

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



May 23, 2006

Advice Letter 2818-E

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

Subject: 2005 Vegetation Management Balancing Account Preliminary Statement Revision

Dear Ms de la Torre:

Advice Letter 2818-E is effective May 18, 2006. A copy of the advice letter is sent herewith for your records.

Sincerely,

Sean H. Gallagher
Director
Energy Division

| | |
|-----------------------------|------------|
| REGULATORY RELATIONS | |
| Tariffs Section | |
| M Brown | D Poster |
| R De la Torre | S Ramaiya |
| B Lam | |
| MAY 30 2006 | |
| _____ Records _____ | |
| Return to _____ | File _____ |
| cc to _____ | |



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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Mail Code B10C
Pacific Gas and Electric Company
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San Francisco, CA 94177

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April 18, 2006

Advice 2818-E

(Pacific Gas and Electric Company ID U 39 E)

**Subject: 2005 Vegetation Management Balancing Account
Preliminary Statement Revision**

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, 2005, through December 31, 2005. Also, PG&E submits for filing a revision to Preliminary Statement, Part BU, to correct outdated General Rate Case (GRC) references.

In 2005, the VMBA had a credit balance. Upon approval of this filing, PG&E will transfer the year-end 2005 balance, including accrued interest, to the Distribution Revenue Adjustment Mechanism (DRAM) account, the successor to the Transition Revenue Account (TRA). This is consistent with treatment of the 1999 and 2000 year-end VMBA balances authorized in Decision (D.) 02-02-043 dated February 21, 2002, in PG&E's Attrition Rate Adjustment (Attrition) proceeding, 2001 year-end VMBA balance by approval of Advice 2215-E, and 2002 year-end VMBA balance by approval of Advice 2370-E.

Background

In PG&E's 1999 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 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). On November 22, 2004, the Commission approved an attrition factor of 2.25% for the 2005 Electric Distribution Revenue Requirement (see Advice 2580-G/2566-E). The corresponding 2005 adopted expense for Vegetation Management was \$133.4 million (in 2005 dollars).

2005 VMBA Balance

Entries made to the VMBA for the period January 1, 2005, through December 31, 2005, are shown in Table 1, below. The recorded expenses for 2005 totaled \$132,595,422. In accordance with VMBA accounting procedures, this amount excludes Vegetation Management expenses allocated to Federal Energy Regulatory Commission (FERC) jurisdiction.

The adopted vegetation management expense for 2005 totaled \$133,362,000 (in 2005 dollars). Excluding the allocated FERC jurisdiction amounts, the net adopted 2005 expense is \$132,721,862 (in 2005 dollars).

The difference between the amount adopted in D.04-05-055 and the recorded expense for 2005, including accrued interest through March 31, 2006, is \$111,525. This amount represents an overcollection, or credit balance, in the VMBA. PG&E proposes to transfer the overcollection, including additional interest accrued, to the DRAM (successor to the TRA), consistent with treatment of the 1999 and 2000 VMBA overcollections authorized in D. 02-02-043, the 2001 VMBA overcollection approved in Advice 2215-E, and the 2002 VMBA overcollection approved in Advice 2370-E.

Preliminary Statement Revision

¹ \$124.7 million (in 2000 dollars)

Pacific Gas and Electric Company (PG&E) also submits a revised electric Preliminary Statement Part BU--*Vegetation Management Balancing Account* (VMBA). This revision is in compliance with D. 99-07-029, dated July 20, 1999, D. 00-02-046, dated February 17, 2000 and D. 04-05-055, dated May 27, 2004.

Advice 1977-E, dated March 14, 2000, submitted changes to the electric tariff sheets to establish a one-way balancing account for Vegetation Management expense as adopted in D.00-02-046, PG&E's Test Year 1999 General Rate Case. The purpose of this revision is to conform Preliminary Statement Part BU to the requirement of D.04-05-055 to continue the VMBA. In addition, adjustments to the account for the Vegetation Management Quality Assurance Balancing Account (VMQABA), an account established to track the three-year commitment of shareholder funded quality assurance program expense as adopted in D.99-07-029 (Tree Trimming OII), are no longer required since shareholder funding ended August 18, 2002 as reported in PG&E Advice 2283-E. Vegetation management quality assurance program expenses were adopted in D.04-05-055 and are included in the VMBA.

The revised preliminary statement shown in Attachment 1 contains the following revisions:

- All references made specifically to the adopted 1999 GRC are deleted and replaced by general reference to PG&E's General Rate Case or other applicable proceeding.
- All references to the FERC Jurisdiction expense based on the 1999 GRC are deleted.
- All references for adjusting Vegetation Management Quality Assurance Program expenses booked to the VMQABA are deleted.
- Additional information is added to describe how the FERC jurisdictional expenses are determined.
- The word "recorded" was added in item 4.a. to add clarity.

