

December 13, 2002

Advice 2319-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Adjustment of the Fixed Transition Amount Charges for 2003

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

Pursuant to Ordering Paragraph 14 of Decision (D.) 97-09-055, PG&E, as servicer of the Rate Reduction Bonds (RRBs) and on behalf of PG&E Funding LLC, is required to apply for adjustment to Fixed Transition Amount (FTA) charges at least 15 days before the end of each calendar year.

Purpose

This filing establishes revised FTA charges for rate schedules for residential and eligible small commercial customers. During the rate-freeze period, changes in the FTA charges will be offset by equal and offsetting changes in the residual Competition Transition Charge (CTC) portion of customers' bills.

Background

In D. 97-09-055, the Commission authorized PG&E to file routine True-Up Mechanism Advice Letters on an annual basis, at least 15 days before the end of the calendar year. Routine advice letter filings are those where PG&E uses the methodology found reasonable by the Commission in D. 97-09-055 to revise existing FTA charges.

Using the methodology approved by the Commission in D. 97-09-055, this filing modifies the variables used in the FTA charge calculation and provides the resulting modified FTA charges. Table I shows the revised assumptions for each of the variables used in calculating the FTA charges for residential and small commercial customers. The assumptions underlying the current FTA charges were filed in Advice 2178-E, PG&E's most recent routine advice letter filing, as authorized by D. 97-09-055. PG&E filed a non-routine advice letter filing (Advice 2252-E) in June 2002 to revise FTA rates as of October 1, 2002, in order to increase the likelihood that the Overcollateralization Subaccount and the Capital Subaccount reach required levels. Attachment II shows the FTA charge calculation for 2003 and the revised payment

schedule, Attachment III shows the revised collections curves study results, and Attachment IV shows the 2003 end-of-year forecast of the balances of the Reserve Subaccount, the Overcollateralization Subaccount, and the Capital Subaccount.

TABLE I		
Input Values For Revised FTA Charges		
	Residential Customers	Eligible Small Commercial Customers
Monthly MWh sales:		
December 2002	2,533,985	675,191
January 2003	2,434,630	700,241
February 2003	2,313,905	712,787
March 2003	2,114,253	707,449
April 2003	1,983,964	698,242
May 2003	2,105,426	753,504
June 2003	2,299,117	785,406
July 2003	2,475,823	829,261
August 2003	2,440,778	838,066
September 2003	2,240,196	828,888
October 2003	2,092,172	747,954
November 2003	2,324,196	726,164
December 2003	2,580,210	704,515
Residential and eligible small commercial bill charge June 1996	11.92 ¢/kWh	12.46 ¢/kWh
Percent of residential customers' and eligible small commercial customers' billed amounts expected to be uncollected	0.36 %	0.08 %
Percent of billed amounts collected in current month	28.68 %	29.72 %
Percent of billed amounts collected in second month after billing	49.94 %	52.61%
Percent of billed amounts collected in third month after billing	17.93 %	15.13 %
Percent of billed amounts collected in fourth month after billing	2.25 %	1.66 %
Percent of billed amounts collected in fifth month after billing	0.62 %	0.51 %
Percent of billed amounts collected in sixth month after billing	0.22 %	0.29 %

	For Series
Quarterly Overcollateralization amount	\$362,625.00
Quarterly Servicing Fee as percent of outstanding balance	0.0625 %
Quarterly ongoing transaction expenses	\$31,250.00
Expected FTA outstanding balance as of 12/31/2003	\$1,160,400,000.00
Undercollection of principal to be reflected in the new FTA charges	\$0
Reserve Subaccount balance to be reflected in the new FTA charges	\$12,603,046.99
Difference between Overcollateralization Subaccount balance and Required Overcollateralization Level to be reflected in the new FTA charges	\$0
Difference between Capital Subaccount balance and Required Capital Level to be reflected in the new FTA charges	\$0

Table II shows the revised FTA charges calculated for residential and eligible small commercial customers. The FTA calculations are shown in Attachment II.

TABLE II	
Residential Customer FTA Charge	0.969100 ¢/kWh
Eligible Small Commercial Customer FTA Charge	1.013000 ¢/kWh

Attached are proposed changes to electric Preliminary Statement Part AS – *Fixed Transition Amount Charge* to show FTA charges to be effective January 1, 2003.

Rate tables that show the FTA rate component with the affected rate schedules are included in Attachment V. In anticipation that other rates will change on January 1, 2003, PG&E will consolidate all rate changes to be implemented on January 1, 2003, in final tariff form on or about the first of the year.

Under Section 7.01(d) of the Transition Property Servicing Agreement between PG&E Funding LLC as Note Issuer and Pacific Gas and Electric Company as Servicer, a Servicer Default has occurred as a result of the

Bankruptcy Code on April 6, 2001. However, the Company has performed and continues to perform all of its obligations under the Servicing Agreement, including remitting daily all amounts paid by ratepayers with respect to FTA charges to the RRB trustee, and there is no default under the Indenture with respect to the RRBs.

The assets of PG&E Funding LLC are legally separate from the bankruptcy estate of the Company and are not available to the creditors of the Company.

Effective Date

In accordance with D. 97-09-055, Routine True-Up Mechanism Advice Letters for required annual FTA charge adjustments shall be filed at least 15 days before the end of each calendar year and these adjustments to FTA charges shall be effective at the beginning of the next calendar year. No Commission resolution is required. Therefore, these FTA charges shall be effective **January 1, 2003**, through December 31, 2003.

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. The attachments were not mailed to parties on the electronic service list; however, copies are available upon request. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President – Regulatory Relations

cc: Paul Clanon, Energy Division
Regina Birdsell, Office of Ratepayer Advocates
Don Lafrenz, Energy Division

Attachments



PRELIMINARY STATEMENT
(Continued)

AS. FIXED TRANSITION AMOUNT CHARGE (Cont'd.)

5. FTA CHARGE ADJUSTMENTS: As provided for in P.U. Code §841(c), PG&E will file a True-Up Mechanism Advice Letter one or more times per year to adjust the FTA charge. The adjustment will be based on the following: (1) the most recent test-year sales forecast; (2) the test-year projected amortization schedule; and (3) changes to projected uncollectibles. The adjustment will be applied such that both the residential and commercial FTA charges will be adjusted by the same percentage increase or decrease.

In addition to the annual revisions, PG&E may also make changes to the FTA charge based on changes to the cash flow model not specified above. In this case, PG&E will file a True-Up Mechanism Advice Letter no later than 90 days before the end of any calendar quarter and request that the revised FTA charge become effective the beginning of the next calendar quarter.

In addition to the routine and non-routine true-ups stated above, AB 1890 has stipulated that the Commission shall determine, on each Finance Order issuance anniversary, whether adjustments to the FTA charge are required, with any resulting adjustments to the FTA charge to be implemented within 90 days of the issuance anniversary (P.U. Code §841(e)). PG&E expects to comply with the statute by filing a True-Up Mechanism Advice Letter 15 days before each Finance Order issuance anniversary but expects to state that these true-ups are unnecessary given the annual true-up mechanisms.

6. FTA CHARGE:

	<u>(cents/kWh)</u>	
Residential Rate Schedules	0.969 (R)	
Eligible Small Commercial Rate Schedules	1.013 (R)	(T)



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