

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 3, 2011

Advice Letter 3869-E

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: Implementation of Revenue Requirements for Income Taxes Associated with the Accelerated Amortization of Electromechanical Meters Replaced by SmartMeter™ Devices Resulting from PG&E's 2011 General Rate Case Phase 1 D.11-05-018

Dear Mr. Cherry:

Advice Letter 3869-E is effective January 1, 2011.

Sincerely,

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

Julie A. Fitch, Director
Energy Division



Brian K. Cherry
Vice President
Regulation and Rates

Pacific Gas and Electric Company
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

July 7, 2011

Advice 3869-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Implementation of Revenue Requirements for Income Taxes Associated With the Accelerated Amortization of Electromechanical Meters Replaced by SmartMeter™ Devices Resulting From PG&E's 2011 General Rate Case Phase I Decision (D.11-05-018)

Pacific Gas and Electric Company ("PG&E") hereby submits for filing revisions to its electric distribution revenue requirements.

Purpose

The purpose of this Tier 2 advice letter filing is to implement PG&E's 2011 General Rate Case ("GRC") electric distribution revenue requirement changes for incremental income taxes associated with the accelerated amortization of electromechanical meters replaced by SmartMeter™ devices (retired meters). This filing is in compliance with California Public Utilities Commission ("CPUC" or "Commission") Decision ("D.") 11-05-018, in Application ("A.") 09-12-020 and includes: Table 1 of Attachment I for the retired meter amortization schedule, based on the adopted six-year amortization period and reduced rate of return ("ROR") of 6.3 percent; and Table 2 of Attachment 2 for the additional revenue requirements related to additional state and federal income taxes on the accelerated amortization of the \$341 million undepreciated retired meter plant balance.

Pursuant to Ordering Paragraph ("OP") 46 of D.11-05-018, the additional revenue requirements shall become effective when approved, retroactive to January 1, 2011.

Background

On October 15, 2010, PG&E and 16 other parties, including the Division of Ratepayer Advocates, The Utility Reform Network (TURN), and Aglet Consumer Alliance (collectively "the Settling Parties"), filed with the CPUC a Settlement Agreement covering nearly all the issues raised in Phase 1 of the 2011 GRC. The Settlement Agreement was included as an attachment to the Motion for Adoption of the Settlement Agreement filed by the Settling Parties that same day.

The Settlement Agreement resolved all disputed issues raised by parties, with the exception of whether PG&E should earn its authorized ROR on its undepreciated investment in electric meters replaced by SmartMeter™ devices.

As provided in Article 3.9(d) of the Settlement Agreement:

[T]he revenue requirements included in the Settlement Agreement have been reduced by \$44 million, incorporating the assumption that the unrecovered costs of the electromechanical meters have been excluded from rate base. However, the Settling Parties have also agreed that this issue will be litigated and that should PG&E prevail in its position that these costs should remain in rate base, the revenue requirements adopted in this GRC from the Settlement would be increased accordingly...effective January 1, 2011.

Consistent with the Settlement Agreement, PG&E's 2011 electric distribution revenue requirement was reduced by \$44 million to reflect TURN's position to allow no ROR on the undepreciated retired meter balance. However, since there was no opposition to rate recovery of the \$341 million retired meter plant balance, the electric distribution revenue requirement included \$18.9 million annually for amortization of the plant balance, estimated to have an average remaining life of 18 years.

On May 5, 2011, the Commission issued D.11-05-018, adopting the Settlement Agreement with modifications and clarification, and authorizing the revenue requirements for the GRC to become effective on January 1, 2011. In addition, D.11-05-018 addressed the one issue that remained unsettled by the Settlement Agreement: the ratemaking treatment of the undepreciated retired meter plant balance. As provided in OP 45 of D.11-05-018:

The undepreciated balance of electromechanical electric meters replaced by SmartMeters, amounting to \$340,966,000, shall be amortized over the six-year period 2011 through 2016. The applicable rate of return shall be 6.3%.

Further, as discussed in Section 5.6.12, "Adopted Results," of D.11-05-018 and as shown on Table 1 in Attachment 1 of this filing, the undepreciated \$341 million retired meter balance shall be recovered over the six-year period, on a levelized basis, in six equal amounts of \$74 million annually. This levelized method of cost recovery results in a declining amount of return over the amortization period and an increasing amount of amortization. In addition, the amortization amounts for 2012 and 2013 are fixed irrespective of any changes to the authorized cost of capital during that timeframe. Under the decision's adopted levelized method and accelerated six-year amortization period, PG&E's amortization amount increased for this GRC cycle as follows: \$25.8 million in 2011; \$30.0 million in 2012; and \$34.7 million in 2013.

The 2011 GRC authorized electric distribution base revenue requirement, shown in Attachment 3 and detailed in Attachment 4 of the decision, is \$3,244 million. The \$3,244 million revenue requirement includes the amortization and ROR on the undepreciated retired meter balance. However, the \$3,244 million excludes the additional revenue requirements related to federal and state income taxes on the accelerated amortization of the retired meter balance described above. Revenues for income taxes are instead addressed in OP 46 of the decision, which provides that PG&E:

[M]ay file a Tier 2 advice letter that sets forth additional revenue requirements for this general rate case cycle on a levelized basis consistent with the discussion in this decision. In no event shall such additional revenue requirements exceed \$15 million for this general rate case cycle. Such additional revenue requirements shall become effective when approved, retroactive to January 1, 2011. In the advice letter filing, Pacific Gas and Electric Company shall also include a schedule setting forth the actual amortization of retired meters over this general rate case cycle, which shall be used as a basis for determining the retired metered costs in Pacific Gas and Electric Company's next general rate case covering the period 2014 to 2016.

Further, as discussed in Section 6.1, "Revenue Requirements," of the decision:

PG&E may file a compliance advice letter that sets forth the annual amortization schedule base[d] on the reduced rate of return. This amortization schedule should then be used to determine any incremental recovery amounts related to state and federal income taxes, to the extent the information is part of the results of operations data base for this proceeding and is

consistent with the manner in which the results of operations model calculates revenue requirements.

In compliance with OP 46 and with the retired meter discussion in D.11-05-018, in this filing PG&E includes:

- Table 1 for the retired meter amortization schedule, calculated on a levelized basis, using the adopted six-year amortization period and reduced ROR of 6.3 percent (Attachment 1).
- Table 2 for the additional revenue requirements required to pay the federal and state income taxes associated with the accelerated amortization of the retired meter balance for the 2011 through 2013 GRC period. The revenue requirements are calculated on a levelized basis and in a manner consistent with the results of operations model calculation for revenue requirements. As shown in Table 2, the additional revenue requirements for 2011 through 2013 are \$4.9 million annually (Attachment 2).

Finally, Conclusion of Law 13 from D.11-05-018 states:

In calculating the associated revenue requirements for the compliance advice letter filing, PG&E should, to the extent possible, reflect any remaining state tax depreciation and federal tax and book depreciation as deductions over the six-year amortization period; to the extent applicable, reflect any increased state taxes as increased deductions for calculating federal income taxes; and reflect any other standard ratemaking adjustments that would lower the revenue requirements.

Regarding the remaining state and federal tax depreciation raised in Conclusion of Law 13, the retired meters are fully depreciated for tax purposes and there is no remaining tax deduction to be taken. The benefit of the accelerated state depreciation associated with the retired meters was forecasted in the income tax calculation included in the 2011 authorized GRC revenue requirements. Similarly, the benefit of accelerated federal tax depreciation associated with the retired meters is already included in PG&E's deferred tax liability balance used to reduce PG&E's 2011 authorized rate base.

With respect to the issue of incurred state taxes as increased deductions for calculating federal income taxes raised in Conclusion of Law 13, on a net basis federal income taxes are not impacted by the additional state income taxes because the higher deduction for state income taxes is offset by the corresponding increase in taxable revenues on the federal return. Accordingly, as shown in Table 2, PG&E applied the adopted state income tax net-to-gross multiplier from

Table 1-11 of Attachment 2 to D.11-05-018, which excludes federal income taxes. As such, the possible adjustment described in Conclusion of Law is not applicable.

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 **July 27, 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: jjn@cpuc.ca.gov and 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:

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, California 94177

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

Effective Date

PG&E requests that this Tier 2 advice filing become effective on **January 1, 2011**, which is the effective date of D.11-05-018.

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 the 2011 GRC A.09-12-020. Address changes to the General Order 96-B service list and all electronic approvals should be directed to 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 Brian Cherry in cursive script.

