

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



**Pacific Gas and
Electric Company**

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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February 24, 2005

**Advice 2633-E
(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 Advanced Metering Infrastructure (AMI) Business Case Development, Including Contract Negotiation and Development of the AMI Project Application in the Advanced Metering and Demand Response Account.

Purpose

Pacific Gas and Electric Company (PG&E) hereby requests authority to record in the Advanced Metering and Demand Response Memorandum Account (AMDRA) newly identified incremental costs associated with finalizing the AMI Business Case, including negotiating contracts, and preparing and securing approval of 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 finalization of the AMI Business Case, including negotiation of contracts, and activities necessary to prepare and secure approval of 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) finalizing the AMI Business Case, including negotiation of contracts, and activities necessary to prepare and secure approval of 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 finalization of the AMI Business Case, including negotiation of contracts, and activities necessary to prepare and secure approval of PG&E's AMI Project Application.

Expedited Protest Period

Due to the immediacy of incurring incremental costs for finalizing the AMI Business Case, including negotiation of contracts, and activities necessary to prepare and secure approval of 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 eleven (11) 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 11 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

February 24, 2005

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 24, 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>


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.
23070-E	Electric Preliminary Statement CS – Advanced Metering and Demand Response Account (AMDRA) (Continued)	21565-E
23071-E	Electric Preliminary Statement CS (continued)	22318-E
23072-E	Table of Contents – Preliminary Statements (Continued)	23068-E
23073-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 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 II) 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) finalizing the AMI Business Case, including negotiation of contracts, and activities necessary to prepare and secure approval of PG&E's AMI Project Application, including, without limitation:

- (1) All activities reasonably necessary for the development of an AMI business case analysis such as:
 - (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 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 participation related to AMI analysis and deployment.

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PRELIMINARY STATEMENT
(Continued)

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

5. ACCOUNTING PROCEDURE: (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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**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
Alicantar & Eisesser
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
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 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
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
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
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Norris & Wong Associates
North Coast Solar Resources
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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