

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 24, 2005

Advice Letter 2636-E

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

Subject: 2004 Vegetation Management Balancing Account

Dear Ms de la Torre:

Advice Letter 2636-E is effective April 12, 2005. A copy of the advice letter is sent 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

Mailing Address
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
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Internet: BKC7@pge.com

March 3, 2005

Advice 2636-E

(Pacific Gas and Electric Company ID U 39 E)

Subject: 2004 Vegetation Management Balancing Account

Public Utilities Commission of the State of California

In accordance with the provisions of electric Preliminary Statement, Part BU--*Vegetation Management Balancing Account (VMBA)*, Pacific Gas and Electric Company (PG&E) submits for filing a summary of the entries made to the VMBA for the period from January 1 through December 31, 2004. In 2004, the VMBA expense exceeded the revenue requirement. Since the account is a one-way balancing account, the 2004 VMBA undercollected balance is shareholder funded and no account disposition is required.

Background

In PG&E's 1999 General Rate Case (GRC) Decision (D.) 00-02-046, the Commission adopted a one-way balancing account mechanism to track vegetation management expenditures during the time the 1999 GRC revenue requirement is in effect. The VMBA provides that PG&E will file an annual advice letter summarizing the entries to the VMBA for that year and a proposal for the disposition of any credit balance in the account.

In PG&E's 2003 GRC Decision (D.) 04-05-055, the Commission adopted a Settlement Agreement regarding the distribution revenue requirement. Under the Settlement, PG&E is to continue using the one-way balancing account for Vegetation Management, and \$127.9 million¹ (in 2003 dollars) was adopted as a reasonable forecast of Vegetation Management expense. This amount includes funding for the Vegetation Management Quality Assurance Program (VMQAP). On July 20, 2004, the Commission approved an attrition factor of 2.0% for the 2004 Electric Distribution Revenue Requirement (See Advice 2499-G/2446-E). The corresponding 2004 adopted expense for Vegetation Management was \$130.4 million (in 2004 dollars).

¹ \$124.7 million (in 2000 dollars)

2004 VMBA Balance

Entries made to the VMBA for the period January 1 through December 31, 2004, are shown in Table 1, below. The recorded expenses for 2004 totaled \$130,374,672. In accordance with VMBA accounting procedures, this amount excludes Vegetation Management expenses allocated to Federal Energy Regulatory Commission (FERC) jurisdiction. In addition, pre-petition Vegetation Management expenses of \$14,482,200 have been excluded. These expenses were for contract work completed prior to PG&E's bankruptcy filing in 2001 but not paid to creditors until April 2004 when PG&E exited from Chapter 11 Bankruptcy proceedings.

The adopted vegetation management expense for 2004 totaled \$130,428,000 (in 2004 dollars). Excluding the allocated FERC jurisdiction amounts, the net adopted 2004 expense is \$129,541,090 (in 2004 dollars).

The difference between the amount adopted in D. 04-05-055 and the recorded expense for 2004 is \$825,193. This amount represents an undercollection, or debit balance, to the VMBA. Since the account is a one-way balancing account, this debit balance is not recoverable from customers.

This filing will not increase any rate or charge, cause the withdrawal of service or conflict with any other rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **March 23, 2005**, which is 20 days after 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.

March 3, 2005

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 **April 12, 2005**, which is 40 days from the date of this filing.

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 /sr

Director, Regulatory Relations

Attachments

Table 1

**Vegetation Management
Balancing Account Summary**

January 1, 2004, through December 31, 2004

2004 GRC Adopted Estimate*		\$130,428,000
Less FERC Allocation		(\$886,910)
	TOTAL	<u>\$129,541,090</u>
2004 Recorded Expenses*		\$145,749,489
Less VM Pre-Petition Expenses		(\$14,482,200)
Less FERC Allocation		(\$892,618)
	TOTAL	<u>\$130,374,672</u>
Over (Under) Expenditure		\$833,582
Interest (through December 2004)		(\$8,390)
	TOTAL	<u>\$825,193</u>

* Vegetation Management Quality Assurance Balancing Account included.

**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
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 Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
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
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.
Hitachi Global Storage Technologies
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
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
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA