

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



July 19, 2010

**Advice Letter 3683-E**

Jane K. Yura  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, CA 94177

**Subject: Revision of First-Year Revenue Requirement of Colusa  
Power Plant**

Dear Ms. Yura:

Advice Letter 3683-E is effective July 9, 2010.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division

June 9, 2010

**Advice 3683-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Revision of First-Year Revenue Requirement of Colusa Power Plant**

Pacific Gas and Electric Company ("PG&E") hereby submits a revised first-year revenue requirement for the Colusa Generating Station ("Colusa") to be booked into PG&E's Utility Generation Balancing Account ("UGBA") when Colusa achieves commercial operation.

**Background**

This filing is made in accordance with California Public Utilities Commission ("CPUC" or "Commission") Decision ("D.") D.08-02-019 and D.06-11-048, the two decisions by which the Commission granted PG&E a certificate of public convenience and necessity and authorized PG&E to recover the cost of procuring, owning, and operating Colusa. The revised first-year revenue requirement will be in effect until the effective date of rates authorized by a Commission decision in PG&E's 2011 General Rate Case ("GRC"), whereupon booking of the first year revenue requirement into UGBA will cease and Colusa's revenue requirement will be collected in general rates.<sup>1</sup>

The CPUC decisions authorized PG&E to undertake the Colusa project subject to a cost cap. The revised first year revenue requirement is based on a capital cost that does not exceed the adopted cost cap and is, therefore, submitted for approval as a Tier 2 advice letter pursuant to General Order ("G.O.") 96-B, Energy Industry Rule 5.2.

**Purpose**

Colusa's capital costs are capped at \$684.4 million, including incentives.<sup>2</sup> The revised first-year revenue requirement is based on a capital cost of \$672.8 million, without incentives. PG&E will adjust the initial capital cost by advice letter filing to reflect any performance incentive actually paid, consistent with the authority granted in D.06-11-048.<sup>3</sup>

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<sup>1</sup> D.06-11-048, Ordering Paragraph ("OP") 15.

<sup>2</sup> D.08-02-019, Conclusion of Law ("COL") 2.

<sup>3</sup> D.08-02-019, COL 4.

## Discussion

Calculation of the revised first-year revenue requirement is accomplished in two steps: First, the revised revenue requirement proposed by PG&E in Application (“A.”) 06-04-012 is adjusted to conform with the findings of D.06-11-048. Second, components of the adjusted revenue requirement are updated to reflect changes since the issuance of D.06-11-048.<sup>4</sup>

Attachment 1 displays the elements of PG&E’s revenue requirement and indicates how the first-year revenue requirement is derived through Commission-ordered adjustments. Column 1 shows the costs proposed in PG&E’s application. Column 2 shows costs approved by D.06-11-048. Column 3 represents Colusa’s first-year revenue requirement, which consists of the approved revenue requirement updated for the commercial operation date, changes in property taxes, and uncollectible and franchise fee factors. The adjustments to revenue requirements are identified in the note at the bottom of Attachment 1.

## Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile, or electronically, any of which must be received no later than **June 29, 2010**, which is twenty (20) days from the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4th Floor  
505 Van Ness Avenue  
San Francisco, CA 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 should also be mailed to the attention of the Director, Energy Division, Room 4005, 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:

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<sup>4</sup> Technically, PG&E’s first-year revenue requirement will also include Operations and Maintenance (“O&M”) contingency amounts that will be booked in the authorized “Operations and Maintenance Contingency Balancing Account” (“OMCBA”) for later recovery pursuant to D.06-11-048, OP 11. The OMCBA will be established pursuant to PG&E’s concurrently-filed Advice Letter 3685-E.

Pacific Gas and Electric Company  
Attention: Jane Yura  
Vice President, Regulation and Rates  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-6520  
E-Mail: PGETariffs@pge.com

**Effective Date**

PG&E submits this advice letter as a Tier 2 filing, to become effective on **July 9, 2010**, which is thirty (30) days after the date of filing.

**Notice:**

In accordance with G.O. 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 service list for A.06-04-012. Address changes to the G.O. 96-B service list should be directed to e-mail 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 approval letters to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

Handwritten signature of Jane Yura in cursive script, followed by a forward slash and the letters 'lmt'.

