

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 2, 2005

Advice Letter 2584-E

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

Subject: Establishment of the Reliability Cost Balancing Account

Dear Ms de la Torre:

Advice Letter 2584-E is effective July 8, 2004. A copy of the advice letter is returned herewith for your records. This corrects the subject line in our letter dated February 3, 2005.

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  
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November 9, 2004

**Advice 2584-E**  
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Establishment of the Reliability Cost Balancing Account**

In accordance with Decision (D.) 04-07-028, *Interim Opinion Regarding Electricity Reliability Issues*, Pacific Gas and Electric Company (PG&E) hereby submits for filing the following changes to its tariff schedules. The affected tariff sheets are listed on the enclosed Attachment I.

**Purpose**

This advice filing creates a new Electric Preliminary Statement Part DO for a new balancing account, the Reliability Cost Balancing Account (RCBA), consistent with the direction provided in D.04-07-028.

**Background**

On July 8, 2004, the California Public Utilities Commission (CPUC, Commission) issued D.04-07-028 to clarify and modify past Commission orders regarding the principles that utilities shall follow when making resource scheduling and procurement decisions. D.04-07-028 ordered utilities to consider additional categories of California Independent System Operator (CAISO)-related costs in their evaluation of resource scheduling and procurement options incorporating "all known and reasonably anticipated [CAISO]-related costs (including congestion, re-dispatch and must-offer costs)."

In accordance with D.04-07-028, PG&E will request cost recovery for any additional reliability-related costs that it incurs as a result of implementing the requirements of D.04-07-028 through its Federal Energy Regulatory Commission (FERC) Reliability Services tariff provisions. The CPUC recognized that utilities may not be able to recover all reliability-related costs through these FERC tariff provisions, and it authorized utilities to seek recovery, for any disallowances by FERC, from the CPUC in the appropriate Energy Resource Recovery Account (ERRA) proceeding.

PG&E requests that this advice filing become effective on July 8, 2004, the same effective date as D.04-07-028.<sup>1</sup> PG&E will immediately begin recording reliability-related costs it incurs as a result of implementing D.04-07-028. At the time that these costs are deemed recoverable by FERC, PG&E will reduce (offset) the costs recorded in the RCBA by the amounts recovered through FERC-approved Reliability Services rates.

### **Protest Period**

Anyone wishing to protest this filing may do so by sending a letter by **November 29, 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. Protests should be mailed to:

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto: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 e-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.

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](mailto:RxDd@pge.com)

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<sup>1</sup> As of October 29, 2004, PG&E has not incurred any reliability-related costs that would be recorded to the RCTA.

**Effective Date**

PG&E requests that this advice filing become effective on **July 8, 2004**, the same effective date as D.04-07-028.

**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 parties on the service list for Rulemaking (R.04-04-003). Address changes should be directed to Rose De La Torre ([RxDd@pge.com](mailto:RxDd@pge.com)) at (415) 973-4716. Advice letter filings can also be accessed electronically at:

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

*Brian K. Cherry*  
BKR

Director - Regulatory Relations

**Attachments**

cc: Service List - R. 04-04-003

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Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
22440-E	Preliminary Statement DO – Reliability Cost Balancing Account	N/A

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PRELIMINARY STATEMENT  
(Continued)

DO. RELIABILITY COST BALANCING ACCOUNT (RCBA)

(N)

1. PURPOSE:

The purpose of the RCBA is to track the reliability premium associated with deviations from least cost dispatch practices to incorporate known or reasonably anticipated California Independent System Operator (CAISO)-related costs incurred to address reliability issues in areas where PG&E serves load. Decision 04-07-028 dated July 8, 2004, in Ordering Paragraph 1c noted these CAISO costs include congestion, re-dispatch, and must-offer costs.

Reliability related costs are defined as additional costs (beyond the level that would result from strict least-cost dispatch) incurred by PG&E to implement D. 04-07-028. These additional costs are those associated with the dispatch of generating units under PG&E's operational control and designated by the CAISO in its Procedure "M-438", as being required to meet local area reliability requirements. In an unconstrained, least-cost dispatch of resources, these units may not have been committed at all, or may have been committed for insufficient hours in the day-ahead market in order to satisfy the local area reliability criteria identified in Procedure M-438. The reliability related cost is the incremental cost above that realized by an unconstrained, least-cost dispatch result. It is calculated by comparing the total least-cost dispatch solution in the day ahead timeframe with the total cost incurred as a result of re-dispatching resources according to Procedure M-438. The difference is the reliability related cost.

Pursuant to D. 04-07-028, PG&E will initially apply to recover costs recorded in the RCBA through FERC rates. For costs that are not deemed recoverable through FERC rates, PG&E will apply for recovery through a future ERRA proceeding. The Commission would review costs tracked in the RCBA that are not deemed recoverable through FERC rates in future Energy Resource Recovery Account applications, or other proceeding, as deemed appropriate.

2. APPLICABILITY:

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

3. RCBA RATES:

There is no rate component.

4. ACCOUNTING PROCEDURE:

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

- a. A debit entry equal to the total reliability related cost, computed on a daily basis as discussed above.
- b. 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.
- c. A credit entry equal to the revenues received through a FERC-approved reliability services rate that is for recovery of reliability costs due to redispach under procedure M438 as discussed above.

(N)

**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  
Aicantar & Eisesser  
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  
Dynegy 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  
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