

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



November 8, 2005

Advice Letter 2666-E-B

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

Subject: Establishment of a preliminary statement for the Department of Energy litigation
balancing account

Dear Ms de la Torre:

Advice Letter 2666-E-B is effective October 27, 2005 by Resolution E-3941. A copy of the advice
letter and resolution are returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



November 8, 2005

Advice Letter 2666-E-B

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

Subject: Establishment of a preliminary statement for the Department of Energy litigation
balancing account

Dear Ms de la Torre:

Advice Letter 2666-E-B is effective October 27, 2005 by Resolution E-3941. A copy of the advice letter and resolution are returned 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
Pacific Gas and Electric Company
P. O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Internet: BKC7@pge.com

November 3, 2005

**Advice 2666-E-B
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Modify Pacific Gas and Electric Company (PG&E) Electric
Preliminary Statement DZ – Department of Energy Litigation
Balancing Account (DOELBA)**

Purpose:

Pursuant to Commission Resolution E-3941 issued on October 27, 2005, Pacific Gas and Electric Company (PG&E) submits this Advice Letter to supersede PG&E Advice 2666-E-A in its entirety and modify electric Preliminary Statement DZ – Department of Energy Litigation Balancing Account (DOELBA). The affected tariff sheets are listed in the enclosed Attachment I.

The DOELBA will be used to record the incremental legal costs and proceeds associated with litigation concerning the Department of Energy's (DOE) failure to take delivery of spent nuclear fuel from PG&E's nuclear power plants, Diablo Canyon (Diablo) and Humboldt Bay Unit 3 (Humboldt).

Background:

On January 22, 2004, PG&E initiated the DOE litigation by filing a complaint against the DOE in the Federal Court of Claims. PG&E alleged that the DOE breached its contract with PG&E under which the DOE agreed to accept delivery of, and take title to, the spent nuclear fuel from PG&E's Diablo Canyon and Humboldt Bay nuclear power plants beginning on January 31, 1998.

The Federal Court of Claims has already determined that the DOE breached the spent fuel contracts in several cases involving nuclear utilities. Given these developments in other cases, it appears that the issue of the DOE's liability to PG&E for breach of contract has been effectively resolved; the issue left to be litigated in the PG&E lawsuit is the amount of damages that PG&E is entitled to recover as a result of the DOE breach. PG&E has asserted, among other things, that it will need to build dry cask storage facilities for spent nuclear fuel at Diablo Canyon and Humboldt Bay as a result of the failure of DOE to take the spent fuel

on time, and that the cost of designing, constructing, and operating these facilities, as well as other damages, should be recoverable.

If PG&E is successful in recovering the costs of the dry cask storage facilities and other damages from the DOE, it proposes to credit such proceeds, net of incremental litigation costs incurred as of January 22, 2004, back to customers. Commission Resolution E-3912 ordered any DOE litigation compensation received by PG&E to be returned to ratepayers.

On May 25, 2005, PG&E filed Advice Letter 2666-E-A requesting Commission authority to establish the DOELBA. The purpose of this ratemaking mechanism is to record the costs and proceeds associated with the DOE litigation. PG&E proposes to debit the incremental costs of the litigation in the DOELBA and credit the proceeds once they are received. The net balance in the DOELBA would be credited to ratepayers at the conclusion of the litigation. This will ensure that the benefits of the net litigation proceeds are provided to customers.

In Resolution E-3941, the Commission approved the establishment of PG&E's DOELBA, but requested modifications to the Preliminary Statement. This advice filing incorporates the changes requested by the Commission.

Revisions to the DOELBA Preliminary Statement:

The DOELBA Preliminary Statement is modified in the Revision section to state "Disposition of the balance in the account shall be determined by a Commission decision addressing PG&E's proposed disposition of the balance, which shall be filed as an application."

The Department of Energy Litigation Cost Subaccount (DOELC) section is modified to state "Incremental litigation costs shall include the costs PG&E incurs for outside counsel, expert witnesses, document and discovery services, and other charges to PG&E specifically associated with work done by outside counsel for PG&E on PG&E's lawsuit against DOE filed in the Federal Court of Claims on January 22, 2004. The costs of PG&E's Law Department directing the litigation shall not be recorded in the DOELC."

Protests:

Anyone wishing to protest this filing may do so by sending a letter by **November 23, 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:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue

San Francisco, CA 94102

Facsimile: (415) 703-2200

E-mail: jjr@cpuc.ca.gov and jjj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

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, CA 94177

Facsimile: (415) 973-7226

E-mail: PGETariffs@pge.com

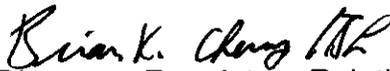
Effective Date:

PG&E requests that this advice filing become effective on **October 27, 2005**, pursuant to Ordering Paragraph 3 of Resolution E-3941.

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>


Director – Regulatory Relations

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **2666-E-B**

Subject of AL: Modify Pacific Gas and Electric Company (PG&E) Electric Preliminary Statement DZ – Department of Energy Litigation Balancing Account (DOELBA)

Keywords (choose from CPUC listing): Balancing Account, Compliance, Nuclear

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Resolution E-3941

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: Not applicable

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 10/27/2005

No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Prelim Statement DZ

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: 2666-E, 2666-E-A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Director, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ Discuss in AL if more space is needed.

**ATTACHMENT 1
Advice 2666-E-B**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
23994-E	Preliminary Statement Part DZ--Department of Energy Litigation Balancing Account	NEW
23995-E	Table of Contents -- Preliminary Statements	23460-E
23996-E	Table of Contents -- Rate Schedules	23987-E



PRELIMINARY STATEMENT
(Continued)

DZ. DEPARTMENT OF ENERGY LITIGATION BALANCING ACCOUNT (DOELBA)

(N)

1. **PURPOSE:** The purpose of the DOELBA is to properly track, record and provide for the crediting to customers of any proceeds, net of costs, from PG&E's lawsuit against the Department of Energy (DOE) filed in the Federal Court of Claims on January 22, 2004, regarding the DOE's breach of spent fuel contracts. The purpose of this ratemaking mechanism is to track the incremental costs, e.g., costs of outside counsel, expert witness and document/discovery services, and proceeds associated with the DOE litigation and ensure the proper crediting and allocation of such costs and proceeds for the benefit of ratepayers between the Diablo Canyon and Humboldt Bay nuclear power plants.
2. **APPLICABILITY:** The positive DOELBA balance shall be credited to rates upon successful resolution of the DOE litigation and collection and receipt of proceeds. If PG&E's efforts in the DOE litigation are unsuccessful, the negative DOELBA balance shall be recovered in rates at the time the litigation is completed.
3. **REVISION DATE:** Disposition of the balance in the account shall be determined by a Commission decision addressing PG&E's proposed disposition of the balance, which shall be filed as an application. Consistent with the Commission's Resolution E-3912, the application will request that the portion of the DOELBA balance, net of costs, attributable to damages associated with the Humboldt Bay nuclear power plant shall be deposited into the nuclear decommissioning trust for the Humboldt Bay nuclear facility and the portion of the DOELBA balance attributable to damages associated with the Diablo Canyon nuclear power plant, net of costs, shall be credited in the next applicable General Rate Case to the base rates associated with Diablo Canyon.
4. **DOELBA RATES:** This account does not have a rate component.
5. **TIME PERIOD:** The DOELBA will be created on October 27, 2005, and will expire after litigation is completed, proceeds have been received and the Commission has authorized the crediting or debiting of the DOELBA balance to the proper mechanism, that ensures the benefits of net litigation proceeds are provided to customers.
6. **DEPARTMENT OF ENERGY LITIGATION COST SUBACCOUNT (DOELC).** The DOELC subaccount is established in the DOELBA to record incremental litigation costs incurred or paid by PG&E on or after January 22, 2004, in connection with the DOE litigation. Incremental litigation costs shall include the costs PG&E incurs for outside counsel, expert witnesses, document and discovery services, and other charges to PG&E specifically associated with work done by outside counsel for PG&E on PG&E's lawsuit against DOE filed in the Federal Court of Claims on January 22, 2004. The costs of PG&E's Law Department directing the litigation shall not be recorded in the DOELC.
7. **ACCOUNTING PROCEDURES:** PG&E shall maintain the DOELBA by making entries at the end of each month. Entries shall be reviewed and verified by the Commission in a proceeding designated by it or by the Energy Division as necessary. The monthly entries are as follows:
 - a. A credit entry equal to the litigation proceeds.
 - b. A credit or debit entry to reflect the balance in the DOELC sub account.
 - c. An entry equal to interest on the average balance in the account 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.

(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.....	22715,22716-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.....	22416-E
Part CU	Customer Credit Holding Account.....	21533-E
Part CV	Financial Hedging Memorandum Account	20631-E
Part CY	EI Paso Settlement Electric Memorandum Account	20985-E
Part CZ	Distribution Revenue Adjustment Mechanism	22717,22718-E
Part DA	Public Purpose Program Revenue Adjustment Mechanism	22719,21651-E
Part DB	Nuclear Decommissioning Adjustment Mechanism	22720,21652-E
Part DC	Regulatory Asset Revenue Adjustment Mechanism	22721,21497-E
Part DD	Regulatory Asset Tax Balancing Account.....	21498-E
Part DE	Headroom Account	21122-E
Part DF	Electric Reimbursable Fees Balancing Account.....	22722-E
Part DG	DWR Power Charge Balancing Account.....	22723-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
Part DZ	Department of Energy Litigation Balancing Account.....	23994-E (N)

(Continued)



TABLE OF CONTENTS

	CAL P.U.C. SHEET NO.	
Title Page	8285-E	
Table of Contents:		
Rate Schedules	23996,23902,23903,23904-E	(T)
Preliminary Statements	23901,21010,23995-E	(T)
Rules, Maps, Contracts and Deviations	23986,23053-E	
Sample Forms	19880,23984,23985,19236,20509,10572,23225-E	

RATE SCHEDULES

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
RESIDENTIAL RATES		
E-1	Residential Service	23768,23769,21589,19910,23770,21221-E
E-2	Experimental Residential Time-of-Use Service.....	22122,22118,22266,22120,22267,22122, 22297,22124,22268,21231,21614,21232,22126-E
E-3	Experimental Residential Critical Peak Pricing Service	22429,23771, 23772,23773, 23774,22434,23775,22435,23776,21243,22436,22437,22438-E
EE	Service to Company Employees	23777-E
EM	Master-Metered Multifamily Service	23778,23779,21248,20648,23780,21250-E
ES	Multifamily Service	23781,23782,21592,22142,23783,21256-E
ESR	Residential RV Park and Residential Marina Service	23784,23785,22593,20657,23786,21261-E
ET	Mobilehome Park Service	23787,23788,21594,22149,23789,21267-E
E-7	Residential Time-of-Use Service	21268,23790,23791,21595,22909,23792-E
E-A7	Experimental Residential Alternate Peak Time-of-Use Service	21274,23793,23794,21277,22912,23795-E
E-8	Residential Seasonal Service Option.....	23796,23797,23798,22159-E
E-9	Experimental Residential Time-of-Use Service for Low Emission Vehicle Customers	20891,23799,23800,23801,23802,21596,21289,23803,21291-E
EL-1	Residential CARE Program Service.....	22918,23804,21597,22919,23805-E
EML	Master-Metered Multifamily CARE Program Service	22920,23806,21299,23807,22170-E
ESL	Multifamily CARE Program Service	23808,23809,21598,22923,23810,21307-E
ESRL	Residential RV Park and Residential Marina CARE Program Service	23811,23812,21599,22926,23813,21313-E
ETL	Mobilehome Park CARE Program Service	23814,23815,21600,22180,23816,21319-E
EL-7	Residential CARE Program Time-of-Use Service	21320,22930,23817,22542,21601,23818,21325-E
EL-A7	Experimental Residential CARE Program Alternate Peak Time-of-Use Service	21326,22932,23819,19783,23820,21330-E
EL-8	Residential Seasonal CARE Program Service Option	22934,23821,23822,22190-E
E-FERA	Family Electric Rate Assistance.....	23963,23964,21643-E
COMMERCIAL/INDUSTRIAL		
A-1	Small General Service	23823,21824,22937,23825,21339-E
A-6	Small General Time-of-Use Service.....	21340,23826,23827,21343,23828,21345-E
A-10	Medium General Demand-Metered Service	22941,23829,23830,23831,23832,21351,22942,23823,21354,21355-E
A-15	Direct-Current General Service.....	23834,23835-E
E-19	Medium General Demand-Metered Time-of-Use Service	21358,17092, 22946,23836,23837,23838,23839,21364,22207,22208,22110,18864,21016,22111,21018, 21019,16414,15330,21020,23840,23841,22210,20935,23842,20729,19805,21370,21371-E
E-20	Service to Customers with Maximum Demands of 1,000 Kilowatts or More	21372,21373,23843,23844,21377,22213,19314,22214,22112,21022, 22113,21024, 21025,22114,15358,21027,23845,23846,23847,23154,17101,20945,21383-E

