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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

E-8 I. D. #1931

ENERGY DIVISION **RESOLUTION E-3822**

April 17, 2003

R E S O L U T I O N

Resolution E-3822. Pacific Gas & Electric (PG&E) Company requests authority to revise tariffs and establish various balancing and memorandum accounts in compliance with Decision (D.) 02-04-016, pertaining to Utility Retained Generation (URG) cost recovery in 2002 and withdraw certain previously filed advice letters. The request is approved with modifications.

By Supplemental Advice Letter 2240-E-A Filed on January 6, 2003, replacing Advice Letter 2240-E, Filed on May 6, 2001, in its entirety.

SUMMARY

This Resolution approves PG&E's proposed tariff revisions and its request to establish various balancing and memorandum accounts with modifications. It also approves PG&E's proposals to withdraw or supplement Advice Letters 2057-E, 2085-E and 2130-E, to avoid duplicative entries for cost recovery, with certain modifications.

Modesto Irrigation District (MID) protests Supplemental Advice Letter (AL) 2240-E-A as it did AL 2240-E, raising the same concern that PG&E's proposed accounting structure is burdensome to verifying accounting records for the competition transition charge (CTC). MID's protest is denied.

The Office of Ratepayer Advocates (ORA) and California Farm Bureau Federation (CFBF) protested AL 2130-E. ORA and The Utility Reform Network (TURN) protested AL 2085-E. ORA and TURN protested PG&E's proposals regarding imputed revenue, the treatment of Incremental Cost Incentive Pricing (ICIP) costs, and the limited definition of Utility Retained

Generation (URG). These are now moot because of subsequent actions by the Commission after the AL filing. The issues by ORA and CFBF regarding cost recovery after the rate freeze are currently being considered in the Rate Stabilization Plan (RSP) proceedings Application (A.) 00-11-038 et al., by the Commission, including the interim market valuation issue associated with non-nuclear generation assets raised in both AL 2085-E and AL 2130-E.

PG&E's request to transfer the cumulative balances from the generation memorandum accounts (GMAs) and transition revenue account (TRA) as of December 31, 2001, is denied. The Energy Division Director should verify the restatement of the TCBA, TRA, and GMAs provided by PG&E to ensure full compliance with our Order in D.01-03-082 and report to the Commission Executive Director, no later than 90 days from the date of the approval of this Resolution, whether PG&E is in compliance.

BACKGROUND

PG&E filed AL 2240-E on May 6, 2002, pursuant to Ordering Paragraphs (OP) 7, 9 and 11 of D.02-04-016 (the utility retained generation (URG) decision), to establish new balancing and memorandum accounts, and revise certain tariffs. On May 24 2002, MID protested AL 2240-E, that PG&E's proposed accounting structure is burdensome to verify the CTC, especially for third party reviewers. PG&E responded on June 3, 2002, refuting the allegations.

Pursuant to OP 23 of D.02-12-074, PG&E filed Supplemental AL 2240-E-A on January 6, 2003, after the Commission Executive Director granted an extension of time to do so. AL 2240-E-A replaces AL 2240-E in its entirety. D.02-12-074 required the supplement in view of the action the Commission took in D.02-11-026, replacing OP 1 of D.01-03-081 as follows:

> "1. Pacific Gas & Electric (PG&E) Company's and Southern California Edison Company's (Edison) request for a rate relief is granted to the extent set forth herein. The rate surcharge of three cents per kilowatt-hour (kWh) shall be applied to power costs incurred after the effective date of this decision, or other purposes authorized by the Commission where needed to return each utility to reasonable financial health. The

> rate surcharge of three cents per kilowatt-hour (kWh) shall be added to generation-related rates for PG&E and Edison that are adopted in Ordering Paragraph 1 of our companion decision in this docket only for the purpose of all calculations required by that decision in dealing with the transfer of funds to CDWR. (D.01-03-081.) PG&E and Edison shall provide revenues from the generation-related rates and the three cent surcharge to the DWR immediately, consistent with D.01-03-081." (Attachment A to D.02-11-026 page 6)

In addition, D.02-12-074, Conclusion of Law (COL) 29 states: "In view of the changes to D.01-03-082 by D.02-11-026, the tariff changes proposed by PG&E in Advice Letter 2096-E are moot and the advice letter should be withdrawn." Also, OP 23 of the same decision states "PG&E shall amend advice letters related to AL 2096-E within five days after the approval of this decision." PG&E withdrew AL 2096-E by a letter dated January 6, 2003.

