

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 15, 2007

Advice Letter 2857-G/3101-E

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: Post-Retirement Benefits other than Pensions (PBOPs)
for the Period from 2003 to 2006

Dear Mr. Cherry:

Advice Letter 2857-G/3101-E is effective September 5, 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

Fax: 415.973.7226

August 6, 2007

Advice 2857-G/3101-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Post-retirement Benefits Other than Pensions (PBOPs) for the period from 2003 to 2006

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice filing to request Commission approval to record appropriate entries to the Distribution Cost Subaccount of the Core Gas Fixed Cost (CFCA), the Interim Relief and Distribution Subaccount of the Noncore Customer Class Charge Account (NCA), the Distribution Revenue Adjustment Mechanism (DRAM) and the Utility Generation Balancing Account (UGBA) to reflect the net over-collected revenue requirement associated with medical and life insurance Post-retirement Benefits Other than Pensions (PBOPs) and Long Term Disability (LTD) for the period from 2003 to 2006.

Background

This filing is made in compliance with decisions in PG&E's General Rates Cases (GRC). Although the 2003 GRC decision (D.) 04-05-055 does not discuss the PBOPs/LTD adjustment, PG&E acknowledged the continuing need for this filing in its testimony and brief. The 1999 GRC decision (D. 00-02-046) continued the PBOPs adjustment treatment previously adopted in PG&E's 1996 GRC D. 95-12-055 (Ordering Paragraph 8), as modified by D.96-05-010. The credits to the DRAM, CFCA, NCA and UGBA accounts correct for the difference between the revenue requirement associated with the estimated PBOPs costs adopted in PG&E's 2003 GRC and the revenue requirement associated with the lesser of the Statement of Financial Accounting Standard (FAS) 106 expense or the tax deductible contribution amount for 1999 through 2002. The calculation of the revenue requirement adjustment is consistent with the proposal approved by the Commission in D.95-12-055, as modified in D.96-05-010.

Decision 95-12-055 also requires that PG&E provide a similar adjustment based on any difference between the revenue requirements associated with the estimated contribution to the trust established for LTD benefits adopted in the 1999 GRC and the revenue requirement associated with the amounts contributed to the trust.

The method used to calculate the adjustments proposed in this advice filing is the same as that used to calculate the adjustments proposed in advice filings 1956-G/1583-E (filed June 7, 1996) for 1993 through 1995, 2272-G/2050-E (filed October 27, 2000) for 1996 through 1998 and 2493-G/2432-E (filed October 28, 2003) for 1999 through 2002. Advice 1956-G/1583-E was accepted by the Energy Division on July 23, 1996; Advice 2272-G/2050-E was approved by the Commission in Resolution G-3317 on June 28, 2001; and Advice 2493-G/2432-E was approved by the Commission in Resolution G-3362 on March 16, 2004.

Credit Amounts

The amounts of the entries are:

<u>Account</u>	<u>Adjustment Amount</u> (\$000)
DRAM	(\$4,801)
CFCA	\$2,891
NCA	\$98
UGBA	(\$2,727)
Net Credit	(\$4,539)

Workpapers supporting the computation of the credit are available on request.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **August 27, 2007**, which is 21¹ 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

¹ The 20 day protest period concludes on a weekend. PG&E moves it to the following business day.

505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and inj@cpuc.ca.gov

Protests also should be sent by e-mail and facsimile to Mr. Honesto Gatchalian, Energy Division, as shown above, and by U.S. mail to Mr. Gatchalian at the above address.

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 K. 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: PG&ETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **September 5, 2007**, which is 30 days after the date of filing. PG&E submits this as a Tier 2 filing.

Notice

In accordance with General Order 96-B, Section IV, 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

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 M)**

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) #: **2857-G/3101-E**

Tier: [2]

Subject of AL: Post-retirement Benefits Other than Pensions (PBOPs) for the period from 2003 to 2006

Keywords (choose from CPUC listing): PBOPs

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: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: 09/05/2007

No. of tariff sheets: 0

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:

Service affected and changes proposed: N/A

Protests, dispositions, 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

ijnj@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

Advice 2857-G/3101-E

Workpapers Introduction

(The complete Workpapers are available upon request)

INTRODUCTION

These workpapers support the computation of the revenue requirements true-up associated with differences between the costs adopted in PG&E's 2003 General Rate Case for Post-Retirement Benefits Other than Pensions (PBOPs) and Long-Term Disability (LTD) and the recorded PBOPs and LTD costs. The revenue requirement differences are computed for 2003, 2004, 2005 and 2006, and reflect the authorized cost of capital for each year and the effects of the authorized attrition in 2004, 2005 and 2006.

Post Retirement Benefits Other Than Pensions (PBOPs)

PG&E has computed the difference between the revenue requirement associated with the PBOPs costs adopted in the 2003 GRC for 2003, 2004, 2005 and 2006, and those associated with the lesser of the FAS 106 expense or the tax deductible contribution for those years. The computed revenue requirements are shown in Table 1.

The revenue requirement calculations were based on that portion of the PBOPs total costs allocated to gas and electric distribution and electric generation capital and expense.

Amounts allocated to capital were assumed added to rate base pro rata through the year (i.e., no amount remained in Construction Work in Progress (CWIP) at year end). Rate base computed on the recorded costs for 2004, 2005 and 2006 includes amounts capitalized in previous years. Depreciation expense was based on the average depreciation rates for the gas and electric distribution and electric generation functions

The allowed revenue requirement for the PBOPs medical plan for 2003, 2004, 2005 and 2006 is based on the contribution amount, which has a lower revenue requirement than that computed based on the FAS 106 amount.

The allowed revenue requirement for the PBOPs life insurance plan for 2003, 2004, 2005 and 2006 is based on the contribution amount, which has a lower revenue requirement than that computed based on the FAS 106 amount.

Long-Term Disability (LTD)

The 1996 GRC decision authorized PG&E to establish a trust fund for LTD benefits.

The decision required a true-up mechanism similar to that previously adopted for PBOPs, based on any difference between the amounts contributed to the trust established for LTD benefits and the contribution amount adopted in the GRC. The LTD-related revenue requirements were computed in the same manner as described above for PBOPs. The allowed revenue requirement is based on the contribution amount.

In the settlement of the 2007 GRC, DRA and PG&E agreed to a consolidated approach for the adopted funding amount for PBOPs and LTD. For example, if the amount adopted for the PBOP medical plan could not be contributed to that plan's trust, the amount could be contributed to the LTD trust (up to the maximum tax deductible amount). This approach will allow PG&E to take advantage of available tax deductions. DRA agreed to allow this consolidated approach for the 2006 contributions analyzed here.

The computed revenue requirements are shown in Table 1.

Conclusion

The comparison of the adopted and allowed revenue requirements for PBOPs and LTD show that the adopted revenue requirement should be credited by a net amount of \$4.539 million as follows:

Electric distribution (DRAM)	\$-4.801 million
Gas distribution – core (CFCA)	2.891 million
Gas distribution – non-core (NCA)	0.098 million
Electric Generation (UGBA)	<u>-2.727 million</u>
Net Adjustment	\$-4.539 million

TABLE 1

PACIFIC GAS AND ELECTRIC
2003 - 2006 PBOPs/LTD Revenue Requirement Reconciliation
(Thousands of Dollars)

	2003	2004	2005	2006	Total
ELECTRIC DISTRIBUTION REVENUE REQUIREMENT					
PBOPs Medical					
Adopted	17,025	17,432	17,815	18,476	
Allowed	16,703 C	18,080 C	16,458 C	9,853 C	
Adjustment	(322)	648	(1,357)	(8,623)	(9,654)
PBOPs Life					
Adopted	1,195	1,262	1,288	1,336	
Allowed	101 C	841 C	497 C	797 C	
Adjustment	(1,094)	(421)	(791)	(539)	(2,845)
LTD					
Adopted	17,856	18,242	18,655	19,344	
Allowed	16,741 C	18,796 C	20,178 C	26,080 C	
Adjustment	(1,115)	554	1,523	6,736	7,698
ELECTRIC TOTAL	(2,531)	781	(625)	(2,426)	(4,801)
GAS DISTRIBUTION REVENUE REQUIREMENT					
PBOPs Medical					
Adopted	9,859	10,074	10,296	10,678	
Allowed	10,408 C	11,208 C	10,143 C	5,985 C	
Adjustment	549	1,134	(153)	(4,693)	(3,163)
PBOPs Life					
Adopted	710	728	744	772	
Allowed	66 C	523 C	306 C	492 C	
Adjustment	(644)	(205)	(438)	(280)	(1,567)
LTD					
Adopted	10,339	10,542	10,782	11,180	
Allowed	10,416 C	11,640 C	12,444 C	16,062 C	
Adjustment	77	1,098	1,662	4,882	7,719
GAS TOTAL	(18)	2,027	1,071	(91)	2,989

C = Revenue requirement based on contribution

TABLE 1 - Continued

PACIFIC GAS AND ELECTRIC
2003 - 2006 PBOPs/LTD Revenue Requirement Reconciliation
(Thousands of Dollars)

	2003	2004	2005	2006	Total
ELECTRIC GENERATION REVENUE REQUIREMENT					
PBOPs Medical					
Adopted	7,933	8,083	8,225	8,529	
Allowed	7,782 C	8,349 C	7,518 C	4,379 C	
Adjustment	(151)	266	(707)	(4,150)	(4,742)
PBOPs Life					
Adopted	557	585	595	617	
Allowed	47 C	391 C	228 C	366 C	
Adjustment	(510)	(194)	(367)	(251)	(1,322)
LTD					
Adopted	8,322	8,460	8,613	8,931	
Allowed	7,801 C	8,685 C	9,252 C	11,925 C	
Adjustment	(521)	225	639	2,994	3,337
GENERATION TOTAL	(1,182)	297	(435)	(1,407)	(2,727)
GRAND TOTAL	(3,731)	3,105	11	(3,924)	(4,539)

C = Revenue requirement based on contribution

**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
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	