

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 19, 2010

Advice Letter 3684-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 Humboldt
Bay Power Plant**

Dear Ms. Yura:

Advice Letter 3684-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 3684-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 Humboldt Bay Power Plant

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

Background

This filing is made in accordance with California Public Utilities Commission ("CPUC" or "Commission") Decision ("D.") 06-11-048, the decision that granted PG&E a certificate of public convenience and necessity and authorized PG&E to recover the cost of procuring, owning, and operating facilities to replace the existing Humboldt facilities. 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 Humboldt's revenue requirement will be collected in general rates.¹

D.06-11-048 authorized PG&E to undertake the Humboldt 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

Humboldt's capital costs are capped at \$250.0 million, including incentives.² This advice letter proposes a revised first-year revenue requirement based on a capital cost of \$238.7 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.06-11-048.³

¹ D.06-11-048, Ordering Paragraph ("OP") 15.

² D.06-11-048, OP 4.

³ D.06-11-048, OP 5 and 6.

Discussion

Calculation of the revised first-year revenue requirement is accomplished in two steps: First, the revenue requirement proposed by PG&E in Application (“A.”) 06-04-012 is adjusted to conform to the findings of D.06-11-048. Second, components of the adjusted revenue requirement are updated to reflect changes since the issuance of D.06-11-048.⁴

Attachment 1 displays the elements of PG&E’s revenue requirement and indicates how the first-year revenue requirement is derived through the 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 Humboldt’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: jjnj@cpuc.ca.gov and 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:

⁴ 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>.



Vice President - Regulation and Rates

cc: Service List A.06-04-012

Attachments

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) #: **3684-E**

Tier: 2

Subject of AL: **Revision of First-Year Revenue Requirement of Humboldt Bay 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

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 AL¹: _____

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 proposed¹: 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
Humboldt Bay Generating Station
Components Of Initial Revenue Requirement
Advice Filing
(Thousands of Nominal Dollars)

Line No.		First Year Application 06-04-012 (1)	First Year Decision 06-11-048 (2) (a)	First Year Advice Letter 3684-E (3) (b)
1	Operating Revenue	48,847	45,973	45,812
	Operating Expense			
2	Operations and Maintenance	6,745	5,791	5,997
	Administrative and General			
3	Employee Benefits	424	424	438
4	Insurance	360	344	344
5	Subtotal	784	768	782
6	Uncollectibles	98	92	118
7	Franchise Requirements	368	346	346
8	Subtotal Operating Expenses	7,994	6,997	7,243
	Taxes			
9	Property	452	432	930
10	Payroll	151	121	125
11	State Corporation Franchise	1,698	1,621	1,074
12	Federal Income	8,434	8,053	7,816
13	Subtotal Taxes	10,735	10,226	9,945
14	Depreciation	8,334	7,955	7,955
15	Decommissioning Accrual	205	205	205
16	Total Operating Expenses	27,268	25,383	25,348
17	Net For Return	21,579	20,590	20,464
18	Weighted Average Rate Base	245,533	234,286	232,848
	Rate of Return			
19	On Rate Base	8.79%	8.79%	8.79%
20	On Equity	11.35%	11.35%	11.35%
21	Total Capital Cost	250,016	238,652	238,652
22	Commercial Operative Date	May-09	May-09	Sep-10

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

- (1) The removal of contingency 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 September 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	