Vice President - Regulation and Rates

Attachments

cc: Service List A.06-04-012

# 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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3683-E**

**Tier: 2**

Subject of AL: **Revision of First-Year Revenue Requirement of Colusa Power Plant**

Keywords (choose from CPUC listing): Balancing Account, Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-11-048 and D.08-02-019

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<sup>1</sup>: \_\_\_\_\_

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  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: **July 9, 2010**

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<sup>1</sup>: 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**

**Tariff Files, Room 4005**

**DMS Branch**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Jane K. Yura**

**Vice President, Regulation and Rates**

**77 Beale Street, Mail Code B10B**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

**Attachment 1**  
**Pacific Gas And Electric Company**  
**Colusa Generating Station**  
**Components Of Initial Revenue Requirement**  
**Advice Filing**  
**(Thousands of Nominal Dollars)**

Line No.		First Year		First Year	
		Application	(1)	Decision	
		06-04-012		06-11-048	
			(2)	(a)	
				First Year	
				Advice Letter	
				3683-E	
				(3) (b)	
1	<b>Operating Revenue</b>	130,698		126,397	126,560
	<b>Operating Expense</b>				
2	Operations and Maintenance	18,469		16,143	16,448
	Administrative and General				
3	Employee Benefits	630		630	642
4	Insurance	986		969	969
5	Subtotal	1,616		1,599	1,611
6	Uncollectibles	261		253	327
7	Franchise Requirements	983		951	956
8	Subtotal Operating Expenses	21,329		18,946	19,342
	<b>Taxes</b>				
9	Property	2,485		2,443	3,271
10	Payroll	224		180	183
11	State Corporation Franchise	2,908		2,858	2,095
12	Federal Income	22,037		21,660	21,600
13	Subtotal Taxes	27,654		27,141	27,150
14	<b>Depreciation</b>	22,648		22,261	22,261
15	<b>Decommissioning Accrual</b>	826		826	826
16	<b>Total Operating Expenses</b>	72,457		69,173	69,578
17	<b>Net For Return</b>	58,241		57,224	56,982
18	<b>Weighted Average Rate Base</b>	662,689		651,116	648,365
	<b>Rate of Return</b>				
19	On Rate Base	8.79%		8.79%	8.79%
20	On Equity	11.35%		11.35%	11.35%
21	<b>Total Capital Cost</b>	684,428		672,828	672,828
22	<b>Commercial Operative Date</b>	Sep-10		Sep-10	Nov-10

**(a) Adjustments to Revenue Requirement per Decision 06-11-048**

- (1) The removal of Incentive payments from capital costs.
- (2) The removal of O&M contingency from the Revenue Requirements calculation.
- (3) The change in O&M payroll Tax rate from 9.8% to 7.84%.

**(b) Adjustments to Revenue Requirement per Decision 06-11-048**

- (1) The updated Uncollectible and Franchise Fees and Property Tax rates.
- (2) Update of the O&M costs based on the current estimated date of operation November 2010.

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

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	Douglass & Liddell	RCS, Inc.
Barkovich & Yap, Inc.	Downey & Brand	Recon Research
Bartle Wells Associates	Duke Energy	Recurrent Energy
Bloomberg New Energy Finance	Dutcher, John	SCD Energy Solutions
Boston Properties	Economic Sciences Corporation	SCE
Brookfield Renewable Power	Ellison Schneider & Harris LLP	SMUD
C & H Sugar Co.	Foster Farms	SPURR
CA Bldg Industry Association	G. A. Krause & Assoc.	Santa Fe Jets
CAISO	GLJ Publications	Seattle City Light
CLECA Law Office	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
CSC Energy Services	Green Power Institute	Sierra Pacific Power Company
California Cotton Ginners & Growers Assn	Hanna & Morton	Silicon Valley Power
California Energy Commission	Hitachi	Silo Energy LLC
California League of Food Processors	International Power Technology	Southern California Edison Company
California Public Utilities Commission	Intestate Gas Services, Inc.	Sunshine Design
Calpine	Los Angeles Dept of Water & Power	Sutherland, Asbill & Brennan
Cameron McKenna	Luce, Forward, Hamilton & Scripps LLP	Tabors Caramanis & Associates
Cardinal Cogen	MAC Lighting Consulting	Tecogen, Inc.
Casner, Steve	MBMC, Inc.	Tiger Natural Gas, Inc.
Chris, King	MRW & Associates	Tioga Energy
City of Glendale	Manatt Phelps Phillips	TransCanada
City of Palo Alto	McKenzie & Associates	Turlock Irrigation District
Clean Energy Fuels	Merced Irrigation District	U S Borax, Inc.
Coast Economic Consulting	Mirant	United Cogen
Commerce Energy	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	NRG West	Wellhead Electric Company
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	Norris & Wong Associates	eMeter Corporation
	North Coast SolarResources	