

October 26, 2000

ADVICE 2048-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject—Tariffs Implementing the 1998 ATCP Decision, Including an Estimate of Market Value of Non-Nuclear Generating Facilities

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariff sheets. The affected sheets are listed on the enclosed Attachment I.

Withdraw and Replace Advice 2010-E/E-A

This filing completely replaces Advice 2010-E dated June 19, 2000, and supplemental Advice 2010-E-A dated September 15, 2000. By letter dated October 2, 2000, PG&E withdrew Advice 2010-E and 2010-E-A, and now submits this replacement filing in conjunction with Advice 2049-E, also filed today.

Purpose

The purpose of this replacement filing is to: 1) submit Preliminary Statement Part AL—*Generation Asset Balancing Account (GABA)*; 2) describe the entry recorded in PG&E's Transition Cost Balancing Account (TCBA) reflecting the estimated market value of PG&E's remaining generation plant; and 3) revise Preliminary Statement Parts AV—*Transition Cost Balancing Account (TCBA)*, AX—*Must-Run Fossil Plant Memorandum Account*, AY—*Non-Must-Run Fossil Plant Memorandum Account*, AZ—*Non-Must-Run Hydroelectric/Geothermal Memorandum Account*, and BE—*Must-Run Hydroelectric/Geothermal Plant Memorandum Account*.

This filing is made in compliance with Decision (D.) 00-06-004, dated June 8, 2000, and D. 00-02-048, dated February 17, 2000, both in Application (A.) 98-09-003, the 1998 Annual Transition Cost Proceeding (ATCP),¹ and with a letter from

¹ D. 00-02-048 required that this compliance filing be made within 21 days of that decision. The Commission's Executive Director later granted an extension to May 31, 2000, by letter dated March 6, 2000. By letter dated May 23, 2000, the Commission's Executive Director granted a further extension to 15 days

the Commission's Energy Division, dated September 26, 2000, in reply to Advice 2010-E-A, and with the informal request of the Energy Division via e-mail on September 28, 2000.

Background

On June 19, 2000, PG&E filed Advice 2010-E, in compliance with D.00-02-048 and D.00-06-004. On August 2, 2000, the Energy Division issued Draft Resolution E-3694 pertaining to Advice 2010-E. PG&E provided comments on the Draft Resolution on August 15, 2000. The Draft Resolution took the position that Advice 2010-E was not in compliance with D.00-02-048 and D.00-06-004 on the grounds that PG&E's estimated generation plant market value did not, at a minimum, result in a credit to the TCBA equal to the net book value of its remaining generation assets. Accordingly, the Draft Resolution stated that PG&E should file a supplemental advice filing to comply with both referenced orders.² The Draft Resolution did not take issue with any other provision of Advice 2010-E and no protests were received to that filing.

On September 15, 2000, PG&E filed Advice 2010-E-A, withdrawing the estimate of the market value of PG&E's remaining non-nuclear generation facilities provided in Advice 2010-E and replacing it with an updated market value estimate in excess of the "minimum amount" identified in the Draft Resolution, thereby making moot the concerns raised in the Draft Resolution. By letter dated September 26, 2000, Energy Division rejected Advice 2010-E-A, stating that PG&E should file an entirely new advice letter to make the changes proposed in supplemental Advice 2010-E-A. PG&E submits this replacement filing in accordance with Energy Division's letter dated September 26, 2000.³

This filing incorporates the tariff revisions in compliance with D.00-02-048 and D.00-06-004 as follows:

after the GABA decision was issued. Since Ordering Paragraph 1 of D. 00-06-004 requires that compliance advice letters be filed within 10 days of the effective date of that decision, Advice 2010-E was filed June 19, 2000.

² Ordering Paragraph 1 of Draft Resolution E-3694 states in part:

"PG&E shall file a Supplemental Advice Letter within five days of the approval of this Resolution. The Supplement shall replace Advice Letter 2010-E in its entirety and comply with the following and related decisions ...

- PG&E should make appropriate changes to its tariffs in full compliance with the language and intention of D.00-02-048 and D.00-06-004."

³ While General Order 96-A states that the Commission may indeed choose to reject a supplemental filing that makes more than minor changes, the Commission in the past and the Draft Resolution prepared on this matter has approved and would have approved supplemental filings which make more than minor changes. Accordingly, PG&E reserves the right to seek rehearing or reconsideration of the Energy Division's rejection of Advice 2010-E-A.

Generation Asset Balancing Account

The Commission authorized establishment of the GABA in D. 00-06-004. The purpose of the GABA is to: 1) record the debit corresponding to the credit to the TCBA for the estimated market value on an aggregate basis of remaining non-nuclear generation assets, less net book value; 2) record the net gain or loss from the final valuation of the assets; and 3) transfer the resulting balance of the GABA to the TCBA upon final market valuation, as authorized in D. 00-02-048 and D. 00-06-004.

Aggregate TCBA Credit

Ordering Paragraph 6 of D. 00-02-048, as referenced in Ordering Paragraph 4 of D. 00-06-004, states:

PG&E and Edison shall credit the TCBA appropriately for estimated market value on an aggregate basis and for not less than net book value for non-nuclear assets, including the land surrounding such assets and Helms pumped storage plant. Assets jointly owned with other utilities shall be excluded from this approach. These credits shall be reflected in the monthly TCBA reports and Annual ATCP reports. PG&E and Edison shall include a list of all assets over \$500,000 in the first TCBA report in which these changes are implemented.

PG&E currently estimates the aggregate market value of its remaining non-nuclear generation assets to be \$2.8 billion. The estimated market value is based primarily on two factors: 1) the preliminary results from the applications under Public Utilities Code (P.U.C.) Section 367 (b) and P.U.C. Section 851 filed on May 15, 2000, to establish market values for various remaining generation assets; and 2) the record evidence in A. 99-09-053, including the filing of the Settlement Agreement for Valuation and Disposition of Hydroelectric Assets (Settlement). The Settlement was filed jointly in A.99-09-053 by PG&E, The Utility Reform Network (TURN), the Agricultural Energy Consumers Association (AECA), the California Coalition of Utility Employees (CUE), the Tuolumne Utilities District, the Sonoma County Water Agency, and the California Retailers Association.

To the extent that conditions in electric energy markets or additional evidence in the outstanding market valuation proceedings indicate that the estimated market

value is different from \$2.8 billion, PG&E may revise its estimate of market value and make appropriate revised entries to the GABA and TCBA.⁴

Based on this estimate of market value, the appropriate entry to the TCBA is the estimated amount in excess of the net book value of the plant as shown in the attachment to D. 00-06-004. Therefore, the entry to the TCBA, rounded, is a \$2.1 billion credit and the offsetting entry simultaneously recorded to GABA, rounded, is a \$2.1 billion debit. The credit to the TCBA is calculated as the \$2.8 billion aggregate estimated value, less the aggregate net book value of \$0.7 billion, as of August 31, 2000. The credit to the TCBA and the debit to GABA will reflect interest from June 23, 2000, the effective date of this filing.

Table 1

	Amount (billions)
Estimated Value	\$ 2.8
Net Book Value	<u>0.7</u>
Net TCBA Credit	\$ 2.1

On September 30, 1999, PG&E filed Application 99-09-053 to establish a market value for its hydroelectric generating plants and related assets. D. 00-03-019 ordered PG&E to file applications to market value its remaining generation-related assets.⁵ On May 15, 2000, PG&E filed an additional seven applications to establish a market value for its remaining generation-related assets.⁶ These applications are currently pending before the Commission. The proposed ratemaking in these applications pre-dates the GABA ratemaking adopted in D. 00-06-004. Accordingly, consistent with the GABA ratemaking adopted in D. 00-06-004, upon final market valuation of PG&E's remaining generation-related assets, appropriate entries to reflect final market valuation will be made to both the GABA and TCBA rather than only the TCBA.⁷

Depreciation of Economic Plant

⁴ Pursuant to the Ruling of the Assigned Commissioner and Administrative Law Judge Setting Dates for New Testimony dated October 16, 2000, the evidentiary record in A. 99-09-053 was re-opened to consider valuation and market power issues.

⁵ On April 14, 2000, the Executive Director granted PG&E an extension until May 15, 2000, to file these Applications.

⁶ Applications 00-05-029, 030, 031, 032, 033, 034, and 035. These Applications propose to market value the Kern Power Plant, Richmond Fuel Oil Pipeline, Humboldt Power Plant, Bridgehead Road, Rodeo, Martinez, and Antioch properties, Burney Falls, and McArthur Swamp.

⁷ Decision 00-06-004, Conclusions of Law 3.

The capital-related revenue requirement, including directly assigned plant or shared common and general plant, previously recorded to the TCBA, now will be recorded in the generation memorandum accounts (Preliminary Statement Parts AX, AY, AZ, and BE) for economic assets, as described in the changes to the preliminary statements below. PG&E will be at risk to recover the capital-related revenue requirement from market revenues consistent with the terms of the memorandum accounts. Ordering Paragraph 5 of D. 00-02-048 states:

On a prospective basis, for those assets currently retained, PG&E, Edison, and SDG&E shall estimate market value [for] each plant asset and shall record authorized depreciation in the appropriate memorandum account for those assets with market value estimated to be greater than net book value. Authorized depreciation through the TCBA will cease at that point. If estimated market valuation results in an amount less than book value, accelerated amortization shall continue until actual market valuation occurs, at which point a recalibration of amortization is appropriate. PG&E, Edison, and SDG&E shall adjust their prospective monthly TCBA reports and 2000 ATCP filings accordingly.

The revisions to Preliminary Statement Part AV remove from the TCBA the normal depreciation for economic plant, that is plant with an estimated market value above book value. Preliminary Statement Parts AX, AY, AZ, and BE are revised to include the capital-related revenue requirement for directly assigned plant or shared common and general plant associated with economic assets.

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

Effective Date

This filing is submitted in accordance with Ordering Paragraph 1 and 4 of D. 00-06-004, which states that the advice letters filed in compliance with D.00-06-004 shall be effective within 15 days of the effective date of that decision and that PG&E shall comply with all ordering paragraphs of D.00-02-048 within 15 days of the effective date of D.00-06-004. Therefore, PG&E requests that this filing become effective on **June 23, 2000**.

Protests

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, 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 postal 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.

Pacific Gas and Electric Company
Attention: Les Guliasi
Director, Regulatory Relations
77 Beale Street, Mailcode B10C
P.O. Box 770000
San Francisco, CA 94177
Facsimile: (415) 973-7226

In accordance with Section III, Paragraph G of General Order 96-A, PG&E is mailing copies of this advice filing to the utilities and interested parties shown on the attached list, and interested parties in A. 98-09-003, A. 99-09-006, A. 99-09-053 and A. 98-05-022. Address change requests should be directed to Nelia Avendano at (415) 973-3529.

Vice President – Regulatory Relations

Attachments

cc: Service Lists A. 98-09-003
 A. 99-09-006
 A. 99-09-053
 A. 98-05-022



PRELIMINARY STATEMENT
(Continued)

AL. GENERATION ASSET BALANCING ACCOUNT (GABA)

1. **PURPOSE:** The purpose of the GABA is to: 1) record the debit corresponding to the credit to the TCBA (Preliminary Statement Part AV) for aggregate estimated market value of remaining non-nuclear generation assets, less the net book value of those assets, 2) record the net gain or loss from the final valuation of the assets, and 3) transfer the resulting balance of the GABA to the TCBA upon final market valuation, as authorized in Decisions 00-02-048 and 00-06-004.
2. **APPLICABILITY:** The GABA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **GABA RATES:** The GABA does not have a rate component.
4. **ACCOUNTING PROCEDURE:** PG&E shall maintain the GABA by making entries at the end of each month as follows:
 - a. A debit entry equal to and offsetting the credit to the TCBA (Preliminary Statement Part AV) for aggregate estimated market value of remaining non-nuclear generation assets, less the net book value of those assets, per Decisions 00-02-048 and 00-06-004.
 - b. An entry at the time of final market valuation of each asset, equal to the CPUC portion of the following three components: 1) market value of each plant, 2) less the net book value of the plant, 3) less transaction costs and other costs that are authorized for recovery through the market valuation process, pursuant to Decision 97-11-074, FOF 21, Decision 97-12-039, FOF 3, and Decision 00-06-004.
 - c. An entry to transfer the balance in this account to the TCBA upon final market valuation.
 - d. An entry equal to the interest on the average of the balance at the beginning of the month and the balance after entries 4.a through 4.c, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, G.13 or its successor.

(N)

(N)



PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.A. CTC Revenue Section (Cont'd.)

