

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



July 2, 2008

Advice Letter 3259-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: Diablo Canyon Unit 2 Steam Generator Replacement  
(Utility Generation Balancing Account Revenue Requirement)

Dear Mr. Cherry:

Advice Letter 3259-E is effective April 25, 2008.

Sincerely,

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

Sean H. Gallagher, Director  
Energy Division

April 25, 2008

**Advice 3259-E**

(Pacific Gas and Electric Company ID U39M)

**Subject: Diablo Canyon Unit 2 Steam Generator Replacement  
(Utility Generation Balancing Account Revenue Requirement)**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits the adjustment to the authorized revenue requirement associated with PG&E's owned generation facilities to include the costs associated with the replacement of the steam generators at Diablo Canyon Power Plant Unit 2, effective April 16, 2008. This filing is submitted in compliance with Ordering Paragraph 5 Decision (D.) 05-11-026<sup>1</sup>.

**Background**

Ordering Paragraph 5 of D. 05-11-026 states that "PG&E shall record in the Utility Generation Balancing Account (UGBA) the revenue requirement associated with plant additions up to the cap as of the date of operation of each unit." As presented in A. 04-01-009, updated for current cost of capital and property tax factors, the revenue requirement for the replacement of the Unit 2 steam generators for the period April 15, 2008, through December 31, 2008, is \$45.156 million. This amount annualized is \$63.392 million ( $\$45.156 \times (365 / 260)$ ). PG&E will prorate the increased revenue requirement to April 16, the date Unit 2 returned to full power operation, when recording the authorized generation revenue requirement in UGBA for April.

In addition, D.05-11-026 ordered PG&E to, "include the revenue requirement associated with each unit in rates subject to refund, up to . . . \$380 million [capital cost] for Unit 2, on January 1 of the year following commercial operation [of the unit]." (Ordering Paragraph 6.) In compliance with the Commission's order, PG&E will file an additional Advice Letter requesting to place the calculated revenue requirement for Unit 2 into rates effective January 1, 2009. In that Advice Letter, PG&E will also request disposition in a timely manner so that the Unit 2 revenue requirement may be

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<sup>1</sup> On April 24, PG&E submitted a letter To CPUC Executive Director Paul Clanon to inform him that the first phase of PG&E's Diablo Canyon Power Plant Steam Generator (SG) Replacement Project has reached completion.

consolidated with the company's Annual Electric True-Up filing, which will be filed on September 2, 2008, and expected to be supplemented in December 2008 for consolidation of several Commission actions.

Table 1, attached, shows the cumulative adjustments to the electric generation base revenue amounts authorized in the 2007 GRC through April 16, 2008.

### **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 **May 15**, 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: [jj@cpuc.ca.gov](mailto:jj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)

### **Effective Date**

In accordance with D. 07-03-044, PG&E requests this advice filing be effective **April 25, 2008**. **PG&E submits this as a Tier 1 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 parties for A. 05-12-002. Address changes 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 black ink, appearing to read "Brent K. Anglin".

Vice President, Regulatory Relations

cc: President Michael Peevey  
ALJ Jeffery O'Donnell  
Dana Appling, Director, Division of Ratepayer Advocates  
Paul Clanon, Executive Director, CPUC  
Sean Gallagher, Director, Energy Division  
Don Lafrenz, Energy Division  
Parties in A.04-01-009

TABLE 1

PACIFIC GAS AND ELECTRIC COMPANY  
Electric Generation Revenue Requirement  
From 2007 GRC Through April 2008  
(Thousands of dollars)

2007 Adopted GRC RRQ	1,019,755
less: Other Operating Revenue	(10,120)
less: FERC jurisdictional amount	

2007 Base Revenue Amount (Effective 1/1/07)	1,009,635
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## Office Closures

2007 Base Revenue Amount (Effective 8/1/07)	1,009,635
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2008 ARA	40,000
2008 Cost of Capital	0

2008 Base Revenue Amount (Effective 1/1/08)	1,049,635
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Diablo Canyon Unit 2 Steam Generator Replacement	63,392
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2008 Base Revenue Amount (Effective 4/16/08)	1,113,027
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# 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: dpxu@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) #: 3259-E

**Tier:** 1

**Subject of AL:** Diablo Canyon Unit 2 Steam Generator Replacement  
(Utility Generation Balancing Account Revenue Requirement)

Keywords (choose from CPUC listing):

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other:

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.05-11-026

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

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: **April 25, 2008**

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 proposed<sup>1</sup>: 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 Avenue**

**San Francisco, CA 94102**

**E-mail: 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**

**PG&E Gas and Electric  
Advice Filing List  
General Order 96-B, Section IV**