



February 8, 2005

Advice 2625-E*

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Establish New Preliminary Statement for the Energy Recovery Bond Departing Load Memorandum Account Complying with Energy Recovery Bond Decision

In compliance with and pursuant to Ordering Paragraphs 57 and 63 of Decision (D.) 04-11-015 in Pacific Gas and Electric Company's (PG&E's) Energy Recovery Bonds (ERB) proceeding,¹ PG&E, as Servicer and on behalf of PG&E Energy Recovery Funding LLC (PERF), which is issuing the ERBs, hereby submits for filing a new addition to its electric tariff sheets: Preliminary Statement Part DW — *Energy Recovery Bond Departing Load Memorandum Account (ERBDLMA)*. The affected tariff sheets are listed on the enclosed Attachment 1.

Purpose

The purpose of this advice filing is to submit a new preliminary statement related to the ERB transaction, in compliance with D.04-11-015. This new preliminary statement provides for the establishment of a memorandum account required by D.04-11-015 to track ERB-related charges for certain non-exempt or potentially non-exempt consumers (departing load (DL) consumers, new municipal DL consumers, and the Bay Area Rapid Transit District (BART)) while the method for calculating their charges is resolved in other pending proceedings.

Background

On July 22, 2004, PG&E submitted Application (A.) 04-07-032 seeking authority, in accordance with Senate Bill (SB) 772² and D.03-12-035³ to issue up to \$3.0 billion of ERBs to refinance PG&E's bankruptcy settlement-related Regulatory Asset. D.04-11-015 authorized PG&E, as Servicer and on behalf of PERF, to proceed with the ERB transaction and to collect the costs of repayment of principal, interest and related costs of the ERBs through the Dedicated Rate

¹ Application 04-07-032.

² 2004 Stats., ch. 46.

³ D.03-12-035 adopted the Modified Settlement Agreement in Investigation (I.) 02-04-026 resolving PG&E's Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code.

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Component (DRC) charge. D.04-11-015 also authorized PG&E to establish the ERB Balancing Account (ERBBA) to flow through to PG&E's "ratepayers the Bond-related costs and benefits enumerated in the body of this Financing Order."⁴ To implement this, D.04-11-015 directed PG&E to establish an ERBBA tariff and ERBBA charge.⁵ D.04-11-015 refers to the DRC charge and the ERBBA charge collectively as the Bond Charges.⁶

D.04-11-015 authorizes exemptions from the Bond Charges for certain departing load consumers pursuant to Public Utilities (PU) Code section 848.1(b)-(d), enacted by SB 772. D.04-11-015 provides that PG&E is to establish a memorandum account to track the Bond Charges for certain non-exempt or potentially non-exempt consumers while the method for calculating their Bond Charges is resolved in other pending proceedings. This advice letter includes this required memorandum account – with sub-accounts for the three categories of consumers (DL consumers, new municipal DL consumers, and BART) – in Preliminary Statement Part DU.

Preliminary Statement Part DW and the Memorandum Account to Track Exemptions from the Bond Charges*

Departing Loads: PU Code Section 848.1(b) provides that DRC charges generally are recoverable from all existing and future consumers within PG&E's service territory. D.04-11-015 provides that DRC charges shall be applicable to all departing load consumers except those that have been exempted by the Commission or the legislature.⁷ PU Code Section 848.1(b) and (c) specify the following exemptions:

- (b) (1) New load or incremental load of an existing consumer of PG&E where the load is being met through a direct transaction and the transaction does not require the use of transmission or distribution facilities owned by PG&E.
- (b) (2) Customer Generation departing load that is exempt from Department of Water Resources power charges pursuant to the D.03-04-030, as modified by D.03-04-041, and as clarified and affirmed by D.03-05-039, except that the load shall pay the costs as a component of and in proportion to any purchase of electricity delivered by PG&E under standby or other service made following its departure.
- (b) (3) The Department of Water Resources, with respect to the pumping, generation, and transmission facilities and operations of the State Water Resources Development System, except to the extent that system facilities receive electric service from PG&E on or after December 19, 2003, under a CPUC approved tariff.

⁴ D.04-11-015, Conclusion of Law 57.

⁵ D.04-11-015, Conclusion of Law 58.

⁶ D.04-11-015, Conclusion of Law 57.

⁷ D. 04-11-015, Ordering Paragraph 61.

(b) (4) Retail electric load, continuously served by a local publicly owned electric utility from January 1, 2000, through the effective date of SB 772.

