



July 20, 2009

**Advice 3495-E**  
(Pacific Gas and Electric Company ID U 39E)

Public Utilities Commission of the State of California

**Subject: 2009 Energy Resource Recovery Account (ERRA) Forecast  
Potential Bill Credit Proposal**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits for filing an Electric Bill Credit Plan (Bill Credit Plan) which proposes under specific circumstances to credit bundled customers, on an expedited basis, the expected December 31, 2009, ERRA overcollection as a one-time bill credit in the November/December 2009 billing cycle.

PG&E requests a Commission resolution approving the Bill Credit Proposal no later than October 15, 2009. This advice letter provides the Commission with a preliminary estimate of a one-time bill credit amount. Once approved, PG&E will file a Tier 1 supplemental advice letter on October 30<sup>th</sup> to notify the Commission whether or not the criteria were met to proceed with implementation of the Bill Credit Plan and, if the criteria are met, the final amount of the bill credit.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**Summary of Proposal**

Though PG&E's ERRA balancing account is approximately \$1 million undercollected as of June 2009, PG&E currently forecasts a year-end overcollection of approximately \$475 million. Given the expected overcollection, PG&E proposes to issue a one-time bill credit before the end of 2009 if the following criteria are met:

1. If, after factoring in recorded data through September 2009 and other forecasted electric rate changes effective January 1, 2010, the estimated

- bundled system average rate increase on January 1, 2010 is 3 percent<sup>1</sup> or less (excluding the ERRA balance) *and* the forecasted ERRA overcollection is greater than \$200 million (slightly less than the 4 percent ERRA Trigger threshold), then PG&E will provide a one-time bill credit to customers in the amount of the forecasted ERRA overcollection.
2. If the estimated bundled system average rate increase on January 1, 2010 is greater than 3 percent (excluding the ERRA balance), PG&E will first use the forecasted ERRA overcollection to reduce the estimated rate increase to 3 percent. If, after the adjustment, the remaining forecasted ERRA overcollection is still greater than \$200 million, PG&E will provide a one-time bill credit to customers in the amount of the remaining forecasted ERRA overcollection.
  3. If, after the adjustment, the remaining forecasted ERRA overcollection is less than \$200 million, PG&E will not proceed with the Bill Credit Plan. Instead, PG&E will amortize the ERRA overcollection in rates over 12 months in Annual Electric True-Up filing.

The proposed bill credit will appear on customers' energy statements in the November/December billing cycle. Given the current economic climate, the one-time bill credit will provide welcome immediate economic relief to customers.

### **2009 ERRA Balancing Account Activity**

PG&E began 2009 with a 2008 end-of-year ERRA undercollection of \$384 million and set its 2009 ERRA rate to recover this balance, as well as the ongoing 2009 forecast procurement costs, during the 2009 calendar year. As of June 30, 2009, this large undercollection has been amortized down to an undercollection of approximately \$1 million, due to much lower than expected 2009 electric procurement costs. PG&E is currently forecasting an overcollection of \$475 million based on the recorded ERRA balance and forecasts of costs and revenues for July through December. A more precise estimate of the overcollection will be available after the summer peak season.

Under normal procedures, PG&E would file an ERRA Trigger application (currently forecast for the 4<sup>th</sup> quarter of this year) when the ERRA balancing account is \$209 million overcollected (4 percent ERRA Trigger threshold) *and* PG&E is forecasting the overcollection to exceed \$261 million (5 percent ERRA Trigger threshold). PG&E would then propose to amortize the overcollection in rates over a specified period. PG&E expects the ERRA overcollection to exceed the 4 percent ERRA trigger threshold of \$209 million before the end of 2009 and to exceed the 5 percent ERRA trigger amount of \$261 million soon after. (Advice Letter 3441-E.)

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<sup>1</sup> As of June 30, 2009, a 3 percent increase in the estimated bundled system average rate is approximately \$375 million.

The one-time bill credit will provide earlier economic relief to customers than a Trigger application would. In addition, it may also prevent the overlap of having both PG&E's 2010 ERRR Forecast application and an expedited Trigger application before the Commission during the fourth quarter of 2009.