By Supplemental AL 2240-E-A, PG&E proposed several revisions to the TRA and TCBA tariffs to simplify the accounting mechanisms for cost recovery of generation related costs, establish balancing and memorandum accounts, and supplement or withdraw certain previously filed advice letters.

PG&E'S REQUESTS

A. Frozen Rate and Surcharge Revenues Application

PG&E seeks approval to simplify the accounting mechanisms for cost recovery of generation related costs by revising its existing preliminary statements and establishing a new one. To this end, PG&E proposes to revise the TRA tariff to indicate that the combination of billed frozen rate revenues and one-cent and three-cent surcharge revenues recorded monthly in the Transition Revenue Account (TRA) will first be offset against non-energy commodity authorized charges such as transmission, distribution, nuclear decommissioning, and public purpose program. The remaining revenues are then applied to Department of Water Resources (DWR) revenue requirements (Power and Bonds) or obligations, qualifying facilities (QF) and purchase power contracts costs in that order. PG&E

seeks approval to transfer the month-end debit or credit TRA balance resulting after these deductions to the DWR/Independent System Operator (ISO) Balancing Account (BA). PG&E then proposes to transfer the month-end debit or credit in the DWR/ISO BA balance to the newly proposed Utility Generation Balancing Account (UGBA). In addition, it also proposes to transfer the UGBA debit or credit month-end balance to the TCBA. PG&E believes that the sequence of its cost recovery proposals complies with the Commission's directives to determine the generation rate revenue through a residual calculation.

PG&E offers to attach to its current monthly TCBA report another report showing a comparison between the interim revenue requirements and actual generation related costs. In addition, PG&E proposes the following:

B. Revisions to Transition Revenue Account (TRA) Tariff

PG&E proposes to revise the TRA tariff as follows:

1. Remove the entry that transfers the under-collected balance in the Preliminary Statement Part AM-Emergency Procurement Surcharge Balancing Account (EPSBA) to the TRA. Eliminate the EPSBA because former entries in the account will be reflected in the TRA and UGBA.
2. Remove the entry for ISO costs because they will be recorded in the DWR/ISO BA.
3. Remove the entry for Diablo Canyon non-ICIP because it will be included in the UGBA.
4. Revise the TRA pursuant to OP 22 of D.12-12-074 to state, "The TRA will be in effect until the Commission determines the date when the rate freeze should have ended."
5. Indicate that the December 31, 2001, cumulative over-collected balances in the fossil and hydroelectric generation memorandum accounts are transferred to the TRA.
6. Indicate that the December 31, 2001, cumulative balance in the TRA is transferred to the TCBA to achieve the objective of D.01-03-

082[1] of first recovering operating costs prior to stranded costs recovery.

PG&E proposes to withdraw AL 2130-E upon approval of AL 2240-E-A[2].

C. Department of Water Resources and Independent System Operator Balancing Account (DWR / ISO BA)

The DWR / ISO BA currently records charges paid to DWR or the ISO for ISO- related costs, including ancillary services. Revenues from ancillary services and reliability must-run (RMR) provided by PG&E's generation facilities are used to offset these costs. PG&E proposed to revise the DWR / ISO BA tariff to transfer the TRA debit or credit month-end balance to the DWR / ISO BA. PG&E also seeks approval to transfer the DWR / ISO BA debit or credit month-end balance to the UGBA.

D. Utility Generation Balancing Account (UGBA)

PG&E seeks approval to establish the UGBA to record operating and capital costs of its own generation facilities and regulatory assets beginning January 1, 2002. The UGBA would replace the four GMAs[3] where operating costs for fossil and hydro / geothermal plant are currently being recorded. The Diablo Canyon nuclear power plant entries now recorded in both the TRA and the TCBA will be recorded in the UGBA, except the nuclear decommissioning revenue requirements. PG&E also seeks approval to eliminate the Preliminary Statement Part AN--Diablo Canyon

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[1]We note that OP 7 of D.01-03-082 required PG&E to transfer the respective balance in the TRA to the TCBA monthly and OP 8 of the same decision directed PG&E to restate the TRA, TCBA, and GMAs from January 1998.

[2] PG&E provided substitute sheets on February 7, 10, and March 6, 2003, to make minor corrections to TRA preliminary statement under review.

