

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 28, 2009

Advice Letter 3361-E-A

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: Supplement – Schedule AG-ICE 1.5 Percent Annual Escalation
in Compliance with D.05-06-016**

Dear Mr. Cherry:

Advice Letter 3361-E-A is effective January 1, 2009.

Sincerely,

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

Julie A. Fitch, Director
Energy Division

November 14, 2008

Advice 3361-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance
with D.05-06-016**

Pacific Gas and Electric Company (PG&E) hereby submits for filing proposed revisions to Schedule AG-ICE – *Agricultural Internal Combustion Engine Conversion Incentive Rate*. PG&E proposes to revise Schedule AG-ICE unbundled rate components to comply with the 1.5 percent annual increase to Schedule AG-ICE total average rates adopted in Decision (D.) 05-06-016. The affected tariff sheets in draft form are listed on the enclosed Attachment I.

Purpose

Conclusion of Law No. 2 of D.05-06-016 states the following:

“2. The provision in the Joint Settlement that the initial rate of \$0.07539 per kWh shall escalate at a rate of 1.5% per year during the 10 years these incentive rates are in effect, is reasonable and should be approved.” (D.05-06-016, page 38.)

Accordingly, the purpose of this filing is to request Commission approval to revise the unbundled generation components of Schedule AG-ICE total rates to comply with D.05-06-016. PG&E proposes no revision to the unbundled distribution components of Schedule AG-ICE.

Schedule AG-ICE first took effect August 1, 2005. To date, PG&E has exclusively used generation energy charge revisions to maintain constant total rates throughout the calendar year, and to achieve the 1.5 percent annual escalation on January 1.¹ On January 1, 2009, PG&E proposes to use generation demand charge revisions, as well as generation energy charge revisions, to achieve the

¹ Advice 2738-E and 2738-E-A were approved by the Commission to establish the 1.5 percent annual increase to total Schedule AG-ICE rates on January 1, 2006. Advice 2933-E and 2933-E-A were approved effective January 1, 2007. Advice 3155-E and 3155-E-A were approved effective January 1, 2008.

Schedule AG-ICE 1.5 percent annual escalation. This will gradually increase Schedule AG-ICE demand charges toward the levels in otherwise applicable agricultural rates, to help avoid demand charge sticker shock when Schedule AG-ICE expires December 31, 2015.

For dates other than January 1, PG&E will continue to exclusively use only generation energy charge revisions to maintain constant total Schedule AG-ICE rates throughout the calendar year. Consistent with current practice, PG&E will revise all Schedule AG-ICE non-generation and non-distribution component rates to match corresponding levels and mid-year rate changes on Schedule AG-5B, simultaneously revising only the Schedule AG-ICE generation energy charges to maintain constant total rates.

On January 1 of each subsequent year, PG&E wishes to preserve the flexibility to achieve the 1.5 percent annual increase through either distribution or generation demand charge or energy charge component revisions, or through some combination thereof, as appropriate after non-generation and non-distribution revisions are considered.

Tariff Revisions

Attachment I reflects the illustrative draft proposed January 1, 2009 revisions to Schedule AG-ICE rate components. Schedule AG-ICE non-generation and non-distribution rate components reflect those filed for Schedule AG-5B in Table 4 on October 1, 2008 in PG&E's Annual Electric True-Up (AET) Advice 3349-E for rates effective January 1, 2009. Schedule AG-ICE distribution rate components remain at current levels, generation demand charges are set at proposed levels, and generation energy charges are revised on a residual basis as needed to achieve the mandated 1.5 percent escalation in the total annual average rate for Schedule AG-ICE.

The attached Schedule AG-ICE rate changes are not the final result, and therefore are provided in draft form. PG&E will supplement this Schedule AG-ICE advice letter to reflect the update of the AET advice letter scheduled to be filed before the end of the year. Specifically, this advice letter will be supplemented to reflect final AET Schedule AG-5B non-generation and non-distribution energy charge revisions, and to finalize the offsetting revisions to the unbundled generation demand and energy charges necessary to yield the mandated 1.5 percent Schedule AG-ICE total average rate increase.

Protests

Anyone wishing to protest this filing may do so by sending a letter by Thursday **December 4, 2008**, 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: 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 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, 2009**, in conjunction with supplemental Advice 3361-E-A, which PG&E will file no later than December 31, 2008, to reflect the AET supplemental advice letter.

