

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



March 18, 2004

Advice Letter 2493-G/2432-E

Ms Anita Smith, Rate Analyst  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code 10B  
San Francisco, CA 94177

Subject: Post-retirement Benefits Other than Pensions for the period from 1999-02

Dear Ms Smith:

Advice Letter 2493-G/2432-E is effective March 16, 2004 by Resolution G-3362. A copy of the advice letter and resolution are returned herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director  
Energy Division

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

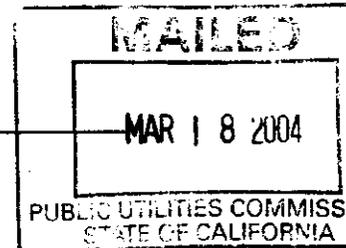
**RESOLUTION G-3362**

**March 16, 2004**

**RESOLUTION**

Resolution G-3362. Pacific Gas and Electric (PG&E) requests the Commission's approval to credit the Core Gas Fixed Cost (CFCA), the Noncore Customer Class Charge Account (NCA) and the Electric Transition Revenue Account (TRA) by the amount of over-collected revenue requirements associated with medical and life insurance Post-retirement Benefits Other than Pensions (PBOPs) and Long Term Disability (LTD) for the period of 1999 through 2002. The filing is made in compliance with Decision (D.) 00-02-046 and D. 95-12-055. Approved.

By Advice Letter 2493-G/2432-E Filed on October 28, 2003.



**SUMMARY**

This Resolution approves PG&E's request to credit the overcollected revenue requirements for medical and life insurance PBOPs and LTD for the period of 1999 through 2002 to the CFCA, NCA, and the TRA. The credits to the three accounts total \$75,460,000. Applying the credits to the aforementioned accounts is consistent with prior Commission treatment of similar overcollections. (See Resolution G-3317 approving PG&E's Advice Letter 2272-G/2050-E.) Additionally, this treatment is more cost effective than disbursing checks or crediting ratepayer's individual accounts.

ORA's protest is denied.

**BACKGROUND**

Advice Letter 2493-G/2432-E is filed in compliance with PG&E's 1999 General Rate Case (GRC), D. 00-02-046 (pages 319 through 324). The 1999 GRC decision continued the PBOPs adjustment treatment previously adopted in PG&E's 1996 GRC D. 95-12-055 (Ordering Paragraph 8), as modified by D. 96-05-010. PG&E filed the advice letter to correct for the difference between the revenue

requirement associated with the estimated PBOP expenses adopted in PG&E's 1999 GRC and the actual PBOP expenses. The actual PBOP expense is the lesser of the Statement of Financial Accounting Standard (SFAS) 106 expense or the tax deductible contribution amount for 1999 through 2002.

Decision 95-12-055 also requires that PG&E provide a similar adjustment based on any difference between the revenue requirement associated with the estimated contribution to the trust established for LTD benefits adopted in the 1999 GRC and the revenue requirement associated with the actual amounts contributed to the trust.

The method used to calculate the adjustments is the same as that used to calculate the adjustments proposed in Advice Letter 1956-G/1583-G, filed June 7, 1996, for 1993 through 1995 and Advice Letter 2272-G/2050-E, filed October 27, 2000, for 1996 through 1998. On July 17, 1996, the Commission approved Advice Letter 1956-G/1583-E; on June 28, 2001, the Commission approved Advice Letter 2272-G/2050-E in Resolution G-3317.

PG&E will post prior period credit adjustments to the CFCA, NCA, and the TRA accounts totaling \$75,460,000.

### **NOTICE**

Notice of AL 2493-G/2432-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

### **PROTESTS**

In a letter from the Commission dated November 17, 2003, the protest period for PG&E's AL 2493-G/2432-E was extended from November 17, 2003 to December 8, 2003.

PG&E's Advice Letter AL 2493-G/2432-E was timely protested by the Office of Ratepayer Advocates (ORA) on December 8, 2003.

ORA protests that PG&E's elimination of certain credit values, or "negative expenses," by setting a value of zero for ratesetting process provides a windfall to shareholders at the expense of ratepayers.

ORA further protests that PG&E's contribution to the LTD trust is inconsistent with the Commission order.

On December 15, 2003, PG&E responded to ORA's protest. PG&E disputes ORA's protest and claims that PG&E's treatment is exactly consistent with the Commission's decisions on the revenue requirement true-up for these benefit plans.

## **DISCUSSION**

Energy Division reviewed Advice Letter 2493-G/2432-E, ORA's protest, and PG&E response. We discuss below the relevant issues raised in the protest, which we reject.

### **Negative Expenses**

In 2000, the PBOPs medical trust, and in 2000 and 2001, the PBOPs life trust experienced situations where the amortizations of the prior net gains were large enough to create net negative expenses. In those instances, PG&E used a lower limit of zero expense to determine the credit to customers. ORA protests that PG&E should use the negative expense and credit excessive amount to customers.

PG&E responds that PG&E's treatment of the negative SFAS 106 expense is logical, returns to customers all the funds available, and does not create gains or losses to either PG&E or its customers.

PG&E's argument is persuasive. ORA's protest is not consistent with Commission Decision 92-12-015 that adopted SFAS 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions). In that decision, it was noted that one of the components of the annual PBOP costs was "actual return on plan assets". Additionally, one of the considerations of the decision was the time value of money. It was discussed, and no party disputed, that returns of invested funds would result in lower overall cost to the ratepayer. Finally, as PG&E is authorized to recover PBOP expenses, it follows that if the PBOP expense is zero, then there is nothing for PG&E to recover from ratepayers. It does not follow that excess income from the trust be shared with ratepayers via a

refund. Any excess income earned by the trust will, however, benefit ratepayers by lowering future PBOP revenue requirements.

ORA's protest to credit the excess gains of the trust to the ratepayers would violate the definition of the cost component and negate the time value of money consideration. ORA's protest would also require that the trust assets be reduced, which would cause future contributions to increase.

### **LTD Contribution**

ORA protests that PG&E is replacing SFAS 112 (Employers' Accounting for Postemployment Benefits) expenses to the LTD trust with an amount that PG&E unilaterally decides. This is incorrect. As PG&E rebutted, ORA's protest gives the impression that the Commission established a true-up requirement based on the lower of the SFAS expense or the contribution to the trust. No such direction was given in the 1996 GRC decision (D.) 95-12-055. In that decision, ORA's predecessor organization, the Division of Ratepayer Advocates (DRA) recommended "that PG&E be required to refund to ratepayers any funds collected for this purpose (LTD) but not used to pay for postemployment benefits." The decision concludes the LTD discussion by stating, "Ultimately, PG&E shall refund any amounts included in rates that are not contributed to the fund." Nothing in the decision discusses SFAS 112 expenses.

PG&E further supports its position by demonstrating that in a similar advice letter covering the 1996 through 1998 period (Advice Letter 2272-G/2050-E), the LTD true-up basis was contribution, not SFAS 112 expense. In that advice letter filing, the LTD true-up basis was not an issue. If, after six years, ORA believes that D.95-12-055 intended to use SFAS 112 expenses, rather than contributions, then ORA should request such a change in the docket that adopted it, not in this compliance advice letter.

### **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

PG&E filed Comments on February 11, 2004. PG&E noted that a subsequent Advice Letter (AL 2510-G/2460-E) proposed elimination of the Transition Revenue Account (TRA), and as such, suggested that "(or successor accounts)" be inserted after "CFCA, NCA, and the TRA accounts" in Finding 3 of Resolution G-3362. The recommendation was incorporated into this resolution.

### **FINDINGS**

1. PG&E filed Advice Letter 2493-G/2432-E in compliance with Commission Decision 00-02-046.
2. PG&E Advice Letter 2393-G/2432-E filed on October 28, 2003, requests approval to credit the overcollected revenue requirements for medical and life insurance PBOPs and LTD for the period of 1999 through 2002, to the Core Gas Fixed Cost, the Noncore Customer Class Charge Account and the Electric Transition Revenue Account. Crediting these accounts will be more cost effective to ratepayers and shareholders than disbursing checks or credits to individual ratepayers.
3. PG&E will post prior period credit adjustments to the CFCA, NCA, and the TRA accounts (or successor accounts) totaling \$75,460,000.
4. Pursuant to Section XV of G.O. 96-A, on November 17, 2003, the protest period for PG&E's AL 2493-G/2432-E was extended from November 17, 2003 to December 8, 2003.
5. ORA protested the advice letter on December 8, 2003. ORA protested PG&E's methodology for determining revenue requirement for PBOPs and LTD. ORA specifically objected to PG&E's exclusion of "negative expenses" to the PBOP calculation and to the use of contribution, not SFAS 112 expenses for the LTD calculation.
6. Energy Division reviewed PG&E's methodology for determining revenue requirement and adjustments for PBOPs and LTD and found it consistent with the methodology adopted in the D. 92-12-015 and D.95-12-055, respectively.
7. PG&E's methodology for LTD is consistent with the previous advice letter covering the 1996 through 1998 period (Advice Letter 2272-G/2050-E).

8. ORA provided no information supporting its protest that PG&E's determination of the refund due to ratepayers is incorrect.

