

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 16, 2014

Advice Letter 3524-E and 3524-E-A

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

**Subject: Annual Reasonableness Review of PG&E's Schedule E-31 Contracts –
Compliance AL Pursuant to Electric Schedule E-31 and D.09-06-025,
and Confidential Attachments Submitted Pursuant to PUC Section 583
and Supplemental Filing**

Dear Mr. Cherry:

Advice Letter 3524-E and 3524-E-A are effective December 19, 2013 per Resolution 4517.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, 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

Fax: 415.973.7226

April 5, 2013

Advice 3524-E-A

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Supplemental: Annual Reasonableness Review of Pacific Gas and Electric Company's Schedule E-31 Contracts – Compliance Advice Letter Pursuant to Electric Schedule E-31 and D.09-06-025, and Confidential Attachments Submitted Pursuant to PUC Section 583

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental Tier 3 advice letter in accordance with Electric Schedule E-31 and Decision (D.) 09-06-025, *Decision Adopting a Settlement Resolving Modesto Irrigation District's Complaint Against Pacific Gas & Electric Company (PG&E), Regarding Tariff Schedule E-31*.

The purpose of this filing is to comply with (a) PG&E's obligations under Schedule E-31, which calls for an annual reasonableness review of PG&E's E-31 contracts, and (b) D.09-06-025, consistent with the terms of the Settlement Agreement (Agreement) that the California Public Utilities Commission (Commission) therein approved.

In this supplemental advice letter, PG&E revises certain elements of the original Tier 3 advice letter filed on September 16, 2009 to ensure full compliance with Schedule E-31, Form No. 79-995, the Distribution Bypass Deferral Rate Memo Account (DBDRMA), and Preliminary Statement Part CK.

Annual Reasonableness Review

In D.09-06-025, the Commission adopted the Agreement between Modesto Irrigation District (MID) and PG&E resolving MID's complaint that PG&E improperly provided service to customers under Schedule E-31.

Ordering Paragraphs (OP) 2, 4, 5 and 6 of D.09-06-025 state:

2. Pacific Gas and Electric Company shall file annual advice letter reasonableness reviews, with accompanying documentation, as provided for in Article IV of the settlement agreement.¹
4. Pacific Gas and Electric Company shall submit its first reasonableness review advice letter within 90 days of the effective date of this decision.
5. The first reasonableness review shall include a rate review, but not a procedural review because all existing procedural review issues have been resolved in the settlement agreement.
6. Subsequent reasonableness reviews will include both a rate review and a procedural review of any new Schedule E-31 contracts, and only a rate review of contracts in existence after the previous review.

By this supplemental advice letter, PG&E submits its “first reasonableness review advice letter” in accordance with OPs 4 and 5 of D.09-06-025 as a replacement of Advice 3524-E submitted on September, 16, 2009

Section 4.4(e) of the Agreement provides that PG&E may file the data required to comply with the first annual reasonableness review under seal if it is confidential or proprietary. Because the data that the Agreement requires (as specified in Sections 4.4 (a), 4.4 (b), 4.4 (c) and 4.4 (d)) is customer-specific, the information is confidential and filed under seal in accordance with Section 583 of the California Public Utilities Code. PG&E submitted these confidential documents as Attachments A, B, C and D to the original advice letter. As specified in the Agreement, PG&E provided the documents specified under Sections 4.4 (a), 4.4 (b) and 4.4 (c) to MID previously. Attachments A, B, and C in this supplemental advice letter are unchanged from those submitted in the original advice letter. Attachment D in this supplemental advice letter has been revised from that submitted in the original advice letter.

With respect to the rate review required by Section 4.4 (d) of the Agreement, PG&E has conducted its review and found that the revenues it received from customers taking service under Schedule E-31 for the period beginning 2004 and extending through 2008 exceeded the contract floor price, as required by tariff, and herein submits that they were reasonable. After submission of the original advice letter and subsequent discussions with Energy Division, PG&E revisited many technical elements of the rate review and has modified analyses to ensure

¹ The Commission should review the reasonableness of PG&E's E-31 contracts on an annual basis, and propose the Energy Division review and confirm both (a) the accuracy of PG&E's calculations and the attendant E-31 rates on which its E-31 contracts are based, including, without limitation, compliance with the marginal cost floor price as required by sections 7 and 8 of the Agreement for Customers Taking Service on Schedule E-31, Form No. 79-995 (“Rate Review”), and (b) PG&E's compliance with the procedures set forth for Customers Taking Service on Schedule E-31, Form No. 79-995 and this Agreement (“Procedural Review”). Accordingly, PG&E shall submit an advice letter to the Commission each year, requesting the full Commission's approval by resolution. (Article 4.1, § 4.1, Settlement Agreement)

consistency and full compliance with Schedule E-31, Form No. 79-995, the Distribution Bypass Deferral Rate Memo Account (DBDRMA), and Preliminary Statement Part CK. PG&E's revised rate review in this supplemental advice letter still finds that the revenues it received from customers taking service under Schedule E-31 for the period beginning 2004 and extending through 2008 exceeded the contract floor price, as required by tariff, and herein submits that they were reasonable.

As discussed above, information necessary for the Commission to conduct its reasonableness analysis is provided herein under seal in confidential Attachment D to the supplemental advice letter. Consistent with Section 4.4 (d) of the Settlement Agreement, PG&E shall not provide confidential Attachment D to MID.