- 6.A.13. A monthly credit entry equal to the revenue, net of franchise fees, recorded for services rendered during the month for the fuel-related and non-fuel related components of designated sales transactions to FERC resale customers, in excess of the PX revenues associated with these services. (L)
- 6.A.14. A monthly credit entry equal to the CPUC portion of the gross revenue recorded from the sale of air emission credits or allowances (e.g. sulfur dioxide allowances), less reasonably incurred sales costs not already recovered in rates, pursuant to Decision 97-11-074, COL 25, 27.
- 6.A.15. A one-time credit or debit entry on January 1, 1998, equal to the CPUC portion of the sum of the end-of-year 1997 balances in the Real Property Sales Memorandum Account (RPSMA) and Grizzly Substation Memorandum Account (GSMA), pursuant to Decision 94-04-024 and Decision 96-09-094.
- 6.A.16. A debit entry equal to the CPUC portion of the indemnity payments and other contingent liabilities, if any, arising from the sale of the Grizzly substation approved by the Commission, pursuant to Decision 96-09-094.
- 6.A.17. A credit or debit entry equal to the CPUC portion of the net-of-tax proceeds from the sales of real property authorized by the Commission to be recorded to the TCBA.
- 6.A.18. A credit entry equal to the CPUC portion of the credit balance, net of FF&U, in the Generating Facility Operations and Maintenance (GFOM) Account as defined in Part BG of PG&E's Preliminary Statement at the time of the conclusion of the last Operations and Maintenance Agreement for divested plants, pursuant to Decisions 97-06-060, 97-09-046 and 97-11-030.
- 6.A.19. A one-time entry to transfer the balance of the Generation Asset Balancing Account, as defined in Preliminary Statement Part AL, upon final market valuation. (L)
(N)
(N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.1. Currently Incurred Costs Subaccount (Cont'd.)

6.B.1.a. Diablo Canyon Entries (Cont'd.)

(8) A monthly credit entry equal to the PX and/or ISO revenues earned by Diablo Canyon for the sale of ancillary services.

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|
(L)

(D)

6.B.1.b. Divestiture Bonus Entry

A monthly debit entry to transfer that portion of the balance in the Divestiture Bonus Return on Equity Memorandum Account (DBROEMA) associated with specific non-nuclear and non-hydroelectric divestitures upon the close of a specific sale or spin off of fossil power plants, pursuant to Decision 97-11-074.

(T)

6.B.1.c. Qualifying Facilities (QF) Entries

Pursuant to Decision 97-11-074, page 127, costs associated with QF and interutility contracts should continue to undergo reasonableness reviews. The FF&U and FERC jurisdiction should be removed, as applicable, from the following entries:

(T)

(1) A one-time debit entry on January 1, 1998 to transfer the end-of-year 1997 balance from the BRPUSCS in the IRMA.

(2) A one-time debit entry on January 1, 1998 to transfer the end-of-year 1997 balance from the QFSSS in the IRMA.

(3) A monthly debit entry equal to recorded costs, associated with payments made to QFs during the transition period, including: (1) payments made for power purchased currently under purchase agreements and, any buy-out, buy-down, renegotiation, or termination of a contract, to the extent these are not recovered in the regulatory asset revenue requirement in Item 6.B.2.a.(1), (2) settlements and judgments related to QF power purchase agreements, and (3) administrative and litigation costs associated with these contracts.

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PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.1. Currently Incurred Costs Subaccount (Cont'd.)

6.B.1.c. Qualifying Facilities (QF) Entries (Cont'd.)

(T)

(4) BRPU Costs

These costs, as described in Advice 1642-E, are associated with contracts approved by the Commission to settle issues associated with the BRPU.

(a) A monthly debit entry equal to PG&E's recorded BRPU settlement costs.

(5) Qualifying Facilities Shareholder Savings (QFSS)

These shareholder savings are described in Advice 1642-E and as revised in Advice 1887-E.

(a) A monthly debit entry, at the time the restructured contract is signed, equal to ten percent of the total net-present-value of the ratepayer benefits from a restructured QF contract.

(b) A monthly debit or credit entry upon Commission approval of a restructured contract to true-up for any difference between the initial net present value, Item 6.B.1.e.(5)(a) above, and the final Commission-approved net present value of the restructured QF contract and to adjust the interest computation in Item 6.B.1.h. for the effect of the true-up.

(6) A monthly credit entry equal to the PX revenues earned by QFs for services rendered to the PX during the month.

(7) A monthly credit entry equal to the ISO revenues earned by QFs for services rendered to the ISO during the month.

(8) A monthly credit entry equal to the PX and/or ISO revenues earned by QFs for the sale of ancillary services.

(9) A monthly credit entry equal to any other QF-related revenue earned by QFs during the month.

