

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 4, 2006

Advice Letter 2885-E-A

Brian K. Cherry, Vice President, Regulatory Relations
Pacific Gas & Electric Company
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

RECEIVED
REGULATORY RELATIONS DEPARTMENT
OCT - 5 2006

Subject: Staff Disposition of Advice Letter 2885-E-A: Revisions to Heat Storm Electric Bill Credit and Establishment of Fund to Assist with Customer Bills in Compliance with Resolution E-4019

Dear Mr. Cherry:

The Energy Division has determined that Advice Letter (AL) 2885-E-A complies with Resolution E-4019. Pursuant to Ordering Paragraph 2 of that resolution, AL 2885-E-A is effective on September 7, 2006.

Resolution E-4019 approved the bill credit method that PG&E proposed in AL 2885-E. That method specifies that the heat storm bill credit will be determined by multiplying the current "Net Charges" from the customer's eligible heat storm bill by 15 percent for residential customers and 10 percent for customers taking service on non-residential rate schedules. That same method is described in AL 2885-E-A.

Any changes the heat storm bill credit method approved by Resolution E-4019 would have to be addressed by a separate Commission order in response to a petition to modify or application to rehear Resolution E-4019. The procedures for filing applications for rehearing and petitions for modification are set forth in Rules 5 and 6 appended to Commission decision D.05-01-032, and Article 16 of the Commission's Rules of Practice and Procedure. These documents are available on the Commission's website at www.cpuc.ca.gov.

Please contact Don Lafrenz of the Energy Division staff if you have any questions. He can be reached at 415-703-1063, or by email at "dlf@cpuc.ca.gov".

Sincerely,
Sean Gallagher, Director
Energy Division

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

cc: Stephen L. Casner, Protestant to PG&E AL 2885-E-A



Brian K. Cherry
Vice President
Regulatory Relations

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San Francisco, CA 94105

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Mail Code B10C
Pacific Gas and Electric Company
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August 16, 2006

Advice 2885-E
(Pacific Gas and Electric Company ID U 39E)

Public Utilities Commission of the State of California

**Subject: Heat Storm Electric Bill Credit And Establishment Of Fund To
Assist With Customer Bills**

Pacific Gas and Electric Company (PG&E) hereby submits for filing an Electric Refund Plan (Refund Plan) to return to customers on an expedited basis approximately \$125-150 million of higher revenue that PG&E will collect as a result of the increased demand levels during the heat storm.

Description of PG&E's Proposal

From July 16 to July 27, PG&E's service territory generally experienced temperatures far in excess of normal. Indeed, the number of "cooling degree days" for all of July when averaged over PG&E's service territory was 131.¹ This was the highest July recorded by PG&E under its current method of compiling degree days, and far exceeds the second highest July total of cooling degree days, 111, which occurred in 1984. As a result, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue. PG&E's customers are now experiencing high, and in some cases extremely high, bills as a result of their higher use.

In order to partially offset the severe increase in customer bills for this period of high use due to the heat storm, in this advice letter PG&E requests Commission approval to provide customers with a bill credit. The bill credit to each PG&E electric customer will be calculated as a percentage of total billed revenue for each customer's heat storm bill. PG&E proposes that the current charges on

¹ Cooling degree days are a measure of how hot it is, and for how long. The longer the temperature is above 80 degrees in a day, and the higher the temperature is above 80 degrees, then the more cooling degrees there are in that day. The cooling degree days for a month is the sum of the cooling degrees for each day in the month. PG&E calculates cooling degree days using temperature data measured at 11 stations in the Service Territory.

each residential customer's heat storm bill be multiplied by 15 percent to determine the customer's credit, and that each non-residential customer's current charges on the heat storm bill be multiplied by 10 percent to determine the customer's credit. The higher percentage for residential customers reflects the greater effect of higher usage on residential customer bills due to the tiered rate structure described below.

