

May 19, 2003

Advice 2459-G/2380-E

(Pacific Gas and Electric Company ID U39M)

Public Utilities Commission of the State of California

Subject: 1999 General Rate Case -- Final Results of Operations Analysis Decision (D.) 03-04-002

Pacific Gas and Electric Company (PG&E) hereby submits its final electric and gas results of operations for the 1999 General Rate Case (GRC) and associated changes to its gas tariffs.¹ This filing is submitted in compliance with D.03-04-002, Opinion Adopting Stipulation Regarding 1998 Electric Distribution Plant, Ordering Results of Operations Analysis to be Performed, and Closing General Rate Case Dockets. The affected tariff sheets are listed on the enclosed Attachment I.

Background

On December 12, 1997, PG&E filed its test year 1999 GRC. In D.00-02-046, the Commission resolved most of the issues in PG&E's 1999 GRC. In D.01-10-031, the Commission granted rehearing of D.00-02-046 with respect to certain issues, including PG&E's electric distribution capital spending in 1998, and ordered several specific adjustments to the 1999 GRC decision.² The Commission stated in D.01-10-031 that, "following the rehearing ordered [therein], and following resolution of all other outstanding matters relevant to an ultimate outcome in this proceeding, a final Results of Operations (RO) analysis shall be performed and a final revenue requirement determined." (D.01-10-031, p. 45.)

In addition to D.01-10-031, the Commission has issued several other decisions in the past few years ordering ratemaking adjustments to the 1999 GRC decision: D.02-12-002 (which resolved PG&E's petition for modification of D.00-02-046 and also ordered an adjustment to Account 903 supervision costs); D.03-02-006

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

² In D.02-01-044, the Commission denied PG&E's application for rehearing of D.01-10-031.

(which ordered rate base and expense adjustments related to overstated Materials and Supplies balances); and D.03-04-002 (which adopted the proposed stipulation regarding PG&E's 1998 electric distribution plant).

As stated in D.03-04-002, all "outstanding matters [in PG&E's 1999 GRC] have now been resolved", and "it is time to order the final RO analysis to be completed" pursuant to D.01-10-031. This advice letter summarizes the final RO analysis incorporating the various changes ordered in the decisions cited above. Pursuant to D.03-04-002, PG&E also appends hereto the changes to its gas tariffs needed to implement the final adopted revenue requirement,³ and will make its associated workpapers available to any party upon request. (D.03-04-002, p. 10.)

Final Results of Operations Analysis

Because of the complicated nature of the RO model that was used to calculate the revenue requirements in D.00-02-046, the subsequent calculations used to adjust the income taxes as authorized by Resolution E-3669, and the time that has elapsed since those decisions, PG&E has prepared an incremental RO analysis of the changes required by D.03-04-002. Specifically, PG&E has prepared a separate RO calculation for each of the changes ordered by the above-mentioned decisions as summarized below. This table shows the reduction to PG&E's authorized CPUC-jurisdictional revenues for each year from 1999 to 2002:

Reduction in Authorized Revenues (Thousands of Dollars)

	<u>Electric</u> <u>Distribution</u>	<u>Gas</u> <u>Distribution</u>	<u>Electric Public</u> <u>Purpose</u> <u>Programs</u>	<u>Gas Public</u> <u>Purpose</u> <u>Programs</u>
1999	43,771	15,818	140	24
2000	43,771	15,818	140	24
2001	22,230	15,818	140	24
2002	<u>22,684</u>	<u>16,195</u>	<u>140</u>	<u>24</u>
Total	132,456	63,649	560	96

Attachment A to this filing shows the derivation of the annual base revenue amounts related to PG&E's general rate case for the years 1999 through 2003 by effective date. Also attached are the updated tariff sheet(s) for Gas Preliminary Statement Part C—*Gas Accounting Terms and Definitions*, to reflect the changes in rates starting on January 1, 2003. The following text describes the required changes in more detail:

³ Changes to PG&E's electric tariffs are not necessary because PG&E's authorized base revenues are not shown in the tariffs and because under the rate freeze total revenues will not change.

Decision 01-10-031: This decision resulted from a rehearing petition by TURN and ORA of Decision 00-02-046. Changes have been made, effective January 1, 1999, to PG&E's revenue requirements to reflect a reduction in:

- Uncollectible accounts expense for a reduction in the factor from 0.337 percent to 0.267 percent,
- Meter reading expenses of \$8.2 million,
- Account services expenses of \$20 million, and
- Customer information system (CIS) plant investment of \$7.2 million.

Changes were not made directly for a reduction in major work category (MWC) 17, Emergency Response, plant investment, since this reduction is included in the results of the 1998 capital audit discussed under D. 03-04-002 below. Changes also were not made to reduce tree-trimming expenses, since these reductions have been, and continue to be made, through the Vegetation Management Balancing Account (VMBA).

Decision 03-02-006: This decision resulted from a Commission-ordered audit of PG&E's SAP accounting system. Effective January 1, 1999, changes have been made to PG&E's revenue requirements to reflect a reduction in:

- Expenses of \$1.5 million, and
- Plant investment of \$2.0 million.