### **2010 ERRR Forecast Application and Annual Electric True-Up**

Pursuant to Decisions D.02-10-062 and D.04-01-050, on June 1, 2009, PG&E filed its 2010 ERRR Forecast Application 09-06-001 with the CPUC. In this application, PG&E forecast that its end-of-year 2009 ERRR balance would be overcollected by about \$550 million. PG&E's testimony acknowledged the sizable overcollection and noted that it would closely monitor the forecast year-end ERRR balance to determine whether an ERRR Trigger filing would be necessary before the end of the year.

PG&E's 2010 ERRR Forecast is based on April gas and electric price forwards as well as recorded data through the end of April 2009. Since that time, May and June data have been incorporated into the end-of-year forecast, and PG&E currently estimates the overcollection to be about \$475 million, well over the 2009 ERRR Trigger<sup>2</sup> threshold of 4 percent (\$209 million). Barring a substantial change in this forecast, PG&E would need to file an ERRR Trigger application and amortization schedule prior to the end of 2009.

On September 1, 2009, PG&E will file its Annual Electric True-Up (AET) for electric rates effective January 1, 2010. The AET provides the CPUC with a preliminary estimate of electric rates on January 1, 2010, incorporating: (1) amounts previously authorized to be recovered in rates; (2) the forecast December 31, 2009, balances for amortization in 2010; and (3) electric rate changes being considered in a number of pending proceedings and advice letters. PG&E will file a supplemental AET advice letter in December reflecting more current information.

### **Process for Implementing PG&E's Proposal**

PG&E requests approval of the proposal by October 15, 2009, in order to prepare an implementation plan for customer billing and communications. If the Bill Credit Plan is approved by the Commission, the specific amount of the bill credit will be calculated and submitted as a Tier 1 Compliance Advice Letter on October 30, 2009.

Since the bill credits will be calculated based on a forecasted end-of-year ERRR balance, there will likely be a remaining balance in ERRR at the end of the year

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<sup>2</sup> In Decision D.02-10-062, the Commission adopted an ERRR trigger mechanism which requires the IOU to file an ERRR Trigger Application when the ERRR balance reaches or exceeds 4 percent of the prior year's recorded ERRR generation revenues and forecasts the balance will reach 5 percent. PG&E's ERRR Trigger amounts effective for 2009 were submitted in Advice 3441-E and are \$209 million and \$261 million, respectively.

which will be amortized into 2010 rates. The specific details of the one-time bill credit are provided in the Electric Bill Credit Plan as an attachment to this advice letter. Key aspects of PG&E's proposal are provided below:

1. On October 30, PG&E will submit a Tier 1 Compliance Advice letter to the Commission with (a) the updated end-of-year ERRA balance, (b) the updated end-of-year AET estimated bundled system average rate change, and (c) the final bill credit amount, using recorded data through September a forecast of other electric rate changes effective January 1, 2010.
2. If the estimated bundled system average rate increase on January 1, 2010 is 3 percent or less (excluding the ERRA balance) *and* the forecasted ERRA overcollection is greater than \$200 million (slightly less than the 4 percent ERRA Trigger threshold), then PG&E will provide a one-time bill credit to customers in the amount of the forecasted ERRA overcollection. If the estimated bundled system average rate increase on January 1, 2010 is greater than 3 percent, PG&E will first use the forecasted ERRA overcollection to reduce the estimated rate increase to 3 percent. Provided that the remaining forecasted ERRA overcollection is still greater than \$200 million, PG&E will provide a one-time bill credit to customers in the amount of the remaining forecasted ERRA overcollection.
3. If the remaining forecasted ERRA overcollection is less than \$200 million, PG&E will not proceed with the bill credit plan. Instead, PG&E will amortize the ERRA overcollection in rates over 12 months in Annual Electric True-Up filing.
4. Any bill credit will appear on customers' energy statements in the November/December billing cycle.
5. The credit will be recorded as a revenue offset in ERRA.
6. For ratemaking purposes, the bill credits will be reflected as reduced revenue. The resulting ERRA end-of-year balance, including the implemented one-time bill credits, would be reflected in PG&E's supplemental Annual Electric True-up Advice Letter for rates effective January 1, 2010.

### **Bill Credit Results**

PG&E will supplement this Advice Letter on October 30, 2009, with (a) the updated end-of-year ERRA balance, (b) the updated end-of-year AET estimated bundled system average rate increase, and (c) the final bill credit amount, using recorded data through September and a forecast of other electric rate changes effective January 1, 2010.

