

August 21, 2002

Advice 2352-G-A/2175-E-A

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: California Alternate Rates for Energy Balancing Account
(CAREA) Modifications – Supplemental Filing**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas and electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I. The tariffs in this filing supersede electric Preliminary Statement Part M – California Alternate Rates for Energy Account (CAREA – Prelim. M) and gas Preliminary Statement Part V - California Alternate Rates for Energy Account (CAREA – Prelim. V) filed in Advice 2352-G/2175-E, dated November 19, 2002. This filing also supplements Advice 2352-G/2175-E by including modifications to gas Preliminary Statement Part C – Gas Accounting Terms and Definitions.

Purpose

This supplemental filing incorporates the Energy Division's recommended changes to the gas and electric CAREA preliminary statements that resulted from the review of Advice 2352-G/2175-E. This supplemental filing also adds clarifying language to the advice letter discussion of the treatment of gas CARE administrative costs. Advice 2352-G/2175-E proposed modifications to the gas and electric CAREA preliminary statements necessary to implement the provisions of Senate Bill (SB) X2 2, Section 4, which amends Section 739.1 of the Public Utilities Code to include the following new language:

“(b) The commission shall work with the public utility electrical and gas corporations to establish penetration goals. The commission shall authorize recovery of all administrative costs associated with the implementation of the CARE program that the commission determines to be reasonable, through a balancing account mechanism. Administrative costs shall include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment.”

PG&E proposed tariff language changes to the appropriate balancing accounts to implement the state legislature's directives to record all administrative costs associated with the implementation of the CARE program.

The Energy Division requested that the purpose section of the electric and gas CAREA preliminary statements be modified by moving the second to the last sentence that reads "The LIRA program was revised in Decision 94-12-049 and the name changed to CARE," to right after the first sentence in the purpose section.

In addition, PG&E agreed to modify the language in the applicability section of the electric CAREA preliminary statement from "The CARE shortfall..." to "The CAREA balance..." to be consistent with the gas CARE preliminary statement.

The gas CAREA preliminary statement includes language to refer to Section C.8 for the CARE shortfall computation. This supplemental filing adds clarifying language to gas Preliminary Statement Part C.8 to more accurately describe the CARE revenue shortfall computation.

Background

PG&E is currently authorized to recover a revenue requirement of \$511,000, including Franchise Fees and Uncollectibles (FF&U), for electric CARE administrative costs and \$411,000, including FF&U, for gas CARE administrative costs. The revenue requirements for CARE administrative costs were adopted in PG&E's 1999 General Rate Case (GRC), Decision 00-02-046. The GRC authorized electric CARE administrative costs are included in the Transition Revenue Account (TRA) as part of the public purpose programs revenue requirement. The authorized gas CARE administrative costs are recorded in the gas CARE balancing account, monthly, at a fixed level equal to one-twelfth the adopted annual CARE administrative and general expenses, net of FF&U

Beginning in 2002, Section 739.1 of the Public Utilities Code will require PG&E to record all CARE administration costs in a balancing account. Therefore, PG&E submits proposed revisions to its gas and electric CAREA preliminary statements to record all reasonable CARE administrative costs starting January 1, 2002.

For electric, beginning January 1, 2002, PG&E will remove from its TRA adopted Public Purpose Program revenue requirement the \$511,000 annual electric GRC CARE administrative costs that will now be included for future recovery in the electric CARE balancing account (CAREA – Prelim. M), pursuant to Public Utilities Code Section 739.1 (b).

For gas, beginning January 1, 2002, PG&E will remove the adopted annual gas CARE administrative costs from rates and will record all monthly gas CARE administrative costs to the gas CARE balancing account (CAREA – Prelim. V) for

future recovery, pursuant to Public Utilities Code Section 739.1 (b). Prior to January 1, 2002, each month PG&E recorded a fixed level equal to one-twelfth the adopted annual CARE administrative and general expenses in the CARE balancing account. As a consequence of the modification proposed by this advice filing, effective January 1, 2002, PG&E will no longer collect gas revenues on a monthly basis to offset the gas CARE administrative costs booked to the gas CARE balancing account. Instead, effective January 1, 2002, current gas CARE administrative costs will be recovered only after the gas CARE balance is amortized in future rates.