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PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.1. Currently Incurred Costs Subaccount (Cont'd.)

6.B.1.d. Power Purchase Agreement (PPA) Entries

(T)

Pursuant to Decision 97-11-074, page 127, costs associated with QF and interutility, as applicable, contracts should continue to undergo reasonableness reviews. The FF&U and FERC jurisdiction should be removed, as applicable, from the following entries:

- (1) A monthly debit entry equal to recorded costs, associated with payments made under PPAs, including the administrative and litigation costs associated with these contracts.
- (2) A monthly debit entry equal to recorded costs of Firm Transmission Right acquisition.
- (3) A monthly credit entry equal to the PX revenues earned by PPAs for services rendered to the PX during the month.
- (4) A monthly credit entry equal to the ISO revenues earned by PPAs for services rendered to the ISO during the month.
- (5) A monthly credit entry equal to the PX and/or ISO revenues earned by PPAs for the sale of ancillary services.
- (6) A monthly credit entry equal to recorded congestion revenue received as the result of holding Firm Transmission Rights.

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PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.1. Currently Incurred Costs Subaccount (Cont'd.)

6.B.1.e. Western Area Power Authority (WAPA) Exchange Agreement Entries (T)

The FF&U and FERC jurisdiction should be removed, as applicable, from the following entries:

- (1) A monthly debit entry for energy taken from WAPA equal to the product of total energy taken multiplied by 100% of PG&E's current thermal production cost.
- (2) A monthly credit entry for energy returned to WAPA equal to the product of total energy returned multiplied by the authorized price for that energy.
- (3) A monthly credit entry equal to the PX revenues earned by WAPA for services rendered to the PX during the month.
- (4) A monthly credit entry equal to the ISO revenues earned by WAPA for services rendered to the ISO during the month.
- (5) A monthly credit entry equal to the PX and/or ISO revenues earned by WAPA for the sale of ancillary services.

6.B.1.f. Interest Entry (T)

If applicable, after revenue has been applied, a monthly debit entry equal to interest on the average of the net balance in this Currently Incurred Costs Subaccount (Items 6.B.1.a. through 6.B.1.g.), pursuant to Decision 97-11-074, to the extent the net balance is undercollected, at a rate as defined in Section 2.L.

6.B.1.g. Transfer of Cost Entries (T)

If applicable, a one-time credit on December 31, 2001, to transfer the balance in this Currently Incurred Costs Subaccount to subaccounts in the Post 2001-Eligible Costs Section, consistent with Section 6.D.

Revenues will first be used to recover costs in the Currently Incurred Costs Subaccount described in Item 6.B.1. If a credit balance exists after all costs in the Currently Incurred Costs Subaccount have been recovered, revenue will be used to recover costs in the Scheduled Amortization Subaccount described in Item 6.B.2. described below.

(Continued)



PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.2. Scheduled Amortization Subaccount (Cont'd.)

6.B.2.b. Fossil Entries (Cont'd.)

- (1) For those fossil plants with an estimated market value less than or equal to their net book value, a monthly debit entry equal to the monthly fossil sunk cost revenue requirement, net of FF&U, based on the amortization of the estimated above-market cost of the plants over the number of months remaining until December 31, 2001, pursuant to Decision 97-06-060, COL 7,8,13, Decision 97-11-074, and Decision 97-12-039. The fossil sunk cost revenue requirement includes depreciation expense, a return on rate base, and related taxes.
- (2) A debit entry, if applicable, to reflect the amount of unrecovered "going forward costs" in the Must-Run Fossil Plant Memorandum Account as defined by PU Code 367(c) that are incurred during the rate freeze period by the plants to provide reactive power/voltage support while under must-run Contract A with the ISO, during the first 90 days of that contract, provided that these costs are found eligible for CTC recovery, pursuant to Decision 97-11-074, FOF 12, 13, and COL 13.

(T)
(T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (CONT'D.)

6.B. Current Costs Section (Cont'd.)

6.B.2. Scheduled Amortization Subaccount (Cont'd.)

6.B.2.e. Must-Run Hydroelectric/Geothermal Entries

The following entries will be recorded as of the date the Commission or its delegate declares to be the start date for direct access, pursuant to Decision 97-12-131.