[3] The GMAs consist of: (1) Must-Run Fossil Plant Memorandum Account, (2) the Non-Must Run Fossil Plant Account, (3) the Must-Run Hydro-Geothermal Memorandum Account, and (4) the Non-Must-Run Hydro-Geothermal Memorandum Account.

Property Tax Balancing Account (DCPTBA), effective January 1, 2002, because entries required for this account will be reflected in the UGBA. PG&E proposes to transfer the month-end balance in the UGBA to the TCBA.

E. Transition Cost Balancing Account (TCBA)

PG&E requests to modify the TCBA tariff to continue recording CTC revenues, employee transition costs, under-collected TRA balance as of December 31, 2001, and Commission authorized eligible costs. The TCBA will no longer track costs associated with purchases from QF, and power purchase agreements (PPA) because these will be recorded in the TRA. PG&E's proposal eliminates the Current Costs and Accelerated Costs Sections of the TCBA preliminary statement.

F. Utility Retained Generation Tax Memorandum Account (URGTMA)

Pursuant to Findings of Fact 71 and 72 of D.02-04-016, PG&E proposes that the URGTMA tracks the time value of income tax. URGTMA will track differences between income tax revenue requirements for the current income tax recorded in the URG balancing accounts and actual URG related income tax payments, in a manner that does not violate Internal Revenue Code normalization requirements.

G. Wholesale DWR / ISO Cost Memorandum Account

D.02-04-016 authorized the Wholesale DWR / ISO Cost Memorandum Account stating, "PG&E shall file a compliance advice letter to implement the memorandum account. The advice letter shall be effective on the date filed provided it is consistent with PG&E's March 26, 2002, draft approved herein." PG&E requests Commission approval of its compliance filing.

H. Request to Withdraw Certain Advice Letters

PG&E states that if its Supplemental AL 2240-E-A proposals are approved as filed, certain preliminary statements for various expenses and revenues

associated with its URG will supersede preliminary statements currently pending Commission's approval. It proposes to withdraw or supplement the following advice letters.

1. Advice Letter 2085-E

PG&E filed Advice Letter 2085-E on March 2, 2001, pursuant to D.01-01-061 as modified by D.01-02-077. PG&E requested cost-based rates and certain accounting treatment for its retained generation, beginning December 28, 2000. PG&E stopped selling power to the California Power Exchange (CalPX) on that date. Consequently, PG&E proposed certain tariff changes to the TRA, TCBA, GMA, and Schedule PX-Power Exchange Service. PG&E indicates that its accounting treatment proposals in AL 2085-E have been superseded by D.02-04-016. It requests to file a supplemental advice letter to withdraw AL 2085-E after Commission approval of AL 2240-E-A as filed.

ORA and TURN protested Advice Letter 2085-E. ORA argued against imputed revenue proposed for the GMA and the TCBA based on the average cost of retained generation assets included in the Schedule PX. ORA also argued against including $2.8 billion of hydro asset valuation in rate base if the imputed revenue methodology proposed by PG&E is approved. TURN argued against PG&E's limited URG definition, its treatment of the $2.8 billion[4] hydro asset valuation amount as constituting "authorized cost," and its treatment of the ICIP price as actual plant operating costs. PG&E timely responded to these protest issues, noting that time should not be wasted since the Commission is considering the resolution of these issues in other proceedings.

[4] The $2.8 billion interim market valuation of non-generation assets is intertwined with the end of the rate the freeze issue being considered in the RSP proceedings. AL 2048-E and 2049-E are protested by ORA, TURN and Aglet Consumers Alliance, (Aglet), and Enron Corporation because of PG&E's treatment of the $2.8 billion and its impact on the end of the rate freeze. The advice letters are still pending due to the consideration of the issue by the Commission. The treatment of the $2.8 billion is also a subject of protest in AL 2130-E.

2. Advice Letter 2130-E

PG&E filed AL 2130-E on June 25, 2001, pursuant to OP 8 of D.01-03-082, to implement the TURN accounting proposal that the Commission adopted. This required the TRA monthly balance, whether positive or negative, to be transferred monthly[5] to the TCBA, and to restate[6] the TCBA, beginning January 1, 1998. PG&E proposes to withdraw AL 2130-E if the TRA cumulative balance as of December 31, 2001, is approved for transfer to the TCBA. PG&E states that the proposal captures the intended results of D.01-03-082.

