

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



February 4, 2009

Advice Letter 3362-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: Request for Approval of Gateway Generating Station
Updated Revenue Requirement**

Dear Mr. Cherry:

Advice Letter 3362-E is effective December 15, 2008.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



November 14, 2008

Advice 3362-E

(Pacific Gas and Electric Company ID U39M)

Public Utilities Commission of the State of California

**Subject: Request for Approval of Gateway Generating Station
Updated Revenue Requirement**

Pursuant to the California Public Utilities Commission (“Commission” or “CPUC”) Decision (“D.”) 06-06-035, Joint Settlement Agreement (“Settlement Agreement”/“Settlement”)¹ Paragraph 7, Pacific Gas and Electric Company (“PG&E”) hereby submits an update to the authorized revenue requirement associated with PG&E’s Gateway Generating Station (“Gateway”)², effective December 15, 2008.

Background

On June 15, 2006, D.06-06-035 approved all provisions of a Settlement Agreement concerning an application for a Certificate of Public Convenience and Necessity (“CPCN”) by PG&E to accept, complete construction of, and operate the Contra Costa 8 (“CC8”) generating facility³, except for the Nonbypassable Charge (NBC) provision contained in Paragraph 11. Paragraph 7 of the Settlement Agreement states that “PG&E shall file an advice letter before the date of commercial operation of the project with revenue requirements that reflect any adjustments to its costs that are authorized in this Settlement Agreement, as well as the then-current cost of capital, franchise and collectibles factors, property tax, and the amount of income tax paid on the transfer of the assets, and ratemaking for Federal or state income tax as determined by the Commission.”

¹ The Settling Parties include PG&E, Division of Ratepayer Advocates (“DRA”), The Utility Reform Network (“TURN”), and California Unions for Reliable Energy (“CURE”). A copy of the Settlement Agreement is attached to this decision as Attachment A.

² The CC8 facility has been renamed the Gateway Generating Station.

³ Gateway was previously referred to as CC8.

PG&E subsequently filed Advice 2928-E for review and approval of a request to increase the reasonable and prudent estimate of the initial capital cost of completing Gateway by \$75.5 million and the resulting revenue requirement by \$13.2 million to convert the facility from fresh water cooling to dry cooling, as necessitated by changes in the project's permitting environment. Resolution (Res.) E-4054 approved this increase in revenue requirement conditioned upon PG&E obtaining a final CEC license to construct and operate Gateway. PG&E obtained a final CEC license and filed Advice 3104-E to request approval of the increase in capital cost and resulting revenue requirement. Advice 3104-E was approved by the Commission on October 15, 2007, with an effective date of September 13, 2007.

In this advice letter, pursuant to Paragraph 7 of the Settlement Agreement approved by D.06-06-035, PG&E updates the Gateway revenue requirement made effective by the Commission on September 13, 2007, to reflect the current cost of capital, franchise and collectibles factors, property tax, amount of income tax paid on the transfer of the assets, and ratemaking for Federal or state income tax as determined by the Commission.

Table 1, attached, shows the updated revenue requirement for Gateway. PG&E requests the Commission to adopt this updated revenue requirement, which will accrue in the Utility Generation Balancing Account ("UGBA"), commencing with the date of commercial operation of Gateway unless this advice letter is not approved by that date. If this advice letter is not approved before the date of commercial operation of Gateway, PG&E will accrue in UGBA the revenue requirement approved in Res. E-4054 until the Commission approves the updated revenue requirement in this advice letter. Per Paragraph 3 of the Settlement Agreement approved by D.06-06-035, the UGBA balance shall continue to be recovered in rates until new base generation rates incorporating the revenue requirement for Gateway are made effective through PG&E's first General Rate Case ("GRC") subsequent to commercial operation. In the first GRC after commercial operation, PG&E will update its revenue requirement prospectively to reflect recorded costs as tried up.

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 **December 4, 2008**, which is 20 days from 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: ijn@cpuc.ca.gov and mas@cpuc.ca.gov

Copies 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, upon Energy Division approval, become effective **December 15, 2008**.

