

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 9, 2011

Advice Letter 3886-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: Adjustment of the Utility Generation Balancing Account (UGBA)
Annual Revenue Requirement to Reflect Colusa Power Plant
Performance Incentives**

Dear Mr. Cherry:

Advice Letter 3886-E is effective September 7, 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
77 Beale St., Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-6520

August 8, 2011

Advice 3886-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Adjustment of the Utility Generation Balancing Account (UGBA)
Annual Revenue Requirement to Reflect Colusa Power Plant
Performance Incentives**

Pacific Gas and Electric Company ("PG&E") hereby submits an adjustment of the UGBA annual revenue requirement to reflect Colusa Generating Station ("Colusa") performance incentives.

Background

This filing is made in accordance with California Public Utilities Commission ("CPUC" or "Commission") Decision ("D.") 06-11-048 and D.08-02-019, the two decisions in 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 under the approved purchase and sale agreement ("PSA").

Ordering Paragraph ("OP") 5 of D.06-11-048 and D.08-02-019, Conclusion of Law ("COL") 4, authorized PG&E to adjust the initial capital cost by an advice letter filing to reflect any performance incentive payments paid under the Colusa PSA. The performance incentive payments were made on February 8, 2011. PG&E accordingly files this advice letter to update its annual revenue requirement to reflect these performance incentive payments.

Purpose

PG&E requests an adjustment to its annual revenue requirement to reflect performance incentives actually paid, consistent with the authority granted in D.06-11-048 and D.08-02-019.

Discussion

PG&E was authorized by OP 13 of its 2011 General Rate Case ("GRC") decision, D.11-05-018, issued May 5, 2011, to file an advice letter to true-up the Colusa project's

capital costs when the final project costs are known. In this filing, PG&E is requesting an adjustment to its annual revenue requirement of \$376 thousand for performance incentive payments made to GEMMA Power Systems.

The Colusa PSA requires the project owner to pay the contractor performance incentives for Guaranteed Base Vacuum and Guaranteed Base Auxiliary Load, as described below. Both reductions produce a lower heat rate, resulting in a plant efficiency that exceeds the efficiency factor guaranteed by the PSA. Customers will benefit from lower fuel costs for each megawatt-hour (“MWh”) of energy produced over the life of the project.

As the project owner under the PSA, PG&E was required to make performance incentive payments to the contractor, GEMMA Power Systems, because the final project exceeded the performance requirements for the Guaranteed Base Vacuum and the Guaranteed Base Auxiliary Load.

To verify Colusa’s performance, an official performance test was run using an approved performance test procedure developed and witnessed by a third-party consultant. The consultant is an expert in performance testing for this type of power plant. Very specific test conditions were established and adjustments were made to test parameters if they varied from the specified conditions. Ambient temperature and humidity are two examples of those conditions which typically vary from the specified condition to the actual condition during the test.

The Vacuum refers to the pressure at the exhaust of the steam turbine (“ST”) which is typically below atmospheric pressure. The lower the steam pressure at the exhaust of the turbine, the more power is produced by the ST for each pound of steam flowing through the ST. The lower pressure relates to higher efficiency.

The steam from the ST exhaust goes to the Air Cooled Condenser (“ACC”) which converts the exhaust steam to condensed water (condensate). The condensate is returned to the Heat Recovery Steam Generator (“HRSG”) to be turned back to steam.

The Contractor sizes and purchases the ACC to meet the test condition guarantees. If the ACC is sized too small, then it cannot condense the steam needed to meet the pressure guaranteed. The contractor must pay liquidated damages if the guarantee is not met. If the contractor sizes the equipment larger than needed to meet the guarantee, then the pressure will be lower thus improving the efficiency of the plant.

The auxiliary load refers to the internal power plant power consumption needed for electric motors and other electrical systems needed to support the generating equipment. These loads include transformer losses, cooling fans, control systems, etc.

The heat rate and efficiency are based on the net power measured at the high voltage Utility revenue meters down stream of the main power transformers that convert the

generation voltage to the Utility transmission voltage, in this case 230 kV. The amount of the auxiliary loads directly relates to the amount of net power produced for each BTU of fuel consumed. If the auxiliary loads are low, then more net power is produced for each BTU of fuel consumed and vice versa.

Attachment 1 displays the computation of the annual revenue requirement associated with the \$2.5 million performance incentive payment to GEMMA Power Systems, effective February 8, 2011, the date the incentive payments were made. Attachment 2 displays the Rolling UGBA Revenue Requirements, which includes a line item to recover revenue requirement associated with the Colusa performance incentive payments.

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 **August 29, 2011**, which is twenty-one (21) days from the date of this filing.¹ 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: jnj@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:

Pacific Gas and Electric Company
Attention: Brian Cherry
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

¹ Because the protest period ends on a weekend, PG&E is moving the end of the protest period to the following business day.