CFBF and ORA protested AL 2130-E on July 12 and 16, 2001, respectively. They protested the tariff language changes to the TCBA and GMA that would allow recovery of debit balances or un-recovered amounts in these accounts over a ten-year amortization period after December 31, 2001. They claimed this would be in violation of Commission decisions and Assembly Bill (AB) 1890. In addition, ORA asserted that PG&E's filing failed to adjust the interim market valuation allowed by D.00-02-048 as amended by D.00-06-004, because the Commission did not approve the estimated market value of $2.8 billion for non-generation assets that it proposed. PG&E responded to CFBF and ORA's protest issues on July 19 and 23, 2001, respectively, defending its compliance filing.

3. Advice Letter 2057-E

[5] Findings of Fact 67 states "Because we are now transferring the balance in the TRA to the TCBA on a monthly basis, we will also now require the utilities to restate and record overcollected generation memorandum account balances to the TRA before any transfer to the TCBA. This should be done on a monthly basis. This is appropriate because it will match the costs of procuring power on a monthly basis with the revenues resulting from generating that power."

[6] PG&E provided its proposed restatement of GMAs, TRA, and TCBA to the Energy Division from January 1998 to December 2001.

PG&E filed Advice Letter 2057-E on November 22, 2000, to implement revisions to all electric rate schedules and certain preliminary statements since PG&E believes it completed recovery of its transition costs sometime before August 31, 2000, ending the rate freeze imposed by AB 1890. PG&E believes its filing is in compliance with Commission decisions D.99-10-057, D.00-05-058, and D.00-06-034 in A.99-01-016--the Post-Transition Electric Ratemaking (PTER) proceeding.
By a letter dated December 4, 2000, the Energy Division deemed AL 2057-E non-compliant, but indicated the possibility of a further order of the Commission on the merits of the advice letter. The Commission denied the effective date of January 1, 2001, for the rates PG&E requested.

I. URG Costs In Other Regulatory Accounts and Proceedings

PG&E proposes to eliminate the EPSBA and GMA because the URG costs will no longer be recorded in these accounts but instead will be recorded in the proposed UGBA and TRA, effective January 1, 2002.

PG&E states that URG costs are being reviewed in other proceedings. For example, the portion of QF and PPA costs of transition costs is being reviewed in the Direct Access Cost Responsibility / Direct Access Suspension Rulemaking (R.) 02-01-011. PG&E further indicates that the actual level of QF payments may be addressed in the QF Rulemaking on Energy Pricing (R. 99-11-022), and that the Commission has yet to act on its Diablo Benefits Sharing proposal in A. 00-06-046.

NOTICE

Notice of Advice Letter 2240-E-A 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 and the service parties for A.00-11-056).

PROTESTS

On January 28, 2003, Modesto Irrigation District (MID) filed its protest to AL 2240-E-A, raising similar concerns as it did AL 2240-E, regarding

PG&E's proposed accounting structure. MID states that "The accounting methodology proposed by PG&E continues to be beyond the scope of the Commission's decisions …It also threatens to make the tracking, accounting, and auditing of CTC extremely burdensome for anyone who has an interest in doing so." MID concludes that if PG&E's proposed accounting structure is approved, the Commission should "…ensure that procedures are put in place that will (a) allow the Commission and its staff to easily monitor CTC costs and revenues…(b) allow third parties to calculate CTC when a dispute arises or a CTC credit is owed."

On February 4, 2003, PG&E responded that its proposed accounting structure is in compliance with D.02-04-016, citing pages 74-75 of the decision. PG&E also states that "Costs previously recorded in the TCBA and GMAs for power purchase agreements or PG&E owned generation facilities would be recorded in only one account, the UGBA or TRA" therefore, "…it is not necessary to trace and reconcile entries from the TCBA to other accounts. PG&E concludes that "The Commission has procedures in place to ensure that both the Commission and interested parties have the opportunity to review PG&E's regulatory accounting records …" It cites the Annual Transition Cost Proceeding (ATCP) and other ongoing proceedings where PG&E's operating costs are being examined by the Commission.

DISCUSSION

We have reviewed Supplemental AL 2240-E-A, the related advice letters PG&E either proposed to withdraw or supplement, the protest issues, and PG&E's responses. We also reviewed Modesto Irrigation District's protest to AL 2240-E-A and PG&E's response.

PG&E's proposal to apply the billed frozen rate and surcharge revenues recorded in the TRA first to non-energy costs, then to DWR revenue requirements or obligations, purchased power contract costs including QF, and transfer the month-end TRA balance to the DWR / ISO BA is modified as discussed below.