### **Protest Period**

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 August

10, 2009 which is 21 days<sup>3</sup> 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: [jnj@cpuc.ca.gov](mailto:jnj@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**

PG&E submits this as a Tier 3 advice letter and requests approval no later than October 15, 2009, in order to implement this plan in November. PG&E will file a Tier 1 supplement as described above to this advice letter on October 30th.

### **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 A.09-06-001. Address changes to the General Order 96-B service list should be directed to San Heng at (415) 973-2640. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at [ProcessOffice@cpuc.ca.gov](mailto:ProcessOffice@cpuc.ca.gov). Send all

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<sup>3</sup> The 20<sup>th</sup> day falls on a weekend. PG&E hereby moves the protest end date to the following business day.

electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

A handwritten signature in black ink that reads "Brian Cherry" followed by a small mark that looks like "06".

Vice President - Regulatory Relations

cc: Service List: A.09-06-001

Attachment 1 – Electric Bill Credit Plan

# 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: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@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) #: 3495-E

**Tier: 3**

Subject of AL: 2009 Energy Resource Recovery Account (ERRA) Forecast Potential Bill Credit Proposal

Keywords (choose from CPUC listing): Billings, Credit

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: 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: N/A

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: N/A

Resolution Required?  Yes  No

Requested effective date: October 15, 2009

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**

**[ijn@cpuc.ca.gov](mailto:ijn@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)**

**Attachment One:**

**Bill Credit Plan**

**PACIFIC GAS AND ELECTRIC COMPANY**

**ELECTRIC BILL CREDIT PLAN - ERRRA BALANCING ACCOUNT  
ADVICE LETTER 3495-E**

**1. PURPOSE**

The purpose of the Electric Bill Credit Plan is to describe the method PG&E will use to credit the expected ERRRA over-collection to eligible retail electric customers.

**2. TIMING OF BILL CREDITS**

Bill credits will be displayed on eligible retail customers' November/December 2009 energy statements provided that a Commission resolution is issued on this proposal no later than October 15, 2009.

**3. TOTAL AMOUNT TO BE CREDITED**

The Bill Credit Plan will be based on the expected ERRRA overcollection reflecting recorded data through September and forecast data for October through December under the assumption that the estimated bundled system average rate increase on January 1, 2010, is no greater than 3 percent (excluding the ERRRA balance) *and* the forecasted ERRRA overcollection is greater than \$200 million.<sup>1</sup>

The current ERRRA forecast overcollection (based on recorded June 2009 data) is approximately \$475 million. The total amount to be credited to eligible retail customers will be based on the updated end-of-year ERRRA balance and updated AET bundled system average rate change using recorded data through September and a forecast of other electric rate changes effective January 1, 2010. PG&E will submit these updates to the Commission via a Compliance Advice Letter on October 30, 2009.

**4. CUSTOMER ELIGIBILITY**

An eligible customer is defined as a PG&E retail electric customer who was billed generation component charges for any month during the period from January 1, 2009 through August 31, 2009, and who still maintains an open account (gas, electric, deposit or other PG&E account) at the time of bill credit issuance.

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<sup>1</sup> As described in Advice Letter 3495-E, if the estimated bundled system average rate increase on January 1, 2010 is greater than 3 percent, PG&E will first use the forecasted ERRRA overcollection to reduce the estimated rate increase to 3 percent. Provided that the remaining forecasted ERRRA overcollection is still greater than \$200 million, PG&E will provide a one-time bill credit to customers in the amount of the remaining forecasted ERRRA overcollection. If the remaining forecasted ERRRA overcollection is less than \$200 million, PG&E will not proceed with the Bill Credit Plan.

