

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



October 12, 2005

Advice Letter 2699-E-A

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

**Subject: Combine electric Preliminary Statement CP – Energy Resource Recovery Account
Changes from Advice Nos. 2646-E and 2393-E-A**

Dear Ms de la Torre:

Advice Letter 2699-E-A is effective September 19, 2005. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean 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
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August 12, 2005

**Advice 2699-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Combine Electric Preliminary Statement CP – Energy Resource Recovery Account Changes from Advice Nos. 2646-E and 2393-E-A

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

This filing consolidates into a single set of electric tariff sheets revisions to electric Preliminary Statement CP – *Energy Resource Recovery Account* (ERRA), effective **May 10, 2005**.

Background

On March 29, 2004, PG&E received Commission approval of Advice Letters 2393-E-A, 2393-E-B, and 2393-E-C. Advice 2393-E-A changed the ERRA to include revenues received from Transitional Bundled Cost Component (Schedule TBCC) in the ERRA, and also included language for the accounting mechanism for these revenues. Advice Letters 2393-E-A, 2393-E-B, and 2393-E-C were granted an effective date of January 8, 2004.

Subsequent to filing Advice Letter 2393-E-A, PG&E filed Advice Letters 2460-E, 2487-E, 2526-E (melding the changes from 2460-E and 2487-E), and 2646-E to make changes to ERRA. However, these tariff sheet revisions did not include the language associated with Schedule TBCC that was filed in Advice Letter 2393-E-A. All of the aforementioned advice letters were approved by the Commission, with Advice 2646-E being the most recent with an effective date of May 10, 2005. This consolidation will combine the current and effective ERRA with the already approved Schedule TBCC language as filed in Advice 2393-E-A, with an effective date of May 10, 2005.

Advice 2699-E combines the approved language in Preliminary Statement CP from Advice 2646-E and Advice 2393-E-A. No other modifications are being made in this filing.

Effective Date

As approved, in compliance with Advice 2646-E, this filing is effective on **May 10, 2005**.

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

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2699-E**

Subject of AL: Electric Meld Filing - Combine Electric Preliminary Statement CP - Energy Resource Recovery Account Changes from Advice Nos. 2646-E and 2393-E-A

Keywords (choose from CPUC listing): Procurement

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

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

N/A

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

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

Resolution Required? Yes No

Requested effective date: 5/10/2005

No. of tariff sheets: 5

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: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: 2650-E

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
2699-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
23673-E	Preliminary Statements--Part CP--Energy Resource Recovery Account	23241-E
23674-E	Preliminary Statements--Part CP (Cont.)	23242-E
23675-E	Preliminary Statements--Part CP (Cont.)	23243-E
23676-E	Table of Contents--Preliminary Statements	23443-E*
23677-E	Table of Contents--Rate Schedules	23444-E*



PRELIMINARY STATEMENT
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), bilateral contracts, forward hedges, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run revenues (RMR), PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA.

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the Department of Water Resources.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (O.P. 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues less revenues collected for DWR during that year.

Pursuant to Decision 04-01-050, the ERRA trigger mechanism for 2004 and subsequent years would be established annually through an Advice Letter on or before April of each year.

Decision 04-12-048 extended the ERRA Trigger to be in effect during the term of the long-term procurement contracts, or ten years, whichever is longer.

2. **APPLICABILITY:** The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Pursuant to Decision 04-01-050, the revision dates applicable to the ERRA shall be (i) June 1 of each year for the forecast filing, (ii) February of each year for the compliance review filing, (iii) as determined in Section 1 above in the case of an ERRA Trigger Application, and (iv) through the advice letter process.

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year, (ii) the reasonableness review in February 2005, and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year.

(Continued)



PRELIMINARY STATEMENT
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

- 4. RATES: The ERRA rate is set forth in electric Preliminary Statement Part I.
- 5. ACCOUNTING PROCEDURES: The CPUC-jurisdictional portion of all entries shall be made at the end of each month as follows:
 - a) A credit entry equal to the revenue from the ERRA rate component from bundled customers during the month, excluding the allowance for Franchise Fees and Uncollectible (FF&U) Accounts expense;
 - b) A credit entry equal to RMR and ancillary services revenues from PG&E-owned generation facilities;
 - c) A credit entry equal to surplus sales revenues allocated to PG&E per the Operating Agreement between PG&E and the DWR, if applicable;
 - d) A credit entry equal to revenue associated with designated sales;
 - e) A credit entry equal to revenues received from Schedule TBCC;

The following entries reflect the ongoing Competition Transition Charge (CTC) portion of procurement costs for serving the Western Area Power Authority (WAPA) load included in the Modified Transition Cost Balancing Account for recovery:

- f) A credit entry equal to one-twelfth of the adopted annual ongoing CTC portion of Qualifying Facilities (QF) and Purchase Power Agreement (PPA) costs for serving the Western Area Power Authority (WAPA) load;
- g) A credit entry equal to one-twelfth of the adopted annual ongoing CTC portion of post-2002 power purchase contract costs for serving the WAPA load;
- h) A credit entry equal to one-twelfth of the adopted annual fuel costs associated with the ongoing CTC portion of PG&E owned generation serving the WAPA load;

The following entry reflects the ongoing CTC portion of procurement costs included in the Modified Transition Cost Balancing Account for recovery:

- i) A credit entry equal to the sum of the costs for ongoing CTC associated with QF obligations, PPA obligations (excluding WAPA), and for PG&E owned generation fuel costs above the market benchmark currently adopted by the Commission, net of the costs to serve WAPA included in entries d and f above;

(Continued)



PRELIMINARY STATEMENT
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

The following entries reflect the total costs associated with procuring electricity for customers and other related costs:

- j) A debit entry equal to the amount paid for ISO-related charges;
- k) A debit entry equal to the sum for the month of the product of: (1) the Millions of British Thermal Units (MMBtu) of natural gas burned daily for all purposes at PG&E's fossil plants; and (2) that day's weighted-average cost of gas on a Utility Electric Generation (UEG) portfolio basis (\$/MMBtu);
- l) A debit entry equal to the sum for the month of the product of: (1) the barrels of distillate and heavy fuel oil burned daily for all purposes at the fossil plants; and (2) that day's weighted-average cost of distillate or fuel oil per barrel on a "last-in-first-out" (LIFO) basis;
- m) A debit entry equal to the hydroelectric fuel expenses. The fuel expenses include water purchase costs for the hydroelectric plants;
- n) A debit entry equal to fuel expenses for the Diablo Canyon Nuclear Power Plant;
- o) A debit entry equal to total costs associated with QF obligations;
- p) A debit entry equal to bilateral contract obligations;
- q) A debit entry equal to hedging contract obligations;
- r) A debit entry equal to renewable contract obligations;
- s) A debit entry equal to costs associated with irrigation district contracts and other purchase power obligations, excluding WAPA but including capacity contract obligations;
- t) A debit entry equal to spot market purchases;
- u) A debit entry equal to system tolling or capacity contract obligations;
- v) A debit or credit entry equal to pre-payments and credit and collateral payments, including all associated fees, for procurement purchase and, if applicable, reimbursements of pre-payments, credit and collateral payments;
- w) A debit entry equal to incentive payments authorized in the Phase 1 decision of the Advanced Metering, Demand Response, and Dynamic Pricing Proceeding pursuant to Decision 03-03-036;
- x) A debit entry equal to any other power costs associated with procurement; and
- y) A monthly 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 of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.



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**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 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
Crosborder 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
Meak, 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
Sequola 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