

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION
ID# 4557
RESOLUTION E-3927
May 26, 2005

R E S O L U T I O N

Resolution E-3927. Pacific Gas and Electric Company (PG&E) submits revisions to its rate schedules to update the Transmission Access Charge Balancing Account Adjustment rate. This Resolution approves the rate change proposed by PG&E as approved by FERC.

By PG&E Advice Letter 2648-E filed on April 1, 2005.

SUMMARY

In accordance with PG&E's annual Transmission Access Charge Balancing Account Adjustment (TACBAA) update filed with the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER05-378-000 on December 23, 2004, PG&E submitted to the CPUC for filing its annual change to the TACBAA rate in PG&E's Rate Section of each rate schedule. This Resolution approves the rate change proposed by PG&E, which was approved by FERC on March 3, 2005 for rates effective April 1, 2005.

The California Public Utilities Commission (CPUC or Commission) finds that the advice letter filing is in accordance with PG&E's FERC filing for revisions to its TACBAA transmission rate. The Commission finds that the TACBAA revenue requirements and associated rate are just and reasonable, and fully recoverable from PG&E's applicable customers, subject to refund to the same extent as authorized by the FERC.

PG&E Advice Letter 2648-E was not protested.

This resolution approves the advice letter.

BACKGROUND

On December 23, 2004, PG&E updated the Transmission Access Charge Balancing Account Adjustment rate in its Transmission Owner's Tariff as filed with the FERC, in FERC Docket No. ER05-378-000, to be effective April 1, 2005.

The TACBAA is a ratemaking mechanism designed to pass through to retail customers the net costs billed to PG&E under the California Independent System Operator's (ISO) Transmission Access Charge (TAC) rate. The TACBAA tracks the difference between the ISO TAC rates and PG&E's utility-specific Transmission Access Charge billings from the ISO.

The TACBAA rates are routinely updated with the FERC, and filed concurrently with the CPUC at the end of each year, subject to refund, to be effective on January 1 of the following year. Under the TO tariff, the revised TACBAA rates were approved by FERC on March 3, 2005, and became effective April 1, 2005. However, PG&E delayed implementation of the TACBAA rate change so that it could be consolidated with other CPUC-approved rate changes. PG&E proposes to implement this rate change no later than June 1, 2005.

The TACBAA rate is based on the balance in the TAC Balancing Account as of September 30, 2004 and a forecast of the net annual charge billings by the ISO to PG&E during the following twelve-month period. As filed with and approved by the FERC, PG&E updated the TACBAA rate from \$0.00011 per kWh, which is the rate currently in effect, to \$0.00034 per kWh effective for service rendered on and after April 1, 2005.

NOTICE

Notice of PG&E AL 2648-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

PG&E Advice Letter 2648-E was not protested.

DISCUSSION

Energy Division has reviewed PG&E AL 2648-E. Discussion of the relevant facts that lead to the approval of this advice letter is below.

PG&E's TACBAA rate would increase from \$0.00011 per kWh, which is the rate currently in effect, to \$0.00034 per kWh.

The revised TACBAA rate applicable to PG&E's end-use customers is \$0.00034 per kWh. This revision represents an increase from the \$0.00011 per kWh TACBAA rate currently in effect.

The TACBAA rate revenue change is a \$19 million increase to a total of \$27.4 million for retail customers.

The 2005 TACBAA rate is based on the balance in the TACBAA as of September 30, 2004, and a forecast of the net annual TAC billings by the ISO to PG&E during the following twelve-month period. The total revenue requirement used in the development of the retail 2005 TACBAA rate is the sum of the forecasted 2005 TACBAA costs of \$23.5 million, plus the balance in the account with interest of \$3.6 million, plus an allowance for franchise fees and uncollectible amounts of \$0.3 million for a total revenue requirement of \$27.4 million. This represents a TACBAA revenue requirement increase of approximately \$19 million for retail customers from the amounts currently in effect.

This increase in the rate is due to the increase in PG&E's cost-shift amount, determined by the ISO under its currently effective TAC structure. The increase is primarily due to the addition of Trans-Elect's transmission revenue requirements associated with the Path 15 upgrade and the cost-shift amounts from the cities of Anaheim, Azusa, Banning, Pasadena, Riverside, and Vernon becoming new Participating Transmission Owners (PTO).

The TACBAA rate does not apply to any wholesale customers. However, wholesale customers pay for transmission service under the ISO Grid-Wide High Voltage Access Charge rates, and therefore pay at the higher rate associated with the blending of all of the PTO's rates.

Implementing the full TACBAA rate change will not increase residential Tier 1 and Tier 2 rates above Assembly Bill (AB) 1X limitations.

Consistent with D.04-02-057 and AB 1X, total energy charges for residential usage up to 130% of the authorized baseline quantity are limited to levels in effect on February 1, 2001.

If only the TACBAA rate was changed, generation rates for Tier 1 and Tier 2 usage would be reduced to accommodate the increased transmission rate. The amount of the generation revenue reduction in Tiers 1 and 2 would then be applied to Tier 3 and Tier 4 generation rates to makeup the generation shortfall.

However, in this rate change, the California Department of Water Resources (DWR) bond charge is decreasing in conjunction with the increase in transmission rates. Bond rates decrease by \$0.00034 per kWh, while transmission rates increase by \$0.00023 per kWh. Thus, implementing the full TACBAA rate change will not increase total residential Tier 1 and Tier 2 rates above AB 1X limitations.

In its filing with FERC, PG&E requested to change the effective date of the annual TACBAA rate update from January 1 to April 1.

