

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 2, 2008

Advice Letters 3023-E-A
3023-E-B
3023-E-C

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

Subject: Supplement – Modify Energy Resource Recovery Account to
Record and Recover the Costs Associated with RPS Compliance
Requirements. (Preliminary Statement CP)

Dear Mr. Cherry:

Advice Letters 3023-E-A, 3023-E-B, and 3023-E-C are effective December 20, 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

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June 18, 2007

Advice 3023-E-A
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplement - Modify Energy Resource Recovery Account to record and recover the costs associated with RPS compliance requirements. (Preliminary Statement CP)

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. Advice 3023-E-A supersedes Advice 3023-E in its entirety.

PURPOSE

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (CPUC) a supplemental filing for Advice 3023-E, dated March 30, 2007. The purpose of this supplement is to provide additional information on the method for recording and recovering the costs pursuant to PG&E's participation in the Western Renewable Energy Generation Information System (WREGIS). Energy Division requested in a letter, dated June 4, 2007, that PG&E provide additional information by responding to the following questions:

- 1. Explain the purpose of WREGIS & benefits the tracking system will provide.*

WREGIS is an independent regional renewable energy tracking system developed by the California Energy Commission (CEC) in conjunction with the Western Governor's Association and the Western Electric Coordinating Council (WECC). The purpose of WREGIS is to collect data needed to substantiate and support the verification and tracking of renewable energy generation. The benefit of the tracking system is that it enables the CEC to accurately track and account for renewable energy generation and the associated renewable energy credits

(RECs). The system will prevent duplicative claims to RECs and facilitate the CEC's verification of obligated entities' compliance.

2. List the cost and fee categories associated with participation in WREGIS.

The cost and fee categories associated with PG&E's use of WREGIS consist of a flat annual account fee of approximately \$1,500 and a total volumetric fee of \$0.02 per MWh of Renewables Portfolio Standard (RPS) - eligible electric energy for certificate issuance, transfer of the certificate to an LSE's account, and retirement of the certificate when it is used to satisfy a state RPS requirement. It is PG&E's understanding that WREGIS will start billing for its services on January 1, 2008.

3. Identify the reasons that all WREGIS costs and fees are RPS-Procurement related costs that should be recorded into the Energy Resource Recovery Account (ERRA) balancing account. Explain why costs and fees associated with WREGIS should not be recorded in a General Rate Case (GRC)

The WREGIS costs are commodity-related costs, directly associated with the RPS eligible electric energy being used to meet the utilities' RPS obligations. PG&E and other RPS obligated load serving entities are required to participate in WREGIS.

Most WREGIS costs are volumetric, subject to variation in proportion to the generation and procurement of renewable power. In contrast, the General Rate Case (GRC) is the vehicle through which PG&E recovers electric transaction administration expense, including resource planning, electric trading, settlements and contract administration. WREGIS fees have nothing to do with PG&E's electric transaction administration activity. They are power costs, directly attributable to an RPS transaction, and should be recovered through the ERRA account.

4. Specify all current costs associated with RPS compliance requirements. How are those costs recorded and recovered? If RPS compliance costs are currently recorded and recovered in the GRC, identify those costs by category.

There are two types of transaction costs. RPS compliance costs associated with RPS planning and procurement are part of PG&E's Electric Transaction Administration expenses, including costs of PG&E staff to administer the annual RPS Solicitation and other RPS activities. These costs are recovered through base rates as forecast in PG&E's 2007 GRC. PG&E's forecast of the cost of the RPS Independent Evaluator (IE) for 2007 - forward is also reflected in the GRC forecast. For 2005 and 2006, the IE costs were recorded in the Long Term

Procurement Memorandum Account in accordance with Resolution E-3914. In the GRC, RPS compliance costs are included as part of Electric Transaction labor, but are not broken-out, recorded or recovered as a separate category.

The second type of compliance cost is commodity-related. The RPS power itself is recovered through ERRA, and PG&E proposes that the transaction costs being imposed by WREGIS associated with this RPS power also be recovered in ERRA.

5. *Provide a best estimate or forecast each year on expected WREGIS costs and fees for the following year, so that ED can have a reasonable expectation of the volume of WREGIS costs and be able to compare them with actual costs.*

PG&E estimates its costs for WREGIS fees in 2008 will be approximately \$200,000. For future years, the costs for WREGIS fees will depend on WREGIS' fee levels and on the amount of renewable power procured each year. The forecast of WREGIS costs will be included as part of the annual ERRA forecast proceeding.

6. *Identify any known and expected future costs associated with RPS compliance requirements. How does the IOU recommend for the treatment of those costs in the future, if there are any future costs?*

PG&E is not currently aware of any additional future cost items associated with RPS compliance requirements. Should PG&E become aware of any such costs in the future, PG&E may seek recovery of such costs, as appropriate, based on the specific nature of the costs and compliance requirements.

7. *The Energy Division recommends that the tariff should be modified to record the costs associated with WREGIS only. For example: A debit entry equal to the fees associated with the participation in WREGIS.*

PG&E concurs with Energy Division's recommendation that the tariff should be modified to record the costs associated with WREGIS only, and has revised its ERRA Preliminary Statement accordingly.

