

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



January 8, 2008

Advice Letter 3166-E

Brian K. Cherry
Pacific Gas & Electric Company
77 Beale Street, Mail Code B10C
P. O. Box 770000
San Francisco, CA 94177

Subject: Approval of PG&E's Advice Letter 3166-E proposing a methodology for calculation of 2007 non-bypassable charges applicable to Mountain House customers served by Modesto Irrigation District

Dear Mr. Cherry:

In its December 20th protest, MID requested that PG&E provide a preliminary invoice showing 2007 non-bypassable charges applicable to Mountain House customers, and correct specified calculation methodologies and rates reflected in Advice Letter 3166-E. While PG&E stated that it disagreed with some of MID's claims, it nevertheless submitted the requested additional information and corrections in its December 28th reply. The Energy Division has determined that Advice Letter 3166-E, as amended by PG&E in its reply, resolves MID's concerns, fulfills the requirements of Ordering Paragraph 6 of Decision 04-03-036, and shall be effective December 30, 2007. This approval is a "ministerial" act, as that term is used regarding advice letter review and disposition (See Decision 02-02-049).

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division

cc: Daren Chan, PG&E
Joy A. Warren, Modesto Irrigation District



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
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November 30, 2007

Advice 3166-E

(Pacific Gas and Electric Company ID U39E)

Subject: Methodology for Calculation of Non-Bypassable Charges for Mountain House Customers (Modesto Irrigation District)

Public Utilities Commission of the State of California

This filing is made in accordance with Decision (D.) 04-03-036, dated March 16, 2004, for Pacific Gas and Electric Company's (PG&E) Application (A.) 03-02-005 pertaining to authorization to lease and sell certain electric distribution facilities serving the Mountain House Area to Modesto Irrigation District (MOD). PG&E hereby files the annual advice letter to describe its calculations and methodologies for determining applicable non-bypassable charges (NBCs) for customers in the Mountain House Area of San Joaquin County, California, served by MOD.

Background

Pursuant to Public Utilities Code § 9610, a total of 137 Mountain House customers departed PG&E's service territory on January 1, 2001, and began receiving electric service from MOD. Decision 04-03-036 approved, among other things, an agreement between PG&E and MOD for the lease of certain electric distribution facilities in the Mountain House area ("the Lease Agreement") (Application 03-02-005 dated February 7, 2003). The Lease Agreement provides that MOD will pay NBCs on behalf of the departing customers. Ordering Paragraph 6 of D.04-03-036 requires that PG&E shall annually file an advice letter that contains the proposed calculations and methodologies for determining the amount of NBCs to be paid by MOD for the year at least 90 days before the due date for MOD's payment of the NBCs for approval by the Commission Energy Division. This Advice Letter fulfills PG&E's requirement as detailed in Ordering Paragraph 6 of D.04-03-036.

Methodology and Illustrative Calculations

Attachment 1 to this filing is PG&E's statement of methodology for calculating NBCs to be paid by MOD on behalf of departing customers.

Consistent with Paragraph 6.2 of the Lease Agreement, on or before January 31, 2008, PG&E will provide MOD with PG&E's calculation of the 2007 NBC bill for the Mountain House customers that departed PG&E's service territory on January 1, 2001, and began receiving electric service from MOD. This calculation will cover NBCs with interest for the period from January 1, 2007 through December 31, 2007.

Commission Resolution E-3903 authorized PG&E to calculate and collect "the amount of ...ND charges that it should have but did not collect from DL customers from the date Schedule E-DEPART expired through the effective date of this Resolution," to amortize this amount over a three-year period, and to bill DL customers accordingly. (Res. E-3903, page 10). Accordingly, PG&E's calculation for 2007 will include one-third of the amortized ND charges for the Mountain House customers from March 31, 2002 (the date the E-DEPART tariff expired) through January 31, 2005. This is the second ND amortization charge assessed to MOD; the 2006 bill assessed the first ND amortization charge and the final assessment will appear on MOD's 2008 bill.

Commission Resolution E-3999 authorized PG&E to calculate and collect current and past CTCs. Because "some transferred MDL customers may owe large amounts, it is appropriate to allow the customer the option to pay off any amounts owed over a 36-month period." (Res. E-3999, page 57). Accordingly, PG&E's calculation for 2007 will include one-third of the amortized CTCs for the Mountain House customers from March 31, 2002 (the date the E-DEPART tariff expired) through December 31, 2006. (The CTCs from January 1, 2007, through December 31, 2007, are included in the total NBCs for 2007.)

Some of the 137 transferred accounts have subsequently gone out of existence, to make way for new development. Accordingly, PG&E will adjust the NBCs for the period January 1, 2007 through December 31, 2007 to account for these removals (and their removal dates), and PG&E will exclude these removed accounts from future NBC billings. As noted in Attachment 1, Mountain House customers are not obligated to pay the DWR-related components of the CRS imposed by D.03-07-028, since they departed prior to the February 1, 2001, threshold date adopted in that decision.¹

¹ See D.03-07-028, Ordering Paragraph 2. For PG&E, the CRS adopted by D.03-07-028 consists of the DWR Bond Charge (DWRBC), the DWR Power Charge (DWRPC), and the Competition Transition Charge (CTC). The DWRBC and DWRPC components of the CRS only apply to customers who departed PG&E service after February 1, 2001, and thus not to Mountain House customers (who departed on the January 1, 2001 transfer date). However, Mountain House customers are obligated to pay the CTC component of the CRS, which is applicable to customers who depart after December 20, 1995. Per Public Utilities Code Section 848(k), Mountain House customers are not obligated to pay the Energy Cost Recover Amount (ECRA) charge.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **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
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102
Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@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.