As part of PG&E's 2005 TACBAA update rate filing with FERC, PG&E requested and received authority from FERC to modify the TO tariff to implement the TACBAA rate changes on April 1st of each year. PG&E requested the change in implementation date to allow adequate time to receive the ISO's annual TAC rate change filing, which is filed in late December of each year, 60 days for FERC approval, and time to implement new rates in PG&E's billing system. The CPUC was served with PG&E's FERC filing. According to PG&E, its proposal for the date to implement this rate change in the future may depend on its ability to combine this change with other rate changes.

In filing Advice Letter 2648-E, PG&E consolidated the TACBAA rate with other rate changes to be approved by the CPUC.

In Advice Letter 2648-E, PG&E proposes to implement the TACBAA rate change at the same time as the next rate change to be approved by the CPUC, but no later than June 1, 2005. PG&E filed its rate proposal and illustrative rates incorporating the TACBAA rate change in Advice Letter 2647-E on April 1, 2005.

PG&E will supplement that advice letter as necessary to implement the consolidated rate change. Should the TACBAA rate change without being consolidated with other rate changes, PG&E will supplement this advice letter with the final rates and tariffs, based on the revenue allocation and rate design rules used to set rates for PG&E's 2005 Annual Electric True Up filing in AL 2570-E.

We note that Advice Letter 2647-E was pending approval by the Commission as of April 18, 2005. If AL 2647-E including any supplements is not approved by the effective date of this resolution, PG&E should contact Energy Division to determine whether Energy Division expects AL 2647-E to be approved by June 1, 2005. If Energy Division does not expect AL 2647-E to be approved by June 1, 2005, PG&E should supplement AL 2648-E.

PG&E will track TAC revenues received during the year with the new TACBAA rate going into effect on June 1, 2005.

FERC approved PG&E's revised TACBAA rate effective April 1, 2005. However, in AL 2648-E, PG&E proposes to implement this rate change by June 1, 2005.

Staff was informed by PG&E that it will track the transmission revenues received during the year with the new TACBAA rate going into effect on June 1 and the actual ISO TAC charges. The balance of the TACBAA would then be amortized in the next TACBAA rate change.

The revised TACBAA revenue requirements requested in AL 2648-E and the rates underlying those revenue requirements are just and reasonable.

PG&E has shown that its transmission-related costs have increased, and we approve the revenue requirement increases required to recover these costs. Energy Division recommends that these rates be adopted.

Filed rate doctrine provides for a pass through of FERC-approved rates.

Under the filed rate doctrine applicable to these federally-approved rates, the CPUC is obligated to pass through this FERC-authorized revenue requirement to PG&E's applicable customers. The passing through of this revenue requirement to PG&E's applicable customers does not involve the promulgation of "general rates," or the establishment of a new general rate structure. Rather, the rates

involved here pass through an adjustment to an existing category of costs. Accordingly, we conclude that we should authorize PG&E to recover this revenue requirement, which is permitted by both state and federal law.

COMMENTS

Public Utilities Code section 311(g) (1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this resolution has been issued for public review and comment.

FINDINGS

1. PG&E filed Advice Letter 2648-E on April 1, 2005 to revise its TACBAA rate effective June 1, 2005. No party protested PG&E's advice letter.
2. PG&E filed revisions to its TACBAA rate with the FERC on December 23, 2005 for rates, subject to refund, effective April 1, 2005.
3. On March 3, 2005, the FERC approved the TACBAA rate effective April 1, 2005.
4. The TACBAA rate is routinely updated with FERC, and filed concurrently with the CPUC in late December of each year, subject to refund, to be effective on January 1 of the following year.
5. For ease of administering the TACBAA, PG&E proposed to the FERC to revise the effective date of the annual update from January 1 to April 1.
6. The 2005 TACBAA rate is increased to \$0.00034 per kWh to reflect a revenue requirement increase by approximately \$19 million over the current 2004 rates in effect.
7. The 2005 TACBAA is being revised to reflect a 2005 forecast increase in transmission costs associated with the ISO's TAC burden to PG&E, which include Trans-Elect's transmission revenue requirement for the Path 15 upgrade and the cities of Anaheim, Azusa, Banning, Pasadena, Riverside, and Vernon becoming Participating Transmission Owners.
8. The CPUC is obligated to pass through FERC-authorized revenue requirements to PG&E's applicable customers.

9. Implementing the full TACBAA rate change will not increase residential Tier 1 and Tier 2 rates above AB 1X limitations, assuming that the TACBAA rate change is consolidated with DWR rate changes on June 1, 2005.
10. In filing Advice Letter 2648-E, PG&E consolidated the TACBAA rate with other rates to be approved by the CPUC.
11. If Advice Letter E-2647-E is not approved by the effective date of this resolution, PG&E should contact Energy Division to determine whether it should supplement AL 2648-E.
12. The Commission finds the revised TACBAA revenue requirements and the attendant rates are just and reasonable, and fully recoverable from PG&E's applicable customers.

THEREFORE IT IS ORDERED THAT:

1. The request of PG&E in its Advice Letter 2648-E to revise the TACBAA rate is approved.
2. The rates filed in AL 2648-E shall be effective June 1, 2005. PG&E shall track the revenues received during the year with the new TACBAA rate going into effect on June 1, 2005 and the actual ISO TAC charges. The balance of the TACBAA shall then be amortized in the next TACBAA rate change.
3. If Advice Letter 2647-E including any supplements has not been approved by the Commission by the effective date of this resolution, PG&E shall contact Energy Division to determine whether Energy Division expects AL 2647-E to be approved by June 1, 2005. If Energy Division does not expect AL 2647-E to be approved by June 1, PG&E shall supplement AL 2648-E.

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 May 26, 2005; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director