**THEREFORE IT IS ORDERED THAT:**

1. PG&E's Advice Letter 2493-G/2432-E to credit overcollected revenue requirements associated with medical and life PBOPs and LTD is approved.
2. The protest of the Office of Ratepayer Advocates is denied.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 16, 2004; the following Commissioners voting favorably thereon:



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WILLIAM AHERN  
Executive Director

MICHAEL R. PEEVEY  
President

CARL W. WOOD

LORETTA M. LYNCH

GEOFFREY F. BROWN

SUSAN P. KENNEDY

Commissioners



**Pacific Gas and  
Electric Company**

**Karen A. Tomcala**  
Vice President  
Regulatory Relations

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San Francisco, CA 94105

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Mail Code B10A  
P.O. Box 770000  
San Francisco, CA 94177

415.972.5209  
Internal: 222.5209  
Fax: 415.972.5625  
Internet: kat5@pge.com

October 28, 2003

**ADVICE 2493-G/2432-E**  
(Pacific Gas and Electric Company ID U39M)

Public Utilities Commission of the State of California

**Subject: Post-retirement Benefits Other than Pensions (PBOPs) for the  
period from 1999 to 2002**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits this advice filing to request Commission approval to credit the Core Gas Fixed Cost (CFCA), the Noncore Customer Class Charge Account (NCA) and the Electric Transition Revenue Account by the amounts of over-collected revenue requirements associated with medical and life insurance Post-retirement Benefits Other than Pensions (PBOPs) and Long Term Disability (LTD) for the period from 1999 to 2002.

**Background**

This filing is made in compliance with Decision (D.) 00-02-046 (pages 319 through 324) of PG&E's 1999 Test Year General Rate Case (GRC). The 1999 GRC decision continued the PBOPs adjustment treatment previously adopted in PG&E's 1996 GRC D. 95-12-055 (Ordering Paragraph 8), as modified by D. 96-05-010. The credits to the CFCA, NCA and TRA accounts correct for the difference between the revenue requirement associated with the estimated PBOPs costs adopted in PG&E's 1999 GRC and the revenue requirement associated with the lesser of the Statement of Financial Accounting Standard (FAS) 106 expense or the tax deductible contribution amount for 1999 through 2002. The calculation of the revenue requirement adjustment is consistent with the proposal approved by the Commission in D. 95-12-055, as modified in D. 96-05-010.

Decision 95-12-055 also requires that PG&E provide a similar adjustment based on any difference between the revenue requirements associated with the estimated contribution to the trust established for LTD benefits adopted in the



1999 GRC and the revenue requirement associated with the amounts contributed to the trust.

The method used to calculate the adjustments proposed in this advice filing is the same as that used to calculate the adjustments proposed in Advice 1956-G/1583-E, filed June 7, 1996, for 1993 through 1995 and Advice 2272-G/2050-E, filed October 27, 2000, for 1996 through 1998. Advice 1956-G/1583-E was approved by the Commission on July 17, 1996; Advice 2272-G/2050-E was approved by the Commission in Resolution G-3317 on June 28, 2001.

### Credit Amounts

The amounts of the credits are:

<u>Account</u>	<u>Amount of Credit</u> (\$000)
TRA	(\$51,755)
CFCA	(\$22,845)
NCA	(\$860)
Total Credit	(\$75,460)

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

### Protests

Anyone wishing to protest this filing may do so by sending a letter by **November 17, 2003**, 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, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto: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: 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: RxDd@pge.com

**Effective Date**

PG&E requests that this advice filing become effective on regular notice, **December 7, 2003**, which is 40 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. Workpapers supporting the computation of the credit may be obtained by telephoning Sandra Ciach at (415) 973-7572. Address changes should be directed to Ms. Ciach.

Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President – Regulatory Relations

cc: Marty Lyons - ORA

Attachments

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

ABAG Power Pool  
Accent Energy  
ACN Energy, Inc.  
Aglet Consumer Alliance  
Agnews Developmental Center  
Ahmed, Ali  
Alcantar & 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 Texaco  
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  
CPUC  
Creative Technology  
Cross Border Inc  
Crossborder 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  
Dept of the Air Force  
DGS Natural Gas Services  
DMM Customer Services  
Downey, Brand, Seymour & Rohwer  
Duke Energy  
Duke Energy North America  
Duncan, Virgil E.  
Dutcher, John  
Dynergy Inc.  
Ellison Schneider  
Energy Law Group LLP  
Enron Energy Services  
Exelon Energy Ohio, Inc  
Exeter Associates  
Foster Farms  
Foster, Wheeler, Martinez  
Franciscan Mobilehome  
Future Resources Associates, Inc  
G. A. Krause & Assoc  
GLJ Energy Publications  
Goodin, MacBride, Squeri, Schlotz &  
Gueneich Resource Advocates  
Hanna & Morton  
Heeg, Peggy A.  
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  
Meek, Daniel W.  
Meyer, Joseph  
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

Occidental Energy Marketing  
Office of Energy Assessments  
Palo Alto Muni Utilities  
PG&E National Energy Group  
Pinnacle CNG Company  
PITCO  
Plurimi, Inc.  
PPL EnergyPlus, LLC  
Price, Roy  
Product Development Dept  
Provost Pritchard  
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  
Sequoia 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  
TJ Cross Engineers  
Transwestern Pipeline Co  
Transwestern Pipeline/Enron  
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