

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 18, 2007

Advice Letter 3066-E

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: Transfer of Unreviewed Costs in the Generation Divestiture
Transaction Costs Memorandum Account to the Modified
Transition Cost Balancing Account in Compliance with
Decision 07-05-026

Dear Mr. Cherry:

Advice Letter 3066-E is effective July 15, 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

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

415.973.4977
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June 15, 2007

Advice 3066-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Transfer of Unreviewed Costs in the Generation Divestiture
Transaction Costs Memorandum Account to the Modified
Transition Cost Balancing Account in Compliance with Decision
07-05-026**

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 I.

Purpose

PG&E files this advice letter to modify the Modified Transition Cost Balancing Account (MTCBA) Preliminary Statement CQ and the Generation Divestiture Transaction Cost Memorandum Account (GDTCA) Preliminary Statement AE in order to implement Decision (D.) 07-05-026, which approved a Settlement Agreement between PG&E and the Division of Ratepayer Advocates (DRA) in the GDTCA proceeding (Application 06-08-004). The Settlement Agreement allows PG&E to transfer \$1.255 million, plus interest, to the MTCBA from the GDTCA to recover costs related to divestiture and/or market valuation of generation assets.

Background

The GDTCA was established to record divestiture/market valuation costs incurred by PG&E which were associated with the divestiture/market valuation of its generation facilities in compliance with the requirements of Public Utilities Code §367(b). The unreviewed costs were incurred after the record period for Annual Transition Cost Proceedings and/or were associated with the generation assets recorded in the Unreviewed Costs subaccount of the GDTCA which were held in abeyance by the enactment of Assembly Bill 6 (AB1X-6).

In A.06-08-004, PG&E requested recovery of \$2.521 million of previously unreviewed incremental transaction costs recorded in the Unreviewed Costs subaccount of the GDTCA. On November 30, 2006, PG&E reached a settlement with the DRA for the recovery of \$1.255 million, plus interest. On May 3, 2007, the Commission issued D.07-05-026, finding the Settlement reasonable.

In Ordering Paragraph 2 of this decision the Commission authorized PG&E to transfer \$1.255 million, plus interest from the GDTCSMA to the MTCBA for eventual recovery in rates as part of the Annual Electric True-Up advice letter.

Tariff Revisions

This advice letter proposes to make tariff modifications to the MTCBA, Preliminary Statement CQ and the Generation Divestiture Transaction Cost Memorandum Account (GDTCSMA) Preliminary Statement AE to enable PG&E to transfer \$1.255 million, plus interest at the 90-day commercial paper rate calculated from June 30, 2006 to the date of transfer, from the GDTCSMA to the MTCBA.

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 **July 05, 2007** 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: anj@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 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:

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

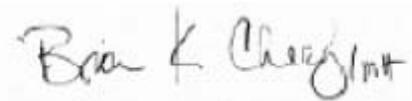
Effective Date

PG&E requests that this advice filing become effective on regular notice, **July, 15 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 A.06-08-004. 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 for A.06-08-004
Don Lafrenz, 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 (ID U39)**

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) #: **3066-E**

Subject of AL: Transfer of Unreviewed Costs in the Generation Divestiture Transaction Costs Memorandum Account to the Modified Transition Cost Balancing Account in Compliance with Decision 07-05-026

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.07-05-026

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

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

Resolution Required? Yes No

Requested effective date: **July 15, 2007**

No. of tariff sheets: 5

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 Statements AE and CQ

Service affected and changes proposed¹: 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
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave.,
San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company
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 3066-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26414-E	Preliminary Statement Part AE--Generation Divestiture Transaction Costs Memorandum Account	19902-E
26415-E	Preliminary Statement Part CQ--Modified Transition Cost Balancing Account	25897-E
26416-E	Table of Contents -- Preliminary Statements	26215-E
26417-E	Table of Contents -- Preliminary Statements	26216-E
26418-E	Table of Contents -- Title Page	26323-E



PRELIMINARY STATEMENT
(Continued)

AE. GENERATION DIVESTITURE TRANSACTION COSTS MEMORANDUM ACCOUNT (GDTCSMA)

1. **PURPOSE:** The purpose of the GDTCSMA is to record transaction costs incurred by PG&E associated with the divestiture of its generation facilities. The divestiture is being undertaken in accordance with Decision 95-12-063, as modified by Decision 96-01-009, Assembly Bill 1890, and Decision 03-02-028. Costs recorded in the GDTCSMA include all transaction costs including, but not limited to, investment banker fees and commissions, environmental impact reports and audits, outside legal support for regulatory proceedings and sales negotiations. Costs recorded in the GDTCSMA shall exclude any PG&E labor expenses.
2. **APPLICABILITY:** The GDTCSMA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **GDTCSMA RATES:** The GDTCSMA does not currently have a rate component.
4. **ACCOUNTING PROCEDURE:** The GDTCSMA consists of the following two Subaccounts:

Unreviewed Costs Subaccount: to record all transition costs incurred by PG&E associated with divestiture of its generations facilities, and not yet approved by the Commission for recovery.

Costs Deemed Reasonable Subaccount: to record transition costs associated with divestiture of its generation facilities, approved as reasonable by the Commission for recovery.

