

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



July 6, 2005

Advice Letter 2633-E/2633-E-A

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Revised Preliminary Statement CS – Advanced Metering and Demand Response Account

Dear Ms de la Torre:

Advice Letter 2633-E/2633-E-A is effective February 24, 2005. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



February 25, 2005

**Advice 2633-E-A
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

Subject: Proposal of Pacific Gas and Electric Company for Authority to Record Additional Incremental Costs Required for AMI Business Case Development and Pre-Deployment, Contract Negotiation, and Activities Necessary to Develop and Process the AMI Project Application in the Advanced Metering and Demand Response Account.

Purpose

Pacific Gas and Electric Company (PG&E) is filing this supplemental Advice Letter, which supersedes Advice Letter 2633-E, filed on February 24, 2005.

PG&E hereby requests authority to record in the Advanced Metering and Demand Response Memorandum Account (AMDRA) incremental costs associated with the Advanced Metering Infrastructure (AMI) Business Case development and pre-deployment, including contract negotiation, and activities necessary to develop and process the AMI Project Application. These activities are vital to the development of an AMI Project as it evolves into the next stages of contract negotiation and regulatory filings. The affected tariff sheets are listed on the enclosed Attachment I.

Background

Order Instituting Rulemaking (R.) 02-06-001 began a process to assess ways to implement programs and tools to enable utilities to meet demand response targets. The creation of the AMDRA was approved in Decision (D.) 03-03-036. Since its approval on March 13, 2003, the AMDRA has been modified several times.

Currently, the AMI Project development is evolving into the next stages of contract negotiation and regulatory filings. Therefore, PG&E is requesting that the language in the existing AMDRA be modified to allow for the inclusion of the incremental costs associated with the AMI Business Case development and pre-

deployment, including contract negotiation, and activities necessary to develop and process PG&E's AMI Project Application.

Recovery Procedure and Mechanism

PG&E requests authority to record these costs in the AMDRA. PG&E specifically includes these costs in its Preliminary Statement language proposed in Attachment I. Consistent with the other costs in AMDRA, PG&E will report these costs to the CPUC on a monthly basis.

Revisions to the Preliminary Statement

The Preliminary Statement will be modified to include, in section 5c., "(3) the AMI Business Case development and pre-deployment, including contract negotiation, and activities necessary to develop and process PG&E's AMI Project Application."

Request for Commission Approval

PG&E requests the Commission approve:

1. Changes to PG&E's preliminary statement as described herein;
2. Authority to record incremental costs in AMDRA incurred for the AMI Business Case development and pre-deployment, including contract negotiation, and activities necessary to develop and process PG&E's AMI Project Application.

Expedited Protest Period

Due to the immediacy of incurring incremental costs for the AMI Business Case development and pre-deployment, including contract negotiation, and activities necessary to develop and process the AMI Project Application. PG&E respectfully requests expedited treatment of this advice filing and a limitation of the protest period such that the notice period for this filing be shortened from twenty days to ten (10) calendar days after the date of this filing, pursuant to General Order 96-A, Section IV-B Effective Date and Section XV-Exceptions. PG&E requests that anyone wishing to protest this filing do so by sending a letter by **March 7, 2005**, which is 10 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:

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, Section V.B., PG&E requests that this advice filing become effective as of the date of this filing, **February 25, 2005**. The immediate need to begin contract negotiations and the AMI Project Application requires that PG&E seek this expedited approval.

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 the parties on the service list for R.02-06-001. 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>

Brian K. Cherry /BL

Director - Regulatory Relations

Attachments

cc: Service List R.02-06-001

Cal P.U.C. Sheet No.	Title of Sheet	Canceling Cal P.U.C. Sheet No.
23231-E	Electric Preliminary Statement CS – Advanced Metering and Demand Response Account (AMDRA) (Continued)	21565-E
23232-E	Electric Preliminary Statement CS (continued)	22318-E
23233-E	Table of Contents – Preliminary Statements (Continued)	23068-E
23234-E	Table of Contents	23069-E



PRELIMINARY STATEMENT
(Continued)

CS. ADVANCED METERING AND DEMAND RESPONSE ACCOUNT (AMDRA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.)