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.04-11-007. 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.04-11-007

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 Lawson

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) #: 3361-E

Tier: [2]

Subject of AL: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016

Keywords (choose from CPUC listing): compliance, agriculture

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.05-06-016

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: January 1, 2009

No. of tariff sheets: 3 drafts

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): 1.5% increase for participants

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: Rate Schedule AG-ICE

Service affected and changes proposed:

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 3361-E**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

DRAFT	ELECTRIC SCHEDULE AG-ICE AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE Sheet 2	27046-E
DRAFT	ELECTRIC SCHEDULE AG-ICE AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE Sheet 3	23645-E
DRAFT	ELECTRIC SCHEDULE AG-ICE AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE Sheet 4	27488-E

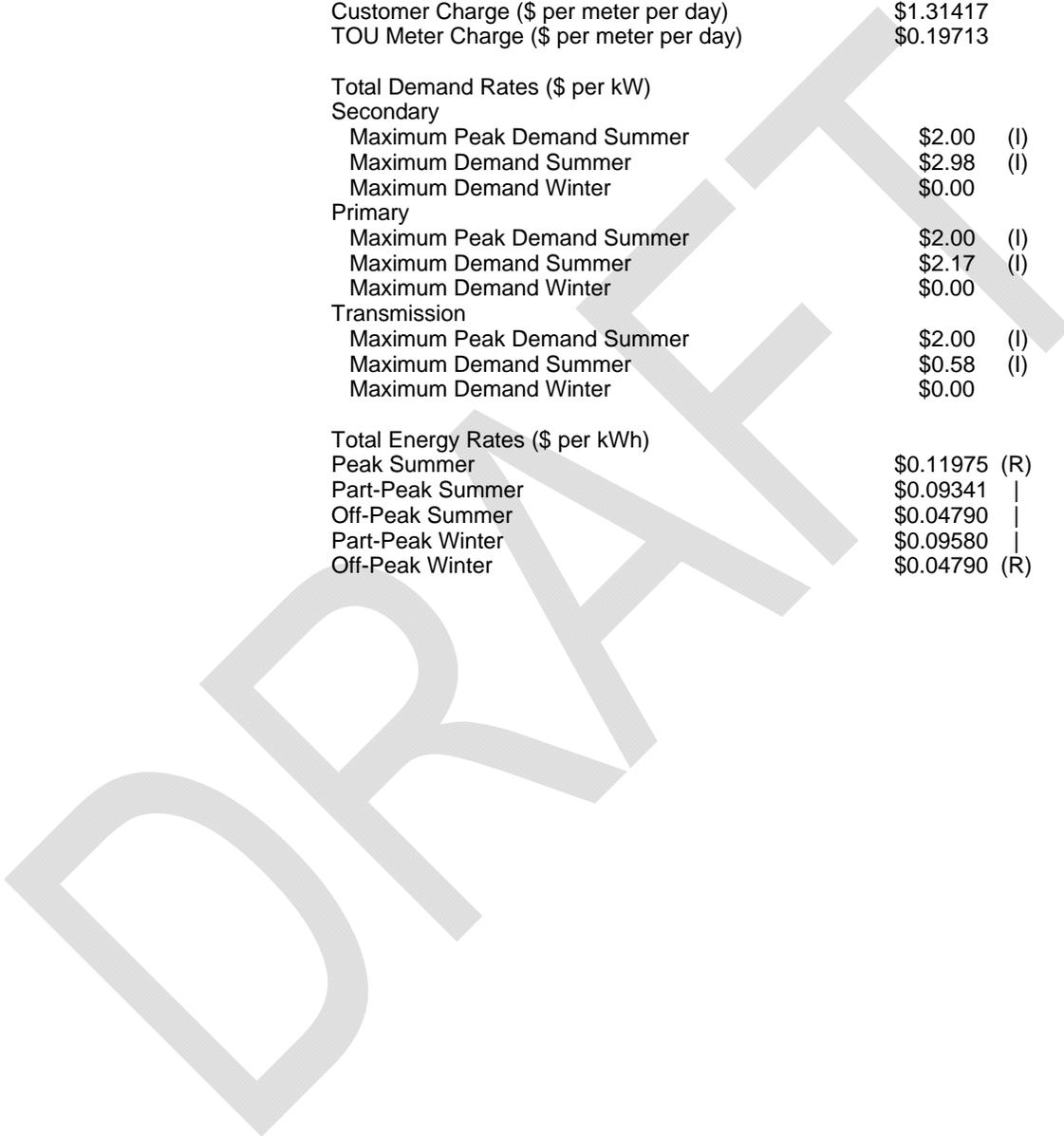


ELECTRIC SCHEDULE AG-ICE Sheet 2
AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE
RATE

RATES: Total bundled service charges are calculated using the total rates shown below.

