

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 4, 2009

**Advice Letter 3400-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: Gateway Settlement Balancing Account**

Dear Mr. Cherry:

Advice Letter 3400-E is effective January 4, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division

January 6, 2009

**Advice 3400-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Gateway Settlement Balancing Account**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariff to include a new preliminary statement, the Gateway Settlement Balancing Account (GSBA), for the accrual of the difference in the revenue requirement associated with the Gateway Generation Station based on the adopted capital cost of \$370.5 million and the actual capital cost. This filing is in compliance with Ordering Paragraph 1 of Decision (D.) 06-06-035.

**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 facility. PG&E subsequently renamed CC8 the Gateway Generating Station.

Section 3 of the Settlement Agreement approved by D.06-06-035 authorizes PG&E to establish balancing accounts to track the difference between the revenue requirement based on the adopted capital cost for the Gateway Generating Station and the revenue requirement as trued up to the recorded capital cost, subject to the provisions of Sections 4, 5, and 6 of the Settlement Agreement, which describe adjustments to the recorded capital cost for ratemaking purposes.

Advice 2928-E, filed November 8, 2006 and approved by the Commission on February 20, 2007, established the annual revenue requirement for the Gateway Generating Station to be \$80.693 million, based on the adopted capital cost. On November 14, 2008, PG&E filed Advice 3362-E to update the revenue requirement made effective by the Commission on September 13, 2007, to reflect the current cost of capital and other items as ordered by Section 7 of the

Settlement Agreement. Advice 3362-E which is pending would revise the annual revenue requirement to \$81.140 million. The annual revenue requirement based on actual capital cost will be reviewed in PG&E's 2011 General Rate Case (GRC).

### **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 26, 2009, 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](mailto:ijnj@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**

Pursuant to Section 3 of the Settlement Agreement approved by D.06-06-035, PG&E requests that this advice filing become effective on **January 4, 2009**, the date the Gateway Generating Station entered commercial operation.

**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 Application 05-06-029. 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](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

A handwritten signature in black ink, appearing to read "Rose de la Torre". The signature is written in a cursive, somewhat stylized font.

Vice President, Regulatory Relations

Attachments

cc: 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 (ID39E)

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: David Poster

Phone #: (415) 973- 1082

E-mail: dxpu@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) #: 3400-E

Tier 1

Subject of AL: Gateway Settlement Balancing Account

Keywords (choose from CPUC listing): Gateway, Electric Preliminary Statements

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: N/A

Required?  Yes  No

Requested effective date: 01-04-09

No. of tariff sheets: 3

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%):

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: Creation of Electric Prelim FA

Pending advice letters that revise the same tariff sheets: N/A

**Protests 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**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**[mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)**

**Utility Info (including e-mail)**

**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](mailto:PGETariffs@pge.com)**

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

**Title of Sheet**

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

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28019-E      ELECTRIC PRELIMINARY STATEMENT PART  
FA  
GATEWAY SETTLEMENT BALANCING  
ACCOUNT  
Sheet 1

28020-E      ELECTRIC TABLE OF CONTENTS  
Sheet 1

28017-E

28021-E      ELECTRIC TABLE OF CONTENTS  
PRELIMINARY STATEMENT  
Sheet 9

27879-E



**ELECTRIC PRELIMINARY STATEMENT PART FA**  
**GATEWAY SETTLEMENT BALANCING ACCOUNT**

Sheet 1

1. **PURPOSE:** The purpose of the Gateway Settlement Balancing Account (GSBA) is to record for future recovery difference in the revenue requirement associated with the Gateway Generation Station based on the adopted capital cost of \$370.5 million and that based on the adjusted actual capital cost. The adjusted actual capital cost and the resulting annual revenue requirement will be determined in PG&E's 2011 General Rate Case (GRC). (N)
2. **APPLICABILITY:** The Gateway Settlement Balancing Account (GSBA) shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Disposition of the balance in this account shall be determined through the advice letter process.
4. **GENERATION RATES:** The generation rates are included in the effective rates set forth in each rate schedule.
5. **ACCOUNTING PROCEDURES:** The following entries shall be made to the account:
  - a. A credit entry each month equal to one-twelfth of \$80.693 million, the annual revenue requirement based on the adopted capital cost of the Gateway Generating Station as approved by the Commission in Advice 2928-E. For the first month of operation of the Gateway Generating Station, this amount will be prorated on a daily basis.
  - b. A debit entry each month equal to one-twelfth of the annual revenue requirement based on the actual capital cost of the Gateway Generating Station. The annual revenue requirement based on actual capital cost will be determined each month, and will be and reviewed in PG&E's 2011 General Rate Case (GRC) per Decision 06-06-035.
  - c. An entry each month equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of 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.
  - d. After review of the entries to this account in PG&E's 2011 GRC, a debit entry to transfer the balance in the account to the Utility Generation Balancing Account (UGBA) to recover the balance through rates. (N)

Advice Letter No: 3400-E  
 Decision No. 06-06-035

Issued by  
**Brian K. Cherry**  
 Vice President  
 Regulatory Relations

Date Filed January 6, 2009  
 Effective January 4, 2009  
 Resolution No. \_\_\_\_\_



**ELECTRIC TABLE OF CONTENTS**

Sheet 1

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Advice Letter No: 3400-E  
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**ELECTRIC TABLE OF CONTENTS**  
**PRELIMINARY STATEMENT**

Sheet 9

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(Continued)

Advice Letter No: 3400-E  
 Decision No. 06-06-035

Issued by  
**Brian K. Cherry**  
 Vice President  
 Regulatory Relations

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**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	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	