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

Table 1

**Vegetation Management
Balancing Account Summary**

January 1, 2005, through December 31, 2005

| | | | |
|--|---|--|---------------|
| | 2005 GRC Adopted Estimate* | | \$133,362,000 |
| | Less FERC Allocation (0.48%) | | (\$640,138) |
| | TOTAL | | \$132,721,862 |
| | | | |
| | 2005 Recorded Expenses* | | \$133,234,949 |
| | Less FERC Allocation (0.48%) | | (\$639,528) |
| | TOTAL | | \$132,595,422 |
| | | | |
| | Over (Under) Expenditure | | (\$126,441) |
| | Accrued Interest (through March 31, 2006) | | \$14,915 |
| | TOTAL | | (\$111,525) |

* Vegetation Management Quality Assurance Balancing Account included

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **May 9, 2006**. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@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 also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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

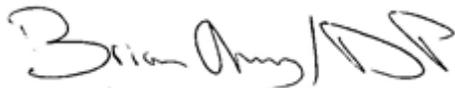
Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **May 18, 2006**, which is 30 calendar days after the date of 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 and the parties on the service list for R.02.01-011. 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

Attachment 1 – Preliminary Statement BU

cc:

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 U39M

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: dxpu@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) #: **2818-E**

Subject of AL: Supplement to Advice 2483-E-A Proposing New Rate Schedule E-MDNL-Municipal Departing New Load

Keywords (choose from CPUC listing): Departing Load

AL filing type: Monthly Quarterly Annual One-Time Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution: D.99-07-029, D.00-02-046, D.04-05-055

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

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

Resolution Required? Yes No

Requested effective date: **5-18-2006**

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: Preliminary Statement BU

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets:

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

Utility Info (including e-mail)

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

**ATTACHMENT 1
Advice 2818-E**

| Cal P.U.C. Sheet No. | Title of Sheet | Cancelling Cal P.U.C. Sheet No. |
|---------------------------------|---|--|
| 24965-E | Preliminary Statement Part BU--Vegetation Management Balancing Account | 16887-E |
| 24966-E | Table of Contents -- Preliminary Statements | 24751-E |
| 24967-E | Table of Contents -- Rate Schedules | 24963-E |



PRELIMINARY STATEMENT
(Continued)

BU. VEGETATION MANAGEMENT BALANCING ACCOUNT (VMBA)

1. PURPOSE

The purpose of the VMBA is to record the difference between the vegetation management expense adopted in PG&E's General Rate Case (GRC) or other base revenue proceeding, and PG&E's recorded vegetation management expense. The VMBA is created in compliance with Decision 00-02-046, and will record the differences between revenues and expenses beginning January 1, 1999. (T)

2. APPLICABILITY

The VMBA is applicable to all rate schedules, except those expressly authorized by the Commission.

3. VMBA RATES

The VMBA does not have a rate component.

4. ACCOUNTING PROCEDURE

PG&E shall maintain the VMBA by making entries at the end of each month as follows:

- a. A debit entry equal to PG&E's recorded vegetation management expense for the month, less the vegetation management expenses allocated to Federal Energy Regulatory Commission (FERC) jurisdiction. FERC jurisdiction allocation is determined by multiplying the recorded vegetation management expense by the ratio of FERC to total electric distribution revenues as adopted in PG&E's GRC or other base revenue proceeding. (T)
(N)
|
(N)
- b. A credit entry equal to one-twelfth of the amount adopted in PG&E's GRC or other base revenue proceeding for vegetation management expense, less the vegetation management expenses allocated to FERC Jurisdiction. (T)
(T)
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entries 4.a and 4.b above, 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, G. 13 or its successor.

The VMBA is a one-way balancing account. PG&E shall file an annual advice letter which shall include a summary of the entries to this account and a proposal for the disposition of any credit balance in the account.

(Continued)



TABLE OF CONTENTS
(Continued)

