

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 22, 2005

Advice Letter 2548-E-A

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

Subject: Interim allocation of the supplemental 2004 Department of Water Resources revenue requirement and power charge remittance rate adjustment

Dear Ms de la Torre:

Advice Letter 2548-E-A is effective December 2, 2004. A copy of the advice letter is returned herewith for your records.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division



**Pacific Gas and
Electric Company**

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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December 16, 2004

**Advice 2548-E-A
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Permanent Allocation of the 2004 Department of Water Resources (DWR) Revenue Requirement and 2004 Power Charge Remittance Rate Adjustment

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental filing to update the estimate of 2004 direct access (DA) customer responsibility surcharge (CRS) power charge revenue and to adjust the 2004 DWR power charge remittance rate in compliance with Decision (D.) 04-12-014. This supplemental filing implements the 2004 remittance rate based on the permanent allocation of the DWR revenue requirement, and supercedes the previous AL 2548-E which requested to implement the interim 2004 remittance rate based on the interim allocation methodology.

Background

On December 2, 2004, the Commission issued D. 04-12-014 (Decision) implementing a permanent allocation of the annual power charge revenue requirement (PCRR) determination of the California Department of Water Resources.

In this Decision the Commission ordered utilities to adjust the adopted IOU power charge calculated in Appendix C of the Decision for an updated estimate of the 2004 DA CRS power charge revenue. Specifically, the Ordering Paragraph (OP) 6 states that "The utilities shall provide updated estimates of direct access customer responsibility surcharge revenues in their implementation advice letters." OP 7 further states that 2004 power charge rates adjusted as indicated above should go into effect immediately and will remain in effect until further order of the Commission.

In addition, OP 8 required that the utilities file advice letters with revised tariffs that would reflect the power charges, as adjusted for DA CRS and that these new tariffs be effective as of the date of the Decision, subject to review by the Energy Division.

DA CRS Revenue Adjustment to the 2004 DWR Power Charge Remittance Rate

PG&E coordinated with DWR its proposed DA CRS power charge revenue adjustment to the final 2004 DA power charge remittance rate. The updated estimate of 2004 DA power charge remittance is \$137,912,041. This calculation includes actual DA power charge remittances that PG&E made to DWR in the months of January - November 2004 and the forecast of DA power charge remittances that PG&E will make in the month of December. The resulting PG&E 2004 DWR power charge remittance rate is 7.358 cents per KWh. Workpapers supporting this calculation are submitted as part of this Advice filing in Attachments A and B.

2004 PG&E Power Charge Over-remittances to DWR

D. 04-12-014 states in OP 5 that pursuant to D.04-01-028 the adopted allocation methodology is applied retroactively to January 1, 2004. Up until the issuance of the permanent allocation decision PG&E remitted DWR at a higher interim Power Charge rate of 7.910 cents per KWh.¹ PG&E is working with DWR to secure an acceptable credit for the overpayment. Approval of this advice letter should not be contingent on the progress of PG&E and DWR discussions regarding the 2004 overpayment.

Tariff Revisions

OP 8 of the Decision requires utilities to file revised tariffs that reflect the power charges, as adjusted for DA CRS. For PG&E, tariff revisions related to implementation of the new DWR power charge remittance rate include revision of the Power Charge Balancing Account rate used to charge PG&E bundled customers for DWR power. PG&E plans to make this rate change in its Annual Electric True-Up supplemental advice filing.² The purpose of the latter filing is to consolidate all authorized customer rate changes and change customer rates on

¹ PG&E will continue to remit at the interim rate until this Advice letter is approved. Subsequently PG&E will true-up for any over-remittances during the December 2, 2004, (the effective date of this advice letter) through the approval date period in the course of the normal "Monthly Reconciliation of Forecast Collections" remittance true-up.

² That would be a supplement to Advice Letter 2570-E.

January 1, 2005.³ PG&E plans to file corresponding tariff changes, including a PCCBA tariff change implementing D. 04-12-014, with the Annual Electric True-Up supplemental advice filing on or before December 30, 2004.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **January 5, 2005**, which is 20 days from 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, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

In OP 7 and 8 the Commission sets 2004 power charge to be effective immediately. Accordingly, PG&E requests that the updated PG&E 2004 DWR power charge remittance rate shown in Attachment B of this advice letter is effective **December 2, 2004**, which is the date the Decision was issued. This

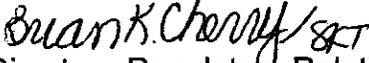
³ Draft Resolution E-3906 approves with modifications PG&E's Annual Electric True-Up proposal and states that: "It is reasonable to consolidate Commission and FERC-approved rate changes..." (p.5)

power charge rate will remain in place until the Commission adopts a 2005 power charge remittance rate.

