

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 8, 2009

Advice Letter 3263-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: 2008 Supplemental Revenue Requirement Determination of
the Department of Water Resources (DWR)**

Dear Mr. Cherry:

Advice Letter 3263-E is effective May 1, 2008.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177
Fax: 415.973.7226

April 30, 2008

Advice 3263-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: 2008 Supplemental Revenue Requirement Determination of the
Department of Water Resources (DWR)**

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter in compliance with Decision (D.) 08-04-051, *Order Allocating the 2008 Supplemental Revenue Requirement Determination of the California Department Of Water Resources*, which orders:

”Within 14 days of today’s date, PG&E, SDG&E, and SCE shall file Tier 1 advice letters, as provided for in General Order 96-B, with revised tariffs that reflect the adopted Bond Charge and Power Charge. The revised tariffs shall be effective upon filing, subject to Energy Division determining that they are in compliance with this order.”¹

Background

On December 7, 2007, DWR terminated the 1000 MW baseload power Calpine 2 contract and replaced it with a 180 MW peaking contract. As a result, DWR determined that the previously approved 2008 statewide revenue requirement was too high. On February 15, 2008, DWR submitted its “Supplemental Determination of Revenue Requirements For the Period January 1, 2008 through December 31, 2008” (Supplemental Determination) to the Commission. The Supplemental Determination reflects a \$630 million reduction in the annual statewide revenue requirement from the revenue requirement allocated in D.07-12-030.

On January 18, 2008, PG&E filed a petition for modification of D.05-06-060, requesting that D.05-06-060 be modified so that 100% of the reduction in DWR’s

¹ D.08-04-051, Ordering Paragraph 4.

energy costs attributable to the Calpine 2 contract is allocated to PG&E. On April 10, 2008, the CPUC issued D.08-04-025, granting PG&E's petition to modify D.05-06-060 with respect to allocating 100% of the reduction in DWR energy costs related to the Calpine 2 contract restructuring to PG&E.² D.08-04-025 also states that "PG&E may rely on the revenue requirement amount allocated to PG&E in the March 25, 2008 proposed decision to make its rate changes that are to go into effect on May 1, 2008."³ PG&E will true up the difference between the proposed and final allocation decision in its next Annual Electric True-Up filing.

On March 25, 2008 the CPUC issued a proposed decision allocating the Supplemental Determination among PG&E, Southern California Edison (SCE) and San Diego Gas and Electric (SDG&E). The proposed decision determined PG&E's allocation of the Supplemental Determination to be \$882 million. On April 24, 2008 the CPUC issued D.08-04-051, which determined PG&E's final allocation to be \$884 million.⁴

On April 29, 2008, PG&E filed Advice 3238-E-B, *Electric Rate Changes for Revisions to, and Approvals of, PG&E's 2008 Revenue Requirements Related to DWR, ERRRA, MTCBA, CEMA, and Residential Electric Baseline Quantities*. As detailed in Advice 3238-E-B, PG&E will amortize the reduction allocated to PG&E in the March 25, 2008 proposed allocation decision over the 8-month period from May 2008 through December 2008. The rate changes described in Advice 3238-E-B will be effective on May 1, 2008.

2008 DWR Power Charge and Remittance Rate

As described above and in PG&E's Advice 3238-E-B, PG&E will implement the revenue requirement from the March 25, 2008 proposed allocation decision in rates effective May 1, 2008. PG&E will recover the revised DWR power charge revenue requirement through the Power Charge Collection Balancing Account (PCCBA). The PCCBA revenue component is collected in generation rates paid by bundled customers.

The DWR remittance rate for PG&E is provided in Appendix A of D.08-04-051, and is \$0.07123 per kWh.⁵ PG&E will begin remitting to DWR using the revised remittance rate effective May 1, 2008.

² D.08-04-025, Ordering Paragraph 1.

³ Id., Ordering Paragraph 4.

⁴ See attached Appendix A which contains applicable excerpts from Appendix A of D.08-04-051.

⁵ Id.

2008 DWR Bond Charge

The Supplemental Determination did not change the bond charge adopted in D.07-12-030. The DWR bond charge for 2008 remains \$0.00477 per kilowatt-hour (kWh).

