November 30, 2004

Advice 2593-E
(Pacific Gas and Electric Company ID U39E)

Subject: Methodology for Calculation of Non-Bypassable Charges for Mountain House Customers (Modesto Irrigation District)

Public Utilities Commission of the State of California:

This filing is made in accordance with Decision (D.) 04-03-036, dated March 16, 2004, for PG&E’s Application 03-02-005 pertaining to authorization to lease and sell certain electric distribution facilities serving the Mountain House Area to Modesto Irrigation District (MOD). Pacific Gas and Electric Company (PG&E) hereby files the annual advice letter to describe its calculations and methodologies for determining applicable non-bypassable charges (NBCs), for customers in the Mountain House Area of San Joaquin County, California, served by MOD.

Background

Pursuant to Public Utilities Code § 9610, a total of 137 Mountain House customers departed PG&E’s service territory on January 1, 2001, and began receiving electric service from MOD. Decision 04-03-036 approved, among other things, an agreement between PG&E and MOD for the lease of certain electric distribution facilities in the Mountain House area (“the Lease Agreement”) (Application 03-02-005 dated February 7, 2003). The Lease Agreement provides that MOD will pay NBCs on behalf of the departing customers. Ordering Paragraph 6 of D.04-03-036 requires that PG&E shall annually file an advice letter that contains the proposed calculations and methodologies for determining the amount of NBCs to be paid by MOD for the year at least 90 days before the due date for MOD’s payment of the NBCs for approval by the Commission Energy Division. This Advice Letter fulfills PG&E’s requirement as detailed in Ordering Paragraph 6 of D.04-03-036.

Methodology and Illustrative Calculations

Attachment 1 to this filing is PG&E’s statement of methodology for calculating NBCs to be paid by MOD on behalf of departing customers.
Attachment 2 to this filing is a preliminary 2004 NBC bill for the Mountain House customers that departed PG&E's service territory on January 1, 2001, and began receiving electric service from MOD. This bill covers NBC charges for the period from January 1, 2004 through December 31, 2004.¹ The only NBC charge shown on the current bill is Trust Transfer Account (TTA) Charges. This is because PG&E currently can only bill for TTA Charges, due to the expiration of Schedule E-DEPART which authorized billing of applicable NBCs. PG&E filed Advice 2043-E on October 19, 2000 to revise the E-DEPART Special Conditions language to read:

This schedule will continue in effect until such time as the Commission has approved a superseding tariff for billing departing customers for nonbypassable charges or until it has determined that departing customers’ obligations to pay such charges have ended.

This was reiterated in Advice 2057-E on November 22, 2000. Advice 2043-E-A again requested action to be taken to revise the Special Conditions language of schedule E-DEPART. The Commission has yet to act upon these advice letters.

As noted in Attachment 1, Mountain House customers are not obligated to pay the DWR-related components of the CRS imposed by D.03-07-028, since they departed prior to the February 1, 2001, threshold date adopted in that decision.²

Protests

Anyone wishing to protest this filing may do so by sending a letter by December 20, 2004, which is 20 days from 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:

¹ See D.03-07-028, Ordering Paragraph 2. For PG&E, the CRS adopted by D.03-07-028 consists of the DWR Bond Charge (DWRBC), the DWR Power Charge (DWRPC), and the Competition Transition Charge (CTC). The DWRBC and DWRPC components of the CRS only apply to customers who departed PG&E service after February 1, 2001, and thus not to Mountain House customers (who departed on the January 1, 2001 transfer date). However, Mountain House customers are obligated to pay the CTC component of the CRS, which is applicable to customers who depart after December 20, 1995. In addition, Mountain House customers are obligated to pay the Regulatory Asset charge, which is applicable to customers who depart after January 1, 2000.
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 K. 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

In accordance with General Order 96-A, PG&E requests that this advice filing
become effective on regular notice, January 10, 2005, which is 40 days after 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 and Service List A.03-02-005. 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/tariffs

Director - Regulatory Relations

Attachments
cc: Service List - A. 03-02-005
Revised Methodology for Calculation of Non-Bypassable Charges
For Mountain House Customers

Pursuant to Ordering Paragraph 6 of Decision 04-03-036, this attachment describes PG&E's method of calculating the non-bypassable charge (NBC) obligations associated with PG&E's Mountain House customers that departed to Modesto Irrigation District (MOD).

A total of 137 Mountain House customers departed PG&E service on January 1, 2001 and began receiving electric service from MOD. Just prior to their departure, PG&E took a “snapshot” of each customer’s billing determinants for the period of January 2000 to December 2000 (i.e., the 12 months immediately prior to their departure on January 1, 2001).