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 for Application (A.) 00-11-056. Address changes should be directed to Rose De La Torre (RxDd@pge.com) at (415) 973-2716. Advice letter filings can also be accessed electronically at:

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


Director - Regulatory Relations

Attachments

cc: Service List – A. 00-11-056

Attachment A
2004 PG&E Cost Allocation Summary

1	Total DWR Contract Costs		\$4,859,626,196
2	Administrative & General Expenses		\$59,000,000
3	Extraordinary Costs		\$37,054,868
4	Net Operating Revenues		(\$320,372,326)
5	Interest Earnings on Fund Balance		(\$32,212,129)
6	Other Revenues (Contract Settlements, Extraordinary Receipts)		(\$51,896,968)
7	Net Total of Variable Contract Costs, other Fixed Costs, and Net Revenues		\$4,551,199,641
8			
9	Allocation of Contract Costs	PG&E (based on D.04-12-014)	PG&E (based on updated DA CRS)
10	Sales Allocator (MWh)	49,407,356	49,921,476
11	Percentages	44.8%	44.8%
12			
13	Start with: Cost-Follows-Contracts Allocation	\$1,743,564,626	\$1,743,564,626
14	Subtract: SCE Estimate of IOU-specific Above-Market Costs	(\$616,740,000)	(\$616,740,000)
15	Result: CFC Net of IOU-specific AMC	\$1,126,824,626	\$1,126,824,626
16	Add back: pooled and re-allocated AMC	\$832,875,961	\$832,875,961
17	Final Allocation of DWR contract Costs	\$1,959,700,587	\$1,959,700,587
18			
19	Adopted Allocator of Non-Contract Costs and Revenues	40.69%	40.69%
20	Allocated Non-Contract Costs and Revenues	(\$125,498,765)	(\$125,498,765)
21	DWR Reconciliation to SCO	(\$2,707,202)	(\$2,707,202)
22	Less: Off-system Sales	(\$18,078,332)	(\$18,078,332)
23	Subtotal: Allocated DWR Costs	\$1,813,416,288	\$1,813,416,288
24	2001/2002 True-up (D.04-01-028)	(\$100,590,687)	(\$100,590,687)
25	Sub-Total—Revenue Requirement before Direct Access Revenues	\$1,712,825,601	\$1,712,825,601
26	Less: Direct Access CRS Revenues	(\$104,312,750)	(\$137,912,041)
27	Total Revenue Requirement	\$1,608,512,851	\$1,574,913,560
28			
29	Calculate IOU Power Charges		
30	2004 DWR Delivered Energy (MWh)	21,145,876	21,145,876
31	Partial IOU Power Charge	\$0.07607	\$0.07448
32	Adjustment to Match DWR Operating Account Balance	(\$0.00090)	(\$0.00090)
33	Adopted IOU Power Charges	\$0.07517	\$0.07358

Attachment B
DA CRS Total Remittances
Paid in the Year of 2004

Revenue Month	Actual Payments Made in the Revenue Months for DA CRS Power Charge	Actual Payments Made in the Revenue Months for DA CRS - Bond Charge	Actual Payments Made for DA CRS
Jan-04*	\$ 35,743,139	\$ 1,935,122	\$ 37,678,261
Feb-04	\$ 19,886,258	\$ 3,889,273	\$ 23,775,531
Mar-04	\$ 12,348,693	\$ 2,744,285	\$ 15,092,978
Apr-04	\$ 10,821,308	\$ 2,850,692	\$ 13,672,000
May-04	\$ 11,017,139	\$ 4,330,160	\$ 15,347,299
June-04**	\$ 4,007,052	\$ 3,318,204	\$ 7,325,256
July-04**	\$ -	\$ 2,749,039	\$ 2,749,039
Aug-04	\$ 10,564,174	\$ 4,864,099	\$ 15,428,273
Sept-04	\$ 3,401,515	\$ 3,339,766	\$ 6,741,281
Oct-04	\$ 7,411,140	\$ 4,558,161	\$ 11,969,301
Nov-04	\$ 10,255,440	\$ 3,337,833	\$ 13,593,273
Dec-04***	\$ 12,456,183	\$ 3,368,558	\$ 15,824,741
Total Remittances	\$ 137,912,041	\$ 41,285,192	\$ 179,197,233

Notes:

* The \$35.7M DA CRS Power Charge payment for Jan'04 includes the \$25M DA CRS true up adjustment as a result of the interim contract adjustment of bundled Power Charge.

** The decrease of DA CRS Power Charge payments for June and July 2004 is due to the two additional components of DA CRS (On-Going CTC and Regulatory Asset) beginning March 1, 2004. The two new components contributed to the decrease of DA CRS Power Charge rate which resulted in a large overpayment.

*** The \$3.36M DA CRS Bond Charge for Dec'04 includes the negative adjustment of -\$49,762 as a result of the write off factor issue.

**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
Chevron Texaco
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
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
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exeter Associates
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
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
PITCO
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
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
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