Tariff Changes

PG&E's Advice 3238-E-B, filed on April 29, 2008, includes DWR-related rate values based on the March 25, 2008 proposed allocation decision. This advice letter also contains revised rates for the PCCBA in electric Preliminary Statement I – Rate Schedule Summary.

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 20, 2008**, 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: ijnj@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

PG&E requests that this advice filing become effective **May 1, 2008**, per D.08-04-051, Ordering Paragraph 4.

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 for R.06-07-010. 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 H. Cheng / dc".

Vice President, Regulatory Relations

Attachments

Attachment A – Appendix A of D.08-04-051, pg. 1

cc: Service List R.06-07-010

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) #: **3263-E**

Tier: [2]

Subject of AL: 2008 Supplemental Revenue Requirement Determination of the Department of Water Resources (DWR)

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.08-04-051

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: **May 1, 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: 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

jn@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 A

Allocation of 2008 Revenue Requirement Among Utilities
California Department of Water Resources
(Dollars in millions)

<u>Line</u>	<u>Description</u>	<u>PG&E</u>	<u>SCE</u>	<u>SDG&E</u>	<u>Total</u>	<u>Reference</u>
1	Allocation Percentages	42.20%	47.50%	10.30%	100.00%	Decision 05-06-060
2						
3	2004-2006 Expenses	6,150	6,744	2,237	15,131	Actuals
4	2004-2006 Revenues	5,844	6,799	2,414	15,057	Actuals
5	Amount to be collected from /(returned to) the IOU USBA	\$306	(\$55)	(\$176)	\$74	Line 3 - Line 4
6						
7	2007 Expenses	1,976	2,100	537	4,613	actuals through Dec-07
8	2007 Revenues	2,140	2,208	515	4,863	actuals through Dec-07
9	Amount to be collected from /(returned to) the IOU USBA	(\$164)	(\$107)	\$21	(\$250)	Line 7 - Line 8
10						
11	Balancing Calculation					
12	December 31, 2008 Projected PCA Balance: Desired Allocation	602	677	147	1,426	
13	January 1, 2004 Starting PCA Balance: Desired Allocation	701	789	171	1,660	
14	Amount to be collected from /(returned to) the IOU USBA	(\$99)	(\$111)	(\$24)	(\$235)	Line 12 - Line 13
15						
16	Prior True-ups (2001/02 and 2003)	(252)	166	86	0	
17	2004-2007 True-up	142	(162)	(155)	(175)	Line 5 + Line 9
18	Starting and Ending balance True-up	(99)	(111)	(24)	(235)	Line 14
19	Cumulative True-up to be collected from/(returned to) IOU USBA	(\$209)	(\$108)	(\$94)	(\$410)	Subtotal
20						
21	2008 Revenue Requirement Determination					
22	Avoidable Costs	43	248	196	488	2008RptRR
23	Net Non-Avoidable Costs	1,539	1,733	376	3,648	2008RptRR
24	Calpine Contract Cost Reduction Credit	(475)			(475)	
25	Gas Collateral Cost	13	14	3	30	2008RptRR
26	Administrative and General	12	13	3	28	2008RptRR
27	Other Non-Allocated Costs	0	0	0	0	2008RptRR
28	Surplus Revenue	(3)	(47)	(10)	(60)	2008RptRR
29	Interest Earnings on Fund Balance	(36)	(41)	(9)	(86)	2008RptRR
30	Balancing Transfer between IOUs	(209)	(108)	(94)	(410)	Line 19
		884	1,813	465	3,162	
	Remittance Rate Calculation Table					
1	Revenue Requirement Allocated to IOU's Customers	\$884	\$1,813	\$465	\$3,162	
2	Less: Estimated Direct Acces CRS Revenues		\$ 13			
3	Bundled Revenue Requirement	\$884	\$1,800	\$465	\$3,149	
4	DWR Delivered Energy (GWh)	12,412	20,892	4,952	38,257	
5	Calendar Year Remittance Rates (\$/kWh)	0.07123	0.08614	0.09395	0.08231	

**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	