April 28, 2004

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

Subject: Electric Bill Credit Effective May 1, 2004

Dear Ms Smith:

Advice Letter 2488-E is effective April 22, 2004 by Resolution E-3865. A copy of the advice letter and resolution are sent herewith for your records.

Sincerely,

[Signature]

Director
Energy Division
Resolution E-3865. Approves a refund plan for Pacific Gas and Electric Company to return an overcollection of revenue to electric customers through a bill credit, as required by Decision 04-02-062.

By Advice Letter 2488-E filed on April 1, 2004.

SUMMARY
This Resolution approves Pacific Gas and Electric Company’s (PG&E’s) Electric Refund Plan (Refund Plan). The plan proposes to return approximately $100 million that PG&E collected from January 1 through February 29, 2004 in excess of the Rate Design Settlement amount adopted by the Commission in Decision (D.) 04-02-062 through a one-time bill credit to eligible customers. PG&E’s Refund Plan proposes a reasonable methodology for distributing refunds resulting from the two-month revenue overcollection.

BACKGROUND
Commission Required Bill Credit or Refund to Return Excess Revenues to Customers

D. 04-02-062 approved a Rate Design Settlement reducing PG&E’s electric rates by $799 million. The rate reductions were implemented by PG&E in Advice Letter (AL) 2465-E-A. Although the rate reductions were effective on January 1, 2004, the reduced rates were not implemented in customer bills until March 1, 2004. Instead of tracking the overcollection for later refund, the Commission required PG&E to provide a one-time bill credit or refund to customers by May 1, 2004.
PG&E Submitted a Refund Plan to Comply with D. 04-02-062

In compliance with D.04-02-062, PG&E filed AL 2488-E to return electric revenue requirement overcollections from January 1 through February 29, 2004 to customers through a one-time bill credit. The refund is determined by comparing the rates in effect on January 1, 2004 to the rates in effect on March 1, 2004.

NOTICE

Notice of AL 2488-E was made by publication in the Commission’s Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No protests to AL 2488-E were filed.

DISCUSSION

PG&E’s Proposed Methodology for Determining Customers’ Bill Credit is Reasonable Because Refunds to Eligible Customers are Based Upon Percentage Reductions Implemented in D.04-02-062 and AL 2465-E-A

Energy Division has reviewed the Refund Plan PG&E submitted in AL 2488-E to comply with D.04-02-062. The Refund Plan specifies that a one-time bill credit will be provided to customers beginning on May 1, 2004, and continuing through each customer billing serial in May. PG&E proposes to add a one-time line item to customer bills that describes the credit as: “Rate Reduction Refund”.

The bill credit to each eligible PG&E electric customer will be calculated as a percentage of the billed energy procurement surcharges, where the percentage is based on the difference between the energy surcharge rates from Section 2 of Schedule E-EPS in effect in January and February 2004 and the energy surcharge rates in effect on March 1, 2004. This approach is reasonable because the total electric rate reductions which were ordered by the Commission in D.04-02-062 and established in AL 2465-E-A were achieved by reducing the energy procurement surcharges.
PG&E Will Notify Master-Metered Customers of the Refund Plan

In the Refund Plan, PG&E states that it will inform master-metered customers of potential refunds and remind them of their obligation to pass along any refunds to their tenants in accordance with Section 739.5 (b) of the Public Utilities Code.

PG&E Proposes to Adjust Refunds Upon Customer Inquiry

If within nine months of the initial implementation date of the Refund Plan a current or former customer contends that the amount refunded is incorrect, PG&E states that it will investigate the matter and make an appropriate adjustment.

PG&E will File Reports on the Refund Plan with the Energy Division

PG&E estimates that approximately $100 million will be returned to eligible customers for the two-month period of overcollection. The actual amount refunded pursuant to the Refund Plan will be furnished to the Director of the Energy Division in a final report by March 31, 2005. A preliminary report of the amount refunded through June 30, 2004 will be provided to the Director of the Energy Division by July 10, 2004. These reports will include adjustments made pursuant to the Customer Inquiry section of the Refund Plan.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

FINDINGS

1. D. 04-02-062 directed PG&E to return electric revenue overcollections from January 1 through February 29, 2004 through a one-time bill credit or refund to customers by May 1, 2004.
2. PG&E filed AL 2488-E to submit a refund plan to comply with D.04-02-062.
3. PG&E’s Refund Plan is reasonable and should be implemented beginning on May 1, 2004.
4. In accordance with its Refund Plan, PG&E’s proposals to a) inform master-metered customers of potential refunds and remind them of their obligation
Resolution E-3865  
PG&E AL 2488-E/LRA  

April 22, 2004

to pass along any refunds to their tenants in accordance with Section 739.5 (b) of the Public Utilities Code, b) investigate and make an appropriate adjustment of refund upon customer inquiry, and c) file a preliminary report on July 10, 2004 and a final report on March 31, 2005 to the Director of the Energy Division are accepted.