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **December 30, 2007**, which is 30 days after the date of this 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 on the service list, A.03-02-005. 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>

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

Vice President - Regulatory Relations

Attachments

Attachment 1: Methodology for Calculation of 2007 Non-Bypassable
Charges For Mountain House Customers

cc: Service List A.03-02-005
Joy A. Warren, Modesto Irrigation District

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) #: **3166-E**

Tier: 2

Subject of AL: Methodology for Calculation of Non-Bypassable Charges for Mountain House Customers (Modesto Irrigation District)

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.04-03-036

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: **December 30, 2007**

No. of tariff sheets: N/A

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: N/A

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

Methodology for Calculation of 2007 Non-Bypassable Charges For Mountain House Customers

Methodology for Calculation of 2007 Non-Bypassable Charges For Mountain House Customers

Pursuant to Ordering Paragraph 6 of Decision 04-03-036, this attachment describes PG&E's method of calculating the non-bypassable charge (NBC) obligations for 2007 associated with PG&E's Mountain House customers that departed to Modesto Irrigation District (MOD).

A total of 137 Mountain House customers departed PG&E service on January 1, 2001 and began receiving electric service from MOD. Just prior to their departure, PG&E took a "snapshot" of each customer's billing determinants for the period of January 2000 to December 2000 (i.e., the 12 months immediately prior to their departure on January 1, 2001).

The NBC obligations of the Mountain House customers include Competition Transition Charges (CTCs, per Public Utilities Code Sections 367, 368, 375 and 376), Fixed Transition Amounts (FTA, per Code Section 840(d)),¹ and Nuclear Decommissioning (ND, per Code Section 379) Charges.

CTCs — The opportunity for utilities to recover and the obligation for customers to pay CTCs has been established both by Commission policy decisions and California law.² Except for those specific activities expressly exempted by the California legislature or the Commission, these costs are to be paid by all energy consumers. Commission Resolution E-3999 authorized PG&E to calculate and collect current and past CTCs. Accordingly, the bill also includes one-third of the amortized CTCs for the Mountain House customers from March 31, 2002 (the date the E-DEPART tariff expired) through December 31, 2006. (The CTCs from January 1, 2007, through December 31, 2007, are included in the total NBCs for 2007.)

FTA Charges — The FTA charge is only applicable to PG&E's residential and small commercial customers, to pay back rate reduction bonds issued to finance a 10 percent reduction in rates for these customers.

ND Charges — ND costs are separately identified in Code Section 379 as a non-bypassable charge that will continue until those costs are fully recovered. Per PG&E Advice 1614-E, filed October 11, 1996, PG&E's Commission-

¹ Preliminary Statement Part AS of PG&E's electric tariffs establishes a Fixed Transition Amount (FTA) charge for residential and small commercial customers who received the 10 percent rate reduction on January 1, 1998, as mandated in Assembly Bill (AB) 1890 (Code § 368 (a)).

² Electric Restructuring Policy Decision (D.95-12-063), as modified by the Revised Policy Decision (D.96-01-009), primarily Conclusions of Law 54 and 58, and Ordering Paragraph 28, and AB 1890, primarily Code Sections 367, 368, 375, 376 and 840(d). (A.00-01-056)

jurisdictional nuclear decommissioning accrual is approximately \$33 million per year.³ Per Commission Resolution E-3903, PG&E is authorized to bill previously-transferred Mountain House customers responsible for past ND charges for the period between March 31, 2002 (when Schedule E-DEPART temporarily expired) through January 31, 2005 (when Schedule E-DEPART was reinstated), amortized over a three-year period. The 2007 bill contains the second of three such ND amortization charges (the first was billed in 2006 and the third will be billed in 2008).

The Department of Water Resources' Bond and Power Charges, imposed by Decision 03-07-028, do not apply to the Mountain House customers due to the fact that these customers departed prior to February 1, 2001.

Since January 2002 PG&E has been annually billing MOD for all NBCs for which it had tariff authorization to bill. To date, PG&E has sent MOD six annual NBC bills (for 2001, 2002, 2003, 2004, 2005 and 2006) covering the obligations of the 137 departing customers.

The first NBC bill (for 2001) was calculated by: (1) aggregating the usage "snapshots" of all customers on each rate schedule; (2) applying then-current schedule-specific NBC rates to the usage totals by schedule; and (3) summing the resulting NBC bills across schedules to obtain a total bill. Since then, however, each of the 137 customers was individually set up for departing load billing in PG&E's Customer Information System (CIS).⁴ PG&E's CIS calculates each departed customer's NBC bill based on monthly usage from the customer's 12-month historic "snapshot" and the then-current NBC rates⁵ applicable to the customer's rate schedule or otherwise approved by the Commission for municipal departing load. The monthly NBC charges for each customer plus interest at the three-month commercial paper rate are then summed across all customers to create one annual bill to send to MOD covering the preceding year.

³ Nuclear Decommissioning costs were approved in the 1996 General Rate Case at \$36 million per year, and then reduced by Advice 1614-E to \$33 million per year after a ruling by the Internal Revenue Service.

⁴ Some of these 137 accounts have subsequently gone out of existence to make way for new developments. PG&E has adjusted the bill to account for the removal.

⁵ CTC rates of \$0.00013/kWh, and FTA rates of \$0.00413/kWh for residential customers and \$0.00394/kWh for small commercial customers, are in effect for 2007. The ND rate was \$0.00030/kWh for the months of January and February and \$0.00027/kWh for the remainder of the year.

**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	