

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:

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to Executive Director

Director

Numerical File

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Accounting Officer

RESOLUTION: E-2068

EVALUATION & COMPLIANCE DIVISION

BRANCH: Energy

DATE: December 4, 1985

RETURN TO: ENERGY Branch
Room 2011

RESOLUTION

PACIFIC GAS AND ELECTRIC COMPANY (PG&E), ELECTRIC AND GAS DEPARTMENTS. AUTHORIZATION TO AMEND ITS EXISTING ZERO INTEREST PROGRAM (ZIP) FINANCING AGREEMENTS

By Advice Letters Nos. 1089-E and 1331-G, both filed September 19, 1985, Pacific Gas and Electric Company (PG&E) has requested authority to amend their existing Zero Interest Program (ZIP) Financing Agreements. The facts are set forth below:

1. The following Amendments (contained in Attachment A) to the ZIP Agreements are:

- 1) First Amendment to the Zero Interest Conservation Agreement;
- 2) First Amendment to the Consent and Agreement; and
- 3) Second Amendment to the Equity Subscription and Working Capital Agreement.

2. The ZIP Financing Agreements were initially approved by Commission Resolution F-602, dated December 1, 1982 (ZIP Project Letter No. 82-A).

3. The Amendments to the ZIP Financing Agreements will be helpful in administering the Zip Program.

4. The First Amendment to the Zero Interest Conservation Program Agreement and the First Amendment to the Consent and Agreement, enables PG&E to reduce the frequency of gas and electric advice letter filings made in regards to the Debt Service Rate which is normally filed on a quarterly basis. The Amendments will permit PG&E to file the debt service advice letters on an annual basis in lieu of the current quarterly filings.

5. The changes in the filing requirement will reduce the administrative burden imposed by the quarterly filings. The rate changes are relatively insignificant, and because of the administrative costs associated with the quarterly filings and billings, a quarterly filing is unwarranted.
6. Preliminary Statement Part C and Preliminary Statement Part E, Conservation Financing Adjustment, applicable to PG&E's electric and gas tariffs, respectively, are also being revised to reflect the changes from quarterly to annually advice letter filings. (Attachment B). The annual filings will be made on January 1, of each year beginning in 1986.
7. The Second Amendment to the Equity Subscription and Working Capital Agreement would allow PG&E to make certain working capital advances to Pacific Conservation Services Company (PCSC) in excess of the limitations now imposed by the ZIP Financing Agreements. This Amendment will allow PCSC to borrow money from PG&E to pay the administrative and general expenses which PCSC has incurred in excess of the \$3 million limitation.
8. Also enclosed for filing is a copy of the Consent to the Second Amendment to the Equity Subscription and Working Capital Agreement. (Attachment C). This consent is given by the California banks which are a party to the ZIP Financing Agreements.
9. The above Amendments do not require any changes to the Conservation Financing Adjustment rates presently in effect in support of ZIP.
10. These Amendments to the existing Zero-Interest Conservation Agreement; Consent and Agreement; and the Equity Subscription and Working Capital Agreement will not increase any rate or charge, cause the withdrawal of service nor conflict with any rule or schedule, and will not be a burden on ratepayers.
11. Public notification of this filing has been made by mailing copies of the advice letter to other utilities and to governmental agencies. The Commission Staff has received no protests in this matter.
12. The Staff of the Energy Branch of the Evaluation and Compliance Division has reviewed this filing and recommends its approval.

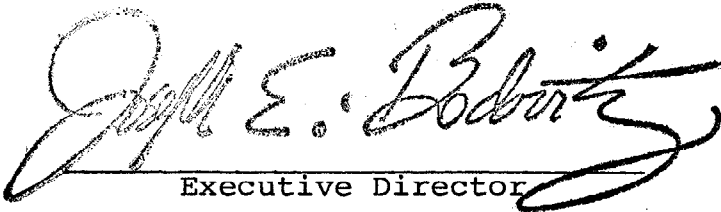
13. We find that the Amendments contained herein are just and reasonable.