- (1) A debit entry, if applicable, equal to the credit entry in Item 5.H. of the Must-Run Hydroelectric/Geothermal Plant Memorandum Account in Part BE of PG&E's Preliminary Statement, pursuant to Decision 97-12-096.
- (2) For those must-run conventional hydroelectric, Helms, and geothermal plants with an estimated market value less than or equal to their net book value, a monthly debit entry equal to the incremental revenue requirement associated with the accelerated depreciation of the capital-related revenue requirement, net of FF&U. Any acceleration of the capital-related revenue requirement, beyond that amount based on current depreciation rates, will be recorded in this item. The accelerated capital-related revenue requirement will be based on the amortization of the estimated above-market cost of the plants over the number of months remaining until December 31, 2001. The capital-related revenue requirement includes depreciation expense, a return on rate base, decommissioning expense, and related taxes, pursuant to Decision 97-06-060, COL 7,8,13, Decision 97-11-074, FOF 84, and Decision 97-12-096.

(T)

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(L)

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PRELIMINARY STATEMENT
(Continued)

AV. TRANSITION COST BALANCING ACCOUNT (TCBA) (Cont'd.)

6. ACCOUNTING PROCEDURE (Cont'd.)

6.B. Current Costs Section (Cont'd.)

6.B.2. Scheduled Amortization Subaccount (Cont'd.)

6.B.2.f. Non-Must-Run Hydroelectric/Geothermal Entries

(L)

The following entries will be recorded by generation type (conventional hydroelectric, geothermal, and Helms). These entries will be recorded as of the date the Commission or its delegate declares to be the start date for direct access, pursuant to Decision 97-12-131.

- (1) For those non-must-run hydroelectric and geothermal plants with an estimated market value less than or equal to their net book value, on an aggregate basis, a monthly debit entry equal to the incremental revenue requirement associated with the accelerated depreciation of the capital-related revenue requirement, net of FF&U. Any acceleration of the capital-related revenue requirement, beyond that amount based on current depreciation rates, will be recorded in this item. The accelerated capital-related revenue requirement will be based on the amortization of the estimated above-market cost of the plants over the number of months remaining until December 31, 2001. The capital-related revenue requirement includes depreciation expense, a return on rate base, decommissioning expense, and related taxes, pursuant to Decision 97-06-060, COL 7,8,13, Decision 97-11-074, FOF 84, and Decision 97-12-096.
- (2) A monthly debit entry equal to the GRC authorized amortization of geothermal decommissioning expense, pursuant to Decision 95-12-055.

(T)

6.B.2.g. Interest Entry

If applicable, after revenue has been applied, a monthly debit entry equal to interest on the average of the net balance in this subaccount (Items 6.B.2.a. through 6.B.2.f.), pursuant to Decision 97-11-074, to the extent the net balance is undercollected, at a rate as defined in Section 2.L.

6.B.2.h. Transfer of Costs Entry

If applicable, a one-time credit on December 31, 2001 to transfer the balance in this Scheduled Amortization subaccount to subaccounts in the Post 2001-Eligible Costs Section, consistent with Section 6.D.

Pursuant to Decision 97-06-060, FOF 19, 20, and 23, if a credit balance exists after all costs in the Current Costs Section (Section 6.B.) are recovered, revenue may be used to recover accelerated costs in the Accelerated Costs Section described in Item 6.C. described below.

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PRELIMINARY STATEMENT
(Continued)

AX. MUST-RUN FOSSIL PLANT MEMORANDUM ACCOUNT (Cont'd.)

5. ACCOUNTING PROCEDURE

The CPUC jurisdictional portion of all entries shall be made at the end of each month as follows:

- a. A monthly credit entry equal to the ISO revenues earned by the plant for services rendered to the ISO during the month, based on ISO contracts.
- b. A monthly credit entry equal to the PX revenues earned by the plant for services rendered to the PX during the month.
- c. A monthly credit entry equal to the PX and/or ISO revenues earned by the plant for the sale of ancillary services.
- d. A monthly debit entry equal to recorded non-fuel operating expenses.
- e. A monthly debit entry equal to the sum for the month of the product of (1) the MMBtu of natural gas burned daily for all purposes at the plant, and (2) that day's weighted-average cost of gas on a UEG portfolio basis (\$/MMBtu).
- f. A monthly debit entry equal to the sum for the month of the product of (1) the barrels of distillate and heavy fuel oil burned daily for all purposes at the plant, and (2) that day's weighted-average cost of fuel oil per barrel on a "last-in-first-out" (LIFO) basis.
- g. A monthly debit entry equal to the post-1997 capital additions revenue requirement, pursuant to Decision 97-09-048.