TOTAL RATES

Total Customer/Meter Charge Rates		
Customer Charge (\$ per meter per day)	\$1.31417	
TOU Meter Charge (\$ per meter per day)	\$0.19713	
Total Demand Rates (\$ per kW)		
Secondary		
Maximum Peak Demand Summer	\$2.00	(I)
Maximum Demand Summer	\$2.98	(I)
Maximum Demand Winter	\$0.00	
Primary		
Maximum Peak Demand Summer	\$2.00	(I)
Maximum Demand Summer	\$2.17	(I)
Maximum Demand Winter	\$0.00	
Transmission		
Maximum Peak Demand Summer	\$2.00	(I)
Maximum Demand Summer	\$0.58	(I)
Maximum Demand Winter	\$0.00	
Total Energy Rates (\$ per kWh)		
Peak Summer	\$0.11975	(R)
Part-Peak Summer	\$0.09341	
Off-Peak Summer	\$0.04790	
Part-Peak Winter	\$0.09580	
Off-Peak Winter	\$0.04790	(R)



(Continued)



ELECTRIC SCHEDULE AG-ICE Sheet 3
AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE
RATE

RATES:
 (Cont'd.)

Total bundled service charges shown on customers' bills are unbundled according to the component rates shown below.

UNBUNDLING OF TOTAL RATES

Customer/Meter Charge Rates: Customer/Meter charge rates provided in the Total Rate section above are assigned entirely to the unbundled distribution component.

Demand Rates by Component (\$ per kW)

Generation:

Secondary

Maximum Peak Demand Summer	\$1.59	(l)
Maximum Demand Summer	\$1.55	(l)
Maximum Demand Winter	\$0.00	

Primary

Maximum Peak Demand Summer	\$1.59	(l)
Maximum Demand Summer	\$0.77	(l)
Maximum Demand Winter	\$0.00	

Transmission

Maximum Peak Demand Summer	\$1.59	(l)
Maximum Demand Summer	\$0.13	(l)
Maximum Demand Winter	\$0.00	

Distribution:

Secondary

Maximum Peak Demand Summer	\$0.41
Maximum Demand Summer	\$1.43
Maximum Demand Winter	\$0.00

Primary

Maximum Peak Demand Summer	\$0.41
Maximum Demand Summer	\$1.40
Maximum Demand Winter	\$0.00

Transmission

Maximum Peak Demand Summer	\$0.41
Maximum Demand Summer	\$0.45
Maximum Demand Winter	\$0.00

(Continued)



ELECTRIC SCHEDULE AG-ICE Sheet 4
AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE
RATE

RATES:
 (Cont'd.)

UNBUNDLING OF TOTAL RATES
(Cont'd.)

Energy Rates by Component (\$ per kWh)

Generation:

Peak Summer	\$0.09810 (R)
Part-Peak Summer	\$0.07176 (R)
Off-Peak Summer	\$0.02625 (I)
Part-Peak Winter	\$0.07415 (R)
Off-Peak Winter	\$0.02625 (I)

Transmission* \$0.00694 (R)

Transmission Rate Adjustments* (\$0.00118) (R)

Reliability Services* \$0.00032 (I)

Public Purpose Programs \$0.00614 (R)

Nuclear Decommissioning \$0.00028 (I)

Competition Transition Charges \$0.00245 (R)

Energy Cost Recovery Amount \$0.00199 (R)

DWR Bond Charge \$0.00471 (R)

* Transmission, Transmission Rate Adjustments, and Reliability Service charges are combined for presentation on customer bills.

(Continued)

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

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tioga Energy
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	TransCanada
City of Palo Alto	MBMC, Inc.	Turlock Irrigation District
City of San Jose	MRW & Associates	U S Borax, Inc.
Clean Energy Fuels	Manatt Phelps Phillips	United Cogen
Coast Economic Consulting	Matthew V. Brady & Associates	Utility Cost Management
Commerce Energy	McKenzie & Associates	Utility Resource Network
Commercial Energy	Meek, Daniel W.	Utility Specialists
Constellation	Merced Irrigation District	Vandenberg Air Force
Constellation New Energy	Mirant	Verizon
Consumer Federation of California	Modesto Irrigation District	Wellhead Electric Company
Crossborder Energy	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
		White & Case
Davis Wright Tremaine LLP	Morrison & Foerster	eMeter Corporation
Day Carter Murphy	New United Motor Mfg., Inc.	
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	