THEREFORE:

1. Pacific Gas and Electric Company is authorized under Section 491 of the Public Utilities Code and Section X.A. of General Order 96-A to place the Amended Agreements into effect today.
2. Advice Letters Nos. 1089-E and 1331-G, inclusive, shall be marked to show that they were accepted for filing by Commission Resolution E-2068. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on December 4, 1985. The following Commissioners approved it:

DONALD VIAL
President
VICTOR CALVO
PRISCILLA C. GREW
FREDERICK R. DUDA
Commissioners


Executive Director

FIRST AMENDMENT TO ZERO-INTEREST
CONSERVATION PROGRAM AGREEMENT

THIS FIRST AMENDMENT TO ZERO-INTEREST CONSERVATION PROGRAM AGREEMENT, dated as of February 28, 1985, (the "Amendment") entered into by and between PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PGandE"), and PACIFIC CONSERVATION SERVICES COMPANY, a California corporation ("PCSC"), amends the Zero Interest Conservation Program Agreement, dated as of February 14, 1983 (the "ZIP Agreement"), entered into by and between PGandE and PCSC. Certain other capitalized terms used herein are defined in the ZIP Agreement.

WHEREAS, PGandE and PCSC desire to amend the ZIP Agreement to permit PGandE to file Advice Letter Filings with the PUC on an annual rather than quarterly basis;

NOW THEREFORE, PGandE and PCSC agree as follows:

1. This Agreement is hereby amended as follows:

(A) Delete the provisions under Section 3.4;

(B) Add to Section 3.4 the following provision:

"PGandE shall file annual rate applications with the Commission utilizing the form attached hereto as Exhibit X to request authorization for adjustments to the ZIP Debt Service Rate."

2. Exhibit X attached to the ZIP Agreement is hereby revised. The form attached hereto as Exhibit X shall be utilized in the filing of annual rate applications with the Commission.

3. Except as expressly amended hereby or concurrently herewith, all terms and conditions of the ZIP Agreement shall continue in full force and effect.

4. In the event of any conflict between the terms of the ZIP Agreement and the provisions of the Amendment, the terms of this Amendment shall control.

5. This Amendment may be executed in counterparts, each of which, taken together, shall constitute and amend the same instrument.

6. The First Amendment to Zero Interest Conservation Program Agreement shall become effective as of April 1, 1985, upon approval by the Public Utilities Commission of the State of California for use in connection with the proceedings authorized for the Zero Interest Conservation Program.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

PACIFIC GAS AND ELECTRIC COMPANY

By Al W. Bennett
Its Asst. Treasurer

PACIFIC CONSERVATION SERVICES
COMPANY

By Quinn R. Martin
Its VP & Treasurer

FIRST AMENDMENT TO CONSENT AND AGREEMENT

This FIRST AMENDMENT TO CONSENT AND AGREEMENT, dated as of February 28, 1985 (the "Amendment"), amends the Consent and Agreement made as of February 14, 1983 by Pacific Gas and Electric Company ("PGandE") and acknowledged by Crocker National Bank, a national banking association, for itself and as agent for the undersigned banks (the "Banks"). Certain other capitalized terms used herein shall have the meanings as set forth in Attachment I to the Zero-Interest Conservation Program Agreement dated as of February 14, 1983, by and between PGandE and Pacific Conservation Services Corporation, a California corporation.


WHEREAS, PGandE desires to file Advice Letter Filings with the PUC on an annual rather than a quarterly basis and the Banks are willing to amend the Consent and Agreement to permit such annual filings;

NOW THEREFORE, PGandE and the Banks agree as follows:

1. On the third line of Section 3.8 of the Consent and Agreement, replace the word "quarterly" with "annually."
2. Except as expressly amended hereby or concurrently herewith, all terms and conditions of the Consent and Agreement shall continue in full force and effect.
3. In the event of any conflict between the terms of the Consent and Agreement and the provisions of this Amendment, the terms of this Amendment shall control.
4. This Amendment may be executed in counterparts, each of which, taken together, shall constitute the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

PACIFIC GAS AND ELECTRIC
COMPANY

By 

Its Assistant Treasurer

SECOND AMENDMENT TO EQUITY SUBSCRIPTION
AND WORKING CAPITAL AGREEMENT

THIS SECOND AMENDMENT TO EQUITY SUBSCRIPTION AND WORKING CAPITAL AGREEMENT, dated as of March 20, 1985 (the "Amendment"), entered into by and between PACIFIC CONSERVATION SERVICES COMPANY, a California corporation ("PCSC"), and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("PGandE"), amends the Equity Subscription and Working Capital Agreement (the "Agreement"), dated as of February 14, 1983, entered into by and between PCSC and PGandE. Certain other capitalized terms used herein, unless otherwise defined, are defined in the Agreement.

