

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 12, 2007

Advice Letters 2981-E-A
2981-E-B

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

Subject: Supplement – PG&E’s Request for the Establishment of a Market
Redesign and Technology Upgrade Memorandum Account

Dear Mr. Cherry:

Advice Letters 2981-E-A and 2981-E-B are effective June 7, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

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April 13, 2007

Advice 2981-E-A
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplement - PG&E's Request for the Establishment of a Market Redesign and Technology Upgrade Memorandum Account

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment 1. 2981-E-A supersedes 2981-E in its entirety.

Purpose

PG&E submits this supplemental filing to request California Public Utilities Commission (Commission) authority to create new electric account EP- Market Redesign and Technology Upgrade Memorandum Account (MRTUMA), to record incremental expenses and incremental capital related costs associated with the California Independent System Operator's (CAISO) Market Redesign and Technology Upgrade (MRTU) initiative. PG&E had initially requested to record these costs in the Utility Generation Balancing Account (UGBA)¹, but after subsequent conversations with the Commission's staff expressing their desire for a consistent approach between the three major Investor Owned Utilities, PG&E is now requesting approval of the MRTUMA instead.

Background

The CAISO is a not-for-profit public benefit corporation that was established in 1996. In Decision (D.) 95-12-063 the Commission ordered PG&E to transfer operational control of its transmission facilities to the CAISO. The CAISO: (1) manages the flow of electricity on California's high-voltage power grid; (2) ensures

¹ PG&E filed Advice 2981-E on February 9, 2007, which requested authority to record the costs mentioned above in UGBA.

fair and open access to the transmission grid for all qualified users; and (3) provides market and grid information.

Through a series of orders issued by the Federal Energy Regulatory Commission (FERC), the CAISO began an overhaul of its approach to manage transmission congestion, and to engage in a more comprehensive redesign of its market structure including the creation of a Day-Ahead Energy market to replace the defunct California Power Exchange (PX) markets. The FERC orders provided direction to the CAISO on further development of a new MRTU market design to address structural flaws in the current CAISO's electricity market.

The MRTU design involves a comprehensive overhaul of the electricity markets administered by the CAISO, and adoption of a new network model that is intended to more accurately reflect operations of the CAISO Controlled Grid. PG&E must undertake major internal computer system and business process changes to ensure integration with the new MRTU systems. The objectives of the MRTU project are to:

1. Perform effective Congestion Management in the CAISO forward markets by enforcing all transmission constraints so as to establish feasible forward schedules;
2. Create a Day-Ahead Market for energy;
3. Automate real-time dispatch to balance the system and manage congestion in an optimal manner with minimal need for manual intervention; and
4. Ensure consistency across market time frames in making transmission resources available to California grid users and in the pricing of transmission service and energy.

On February 9, 2006, the CAISO filed its MRTU Tariff with the FERC. The MRTU Tariff was filed as a result of years of study, stakeholder input, coordination with state authorities, and FERC guidance to address the structural flaws in the CAISO's current electricity markets. Market participants, including PG&E, are bound to comply with the ultimate FERC-approved MRTU Tariff. Furthermore, PG&E must comply with the MRTU Tariff to conform to FERC regulations, and with existing legal agreements with the CAISO. In late September 2006, the FERC conditionally approved the MRTU tariff.

MRTU Release 1 commenced market simulation in October 2006, and will enter production on January 31, 2008 for the February 1, 2008 trade date. The CAISO has targeted MRTU Release 1A for sometime in 2008 and MRTU Release 2 for sometime in 2009. The CAISO has established an aggressive schedule to complete the various MRTU releases. Release 1 was originally scheduled to commence in early-2007, which was subsequently changed to November 2007.

The current forecast is to implement Release 1 on January 31, 2008. Estimating the exact dates of the various MRTU releases, and the amount of costs that PG&E will incur is very difficult.

PG&E's Memorandum Account Request

PG&E requests Commission authority to establish the MRTUMA. The MRTUMA will record PG&E's incremental capital-related revenue requirement (i.e., book depreciation, applicable taxes, and an authorized return on rate base) and incremental expenses associated with implementing the CAISO's MRTU initiative. After Commission review in a separate application or in combination with the reasonableness review of other accounts, PG&E will transfer the approved amounts (plus interest) from the MRTUMA to the Utility Generation Balancing Account (UGBA) for recovery.

Protests

Due to the time required to finalize and submit a draft resolution, PG&E requests an expedited protest period and review period pursuant to General Order 96-A, Section IV-B Effective Date and Section XV-Exceptions. 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 **April 20, 2007** with replies to protests due **April 23, 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 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
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

Because PG&E is currently incurring costs that it wants to include in the MRTUMA, PG&E requests an effective date of **March 11, 2007**, which is the effective date PG&E requested in Advice 2981-E.

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. 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

Attachments

cc: Eric Greene – Energy Division

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: 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) #: **2981-E-A**

Subject of AL: Supplement – PG&E's Request for the Establishment of a Market Redesign and Technology Upgrade Memorandum Account

Keywords (choose from CPUC listing): MRTU, CAISO

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: N/A

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

Resolution Required? Yes No

Requested effective date: **03-11-07**

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: Electric Preliminary Statement Part EP

Service affected and changes proposed: 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

mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Utility Info (including e-mail)

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

**ATTACHMENT 1
Advice 2981-E-A**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26304-E	Preliminary Statement Part EP--Market Redesign and Technology Upgrade Memorandum Account	New
26305-E	Table of Contents -- Rate Schedules	24332-E
26306-E	Table of Contents -- Title Page	26001-E



PRELIMINARY STATEMENT
(Continued)

EP. Market Redesign and Technology Upgrade Memorandum Account (MRTUMA)

(N)

1. PURPOSE:

The purpose of the MRTUMA authority to record incremental expenses and incremental capital related costs associated with the California Independent System Operator's (CAISO) Market Redesign and Technology Upgrade (MRTU) initiative. PG&E must comply with the MRTU Tariff to conform to FERC regulations, and with existing legal agreements with the CAISO. In late September 2006, the FERC conditionally approved the MRTU tariff.

2. APPLICABILITY:

The MRTUMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. MRTUMA RATES:

The MRTUMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE:

PG&E shall maintain the MRTUMA by making entries to this account at the end of each month as follows:

- a. A debit entry equal to PG&E's incremental expenses and capital-related revenue requirements (i.e., book depreciation, applicable taxes, and an authorized return on rate base) associated with implementing the CAISO's MRTU initiative;
- b. A credit entry to transfer amounts recorded in the MRTUMA into UGBA after reasonableness review by the Commission; and
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entry 4.a, 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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Sample Forms		

**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	Dynergy 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	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
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	