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.05-06-029. Address changes should be directed to Rose

De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs/>

A handwritten signature in black ink that reads "Brian K. Cheney / DC". The signature is written in a cursive style.

Vice President – Regulatory Relations

Attachments

Attachment 1: Table 1 - Gateway Generating Station Components of Initial Revenue Requirement

cc: Service List A.05-06-029

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) #: **3362-E**

Tier: 2

Subject of AL: Request for Approval of Gateway Generating Station Updated Revenue Requirement

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.06-06-035

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

Resolution Required? Yes No

Requested effective date: **December 15, 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

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

Table 1 – Gateway Generating Station Components of Initial Revenue Requirement

Table 1
Pacific Gas And Electric Company
Gateway Generating Station
Components Of Initial Revenue Requirement
Dry Cooling Advice Letter 2928-E vs. Advice 3362-E Update
(Thousands of Nominal Dollars)

Line No.		Dry Cooling Advice Letter 2928-E	Advice 3362-E Update	Increase
1	Operating Revenue	80,693	81,140	447
	Operating Expense			
2	Operations and Maintenance	13,511	13,511	0
	Administrative and General			
3	Employee Benefits	778	778	0
4	Insurance	232	232	0
5	Subtotal	1,010	1,010	0
6	Uncollectibles	161	209	48
7	Franchise Requirements	607	613	5
8	Subtotal Operating expenses	15,290	15,344	53
	Taxes			
9	Property	166	177	11
10	Payroll	277	277	0
11	State Corporation Franchise	3,461	3,484	23
12	Federal Income	13,897	13,981	84
13	Subtotal Taxes	17,802	17,919	118
14	Depreciation	12,351	12,351	0
15	Decommissioning Accrual	666	666	0
16	Total Operating Expenses	46,108	46,279	171
17	Net For Return	34,584	34,860	276
18	Weighted Average Rate Base	393,515	396,428	2,913
	Rate of Return			
19	On Rate Base	8.79%	8.79%	
20	On Equity	11.35%	11.35%	
	Total Capital Cost	370,542	370,542	0
	Commercial Operative Date	Feb-09	Feb-09	

**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
California Cotton Ginners & Growers Assn	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Energy Commission	Green Power Institute	Sequoia Union HS Dist
California League of Food Processors	Hanna & Morton	Sierra Pacific Power Company
California Public Utilities Commission	Heeg, Peggy A.	Silicon Valley Power
Calpine	Hitachi	Smurfit Stone Container Corp
Cameron McKenna	Hogan Manufacturing, Inc.	Southern California Edison Company
Cardinal Cogen	Imperial Irrigation District	St. Paul Assoc.
Casner, Steve	Innercite	Sunshine Design
Cerox	International Power Technology	Sutherland, Asbill & Brennan
Chamberlain, Eric	Intestate Gas Services, Inc.	TFS Energy
Chevron Company	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chris, King	JTM, Inc.	Tecogen, Inc.
City of Glendale	Los Angeles Dept of Water & Power	Tioga Energy
City of Palo Alto	Luce, Forward, Hamilton & Scripps LLP	TransCanada
City of San Jose	MBMC, Inc.	Turlock Irrigation District
	MRW & Associates	U S Borax, Inc.

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

Clean Energy Fuels

Coast Economic Consulting

Commerce Energy

Commercial Energy

Constellation

Constellation New Energy

Consumer Federation of California

Crossborder Energy

Davis Wright Tremaine LLP

Day Carter Murphy

Defense Energy Support Center

Department of Water Resources

Manatt Phelps Phillips

Matthew V. Brady & Associates

McKenzie & Associates

Meek, Daniel W.

Merced Irrigation District

Mirant

Modesto Irrigation District

Morgan Stanley

Morrison & Foerster

New United Motor Mfg., Inc.

Norris & Wong Associates

North Coast SolarResources

United Cogen

Utility Cost Management

Utility Resource Network

Utility Specialists

Vandenberg Air Force

Verizon

Wellhead Electric Company

**Western Manufactured Housing
Communities Association (WMA)**

White & Case

eMeter Corporation