

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



December 9, 2005

Advice Letter 2738-E

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

DEC 13 2005

Subject: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016

Dear Ms de la Torre:

Advice Letter 2738-E is effective December 15, 2005. A copy of the advice letter is sent herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "S. 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

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P. O. Box 770000
San Francisco, CA 94177

November 14, 2005

Advice 2738-E

(Pacific Gas and Electric Company ID U 39 E)

415.973.4977
Internal: 223.4977
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**Subject: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance
with D.05-06-016**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits for filing proposed revisions to Schedule AG-ICE – *Agricultural Internal Combustion Engine Conversion Incentive Rate*. PG&E proposes to revise Schedule AG-ICE unbundled rate components to comply with the 1.5 percent annual increase to Schedule AG-ICE total average rates adopted in Decision (D.) 05-06-016. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

Conclusion of Law No. 2 of D.05-06-016 states the following:

“2. The provision in the Joint Settlement that the initial rate of \$0.07539 per kWh shall escalate at a rate of 1.5% per year during the 10 years these incentive rates are in effect, is reasonable and should be approved.” (D.05-06-016, page 38.)

Paragraph 2 of the Joint Settlement states that while Schedule AG-ICE unbundled component rates may change throughout the year, total rates will change only on January 1 of each year, as set forth in Chapter 2 of PG&E's March 4, 2005 testimony. Chapter 2, at pages 2-6 to 2-9, provides that Schedule AG-ICE will at all times utilize the same non-generation and non-distribution rate components applicable to Schedule AG-5B, and shall use distribution and/or generation component revisions to achieve the 1.5 percent total average rate annual escalation on January 1.

Accordingly, the purpose of this filing is to request Commission approval to revise the unbundled generation components of Schedule AG-ICE total rates to comply with D.05-06-016. PG&E proposes no revision to the unbundled distribution components of Schedule AG-ICE.

Schedule AG-ICE first took effect August 1, 2005. PG&E used generation energy charge revisions on October 1, 2005 in order to maintain constant total rates throughout the calendar year. PG&E proposes to similarly use generation energy charge revisions on January 1, 2006, to provide a more seamless mechanism to achieve the 1.5 percent annual escalation. This provides a more direct offset to other revisions to rate components, including Transmission, Reliability Services (RS), Public Purpose Program (PPP), Nuclear Decommissioning (ND), Competition Transition Charges (CTC), Energy Cost Recovery Amount (ECRA), and Department of Water Resources (DWR) Bond Charge.

However, PG&E does not intend that this proposed generation-only approach on January 1, 2006 serve as a precedent. In future years, PG&E wishes to preserve the flexibility to achieve the 1.5 percent annual increase through either distribution or generation component revisions, or through some combination of the two, as appropriate after non-generation and non-distribution revisions are considered.

Tariff Revisions

Attachment I reflects the proposed revisions to Schedule AG-ICE rate components. Schedule AG-ICE non-generation and non-distribution rate components reflect those filed for Schedule AG-5B on September 1, 2005 in PG&E's Annual Electric True-Up (AET) Advice 2706-E for rates effective January 1, 2006. Schedule AG-ICE distribution rate components remain at current levels, and generation energy charges are revised on an equal percentage change basis as needed to achieve the mandated 1.5 percent escalation in the total annual average rate for Schedule AG-ICE.

Because customer and demand charges are not changing, and the non-generation portion of energy charges is changing through the AET, the generation portion of energy charges must increase by an additional 2.36 percent to achieve the required 1.5 percent increase to the Schedule AG-ICE total average rate. This 2.36 percent change is not necessarily the final result, as PG&E plans to supplement and update AET Advice 2706-E in late December to reflect recorded end-of-November balancing account amounts and the AET Commission Resolution expected no later than December 15, 2005. At that time, this Schedule AG-ICE advice letter will also be supplemented and updated accordingly to reflect final AET non-generation energy charge revisions, and to finalize the offsetting increase to the generation portion of energy charges necessary to yield the mandated 1.5 percent Schedule AG-ICE total average rate increase.

PG&E requests approval of this advice letter no later than December 15, 2005, to be effective January 1, 2006. Because this advice letter complies directly with D.05-06-016, PG&E does not believe a Resolution is required to approve this advice letter.

Protests

Anyone wishing to protest this filing may do so by sending a letter by Monday **December 5, 2005**, which is 21 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:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

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 Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

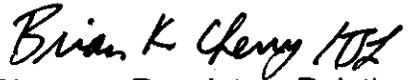
Effective Date

PG&E requests that this advice filing be approved no later than **December 15, 2005**, as discussed above, to be effective **January 1, 2006**, which is more than 30 days after this filing.

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 A. 04-11-007. 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>

Handwritten signature of Brian K. Cherry in black ink.

