

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



February 23, 2011

**Advice Letter 3790-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: Modification of Energy Resource Recovery Account (ERRA)  
Preliminary Statement to Recover Convergence Bidding  
Revenues or Costs in Compliance with D.10-12-034, *Decision  
Authorizing Investor Owned Utilities to Participate in Convergence  
Bidding in the California Independent System Operator Electricity  
Markets***

Dear Ms. Yura:

Advice Letter 3790-E is effective February 1, 2011.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division



January 12, 2011

**Advice 3790-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Modification of Energy Resource Recovery Account (ERRA) Preliminary Statement to Recover Convergence Bidding Revenues or Costs in Compliance with Decision 10-12-034, Decision Authorizing Investor Owned Utilities to Participate in Convergence Bidding in the California Independent System Operator Electricity Markets**

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 1.

**Purpose**

In compliance with Decision (“D.”) 10-12-034, Ordering Paragraph 1, PG&E submits this advice letter to modify the Energy Resource Recovery Account (“ERRA”) Electric Preliminary Statement (“Preliminary Statement”) to recover all revenues or costs related to convergence bidding.

**Background**

On December 21, 2010, the California Public Utilities Commission (“Commission”) issued D.10-12-034, which adopted upfront standards<sup>1</sup> for PG&E, San Diego Gas & Electric Company (“SDG&E”), and Southern California Edison (“SCE”), to

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<sup>1</sup> Pursuant to Assembly Bill 57 (Stats. 2002, ch. 835), codified as Pub. Util. Code § 454.5, by approving procurement plans, the Commission establishes “upfront standards” for the investor-owned utilities’ procurement activities and cost recovery. This obviates the need for after-the-fact reasonableness review by the Commission of the resulting utility procurement decisions that are consistent with the approved plans.

participate in convergence bidding (also known as “virtual bidding”) in markets operated by the California Independent System Operator (“CAISO”). In D.10-12-034, the Commission stated that its “authorization of [investor-owned utility] convergence bidding activities is intended for the benefit of ratepayers, ratepayers should receive all of the benefits and pay all of the costs of such activities”<sup>2</sup> and “[a]ll costs of such [convergence bidding] participation shall be recoverable in the individual utility’s Energy Resource Recovery Account.”<sup>3</sup>

### **Preliminary Statement Changes**

PG&E proposes to modify its ERRA Preliminary Statement (Preliminary Statement, Part CP) to include the recording of convergence bidding entries and renumbering the tariff lines therein. The updated tariff sheets are provided in the enclosed Attachment 1.

### **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 **February 1, 2011**, which is 20 days from 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 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:

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<sup>2</sup> D.10-12-034, Conclusion of Law 6.

<sup>3</sup> D.10-12-034, Ordering Paragraph 1. Pursuant to Resolution E-4093, PG&E will record the incremental costs related to the implementation of convergence bidding in the Market Redesign and Technology Upgrade Memorandum Account, and seek recovery of those costs in the ERRA proceeding or other CPUC designated proceeding.

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, California 94177

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

### **Effective Date**

PG&E requests that this advice filing, upon Energy Division approval, become effective on **February 1, 2011**, which is the go-live date of convergence bidding. PG&E submits this advice filing as a Tier 2 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 the service list for R.10-05-006. Address changes to the General Order 96-B service list and all electronic approvals 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. 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 word 'ent' in a smaller, less legible script.

Vice President – Regulation and Rates

cc: Service List R.10-05-006

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) #: **3782-E**

**Tier: 2**

Subject of AL: Modification of Energy Resource Recovery Account (ERRA) Preliminary Statement to Include Convergence Bidding Costs in Compliance with Decision 10-12-034

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Decision 10-12-034

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: **February 1, 2011**

No. of tariff sheets: 4

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: Electric Preliminary Statement Part CP

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 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  
Advice 3790-E**

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

**Title of Sheet**

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

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29940-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 1	28044-E
29941-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 4	28045-E
29942-E	ELECTRIC TABLE OF CONTENTS Sheet 1	29935-E
29943-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14	29902-E



**ELECTRIC PRELIMINARY STATEMENT PART CP**  
**ENERGY RESOURCE RECOVERY ACCOUNT**

Sheet 1

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), revenues or costs related to congestion revenue rights (CRRs), revenues or costs related to convergence bidding, Independent Evaluator (IE) costs related to Requests for Offers (RFOs), the technical assistance costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Long-Term Procurement Plan (LTPP) program, fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), all expenditures related to PG&E's wave energy project (WaveConnect), bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA. (N)

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the DWR.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (OP) 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues less revenues collected for DWR during that year.