8. *Supplemental AL shall clarify its purpose of modifying the ERRA account to record the fees associated with participation in WREGIS; recovery of WREGIS costs is not within the scope of the AL.*

In this supplemental AL, PG&E clarifies that the purpose of modifying the ERRA preliminary statement is to record the fees associated with participation in WREGIS. PG&E will seek recovery of WREGIS costs as part of its annual ERRA Compliance Review proceeding.

Tariff Changes

PG&E requests approval to modify the ERRR preliminary statement to record the costs associated with WREGIS.

PROTESTS

Anyone wishing to protest this filing may do so by sending a letter by **July 9, 2007**,¹ 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, 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 should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, 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
E-mail: PGETariffs@pge.com

¹ As the protest period would conclude on a weekend, PG&E has moved it forward to the following business day.

EFFECTIVE DATE

PG&E requests that this advice filing become effective 30 days from today's date, **July 18, 2007**.

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 R.06-05-027. Address changes should be directed to Rose De La Torre, at telephone number (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs/>



Vice President – Regulatory Relations

Attachment 1 - ERRRA

Cc: R.06-05-027
Sean Simon, 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) #: 3023-E-A

Subject of AL: Supplement - Modify Energy Resource Recovery Account to record and recover the costs associated with RPS compliance requirements.

Keywords (choose from CPUC listing): RPS, Electric Tariffs

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: 07-18-07

No. of tariff sheets: 4

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 CP

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 jni@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 3023-E-A**

| Cal P.U.C. Sheet No. | Title of Sheet | Cancelling Cal P.U.C. Sheet No. |
|---------------------------------|--|--|
| 26419-E | Preliminary Statement Part CP--Energy Resource Recovery Account | 26255-E |
| 26420-E | Preliminary Statement Part CP (Cont.) | 26256-E |
| 26421-E | Table of Contents -- Preliminary Statements | 26216-E |
| 26422-E | Table of Contents -- Title Page | 26323-E |



PRELIMINARY STATEMENT
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), costs associated with participating in the Western Renewable Energy Generation Information System (WREGIS), bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA. (N)
(N)

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the DWR.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (OP) 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues less revenues collected for DWR during that year.

Pursuant to Decision 04-01-050, the ERRA trigger mechanism for 2004 and subsequent years would be established annually through an Advice Letter on or before April of each year.

Decision 04-12-048 extended the ERRA Trigger to be in effect during the term of the long-term procurement contracts, or 10 years, whichever is longer.

2. **APPLICABILITY:** The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Pursuant to Decision 04-01-050, the revision dates applicable to the ERRA shall be (i) June 1 of each year for the forecast filing; (ii) February of each year for the compliance review filing; (iii) as determined in Section 1 above in the case of an ERRA Trigger Application; and (iv) through the advice letter process.

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year; (ii) the reasonableness review in February 2005; and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year.

(Continued)



PRELIMINARY STATEMENT
(Continued)

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

The following entries reflect the total costs associated with procuring electricity for customers and other related costs:

- i) A debit entry equal to the amount paid for ISO-related charges;
- j) A debit entry equal to the sum for the month of the product of: (1) the Millions of British Thermal Units (MMBtu) of natural gas burned daily for all purposes at PG&E's fossil plants; and (2) that day's weighted-average cost of gas on a Utility Electric Generation (UEG) portfolio basis (\$/MMBtu);
- k) A debit entry equal to the sum for the month of the product of: (1) the barrels of distillate and heavy fuel oil burned daily for all purposes at the fossil plants; and (2) that day's weighted-average cost of distillate or fuel oil per barrel on a "last-in-first-out" (LIFO) basis;
- l) A debit entry equal to the hydroelectric fuel expenses. The fuel expenses include water purchase costs for the hydroelectric plants;
- m) A debit entry equal to fuel expenses for the Diablo Canyon Nuclear Power Plant;
- n) A debit entry equal to total costs associated with QF obligations that are eligible for recovery as an ongoing CTC;
- o) A debit entry equal to total costs associated with QF obligations that are not eligible for recovery as an ongoing CTC;
- p) A debit entry equal to bilateral contract obligations;
- q) A debit entry equal to hedging contract obligations;
- r) A debit entry equal to renewable contract obligations and fees associated with participating in WREGIS; (T)
(T)
- s) A debit entry equal to costs associated with irrigation district contracts and other purchase power obligations, excluding WAPA but including capacity contract obligations;
- t) A debit entry equal to spot market purchases;
- u) A debit entry equal to system tolling or capacity contract obligations;
- v) A debit or credit entry equal to pre-payments and credit and collateral payments, including all associated fees, for procurement purchase and, if applicable, reimbursements of pre-payments, credit and collateral payments;
- w) A debit entry equal to incentive payments authorized in the Phase 1 decision of the Advanced Metering, Demand Response, and Dynamic Pricing Proceeding pursuant to Decision 03-03-036;
- x) A debit entry equal to any other power costs associated with procurement;

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| Part CE | Baseline Balancing Account..... | 23410-23411-E |
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**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

| | | |
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| ABAG Power Pool | Douglass & Liddell | PG&E National Energy Group |
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