Frozen rate and surcharge revenues application

The DWR monthly obligations for both the Energy and Bond charges should first be subtracted from the billed frozen rate and surcharge revenues in compliance with OP 9 of D.02-02-052, which states "to segregate DWR related billed revenues from URG billed revenues." The difference is the available revenues to offset authorized costs for the TRA. After deducting the these costs from the available revenues, the TRA balance should not be transferred to the DWR / ISO BA as proposed by PG&E. Instead, PG&E should close the month-end balances in the DWR / ISO BA and UGBA to the TRA monthly. The month-end TRA balance debit or credit should be transferred to the TCBA. PG&E should modify the applicable tariffs in accord with these requirements and they should be consistent with D.02-12-074.

The TRA proposed tariff changes

PG&E's TRA tariff changes related to EPSBA, ISO costs, Diablo Canyon non-ICIP entries, and compliance with OP 22 of D.02-12-074 are reasonable. They do not conflict with our directives in D.02-12-074. The TRA tariff should be revised consistent with approved AL 2327-E[7].

PG&E's request to transfer the cumulative balances in the GMAs from January 2000 to December 31, 2001, to the TRA in the amount of $1,579,662,509[8] is denied. In addition, its request to transfer the $5,296,765,752 difference between the TRA cumulative balances from June 2000 to December 31, 2001 ($6,876,428,261 less $1,579,662,509), to the TCBA is also denied.

PG&E's request would contradict our requirement in OP 7 of D.01-03-082, where we said, "The balance in PG&E's and Edison's respective Transition

[7] The Energy Division issued its approval letter for AL 2327-E on January 21, 2003.

[8] PG&E provided the Energy Division with this number during its review of PG&E's request contained in AL 2240-E-A.

Revenue Account (TRA) shall be transferred on a monthly basis to each utility's respective Transition Cost Balancing Account (TCBA). This action shall be effective January 1, 1998." Additionally, the amount PG&E requested to transfer from the TRA to the TCBA consists of $6,472,517,147 in principal amount and $403,911,115 in accumulated interest. If the over-collections in the GMAs had been transferred monthly as required by D.01-03-082, the interest amount would not be as high. Also, if the GMA over-collections and the TRA under-collections had been combined monthly and the resulting amount is transferred to the TCBA monthly, interest calculations would only take place on the resulting over- or under-collection in the TCBA instead of the TRA. We recognize that the amount PG&E proposed to transfer from the GMAs included interest amounts and the interest rate applied to the GMA balances is higher than the interest rate applied to the TRA balances during this period. PG&E however, could not substantiate whether the same results would be achieved if its proposal were adopted. In any case, OP 8 of D.01-03-082 states "PG&E and Edison shall attach reports that restate the TRA, TCBA, and Generation Memorandum Accounts in compliance with this decision. The advice letters shall be deemed in compliance with this decision only upon written approval of Energy Division." PG&E's request is non-compliant with the provisions of D.01-03-082.

The Energy Division Director should verify the restatement of the TCBA, TRA, and GMAs provided by PG&E to ensure full compliance with our Order in D.01-03-082 and report to the Commission Executive Director, no later than 90 days from the date of this Resolution, whether PG&E is in compliance..

PG&E's restatement of GMAs shows that under-collections are being carried forward to the subsequent months until they are offset by the over- or under-collection occurring in the following month. If there is an over-collection after the offset, this is transferred to the TRA in the occurring month. If there is still an under-collection after the offset, it is carried forward to the following month until there is an over-collection to offset the amount. An under-collection at end of the year is transferred to the following year and the same process is repeated. At the end of 2000, no under-collection is transferred to the following year as shown in Table 1.

Table 1 GMA Under-Collection Balances in Millions of $

Year	1998	1999	2000
Must–Run / Non-Must-Run Fossil	0	45.3	0
Non-Must-Run Hydro / Geothermal	0	0	0
Must-Run Hydro / Geothermal	19.74	1.92	0
Total	$19.74	$47.22	$0

In D.01-03-082, the Commission said that over-collections in the GMAs should be transferred monthly to the TRA but under-collections are to be considered when the Commission looks at the interaction of AB 1X-6, AB 1X-1 and Section 367 (c). The decision is silent on what should be done to the under-collections occurring monthly or for several months. Should these be carried forward until they offset or add to the over- or under-collections that may occur in the following month? If the over-collection in the following month is not enough to offset the accumulated under-collection, should the remaining under-collection be carried forward until an over-collection occurs before the end of the year? Should the end of the year under-collection be carried forward to the following year or be separated from the new-year account activity? The urgency of the decision did not allow these questions to be explored.