Pursuant to Decision 04-01-050, the ERRA trigger mechanism for 2004 and subsequent years would be established annually through an Advice Letter on or before April of each year.

Decision 04-12-048 extended the ERRA Trigger to be in effect during the term of the long-term procurement contracts, or 10 years, whichever is longer.

2. **APPLICABILITY:** The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Pursuant to Decision 04-01-050, the revision dates applicable to the ERRA shall be (i) June 1 of each year for the forecast filing; (ii) February of each year for the compliance review filing; (iii) as determined in Section 1 above in the case of an ERRA Trigger Application; and (iv) through the advice letter process.

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year; (ii) the reasonableness review in February 2005; and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year.

(Continued)

Advice Letter No: 3790-E  
 Decision No. 10-12-034

Issued by  
**Jane K. Yura**  
 Vice President  
 Regulation and Rates

Date Filed January 12, 2011  
 Effective February 1, 2011  
 Resolution No. \_\_\_\_\_



**ELECTRIC PRELIMINARY STATEMENT PART CP**  
**ENERGY RESOURCE RECOVERY ACCOUNT**

Sheet 4

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- x) A debit entry equal to incentive payments related to authorized bilateral demand response agreements;
- y) A monthly entry equal to the interest on the monthly nuclear fuel inventory at the beginning of the month and one-half the balance of the current month's activity, multiplied at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor;
- z) A credit or debit entry equal to the revenues or costs related to CRRs;
- aa) A debit entry equal to the incremental IE costs through 2010 related to RFOs seeking terms of less than five years. After 2010, a debit entry equal to all IE costs related to all RFOs;
- ab) A debit entry equal to actual wave energy project (WaveConnect) expenditures; (T)
- ac) A credit or debit entry equal to the revenues or costs related to convergence bidding; (N)
- ad) A monthly entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor; and (T)
- ae) A debit entry equal to the year-end balance transferred from the Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA). (T)  
(D) (T)



**ELECTRIC TABLE OF CONTENTS**

Sheet 1

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Advice Letter No: 3790-E  
 Decision No. 10-12-034

Issued by  
**Jane K. Yura**  
 Vice President  
 Regulation and Rates

Date Filed January 12, 2011  
 Effective February 1, 2011  
 Resolution No. \_\_\_\_\_



**ELECTRIC TABLE OF CONTENTS**  
**PRELIMINARY STATEMENT**

Sheet 14

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(Continued)

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

Alcantar & Kahl LLP	Division of Business Advisory Services	Occidental Energy Marketing, Inc.
Ameresco	Douglass & Liddell	OnGrid Solar
Anderson & Poole	Downey & Brand	Praxair
Arizona Public Service Company	Duke Energy	R. W. Beck & Associates
BART	Dutcher, John	RCS, Inc.
Barkovich & Yap, Inc.	Economic Sciences Corporation	Recurrent Energy
Bartle Wells Associates	Ellison Schneider & Harris LLP	SCD Energy Solutions
Bloomberg	Foster Farms	SCE
Bloomberg New Energy Finance	G. A. Krause & Assoc.	SMUD
Boston Properties	GLJ Publications	SPURR
	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Braun Blasing McLaughlin, P.C.	Green Power Institute	Santa Fe Jets
Brookfield Renewable Power	Hanna & Morton	Seattle City Light
CA Bldg Industry Association	Hitachi	Sempra Utilities
CLECA Law Office	In House Energy	Sierra Pacific Power Company
CSC Energy Services	International Power Technology	Silicon Valley Power
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Silo Energy LLC
California Energy Commission	Lawrence Berkeley National Lab	Southern California Edison Company
California League of Food Processors	Los Angeles Dept of Water & Power	Spark Energy, L.P.
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Calpine	MAC Lighting Consulting	Sunshine Design
Cardinal Cogen	MBMC, Inc.	Sutherland, Asbill & Brennan
Casner, Steve	MRW & Associates	Tabors Caramanis & Associates
Chris, King	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto	McKenzie & Associates	Tiger Natural Gas, Inc.
City of Palo Alto Utilities	Merced Irrigation District	TransCanada
Clean Energy Fuels	Modesto Irrigation District	Turlock Irrigation District
Coast Economic Consulting	Morgan Stanley	United Cogen
Commercial Energy	Morrison & Foerster	Utility Cost Management
Consumer Federation of California	NLine Energy, Inc.	Utility Specialists
Crossborder Energy	NRG West	Verizon
Davis Wright Tremaine LLP	Navigant Consulting	Wellhead Electric Company
Day Carter Murphy	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	
Dept of General Services	Northern California Power Association	