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(L)

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PRELIMINARY STATEMENT
(Continued)

AX. MUST-RUN FOSSIL PLANT MEMORANDUM ACCOUNT (Cont'd.)

5. ACCOUNTING PROCEDURE (Cont'd.)

The CPUC jurisdictional portion of all entries shall be made at the end of each month as follows:

- | | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----|
| h. | For those must-run fossil assets, including directly assigned plant or shared common and general plant, with an estimated market value greater than their net book value, a monthly debit entry equal to the CPUC portion of the monthly capital-related revenue requirement, net of FF&U, which includes depreciation expense, a return on rate base, and related taxes. The depreciation expense for these assets is based on CPUC-approved depreciation rates. | (N) | |
| i. | If the average of the month's beginning and ending balance in this account is a credit balance, a monthly credit entry equal to the average of the month's beginning and ending balance in this account times one-twelfth the reduced rate of return. | (T) | (L) |
| j. | In the event the balance is a credit, a debit entry, as appropriate, in January of each year, to transfer the December 31 credit balance in this account for the previous year to the TCBA, Item 6.A.6. | (T) | |
| k. | A one-time debit entry, if applicable, at the time of final market valuation, to transfer the credit balance to the TCBA, Item 6.A.6. | (T) | |
| l. | In the event the balance is a debit, a credit entry, as appropriate, in January of each year, to transfer the December 31 debit balance in this account for the previous year to the TCBA, Item 6.B.2.b.(2), for those costs incurred by the plants to provide reactive power/voltage support while under must-run Contract A with the ISO, during the first 90 days of that contract, provided that these costs are found eligible for transition cost recovery, pursuant to Decision 97-11-074, FOF 12, 13, and COL 13. | (T) | |
| m. | As of December 31 of each year, after all the above entries have been made, any remaining balance shall be cleared, and these costs shall not be recoverable from the utilities' customers. | (T) | (L) |



PRELIMINARY STATEMENT
(Continued)

AY. NON-MUST-RUN FOSSIL PLANT MEMORANDUM ACCOUNT (Cont'd.)

5. ACCOUNTING PROCEDURE

The CPUC jurisdictional portion of all entries shall be made at the end of each month as follows:

- a. A monthly credit entry equal to the PX revenues earned by the plant for services rendered to the PX during the month.
- b. A monthly credit entry equal to the PX and/or ISO revenues earned by the plant for the sale of ancillary services.
- c. A monthly debit entry equal to recorded non-fuel operating expenses.
- d. A monthly debit entry equal to the sum for the month of the product of (1) MMBtu of natural gas burned daily for all purposes at the plant, and (2) that day's weighted-average cost of gas on a UEG portfolio basis (\$/MMBtu).
- e. A monthly debit entry equal to the sum for the month of the product of (1) the barrels of distillate and heavy fuel oil burned daily for all purposes at the plant, and (2) that day's weighted-average cost of fuel oil per barrel on a "last-in-first-out" (LIFO) basis.
- f. A monthly debit entry equal to the post-1997 capital additions revenue requirement, pursuant to Decision 97-09-048.
- g. For those non-must-run fossil assets, including directly assigned plant or shared common and general plant, with an estimated market value greater than their net book value, a monthly debit entry equal to the CPUC portion of the monthly capital-related revenue requirement, net of FF&U, which includes depreciation expense, a return on rate base, and related taxes. The depreciation expense for these assets is based on CPUC-approved depreciation rates. (N)
- h. If the average of the month's beginning and ending balance in this account is a credit balance, a monthly credit entry equal to the average of the month's beginning and ending balance in this account times one-twelfth the reduced rate of return. (T)
- i. In the event, the balance is a credit, a debit entry, as appropriate, in January of each year, to transfer the December 31 credit balance in this account for the previous year to the TCBA, Item 6.A.7. (T)
- j. A one-time debit entry, if applicable, at the time of final market valuation, to transfer the credit balance to the TCBA, Item 6.A.7. (T)
- k. As of December 31 of each year, after all the above entries have been made, any remaining balance shall be cleared, and these costs shall not be recoverable from the utilities' customers. (T)

(Continued)
(Continued)



PRELIMINARY STATEMENT
(Continued)

AZ. NON-MUST-RUN HYDROELECTRIC/GEOTHERMAL MEMORANDUM ACCOUNT (Cont'd.)