We agree with PG&E's treatment of the GMA under-collections from April 1998 through December 2000 because it harmonizes with our treatment of the TRA monthly under-collections we ordered to be transferred to the TCBA from the TRA in D.01-03-082.

New accounts and other tariff changes

PG&E's proposal to establish the UGBA, UGITMA, and WDWR / ISO BA is reasonable and complies with the directives of the Commission. The preliminary statements proposed for these accounts should be approved. Also, the revisions to the TCBA and DWR / ISO BA are reasonable except for the transfer of the month-end balances from the DWR / ISO BA to the UGBA and UGBA to the TCBA as previously discussed.

Protest Issues and other filings

MID's protest regarding PG&E's proposed accounting structure is denied.

The issues protested by ORA and CFBF in AL 2130-E are before the Commission in the RSP or A.00-11-038 et al. We should not prejudge the outcome of the issues. ORA and CFBF protests are therefore denied without prejudice.

The issues protested by ORA and TURN's in AL 2085-E have been overtaken by subsequent actions of the Commission except for the $2.8 billion interim market valuation issue being considered in the RSP proceedings. PG&E recognized the possibility of this occurring in its response to the protest. We agree. PG&E should withdraw AL 2085-E by a letter instead of filing a supplemental AL.

We rejected AL 2057-E because the filing was premature. PG&E will be directed in the RSP regarding what to do. PG&E's request is denied and it should withdraw AL 2057-E.

Elimination of GMA, EPSBA, and DCPTBA

We agree with PG&E that there is no need for the GMAs and DCPTBA since the entries in these accounts will be reflected in the UGBA, beginning 2001. D.02-12-074 required that EPSBA be modified to the Emergency Procurement Surcharge Memorandum Account (EPSMA). This was approved in AL 2327-E.

COMMENTS

Public Utilities Code § 311(g) (1) provides that this Resolution be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311 (g) 2 provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.
The 30-day comment period for the draft of the Resolution was neither waived nor reduced. According, the Draft Resolution was mailed to parties for public review and comment. Comments were by _____on ___.

FINDINGS

1. On May 6, 2002, PG&E initially filed Advice Letter 2240-E to comply with Ordering Paragraphs 7, 9, and 11 of D.02-04-016.

2. On January 6, 2003, PG&E replaced Advice Letter 2240-E in its entirety with Advice Letter 2240-E-A pursuant to OP 23 of D.02-12-074, including additional requests to avoid duplicative accounting entries in certain preliminary statements.

3. Modesto Irrigation District (MID) filed a timely protest to AL 2240-E-A as it did AL 2240-E, raising the same issues as before, that PG&E's proposed accounting structure would be too burdensome to review CTC entries in various accounts. PG&E responded timely to the protest.

4. MID's protest is denied because PG&E's proposed accounting structure is in compliance with Commission directives, and the Commission monitors these accounts through its regulatory oversight.

5. PG&E's proposal to offset the billed frozen rate and surcharge revenues in the following order: (1) non-energy commodity charges, (2) DWR revenue requirements or obligations, (3) purchase power costs including QF, and to transfer the month-end TRA balance after these entries to the DWR / ISO BA is modified.

6. PG&E should first offset the billed frozen rate and surcharge revenues by DWR obligations prior to any other charges. The month-end TRA balance should not be transferred to any balancing account except as authorized herein. Instead, PG&E should follow the process outlined in the Resolution on how to treat balances in the TRA, DWR / ISO BA, and UGBA and accordingly revise the applicable tariffs.

7. PG&E's revisions to the TRA, DWR / ISO BA, and UGBA with respect to billed frozen rate and surcharge revenues application are denied.

8. PG&E's proposal to revise the TRA preliminary statement to remove the entry that transfers ending balances from the EPSBA to the TRA, and then eliminates the EPSBA, is already achieved in AL 2327-E approved and effective January 1, 2003.

9. PG&E's request to remove the ISO and Diablo Canyon non-ICIP entries from the TRA preliminary statement since the costs associated with these items will be recorded in the DWR / ISO BA and UGBA, respectively, is reasonable.