WHEREAS, PCSC and PGandE desire that PGandE be permitted to make Working Capital Advances to PCSC without regard for certain restrictions presently contained in the Agreement;

NOW, THEREFORE, PCSC and PGandE agree as follows:

1. The Agreement is hereby amended as follows:

(a) On the eighth line of Section 3.1, insert a "." following "termination day", and delete the remainder of the eighth line and the ninth, tenth, eleventh and twelfth lines of Section 3.1.

(b) Replace subparagraph (d) of Section 3.3(B) with the following:

"(d) paying costs and expenses authorized for recovery under the CFA tariff and incurred or to be incurred in connection with carrying out the Programs, including paying expenses incurred pursuant to its obligations under the Administrative Services Agreement;"

2. Except as expressly amended hereby or concurrently herewith, all terms and provisions of the Agreement and the Exhibits thereto shall continue in full force and effect.

3. In the event of any conflict between the terms of the Agreement and the terms of this Amendment, the terms of this Amendment shall control.

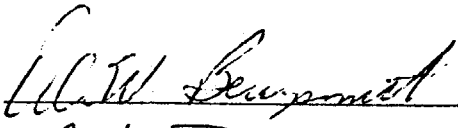
4. This Amendment may be executed in counterparts, each of which taken together shall constitute one and the same instrument.

5. The Second Amendment shall become effective, as of January 1, 1985, upon approval by the Public Utilities

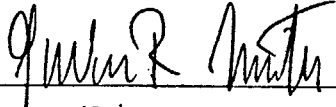
Commission of the State of California for use in connection with the proceeding authorized for the Zero-Interest Conservation Program.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

PACIFIC CONSERVATION SERVICES
COMPANY, a California Corporation

By 
Its Asst. Treasurer

PACIFIC GAS AND ELECTRIC COMPANY,
a California Corporation

By 
Its VP & Treasurer



PRELIMINARY STATEMENT (Cont'd.) Attachment B
Resolution E-2068
Sheet 1 of 4

C. CONSERVATION FINANCING ADJUSTMENT (CFA)

1. PURPOSE: The purpose of this CFA provision is to reflect in base rates a CFA Rate to recover costs incurred in executing a Zero Interest Program (ZIP) of conservation financing and a Ceiling Insulation Loan Program (Eight Percent Loan Program) as authorized by the California Public Utilities Commission (Commission).

2. APPLICABILITY: This CFA provision shall apply to all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those schedules and contracts specifically excluded by the Commission.

3. CFA SUBSIDIARY: The Utility shall use the wholly owned subsidiary, Pacific Conservation Services Company (PCSC), to administer and finance loans under ZIP and the Eight Percent Loan Program (collectively referred to as the CFA Program). CFA Program loans made directly by the Utility may be retained by the Utility, sold to PCSC, or transferred to PCSC as a contribution of capital. The Utility shall pay monthly to PCSC an amount equal to all revenues billed under the CFA Rate less the allowance for Franchise Fees and Uncollectible Accounts Expense associated with the Utility's sale.

PCSC will contract with the Utility to administer the CFA program. The Utility shall bill PCSC on a monthly basis for administration of the CFA Program and for all costs incurred by the Utility in financing and administering any CFA Program loans which are on the Utility's books, net of any associated interest received by the Utility and including the unrecovered amount of any such loans defaulted.

4. CFA RATE: The CFA Rate in effect at any time shall be the algebraic sum of the CFA Debt Service Rate, determined as set forth in No. 7 below, and the CFA Expense Rate, determined as set forth in No. 8 below. The CFA rate is included in the energy charge set forth in each rate schedule, as applicable.

5. REVISION DATES: The CFA Expense Rate shall be revised annually on January 1 of each year or as soon thereafter as the Commission may authorize. In addition, the Utility shall file Advice Letters to revise the CFA Debt Service Rate component of the CFA Rate to be effective on this same date, or as soon thereafter as the Commission may authorize to reflect changes, if any, in projected or actual loan volume, PCSC's external debt^{1/} interest expense, closing costs, financing fees, Provision For Doubtful Accounts, Amortization of Bad Debts, and CFA Debt Service Balancing Account amortization. Such revised CFA Rate shall be determined in accordance with items Nos. 6 and 7 below.

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The amount of the CFA Rate (to the nearest \$.00001 per kilowatthour) for these annual revisions shall be added to or subtracted from the applicable rates for electric service otherwise in effect.

6. FRANCHISE FEES AND UNCOLLECTIBLE ACCOUNTS: Franchise Fees and Uncollectible Accounts Expense shall be included at the rate derived from PGandE's most recent general rate case decision issued by the Commission.

7. CFA DEBT SERVICE RATE: The CFA Debt Service Rate shall be determined as follows:
a. Estimates for the twelve-month period for which the revised CFA Debt Service Rate is to be effective shall be made of all costs of the external debt financing for the CFA Program. The cost of such external debt shall include interest expense, closing costs, financing fees, the Provision for Doubtful Accounts, and the Recovery of Amortizing Bad Loans.
b. Any over-collection in the CFA Debt Service Balancing Account, estimated to the revision date, shall be subtracted from a. above or any under-collection shall be added to a. above.
c. The net of 7a. and 7b. is to be increased to provide for Franchise Fees and Uncollectible Accounts Expense and then shall be divided by the estimated sales in kilowatthours to which this CFA Debt Service Provision is applicable.

^{1/} External debt shall exclude debt due to the Utility and Utility-affiliated companies.

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(Continued)



PRELIMINARY STATEMENT (Cont'd.)

Attachment B
Resolution E-2068
Sheet 2 of 4

C. CONSERVATION FINANCING ADJUSTMENT (Cont'd.)

The cents per kilowatthour rate so developed is the effective CFA Debt Service Rate as of the revision date.

- 8. CFA EXPENSE RATE: The CFA Expense Rate shall be determined as follows:
 - a. Estimates for the 12 month period for which the revised CFA Expense Rate is to be effective shall be made of all costs (other than costs to be recovered under the CFA Debt Service Rate) of the CFA Program. Such CFA Program costs shall include amounts billed by the Utility under contract to PCSC, PCSC's directly incurred administrative costs, PCSC's net interest expense on indebtedness to the Utility or other subsidiaries of the Utility, and return and taxes on the Utility's equity investment (including loans contributed by the Utility to PCSC). Such costs shall be reduced by interest income estimated to be collected by PCSC as a result of the Eight Percent Loan Program.
 - b. Any over-collection in the CFA Expense Balancing Account, estimated to the revision date, shall be subtracted from a. above or any under-collection shall be added to a) above.
 - c. The net of 8a. and 8b. is to be increased to provide for Franchise Fees and Uncollectible Accounts Expense and then shall be divided by the estimated sales in kilowatthours to which this CFA Expense Rate Provision is applicable.

The cents per kilowatthour rate so developed is the effective CFA Expense Rate as of the revision date.

- 9. CFA DEBT SERVICE BALANCING ACCOUNT: The Utility shall maintain a CFA Debt Service Balancing Account which shall be debited or credited each month with an amount equal to the amount by which the balance in PCSC's Debt Service Account, set forth in No. 11 below, changes during the month. PCSC shall submit to the Utility a statement of account as of the end of each month setting forth such change in PCSC's Debt Service Account.
- 10. EXPENSE BALANCING ACCOUNT: The Utility shall maintain a CFA Expense Balancing Account which shall be debited or credited each month with an amount equal to the amount by which the balance in PCSC's Expense Account, set forth in No. 12 below, changes during the month. PCSC shall submit to the Utility a statement of account as of the end of each month setting forth such change in PCSC's Expense Account.
- 11. CFA DEBT SERVICE ACCOUNT: PCSC shall maintain a CFA Debt Service Account to which the following entries shall be made for each month: (L)
 - a. A debit entry equal to all interest expense, closing costs, and financing fees related to PCSC's external debt financing;
 - b. A debit or credit entry equal to the Provision for Doubtful Accounts as set forth in No. 13 below;
 - c. A debit entry equal to, if any, the Recovery of Amortizing Bad Loans as set forth in No. 14 below;
 - d. A credit entry equal to the revenues billed under the CFA Debt Service Rate, not including the allowance associated with the Utility's sales for Franchise Fees and Uncollectible Accounts Expense.
- 12. CFA EXPENSE ACCOUNT: PCSC shall maintain a CFA Expense Account to which the following entries shall be made for each month:
 - a. A debit entry equal to all costs of the CFA program as set forth in 8 a. above plus any other liabilities incurred in the implementation of this program;
 - b. A credit entry equal to the revenues billed under the CFA Expense Rate, not including the allowance associated with the Utility's sales for Franchise Fees and Uncollectible Accounts Expense;
 - c. A credit entry equal to all interest income collected by PCSC as a result of in the Eight Percent Loan Program.

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(Continued)

Advice Letter No. 1089-E
Decision No.

Issued by
STEPHEN P. REYNOLDS
Vice President
Rates

Date Filed _____
Effective _____
Resolution No. _____



PRELIMINARY STATEMENT (Cont'd.) Attachment B
Resolution E-2068
Sheet 3 of 4

C. CONSERVATION FINANCING ADJUSTMENT (Cont'd.)

13. PROVISION FOR DOUBTFUL ACCOUNTS: The Provision for Doubtful Accounts referred to in No. 7a. and 11b. above shall initially be computed each month as an amount equal to 9/60 of one percent of the original principal of loans issued less the original principal of loans fully repaid. However, the computation of this amount is subject to revision on a quarterly basis through Debt Service Rate adjustments based on actual loan default experience and the projected required balance in the Accumulated Provision for Doubtful Accounts.
At such time as PCSC purchases CFA Program loans made directly by the Utility or acquires such loans as a contribution of capital, PCSC shall make appropriate entries to its CFA Debt Service Account and its Accumulated Provision for Doubtful Accounts to establish a reasonable reserve against future loan defaults.
14. RECOVERY OF AMORTIZING BAD LOANS: The Recovery of Amortizing Bad Loans referred to in Nos. 7a. and 11c. above shall be computed each month as the amount, if any, equal to 1/12 of the amount by which Bad Loans are in excess of the Accumulated Provision for Doubtful Accounts.
15. OTHER ACCOUNTS: PCSC shall maintain the following other accounts:
- a. A CFA Loans Receivable Account to be debited for all CFA loans issued to customers and credited for all loans repaid or which become Bad Loans.
 - b. An Accumulated Provision for Doubtful Accounts to be credited each month with the Provision for Doubtful Accounts as set forth in No. 13 above and the Recovery of Amortizing Bad Loans as set forth in No. 14 above. Loans shall be declared to be Bad Loans after 100 days of nonpayment. The amount of Bad Loans shall be debited to this account and credited to CFA Loans Receivable. Amounts subsequently collected on Bad Loans shall be credited to this account.
 - c. An Amortizing Bad Loans Account to be debited with an amount equal to the portion of Bad Loans in excess of the Accumulated Provision for Doubtful Accounts associated with the determining component of the Debt Service Rate authorized by the Commission and then in effect for Recovery of Amortizing Bad Loans. This account shall be credited with an amount equal to such portion of Bad Loans which has been fully amortized.
16. TIME AND MANNER OF FILING AND RELATED REPORTS: The Utility shall file the revised CFA Rate at least 30 days prior to each Revision Date. Each such filing shall be accompanied by a report which shows the derivation of the rate to be applied.

(Continued)

Advice Letter No. 1089-E
Decision No.

Issued by
STEPHEN P. REYNOLDS
Vice President
Rates

Date Filed _____
Effective _____
Resolution No. _____



PRELIMINARY STATEMENT (CONT'D.)

E. CONSERVATION FINANCING ADJUSTMENT (CFA):

1. PURPOSE: The purpose of this CFA provision is to reflect in base rates a CFA Rate to recover costs incurred in executing a Zero Interest Program (ZIP) of conservation financing and a Ceiling Insulation Loan Program (Eight Percent Loan Program) as authorized by the California Public Utilities Commission (Commission).