Director - Regulatory Relations

Attachments

cc: Service List - A.04-11-007

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Bernard Lam

Phone #: (415) 973-4878

E-mail: bxlc@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2738-E**

Subject of AL: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016

Keywords (choose from CPUC listing): Compliance Filing, Agricultural

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.05-06-016

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: 1/1/2006

No. of tariff sheets: 4

Estimated system annual revenue effect (%): To Be Determined

Estimated system average rate effect (%): 1.5% increase for participants

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Rate Schedule AG-ICE

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

**CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
jjr@cpuc.ca.gov and jnj@cpuc.ca.gov**

**Pacific Gas and Electric Company
Attn: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com**

¹ Discuss in AL if more space is needed.

**ATTACHMENT 1
Advice 2738-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
24010-E	Schedule AG-ICE--Agricultural Internal Combustion Engine Conversion Incentive Rate	23644-E
24011-E	Schedule AG-ICE (Cont.)	23899-E
24012-E	Table of Contents -- Rate Schedules	23903-E
24013-E	Table of Contents -- Rate Schedules	24009-E



SCHEDULE AG-ICE—AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE
(Continued)

RATES: Total bundled service charges are calculated using the total rates shown below.

TOTAL RATES

<u>Total Customer/Meter Charge Rates</u>		
Customer Charge (\$ per meter per day)		\$1.31417
TOU Meter Charge (\$ per meter per day)		\$0.19713
<u>Total Demand Rates (\$ per kW)</u>		
Secondary		
Maximum Peak Demand Summer		\$0.41
Maximum Demand Summer		\$1.43
Maximum Demand Winter		\$0.00
Primary		
Maximum Peak Demand Summer		\$0.41
Maximum Demand Summer		\$1.40
Maximum Demand Winter		\$0.00
Transmission		
Maximum Peak Demand Summer		\$0.41
Maximum Demand Summer		\$0.45
Maximum Demand Winter		\$0.00
<u>Total Energy Rates (\$ per kWh)</u>		
Peak Summer		\$0.12325 (l)
Part-Peak Summer		\$0.09602
Off-Peak Summer		\$0.04899
Part-Peak Winter		\$0.09849
Off-Peak Winter		\$0.04899 (l)

(Continued)



SCHEDULE AG-ICE—AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE
(Continued)

RATES:
(Cont'd.)

UNBUNDLING OF TOTAL RATES
(Cont'd.)

Energy Rates by Component (\$ per kWh)

Generation:

Peak Summer	\$0.10115 (I)
Part-Peak Summer	\$0.07392
Off-Peak Summer	\$0.02689
Part-Peak Winter	\$0.07639
Off-Peak Winter	\$0.02689 (I)

Transmission*

\$0.00519

Transmission Rate Adjustments*

\$0.00031 (I)

Reliability Services*

\$0.00234 (R)

Public Purpose Programs

\$0.00505 (I)

Nuclear Decommissioning

\$0.00036 (I)

Competition Transition Charges

\$0.00001 (R)

Energy Cost Recovery Amount

\$0.00448 (R)

DWR Bond Charge

\$0.00498 (I)

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AG-R	Split-Week Time-of-Use Agricultural Power	17121,23881,23882,23883,21446,15457,15458,23884,22235-E
AG-V	Short-Peak Time-of-Use Agricultural Power	17126,23885,23886,23887,21451,15468,15469,20971,23888,22237-E
AG-4	Time-of-Use Agricultural Power	17131,23889,23580,23891,15479,15480,15481,15482,23891,22239-E
AG-5	Large Time-of-Use Agricultural Power	17136,23892,23584,23893,15492,15493,15494,15495,23894,22241-E
AG-7	Experimental Tiered Time-of-Use Agricultural Power	15701,23895,23896,23897,21466,15705,15706,15707,20978,23898-E
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RATE SCHEDULES

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E-2	Experimental Residential Time-of-Use Service	22122,22118,22266,22120,22267,22122, 22297,22124,22268,21231,21614,21232,22126-E
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ESR	Residential RV Park and Residential Marina Service	23784,23785,22593,20657,23786,21261-E
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E-7	Residential Time-of-Use Service	21268,23790,23791,21595,22909,23792-E
E-A7	Experimental Residential Alternate Peak Time-of-Use Service	21274,23793,23794,21277,22912,23795-E
E-8	Residential Seasonal Service Option	23796,23797,23798,22159-E
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EL-7	Residential CARE Program Time-of-Use Service	21320,22930,23817,22542,21601,23818,21325-E
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E-20	Service to Customers with Maximum Demands of 1,000 Kilowatts or More	21372,21373,23843,23844,21377,22213,19314,22214,22112,21022, 22113,21024, 21025,22114,15358,21027,23845,23846,23847,23154,17101,20945,21383-E

(Continued)

**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
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 Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
Cooperative Community Energy
CPUC
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
Dynege 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
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
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
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources

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
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
Transcanada
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