

PUBLIC UTILITIES COMMISSION

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December 1, 2004

Advice Letter 2576-E

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

Subject: Tariff revisions to direct access shortfall account

Dear Ms de la Torre:

Advice Letter 2576-E is effective September 1, 2004. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director
Energy Division



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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October 29, 2004

Advice 2576-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Tariff Revisions to PG&E's Direct Access Shortfall Account

Pacific Gas and Electric Company (PG&E) hereby submits its proposed electric tariff revisions to the Direct Access Shortfall Account (DASA) pursuant to Decision (D.) 04-06-012.

Purpose

This filing revises the accounting procedures for the Direct Access Shortfall Account (DASA) by including a credit entry equal to the excess ongoing Competition Transition Charge (CTC) revenues received from DA customers during the period from January 1, 2004, through August 31, 2004. The ongoing CTC revenue requirement and rates were originally forecast as part of the Energy Resource Recovery Account (ERRA) proceeding, Application (A.) 03-08-004, and were subsequently updated in February 2004 in this same proceeding. D.04-06-012 adopted PG&E's updated forecast for the ERRA and the ongoing CTC revenue requirements on an interim basis for 2004. D.04-06-012 authorizes PG&E to align the costs and revenues already recorded in 2004 in the ERRA and the Modified Transition Cost Balancing Account (MTCBA), and adjust rates on an interim basis to prevent a misalignment of costs and revenues pending a final decision in this proceeding.

Background

D.04-06-012 adopts, on an interim basis, an updated CTC benchmark of 5.18 cents/kWh retroactive to January 1, 2004, an increase of 0.88 cents/kWh over the currently in place 2003 benchmark of 4.30 cents/kWh (originally adopted in D.02-11-022). The CTC benchmark is used to determine the above-market portion of CTC-eligible power purchase agreements and applicable ongoing CTC revenue requirement. The 0.88 cents/kWh increase in the benchmark reduces the ongoing CTC rate from 1 cent/kWh to 0.2 cents/kWh. After restating DA customers' CTC obligations in accordance with the new CTC benchmark retroactive to January 1, 2004, PG&E has determined that DA customers have paid in excess of \$21 million for ongoing CTC charges during the January through August 2004 time period.

Because the DA power charge is a residual calculation of 2.7 cents less DWR Bond, Regulatory Asset and the Ongoing CTC charges, the retroactive reduction in the DA CTC revenue component will result in a corresponding increase in the DA power charge revenue received. Since D.04-06-012 authorized PG&E to align the costs and revenues already recorded in 2004 in the ERRA and MTCBA, and to adjust rates on an interim basis to prevent a misalignment of costs and revenues, PG&E proposes to use this authorization to credit DA customers for the excess CTC dollars they paid by reducing the DA Cost Responsibility Surcharge (DA CRS) undercollection.

PG&E proposes to use the Direct Access Shortfall Account (DASA) to implement this credit. DASA was established in Advice 2383-E to affect payback of the DA CRS undercollection, pursuant to D.02-11-022. DASA accrues the DA CRS undercollection for future collection from direct access customers. PG&E proposes to make a one-time credit entry to DASA in the amount of the excess \$21 million that DA customers paid for CTC charges under the former CTC benchmark of 4.3 cents/Kwh. These revenues will reduce the DA CRS undercollection to be recorded in DASA once a ruling on the final amount of DA cost responsibility is issued in Rulemaking (R.) 02-01-011.

Tariff Changes

Regulatory Accounting Treatment

As part of the implementation of D.04-06-012, PG&E proposes to make a credit entry to DASA equal to the excess revenue received from DA customers from January 1, 2004, through August 31, 2004. PG&E is filing revised Preliminary Statement CT to reflect this proposal.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **November 18, 2004**, 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. As directed by the Commission, PG&E will not implement the revised DWR Bond Charges proposed herein until its advice letter has been approved. (See D.02-10-053, Ordering Paragraph 8). 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

October 29, 2004

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 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

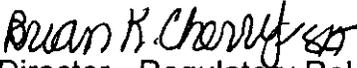
Effective Date

PG&E requests that this advice filing become effective on **September 1, 2004**, the date when PG&E implementation the ERRA restatement per D. 04-06-012.

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 Rulemaking (R.) 02-01-011. Address changes should be directed to Rose De La Torre (RxDd@pge.com) at (415) 973-4716. Advice letter filings can also be accessed electronically at:

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


Director - Regulatory Relations

Attachments

cc: Service List R. 02-01-011

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
22416-E	Electric Preliminary Statement CT – Direct Access Shortfall Account (DASA)	20370-E
22417-E	Table of Contents – Preliminary Statements (Continued)	22319-E
22418-E	Table of Contents	22320-E



PRELIMINARY STATEMENT

(Continued)

CT. DIRECT ACCESS SHORTFALL ACCOUNT (DASA)

1. PURPOSE: The purpose of the Direct Access Shortfall Account (DASA) is to track the difference between the direct access (DA) share of the California Department of Water Resources (DWR) Bond Charge revenue requirement allocated direct access customers and revenues received from such direct access customers under the DWR Bond Charge rate component of the Direct Access Cost Responsibility Surcharge (DA CRS).
2. APPLICABILITY: The DASA shall apply to direct access customers subject to the jurisdiction of the Commission, except for those specifically excluded by the Commission.
3. REVISION DATES: The DASA should be discontinued when the balance is reduced to zero, which will indicate that direct access customers will have paid back their DWR-related obligations to bundled customers, thus eliminating any shortfalls.
4. RATES: The DASA does not have a rate component.
5. ACCOUNTING PROCEDURES: The following entries shall be made each month:
 - a) A one-time debit entry equal to the balance of the DA subaccount of the Bond Charge Balancing Account (BCBA) upon the effective date.
 - b) A one-time credit entry equal to the excess revenues received from DA customers during January 1, 2004 – August 31, 2004, per Decision 04-06-012. (N)
(N)
 - c) An entry equal to the interest on the average of the balance 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. (T)



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

ABAG Power Pool
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
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BP Energy Company
Braun & Associates
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California Farm Bureau Federation
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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
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Duke Energy North America
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Dutcher, John
Dynegy Inc.
Ellison Schneider
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Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
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Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
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JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
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McKenzie & Associates
Meek, Daniel W.
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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
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
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