

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 16, 2007

Advice Letter 2954-E-A

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

Subject: Supplement – Land Conservation Plan Implementation Memorandum Account

Dear Ms. de la Torre:

Advice Letter 2954-E-A is effective May 3, 2007. A copy of the advice letter and resolution are returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
M Brown	Tariffs Section
R Dela Torre	D Poster
B Lam	M Hughes
MAY 24 2007	
Return to _____	Records _____
	File _____
cc to _____	



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
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December 15, 2006

Advice 2954-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Land Conservation Plan Implementation Memorandum
Account**

Purpose

This advice filing proposes to create new electric Preliminary Statement EK - Land Conservation Plan Implementation Account (LCPIA), to recover from customers a portion of the costs incurred by PG&E to process applications before the California Public Utilities Commission (CPUC or Commission) and the Federal Energy Regulatory Commission (FERC) for transactions necessary to implement the Land Conservation Commitment as established by the CPUC in Decision (D.) 03-12-035. The LCPIA is being submitted as Attachment 1 to this advice letter.

Background

On July 1, 2003, PG&E filed and served the Proposed Settlement Agreement (PSA), the Settlement Plan, and a disclosure statement in Order Instituting Investigation (I.) 02-04-026 concerning PG&E's emergence from bankruptcy protection under Chapter 11 of the Bankruptcy Code. Among other things, the PSA contained provisions for certain environmental benefits for PG&E and its customers throughout California after PG&E emerged from bankruptcy. Those benefits included the adoption of the Land Conservation Commitment, which established provisions to permanently protect and enhance the approximately 140,000 acres of PG&E's watershed lands associated with its hydroelectric system, plus the 655-acre Carizzo Plains property in San Luis Obispo County. Under the auspices of the Land Conservation Commitment, the PSA, as later approved by the Modified Settlement Agreement (MSA) in Decision (D).03-12-035, proposed the establishment of a non-profit corporation named the Pacific Forest and Watershed Lands Stewardship Council (Stewardship Council or Governing

Board) to oversee the implementation of the Land Conservation Commitment and to carry out environmental enhancement activities.

On September 25, 2003, PG&E and several other parties and non-parties filed a Stipulation Resolving Issues Regarding the Land Conservation Commitment (Stipulation) which resolved the majority of issues directly related to the Land Conservation Commitment raised by Parties throughout the duration of I.02-04-026, including specifications for the development of a Land Conservation Plan (LCP) that will articulate the recommended actions necessary to permanently protect and enhance the beneficial public values associated with the watershed lands and Carrizo Plains. The Stipulation also interpreted Settlement Agreement paragraph 17 and Appendix E and states mutually agreeable terms for implementation of the Land Conservation Commitment.¹ Paragraph 12.b of the Stipulation states that: “...*the Governing Board will prepare and adopt the LCP (as provided in Settlement Agreement, Appendix E) within three years after the Effective Date [of the decision].*...”

On December 18, 2003, the Commission issued D.03-12-035, which modified the PSA and concluded Order Instituting Investigation (I.) 02-04-026 concerning PG&E’s emergence from bankruptcy protection under Chapter 11 of the Bankruptcy Code. D.03-12-035 authorized the creation of the Land Conservation Commitment in Ordering Paragraph (OP) 6 of the MSA. The final MSA required PG&E, through retail rates, to fund the Stewardship Council with \$70 million² over 10 years to cover both “administrative expenses and the costs of environmental enhancements” to the protected lands.³

The Stipulation provides guidance regarding the budget and reimbursement of costs to PG&E as follows:

“a. The Governing Board will adopt appropriate financial and accounting procedures for its expenditures, including criteria for reimbursement of expenditures by PG&E and other members of the Governing Board for the costs of outside experts, consultants, or other advisors involved in implementing the Land Conservation Commitment, or for costs charged by a governmental entity with authority over the Section 851 applications or the resulting transactions.” In the case of a parcel split recommended by the Stewardship Council, PG&E will be reimbursed for all costs associated with obtaining approval for the parcel split, including the cost of any condition imposed by a government authority, provided that the Governing Board will have the right to reject the proposal to split the parcel in lieu of paying the cost of any conditions and to

¹ See Paragraphs 5-7 of the Stipulation.

² Total LCC funding is \$100 million (later expanded by \$30 million to support Environmental Opportunity for Urban Youth Program). See pages 64-65 of Decision 03-12-035.

³ See Paragraph 17(c) of the MSA.

propose an alternative. PG&E will not be reimbursed for internal costs associated with preparing the Section 851 applications or participating on the Governing Board.

b. No expenditure will be made from the funds provided by Settlement Agreement paragraph 17(c) for compliance with PG&E's regulatory or other legal duty as owner of the Watershed Lands and Carrizo Plains, including payment of property taxes incident to such ownership."⁴

Although the MSA requires PG&E to provide the Stewardship Council with \$70 million to cover "administrative expenses and the costs of environmental enhancements" to the protected lands, neither the Stipulation nor D.03-12-035 specify all of the items included in these categories of costs. To resolve differing perspectives between PG&E and some of the other members of the Stewardship Council about whether certain costs were intended to be covered by the \$70 million, PG&E proposes, and the Stewardship Council supports, creating the LCPIA to allow PG&E to recover those costs associated with CPUC and FERC review and approval of regulatory applications required to implement the LCP.