(Continued)

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

ABAG Power Pool	Department of Water & Power City	Northern California Power Agency
Accent Energy	DGS Natural Gas Services	Office of Energy Assessments
Aglet Consumer Alliance	DMM Customer Services	Palo Alto Muni Utilities
Agnews Developmental Center	Douglass & Liddell	PG&E National Energy Group
Ahmed, Ali	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Alcantar & Elsesser	Duke Energy	PITCO
Anderson Donovan & Poole P.C.	Duke Energy North America	Plurimi, Inc.
Applied Power Technologies	Duncan, Virgil E.	PPL EnergyPlus, LLC
APS Energy Services Co Inc	Dutcher, John	Praxair, Inc.
Arter & Hadden LLP	Dynegy Inc.	Price, Roy
Avista Corp	Ellison Schneider	Product Development Dept
Barkovich & Yap, Inc.	Energy Law Group LLP	R. M. Hairston & Company
BART	Energy Management Services, LLC	R. W. Beck & Associates
Bartle Wells Associates	Enron Energy Services	Recon Research
Blue Ridge Gas	Exelon Energy Ohio, Inc	Regional Cogeneration Service
Bohannon Development Co	Exeter Associates	RMC Lonestar
BP Energy Company	Foster Farms	Sacramento Municipal Utility District
Braun & Associates	Foster, Wheeler, Martinez	SCD Energy Solutions
C & H Sugar Co.	Franciscan Mobilehome	Seattle City Light
CA Bldg Industry Association	Future Resources Associates, Inc	Sempra
CA Cotton Ginners & Growers Assoc.	G. A. Krause & Assoc	Sempra Energy
CA League of Food Processors	Gas Transmission Northwest Corporation	Sequoia Union HS Dist
CA Water Service Group	GLJ Energy Publications	SESCO
California Energy Commission	Goodin, MacBride, Squeri, Schlotz &	Sierra Pacific Power Company
California Farm Bureau Federation	Hanna & Morton	Silicon Valley Power
California Gas Acquisition Svcs	Heeg, Peggy A.	Smurfit Stone Container Corp
California ISO	Hitachi Global Storage Technologies	Southern California Edison
Calpine	Hogan Manufacturing, Inc	SPURR
Calpine Corp	House, Lon	St. Paul Assoc
Calpine Gilroy Cogen	Imperial Irrigation District	Stanford University
Cambridge Energy Research Assoc	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
Cameron McKenna	International Power Technology	Tabors Caramanis & Associates
Cardinal Cogen	Interstate Gas Services, Inc.	Tansev and Associates
Cellnet Data Systems	J. R. Wood, Inc	Tecogen, Inc
Chevron Texaco	JTM, Inc	TFS Energy
Chevron USA Production Co.	Kaiser Cement Corp	Transcanada
Childress, David A.	Luce, Forward, Hamilton & Scripps	Turlock Irrigation District
City of Glendale	Manatt, Phelps & Phillips	U S Borax, Inc
City of Healdsburg	Marcus, David	United Cogen Inc.
City of Palo Alto	Masonite Corporation	URM Groups
City of Redding	Matthew V. Brady & Associates	Utility Cost Management LLC
CLECA Law Office	Maynor, Donald H.	Utility Resource Network
Commerce Energy	McKenzie & Assoc	Wellhead Electric Company
Constellation New Energy	McKenzie & Associates	Western Hub Properties, LLC
Cooperative Community Energy	Meek, Daniel W.	White & Case
CPUC	Mirant California, LLC	WMA
Cross Border Inc	Modesto Irrigation Dist	
Crossborder Inc	Morrison & Foerster	
CSC Energy Services	Morse Richard Weisenmiller & Assoc.	
Davis, Wright Tremaine LLP	Navigant Consulting	
Davis, Wright, Tremaine, LLP	New United Motor Mfg, Inc	
Defense Fuel Support Center	Norris & Wong Associates	
Department of the Army	North Coast Solar Resources	