

November 30, 2007

Advice 3165-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Demand Response Aggregator Incentives Memorandum
Account (DRAIMA) Revisions for Schedule E-BIP Ratemaking
Modifications Pursuant to D.07-09-004**

Pacific Gas and Electric Company (PG&E) hereby submits for filing proposed revisions to Preliminary Statement Part ES – *Demand Response Aggregator Incentives Memorandum Account (DRAIMA)*. PG&E proposes to revise this preliminary statement to reflect revised ratemaking treatment for Schedule E-BIP – *Base Interruptible Program* incentives adopted in Decision (D.) 07-09-004. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

This Advice requests January 1, 2008 changes to the DRAIMA electric preliminary statement to reflect related non-firm and Schedule E-BIP accounting and ratemaking modifications implied by D.07-09-004 in order to avoid over-collection of Schedule E-BIP aggregator incentives accruing after January 1, 2008. Currently, Schedule E-BIP incentives paid to third-party demand response aggregators participating in the Base Interruptible Program are recovered through DRAIMA preliminary statement accounting methods. As described below, approval of the tariff sheet revisions requested in this advice letter would clarify DRAIMA treatment for Schedule E-BIP aggregator incentives accruing after January 1, 2008.

In Phase 2 of PG&E's 2007 General Rate Case (GRC), D.07-09-004, among numerous other marginal cost, revenue allocation, and rate design items affecting all customer classes, ordered that non-firm customers taking service on Schedule E-NF – *Non-Firm Service*, be transferred to Schedule E-BIP on or before January 1, 2008, to implement the conversion of non-firm customers to Schedule E-BIP ordered by D.05-04-053.

Accordingly, PG&E filed compliance Advice 3136-E on October 22, 2007, to withdraw Schedule E-NF, and modify Schedule E-BIP and certain other tariffs to

comply with this aspect of D.07-09-004. PG&E requested that the Energy Division approve Advice 3136-E tariff revisions effective January 1, 2008. Annual Electric True-Up (AET) Draft Resolution E-4121, would also implement D.07-09-004 in January 1, 2008 electric rates.

D.07-09-004 implies that Schedule E-BIP aggregator incentives going forward after January 1, 2008 should be treated in the same general manner used for non-firm incentives for the past several years. Non-firm incentives have long been recovered through revenue allocation and rate design methods. Schedule E-BIP incentives to directly enrolled BIP participants have been recovered through Preliminary Statement Part CZ - *Distribution Revenue Adjustment Mechanism (DRAM)*, and through the AET, since Schedule E-BIP incentives translate into bill credits which reduce distribution revenues, with distribution under-collections recovered in DRAM via the AET.

By contrast, pursuant to D.06-11-049, Advice 3053-E established the DRAIMA for Schedule E-BIP aggregator incentives because aggregators do not receive a bill credit, as they represent multiple customers. Consequently, Schedule E-BIP aggregator incentives have been accorded separate memorandum account treatment through DRAIMA, for transfer to and recovery through DRAM and the AET.

However, as a result of D.07-09-004 in Phase 2 of PG&E 2007 GRC, all Schedule E-BIP incentives will be treated using conventional non-firm ratemaking methods, effective January 1, 2008. More specifically, the Marginal Cost and Revenue Allocation Settlement in Appendix B to D.07-09-004 specifies in Terms VII.1. (D) and (I) how non-firm and Schedule E-BIP incentives are to be recovered through the revenue allocation and rate design process in distribution rates. Term VII.1. (G) in Appendix B as well as Term VI.6 in the Medium and Large Light and Power Settlement in Appendix E to D.07-09-004 more generally address the transfer of non-firm customers to Schedule E-BIP.

On January 1, 2008, approximately 92 current non-firm customers will be switched to Schedule E-BIP, joining approximately 31 existing Schedule E-BIP customers. PG&E currently has one customer represented by third-party demand response aggregators participating in Schedule E-BIP, and expects two more beginning on January 1, 2008. PG&E anticipates additional aggregator Schedule E-BIP sign-ups as third-party aggregators become more familiar with the program.

Through the rate design process, the January 1, 2008 distribution rates of all customers in all classes will be increased to recover the Schedule E-BIP incentives received by all Schedule E-BIP customers on and after January 1, 2008. PG&E's forecasted total test year 2008 Schedule E-BIP incentives include estimated Schedule E-BIP incentives paid to third-party aggregators. While these Schedule E-BIP aggregator incentives are currently relatively small, with a September 30, 2007 balance of \$23,647, the current accounting treatment should

be clarified. Otherwise, continuation of current DRAIMA preliminary statement accounting methods for Schedule E-BIP aggregator incentives after January 1, 2008 could inappropriately over-collect Schedule E-BIP aggregator incentives from the general body of ratepayers at large. The DRAIMA is not an incremental revenue requirement, but is instead a transfer from non-participants to participants of the existing authorized distribution revenue requirement. Thus, the AET will recover the DRAIMA balance only to the extent that the sum of forecasted directly enrolled and aggregator Schedule E-BIP incentives differs from actual total Schedule E-BIP incentives.

Tariff Revisions

Attachment I reflects the proposed revisions to electric Preliminary Statement Part ES – *Demand Response Aggregator Incentives Memorandum Account (DRAIMA)*. No revisions are needed to DRAM, Schedule E-BIP, or any other tariffs, rules, preliminary statements, or customer agreement forms.

Protests

Anyone wishing to protest this filing may do so by sending a letter by Monday **December 20, 2007**, 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:

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

Facsimile: (415) 703-2200
E-mail: jj@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 approved effective **January 1, 2008**. 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**

Tier: **[2]**

Subject of AL: 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: 1/1/2008

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: Preliminary Statement ES - Demand Response Aggregator Incentives Memorandum Account

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

jj@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**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26724-E	Preliminary Statement Part ES--Demand Response Aggregator Incentives Memorandum Account	26384-E
26725-E	Table of Contents -- Rate Schedules	26685-E
26726-E	Table of Contents -- Title Page	26516-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, and any penalties paid by, 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. However, pursuant to D.07-09-004, all Schedule E-BIP incentive payments accruing on or after January 1, 2008 will be recovered through the electric rate design process on a forecast basis. (T)
(N)
|
(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 (AET) advice letter process. The AET will implicitly recover any discrepancy between forecasted and actual total Schedule E-BIP incentives. (N)
(N)
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).



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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
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Ancillary Services Coalition	Dynergy Inc.	Price, Roy
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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	
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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	