Each customer's heat storm bill will be the bill that includes the heat storm period use (July 16 through July 27, inclusive). If a customer's billing cycle is such that two bills both include portions of the heat storm period then the higher of the two bills will be considered as the basis for determining the heat storm bill credit.

PG&E's refund plan provides a one-time bill credit to customers as soon as possible, beginning as close to October 1 as possible and continuing through each customer billing serial. PG&E proposes to add a one-time line item to customer bills, which describes the credit on customers' bills as: "Heat Storm Bill Credit."

PG&E estimates that the total amount of the bill credits will be approximately \$125-150 million. This projected dollar total for the Heat Storm Bill Credit amounts is consistent with PG&E's preliminary estimate of the higher balancing account revenue that PG&E will record as a result of customers' higher July usage. This higher revenue would normally be reflected in the balancing account balances that are amortized in customers' rates in the following year through PG&E's Annual Electric True-Up. For some of these accounts, in particular the Distribution Revenue Adjustment Mechanism (DRAM) and the Utility Generation Balancing Account (UGBA), the revenue requirements that are recorded in the accounts are not affected by increased sales. In effect, PG&E is proposing to accelerate the return to customers the higher revenue being recorded in the DRAM and UGBA due to the heat-storm-driven increased sales.

For ratemaking purposes, the bill credits will be reflected as reduced revenue, split evenly between PG&E's DRAM and UGBA. The resulting end-of-year balances will be reflected in PG&E's end-of-year supplemental filing in the Annual Electric True Up used to establish January 1, 2007 electric rates.

In the residential class, in addition to increased usage of electricity, a major driver for these bill increases is the tiered electric rates. Under the tiered electric rate structure applicable to residential customers, increased electric usage is billed at the highest tiered price applicable to the customers' usage. For example, a customer already being billed in Tier 5 would pay the Tier 5 rate of nearly 35 cents per kWh for every additional kWh of usage. As a result, higher use residential customers in particular will receive major increases if their usage increased in response to the heat storm. For example, in July, the average residential usage increased 28 percent relative to June, but the average bill increased a larger amount, approximately 44 percent.

In recognition of the hardship that may be experienced by many residential customers, PG&E further requests Commission approval to use \$5 million to provide a fund for the benefit of its residential customers who might otherwise be unable to pay their bills. These funds would be administered by the Salvation Army, in a manner consistent with the existing REACH program, and possibly by other community agencies that have a proven track record in providing social services to customers who are income-qualified. It is PG&E's intent to administer this program and allocate funds so as to ensure that minority and non-English speaking customers have equivalent access to funds, and that any financial hardship caused by this summer's unusual electric bills is taken into account.

The \$5 million would be recorded as an expense in DRAM, and would be tracked separately for the sole purpose of assisting customers who might otherwise be unable to pay their bills, as described above. Any amount remaining in the fund at the end of the year would be returned to DRAM.

Additional information is provided in the attached Refund Plan.

PG&E proposes closing the Refund Plan as specified in the Refund Plan

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Refund Results

PG&E proposes to send a letter to the Director of the Energy Division by December 1, 2006, reporting preliminary results of the refund plan and to file a final report on or before September 28, 2007.

Protest Period

So that this advice filing may be considered at the September 5 CPUC Decision Conference, PG&E proposes a shortened 9 day protest period. Anyone wishing to protest this filing must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The deadline for protests is 9 days from the date of filing or **August 25, 2006**. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company 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
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
Email: PGETariffs@pge.com

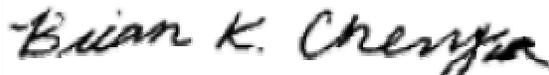
Effective Date

In accordance with General Order 96-A, PG&E requests that this advice filing become effective on 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 lists shown below. 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>



Vice President - Regulatory Relations

cc: Service Lists as shown below:

2007 GRC Phase 1 - A.05-12-002
2007 GRC Phase 2 - A.06-03-005
2003 GRC Phase 2 - A.04-06-024
Demand Response - A.05-06-006
List for Resolution E-3956 on 2006 AET