10. PG&E's revision to the TRA that the "TRA will be in effect until the Commission determines the date when the rate freeze should have ended" pursuant to OP 22 of D.02-12-074, is already achieved in AL 2327-E approved and effective January 1, 2003.

11. PG&E's request to revise the TRA to transfer the over-collected cumulative balances in the fossil and hydro-geothermal Must-Run and Non-Must-Run generation memorandum accounts as of

December 31, 2001 is denied. PG&E's treatment of GMAs under-collections from April 1998 through December 2000 is reasonable.

12. PG&E's revision to the TRA to transfer the TRA December 31, 2001, cumulative balance to the TCBA, pursuant to D.01-03-082, is denied.

13. It is necessary for the Energy Division Director to verify the restatement of the TCBA, TRA, and GMAs provided by PG&E to ensure full compliance with our Order in D.01-03-082 and report to the Commission Executive Director, no later than 90 days from the date of the approval of this Resolution, whether PG&E is in compliance.

14. It is reasonable to establish the UGBA as proposed, except for the transfer of the month-end balance in the account to the TCBA, or for the account to receive the month-end balance from the DWR / ISO BA. It is consistent with Commission directives to establish the UGITMA and WDWR / ISO BA.

15. PG&E's proposal to revise the TCBA and remove entries associated with costs and revenues for QF, purchase power agreements, and its own generation facilities (because they will be recorded in the TRA and UGBA) is reasonable.

16. ORA and CFBF protest to AL 2130-E is denied without prejudice. These issues are being considered in the Rate Stabilization Proceedings or A.00-11-038 et al.

17. PG&E's request to withdraw AL 2085-E, filed in compliance with OP 11 of D.01-01-061 as modified by D.01-02-077, is reasonable. A letter from PG&E to the Energy Division Director is sufficient to withdraw the AL instead of filing a supplemental AL.

18. ORA and TURN's protest to AL 2085-E is moot because of the Commission's subsequent actions, except for the interim market valuation issue being considered in the RSP. The request is denied in part.

19. PG&E's request to re-file AL 2057-E if directed to so by the Commission to implement the end of rate freeze rates is premature. This issue is pending in the RSP therefore, its request is denied without prejudice.

20. PG&E's request to eliminate the GMA and DCPTBA preliminary statements effective January 1, 2002, to avoid duplicate entries of URG costs (since they will be recorded in the UGBA) is appropriate.

21. The tariff changes required by this Resolution are effective January 1, 2002, and subject to modifications by subsequent Commission decisions.

THEREFORE IT IS ORDERED THAT:

1. The billed frozen rate and surcharge revenues are currently recorded monthly in the TRA. DWR monthly obligations for both the Energy and Bond charges shall first offset these revenues in compliance with Ordering Paragraph 9 of D.02-02-052 that requires "to segregate DWR related billed revenues from URG billed revenues." Thus, PG&E shall provide entries that account for DWR obligations first, prior to any other entries of costs or charges authorized by the Commission effective February 21, 2002 in the TRA.

2. PG&E shall not transfer the month-end TRA balances to any balancing account except as authorized and shall follow the directives outlined in the Resolution and accordingly revise its applicable tariffs.

3. PG&E's request to transfer the cumulative balances from the generation memorandum accounts (GMAs) and transition revenue account (TRA) as of December 31, 2001, is denied. The Energy Division Director should verify the restatement of the TCBA, TRA, and GMAs provided by PG&E to ensure full compliance with our Order in D.01-03-082 and report to the Commission Executive

Director, no later than 90 days from the date of the approval of this Resolution, whether PG&E is in compliance.

4. PG&E shall establish the Utility Generation Balancing Account (UGBA), Utility Retained Generation Tax Memorandum Account (URGTMA), and Wholesale DWR / ISO Cost Memorandum Account (WDWR / ISO MA) as modified herein with respect to the UGBA.

5. The protests associated with Advice letters 2057-E, 2085-E, and 2130-E are resolved as described in the Discussion and Findings of this Resolution.

6. PG&E shall withdraw Advice Letters 2057-E and 2085-E by a letter to the Energy Division Director.

7. PG&E shall file a compliance advice letter 10 business days after the approval of this Resolution to implement the orders and directives herein. The Advice Letter will be effective on January 1, 2002 subject to Energy Division determining its compliance with this Resolution.

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 17, 2003; the following Commissioners voting favorably thereon:

_____
WILLIAM R. AHERN
Executive Director