2. APPLICABILITY: This CFA provision shall apply to all rate schedules and contracts for gas service subject to the jurisdiction of the Commission, except for those schedules and contracts specifically excluded by the Commission.

3. CFA SUBSIDIARY: The Utility shall use the wholly owned subsidiary, Pacific Conservation Services Company (PCSC), to administer and finance loans under ZIP and the Eight Percent Loan Program (collectively referred to as the CFA Program). CFA Program loans made directly by the Utility may be retained by the Utility, sold to PCSC, or transferred to PCSC as a contribution of capital. The Utility shall pay monthly to PCSC an amount equal to all revenues billed under the CFA Rate, less the allowance for franchise and uncollectible accounts expense associated with the Utility's sale.

PCSC will contract with the Utility to administer the CFA program. The Utility shall bill PCSC on a monthly basis for administration of the CFA Program and for all costs incurred by the Utility in financing and administering any CFA Program loans which are on the Utility's books, net of any associated interest received by the Utility and including the unrecovered amount of any such loans defaulted.

4. CFA RATE: The CFA Rate in effect at any time shall be the algebraic sum of the CFA Debt Service Rate, determined as set forth in No. 7 below, and the CFA Expense Rate, determined as set forth in No. 8 below.

5. REVISION DATES: The CFA Expense Rate shall be revised annually on January 1 of each year or as soon thereafter as the Commission may authorize. In addition, the Utility shall file Advice Letters to revise the CFA Debt Service Rate component of the CFA Rate to be effective on this same date, or as soon thereafter as the Commission may authorize to reflect changes, if any in projected or actual loan volume, PCSC's external debt interest expense, closing costs, financing fees, Provision For Doubtful Accounts, Recovery of Amortizing Bad Loans, and CFA Debt Service Balancing Account amortization. Such revised CFA Rate shall be determined in accordance with items Nos. 7 and 8 below.

The amount of the CFA Rate (to the nearest \$.00001 per therm) for these annual revisions shall be added to or subtracted from the applicable rates for gas service otherwise in effect.

6. FRANCHISE FEES AND UNCOLLECTIBLE ACCOUNTS: Franchise Fees and Uncollectible Accounts Expense shall be included at the rate derived from PGandE's most recent general rate case decision issued by the Commission.

7. CFA DEBT SERVICE RATE: The CFA Debt Service Rate shall be determined as follows:
a) Estimates for the twelve-month period for which the revised CFA Debt Service Rate is to be effective shall be made of all costs of the external debt financing for the CFA Program. The cost of such external debt shall include interest expense, closing costs, financing fees, the Provision for Doubtful Accounts, and the Recovery of Amortizing Bad Loans.
b) Any over-collection in the CFA Debt Service Balancing Account, estimated to the revision date, shall be subtracted from a) above or any under-collection shall be added to a) above.
c) The net of 7a) and 7b) is to be increased to provide the Franchise Fees and Uncollectible Accounts Expense and then shall be divided by the estimated sales in therms to which this CFA Debt Service Provision is applicable.
The dollars per therm rate is the effective CFA Debt Service Rate as of the Revision date.

^{1/} External debt shall exclude debt due to the Utility and Utility-affiliated companies.

(Continued)

Pacific Gas and Electric Company
Pacific Conservation Services Company
77 Beale Street, Room 823
San Francisco, California 94106

Attention: Assistant Treasurer

Re: Consent to Amendment of Equity Subscription
and Working Capital Agreement Revolving
Credit Agreement

Dear Sirs:

Each of the banks (the "Banks") party to that certain Revolving Credit Agreement dated as of February 14, 1983, by and among the Banks and Pacific Conservation Services Company ("PCSC") hereby consent to the Second Amendment dated as of March 20, 1985 of that certain Equity Subscription and Working Capital Agreement dated as of February 14, 1983, by and between PCSC and Pacific Gas and Electric Company, in the form attached hereto as Exhibit 1.

Very truly yours,

CROCKER NATIONAL BANK

By *Mad Clegg*
Its *VP*

*NOTE: ATTACHED TO THIS SHEET IS A 10 PAGE LIST OF BANKS.

BANK OF AMERICA, N.T. & S.A.

By *[Signature]*
Its *Vice President*