Vice President – Regulation and Rates

cc: Service List A.09-12-020

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) #: **3869-E**

Tier: **2**

Subject of AL: **Implementation of Revenue Requirements for Income Taxes Associated With the Accelerated Amortization of Electromechanical Meters Replaced By SmartMeter™ Devices Resulting From PG&E's 2011 General Rate Case Phase I Decision (D.11-05-018)**

Keywords (choose from CPUC listing): GRC/General Rate Case, Compliance, Agreement

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.11-05-018

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: **January 1, 2011**

No. of tariff sheets:

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:

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
jn@cpuc.ca.gov and mas@cpuc.ca.gov

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

ADVICE 3869-E
ATTACHMENT 1

TABLE 1
Retired Electromechanical Meter Amortization Schedule
(\$ Millions)

Line No.		2011	2012	2013	2014	2015	2016
1	Beginning Balance	341.0	296.3	247.3	193.7	134.9	70.5
2	Amortization - 6 years Mortgage Style	44.7	49.0	53.7	58.8	64.4	70.5
3	Ending Balance (line 1 - line 2)	296.3	247.3	193.7	134.9	70.5	0.0
4	Rate of Return at 6.3%	29.3	25.1	20.4	15.3	9.7	3.5
5	Total Amortization and Return (line 2 + line 4)	74.1	74.1	74.1	74.1	74.1	74.1
6	Original Amortization - included in Settlement Agreement	18.9	18.9	18.9	18.9	18.9	18.9
7	Incremental Amortization (line 2 - line 6)	25.8	30.0	34.7	39.8	45.4	51.6
8	Incremental Revenues above the Settlement Amount (line 4 + line 7) <i>(Settlement amount includes amortization based on eighteen years remaining life)</i>	55.1	55.1	55.1			

**ADVICE 3869-E
ATTACHMENT 1**

Calculations Supporting Table 1

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
1 Beginning Balance	341.0	296.3	247.3	193.7	134.9	70.5
2 Amortization	44.7	49.0	53.7	58.8	64.4	70.5
3 Ending Balance	296.3	247.3	193.7	134.9	70.5	0.0
4 Return	29.3	25.1	20.4	15.3	9.7	3.5
5 Total Amort. & Return	74.1	74.1	74.1	74.1	74.1	74.1

