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November 14, 2006

Advice 2933-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

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

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 in draft form 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.)

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. To date, PG&E has exclusively used generation energy charge revisions to maintain constant total rates throughout the calendar year, and to achieve the 1.5 percent annual escalation on

January 1.¹ PG&E proposes to similarly use generation energy charge revisions on January 1, 2007, to achieve the Schedule AG-ICE 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 approach for January 1, 2007 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 demand charge or energy charge component revisions, or through some combination thereof, as appropriate after non-generation and non-distribution revisions are considered.

Current Schedule AG-ICE program statistics for the end of October 2006 indicate that 1,480 customer applications have been received since the program's inception. Of the \$27.5 million in total program capital funding allowed, approximately \$13.4 million has been granted in regular and additional line extension allowances on approved job estimates, and \$22.8 million in total when preliminary estimates for pending applications 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 in Table 4, Illustrative Case 1, on September 1, 2006 in PG&E's Annual Electric True-Up (AET) Advice 2895-E for rates effective January 1, 2007. Schedule AG-ICE distribution rate components remain at current levels, and generation energy charges are revised on a residual basis as needed to achieve the mandated 1.5 percent escalation in the total annual average rate for Schedule AG-ICE.

The attached Schedule AG-ICE rate changes are not necessarily the final result, and therefore are provided in draft form, as PG&E plans to supplement and update AET Advice 2895-E in late December to reflect recorded November 30 balancing account amounts and the AET Commission Resolution expected no later than December 14, 2006. At that time, this Schedule AG-ICE advice letter will also be supplemented and updated accordingly to reflect final AET Schedule AG-5B 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.

¹ Advice 2738-E and 2738-E-A were approved by the Commission to establish the 1.5 percent annual increase to total Schedule AG-ICE rates on January 1, 2006.

Protests

Anyone wishing to protest this filing may do so by sending a letter by Monday **December 4, 2006**, which is 20 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
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

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

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
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 this advice letter be approved effective **January 1, 2007**, but that the Energy Division provides approval no later than **December 14, 2006**, which is the regular notice period – 30 days from the date of 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 service list for A.04-11-007. Address changes to the General Order 96-A service list 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. Cheng in black ink.

Vice President - 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) #: **2933-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: **January 1, 2007**

No. of tariff sheets: 2 Draft

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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, 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 2933-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
Draft	Schedule AG-ICE--Agricultural Internal Combustion Engine Conversion Incentive Rate	24287-E
Draft	Schedule AG-ICE (Cont.)	25332-E

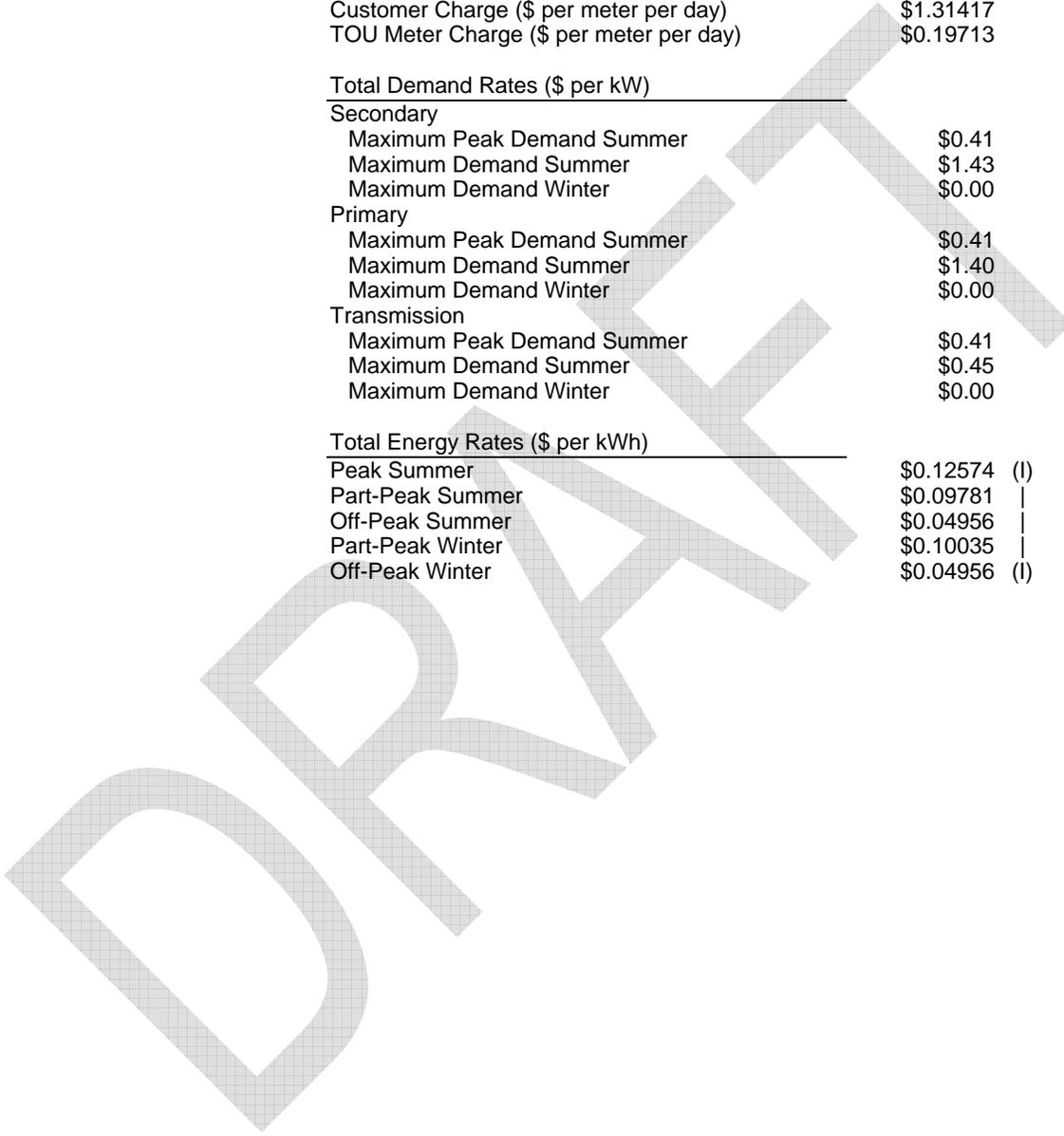


SCHEDULE AG-ICE—AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE
(Continued)

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	\$0.12574 (I)
Part-Peak Summer	\$0.09781
Off-Peak Summer	\$0.04956
Part-Peak Winter	\$0.10035
Off-Peak Winter	\$0.04956 (I)



(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	\$0.10113	(I)
Part-Peak Summer	\$0.07320	
Off-Peak Summer	\$0.02495	
Part-Peak Winter	\$0.07574	
Off-Peak Winter	\$0.02495	(I)

Transmission*

\$0.00537

Transmission Rate Adjustments*

(\$0.00025) (I)

Reliability Services*

\$0.00197 (I)

Public Purpose Programs

\$0.00598 (I)

Nuclear Decommissioning

\$0.00027 (R)

Competition Transition Charges

\$0.00378 (R)

Energy Cost Recovery Amount

\$0.00277 (R)

DWR Bond Charge

\$0.00472 (R)

* Transmission, Transmission Rate Adjustments, and Reliability Service charges are combined for presentation on customer bills.

(Continued)

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

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