

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 7, 2007

Advice Letter 3135-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: Modification of Preliminary Statement, Part AT,
Rate Reduction Bond Memorandum Account

Dear Mr. Cherry:

Advice Letter 3135-E is effective November 10, 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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October 11, 2007

Advice 3135-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Modification of Preliminary Statement, Part AT, Rate Reduction
Bond Memorandum Account**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariff schedules. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

The purpose of this advice filing is to modify the Rate Reduction Bond (RRB) Memorandum Account to record the Fixed Transition Amount (FTA) lagged revenue and all other costs and refunds from PG&E Funding LLC (Bond Issuer) after the bonds have been repaid.

Background

Assembly Bill (AB) 1890, signed into law on September 23, 1996, mandated a 10% rate reduction for residential and small commercial customers. AB 1890 authorizes electric utilities to recover a portion of their transition costs through the issuance of RRBs. In Decision (D.) 97-09-055, the California Public Utilities Commission (Commission) established a nonbypassable rate, the FTA, to collect revenues from residential and small commercial customers, required to recover Financed Transition Costs and the costs of providing, recovering, financing or refinancing transition costs, including the costs of issuing, servicing and retiring RRBs (P.U. Code Section 840(d)). Pursuant to D.97-09-055, residential and small commercial customers pay the FTA as a usage based, cents-per-kilowatt-hour component of their monthly bills. In addition, in compliance with D.97-09-055, PG&E established Preliminary Statement, Part AT, the Rate Reduction Bond Memorandum Account, to ensure that customers receive all the benefits of the RRB transaction net of any incremental costs.

The rights to the FTA charge were sold to PG&E Funding, LLC, a Delaware Limited Liability Company, as part of the original RRB transaction. All FTA revenue collected is paid to the Funding LLC in order to repay the bonds on prescribed payment dates. PG&E anticipates that the RRBs will be fully repaid on December 26, 2007. At that time, PG&E will no longer have an obligation to the bond holders.

PG&E will be proposing to set the FTA rate components to zero on January 1, 2008, as part of its routine annual true-up advice letter filing, expected to be filed in December 2007. This change to the FTA rate component will be consolidated with other rate changes in PG&E's Annual Electric True-up advice letter filing (AL 3115-E).

Tariff Revisions

Currently, PG&E's Preliminary Statement, Part AT, records the difference between the RRB Savings Amount and the 10 Percent Rate Reduction Amount provided to the residential and small commercial customers in accordance with AB 1890. The RRB Memorandum Account determines whether it is necessary for PG&E to issue additional RRBs or to provide a credit to residential and small commercial customers over the remaining life of the RRBs. The RRB Memorandum Account also tracks other credits that may be given to residential and small commercial customers.

PG&E proposes to modify Preliminary Statement, Part AT, RRB Memorandum Account due to the maturity of the RRBs and the expected termination of the FTA rate component for residential and commercial customers.

The RRB Memorandum Account is being modified to specify that PG&E will credit to residential and small commercial customers any FTA-related revenue (less franchise fees and uncollectibles) that PG&E bills residential and small commercial customers in excess of amounts required to repay the RRBs after December 26, 2007, or the date of the final bond payment. Examples of such revenue would include, assuming the bond were repaid on December 26, 2007, bills issued in January 2008 for usage in December 2007. Any over-collected balance in the Funding LLC's Over-collateralization and Reserve sub-accounts that will be refunded to PG&E after the final payment is made to bondholders, and to customers under the existing RRB Memorandum Account tariff provisions. PG&E estimates that the residual over-collected FTA revenues will be approximately \$20 million at the time the last payment is made.

PG&E will also record in the RRB Memorandum Account any incremental costs associated with the RRB transaction that would have been paid by the Funding LLC out of FTA revenue, including residual expenses and audit fees.

Disposition of Over-collected Amounts

PG&E plans to return to Residential and Small Commercial customers any earnings or over collections (i.e. refund) from the FTA that are collected in the RRB Memorandum Account on January 1, 2008, as part of PG&E's 2008 Annual Electric True-up (AET). Any earnings or over collections billed or booked after December 31, 2007, will be returned to Residential and Small Commercial customers as part of PG&E's 2009 AET.

Elimination of Annual FTA True-Up Mechanism Advice Filing

Since the FTA charge will be eliminated on or soon after January 1, 2008, with PG&E's next consolidated rate change, additional adjustments to the FTA charge will no longer be necessary. Therefore, PG&E will no longer file another Annual FTA True-Up Mechanism Advice Letter or Annual Anniversary Advice Letter after the filing in December to set the FTA rate components to zero.

No cost information is required for this advice filing.

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

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 **October 31, 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: 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 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, **November 10, 2007**, which is 30 calendar days after the date of filing. PG&E is filing this advice letter under the Tier 2 designation.

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 and on the service list for PG&E's 2003 General Rate Case Application, A.02-11-017. Address changes to the General Order 96-B 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>**

A handwritten signature in cursive script that reads "Brian K. Cherry / dc".

Vice President, Regulatory Relations

Attachments

Attachment 1

cc: Service List

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: Daren Chan

Phone #: (415) 973-5361

E-mail: d1ct@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) #: 3135-E

Tier: 2

Subject of AL: Modification of Preliminary Statement, Part AT, Rate Reduction Bond Memorandum Account

Keywords (choose from CPUC listing): 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: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

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: **November 10, 2007**

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: Preliminary Statement, Part AT

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: 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

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

**ATTACHMENT 1
Advice 3136-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26694-E	Preliminary Statement Part AT--Rate Reduction Bond Memorandum Account	25366-E
26695-E	Preliminary Statement Part AT (Cont.)	New
26696-E	Table of Contents -- Preliminary Statements	26443-E
26697-E	Table of Contents -- Title Page	26523-E



PRELIMINARY STATEMENT
 (Continued)

AT RATE REDUCTION BOND MEMORANDUM ACCOUNT (RRBMA)

7. Accounting Procedures: (Cont'd.)

b. Servicing Fees Memorandum Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the amount of monthly servicing fees associated with the RRBs that are refundable to residential and small commercial customers.

c. Carrying Cost Memorandum Subaccount

A monthly credit equal to the interest earned on FTA revenues held by PG&E.

d. SPE Investment Earnings Memorandum Subaccount

A monthly credit equal to the amount received by PG&E, from SPE dividends or due to an increase in PG&E's ownership interest in the SPE, due to the investment earnings on the funds held by the Bond Trustee in the general, overcollateralization, and reserve subaccounts of the collection account between distribution dates, net of any taxes or other expenses incurred by the SPE.

e. Overcollateralization Memorandum Subaccount

A credit equal to the amount received by PG&E, from SPE dividends or due to an increase in PG&E's ownership interest in the SPE, due to the FTA charge revenues remitted to the Bond Trustee and returned to the SPE in excess of the amount needed to pay the total debt service and other costs associated with the RRBs.

f. Financed Tax Memorandum Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the benefits due to the carrying cost savings of the financed taxes that occur because of the RRB financing.

g. Residual Expenses Subaccount

A monthly debit, beginning after the final bond payment is made, equal to any residual expenses and audit fees for the PG&E Funding LLC.

(N)

h. Residual Revenue Subaccount

A monthly credit, beginning after the final bond payment is made, equal to the revenues billed by PG&E that are related to the Fixed Transition Amount (FTA) charge, under Preliminary Statement Part AS, excluding an allowance for franchise fees and uncollectible accounts expenses (at rates authorized in PG&E's most recent General Rate Case).

(N)

i. RRBMA Rate Revenues Subaccount

A monthly credit, beginning on the date the Commission approves and implements new rates or on the date funding is exhausted, equal to the revenues received from the RRBMA rates, excluding an allowance for franchise fees and uncollectible accounts expenses at the rates authorized in PG&E's most recent General Rate Case (GRC).

(T)

(Continued)



PRELIMINARY STATEMENT
 (Continued)

AT RATE REDUCTION BOND MEMORANDUM ACCOUNT (RRBMA)

- 8. INTEREST: Interest shall accrue on the average of the beginning and ending month balance in this RRBMA, at a rate equal to one-twelfth of the interest rate, based on the three-month commercial paper rate, for the previous month as reported in the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on the three-month commercial paper be discontinued, interest will so accrue at the rate of the one-twelfth of the previous month's interest rate on commercial paper which most closely approximates the rate that was discontinued, and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

Pursuant to Decision 97-09-055, the interest rate for the RRB Proceeds Adjustment Memorandum Subaccount, Item 7.a above, shall be adjusted to PG&E's authorized rate of return when PG&E calculates the credit due residential and eligible small commercial customers.

(L)

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**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	