(b) (5) Load that thereafter comes to take electric service from a city where all the following conditions are met:

(A) The new load is from locations that never received electric service from PG&E.

(B) The city owns and operates the local publicly owned electric utility.

(C) The local publicly owned electric utility served more than 95 percent of the customers receiving electric service residing within the city limits prior to December 19, 2003.

(D) The city annexed the territory in which the load is located on or after December 19, 2003.

(E) Following annexation, the city provides all municipal services to the annexed territory that the city provides to other territory within the city limits, including electric service.

(F) The total load exempt from paying fixed recovery amounts and associated fixed recovery tax amounts pursuant to subparagraphs (A) through (D), inclusive, does not exceed 50 megawatts, as determined by the CPUC, and any load above the 50 megawatt exemption amount shall be responsible for paying recovery amounts and associated fixed recovery tax amounts, except as provided in subdivision (c).

(c) Except as provided in subparagraphs (4) and (5) of paragraph (b), new municipal load, consistent with the CPUC determination in the limited rehearing granted in D.03-08-076 (i.e., D.04-11-014 as modified by D.04-12-059).

(d) Except as provided in subparagraphs (4) and (5) of paragraph (b) and in paragraph (c), the obligation to pay fixed recovery amounts and any associated fixed recovery tax amounts cannot be avoided by the formation of a local publicly owned electric utility on or after December 19, 2003, or by annexation of any portion of the service territory of the recovery corporation by an existing local publicly owned electric utility.

Thus, the only exemption from the Bond Charges for transferred municipal loads is for transferred loads that come within the definition of Section 848.1(b)(4), above.

Pursuant to Ordering Paragraphs 61-64 of D.04-11-015, until a final unappealable resolution or decision of the Commission is issued approving the methodology for collecting Bond Charges from non-exempt DL consumers not subject to further true-up, (i) PG&E will track these Bond Charges in a Departing Load Sub-account of the ERBDLMA and will not remit these Bond Charges to PERF, and (ii) the Bond Charge revenue requirement will be set based on the assumption that PG&E will not remit Bond Charges from such non-exempt DL consumers to PERF.

New Municipal Departing Loads: Ordering Paragraphs 1-3 of D.04-11-014, as modified by D.04-12-059, exempt certain "new municipal departing load" from the

DWR Power Charge component of the Cost Responsibility Surcharge. Pursuant to PU Code Section 848.1(c), new municipal departing load's obligation to pay the Bond Charges must be consistent with the CPUC determination in D.04-11-014 as modified by D.04-12-059.

Pursuant to Ordering Paragraphs 57-59 of D.04-11-015, until a final unappealable resolution or decision of the Commission is issued approving the methodology for collecting Bond Charges from non-exempt New Municipal DL consumers not subject to further true-up, (i) PG&E will track these Bond Charges in a New Municipal Departing Load Sub-account of the ERBDLMA and will not remit any portion of these Bond Charges to PERF, and (ii) the revenue requirement for each Bond Charge will be set based on the assumption that PG&E will not remit any Bond Charges collected from such non-exempt New Municipal DL consumers to PERF. These amounts are a subset of the Bond Charges to be collected from non-exempt DL customers generally.

BART: Ordering Paragraph 60 of D.04-11-015 provides that BART "may raise the issue of whether, and to what extent, BART is exempt from the Bond Charges pursuant to SB 1201" in Phase II of PG&E's 2003 General Rate Case (GRC).⁸ Unlike certain exempt new municipal DL consumers, BART is subject to Bond Charges while the Commission determines whether BART is exempt from the Bond Charges, should BART choose to pursue such an exemption.

However, until a final unappealable decision or resolution of the Commission makes clear that Bond Charges collected from BART will not be subject to refund, (i) PG&E will retain these Bond Charge collections within a separate BART Sub-account of the ERBDLMA and will not remit any portion of these Bond Charge collections to PERF, and (ii) the revenue requirement for each Bond Charge will be set based on the assumption that PG&E will not remit any DRC charges collected from BART to PERF.

Method for Calculating Amounts to be Tracked in the ERBDLMA: To comply with Ordering Paragraphs 57 and 63 of D.04-11-015 as discussed above, PG&E will track the Bond Charges related to non-exempt DL consumers, new municipal DL consumers, and BART in the ERBDLMA. PG&E proposes to calculate the Bond Charges for DL consumers and new municipal DL consumers using the method described in PG&E's DL advice letters.

