

July 27, 2000

ADVICE 2022-E

Public Utilities Commission of the State of California

In compliance with Decision (D). 87-05-062 dated May 29, 1987, and D. 95-07-055 dated July 24, 1995, Pacific Gas and Electric Company (the Company), hereby submits for approval the following amendments:

- Amendment No. 5¹ to the Pacific Gas and Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust (Qualified Trust) Agreement, and Amendment No. 2² to the Pacific Gas and Electric Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust (Nonqualified Trust) Agreement
- Amendment No. 1³ to the Qualified Trust investment management agreement with Miller, Anderson & Sherrerd LLP

In Order Instituting Investigation No. 86 (OII 86), the Commission conducted an extensive investigation into alternative methods of financing the ultimate cost of decommissioning the nuclear power plants owned by California utilities.⁴ In D. 87-05-062, the Commission adopted an externally managed trust fund as the vehicle for accruing funds for the ultimate decommissioning of the nuclear power plants.⁵ In that decision, the Commission also established guidelines for these trust agreements.⁶

In response to D. 87-05-062, the Company established two trust agreements for its nuclear decommissioning costs falling under Commission jurisdiction. One trust agreement was established as the vehicle to hold the decommissioning funds for contributions that qualify for an income tax deduction under Section 468A of

¹ Refer to Exhibit 1 of Attachment A: Summary "Request for Approval of Amendments to Trustee Fee Schedules for CPUC Qualified and CPUC Nonqualified Trusts."

² Refer to Exhibit 2 of Attachment A.

³ Refer to Exhibit 1 of Attachment B: Summary "Request for Approval of Amendment to Investment Management Agreement with Miller, Anderson & Sherrerd, LLP."

⁴ OII 86, January 21, 1981, p. 3.

⁵ Decision No. 87-05-062, Ordering Paragraph No. 2, pp. 37-38.

⁶ Id.

the Internal Revenue Code (Qualified Trust)⁷ and the other was designed to hold the remaining funds (Nonqualified Trust).⁸

On November 25, 1987, the Company's trust agreements were approved by the Commission⁹ in Resolution E-3048 providing for the establishment of the Nuclear Facilities Decommissioning Master Trust Committee (Committee) consisting of five members, at least three of whom cannot be employees, officers, directors, or agents of the Company.

Pursuant to Section 2.12 of the Qualified Trust agreement and Section 2.10 of the Nonqualified Trust agreement, the Committee may amend the trust agreements thirty days after filing a copy of the proposed amendment with the CPUC. To date, there have been four amendments to the Qualified Trust agreement and one amendments to the Nonqualified Trust Agreement. By this filing, the Company is requesting Commission approval of the amendments that reduce the trustee fee schedules in both agreements.

In D. 95-07-055, dated July 24, 1995, the Commission concluded that no more than 50 percent of Qualified Trust funds should be invested in equities. It also reaffirmed D. 87-05-062, dated May 29, 1987, allowing 60 percent of assets to be invested in equities for the Nonqualified Trust funds. Therefore, the fixed income allocation must be at least 50 percent and 40 percent for the Qualified and Nonqualified Trust, respectively. In the Qualified Trust, the Commission has approved the appointment of State Street Global Advisors¹⁰ and PanAgora Asset Management¹¹ as current equities managers and NISA Investment Advisors¹², BlackRock Financial Management¹³ and Miller, Anderson & Sherrerd LLP¹⁴ as current fixed income managers. The Company requests Commission approval of an amendment to the Qualified Trust investment management agreement with Miller, Anderson & Sherrerd LLP which will clarify the payment of fees to the investment manager.

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

⁷ Pacific Gas and Electric Company Nuclear Facilities Qualified CPUC Decommissioning Master Trust Agreement For The Diablo Canyon Nuclear Generating Station and Humboldt Bay Nuclear Unit No. 3

⁸ Pacific Gas and Electric Company Nuclear Facilities Nonqualified CPUC Decommissioning Master Trust Agreement For The Diablo Canyon Nuclear Generating Station and Humboldt Bay Nuclear Unit No. 3.

⁹ See Resolution No. E-3048, November 25, 1987.

¹⁰ Advice Letter 1917-E, November 2, 1999

¹¹ D.95-09-019, September 7, 1995

¹² D.91-01-030, January 25, 1991

¹³ Advice Letter 1852-E, April 11, 1999

¹⁴ Advice Letter 1852-E, April 11, 1999

The Company requests that this filing become effective on **September 5, 2000**, which is 40 days after the date of filing.

Anyone wishing to protest this filing may do so by sending a letter within 20 days of this filing. 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

Copies should also be mailed to the attention of the Director, Energy Division (address above), and Les Guliasi, Manager, Regulatory Relations, 77 Beale Street, Mail Bode B10C, P. O. Box 770000, San Francisco, California 94177, Facsimile (415) 973-7226. The protest should set forth the grounds upon which it is based and shall be submitted expeditiously. There are no restrictions on who may file a protest.

In accordance with Section III, Paragraph G of General Order 96-A, the Company is electronically and postal mailing copies of this advice filing to the utilities and interested parties shown on the attached list. To conserve mailing costs, the attachments have not been mailed to the above parties, but may be obtained by contacting Nelia Avendano at (415) 973-3529. Address change requests should also be directed to Ms. Avendano.

Vice President -- Regulatory Relations

Attachments