Distribution Bypass Deferral Rate Memorandum Account

For situations where Schedule E-31 is used to retain customers, the difference between the full tariff revenue and the revenue that PG&E receives pursuant to Schedule E-31 is recorded as a debit in DBDRMA. For situations where Schedule E-31 is used to attract customers, the amount of revenue received under Schedule E-31 minus the marginal cost of serving the attracted customers is recorded as a credit in the DBDRMA.

Subject to a determination that the contracts are reasonable, the balance in the DBDRMA is subject to disposition by the Commission, provided however, that the balance is recovered from customers with loads greater than 20 kW. Accordingly, once the contract revenue has been deemed reasonable by the Commission, PG&E will make adjustments to its revenue allocation and rate design in the first subsequent Annual Electric True-Up to ensure that only customers greater than 20 kW are responsible for these amounts.

Specifically, in order to properly allocate the balance to be recovered, PG&E will exclude the balance in the DBDRMA from the allocation of revenue, allocate the remaining revenue under the applicable requirements for revenue allocation and rate design in effect at the time, and then directly assign the balance in the DBDRMA to all customers except those customers served under residential schedules and Schedules A-1, A-6 and A-15.² The balance in the DBDRMA was \$1.8 million as of the end of 2008.

² Section 454.1 states that reallocation of revenue differences resulting from discounting shall not be imposed on residential customers or on commercial customers less than 20 kW. Since eligibility for PG&E's rates is not defined at 20 kW, this set of schedules is being used to implement this provision of Section 454.1.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **April 25, 2013**, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this advice filing become effective upon approval by the Commission. This supplemental advice letter is submitted as a Tier 3 filing.

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 service list C.07-08-027. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. 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

Confidential Attachments: Attachments A, Attachment B, Attachment C, and Attachment D

cc: Service List C.07-08-027

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 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com and PGETariffs@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) #: **3524-E-A**

Tier: **3**

Subject of AL: **Supplemental: Annual Reasonableness Review of Pacific Gas and Electric Company's Schedule E-31 Contracts – Compliance Advice Letter Pursuant to Electric Schedule E-31 and D.09-06-025, and Confidential Attachments Submitted Pursuant to PUC Section 583**

Keywords (choose from CPUC listing): Agreements

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.09-06-025

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: Yes, Attachments A-D

Confidential information will be made available to those who have executed a nondisclosure agreement: No

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: **Upon approval (concurrent with 3524-E)**

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

Pending advice letters that revise the same tariff sheets: 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
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**DECLARATION OF VIJAY BHASKARAN
SUPPORTING CONFIDENTIAL TREATMENT FOR
ATTACHMENT D TO SUPPLEMENTAL ADVICE 3524-E-A**

I, Vijay Bhaskaran, declare:

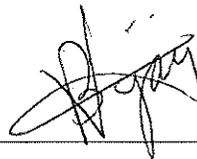
1. I am presently employed by Pacific Gas and Electric Company ("PG&E"), and have been employed as an employee at PG&E since April 26, 2010. My current title is Principal Strategic Analyst within PG&E's Customer Care organization. In this position my responsibilities include Economic and Regulatory analysis to support customer retention and attraction activities. In carrying out those responsibilities I have acquired knowledge of PG&E's E-31 contracts with customers and have had responsibility for the rate review analysis for reasonableness review of those individual customer contracts.

2. Based on my knowledge and experience and in accordance with Decision 09-06-025, *Decision Adopting a Settlement Resolving Modesto Irrigation District's Complaint Against Pacific Gas & electric Company, Regarding Tariff Schedule E-31*, which orders reviews that require customer specific data, I make this declaration supporting confidential treatment of Attachments A, B, C and D for Advice 3524-E.

3. Attachments A, B, C and D contain confidential customer specific information, and therefore they are entitled to confidential treatment.

I declare under penalty of perjury, under the laws of the State of California that, to the best of my knowledge, the foregoing is true and correct.

Dated April 5, 2013 at San Francisco, California.



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

1st Light Energy	Douglass & Liddell	North America Power Partners
AT&T	Downey & Brand	Occidental Energy Marketing, Inc.
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	OnGrid Solar
Anderson & Poole	G. A. Krause & Assoc.	Pacific Gas and Electric Company
BART	GenOn Energy Inc.	Praxair
Barkovich & Yap, Inc.	GenOn Energy, Inc.	Regulatory & Cogeneration Service, Inc.
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCD Energy Solutions
Bear Valley Electric Service	Green Power Institute	SCE
Braun Blaising McLaughlin, P.C.	Hanna & Morton	SDG&E and SoCalGas
CENERGY POWER	In House Energy	SPURR
California Cotton Ginners & Growers Assn	International Power Technology	San Francisco Public Utilities Commission
California Energy Commission	Intestate Gas Services, Inc.	Seattle City Light
California Public Utilities Commission	Kelly Group	Sempra Utilities
Calpine	Lawrence Berkeley National Lab	SoCalGas
Casner, Steve	Linde	Southern California Edison Company
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sun Light & Power
City of Palo Alto	MAC Lighting Consulting	Sunshine Design
City of San Jose	MRW & Associates	Tecogen, Inc.
Clean Power	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Coast Economic Consulting	Marin Energy Authority	TransCanada
Commercial Energy	McKenna Long & Aldridge LLP	Utility Cost Management
Consumer Federation of California	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Davis Wright Tremaine LLP	Morgan Stanley	Verizon
Day Carter Murphy	NLine Energy, Inc.	Water and Energy Consulting
Defense Energy Support Center	NRG Solar	Wellhead Electric Company
Dept of General Services	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)