

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

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

415.973.4977  
Internal: 223.4977  
Fax: 415.973.7226  
Internet: BKC7@pge.com

February 9, 2007

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

Public Utilities Commission of the State of California

**Subject: PG&E's Request for Incremental Cost Recovery for the Market Redesign and Technology Upgrade**

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.

**Purpose**

The purpose of this advice filing is to request California Public Utilities Commission (Commission) 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 in PG&E's Utility Generation Balancing Account (UGBA)<sup>1</sup>.

**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 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

---

<sup>1</sup> PG&E is requesting authority to record these incremental MRTU costs in UGBA in accordance with its 2007 General Rate Case Application (A.) 05-12-002 proposal to recover all electric supply administration costs in UGBA on a going forward basis.

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 Balancing Account Request

Because of the uncertainty of both timing and costs, PG&E requests Commission authority to establish a subaccount in UGBA to record PG&E's incremental capital-related revenue requirement costs (i.e., book depreciation, applicable taxes, and an authorized return on rate base) and incremental expenses associated with implementing the CAISO's MRTU initiative. Incremental expenses and capital costs are ones that are not currently authorized for recovery in rates.

PG&E will request recovery of the amounts recorded in the UGBA in the Annual Electric True-Up proceeding, or another regulatory proceeding as directed by the Commission. This subaccount in UGBA will be used to record and recover these incremental costs to PG&E until such costs can be estimated and included in PG&E's electric generation base revenue amount as approved in PG&E's general rate cases.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **March 1, 2007**, 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  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)

**Effective Date**

PG&E requests that this advice letter become effective on regular notice, **March 11, 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. 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:

# 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

Subject of AL: PG&E's Request for Incremental Cost Recovery for the Market Redesign and Technology Upgrade

Keywords (choose from CPUC listing): MRTU

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 CG

Service affected and changes proposed<sup>1</sup>: 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](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)**

**ATTACHMENT 1  
Advice 2981-E**

<b>Cal P.U.C. Sheet No.</b>	<b>Title of Sheet</b>	<b>Cancelling Cal P.U.C. Sheet No.</b>
25952-E	Preliminary Statement Part CG--Utility Generation Balancing Account	24736-E
25953-E	Table of Contents -- Preliminary Statements	25625-E
25954-E	Table of Contents -- Title Page	25728-E





**TABLE OF CONTENTS**

**Preliminary Statements**

<b>SCHEDULE</b>	<b>TITLE OF SHEET</b>	<b>CAL P.U.C. SHEET NO.</b>
Part CB	DWR/ISO Cost Balancing Account .....	20500-E
Part CC	Real Time Energy Metering Memorandum Account.....	18307-18308-E
Part CD	Kern Restoration and Operation Memorandum Account.....	18509-E
Part CE	Baseline Balancing Account.....	23410-23411-E
Part CF	Net Energy Metering Memorandum Account .....	18831-E
Part CG	Utility Generation Balancing Account.....	25367, <b>25952</b> , 24736-E
Part CH	Utility Retained Generation Income Tax Memorandum Account.....	20502-E
Part CI	Wholesale DWR/ISO Cost Memorandum Account .....	20503-E
Part CJ	Negative Ongoing Transition Charge Memorandum Account.....	24322-E
Part CK	Distribution Bypass Deferral Rate Memorandum Account .....	20619-E
Part CL	Distributed Energy Resources Memorandum Account.....	19042-E
Part CM	Bond Charge Balancing Account (BCBA) .....	20245, 19556-E
Part CN	Research, Development, and Demonstration Balancing Account.....	19371-E
Part CO	Renewables Balancing Account.....	19372-E
Part CP	Energy Resource Recovery Account .....	24323, 25085, 24325-E
Part CQ	Modified Transition Cost Balancing Account.....	24756-24757, 24328-24329, 24758-E
Part CR	Common Area Balancing Account .....	19768-19769-E
Part CS	Advanced Metering and Demand Response Account.....	24738-24739, 23926*-E
Part CT	Direct Access Shortfall Account (DASA) .....	22416-E
Part CU	Customer Credit Card Holding Account .....	21533-E
Part CV	Financial Hedging Memorandum Account (FHMA) .....	20631-E
Part CY	El Paso Settlement Electric Memorandum Account (EPSEMA).....	20985-E
Part CZ	Distribution Revenue Adjustment Mechanism.....	25368, 24740*, 25400, 25224-E

(T)



TABLE OF CONTENTS

Table of Contents

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Title Page	.....	25728-E
Rate Schedules	.....25660, 25364, 25872, 25619-E	
Preliminary Statements	.....25624, <b>25953</b> , 25661, 25455-E	(T)
Rules	.....	25362-E
Sample Forms	.....25874, 25630, 25875-25876, 25418, 25877-25878-E	

**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	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 Cost Management LLC
Chevron USA Production Co.	Maynor, Donald H.	Utility Resource Network
City of Glendale	MBMC, Inc.	Wellhead Electric Company
City of Healdsburg	McKenzie & Assoc	Western Hub Properties, LLC
City of Palo Alto	McKenzie & Associates	White & Case
City of Redding	Meek, Daniel W.	WMA
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	