PG&E shall maintain this GDTCSMA by making entries to each subaccount as follows:

a. Unreviewed Costs Subaccounts:

- 1) A debit entry equal to PG&E's recorded transaction costs associated with the divestiture of generation facilities.
- 2) A credit entry to transfer any authorized balance plus interest at the 90-day commercial paper rate from the GDTCSMA to the Modified Transition Cost Balancing Account (MTCBA). (N)
I
(N)
- 3) A debit entry equal to the interest on the average balance in the account 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.

b. Costs Deemed Reasonable Subaccounts:

- 1) A debit entry equal to the amount associated with the divestiture of generation facilities approved by the Commission as reasonable in Decision 03-02-028, but deferred for recovery.
- 2) A debit entry equal to the interest on the average balance in the account at the beginning of the month and the balance after the above entry, 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.

5. **FINANCIAL REPORTING:** PG&E may, at its discretion, record the balance in the GDTCSMA as a deferred debit on its balance sheet with entries to the appropriate income statement accounts, as necessary.

PG&E may request recovery of the balance in the GDTCSMA by separate application to the Commission, or by any other means deemed appropriate by the Commission.



PRELIMINARY STATEMENT
(Continued)

CQ. MODIFIED TRANSITION COST BALANCING ACCOUNT (MTCBA)

5. ACCOUNTING PROCEDURE: (Cont'd.)

- c. A debit entry equal to bundled, DA, MDL, and CGDL customers' share of ten percent of the total net-present-value of the ratepayer benefits from a restructured QF contract, at the time the restructured contract is signed.
- d. A debit or credit entry equal to bundled, DA, MDL, and CGDL customers' share upon Commission approval of a restructured contract to true-up for any difference between the initial net present value (Item 5.c above), and the final Commission-approved net present value of the restructured QF contract.
- e. A credit entry equal to bundled, DA, MDL, and CGDL customers' share of the revenue received from the sale of excess sulfur dioxide emission credits, less reasonably incurred sales costs not already recovered in rates (D.97-11-074, Section 11.7.3).

The following entry reflects the ongoing CTC costs associated with PG&E's procurement portfolio from the Energy Resource Recovery Account (ERRA) for recovery in this account:

- f. A debit entry equal to the above-market costs for ongoing CTC associated with QF obligations and PPA obligations, above the market benchmark currently adopted by the Commission.
- g. A debit entry to transfer any authorized balance plus interest at the 90-day commercial paper rate from the Generation Divestiture Transaction Cost Memorandum Account (GDTCSMA) to the MTCBA. (N)
I
(N)
- h. An entry equal to the interest on the average balance of the account at the beginning of the month and the balance after the entries above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(Continued)

TABLE OF CONTENTS

Preliminary Statements

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Part A	Description of Service Area and General Requirements	12081-12090, 17048-E
Part E	CPUC Reimbursement Fee	21604-E
Part G	Catastrophic Event Memorandum Account	18998, 11740-E
Part H	Interest	10579-E
Part I	Rate Schedule Summary	26002, 25665-E
Part J	Income Tax Component of Contributions Provision	20380, 11503-E
Part K	Energy Commission Tax	24297-E
Part M	California Alternate Rates for Energy Account.....	26200-E
Part P	Customer Energy Efficiency Adjustment.....	24031-24032, 25583, 24034-E
Part Q	Competition Transition Charge Responsibility	14028-E
Part R	Affiliate Transfer Fees Account	24313-E
Part S	Hazardous Substance Mechanism.....	22710, 15720, 22711-22712, 13420-13421-E
Part T	Qualifying Facility Contribution in Aid of Construction Memorandum Account.....	13426-E
Part U	Capital Audit Consultant Cost Memorandum Account	17993-E
Part Y	Electric and Magnetic Field Measurement Policy.....	13399-E
Part Z	Electric Vehicle Balancing Account.....	26225-E
Part AD	Transition Cost Audit Memorandum Account.....	15917-E
Part AE	Generation Divestiture Transaction Costs Memorandum Account.....	26414-E
Part AK	Low Income Energy Efficiency Memorandum Account	19227-E
Part AN	Diablo Canyon Property Tax Balancing Account	24058-E
Part AS	Fixed Transition Amount Charge	14794, 25662-E
Part AT	Rate Reduction Bond Memorandum Account.....	25365-25366-E
Part AU	Direct Access Discretionary Cost/Revenue Memorandum Account.....	14837-E
Part BB	Competition Transition Charge Responsibility for All Customers and CTC Procedure for Departing Loads.....	24070, 19906-19907, 16400, 14960-14961, 16229-16231, 24071, 14964-14969, 16401- 16402-E
Part BF	Streamlining Residual Account	22714-E
Part BK	Transmission Revenue Requirement Reclassification Memorandum Account	16761-E
Part BO	Real Property Gain/Loss on Sale Memorandum Account.....	16651-E
Part BQ	Interim PX-Based Price Tracking Account	16695-E
Part BU	Vegetation Management Balancing Account	26221-26222-E
Part BX	Interruptible Load Programs Memorandum Account.....	24733-24734-E
Part BY	Self-Generation Program Memorandum Account	26209-E
Part BZ	Demand-Responsiveness Program Memorandum Account	25900-E

(T)

TABLE OF CONTENTS

Preliminary Statements

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
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, 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	25999-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	24323-24325, 26218-E
Part CQ	Modified Transition Cost Balancing Account.....	24326, 26415 , 24328-24330-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.....	24740*, 25368, 26097, 26210, 25958-E

(T)

TABLE OF CONTENTS

Table of Contents

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Title Page	.....	26323-E
Rate Schedules	.....26328, 25993-25994, 26204, 25955-E	
Preliminary Statements	.....26416-26417 , 24331, 26214-E	(T)
Rules	.....	26369-E
Maps, Contracts and Deviations	.....	26322-E
Sample Forms	.....26272, 26370-26371, 26264, 25876, 25947, 25711, 25961-E	

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

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
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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	