The NBC obligations of the Mountain House customers include Competition Transition Charges (CTCs, per Public Utilities Code Sections 367, 368, 375 and 376), Fixed Transition Amounts (FTA, per Code Section 840(d)), Nuclear Decommissioning (ND, per Code Section 379) Charges, and Regulatory Asset Charges (RA, per D.03-12-035 and D.04-02-062).\(^1\)

CTCs — The opportunity for utilities to recover and the obligation for customers to pay CTCs has been established both by Commission policy decisions and California law.\(^3\) Except for those specific activities expressly exempted by the California legislature or the Commission, these costs are to be paid by all energy consumers.

FTA Charges — The FTA charge is only applicable to PG&E’s residential and small commercial customers, to pay back rate reduction bonds issued to finance a 10 percent reduction in rates for these customers.

ND Charges — ND costs are separately identified in Code Section 379 as a non-bypassable charge that will continue until those costs are fully recovered. Per PG&E Advice 1614-E, filed October 11, 1996, PG&E’s Commission-

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\(^1\) Preliminary Statement Part AS of PG&E’s electric tariffs establishes a Fixed Transition Amount (FTA) charge for residential and small commercial customers who received the 10 percent rate reduction on January 1, 1998, as mandated in Assembly Bill (AB) 1890 (Code § 368 (a)).

\(^2\) PG&E’s Public Purpose Program non-bypassable charges are not included because the Mountain House customers will be served by MID, which by law is required to have similar programs and cost components embedded within its tariff rates. See Ordering paragraph 12(h) of Decision 97-08-056.

\(^3\) Electric Restructuring Policy Decision (D.95-12-063), as modified by the Revised Policy Decision (D.96-01-009), primarily Conclusions of Law 54 and 56, and Ordering Paragraph 28, and AB 1890, primarily Code Sections 367, 368, 375, 376 and 840(d). (A.00-01-056)
jurisdictional nuclear decommissioning accrual is approximately $33 million per year.\textsuperscript{4}

**RA Charges** – The RA charge is designed to recover the costs associated with the Regulatory Asset established by the PG&E bankruptcy decision.\textsuperscript{5}

The Department of Water Resources' Bond and Power Charges, imposed by Decision 03-07-028, do not apply to the Mountain House customers due to the fact that these customers departed prior to February 1, 2001.

Since January 2002 PG&E has been annually billing MOD for all applicable NBCs. To date, PG&E has sent MOD three annual NBC bills (for 2001, 2002, and 2003) covering the obligations of the 137 departing customers.

The first NBC bill (for 2001) was calculated by: (1) aggregating the usage "snapshots" of all customers on each rate schedule; (2) applying then-current schedule-specific NBC rates to the usage totals by schedule; and (3) summing the resulting NBC bills across schedules to obtain a total bill. Since then, however, each of the 137 customers was individually set up for departing load billing in PG&E's Customer Information System (CIS). PG&E's CIS calculates each departed customer's NBC bill based on monthly usage from the customer's 12-month historic "snapshot" and the then-current NBC rates applicable to the customer's rate schedule or otherwise approved by the Commission for municipal departing load. The monthly NBC charges for each customer are then summed across all customers to create one annual bill to send to MOD covering the preceding year.

\textsuperscript{4} Nuclear Decommissioning costs were approved in the 1996 General Rate Case at $36 million per year, and then reduced by Advice 1614-E to $33 million per year after a ruling by the Internal Revenue Service.

\textsuperscript{5} See D.03-12-035 and D.04-02-062.
Non-Energy Invoice

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VOID

MODESTO IRRIGATION DISTRICT
ATTN: SCOTT STEFFAN
P.O. BOX 4060
MODESTO CA 95352

When Making inquiries or Address Changes,
Please Contact:
Departing Load Coordinator
Mail Code B19C
P.O. Box 770000
San Francisco CA 94177-0001
1-800-743-5000

*Customer Number: 353102
*Invoice Number: 0006499924-6

MONTHLY DEPARTED LOAD CHARGES

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VOID

MODESTO IRRIGATION DISTRICT
ATTN: SCOTT STEFFAN
P.O. BOX 4060
MODESTO CA 95352

PG&E
Box 997300
Sacramento, 95809-7300

When Making Inquiries or Address Changes,
Please Contact:

Departing Load Coordinator
Mail Code B19C
P.O. Box 770000
San Francisco CA 94177-0001
1-800-743-5000

TRUST TRANSFER ACCOUNT CHARGES- DEC 04

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Line Item Subtotal: 7,876.24

AMOUNT NOW DUE: $ 7,876.24

NOTE: This invoice reflects current charges only.
Any past due amounts will be billed separately.
PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnieszka Developmental Center
Ahmed, Ali
Alcazar & Elsevier
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Aran & 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 Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
Cooperative Community Energy
CPUC
Creative Technology
Cross Border Inc
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
Douglas & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G.A. Krause & Assoc
Gas Transmission Northwest Corporation
G&J Energy Publications
Goodin, MacBride, Squier, Schlotz & Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
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.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources

Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
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
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansey and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA