

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



January 3, 2005

Advice Letter 2596-E-A

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

Subject: Establishment of a new preliminary statement for the dedicated rate component complying with energy recovery bond decision

Dear Ms de la Torre:

Advice Letter 2596-E-A is effective January 8, 2005. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink that reads "Paul Clanon".

Paul Clanon, Director
Energy Division



**Pacific Gas and
Electric Company**

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

December 27, 2004

Advice 2596-E-A
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplemental Filing - Establish New Preliminary Statement for the Dedicated Rate Component Complying with Energy Recovery Bond Decision

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The tariffs filed in this supplemental filing completely supersede the tariffs filed in Advice 2596-E. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

The purpose of this supplemental advice filing is to submit revisions to Preliminary Statement Part DP - *Dedicated Rate Component (DRC)* consistent with PG&E's, December 23, 2004, response to the protests to Advice 2596-E by Modesto, Merced, and BART. PG&E also clarifies issues surrounding applicability of municipal departing load charges. Finally, PG&E addresses concerns surrounding the tracking of DRC charges for non-exempt departing load customers. On this final issue, PG&E emphasizes that it has not proposed specific preliminary statement language for the tracking accounts established by the financing order. PG&E did provide a general discussion in Advice 2596-E of how it anticipates these accounts will work. PG&E will file proposed preliminary statement language for these tracking accounts in the near future. It is in that future filing, where parties' concerns surrounding this final issue can be addressed.

Limitation of Recovery of Dedicated Rate Component Charges to Consumers in PG&E's Service Territory as of December 19, 2003

Both Modesto and Merced expressed concern that PG&E's proposed tariff language for the DRC Preliminary Statement did not explicitly reference that SB 772 provides, via Public Utilities Code Sections 848(k) and 848.1(a), that the DRC charges shall be collected from "non-exempt" consumers of electricity within the

geographical area that PG&E provided with electric distribution service as of December 19, 2003.

In response, PG&E is modifying paragraph 2 of the DRC preliminary statement to read: "Pursuant to the legislation (SB 772), this DRC charge applies to all consumers of electricity in the geographical area that PG&E provided with distribution service as of December 19, 2003, including all customer classes, except for those specifically excluded by the legislation or by the Commission."

Applicability of DRC Charges to New Municipal Load Customers Excepted From the Obligation to Pay Certain Customer Responsibility Surcharge (CRS) Charges Pursuant To D. 04-11-014

In its protest, Modesto asserted generally, and noted that PG&E correctly asserts in its advice letter, that pursuant to SB 772, new municipal load customers who are excepted from the DWR power charge in D. 04-11-014 (as modified by D. 04-12-059) are also excepted from the DRC charges.

Merced requested that the Commission ensure that any tariffs PG&E adopts to collect the DRC charge expressly exempt new municipal departing load as a result of the limited rehearing granted in D. 03-08-075.

In its response, PG&E agreed that new municipal load customers who are excepted from the DWR power charge in D. 04-11-014 (as modified by D. 04-12-059) are also excepted from the DRC charges. However, this does not necessitate any changes to PG&E's proposed preliminary statement language for the DRC charges.

When PG&E's departing load tariffs are adopted, and modified to reflect the applicability of the DRC charges to departing load customers, it may make sense to incorporate additional detail regarding which departing load customers are exempt from the DRC charges, and which are not in those tariffs.

Effective Date

Consistent with Advice 2596-E, PG&E requests that this advice filing become effective on regular notice, **January 8, 2005**, which is 40 days after the date of the original filing. Pursuant to Conclusion of Law 46 in D.04-11-015, the tariffs themselves will be effective on the effective date of the DRC charge specified in the Issuance Advice Letter. Pursuant to direction from Energy Division staff, this supplemental filing does not extend the protest period.