PG&E also proposes language for the CAREA preliminary statements to allow for reasonableness review of all CARE administrative costs.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **September 10, 2002**, 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: Les Guliasi
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 filing become effective on **January 1, 2002**.

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 to the service list for A. 02-04-031 and R. 01-08-027. Address changes should be directed to Rose Abao at (415) 973-2218. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments

cc: Service List – A. 02-04-031 and R. 01-08-027



PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

- 8. CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) REVENUE SHORTFALL: This shall be computed by subtracting CARE customers' monthly revenues from the revenues that would have been recovered from CARE customers had they been paying standard transportation and procurement rates, less the CARE rate component. (T)
- 9. MEMORANDUM ACCOUNT: In the context of this tariff, a memorandum account operates similar to a balancing account except that interest may be excluded and the under- or overcollection may or may not be amortized in future rates.
- 10. REVENUE REQUIREMENT: The revenue requirement consists of the sum of the Transmission and Storage Revenue Requirement which is set in PG&E's Gas Accord Decision 97-08-055, and the Transportation and Procurement Revenue Requirements which are allocated in the Cost Allocation Proceeding, and are defined below. Rates will be established to recover all items in the revenue requirement.
 - a. The Transmission System Revenue Requirement includes the Transmission base revenue amount,* load balancing storage costs, certain forecast amounts and F&U. Amounts to be included in the Customer Class Charge paid by Transmission Service customers are allocated in the Cost Allocation Proceeding and described under Transportation Cost, below.
 - b. The Unbundled Storage Revenue Requirement includes the Unbundled Storage base revenue amount,* carrying costs on noncycled gas in storage, and F&U.

* See Section C.2 for details.

(Continued)



PRELIMINARY STATEMENT
(Continued)

V. CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (CAREA)

- 1. PURPOSE: The purpose of the CARE balancing account is to record the California Alternate Rates for Energy (CARE) revenue shortfall associated with the Low-Income Ratepayer Assistance (LIRA) Program established by Decisions 89-07-062 and 89-09-044, as well as the expansion of the LIRA Program authorized by Decision 92-04-024. The LIRA Program was revised in Decision 94-12-049 and the name changed to CARE. This account also records the CARE Program administrative costs, pursuant to Public Utilities Code Section 739.1 (b). The balance in this account will be amortized into transportation rates in the next Cost Allocation Proceeding. (T)
| (N)
(T) (N)

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C, or in Rule 1. Refer to Section C.8 for the CARE shortfall computation.

- 2. APPLICABILITY: The CAREA balance applies to all non-CARE rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.
- 3. REVISION DATE: The revision date applicable to the CAREA rate shall coincide with the revision date of the Cost Allocation Proceeding or at other times, as ordered by the CPUC.
- 4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.
- 5. CAREA RATES: CAREA Rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
- 6. ACCOUNTING PROCEDURE: PG&E shall make the following entries to the CAREA at the end of each month:
 - a. a debit entry equal to the CARE revenue shortfall resulting from core deliveries during the current month less the allowance for Franchise Fees and Uncollectibles Accounts Expense (F&U);
 - b. a debit entry equal to all monthly administrative costs allocated to the gas CARE Program that include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment; (N)
| (N)
 - c. a credit entry equal to the CAREA revenue, net of F&U; and
 - d. an entry equal to the interest on the average balance in the account at the beginning of the month and the balance in the account after entries V.6.a and V.6.c, 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, H.15, or its successor. (T)
- 7. REASONABLENESS REVIEW: In conjunction with the appropriate proceeding, the utility shall file with the Commission an annual report on the CARE program, reporting on the reasonableness of recorded Program administrative costs included in the CARE balancing account during the previous year. CARE administrative costs shall include, but are not limited to, the costs specified in Section 739.1 (b) of the Public Utilities Code. (N)
| (N)



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Advice Letter No. 2352-G-A
Decision No.

Issued by
Karen A. Tomcala
Vice President
Regulatory Relations

Date Filed August 21, 2002
Effective January 1, 2002
Resolution No. _____



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