5. ACCOUNTING PROCEDURE (Cont'd.)

- d. A monthly credit entry equal to the PX and ISO revenues earned by the non-must-run hydroelectric and geothermal plants for generation services and ancillary services rendered to the PX and ISO during the month. (L)
|
(L)
- e. For those non-must-run hydroelectric/geothermal assets, including directly assigned plant or shared common and general plant, with an estimated market value greater than their net book value, a monthly debit entry equal to the CPUC portion of the monthly capital-related revenue requirement, net of FF&U, which includes depreciation expense, a return on rate base, and related taxes. The depreciation expense for these assets is based on CPUC-approved depreciation rates. (N)
|
|
|
(N)
- f. If the average of the month's beginning and ending balance in this account is a credit balance, a monthly credit entry equal to the average of the month's beginning and ending balance in this account multiplied by one-twelfth the reduced rate of return. If the average of the month's beginning and ending balance in this account is a debit balance, no interest will be applied. (T)
- g. At the end of the calendar year, as appropriate, if the sum of the total yearly fuel expense, expense-related revenue requirement, and capital additions revenue requirement (Items 5.A. through 5.C. and 5.E., above) is less than the sum of the total yearly revenues and applicable interest (Items 5.D. and 5.F., above), a credit entry equal to the excess revenues shall be transferred to Item 6.A.9 of the TCBA, Part AV of PG&E's Preliminary Statement (Transition Cost Balancing Account). (T)
(T)
(T)
- h. At the end of the calendar year, as appropriate, if the sum of the total yearly fuel expense, expense-related revenue requirement, and capital additions revenue requirement (Item 5.A. through 5.C. and 5.E., above) is more than the sum of the total yearly revenues and applicable interest (Items 5.D. and 5.F., above), this debit balance shall be cleared, and these costs shall not be recoverable from PG&E's customers. (T)
(T)
(T)
- i. At the end of the calendar year, as appropriate, if the total yearly post-first quarter 1998 capital additions revenue requirement (Item 5.C., above) is greater than the credit entry in Item 5.H., above, the debit balance, equal to the total yearly post-first quarter 1998 capital additions revenue requirement less Item 5.H., shall be cleared and these costs shall not be recoverable from PG&E's customers. (T)
(T)
(T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

BE. MUST-RUN HYDROELECTRIC/GEOTHERMAL PLANT MEMORANDUM ACCOUNT (MRHGMA)
(Cont'd.)

5. ACCOUNTING PROCEDURE

The following entries will be recorded by generation type (conventional hydroelectric, Helms, and geothermal,) and ISO Contract type (Conditions 1 and 2). The FF&U should be removed, as applicable, from the following entries:

- a. A monthly debit entry equal to the recorded must-run hydroelectric and geothermal fuel expenses. The recorded fuel expenses include water purchase costs for hydroelectric plants and steam purchases for PG&E's geothermal plants, pursuant to Decision 97-12-096.
- b. A monthly debit entry equal to one-twelfth the annual authorized must-run hydroelectric and geothermal expense-related revenue requirements. The expense-related revenue requirement includes the O&M expense, A&G expense, payroll tax, business and other taxes, other adjustments, and the return on working cash, pursuant to Decision 97-12-096. The must-run hydroelectric and geothermal expense-related revenue requirement will be based on PG&E's latest GRC authorized numbers.

Beginning January 1, 1999, the hydroelectric and geothermal expense-related revenue requirement amounts shall reflect the interim 1999 General Rate Case (GRC) Decision 98-12-078. When a final decision in the 1999 GRC becomes effective, the interim 1999 hydroelectric and geothermal expense-related revenue requirement amounts are subject to adjustment, with interest, to account for any difference between the interim 1999 GRC hydroelectric and geothermal expense-related revenue requirement amounts recorded between January 1, 1999, and the date a final 1999 GRC decision becomes effective, and the corresponding amounts that would have been recorded had the final 1999 GRC decision become effective on January 1, 1999.

- c. For those must-run hydroelectric/geothermal assets, including directly assigned plant or shared common and general plant, with an estimated market value greater than their net book value, a monthly debit entry equal to the CPUC portion of the monthly capital-related revenue requirement, net of FF&U, which includes depreciation expense, a return on rate base, and related taxes. The depreciation expense for these assets is based on CPUC-approved depreciation rates.

(N)
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(N)

(Continued)



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