of Resolution E-3831, future statewide DWR Bond Charge rate calculations shall include non-exempt CG DL usage and shall reflect the bond charge undercollection revenues recovered from CG DL.

Protest

Anyone wishing to protest this filing should do so by sending a letter via postal mail and facsimile by **August 30, 2004**, which is 21 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. There is no restriction on who may file a protest. 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 PG&E 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

Effective Date

PG&E respectfully requests that this advice filing becomes effective on **September 1, 2004**.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the service list parties Rulemaking (R.) 02-01-011 (Direct Access Suspension OIR Proceeding). Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

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

Brian K. Cherry /SKR

Director - Regulatory Relations

Attachments

cc: Service List R. 02-01-011

**PGE Gas Advice Filing
List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Aicantar & Elsesser
Applied Power Technologies
Arter & Hadden LLP
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BART
Blue Ridge Gas
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
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Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
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Cardinal Cogen
Chevron USA Production Co.
Childress, David A.
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Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
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Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
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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
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
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy

Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Welhead Electric Company
Western Hub Properties, LLC
White & Case
WMA