PRELIMINARY STATEMENTS

| SCHEDULE | TITLE OF SHEET | CAL P.U.C. SHEET NO. |
|----------|---|---|
| Part AO | Not Being Used | |
| Part AP | Not Being Used | |
| Part AQ | Not Being Used | |
| Part AR | Not Being Used | |
| Part AS | Fixed Transition Amount Charge | 14794,24018-E |
| Part AT | Rate Reduction Bond Memorandum Account | 22713,21109-E |
| Part AU | Direct Access Discretionary Cost/Revenue Memorandum Account..... | 14837-E |
| Part AV | Not Being Used | |
| Part AW | Not Being Used | |
| Part AX | Not Being Used | |
| Part AY | Not Being Used | |
| Part AZ | Not Being Used | |
| Part BA | Not Being Used | |
| Part BB | Competition Transition Charge Responsibility for All Customers and CTC Procedure for Departing Loads | 24070,19906,19907,16400,14960, 14961,16229,16230,16231,24071,14964,14965,14966,14967,14968,14969,16401,16402-E |
| Part BC | Not Being Used | |
| Part BD | Not Being Used | |
| Part BE | Not Being Used | |
| Part BF | Streamlining Residual Account | 22714-E |
| Part BG | Not Being Used | |
| Part BH | Not Being Used | |
| Part BI | Not Being Used | |
| Part BJ | Not Being Used | |
| Part BK | Transmission Revenue Requirement Reclassification Memorandum Account | 16761-E |
| Part BL | Not Being Used | |
| Part BM | Applicant Installation Trench Inspection Memorandum Account..... | 16607-E |
| Part BN | Not Being Used | |
| Part BO | Real Property Gain/Loss on Sale Memorandum Account | 16651-E |
| Part BP | Not Being Used | |
| Part BQ | Interim PX-Based Price Tracking Account | 16695-E |
| Part BR | Not Being Used | |
| Part BS | Not Being Used | |
| Part BT | Not Being Used | |
| Part BU | Vegetation Management Balancing Account | 24965-E (T) |
| Part BV | Not Being Used | |
| Part BX | Interruptible Load Programs Memorandum Account..... | 24733,24734-E |
| Part BY | Self-Generation Program Memorandum Account | 18777-E |
| Part BZ | Demand-Responsiveness Program Memorandum Account..... | 18778-E |

(Continued)



TABLE OF CONTENTS

| | | | |
|-------------------------------------|---|---------------------------------|-----|
| | | <u>CAL P.U.C. SHEET NO.</u> | |
| Title Page | | 8285-E | |
| Table of Contents: | | | |
| Rate Schedules | 24963,24962,24961,24960-E | | |
| Preliminary Statements | 24310,24966,24308,24307-E | | (T) |
| Rules | 24959-E | | |
| Maps, Contracts and Deviations..... | 23053-E | | |
| Sample Forms | 19880,24957,24958,19236,20509,10572,23225-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 | 24768,24769,24770,19910,24771,24772-E |
| E-2 | Experimental Residential Time-of-Use Service | |
| E-3 | Experimental Residential Critical Peak Pricing Service..... | 22429,24773,24774,24775, 24776,24087,24777,24089,24778,23082,22501,21243,24779,22437,24780-E |
| EE | Service to Company Employees | 24091-E |
| EM | Master-Metered Multifamily Service | 24781,24782,24783,20648,24784,24785-E |
| ES | Multifamily Service | 24786,24787,24788,23640,24789,24790-E |
| ESR | Residential RV Park and Residential Marina Service | |
| | | 24791,24792,24793,20657,24794,24795-E |
| ET | Mobilehome Park Service | 24796,24797,24343,24798,24799,24800-E |
| E-6 | Residential Time-of-Use Service..... | 24801,24802,24803,24804,24805,24806-E |
| E-7 | Residential Time-of-Use Service..... | 24808,24809,24810,24811,24344,24812-E |
| E-A7 | Experimental Residential Alternate Peak Time-of-Use Service | |
| | | 21274,24813,24814,24855,24815,24816-E |
| E-8 | Residential Seasonal Service Option | 24817,24818,24546,24819-E |
| E-9 | Experimental Residential Time-of-Use Service for Low Emission Vehicle Customers | 24820,24821,24822,24823,24824,24825,21289,24826,24827-E |
| EL-1 | Residential CARE Program Service..... | 24118,24828,24829,24348,24830-E |
| EML | Master-Metered Multifamily CARE Program Service | 24349,24667,21299,24123,22170-E |
| ESL | Multifamily CARE Program Service..... | 24668,24669,21598,24351,24352,21307-E |
| ESRL | Residential RV Park and Residential Marina CARE Program Service | |
| | | 24670,24671,21599,24353,24354,21313-E |
| ETL | Mobilehome Park CARE Program Service..... | 24672,24673,21600,22180,24355,21319-E |
| EL-6 | Residential CARE Program Time-of-Use Service ... | 24849,24850,24851,24852,24853,24854-E |
| EL-7 | Residential CARE Program Time-of-Use Service | |
| | | 21320,24133,24674,21601,24356,21325-E |
| EL-A7 | Experimental Residential CARE Program Alternate Peak Time-of-Use Service | 21326,24357,24675,19783,24358,21330-E |
| EL-8 | Residential Seasonal CARE Program Service Option | 24359,24676,24360,22190-E |
| E-FERA | Family Electric Rate Assistance | 23963,23964,21643-E |
| COMMERCIAL/INDUSTRIAL | | |
| A-1 | Small General Service | 24677,24678,24361,24362,21339-E |
| A-6 | Small General Time-of-Use Service..... | 22755,23445,24679,24680,21343,24363,21345-E |
| A-10 | Medium General Demand-Metered Service | |
| | | 24148,24681,24682,24683,24684,22757,22874,24364,24365,21354,21355-E |
| A-15 | Direct-Current General Service | 24685,24686,24366,24157-E |

(Continued)

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

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