Specifically, PG&E proposes that the LCPIA record for future recovery costs such as:

- a)** Costs incurred by PG&E for outside consultants or experts necessary to assist in the preparation or processing of the Section 851 or FERC applications and components thereof, such as any required Proponent's Environmental Assessments;
- b)** Costs incurred by the CPUC in the review and approval of the Section 851 applications and ordinarily passed through for reimbursement from PG&E, such as staff time to review and process applications and costs incurred for outside consultants or experts necessary to perform environmental assessments and develop final environmental documents in accordance with the California Environmental Quality Act (CEQA);
- c)** Costs incurred by the FERC in the review and approval of the proposed applications and filings at FERC required to implement the LCP and ordinarily passed through for reimbursement from PG&E, such as staff time to review and process applications and costs incurred for outside consultants or experts necessary to perform environmental assessments and develop final environmental documents in accordance with the National Environmental Policy Act (NEPA); and
- d)** Costs incurred by PG&E for other similar items related to the development of and regulatory review and approval of applications for

⁴ See Paragraph 13 of the Stipulation

transactions necessary to implement the LCP that are not explicitly delineated in the Settlement and Stipulation or authorized in PG&E's General Rate Case.

Memorandum Account

With this advice letter PG&E is submitting new electric Preliminary Statement EK – LCPIA (Attachment 1) to record: 1) a monthly debit equal to the amount billed to PG&E by outside consultants or experts necessary to assist in the preparation of the Section 851 or FERC applications and components thereof; 2) a monthly debit equal to the amount billed to PG&E by the CPUC for reimbursement of the costs incurred by the CPUC to review and process the applications for transactions required to implement the Land Conservation Plan; 3) a monthly debit equal to the amount billed to PG&E by the FERC for reimbursement of the costs incurred by the FERC to review and process the applications for transactions required to implement the Land Conservation Plan; and, 4) a monthly debit equal to costs incurred by PG&E for other similar items related to the development and regulatory review and approval of the applications for transactions required to implement the Land Conservation Plan. After any necessary review or audit of the amounts in the LCPIA have taken place, a credit entry will be made to transfer the remaining balance of the LCPIA to the Utility Generation Balancing Account (UGBA) for recovery in rates.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **January 4, 2007**. 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: mas@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 also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

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
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **January 14, 2007**, which is 30 calendar days after the date of 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 I.02-04-026. 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

Attachment 1 – Memorandum Account

cc: I.02-04-026 Service List
Jayne Battey – Stewardship Council Board Member
Richard Roos-Collins -- Stewardship Council Board Member
Robert Kinosian -- Stewardship Council Board Member
Truman Burns -- Stewardship Council Board Member
Steve Larson -- Stewardship Council Board Member
Nancee Murray -- Stewardship Council Board Member
Jay Chamberlin -- Stewardship Council Board Member
Karen Mills -- Stewardship Council Board Member

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 U39M

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: David Poster

Phone #: (415) 973-1082

E-mail: dxpu@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) #: 2954-E

Subject of AL: Land Conservation Plan Implementation Memorandum Account

Keywords (choose from CPUC listing): Land Conservation Commitment

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

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

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

Resolution Required? Yes No

Requested effective date: 01-14-2007

No. of tariff sheets: 3

Estimated system annual revenue effect (%): N/A

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: N/A

Pending advice letters that revise the same tariff sheets:

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

jinj@cpuc.ca.gov and mas@cpuc.ca.gov

Utility Info (including e-mail)

Pacific Gas and Electric Company

Attn: Brian Cherry

Vice President, Regulatory Relations

77 Beale Street, Mailcode B10C

P.O. Box 770000

San Francisco, CA 94177

Facsimile: (415) 973-7226

E-mail: PG&ETariffs@pge.com

**ATTACHMENT 1
Advice 2954-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
25670-E	Preliminary Statement Part EK--Land Conservation Plan Implementation Account	New
25671-E	Table of Contents -- Preliminary Statements	24753-E
25672-E	Table of Contents -- Title Page	25658-E



PRELIMINARY STATEMENT
(Continued)

EK. LAND CONSERVATION PLAN IMPLEMENTATION ACCOUNT (LCPIA)

(N)

1. **PURPOSE:** The purpose of the LCPIA is to record for subsequent recovery from customers a portion of the costs incurred by PG&E to process applications before the CPUC or the FERC of transactions necessary to implement the Land Conservation Plan approved by the CPUC in Decision 03-12-035.
2. **APPLICABILITY:** The LCPIA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the amounts in this account shall be determined in the Annual Electric True-up Proceeding or other proceeding authorized by the Commission.
4. **LCPIA RATES:** The LCPIA does not have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E will make the following entries to the LCPIA:
 - a. A monthly debit equal to the amount billed to PG&E by the CPUC for reimbursement of the costs incurred by the CPUC to review and process the applications to implement the Land Conservation Plan.
 - b. A monthly debit equal to the amount billed to PG&E by the FERC for reimbursement of the costs incurred by the FERC to review and process the applications to implement the Land Conservation Plan.
 - c. A monthly debit equal to the costs billed to PG&E for consultant services necessary to process the applications to implement the Land Conservation Plan.
 - d. A monthly debit equal to other costs incurred by PG&E to process the applications to implement the Land Conservation Plan.
 - e. A credit entry to transfer the balance in the account to the UGBA for recovery in rates. Such transfer shall be made after any necessary review or audit of the amounts in the account.
 - f. A monthly entry equal to interest on the average balance in the LCPIA at the beginning of the month and the balance at the end of the month after entries EK.5.a through EK.5.e above, 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.

(N)



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**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 & Kahl	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	