Should the Commission ultimately approve a different method for calculating these tracked Bond Charges, PG&E will file the calculation advice filing required by Ordering Paragraphs 59 and 62 of D.04-11-015 and the amounts tracked in the ERBDLMA will then be true-up for recovery with the Bond Charges.

⁸

A. 04-06-024

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Protests

Anyone wishing to protest this filing may do so by sending a letter by **February 28, 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 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 **March 1, 2005**, which is the day on which the DRC charge will go into effect. In accordance with D.04-11-015, the DRC charge and the resulting revised rates shall be effective March 1, 2005, twenty-one days after filing of the Issuance Advice Letter. PG&E requests that this ERBDLMA advice letter go into effect on the same day as the DRC charge addressed in the Issuance Advice Letter. The timing of this ERBDLMA advice filing should have no effect on the date on which the DRC charge goes into effect.

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

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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. Cherny

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.
22879-E	Electric Preliminary Statement Part DW – Energy Recovery Bond Departing Load Memorandum Account	New
22880-E	Table of Contents—Preliminary Statements (Cont'd)	22643-E
22881-E	Table of Contents	22635-E



PRELIMINARY STATEMENT
(Continued)

DW. ENERGY RECOVERY BOND DEPARTING LOAD MEMORANDUM ACCOUNT (ERBDLMA)

(N)

1. **PURPOSE:** The purpose of the ERBDLMA is to track ERB-related charges for certain non-exempt or potentially non-exempt consumers (departing load (DL) consumers, new municipal DL consumers, and the Bay Area Rapid Transit District (BART)) while the method for calculating their charges is resolved in other pending proceedings. ERBs are authorized by the Commission in Decision (D.) 04-11-015 to provide the funds necessary to refinance PG&E's Modified Settlement Agreement Regulatory Asset (Regulatory Asset) in accordance with D.03-12-035 and Senate Bill 772. D.04-11-015 authorizes exemptions from the Bond Charges for certain departing loads pursuant to Public Utilities (PU) Code section 848.1(b)-(d), enacted by SB 772. D.04-11-015 provides that PG&E is to establish a memorandum account to track the Bond Charges for certain non-exempt or potentially non-exempt consumers while the method for calculating their Bond Charges is resolved in other pending proceedings.
2. **APPLICABILITY:** The ERBDLMA shall be used to track Bond Charges applicable to the following three categories of consumers: 1) DL consumers; 2) new municipal DL consumers; and 3) BART. These categories are further defined in Advice 2625-E.
3. **REVISION DATE:** Once the Commission approves a method for calculating these tracked Bond Charges, PG&E will file the calculation advice filing required by Ordering Paragraphs 59 and 62 of D.04-11-015 and the amounts tracked in the ERBDLMA will then be true-up for recovery with the Bond Charges using the ERB True-Up Advice Letter process.
4. **TIME PERIOD:** The ERBDLMA will become effective upon approval of Advice 2625-E and will expire after the Commission approves the final disposition of the tracked Bond Charges by approving the ERB True-Up Advice Letter referenced in item 3 above.
5. **ACCOUNTING PROCEDURES:** The ERBDLMA will consist of three sub-accounts to track the ERB charges for the following three categories of consumers: 1) DL consumers; 2) new municipal DL consumers; and 3) BART. PG&E shall maintain the ERBDLMA by making a credit entry equal to the revenue from the Bond Charge rate component charged to the three categories of consumers, less an adjustment for franchise fees and uncollectible entries, at the end of each month. The revenues from the Bond Charges shall be separated into the DRC charge and ERBBA charge components. The Bond Charges for DL consumers and new municipal DL consumers shall be calculated using the method described in Advice Letter 2483-E.

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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	22317,21565,22318-E
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Part CF	Net Energy Metering Memorandum Account	18831-E
Part CG	Utility Generation Balancing Account	21648-E
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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
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Part DF	Electric Reimbursable Fees Balancing Account	21123-E
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Part DH	Electric Credit Facilities Fees Tracking Account	21125-E
Part DI	Procurement Energy Efficiency Balancing Account	21172-E
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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
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BART
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Blue Ridge Gas
Bohannon Development Co
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CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California ISO
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Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Childress, David A.
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City of Healdsburg
City of Palo Alto
City of Redding
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Constellation New Energy
Cooperative Community Energy
CPUC
Creative Technology
Crossborder Inc
CSC Energy Services
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Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
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Energy Management Services, LLC
Enron Energy Services
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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.
Hitachi Global Storage Technologies
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
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
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Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA