

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



April 20, 2004

Advice Letter 2521-~~6~~

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

Subject: Memorandum Account to Track Administrative and General Cost Differences Between Gas Accord
II – 2004 and 2003 General Rate Case

Dear Ms Smith:

Advice Letter 2521-~~6~~ is effective March 30, 2004. A copy of the advice letter is returned herewith for your records.

Sincerely,

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

Paul Clanon, Director
Energy Division



**Pacific Gas and
Electric Company**

Karen A. Tomcala
Vice President
Regulatory Relations

77 Beale Street, Room 1065
San Francisco, CA 94105

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

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February 19, 2004

Advice 2521-G
(Pacific Gas and Electric Company ID U39G)

Public Utilities Commission of the State of California

**Subject: Memorandum Account to Track Administrative and General
Cost Differences Between PG&E's Gas Accord II - 2004 and
2003 General Rate Case**

Pacific Gas and Electric Company (PG&E) hereby submits notice of the establishment of a memorandum account to track the difference between the placeholder amount for the Administrative and General (A&G) expenses adopted in Gas Accord II – 2004 Decision (D.) 03-12-061 and the A&G amount to be adopted in PG&E's 2003 General Rate Case (GRC) Application (A.) 02-11-017.

Purpose

PG&E hereby informs the Commission that it has established a memorandum account to track the difference between the placeholder amount for the A&G expenses adopted in D.03-12-061 and the A&G amount to be adopted in PG&E's 2003 GRC. This memorandum account is established in compliance with D.03-12-061, Ordering Paragraph 5(d). No tariff sheets are being revised in this filing.

Background

In its Gas Accord II – 2004 Application (A.) 01-10-011, PG&E proposed that A&G expenses included in the Gas Accord II – 2004 revenue requirement calculation be a placeholder only, subject to update with the results of the 2003 GRC. Once the 2003 GRC Decision determines the portion of A&G expense that should be assigned to the unbundled cost categories included in A.01-10-011, the Gas Accord II – 2004 revenue requirement would be updated using the A&G expenses adopted in the GRC, plus escalation to 2004. With this mechanism, PG&E would neither double-recover nor strand costs between regulatory decisions.

The Commission adopted D.03-12-061 prior to adopting a decision in PG&E's 2003 GRC. Ordering Paragraph 5(d) of D.03-12-061 authorizes the establishment of a memorandum account as follows:



"5. PG&E is authorized to do the following:

- d. Submit an advice letter filing establishing a memorandum account to track the difference between the placeholder amount for the Administrative & General (A&G) expenses adopted in this decision, and the A&G amount to be adopted in PG&E's 2003 General Rate Case, escalated to 2004, plus interest."

The revenue requirement adopted in D.03-12-061 reflects the "placeholder" A&G expenses from A.01-10-011. Once a 2003 GRC decision is adopted, PG&E will calculate the revenue requirement difference, escalated to 2004, and make a one-time entry, including interest, to the A&G memorandum account, as described below.

A&G Memorandum Account Calculation

After a decision is issued in PG&E's 2003 GRC, the cost of service and rates adopted in D.03-12-061 will be revised to reflect the amount of A&G expenses assigned to gas transmission and storage services, plus escalation to 2004. PG&E will file an advice letter to implement revised Gas Accord II - 2004 rates that reflect the revised cost of service.

In addition, PG&E will calculate the one-time entry to the A&G memorandum account by taking the difference between the annual Gas Accord II - 2004 revenue requirement adopted in D.03-12-061 and the annual Gas Accord II - 2004 revenue requirement calculated with the A&G expenses adopted in the 2003 GRC. The difference will be prorated for the number of months that the Gas Accord II - 2004 rates have been in effect since January 1, 2004,¹ through the effective date of the revised Gas Accord rates.

The allocation to core and noncore customers of the resulting over- or under-collection in the A&G memorandum account will be accomplished as follows.

- The total over- or under-collection in the A&G memorandum account will be allocated to core and noncore customers based on their pro rata share of the total Gas Accord II - 2004 revenue requirement. The revenue requirement and respective cost allocations to core and noncore/unbundled customers adopted in Gas Accord II - 2004 D.03-12-061, for

¹ In accordance with D.03-12-061, PG&E filed Advice 2507-G and Advice 2508-G on December 23, 2003, to revise gas rates to reflect the adopted transmission revenue requirement effective January 1, 2004. Also in accordance with D.03-12-061, PG&E filed Advice 2513-G on January 20, 2004, to revise gas rates to reflect the adopted storage revenue requirement to be effective April 1, 2004.



backbone transmission, local transmission, customer access and storage have been summarized and totaled in Attachment 1.

- The total costs allocated to core and noncore customers, respectively, have been divided by the total adopted Gas Accord II – 2004 revenue requirement to derive the pro rata percentage allocation to each class. The period of January through March 2004 has been calculated separately from the period beginning April 2004 and thereafter, since the adopted storage revenue requirement applicable to Core Firm and Market Storage Services is not effective until April 2004.
- For the period January through March 2004, the A&G memorandum account balance applicable to these months will be allocated to core and noncore customers using their pro rata percentage share of the total adopted revenue requirement (excluding the storage revenue requirement) for the period January through March 2004. For the period beginning April 2004 through the effective date of the Gas Accord II – 2004 rate revision, the remaining A&G memorandum account balance will be allocated to core and noncore customers using their pro rata percentage share of the total adopted Gas Accord II – 2004 revenue requirement. An illustrative example of this cost allocation is presented in Attachment I.
- The core portion will be transferred to the Core Fixed Cost Account (CFCA); the noncore portion will be transferred to the Noncore Customer Class Charge Account (NCA). The CFCA and NCA balances will be incorporated into core and noncore rates, respectively, in the next Cost Allocation Proceeding or Annual True-up of Balancing Accounts.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **March 10, 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, 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.



February 19, 2004

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

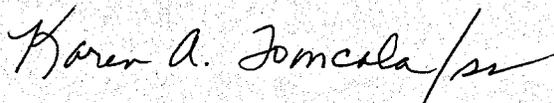
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **March 30, 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 lists for A.01-10-011 and 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>



Vice President - Regulatory Relations

Attachments

cc: Service List for A.01-10-011
Service List for A.02-11-017

ATTACHMENT I
Pacific Gas and Electric Company
Allocation of Gas Transmission and Storage A&G Memorandum Account
(Dollars in Millions)

Line No.	Core		Noncore + Unbundled		Total	
	RRQ \$	% of total	RRQ \$	% of total	RRQ \$	
	(a)	(b)	(c)	(d)	(e)	
Allocation Using Adopted Gas Accord II - 2004 Revenue Requirement:						
<u>January - March 2004</u>						
1	Local Transmission	\$ 106.722	60.6%	\$ 69.251	39.4%	\$ 175.973
2	Backbone Transmission	52.586	25.8%	151.460	74.2%	204.046
3	Customer Access Charge		0.0%	12.929	100.0%	12.929
4	TOTAL	<u>\$ 159.308</u>	40.5%	<u>\$ 233.640</u>	59.5%	<u>\$ 392.948</u>
<u>April - December 2004</u>						
5	Local Transmission	\$ 106.722	60.6%	69.251	39.4%	\$ 175.973
6	Backbone Transmission	52.586	25.8%	151.460	74.2%	204.046
7	Storage (1)	36.879	84.9%	6.570	15.1%	43.449
8	Customer Access Charge		0.0%	12.929	100.0%	12.929
9	TOTAL	<u>\$ 196.187</u>	45.0%	<u>\$ 240.210</u>	55.0%	<u>\$ 436.397</u>

Illustrative Example of Calculation:

Assume GRC decision issued in July 2004, with adjusted Gas Accord II rates effective August 2004

Annual A&G Adjustment	\$ 8.400
Number of Months to apply adjustment (January 2004 - July 2004) (2)	<u>7</u>
Pro-rated A&G Adjustment	<u>\$ 4.900</u>

	Core	Noncore	Total
January - March 2004 Allocation	\$ 0.851	\$ 1.249	\$ 2.100
Allocation Percentages (Line 4)	40.5%	59.5%	
April - July 2004 Allocation	\$ 1.259	\$ 1.541	\$ 2.800
Allocation Percentages (Line 9)	45.0%	55.0%	
Total Allocation	<u>\$ 2.110</u>	<u>\$ 2.790</u>	<u>\$ 4.900</u>

NOTES:

- (1) The adopted 2004 storage revenue requirement applicable to Core Firm Storage and Market Service Storage is effective April 1, 2004, through March 31, 2005. Storage load balancing costs have been included in backbone transmission revenue requirements.
- (2) The number that should be input is the number of months prior to the effective date of the revised rates.

**PGE Gas Advice Filing
List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglert Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Applied Power Technologies
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Blue Ridge Gas
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
Chevron USA Production Co.
Childress, David A.
City of Glendale
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
DGS Natural Gas Services
DMM Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy 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
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.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
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
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