

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



July 20, 2004

Advice Letter 2499G-B|2446E-B

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

Subject: 2003 General Rate Case – Attrition Rate Adjustment for 2004

Dear Ms Smith:

Advice Letter 2499G-B|2446E-B is effective January 1, 2004. A copy of the advice letter is sent herewith for your records.

Sincerely,

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

Director  
Energy Division



January 23, 2004

**Advice 2499-G-A/2446-E-A (REVISED AL Number)**  
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Request to Increase PG&E's Attrition Rate Adjustment for 2004  
for Public Purpose Program Administrative and General  
Expenses to Conform to PG&E's 2003 General Rate Case  
Proposed Settlement Agreement**

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental advice filing to revise its Attrition Rate Adjustment for 2004 (Advice 2499-G/2446-E, dated November 21, 2003) for Administrative and General (A&G) expenses attributed to Public Purpose Programs (PPP) in PG&E's 2003 test year General Rate Case (2003 GRC) that were not included in the Commission's decision on those programs (Decision (D.) 03-12-060, Interim Opinion Adopting Funding for 2004-05 Energy Efficiency Programs and Studies). The revisions in this filing conform with the Distribution and Generation Settlement Agreements pending before the Commission in Application (A.) 02-11-017, PG&E's 2003 GRC.

**Purpose**

PG&E requests that the Commission approve the revised Attrition Rate Adjustment effective January 1, 2004, contingent on the Commission's issuing a decision in PG&E's 2003 GRC consistent with the calculations presented herein. PG&E will file another supplement to this advice letter, if needed, after the Commission issues a decision in PG&E's 2003 GRC.

**Background**

In the 2003 GRC Settlement Agreement, Paragraph 3.1.4 states:

The Settling Parties agree that it is more efficient to litigate common costs like A&G only once, in the GRC, and then to use the results in other CPUC proceedings, rather than re-litigating these common A&G costs multiple times. The Settling Parties agree that the A&G expenses allocated to the Unbundled Cost Categories (UCCs) adopted in this 2003 GRC should be



used in determining the A&G expenses in related proceedings in 2003 and future years until the 2007 test year GRC, if the outcome of those proceedings would otherwise require specific calculation of A&G expenses. Specifically, the UCCs and related proceedings are: Gas Transmission (Gas Accord II and Gas Accord III), Humboldt (Nuclear Decommissioning Cost Triennial Proceeding), Gas public purpose programs (PPP) and Electric PPP. *To the extent that Commission decisions in 2004 through 2006 on PPP include less A&G expense than the amounts allocated to PPP UCCs in this Agreement, any shortfall will be recovered through GRC distribution attrition revenues [emphasis added].*

On November 21, 2003, PG&E filed Advice 2499-G/2446-E to request an Attrition Rate Adjustment for 2004 in accordance with the 2003 GRC Settlement Agreement. Subsequently, on December 18, 2003, the Commission issued D. 03-12-060, Interim Opinion Adopting Funding For 2004-05 Energy Efficiency Programs and Studies. In D. 03-12-060, – Part III, “2004-05 Energy Efficiency Program Proposals for Funding with PGC Revenues,” Section E – “PG&E Overhead Costs,” the Commission states:

We are aware that the other three utilities recover some of their costs (e.g., pensions and benefits) from sources other than PGC and have considered that when making these budget reductions. ...Accordingly, we reduce PG&E's overhead allocations to 7% for all of its program budgets.

PG&E's 2004-2005 energy efficiency program filing included A&G expenses as part of overhead costs. As noted by the Commission, the other utilities recover these costs through their distribution revenue requirement (D. 03-12-060 at 17 and 18). At this time, PG&E's A&G expenses continue to be imputed to the overhead category. Due to the amount of operational expense included in the overhead budget, the Commission's reduction of PG&E's requested overhead costs to seven percent effectively denied recovery of the A&G expenses included in the PPP filing. Therefore, consistent with the Distribution and Generation Settlement Agreements pending before the Commission in A.02-11-017, and to put PG&E on equal footing with the other utilities, PG&E is requesting full recovery of its PGC-funded energy efficiency program-related A&G expenses through this advice filing. The requested amounts are shown in Table I, below.

The only revenue requirements issue left unresolved by the Distribution and Generation Settlement Agreements in the 2003 GRC is whether PG&E's adopted revenue requirement should include, as one component, the proposed pension contribution. The pension contribution issue was argued in opening and reply briefs submitted September 17 and October 8, 2003, respectively. This advice filing presents the PPP A&G expense both ways: *with* the pension contribution (as argued by PG&E) and *without* the pension contribution.

## REVISED

**Calculation of the Increase to the Distribution Attrition Rate Adjustment**

**TABLE 1**  
**PACIFIC GAS AND ELECTRIC COMPANY**  
**SHORTFALL OF PUBLIC PURPOSE PROGRAM A&G EXPENSE**  
**IN D.03-12-060 UNDER PROPOSED 2003 GRC SETTLEMENT AGREEMENT**  
**(Thousands of 2004 Dollars)**

<b>With Pension Contribution:</b>	
CEE	\$11,501
CARE	1,164
Low Income	2,594
Total PPP A&G <i>with</i> pension contribution	<b>\$15,259</b>
Electric Department Portion of Total	\$12,283
Gas Department Portion of Total	\$2,976

<b>Without Pension Contribution:</b>	
CEE	\$9,899
CARE	1,002
Low Income	2,232
Total PPP A&G <i>without</i> pension contribution	<b>\$13,133</b>
Electric Department Portion of Total	\$10,573
Gas Department Portion of Total	\$2,560

**Protests**

Anyone wishing to protest this filing may do so by sending a letter by **February 12, 2004**, 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, **March 3, 2004**, 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 and the parties on the service list for A. 02-11-017. Address changes should be directed to Sandra Ciach at (415) 973-7572. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

*Karen A. Tomcala/ss*

Vice President - Regulatory Relations

**Attachments**

cc: Service List – A. 02-11-017

**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  
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 &  
Grueneich 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  
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  
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