Detailed Amortization under Levelized Payments

Interest Rate Annual Monthly
 9.1453% 0.76%

Month	Beginning	Amortization	Ending	Interest	Total	
1	341,000,000	3,572,543	337,427,457	2,598,777.77	6,171,321	
2	337,427,457	3,599,770	333,827,687	2,571,551.25	6,171,321	
3	333,827,687	3,627,204	330,200,484	2,544,117.23	6,171,321	
4	330,200,484	3,654,847	326,545,637	2,516,474.13	6,171,321	
5	326,545,637	3,682,700	322,862,937	2,488,620.36	6,171,321	
6	322,862,937	3,710,766	319,152,170	2,460,554.32	6,171,321	
7	319,152,170	3,739,046	315,413,124	2,432,274.39	6,171,321	
8	315,413,124	3,767,542	311,645,582	2,403,778.93	6,171,321	
9	311,645,582	3,796,254	307,849,328	2,375,066.31	6,171,321	
10	307,849,328	3,825,186	304,024,142	2,346,134.87	6,171,321	
11	304,024,142	3,854,338	300,169,804	2,316,982.94	6,171,321	
12	300,169,804	3,883,712	296,286,092	2,287,608.84	6,171,321	74,055,849
13	296,286,092	3,913,310	292,372,782	2,258,010.88	6,171,321	
14	292,372,782	3,943,133	288,429,649	2,228,187.35	6,171,321	
15	288,429,649	3,973,184	284,456,464	2,198,136.54	6,171,321	
16	284,456,464	4,003,464	280,453,000	2,167,856.71	6,171,321	
17	280,453,000	4,033,975	276,419,026	2,137,346.11	6,171,321	
18	276,419,026	4,064,718	272,354,308	2,106,602.99	6,171,321	
19	272,354,308	4,095,695	268,258,613	2,075,625.58	6,171,321	
20	268,258,613	4,126,909	264,131,704	2,044,412.08	6,171,321	
21	264,131,704	4,158,360	259,973,344	2,012,960.71	6,171,321	
22	259,973,344	4,190,051	255,783,293	1,981,269.64	6,171,321	
23	255,783,293	4,221,984	251,561,309	1,949,337.05	6,171,321	
24	251,561,309	4,254,160	247,307,149	1,917,161.11	6,171,321	74,055,849
25	247,307,149	4,286,581	243,020,568	1,884,739.95	6,171,321	
26	243,020,568	4,319,249	238,701,319	1,852,071.71	6,171,321	
27	238,701,319	4,352,166	234,349,153	1,819,154.50	6,171,321	
28	234,349,153	4,385,334	229,963,819	1,785,986.42	6,171,321	
29	229,963,819	4,418,755	225,545,064	1,752,565.57	6,171,321	
30	225,545,064	4,452,431	221,092,633	1,718,890.02	6,171,321	
31	221,092,633	4,486,363	216,606,270	1,684,957.83	6,171,321	
32	216,606,270	4,520,554	212,085,716	1,650,767.04	6,171,321	
33	212,085,716	4,555,005	207,530,711	1,616,315.67	6,171,321	
34	207,530,711	4,589,719	202,940,992	1,581,601.76	6,171,321	
35	202,940,992	4,624,698	198,316,294	1,546,623.28	6,171,321	
36	198,316,294	4,659,943	193,656,352	1,511,378.23	6,171,321	74,055,849
37	193,656,352	4,695,456	188,960,896	1,475,864.58	6,171,321	
38	188,960,896	4,731,241	184,229,655	1,440,080.28	6,171,321	
39	184,229,655	4,767,298	179,462,358	1,404,023.26	6,171,321	
40	179,462,358	4,803,629	174,658,728	1,367,691.45	6,171,321	
41	174,658,728	4,840,238	169,818,490	1,331,082.76	6,171,321	
42	169,818,490	4,877,126	164,941,365	1,294,195.07	6,171,321	
43	164,941,365	4,914,295	160,027,070	1,257,026.25	6,171,321	
44	160,027,070	4,951,747	155,075,323	1,219,574.17	6,171,321	
45	155,075,323	4,989,484	150,085,839	1,181,836.67	6,171,321	
46	150,085,839	5,027,509	145,058,330	1,143,811.56	6,171,321	
47	145,058,330	5,065,824	139,992,506	1,105,496.67	6,171,321	
48	139,992,506	5,104,431	134,888,075	1,066,889.77	6,171,321	74,055,849

**ADVICE 3869-E
ATTACHMENT 1**

Month	Beginning	Amortization	Ending	Interest	Total	
49	134,888,075	5,143,332	129,744,743	1,027,988.65	6,171,321	
50	129,744,743	5,182,530	124,562,213	988,791.07	6,171,321	
51	124,562,213	5,222,026	119,340,187	949,294.75	6,171,321	
52	119,340,187	5,261,823	114,078,364	909,497.44	6,171,321	
53	114,078,364	5,301,924	108,776,440	869,396.82	6,171,321	
54	108,776,440	5,342,330	103,434,110	828,990.60	6,171,321	
55	103,434,110	5,383,044	98,051,065	788,276.44	6,171,321	
56	98,051,065	5,424,069	92,626,996	747,251.99	6,171,321	
57	92,626,996	5,465,406	87,161,591	705,914.90	6,171,321	
58	87,161,591	5,507,058	81,654,533	664,262.77	6,171,321	
59	81,654,533	5,549,028	76,105,505	622,293.21	6,171,321	
60	76,105,505	5,591,317	70,514,188	580,003.80	6,171,321	74,055,849
61	70,514,188	5,633,929	64,880,259	537,392.09	6,171,321	
62	64,880,259	5,676,865	59,203,394	494,455.65	6,171,321	
63	59,203,394	5,720,129	53,483,265	451,191.98	6,171,321	
64	53,483,265	5,763,722	47,719,543	407,598.60	6,171,321	
65	47,719,543	5,807,648	41,911,895	363,672.99	6,171,321	
66	41,911,895	5,851,908	36,059,987	319,412.62	6,171,321	
67	36,059,987	5,896,506	30,163,481	274,814.94	6,171,321	
68	30,163,481	5,941,443	24,222,038	229,877.38	6,171,321	
69	24,222,038	5,986,723	18,235,315	184,597.34	6,171,321	
70	18,235,315	6,032,349	12,202,966	138,972.23	6,171,321	
71	12,202,966	6,078,321	6,124,645	92,999.40	6,171,321	
72	6,124,645	6,124,645	0	46,676.22	6,171,321	74,055,849