Decision 03-04-002: This decision results from the Commission-ordered audit of PG&E's recorded 1998 plant additions. Effective January 1, 1999, changes have been made to PG&E's revenue requirements to reflect reductions in:

- Recorded 1998 plant additions,
- Adjustments to 1998 plant additions, and
- Disallowances.

Except for one of the disallowances, PG&E 2001 Attrition D.02-02-043, which recalculated PG&E's electric distribution revenue requirements using recorded 1999 plant data, supersedes these reductions. Therefore, most of this adjustment applies only to 1999 and 2000.

Decision 02-12-002: This decision results from PG&E's petition for modification of Decision 00-02-046. Effective December 7, 2002, changes have been made to PG&E's revenue requirements to reflect a reduction in the supervision expenses in Account 903.

Upon approval of this advice letter, PG&E will make the corresponding adjustments to reflect these electric reductions plus interest in the Transition

Revenue Account. The gas adjustments plus interest will be made in the Core Fixed Cost Account (CFCA), Noncore Customer Class Charge Account (NCA) and Cogeneration Distribution Shortfall Account. In addition, PG&E will file revisions to electric distribution and electric public purpose program rate components upon approval of this advice letter.

Protests

Anyone wishing to protest this amended filing should do so by sending a letter via U.S. mail and facsimile by **June 9, 2003**, which is 21 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, Room 4002
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via U.S. mail and facsimile to Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

Regulatory Relations
Attn: Brian K. Cherry, Director
Pacific Gas and Electric Company
P.O. Box 770000 Mail Code B10C
San Francisco, California 94177

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

The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest.

Effective Date

In accordance with D. 03-04-002, PG&E requests that the accounting adjustments in this advice filing be made effective on the dates described herein, and the tariff changes included in this filing be made effective **January 1, 2003**.

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 service list parties for R. 99-10-025. Address changes should be directed to Chris Harris at (415) 973-7572. 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 - R. 99-10-025



PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)
2. BASE REVENUE AMOUNT: (Cont'd.)

Description	Amount (\$000)			
	Core	Noncore	Unbundled	Total
GRC/BCAP BASE REVENUES (1):				
Authorized GRC Distribution Base Revenue	835,697 (R)	39,198 (R)		874,895 (R)
Less: Other Operating Revenue	(5,654)	(204)		(5,858)
Settlement of Industrial Transmission Cost (2)		(2,467)		(2,467)
Unescalated Customer Access Charge-Transmission (3)		(5,657)		(5,657)
Unescalated Customer Access Charge-UEG Gas Meters (3)		(868)		(868)
Authorized GRC Distribution Revenues in Rates	830,043 (R)	30,002 (R)		860,045 (R)
BCAP ALLOCATION ADJUSTMENTS AND CREDITS TO BASE:				
G-10 Allocated Employee Discount	521	806		1,327
EOR Revenue	(147)	(5)		(152)
Core Brokerage Fee	(6,869)	(13)		(6,882)
GRC/BCAP REVENUE REQUIREMENT	823,548 (R)	30,790 (R)	0	854,338 (R)
PUBLIC PURPOSE PROGRAM BASE REVENUES (excludes CARE Subsidy(4)):				
Energy Efficiency and Low Income Energy Efficiency Programs	43,557 (R)	4,848 (R)		48,405 (R)
CARE Administrative & General Expenses	972	665		1,637
PUBLIC PURPOSE PROGRAM REVENUE REQUIREMENT	44,529 (R)	5,513 (R)	0	50,042 (R)
GAS ACCORD BASE REVENUES				
Local Transmission	86,641	67,249		153,890
Customer Access Charge – Transmission		6,401		6,401
Customer Access Charge - UEG Gas Meters Storage (5)	38,911	934		934
			11,216	50,127
Backbone Transmission (5)	33,588		77,016	110,604
L401 (PEP)			101,967	101,967
GAS ACCORD REVENUE REQUIREMENT	159,140	74,584	190,199	423,923
TOTAL BASE REVENUE REQUIREMENT	1,027,217 (R)	110,887 (R)	190,199	1,328,303 (R)

- (1) The GRC/BCAP Base Revenue includes Distribution, Base Revenues for core and noncore Customers.
- (2) Amount represents a joint compromise adopted in D. 98-06-073 of 50% of the distribution marginal cost revenues allocable to large distribution customers taking transmission level service, to be absorbed by shareholders.
- (3) Service line, regulator and meter costs for transmission-level customers were deducted from the 1996 authorized GRC base revenues and set in Gas Accord D.97-08-055 through December 31, 2003.
- (4) The PPP base revenue requirement was set in PG&E's 1999 GRC D.00-02-046; D.02-12-019 revised PY2003 LIEE Program funding effective 01/01/03; D. 02-09-021 revised PY2002 CARE admin. budget allocated to PG&E's gas department effective 01/01/03.
- (5) Storage and backbone revenues are unbundled under the Gas Accord. Storage and intrastate backbone reservation charges allocated to core customers are included in the procurement revenue requirement.

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