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 List for A. 04-07-032

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
22486-E	Electric Preliminary Statement Part DP – Dedicated Rate Component	New
22487-E	Electric Preliminary Statement Part DP – Dedicated Rate Component (Cont'd)	New
22488-E	Table of Contents – Preliminary Statement (Cont'd)	22019-E
22489-E	Table of Contents	22415-E



PRELIMINARY STATEMENT
(Continued)

DP. DEDICATED RATE COMPONENT (DRC)

(N)

1. **PURPOSE:** The purpose of this section is to establish a Fixed Recovery Amount charge (also know as Dedicated Rate Component (DRC) charge), as mandated in Senate Bill (SB) 772 in connection with Energy Recovery Bonds (ERBs). A separate DRC charge will apply to each series of ERBs issued. SB 772 authorizes PG&E to recover a portion of its Modified Settlement Agreement Regulatory Asset (Regulatory Asset) through the issuance of one or more series of ERBs. The DRC charge is defined by SB 772 as a nonbypassable, separate charge that is authorized by the Commission in a financing order to recover, *inter alia*, the unamortized balance of the Regulatory Asset, associated taxes and the costs of providing, recovering, financing or refinancing the Regulatory Asset, including the costs of issuing, servicing, and retiring ERBs. The DRC charge will be comprised of the following components: (1) scheduled debt service on the ERBs; (2) servicing fees; (3) Bond Trustee fees and other administrative expenses; (4) overcollateralization; (5) allowance for uncollectibles; and (6) other ongoing expenses. A separate DRC charge will apply to each series of ERBs issued.

The rights to the DRC charge constitute "recovery property" as defined in the legislation (SB 772) and will be established pursuant to a Financing Order (Decision 04-11-015) issued by the California Public Utilities Commission and an Issuance Advice Letter (IAL) to be filed by PG&E. PG&E will sell all of its rights with respect to such recovery property to PG&E Energy Recovery Funding LLC, a Delaware Limited Liability Company (Special Purpose Entity). The sale of recovery property will include: (1) all rights, titles, and interest in all revenues, collections, claims, payments, money, or proceeds of/or arising from or constituting amounts that are subject of the IAL and the Financing Order; (2) the rights to be paid the amounts set forth in the IAL and the Financing Order; and (3) the right to seek and obtain adjustment to the DRC charge as provided in the IAL and the Financing Order. After each series of ERBs has been issued, PG&E will have no continuing rights to the recovery property, DRC charge or any amounts payable thereunder.

2. **APPLICABILITY:** Pursuant to the legislation (SB 772), this DRC charge applies to all consumers of electricity in the geographical area that PG&E provided with distribution service as of December 19, 2003, including all customer classes, except for those specifically excluded by the legislation or by the Commission.
3. **ISSUANCE ADVICE LETTER:** No later than four business days after each series of ERBs is priced, PG&E will file an IAL with the Commission for that series. The IAL will be effective upon filing, and the DRC charge established in each IAL will be effective automatically 10 days after the advice letter is filed or a later date if requested by PG&E, but no more than 60 days after the issuance of the associated bonds. The IAL for each series of ERBs shall include a description of the DRC charge calculation and the bond issuance amount, and shall identify the Special Purpose Entity and identify the DRC charge as recovery property.

(N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

DP. DEDICATED RATE COMPONENT (DRC) (Cont'd.)

(N)

4. DRC CHARGE ADJUSTMENTS: PG&E will file a Routine True-Up Mechanism Advice Letter one or more times per year as identified in the IAL and the Financing Order to adjust the DRC charge for each series of ERBs. The purpose of the adjustment is to ensure that DRC charge revenues are sufficient to make remittances of DRC charge collections to the Bond Trustee in amounts sufficient to make scheduled payments and deposits required under the indenture pursuant to which the series of ERBs is issued. The adjustment will be based on the following: (1) the most recent test-year sales; (2) the test-year projected amortization schedule; (3) estimated administrative fees and expenses; (4) an adjustment to reflect collections from the prior period; and (5) changes to projected uncollectibles. The advice letter will be filed at least 15 days before the end of the quarter and will adjust the DRC charge for each series of ERBs issued and become effective on the 1st day of the following calendar quarter.

In addition to the routine revisions to be effective on January 1 each year, PG&E may also make changes to the DRC charge based on changes to the cash flow model not specified above. In this case, PG&E will file a Non-Routine True-Up Mechanism Advice Letter no later than 90 days before the end of any calendar quarter and request that the revised DRC charge become effective in 90 days at the beginning of the next calendar quarter.