ADVICE 3869-E
ATTACHMENT 2

TABLE 2
Additional Revenue Requirements Related to State and Federal Income Taxes
on Accelerated Amortization of Retired Electromechanical Meters
(\$ Millions)

Line No.		2011	2012	2013
<u>Additional State Income Taxes</u>				
1	Additional Amortization (Table 1, line 7)	25.8	30.0	34.7
2	State Income Tax Rate	8.84%	8.84%	8.84%
3	Additional State Income Taxes (line 1 x line 2)	2.3	2.7	3.1
4	Net-to-Gross Factor (including F&U) *	1.109	1.109	1.109
5	Sub-total Rev. Req. to Cover Adt'l State Income Taxes (line 3 x line 4)	2.5	2.9	3.4
<u>Additional Federal Income Taxes</u>				
6	Additional Amortization (Table 1, line 8)	25.8	30.0	34.7
7	Federal Income Tax Rate	35%	35%	35%
8	Additional Federal Income Taxes (line 2 x line 3)	9.0	10.5	12.1
Wtd. Rate Base Impact (mid-year)				
9	- 2011	4.5	9.0	9.0
10	- 2012		5.3	10.5
11	- 2013			6.1
12	Total Wtd. Rate Base Impact	4.5	14.3	25.6
13	Return at PG&E's 2011 Adopted Cost of Capital (incl. F&U)	13.64%	13.64%	13.64%
14	Sub-total Rev. Req. to Cover Adt'l Federal Income Taxes (line 12 x line 13)	0.6	1.9	3.5
<u>Non-Levelized</u>				
15	Total Rev. Req. to Cover Impact of Additional Income Taxes (line 5 + line 14)	3.1	4.9	6.9
				14.9
<u>Levelized</u>				
16	Total Rev. Req. to Cover Impact of Additional Income Taxes	4.9	4.9	4.9
				14.6

* For simplicity, only reflects incremental state income taxes

ADVICE 3869-E
ATTACHMENT 2

Levelization of Additional Revenue Requirements Associated with
State and Federal Income Taxes on Accelerated Amortization of Retired Electromechanical Meters

Interest Rate Annual Monthly
 9.1453% 0.76%

	Non-Levelized			Levelized			PV Factor
	<u>Monthly</u>	<u>Annual Non-Levelized</u>	<u>Present Value</u>	<u>Monthly</u>	<u>Annual Levelized</u>	<u>Present Value</u>	
1	258,333		256,379	404,293		401,235	0.9924
2	258,333		254,440	404,293		398,201	0.9849
3	258,333		252,516	404,293		395,189	0.9775
4	258,333		250,606	404,293		392,200	0.9701
5	258,333		248,711	404,293		389,233	0.9628
6	258,333		246,829	404,293		386,290	0.9555
7	258,333		244,963	404,293		383,368	0.9482
8	258,333		243,110	404,293		380,468	0.9411
9	258,333		241,271	404,293		377,591	0.9340
10	258,333		239,446	404,293		374,735	0.9269
11	258,333		237,635	404,293		371,901	0.9199
12	258,333	3,100,000	235,838	404,293	4,851,517	369,088	0.9129
13	408,333		369,957	404,293		366,296	0.9060
14	408,333		367,159	404,293		363,526	0.8992
15	408,333		364,382	404,293		360,776	0.8924
16	408,333		361,626	404,293		358,047	0.8856
17	408,333		358,890	404,293		355,339	0.8789
18	408,333		356,176	404,293		352,652	0.8723
19	408,333		353,482	404,293		349,985	0.8657
20	408,333		350,809	404,293		347,338	0.8591
21	408,333		348,155	404,293		344,710	0.8526
22	408,333		345,522	404,293		342,103	0.8462
23	408,333		342,909	404,293		339,516	0.8398
24	408,333	4,900,000	340,315	404,293	4,851,517	336,948	0.8334
25	575,000		475,595	404,293		334,399	0.8271
26	575,000		471,998	404,293		331,870	0.8209
27	575,000		468,428	404,293		329,360	0.8147
28	575,000		464,885	404,293		326,869	0.8085
29	575,000		461,369	404,293		324,397	0.8024
30	575,000		457,879	404,293		321,943	0.7963
31	575,000		454,416	404,293		319,508	0.7903
32	575,000		450,979	404,293		317,092	0.7843
33	575,000		447,568	404,293		314,693	0.7784
34	575,000		444,183	404,293		312,313	0.7725
35	575,000		440,824	404,293		309,951	0.7666
36	575,000	6,900,000	437,489	404,293	4,851,517	307,607	0.7609
			12,686,738			12,686,738	