Effective Date

PG&E requests that this advice filing become effective on **September 7, 2011**, which is thirty (30) days after the date of filing. PG&E submits this as a Tier 2 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>.

A handwritten signature in black ink that reads "Brian Chang / elk". The signature is written in a cursive style.

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: Errol Kissinger

Phone #: (415) 973-6063

E-mail: elk3@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) #: 3886-E

Tier: 2

Subject of AL: Adjustment of the Utility Generation Account (UGBA) Annual Revenue Requirement to Reflect Colusa Power Plant Performance Incentives

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

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, 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:

Is AL requesting confidential treatment? 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:

Resolution Required? Yes No

Requested effective date: September 7, 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 proposed:

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

jinj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brain K. 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

Attachment 1
Pacific Gas And Electric Company
Colusa Generating Station
Incentive Payments Annual Revenue Requirement
Advice Filing
(Thousands of Nominal Dollars)

Line No.		Annual Revenue Requirement Incentive Payments
1	Operating Revenue	
	Operating Expense	376
2	Operations and Maintenance	
	Administrative and General	
3	Employee Benefits	
4	Insurance	
5	Subtotal	
6	Uncollectible	1
7	Franchise Requirements	3
8	Subtotal Operating Expenses	4
	Taxes	
9	Property	2
10	Payroll	
11	State Corporation Franchise	6
12	Federal Income	74
13	Subtotal Taxes	82
14	Depreciation	79
15	Decommissioning Accrual	0
16	Total Operating Expenses	164
17	Net For Return	212
18	Weighted Average Rate Base	2,411
	Rate of Return	
19	On Rate Base	8.79%
20	On Equity	11.35%
21	Total Capital Cost	2,459 (a)
22	Incentive Payments Date	Feb-11

(a) Payments made to GEMMA Power Systems California

<u>Description</u>	Amount Thousand \$	Application 06-04-012 <u>Forecast</u>
Guaranteed Base Vacuum Incentive Payment	600	
Guaranteed Base Auxiliary Load Incentive Payment	<u>1,859</u>	
Total	2,459	11,600

Attachment 2
Pacific Gas and Electric Company
Rolling Revenue Requirements
From 2011 GRC through 2013
(Thousands of Nominal Dollars)

Advice 3886-E

	Electric Generation
2011 Adopted GRC RRQ	1,667,848
less: Other Operating Revenue	11,608
less: FERC jurisdictional amount	37
 GRC Subtotal	 1,656,203
 2011 Pension	 35,078
 2011 Diablo Canyon Seismic Studies	 2,658
2011 Base Revenue Amount (Eff. 1/1/11)	1,693,939
 2011 Colusa Performance Incentive Payment	 376
2011 Base Revenue Amount (Eff. 2/8/11)	1,694,315

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

AT&T	Department of Water Resources	North Coast SolarResources
Alcantar & Kahl LLP	Dept of General Services	Northern California Power Association
Ameresco	Douglass & Liddell	Occidental Energy Marketing, Inc.
Anderson & Poole	Downey & Brand	OnGrid Solar
Arizona Public Service Company	Duke Energy	Praxair
BART	Economic Sciences Corporation	R. W. Beck & Associates
Barkovich & Yap, Inc.	Ellison Schneider & Harris LLP	RCS, Inc.
Bartle Wells Associates	Foster Farms	Recurrent Energy
Bloomberg	G. A. Krause & Assoc.	SCD Energy Solutions
Bloomberg New Energy Finance	GLJ Publications	SCE
Boston Properties	GenOn Energy, Inc.	SMUD
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	SPURR
Brookfield Renewable Power	Green Power Institute	San Francisco Public Utilities Commission
CA Bldg Industry Association	Hanna & Morton	Seattle City Light
CLECA Law Office	Hitachi	Sempra Utilities
CSC Energy Services	In House Energy	Sierra Pacific Power Company
California Cotton Ginners & Growers Assn	International Power Technology	Silicon Valley Power
California Energy Commission	Intestate Gas Services, Inc.	Silo Energy LLC
California League of Food Processors	Lawrence Berkeley National Lab	Southern California Edison Company
California Public Utilities Commission	Los Angeles Dept of Water & Power	Spark Energy, L.P.
Calpine	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Cardinal Cogen	MAC Lighting Consulting	Sunshine Design
Casner, Steve	MBMC, Inc.	Sutherland, Asbill & Brennan
Chris, King	MRW & Associates	Tabors Caramanis & Associates
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto Utilities	McKenzie & Associates	Tiger Natural Gas, Inc.
City of San Jose	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)
Defense Energy Support Center	North America Power Partners	eMeter Corporation