

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 24, 2008

Advice Letter 3165-E-A

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 – Revisions to the Costs Recovery of Incentives Paid to Third Party Demand Response Aggregators Participating in PG&E's Base Interruptible Program (Schedule E-BIP) Resulting from D.07-09-004

Dear Mr. Cherry:

Advice Letter 3165-E-A is effective June 15, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting 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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May 16, 2008

Advice 3165-E-A

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplement - Revisions to the Cost Recovery of Incentives Paid to Third Party Demand Response Aggregators Participating in PG&E's Base Interruptible Program (Schedule E-BIP) Resulting from Decision (D.) 07-09-004

Pacific Gas and Electric Company (PG&E) hereby submits for filing proposed revisions to electric Preliminary Statement Part ES – *Demand Response Aggregator Incentives Memorandum Account (DRAIMA)* and electric Preliminary Statement CZ – *Distribution Revenue Adjustment Mechanism (DRAM)* to reflect revised ratemaking treatment for Schedule E-BIP – *Base Interruptible Program* incentives paid to third party demand response aggregators pursuant to D. 07-09-004. The affected tariff sheets are listed on the enclosed Attachment I. This supplemental filing supersedes Advice 3165-E in its entirety.

Purpose

The purpose of this advice letter is to simplify and streamline the recovery of Schedule E-BIP incentives paid to third-party demand response aggregators. Beginning January 1, 2008, PG&E incorporated a forecast of the costs for incentives paid to third party demand response aggregators participating in PG&E's BIP into its distribution rates. In this Advice, PG&E proposes to record the costs of these incentives directly in the DRAM, where the revenues to recover these costs are now being recorded, rather than continue to record these incentives in the DRAIMA and then transfer the costs to the DRAM for recovery. This simplification allows the DRAIMA to be eliminated. Upon approval of this advice letter, PG&E proposes to transfer the outstanding balance in the DRAIMA to the DRAM and eliminate the DRAIMA from PG&E's electric preliminary statements¹.

¹ The April 30, 2008, balance in the DRAIMA is \$108,591.

Additionally, this proposed change is consistent with PG&E's authorized recovery of incentives paid to PG&E customer's directly enrolled in the BIP.²

Background

Decision 07-09-004 in Phase 2 of PG&E's 2007 General Rate Case (GRC), addresses numerous marginal cost, revenue allocation, and rate design issues affecting all customer classes. Specifically, the Marginal Cost and Revenue Allocation Settlement in Appendix B to D.07-09-004 specifies in Terms VII.1. (D) and (I) that all Schedule E-BIP incentives are to be recovered through the revenue allocation and rate design process in distribution rates. As a result, PG&E incorporated a forecast of the costs for incentives paid to all customers participating in PG&E's BIP, both directly enrolled customers and customers participating through third-party demand response aggregators, into its distribution rates proposed in PG&E's 2008 Annual Electric True-up (AET) advice filing, which were approved to be effective January 1, 2008.³ Prior to 2008, all incentives paid during the year to customer's participating in the BIP were designed to be recovered the following year through the AET advice filing.

In D. 06-11-049, the CPUC authorized third party aggregators to participate in PG&E's BIP. PG&E filed Advice 3053-E, proposing to establish the DRAIMA to record the incentives paid to third-party demand response aggregators⁴. The balance in the DRAIMA is then transferred to the DRAM for recovery in rates through the AET advice filing.

Preliminary Statement Revisions

Electric Preliminary Statement Part ES – *Demand Response Aggregator Incentives Memorandum Account (DRAIMA)*, PG&E proposes to transfer the outstanding balance to the DRAM and eliminate this account.

Electric Preliminary Statement Part CZ – *Distribution Revenue Adjustment Mechanism (DRAM)*, PG&E proposes to add an accounting procedure to record the costs associated with BIP incentives paid to third-party demand response aggregators and any penalties received from aggregators.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **June 5**, 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:

² PG&E customers directly enrolled in the BIP are paid incentives through a bill credit, which are recorded in the DRAM.

³ The CPUC approved Advice 3115-E-A on February 7, 2008.

⁴ The CPUC approved Advice 3053-E on June 22, 2007.

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jnj@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 this advice letter be effective **June 15, 2008**, 30 days after filed. PG&E submits this Advice 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 and the service list for A.06-03-005. 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>



Vice President - Regulatory Relations

Attachments

cc: Service List A.06-03-005

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) #: **3165-E-A**

Tier: [2]

Subject of AL: Supplement - Demand Response Aggregator Incentives Memorandum Account (DRAIMA)

Revisions for Schedule E-BIP Ratemaking Modifications Pursuant to D.07-09-004

Keywords (choose from CPUC listing): 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: 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: 6/15/2008

No. of tariff sheets: 3

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: See Attachment 1

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

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 3165-E-A**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
27545-E	ELECTRIC PRELIMINARY STATEMENT PART CZ DISTRIBUTION REVENUE ADJUSTMENT MECHANISM Sheet 3	27064-E
27546-E	ELECTRIC TABLE OF CONTENTS Sheet 1	27543-E
27547-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 7	27313-E
Cancelling Sheet	ELECTRIC PRELIMINARY STATEMENT PART ES Demand Response Aggregator Incentives Memorandum Account Sheet 1	26384-E



ELECTRIC PRELIMINARY STATEMENT PART CZ
DISTRIBUTION REVENUE ADJUSTMENT MECHANISM

Sheet 3

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- r. A debit or credit entry, as appropriate, to record the gain or loss on the sale of an electric distribution non-depreciable asset, as approved by the Commission.
- s. A debit entry equal to the electric portion of incremental administrative costs and amounts written off as uncollectible associated with the payment deferral plan for qualifying citrus and other agricultural growers pursuant to Resolution E-4065, plus an allowance for franchise fees and uncollectibles (FF&U) accounts expense at the rates authorized in PG&E's most recent GRC for the incremental administrative costs.
- t. A debit entry equal to the Schedule E-BIP incentives paid to third party demand response aggregators, net of any penalties paid to PG&E, plus an allowance for Franchise Fees and Uncollectible Accounts expense. (N)
|
- u. An entry equal to 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. (N)
(T)

6. SHAREHOLDER PARTICIPATION: PG&E's shareholders bear some responsibility for economic risks and rewards associated with, but not limited to, Commission-approved economic discounts and credits to certain PG&E customers. This section ensures that ratepayers will not assume shareholders' obligations.

Shareholder Participation will be calculated monthly as follows:

The amount of the Shareholder Participation Mechanism for Schedule ED, in accordance with Resolution E-3654.

Note: All debits and credits described above, except for that described in Section 5.u, shall include an allowance for franchise fees and uncollectible accounts expense. (T)



ELECTRIC TABLE OF CONTENTS

Sheet 1

TABLE OF CONTENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.	
	Title Page	27546-E	(T)
	Rate Schedules	27491,27504,27493,27542-E	
	Preliminary Statements	27544,27066,26739,27547-E	(T)
	Rules	25588-E	
	Sample Forms	26370,26372,25587,25452,24958,26294,26295,25059-E	

(Continued)



ELECTRIC TABLE OF CONTENTS
PRELIMINARY STATEMENT

Sheet 7

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Preliminary Statements		
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.....	25367,25926-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	24322-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	26419,25085,26420,26711,27313-E
Part CQ	Modified Transition Cost Balancing Account.....	25896,26415-E
Part CR	Common Area Balancing Account	19768-19769-E
Part CS	Advanced Metering and Demand Response Account.....	26376-26378-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 CZ	Distribution Revenue Adjustment Mechanism.....	25368,26504,27064-E (T)

(Continued)

**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	