RATE OF RETURN CALCULATIONS

PG&E SETTLEMENT RO MODEL GLOBAL WORKBOOK COST OF CAPITAL TAB			NET-TO-GROSS FACTORS PG&E SETTLEMENT FILING TABLE 1-11 PAGE 2-11			
Long-Term Debt Ratio	2011	46.00%	Including F&U			
Preferred Stock Ratio	2011	2.00%		Uncollectibles	1.002856	
Common Equity Ratio	2011	52.00%		Franchise	1.010515	
Long-Term Debt	2011	6.05%		Super Fund	1.010515	
Preferred Stock	2011	5.68%		State	1.108507	
Common Equity	2011	11.35%		Federal	1.799351	
				Excluding F&U		
					Uncollectibles	1.000000
					Franchise	1.000000
					Super Fund	1.000000
			State		1.096972	
			Federal		1.780627	

CAPITAL STRUCTURES AND NET-TO-GROSS MULTIPLIERS

Category	Ratio	Cost	%	Net-To-Gross	Wtd. %	Net-To-Gross Calculation
PG&E (Including F&U)						
Long-term Debt	0.46	6.05%	2.78%	1.010515	2.81%	
Preferred Stock	0.02	5.68%	0.11%	1.799351	0.20%	
Common Equity	0.52	11.35%	5.90%	1.799351	10.62%	
	1.000		8.799%		13.636%	NTG = 1.550
PG&E (Excluding F&U)						
Long-term Debt	0.46	6.05%	2.78%	1.000000	2.78%	
Preferred Stock	0.02	5.68%	0.11%	1.780627	0.20%	
Common Equity	0.52	11.35%	5.90%	1.780627	10.51%	
	1.000		8.799%		13.495%	NTG = 1.534
Decision 11-05-018 (Including F&U)						
Long-term Debt	0.46	6.05%	2.78%	1.010515	2.81%	
Preferred Stock	0.02	5.68%	0.11%	1.799351	0.20%	
Common Equity	0.52	6.55%	3.41%	1.799351	6.13%	
	1.000		6.303%		9.145%	NTG = 1.451
Decision 11-05-018 (Excluding F&U)						
Long-term Debt	0.46	6.05%	2.78%	1.000000	2.78%	
Preferred Stock	0.02	5.68%	0.11%	1.780627	0.20%	
Common Equity	0.52	5.45%	2.83%	1.780627	5.04%	
	1.000		5.728%		8.027%	NTG = 1.401

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

AT&T	Department of Water Resources	Northern California Power Association
Alcantar & Kahl LLP	Dept of General 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	Economic Sciences Corporation	RCS, Inc.
Barkovich & Yap, Inc.	Ellison Schneider & Harris LLP	Recurrent Energy
Bartle Wells Associates	Foster Farms	SCD Energy Solutions
Bloomberg	G. A. Krause & Assoc.	SCE
Bloomberg New Energy Finance	GLJ Publications	SMUD
Boston Properties	GenOn Energy, Inc.	SPURR
	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
Braun Blaising 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
City of San Jose	Modesto Irrigation District	Turlock Irrigation District
Clean Energy Fuels	Morgan Stanley	United Cogen
Coast Economic Consulting	Morrison & Foerster	Utility Cost Management
Commercial Energy	NLine Energy, Inc.	Utility Specialists
Consumer Federation of California	NRG West	Verizon
Crossborder Energy	Navigant Consulting	Wellhead Electric Company
Davis Wright Tremaine LLP	Norris & Wong Associates	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Day Carter Murphy	North America Power Partners	
Defense Energy Support Center	North Coast SolarResources	