## **5. METHODOLOGY FOR DETERMINING CREDITS TO ELIGIBLE CUSTOMERS**

- a) The credit amount for each eligible electric customer is determined by multiplying each customer's generation charges from January 1, 2009 through August 31, 2009 by the Bill Credit Percentage.
- b) The Bill Credit Percentage is calculated as a ratio where (i) the numerator is the final bill credit amount that will be submitted to the Commission via a Compliance Advice Letter on October 30, 2009, using recorded data through September 2009 and forecast data for October 2009 through December 2009 and (ii) the denominator is the total generation charges paid by all eligible PG&E customers for the period January 1, 2009 through August 31, 2009. The Bill Credit Percentage will be rounded down to the nearest half a percent (0.005).
- c) If a customer resides within a city or county that has an established Utility Users Tax (UUT) or franchise surcharge (currently only imposed by the City of Bakersfield), the bill credit will be adjusted to reflect the adjustment to the UUT/franchise surcharge.
- d) The credit will be applied in the form of a one-time credit on the customer's bill. The credit will appear as a separate line item on the energy statement entitled "Electric Procurement Bill Credit".

## **6. ERRA BALANCING ACCOUNT**

For ratemaking purposes, the bill credits will be reflected as a reduction to the ERRA end-of-year balance, which will be incorporated into PG&E's supplemental Annual Electric True-up Advice Letter for rates effective January 1, 2010.

## **7. NOTICE TO MASTER-METERED CUSTOMERS WITH SUBMETERED TENANTS**

PG&E will inform master-metered customers of potential bill credits and remind them of their obligations to pass along any refunds to their tenants in accordance with Section 739.5 (b) of the Public Utilities Code. The notice includes a sample calculation of the credit to a submetered tenant.

## **8. ADJUSTMENT OF CREDITS UPON CUSTOMER'S INQUIRY**

If, within nine months of the initial implementation date of the Bill Credit Plan, a current or former customer contends that the credit amount is incorrect, PG&E will investigate the matter and make any appropriate adjustments as needed.

**9. REPORT ON THE BILL CREDIT PLAN**

A report of the total amount of credits made to the current customers pursuant to the Bill Credit Plan, including adjustments and corrections made pursuant to Section 8 of the Bill Credit Plan, will be furnished to the California Public Utilities Commission by January 31, 2011.

**10. CUSTOMER NOTIFICATION**

Each energy statement with the bill credit will include a bill message stating the reason for the refund.

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

Aglet	Day Carter Murphy	North Coast SolarResources
Alcantar & Kahl	Defense Energy Support Center	Northern California Power Association
Ameresco	Department of Water Resources	Occidental Energy Marketing, Inc.
Anderson & Poole	Department of the Army	OnGrid Solar
Arizona Public Service Company	Dept of General Services	Praxair
BART	Division of Business Advisory Services	R. W. Beck & Associates
BP Energy Company	Douglas & Liddell	RCS, Inc.
Barkovich & Yap, Inc.	Douglass & Liddell	Recon Research
Bartle Wells Associates	Downey & Brand	SCD Energy Solutions
C & H Sugar Co.	Duke Energy	SCE
CA Bldg Industry Association	Dutcher, John	SMUD
CAISO	Ellison Schneider & Harris LLP	SPURR
CLECA Law Office	FPL Energy Project Management, Inc.	Santa Fe Jets
CSC Energy Services	Foster Farms	Seattle City Light
California Cotton Ginners & Growers Assn	G. A. Krause & Assoc.	Sempra Utilities
California Energy Commission	GLJ Publications	Sierra Pacific Power Company
California League of Food Processors	Goodin, MacBride, Squeri, Schlotz & Ritchie	Silicon Valley Power
California Public Utilities Commission	Green Power Institute	Southern California Edison Company
Calpine	Hanna & Morton	Sunshine Design
Cameron McKenna	Hitachi	Sutherland, Asbill & Brennan
Cardinal Cogen	International Power Technology	Tabors Caramanis & Associates
Casner, Steve	Intestate Gas Services, Inc.	Tecogen, Inc.
Chamberlain, Eric	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
Chevron Company	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
Chris, King	MBMC, Inc.	TransCanada
City of Glendale	MRW & Associates	Turlock Irrigation District
City of Palo Alto	Manatt Phelps Phillips	U S Borax, Inc.
City of San Jose	Matthew V. Brady & Associates	United Cogen
Clean Energy Fuels	McKenzie & Associates	Utility Cost Management
Coast Economic Consulting	Merced Irrigation District	Utility Specialists
Commerce Energy	Mirant	Verizon
Commercial Energy	Modesto Irrigation District	Wellhead Electric Company
Consumer Federation of California	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
Crossborder Energy	Morrison & Foerster	eMeter Corporation
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	
	Norris & Wong Associates	