Attachment 1 – Heat Storm Refund Plan

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 (ID39E)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Shilpa Ramaiya

Phone #: (415) 973- 3186

E-mail: srrd@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) #: 2885-E

Subject of AL: Heat Storm Electric Bill Credit And Establishment Of Fund To Assist With Customer Bills

Keywords (choose from CPUC listing): Bill Credit

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

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

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

Resolution Required? Yes No

Requested effective date: 10-1-06 or Per CPUC Approval No. of tariff sheets: 0

Estimated system annual revenue effect: (%): \$125 to \$ 150 million one-time bill credit

Estimated system average rate effect (%): N/A

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: N/A

Service affected and changes proposed¹: See title

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

Utility Info (including e-mail)

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

PACIFIC GAS AND ELECTRIC COMPANY

HEAT STORM BILL CREDIT

ELECTRIC REFUND PLAN

1. PURPOSE

From July 16 to July 27, PG&E customers experienced temperatures far in excess of normal. As a result, PG&E experienced increased electrical demand for power, increased sales levels, and higher than forecast revenue. PG&E's customers are now experiencing high, and some cases extremely high, bills as a result of their higher use. In order to partially offset the severe increase in customer bills for this period of high use due to the heat storm, PG&E requests Commission approval to provide customers with a bill credit. This refund plan describes the bill credit.

2. INITIAL REFUND DATE

The Heat Storm Bill Credit will be displayed on eligible customers' energy statements beginning October 1, 2006, or soon thereafter.

3. TOTAL AMOUNT TO BE REFUNDED

It is estimated that approximately \$125 to 150 million will be returned to customers. The actual, total dollar amount refunded, however, may differ and will be stated in PG&E's final report on the Refund Plan to the CPUC.

4. CUSTOMER ELIGIBILITY

An eligible customer is defined as a bundled service or direct access customer who received an electric bill that covers the heat storm period, July 16 through July 27, and is still taking service with PG&E at the time of the issuance of the bill credit.

5. METHODOLOGY FOR DISTRIBUTING REFUNDS TO ELIGIBLE CUSTOMERS

A one-time bill credit will be made to each eligible customer based on the following methodology:

First, identify each customer's bill that covers the heat storm period. The heat storm days are defined as July 16 through July 27.

PG&E will apply the heat storm refund adjustment to the current "Net Charges" as displayed on the Electric Account Detail section of the

Advice 2885-E

customer's bill. If a customer's billing cycle is such that two bills both include portions of a heat storm period, then the higher of the two bills will be considered as the basis for determining the heat storm bill credit.

In those instances where a customer's bill is longer than the standard billing period (a standard bill is 27 – 33 days), PG&E will prorate the current "Net Charges" to an equivalent 33 day bill.

The Heat Storm Bill Credit will be determined by multiplying the current "Net Charges" from the customer's eligible heat storm bill by 15 percent for all residential customers and 10 percent for all customers taking service on non-residential rate schedules.

If applicable, the associated utility users' tax will be refunded at the current effective rate.

Finally, the bill credit will be applied in the form of a one-time credit to the customer's bill. The bill credit will appear as a separate line item on the energy statement entitled "Heat Storm Bill Credit".

6. NOTICE TO MASTER-METERED CUSTOMERS WITH SUBMETERED TENANTS

PG&E will inform master-metered customers of potential bill credits and remind them of their obligation to pass along any refunds to their tenants in accordance with Section 739.5 (b) of the Public Utilities Code. PG&E will include a sample calculation of the credit to a submetered tenant.

7. ADJUSTMENT OF REFUND UPON CUSTOMER INQUIRY

If within nine months of the initial implementation date of the Refund Plan a current or former customer contends that the amount refunded is incorrect, PG&E will investigate the matter and make an appropriate adjustment.