5. DRC CHARGE:

	<u>(cents/kWh)</u>
ERB Series 1	0.xxx
ERB Series 2	0.000

(N)



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	21122-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
Part DP	Dedicated Rate Component.....	22486,22487-E (N)

(Continued)



TABLE OF CONTENTS

	<u>CAL P.U.C. SHEET NO.</u>	
Title Page	8285-E	
Table of Contents:		
Rate Schedules	22489,22414,22413,22412-E	(T)
Preliminary Statements	22018,22019,22488-E	(T)
Rules, Maps, Contracts and Deviations	21627,21637-E	
Sample Forms	19880,20472,21583,19236,20509,19572,22260-E	

RATE SCHEDULES

<u>SCHEDULE</u>	<u>TITLE OF SHEET</u>	<u>CAL P.U.C. SHEET NO.</u>
RESIDENTIAL RATES		
E-1	Residential Service	22324,22325,21589,19910,22117,21221-E
E-2	Experimental Residential Time-of-Use Service.....	21222, 22326,2222327,22328,22329,22122,22330,22124,22268,21231,21614,21590,22126-E
E-3	Experimental Residential Critical Peak Pricing Service	21234,22332,22269,22334,22335,22131,22336,22133,22337,21243,21615,21591,22135-E
EE	Service to Company Employees	22136-E
EM	Master-Metered Multifamily Service	22338,22339,21248,20648,22139,21250-E
ES	Multifamily Service	22340,22341,21592,22142,22143,21256-E
ESR	Residential RV Park and Residential Marina Service	22342,22343,21593,20657,22146,21261-E
ET	Mobilehome Park Service	22344,22345,21594,22149,22150,21267-E
E-7	Residential Time-of-Use Service	21268,22346,22347,21595,21272,22153-E
E-A7	Experimental Residential Alternate Peak Time-of-Use Service	21274,22348,22349,21277,21278,22156-E
E-8	Residential Seasonal Service Option.....	22350,22351,21921,22159-E
E-9	Experimental Residential Time-of-Use Service for Low Emission Vehicle Customers	20891,22352,22353,22354,22355,21596,21289,22164,21291-E
EL-1	Residential CARE Program Service.....	22165,22356,21597,21295,22167-E
EML	Master-Metered Multifamily CARE Program Service	22168,22357,21299,21849,22170-E
ESL	Multifamily CARE Program Service	22358,22359,21598,22173,22174,21307-E
ESRL	Residential RV Park and Residential Marina CARE Program Service	22360,22361,21599,21311,22177,21313-E
ETL	Mobilehome Park CARE Program Service	22362,22363,21600,22180,22181,21319-E
EL-7	Residential CARE Program Time-of-Use Service...	21320,22182,22364,21601,22184,21325-E
EL-A7	Experimental Residential CARE Program Alternate Peak Time-of-Use Service	21326,22185,22365,19783,22187,21330-E
EL-8	Residential Seasonal CARE Program Service Option	22188,22366,21855,22190-E
E-FERA	Family Electric Rate Assistance.....	21641,21642,21643-E
COMMERCIAL/INDUSTRIAL		
A-1	Small General Service	22367,22368,21337,22193,21339-E
A-6	Small General Time-of-Use Service.....	21340,22369,22370,21343,22196,21345-E
A-10	Medium General Demand-Metered Service	21346,22371,22372,22373,22374,21351,22201,22202,21354,21355-E
A-15	Direct-Current General Service.....	22375,21950-E
E-19	Medium General Demand-Metered Time-of-Use Service	21358,17092,21359, 22376,22295,22377,22206,21364,22207,22208,22110,18864,21016,22111,21018,21019, 16414,15330,21020,22378,22209,22210,20935,22211,20729,19805,21370,21371-E
E-20	Service to Customers with Maximum Demands of 1,000 Kilowatts or More	21372,21373,22379,22212,21377,22213,19314,22214,22112,21022,22113,21024, 21025,22114,15358,21027,22380,22215,21962,20944,17101,20945,21383-E

(Continued)

**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
Alicantar & 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
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