

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 4, 2009

Advice Letter 3401-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 Generating Station
(Utility Generation Balancing Account Revenue Requirement)**

Dear Mr. Cherry:

Advice Letter 3401-E is effective January 4, 2009.

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

Pacific Gas and Electric Company
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
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January 6, 2009

Advice 3401-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Gateway Generating Station
(Utility Generation Balancing Account Revenue Requirement)**

Purpose

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits an adjustment to the authorized revenue requirement associated with PG&E's owned generation facilities to include the costs associated with owning and operating the Gateway Generating Station effective January 4, 2009. This filing is submitted 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 has named this facility the Gateway Generating Station. Paragraph 3 of the Settlement Agreement authorized PG&E to accrue a revenue requirement in UGBA as of the date of commercial operation. The authorized revenue requirement from D.06-06-035 was subsequently revised due to conversion of the facility from fresh water cooling to dry cooling, as necessitated by changes in the project's permitting environment in Advice 2928-E. Advice 2928-E was conditionally approved in Resolution (Res.) E-4054 subject to final California Energy Commission (CEC) approval of the facility. PG&E obtained a final CEC license and filed Advice 3104-E to request final approval of the resulting revenue requirement. Advice 3104-E was approved by the Commission on October 15, 2007, with an effective date of September 13, 2007. 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 paragraph 7 of the Settlement Agreement. Advice 3362-E is pending.

As presented in Advice 2928-E, the Gateway revenue requirement is \$80.693 million. Table 1, attached, shows the cumulative adjustments to the electric generation base revenue requirement amounts authorized in the 2007 GRC. The revenue requirement for the Gateway Generating Station is shown as effective January 4, 2009. For illustrative purposes, Table 1 includes the 2009 Attrition and 2009 Diablo Canyon Steam Generator Replacement revenue requirements effective January 1, 2009 as approved in Advice letters 2954-G/3340-E and 3342-E.

For rate design purposes, PG&E will include the UGBA revenue requirement associated with Gateway in its 2009 Annual Electric True-up (AET) filing.

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 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

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. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>



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) #: 3401-E

Tier 1

Subject of AL: Gateway Generating Station (Utility Generation Balancing Account Revenue Requirement)

Keywords (choose from CPUC listing): Gateway, UGBA

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: 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:

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 and 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

Revised

Table 1
PACIFIC GAS AND ELECTRIC COMPANY
Electric Generation Revenue Requirement
From 2007 GRC through 2009
(Thousands of Dollars)

2007 Adopted GRC RRQ	1,019,755
less: Other Operating Revenue	10,120
less: FERC jurisdictional amount	
2007 Base Revenue Amount (Eff. 1/1/07)	1,009,635
Office Closures	0
2007 Base Revenue Amount (Eff. 8/1/07)	1,009,635
2008 Attrition Adjustment	40,000
2008 Cost of Capital	0
2008 Base Revenue Amount (Eff. 1/1/08)	1,049,635
Diablo Canyon Unit 2 Steam Generator Replacement	63,392
2008 Base Revenue Amount (Eff. 4/16/08)	1,113,027
2009 Attrition Adjustment	40,000
Diablo Canyon Refueling	35,000
2009 Cost of Capital	0
Diablo Canyon Unit 2 Steam Generator Replacement	
Reverse 2008 Revenue Requirement	(63,392)
Add 2009 Revenue Requirement	69,445
2009 Base Revenue Amount (Eff. 1/1/09)	1,194,080
Gateway Generating Station	80,693
2009 Base Revenue Amount (Eff. 1/4/09)	1,274,773

**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	