July 16, 2004

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

Subject: 2003 Vegetation Management Balancing Account

Dear Ms Smith:

Advice Letter 2525-E is effective August 1, 2004. A copy of the advice letter is sent herewith for your records.

Sincerely,

[Signature]

Director
Energy Division
June 22, 2004

Advice 2525-E
(Pacific Gas and Electric Company ID U 39 E)

Subject: 2003 Vegetation Management Balancing Account

Public Utilities Commission of the State of California

In accordance with Preliminary Statement, Part BU--Vegetation Management Balancing Account (VMBA), Pacific Gas and Electric Company (PG&E) submits for filing a summary of the entries made to the VMBA for the period from January 1, 2003, through December 31, 2003. In 2003, the VMBA expense exceeded the revenue requirement. Since the account is a one-way balancing account, the 2003 VMBA undercollected balance is shareholder funded and no account disposition is required.

Background

In PG&E's 1999 General Rate Case (GRC) D. 00-02-046, the Commission adopted a one-way balancing account mechanism to track vegetation management expenditures during the time the 1999 GRC revenue requirement is in effect. The VMBA provides that PG&E will file an annual advice letter summarizing the entries to the VMBA for that year and a proposal for the disposition of any credit balance in the account.

In PG&E's 2003 GRC (A. 02-11-017), the Commission adopted a Settlement Agreement regarding the distribution revenue requirement (see D. 04-05-055). Under the Settlement, PG&E is to continue using the one-way balancing account for Vegetation Management. In this agreement, $127.9 million\(^1\) (in 2003 dollars) was adopted as a reasonable forecast of Vegetation Management expense. This amount includes funding for the Vegetation Management Quality Assurance Program (VMQAP).

As adopted in the Tree Trimming Oil settlement (D. 99-07-C29), the three-year shareholder funding commitments for the VMQAP expired on August 19, 2002. The last period for recording separate Quality Assurance Program expenses in the Vegetation Management Quality Assurance Balancing Account (VMQABA) was

\(^1\) $124.7 million (in 2000 dollars)
August 19, 2001, through August 18, 2002, as per Advice 2283-E.

**2003 VMBA Balance**

Entries made to the VMBA for the period January 1, 2003, through December 31, 2003, are shown in Table 1, below. The recorded expenses for 2003 totaled $128,473,790. In accordance with VMBA accounting procedures, this amount excludes vegetation management expenses allocated to Federal Energy Regulatory Commission (FERC) jurisdiction.

The adopted vegetation management expense for 2003 totaled $127,870,000 (in 2003 dollars). Excluding the allocated FERC jurisdiction amounts, the net adopted 2003 expense is $127,000,484 (in 2003 dollars).

The difference between the amount adopted in D. 00-02-046, as modified, and the recorded expense for 2003 is an over spending of $1,473,306. This amount represents an undercollection, or debit balance, to the VMBA. Since the account is a one-way balancing account, this debit balance is not recoverable from customers.

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

**Protests**

Anyone wishing to protest this filing may do so by sending a letter by **July 12, 2004**, which is 20 days after 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.

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 **August 1, 2004**, which is 40 days from the date of this 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. Address changes should be directed to Sharon Tatai at (415) 973-2788. Advice letter filings can also be accessed electronically at:

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

[Signature]

Director - Regulatory Relations

Attachments
Table 1  
Decision Nos. 01-10-031 and 02-02-043  
Vegetation Management  
Balancing Account Summary  

January 1, 2003, through December 31, 2003

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003 GRC Adopted Estimate*</td>
<td>$127,870,000</td>
</tr>
<tr>
<td>Less FERC Allocation</td>
<td>($869,516)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$127,000,484</strong></td>
</tr>
<tr>
<td>2003 Recorded Expenses*</td>
<td>$129,353,393</td>
</tr>
<tr>
<td>Less FERC Allocation</td>
<td>($879,603)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$128,473,790</strong></td>
</tr>
<tr>
<td>Over (Under) Expenditure Interest (through December 2003)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,473,306</td>
</tr>
<tr>
<td></td>
<td>($736)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,472,570</strong></td>
</tr>
</tbody>
</table>

* Vegetation Management Quality Assurance Balancing Account included
ABAG Power Pool  
Aglet Consumer Alliance  
Agnews Developmental Center  
Ahmed, Ali  
Alicant & Elsesser  
Anderson Donovan & Poole P.C.  
Applied Power Technologies  
APS Energy Services Co Inc  
Arter & Hadden LLP  
Avista Corp  
Barkovich & Yap, Inc.  
BART  
Bartie Wells Associates  
Blue Ridge Gas  
Bohanon 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  
Cellnet 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, Squier, Schlotz &  
Gueneich 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  
PGE 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  
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  
Sutherlin, Asbill & Brennan  
Tabors Caramanis & Associates  
Tansey and Associates  
Tecogen, Inc  
TFS Energy  
TJ Cross Engineers  
Transwestern Pipeline Co  
Turlock Irrigation District  
United Cogen Inc.  
URM Groups  
Utility Cost Management LLC  
Utility Resource Network  
Wallhead Electric Company  
Western Hub Properties, LLC  
Write & Case  
WVA