

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 22, 2007

Advice Letter 3053-E

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

Subject: Establish Preliminary Statement Part ES – Demand Response Aggregator
Incentives Memorandum Account (DRAIMA) to Track Incentive Payments
to Third-Party Demand Aggregators, as Approved in Advice Letter 2953-E

Dear Ms. de la Torre:

Advice Letter 3053-E is effective January 15, 2007. A copy of the advice letter is 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
JUN 28 2007	
Return to _____	Records _____
cc to _____	File _____



Brian K. Cherry
Vice President
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Fax: 415.973.7226

May 25, 2007

Advice 3053-E
(Pacific Gas and Electric Company ID 39 E)

Public Utilities Commission of the State of California

Subject: Establish Preliminary Statement Part ES – Demand Response Aggregator Incentives Memorandum Account (DRAIMA) to Track Incentive Payments to Third-Party Demand Aggregators, as Approved in Advice Letter 2953-E

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are enclosed as Attachment 1.

PG&E requests that this advice letter be approved no later than June 24, 2007 to ensure proper recording of third-party aggregator costs.

Purpose

The purpose of this advice filing is to create a memorandum account to allow PG&E to record and ultimately recover the costs of incentives paid to third-party demand aggregators (aggregators) participating in the Base Interruptible Program (BIP) program. Aggregators were authorized to participate in BIP in Decision (D.) 06-11-049.¹ Revisions to Electric Rate Schedule E-BIP to allow aggregator participation were approved in Advice Letter (Advice) 2953-E (approved March 2, 2007).

Background

In response to the July 2006 heat storm, Commission President Peevey issued an Assigned Commissioner's Ruling (ACR) on August 9 that expressed concern about the investor-owned utilities' (IOUs') ability to avoid rolling outages in the event of a reoccurrence of similar system conditions. The ACR ordered the IOUs to redouble their efforts to enhance their demand response (DR) capability and required the IOUs to file by August 30, 2006 proposed program augmentations and improvements. In its August 30 filing, PG&E proposed to allow third-party demand aggregators to participate in the Base Interruptible Program. Decision 06-

¹ On page 2 of D.06-11-049, the Commission "[a]llows aggregators to participate" in the Base Interruptible Program.

11-049 approved this proposal, among others. PG&E subsequently filed Advice 2953-E to make the necessary tariff revisions, including to Electric Rate Schedule E-BIP, to implement the approved DR augmentations and improvements.

For PG&E customers directly enrolled in the BIP, the incentives for participation are paid to the customer via a bill credit that is recorded in the Distribution Rate Adjustment Mechanism (DRAM). The bill credit effectively reduces the amount of revenue recorded in the DRAM which creates an under-collection in the DRAM. On an annual basis, through the Annual Electric True-up (AET) advice filing, any under-collections in the DRAM are amortized and put into distribution rates for recovery in the following year. Because aggregators cannot receive a bill credit due to the fact that they represent multiple customers, they are instead paid based on the performance of their total portfolio. Consequently, a memorandum account is necessary in which to record the incentives paid to aggregators.

As noted earlier, approved Advice 2953-E modified the E-BIP tariff to allow aggregators to participate in E-BIP, enabling them to sign up E-BIP customers in PG&E's service territory to participate in the program. The aggregators are paid an incentive based on the individual performance of their respective portfolios.

Recovery Mechanism

The DRAIMA will record the amount of incentives paid directly to aggregators and performance penalty payments received by PG&E. The balance in the account will be transferred to the DRAM for recovery in rates through the Annual Electric True Up filing (AET).

Protest Period

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 **June 14**, which is 20 days after the date of this filing. 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: ijnj@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

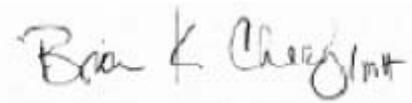
Effective Date

PG&E requests that this advice letter be approved effective January 15, 2007, consistent with the effective date of the revisions to the E-BIP tariff approved in Advice Letter 2953-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 and the service lists for A.05-06-006. 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>



Vice President - Regulatory Relations

Attachments

cc: Service List – A.05-06-006

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: Megan Hughes

Phone #: (415) 973-1877

E-mail: MEHr@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) #: **3053-E**

Subject of AL: Establish Preliminary Statement Part ES – Demand Response Aggregator Incentives Memorandum Account (DRAIMA) to Track Incentive Payments to Third-Party Demand Aggregators, as Approved in Advice Letter 2953-E

Keywords (choose from CPUC listing): Preliminary Statement, Memorandum Account

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

Summarize differences between the AL and the prior withdrawn or rejected AL¹:

Resolution Required? Yes No

Requested effective date: **June 24., 2007**

No. of tariff sheets: 3

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%):

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: New Electric Preliminary Statement ES

Service affected and changes proposed¹:

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

inj@cpuc.ca.gov and mas@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

¹ Discuss in AL if more space is needed.

**ATTACHMENT 1
Advice 3053-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26384-E	Preliminary Statement Part ES--Demand Response Aggregator Incentives Memorandum Account	New
26385-E	Table of Contents -- Rate Schedules	26309-E
26386-E	Table of Contents -- Title Page	26326-E



PRELIMINARY STATEMENT

ES. DEMAND RESPONSE AGGREGATOR INCENTIVES MEMORANDUM ACCOUNT (DRAIMA)

1. **PURPOSE:** The purpose of Demand Response Aggregator Incentives Memorandum Account (DRAIMA) is to record the incentives paid directly to third-party demand aggregators (Aggregators) for the Base Interruptible Program (BIP). The balance in this account will be transferred to the DRAM, or other account as directed by the California Public Utilities Commission (Commission), for recovery in rates. (N)
2. **APPLICABILITY:** The DRAIMA shall apply to all customer classes, except those specifically excluded by the Commission.
3. **REVISION DATE:** Upon approval by the Commission, the balance in this account shall be transferred to the Distribution Revenue Adjustment Mechanism (DRAM) or other account as directed by the Commission and rates adjusted through the Annual Electric True-Up advice letter process.
4. **RATES:** The DRAIMA does not have a rate component.
5. **ACCOUNTING PROCEDURES:** The following entries shall be made at the end of each month:
 - a. A debit entry equal to the incentive payments paid to aggregators for participation in the Base Interruptible Program.
 - b. A credit entry equal to any penalties paid by Aggregators.
 - c. A credit or a debit entry to the DRAIMA to transfer the balance of the DRAIMA to the DRAM, or other accounts as directed by the Commission, for recovery in rates.
 - d. A credit or debit entry equal to interest on the average balance in the DRAIMA at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of 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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(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	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	