

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



November 9, 2009

**Advice Letter 3537-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: Smart Grid Project Memorandum Account**

Dear Mr. Cherry:

Advice Letter 3537-E is effective September 10, 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  
Fax: 415.973.7226

October 8, 2009

**Advice 3537-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject:** Smart Grid Project Memorandum Account

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are listed on the enclosed Attachment I.

**Purpose**

The purpose of this advice letter is to establish a memorandum account to track the cost PG&E incurs associated with projects for which PG&E has requested funding from the United States Department of Energy (DOE) as authorized in Ordering Paragraph 2 of Decision (D.) 09-09-029.

**Background**

On December 18, 2008, the Commission issued Order Instituting Rulemaking (R.) 08-12-009 to consider Smart Grid technologies. After several workshops and much discussion, the Commission issued D.09-09-029 on September 10, 2009. This decision established the process for review of Smart Grid projects by investor-owned utilities seeking funding from the DOE.

D.09-09-029 (O.P. 2) authorized investor-owned utilities to establish memorandum accounts to track the costs associated with Smart Grid projects for which the utility requested funding from the DOE. PG&E has submitted requests for funding for three projects from the DOE. One of these projects is associated with PG&E's electric transmission system, and cost recovery is being requested at the Federal Energy Regulatory Commission (FERC). The remaining two requests involve cost recovery from this Commission. The first is a proposal to expand the deployment of customer energy management capabilities previously approved under PG&E's Smart Meter program. The second is a proposal to develop a compressed air energy storage facility to store off-peak energy for future on-peak energy needs and to assist in integrating intermittent renewables.

### **Tariff Revisions**

This advice letter requests the establishment of a new Electric Preliminary Statement Part FD for a memorandum account to accrue PG&E's incremental CPUC-jurisdictional revenue requirements from the effective date of D.09-09-029 associated with Smart Grid projects for which PG&E has requested funding from DOE, including the above-referenced two CPUC-jurisdictional projects. In this memorandum account, each project will be tracked in a separate subaccount. Once a project is authorized for recovery by this Commission (through the application or advice letter process) and approved for funding by the DOE, the proposed tariff allows for the transfer of the balance in the subaccount to the Distribution Revenue Adjustment Mechanism for recovery up to the total expenditure cap established by CPUC decision or resolution. If PG&E spends more than the expenditure cap, the revenue requirements associated with expenditures over the cap will continue to accrue in the memorandum account until the Commission authorizes recovery through a separate request or subject to such disposition as the Commission may otherwise authorize. Ongoing revenue requirements associated with expenditures under the cap will continue to be transferred to DRAM annually.

### **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 **October 28**, 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**

PG&E requests that this advice filing become effective upon approval by the Commission.

**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. Address changes to the General Order 96-B service list should be directed to Sally Cuaresma at (415) 973-5012. 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 cursive script that reads "Brian Cherry 08".

Vice President, Regulatory Relations

Attachments

cc: Service List R.08-12-009

# 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) #: 3537-E

**Tier: 3**

Subject of AL: Smart Grid Project Memorandum Account

Keywords (choose from CPUC listing): Memorandum Account

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.09-09-029 Does AL replace a withdrawn or rejected AL? N/A 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? N/A 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: November 9, 2009

No. of tariff sheets: 1

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). N/A

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](mailto:jnj@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 1  
Advice 3537-E**

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

**Title of Sheet**

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

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28563-E      ELECTRIC PRELIMINARY STATEMENT PART  
FD  
SMART GRID PROJECT MEMORANDUM  
ACCOUNT  
Sheet 1

28564-E      ELECTRIC TABLE OF CONTENTS  
Sheet 1

28556-E

28565-E      ELECTRIC TABLE OF CONTENTS  
PRELIMINARY STATEMENT  
Sheet 9

28412-E



**ELECTRIC PRELIMINARY STATEMENT PART FD**  
**SMART GRID PROJECT MEMORANDUM ACCOUNT**

Sheet 1

- 1. **PURPOSE:** The purpose of the Smart Grid Project Memorandum Account (SGPMA) is to record and recover the incremental Operations and Maintenance (O&M) and Administrative and General (A&G) expenditures and capital-related revenue requirements associated with PG&E's incurred costs for Smart Grid Projects as authorized by the Commission in Ordering Paragraph 2 of Decision (D.) 09-09-029 from the effective date of that decision. (N)
- 2. **APPLICABILITY:** The SGPMA applies to all customer classes, except for those specifically excluded by the Commission.
- 3. **REVISION DATE:** Once a project is approved by the Commission and by the Department of Energy (DOE), the balance in the subaccount for that project is transferred to the Distribution Revenue Adjustment Mechanism (DRAM) Account at the end of each year through the Annual Electric True-up Advice Letter until the PG&E portion of the total expenditure amount adopted for that project is reached. Revenue requirements associated with expenditures in excess of the adopted amounts shall continue to accrue in the subaccount, but are not transferred to DRAM for recovery unless and until authorized by the Commission.
- 4. **RATES:** SGPMA does not have a separate rate component.
- 5. **ACCOUNTING PROCEDURES:** PG&E shall maintain a separate subaccount for each project for which PG&E has requested DOE funding. The balance in the SGPMA shall be the sum of the subaccount balances. As of September 10, 2009, PG&E shall make entries to each subaccount at the end of each month as follows:
  - a. A debit entry equal to PG&E's incremental O&M and A&G expenses and capital-related costs incurred for the Smart Grid Project, including an allowance for Franchise Fees and Uncollectible (FF&U) Accounts expenses. Capital-related costs include depreciation expenses, the return on investment, federal and state income taxes, property taxes associated with the cost of installed equipment and an allowance for FF&U. This entry is net of any costs funded by the DOE or other third party and facilities or services provided by vendors.
  - b. A credit entry to transfer amounts to the DRAM for recovery as authorized by the Commission.
  - c. An entry equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth 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.

(N)



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Sheet 1

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Sheet 9

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

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