

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 22, 2008

Advice Letter 3176-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: Proposal of Pacific Gas and Electric Company to Establish
a New Memorandum Account to Record Costs Associated
with PG&E's SmartMeter Program Upgrade

Dear Mr. Cherry:

Advice Letter 3176-E is effective December 12, 2007.

Sincerely,

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

Sean H. Gallagher, Director
Energy Division

December 12, 2007

**Advice 3176-E
(Pacific Gas and Electric Company ID U 39 E)**

Public Utilities Commission of the State of California

**Subject: Proposal of Pacific Gas and Electric Company to Establish a
New Memorandum Account to Record Costs Associated with
PG&E's SmartMeter™ Program Upgrade**

Purpose

Pacific Gas and Electric Company (PG&E) hereby requests California Public Utilities Commission (CPUC or the Commission) approval to establish the SmartMeter™ Program Upgrade Memorandum Account (SPUMA) to record costs associated with the SmartMeter™ Program Upgrade prior to Commission approval of PG&E's request for rate recovery in its SmartMeter™ Program Upgrade Application, filed concurrently with this Advice Letter. Upon approval of this account, PG&E will record all costs associated with the SmartMeter™ Program Upgrade for future review and disposition by the Commission in the SPUMA.

Background

In its Order Instituting Rulemaking (R.)02-06-001, the Commission began a process of assessing ways to implement programs and tools that would develop demand response as a resource to enhance electric system reliability, reduce power purchase and individual consumer costs, and protect the environment.

On June 16, 2005, PG&E filed its proposal in Application (A.)05-06-028 for full deployment of PG&E's Advanced Metering Infrastructure (AMI). The Commission approved PG&E's application in Decision (D.)06-07-027. In the Decision, the Commission also recognized that "new technology may emerge that offers PG&E and its customers increased reliability and performance enhancements" and ordered PG&E to "monitor market place developments so, whenever feasible, it can upgrade its AMI system and offer its customers technology upgrades."

Consistent with these Commission directives, PG&E has continued to assess and evaluate new and developing technologies related to PG&E's AMI network (SmartMeter™) and enhanced electric grid management.

PG&E believes several modifications to its current SmartMeter™ Program are appropriate and PG&E is filing an application, concurrently with this Advice Letter, that would seek the Commission's approval to upgrade the existing SmartMeter™ Program to enable the use of Home Area Network (HAN) devices and load limiting connect/disconnect switches on virtually all meters in PG&E's service area. These recommended upgrades are consistent with the Commission's desire to use advanced technology to enhance customer involvement in energy demand management and improve energy conservation throughout California.

PG&E has begun incurring costs associated with the evaluation and testing of these new technologies, and is poised to incur additional costs. In order to prevent any delay in the progress of the SmartMeter™ Program Upgrade, PG&E is now requesting expedited approval to record costs associated with these upgrades and other costs included in the Application in the proposed memorandum account, SPUMA. This will preserve the ability of PG&E to obtain future rate recovery of these costs in the SmartMeter™ Program Upgrade Application if the Application is approved by the Commission. As outlined in the attached Preliminary Statement proposed herein, the following categories of costs will be recorded to this memorandum account: (1) costs associated with evaluation and testing of promising technologies, included in the Application, (2) costs associated with the deployment of technologies included in the Application, (3) costs associated with systems integration work necessary to enable these new technologies, which are also included in the Application, and (4) other costs included in the Application.

As mentioned above, PG&E is making this filing in order to prevent any delay in the progress of the SmartMeter™ Program Upgrade, and in order to meet the Commission's directives in D.06-07-027 that PG&E should monitor new technologies to offer customers potential upgrades. Therefore, approval of this memorandum account is needed in order to ensure that necessary SmartMeter™ Program Upgrade activities may continue without delay and without precluding rate recovery at a future date, after Commission review.

Proposed Preliminary Statements

PG&E is requesting Commission authority to establish the SmartMeter™ Program Upgrade Memorandum Account (SPUMA) to record all expenses associated with the SmartMeter™ Program Upgrade prior to Commission approval of PG&E's SmartMeter™ Program Upgrade Application, filed concurrently with this Advice Letter. These costs are only electric. The proposed Preliminary Statement EU is attached.

If the Commission approves the SmartMeter™ Program Upgrade Application, PG&E will transfer the SPUMA balance to the cost recovery mechanism approved in that Application.

Request for Commission Approval

PG&E requests the Commission approve this Advice Letter, effective as of the filing date, specifically finding that:

1. PG&E is authorized to establish a new memorandum account, the SPUMA, to record costs associated with the SmartMeter™ Program Upgrade beginning as of the date of this filing, subject to future disposition by the Commission.
2. PG&E is authorized to seek recovery of the balance in the SPUMA through its SmartMeter™ Program Upgrade Application or another related proceeding.

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 **January 2, 2007**, which is 21 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: 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 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

As discussed above, PG&E requests the Commission approve this Advice Letter effective the date of filing. PG&E's request is for a specific finding that PG&E is authorized to recover the account balance described herein through distribution rates, as described in PG&E's preliminary statement.

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 parties on the service list for A.05-06-028. Address changes to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Vice President - Regulatory Relations

Attachments

cc: Service List A.05-06-028

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: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: 3176-E

Tier: 3

Subject of AL: Proposal of Pacific Gas and Electric Company to Establish a New Memorandum Account to Record Costs Associated with PG&E's SmartMeter™ Program Upgrade

Keywords (choose from CPUC listing): Memorandum Account, Demand Side Management

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: No

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 12, 2007

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: New Electric Preliminary Statement EU

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 3176-E**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
26746-E	Preliminary Statement Part EU--SmartMeter Program Update Memorandum Account	New
26837-E	Table of Contents -- Rate Schedules	26685-E
26838-E	Table of Contents -- Title Page	26516-E



PRELIMINARY STATEMENT
 (Continued)

EU. SMARTMETER™ PROGRAM UPGRADE MEMORANDUM ACCOUNT (SPUMA)

(N)

1. **PURPOSE:** The purpose of the SmartMeter™ Program Upgrade Memorandum Account (SPUMA) is to record and recover the incremental Operations and Maintenance (O&M) and Administrative and General (A&G) expenditures and capital-related costs incurred for the SmartMeter™ Program Upgrade and associated therewith.
2. **APPLICABILITY:** The SPUMA applies to all customer classes, except for those specifically excluded by the Commission.
3. **RATES:** The current SPUMA does not have a rate component.
4. **ACCOUNTING PROCEDURE:** PG&E shall maintain the SPUMA by making entries to this account at the end of each month as follows:
 - a. A debit entry equal to PG&E's incremental O&M and A&G expenses and capital-related costs incurred for the SmartMeter™ Program Upgrade and associated therewith. These capital-related, O&M and A&G costs may relate to the following categories of work: (1) evaluation and testing of promising technologies included in the SmartMeter™ Program Upgrade Application (filed December 12, 2007), (2) deployment of technologies included in the Application, (3) systems integration work necessary to enable these new technologies and included in the Application, and (4) other costs included in the Application.
 - b. A debit entry equal to the interest on the average of the balance at the beginning of the month and the balance after the above entry at a rate equal to one-twelfth 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.
5. **DISPOSITION:** Upon Commission approval of a cost recovery mechanism in the SmartMeter™ Program Upgrade Application or another proceeding determined by the Commission, PG&E will transfer the account balance, not to exceed the approved expenditure level, from the SPUMA to the appropriate mechanism for recovery, as may be approved by the Commission at that time. Capital-related costs will be recorded after the rate base "used and useful" standards are satisfied.

(N)

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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	