THEREFORE IT IS ORDERED THAT:

1. PG&E's refund plan submitted in Advice Letter 2488-E is approved and shall be implemented beginning on May 1, 2004.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on April 22, 2004; the following Commissioners voting favorably thereon:

[Signature]

WILLIAM AHERN  
Executive Director

MICHAEL R. PEEVEY  
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners
April 1, 2004

ADVICE 2488-E
(Pacific Gas and Electric Company ID U 39E)

Public Utilities Commission of the State of California

Subject: Electric Bill Credit Effective May 1, 2004.

Pacific Gas and Electric Company (PG&E) hereby submits for filing an Electric Refund Plan (Refund Plan) to comply with Decision (D.) 04-02-062, dated February 26, 2004. That decision approved a Rate Design Settlement Agreement (RDSA) PG&E reached with participants from all major customer groups to implement the rate reductions authorized by the Commission’s decision (D.03-12-035) approving the Modified Settlement Agreement (MSA) among the Commission, PG&E and PG&E Corporation, which MSA was incorporated into the plan of reorganization approved by the U.S. Bankruptcy Court for PG&E under Chapter 11 of the Bankruptcy Code.

Background

Because the March 1, 2004, electric rate reductions ordered in D.04-02-062 were intended by the RDSA to take effect January 1, 2004, Conclusion of Law No. 11 in D.04-02-062 orders PG&E to return to electric customers all revenue overcollections between January 1, 2004, and February 29, 2004, through a one-time bill credit or refund by May 1, 2004. Accordingly, the refund is determined by comparing the rates in effect on January 1, 2004, to the rates in effect on March 1, 2004.¹ Attachment I presents PG&E’s proposed Refund Plan, which will commence May 1, 2004, in compliance with the Commission’s order.

PG&E’s refund plan provides a one-time bill credit to customers beginning on May 1, 2004, and continuing through each customer billing serial in May. PG&E proposes to add a one-time line item to customer bills, which describes the credit on customers’ bills as: “Rate Reduction Refund.”

The bill credit to each PG&E electric customer will be calculated as a percentage of the billed energy procurement surcharges, where the percentage is based on the difference between the energy surcharge rates from Section 2 of Schedule E-EPS in effect in January and February and the energy surcharge rates provided

¹ PG&E’s ratemaking mechanisms will continue to accrue over- and undercollections in each respective balancing account.
in Advice 2465-E-A from Section 2 of Schedule E-EPS, dated March 1, 2004. Since customers taking direct access service during this period did not pay these surcharges, they in turn will not receive a bill credit.

The reductions to surcharges on March 1, 2004, were established by PG&E in Advice 2465-E-A by reducing the energy procurement surcharges found in Section 2 of Schedule E-EPS. The lower surcharges in Schedule E-EPS resulted in a lower total rate when the revised surcharges were rolled into each rate schedule. On non-residential schedules, the same percentage reduction was applied to all components of the energy surcharge across all seasonal or time-of-use periods upon which the rate schedule's surcharge is differentiated. This percentage is the same within each rate schedule by service voltage. On residential rate schedules, the same percentage reduction was applied to the Tier 3 and Tier 4 surcharges, while Tier 5 received a larger percentage reduction. Attachment I includes a table showing the factors that will be multiplied by the billed surcharge amount to determine the credit.

PG&E proposes closing the Refund Plan on January 31, 2005, however such closure which will not abrogate the right of customers to receive refunds under the provisions of Rule 17.

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

**Refund Results**

PG&E proposes to send a letter to the Director of the Energy Division by July 10, 2004, reporting preliminary results of the refund plan and to file a final report on or before March 31, 2005.

**Protests – Request Shortened Protest Period**

So that this advice filing may be considered at the April 22, 2004, CPUC Decision Conference, PG&E proposes a shortened protest period ending **April 8, 2004**. Anyone wishing to protest this filing 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, 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: Brian Cherry  
Director, Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177  
Facsimile: (415) 973-7226

**Effective Date**

In accordance with General Order 96-A, PG&E requests that this advice filing become effective on **May 1, 2004**, which is less than regular notice.

**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 I. 02-04-026, R. 02-01-011, 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

Karen A. Tomcala J.S.N.