- b. A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants, and costs of workshop participation, incurred after September 19, 2003, of developing and analyzing proposals for and participating in Phase II of Rulemaking (R.) 02-06-001 within the scope of the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) and related rulings issued in Docket R.02-06-001, including:
 - (1) Development of an advance metering infrastructure (AMI) business case methodology, including development of costs and benefits and methodologies to evaluate the costs and benefits.
 - (2) Development of technology options, such as Air-Conditioning (A/C) Cycling, and how they interface with AMI.
 - (3) Development of PG&E's plan (both for 2004 and post-2004 proposals and activities) for achieving the Commission's 5 percent demand response target in 2007, including analysis of the feasibility of achieving the target, PG&E's position on modification of existing programs, and preliminary identification of new programs.

- c. A debit entry equal to PG&E's incremental O&M and A&G expenses, including costs of consultants and internal staff, incurred in: (1) developing an advanced metering infrastructure (AMI) business case analysis as contemplated by the November 24, 2003 Assigned Commissioner's Ruling and Scoping Memo (Phase 2) and the February 19, 2004 Joint Assigned Commissioner and Administrative Law Judge's Ruling issued in R.02-06-001, and as discussed in subsequent workshops facilitated by CPUC and CEC staff, (2) pre-planning evaluation and assessment activities carried out in reasonable anticipation of deployment of AMI systems under the time frame in the proposed schedule discussed by the CPUC and CEC staff in the workshops held in R.02-06-001 on March 29 and 30, 2004, and (3) the AMI Business Case development, including contract negotiation, and activities necessary to develop and process PG&E's AMI Project Application, including, without limitation:
 - (1) All activities reasonably necessary for the development of an AMI business case analysis and project application, including without limitation:
 - (a) Determination of all internal and external costs associated with different AMI rollout scenarios, including: issuance and analysis of requests for proposals (RFPs) for AMI technology acquisition; AMI technology evaluation; evaluation of information technology (IT) costs; evaluation of costs of interfacing AMI with utility systems; and development of computer models to analyze costs and financing.
 - (b) Estimation of utility operational benefits of AMI deployment under different rollout scenarios.
 - (c) Estimation and valuation of demand response benefits under different rollout scenarios including development of suitable computer models.
 - (d) Continued costs of workshop and proceeding participation related to AMI analysis and deployment.



PRELIMINARY STATEMENT
(Continued)

CS. ADVANCED METERING AND DEMAND RESPONSE ACCOUNT (AMDRA) (Cont'd.)

5. ACCOUNTING PROCEDURE: (Cont'd.)

c. (Cont'd.)

(2) Activities associated with pre-AMI deployment evaluation and planning. These activities would assess functional and technical system requirements for infrastructure, communication systems, internal system integration, as well as other potential rollout requirements.

(L)

PG&E will provide the Energy Division with a bi-monthly update report of the costs being recorded for items 1 and 2 above.

(L)

d. A debit entry for capital-related revenue requirements, if any, that includes depreciation expense, the return on investment, federal and state income taxes, and property taxes associated with the costs of installing equipment.

e. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry at a rate equal to one-twelfth the interest rate on three-month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

Disposition: Annually, PG&E will file an advice letter, which shall include a summary of the entries to this account requesting recovery of the balance. Upon approval, PG&E will transfer the balance to the Disposition Revenue Adjustment Mechanism (DRAM), or other appropriate balancing account, in order to consolidate rate recovery of the AMDRA balance with rate recovery of other Commission-approved revenue requirement changes.



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Advice Letter No. 2633-E-A
Decision No. 03-03-036,04-01-012

Issued by
Karen A. Tomcala
Vice President
Regulatory Relations

Date Filed February 25, 2005
Effective _____
Resolution No. _____



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**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & 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
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California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
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

DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
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Franciscan Mobilehome
Future Resources Associates, Inc
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Gas Transmission Northwest Corporation
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Goodin, MacBride, Squeri, Schlotz &
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Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
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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
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Norris & Wong Associates
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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
Tansev and Associates
Tecogen, Inc
TFS Energy
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