8. REPORT ON REFUND PLAN

A final report of the total amount refunded to eligible customers pursuant to the Refund Plan will be furnished to the Director of the Energy Division by September 28, 2007. A preliminary report of the amount refunded through October 31, 2006, will be provided to the Director of the Energy Division by December 1, 2006. These reports will include adjustments made pursuant to Section 7 of this Refund Plan.

9. CUSTOMER NOTIFICATION

Each energy statement reflecting the refund credit will include a bill message stating the reason for the refund.

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

ABAG Power Pool	DGS Natural Gas Services	PG&E National Energy Group
Accent Energy	Douglass & Liddell	Pinnacle CNG Company
Aglet Consumer Alliance	Downey, Brand, Seymour & Rohwer	PITCO
Agnews Developmental Center	Duke Energy	Plurimi, Inc.
Ahmed, Ali	Duke Energy North America	PPL EnergyPlus, LLC
Alcantar & Elsesser	Duncan, Virgil E.	Praxair, Inc.
Ancillary Services Coalition	Dutcher, John	Price, Roy
Anderson Donovan & Poole P.C.	Dynergy Inc.	Product Development Dept
Applied Power Technologies	Ellison Schneider	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Law Group LLP	R. W. Beck & Associates
Arter & Hadden LLP	Energy Management Services, LLC	Recon Research
Avista Corp	Exelon Energy Ohio, Inc	Regional Cogeneration Service
Barkovich & Yap, Inc.	Exeter Associates	RMC Lonestar
BART	Foster Farms	Sacramento Municipal Utility District
Bartle Wells Associates	Foster, Wheeler, Martinez	SCD Energy Solutions
Blue Ridge Gas	Franciscan Mobilehome	Seattle City Light
Bohannon Development Co	Future Resources Associates, Inc	Sempra
BP Energy Company	G. A. Krause & Assoc	Sempra Energy
Braun & Associates	Gas Transmission Northwest Corporation	Sequoia Union HS Dist
C & H Sugar Co.	GLJ Energy Publications	SESCO
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz &	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Hanna & Morton	Silicon Valley Power
CA League of Food Processors	Heeg, Peggy A.	Smurfit Stone Container Corp
CA Water Service Group	Hitachi Global Storage Technologies	Southern California Edison
California Energy Commission	Hogan Manufacturing, Inc	SPURR
California Farm Bureau Federation	House, Lon	St. Paul Assoc
California Gas Acquisition Svcs	Imperial Irrigation District	Stanford University
California ISO	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
Calpine	International Power Technology	Tabors Caramanis & Associates
Calpine Corp	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Gilroy Cogen	IUCG/Sunshine Design LLC	TFS Energy
Cambridge Energy Research Assoc	J. R. Wood, Inc	Transcanada
Cameron McKenna	JTM, Inc	Turlock Irrigation District
Cardinal Cogen	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cellnet Data Systems	Manatt, Phelps & Phillips	United Cogen Inc.
Chevron Texaco	Marcus, David	URM Groups
Chevron USA Production Co.	Matthew V. Brady & Associates	Utility Cost Management LLC
Childress, David A.	Maynor, Donald H.	Utility Resource Network
City of Glendale	McKenzie & Assoc	Wellhead Electric Company
City of Healdsburg	McKenzie & Associates	Western Hub Properties, LLC
City of Palo Alto	Meek, Daniel W.	White & Case
City of Redding	Mirant California, LLC	WMA
CLECA Law Office	Modesto Irrigation Dist	
Commerce Energy	Morrison & Foerster	
Constellation New Energy	Morse Richard Weisenmiller & Assoc.	
CPUC	Navigant Consulting	
Cross Border Inc	New United Motor Mfg, Inc	
Crossborder Inc	Norris & Wong Associates	
CSC Energy Services	North Coast Solar Resources	
Davis, Wright, Tremaine LLP	Northern California Power Agency	
Defense Fuel Support Center	Office of Energy Assessments	
Department of the Army	OnGrid Solar	
Department of Water & Power City	Palo Alto Muni Utilities	