Vice President - Regulatory Relations

cc: Service List  
Interested Parties I. 02-04-026  
Interested Parties R. 02-01-011  
Interested Parties A. 02-11-017

Attachments
PACIFIC GAS AND ELECTRIC COMPANY

RATE DESIGN SETTLEMENT

ELECTRIC REFUND PLAN

1. PURPOSE

The purpose of the Rate Design Settlement Refund Plan (Refund Plan) is to return to eligible, bundled-service electric customers over-collection of revenue, as ordered by the California Public Utilities Commission (CPUC) in Decision (D.) 04-02-062, through a bill credit displayed on customer’s energy statements.

D. 04-02-062 approved a reduction of approximately $799 million in PG&E’s electric revenue requirement for 2004 and ordered PG&E to: (a) file revised electric rates effective March 1, 2004; and (b) return to customers the revenue received between January 1, and March 1, 2004, in excess of rates effective on March 1, 2004.

2. INITIAL REFUND DATE

The bill credit will be displayed on eligible, bundled-service customer’s energy statements beginning May 1, 2004.

3. TOTAL AMOUNT TO BE REFUNDED

It is estimated that approximately $100 million will be returned to customers for the two-month period of over-collection. The actual total dollar amount refunded will be stated in PG&E’s final report on the Refund Plan to the CPUC.

4. CUSTOMER ELIGIBILITY

Pursuant to the Rate Design Settlement adopted in D. 04-02-062, the primary reason for the 2004 revenue requirement decrease is to reverse the allocation of revenue increases brought about by the imposition of Energy Procurement Surcharges in June 2001.

An eligible customer is one who was billed for kWh usage during the period from January 1, through February 29, 2004, and charged the Energy Procurement Surcharge rates shown separately in Section 2 of Schedule E- EPS. These rates are included in the total bundled service rates shown in each rate schedule.
5. **METHODOLOGY FOR DISTRIBUTING REFUNDS TO ELIGIBLE CUSTOMERS**

A one-time refund will be made to each eligible customer based on the following methodology:

a. Identify the Energy Procurement Surcharge amount(s) (kWh x Energy Procurement Surcharge rate) billed to each eligible customer for the period January 1, through February 29, 2004, in accordance with Section 2 of Schedule E-EPS and the customer's otherwise applicable rate schedule.

b. Calculate the customer's refund by multiplying the previous billed Energy Procurement Surcharge amount(s) by the corresponding refund factor(s) applicable to the customer's rate schedule. The "refund factor" is equal to the percentage reduction between the Energy Procurement Surcharge rates set forth in Section 2 of Schedule E-EPS effective January 1, 2004, and Energy Procurement Surcharge rates set forth in Section 2 of Schedule E-EPS effective the March 1, 2004. Refund factors applicable to the various rate schedules are listed in Table 1.

c. If applicable, adjust the refund amount, to include utility users tax at the current effective rate.

d. Remit the refund amount to the customer in the form of a one-time credit to the customer’s account. The bill credit will appear as a separate line item of the energy statement entitled “Rate Reduction Refund”.

6. **NOTICE TO MASTER-METERED CUSTOMERS**

PG&E will inform master-metered customers of potential refunds and remind them of their obligation to pass along any refunds to their tenants in accordance with Section 739.5 (b) of the Public Utilities Code.

7. **ADJUSTMENT OF REFUND UPON CUSTOMER INQUIRY**

If within nine months of the initial implementation date of the Refund Plan a current or former customer contends that the amount refunded is incorrect, PG&E will investigate the matter and make an appropriate adjustment.

8. **REPORT ON REFUND PLAN**

A final report of the total amount refunded to eligible customers pursuant to the Refund Plan will be furnished to the Director of the Energy Division by March 31, 2005. A preliminary report of the amount refunded through June 30, 2004, will be provided to the Director of the Energy Division by July 10, 2004. These reports will include adjustments made pursuant to Section 7 of this Refund Plan.
9. **CUSTOMER NOTIFICATION**

   Each energy statement reflecting the refund credit will include a bill message stating the reason for the refund.
TABLE 1

<table>
<thead>
<tr>
<th>Residential</th>
<th>% Reduction</th>
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<tbody>
<tr>
<td>Tier 3/4 usage</td>
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<tr>
<td>Tier 5 usage</td>
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<th>Commercial/Industrial</th>
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<td>Agricultural</td>
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Aglit Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Eisesser
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 ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Celnet Data Systems
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
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
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Enron Energy Services
Exeter Associates
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
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
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
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.
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
PG&E National Energy Group
Pinnacle CNG Company
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