

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 3, 2011

Advice Letter 3920-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 PG&E's Annual Revenue Requirement Adjustments for the Fuel Cell Project and Photovoltaic Program and PG&E's 2011 through 2013 Revenue Requirement Adjustment for the Incremental Income Taxes Associated with the Accelerated Amortization of Electromechanical Meters Replaced by SmartMeter™ Devices.

Dear Mr. Cherry:

Advice Letter 3920-E is effective on the following dates, as requested in the advice letter:

Fuel Cell Project - 8/17/11

PV Program - 8/31/11

Incremental Income Taxes Associated with Accelerated Amortization of Retired Meters -
1/1/12

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division



October 5, 2011

Advice 3920-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Implementation of PG&E's Annual Revenue Requirement Adjustments for the Fuel Cell Project and Photovoltaic Program, and PG&E's 2011 through 2013 Revenue Requirement Adjustment for the Incremental Income Taxes Associated with the Accelerated Amortization of Electromechanical Meters Replaced by SmartMeter™ Devices.

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

Purpose

PG&E proposes to include the revenue requirements for the Fuel Cell Project and Photovoltaic Program (PV) in the Utility Generation Balancing Account (UGBA) base amount effective August 17, 2011 and August 31, 2011, respectively. PG&E also proposes to include the revenue requirements for the incremental income taxes associated with the accelerated amortization of electromechanical meters replaced by SmartMeter™ devices (Retired Meters) in the Distribution Revenue Balancing Account (DRAM) effective January 1, 2011. This filing is submitted in compliance with Decision (D.) 10-04-028, D. 10-04-052 and D. 11-05-018.

Background

Fuel Cell

On April 8, 2010, the California Public Utilities Commission (CPUC or Commission) issued D. 10-04-028, which approved, with modifications, PG&E's Fuel Cell Project proposed in Application (A.) 09-04-018. Pursuant to Ordering Paragraphs (OP) 1 and 3 of the decision:

- (1) “The application of Pacific Gas and Electric Company for approval of its Fuel Cell Project, is approved as modified to reduce capital costs to \$20.3 million and reduce non-fuel operations and maintenance costs from \$5.79 million to \$4.71 million to remove any contingency and to exclude costs for education and outreach labor.”
- (3a) “Pacific Gas and Electric Company may accrue the initial revenue requirement, as adjusted in this decision based on capital costs and operations and maintenance cost reductions, in its Utility Generation Balancing Account on the commercial operation date of the Fuel Cell Project.”

In compliance with D. 10-04-028, PG&E is recording the authorized revenue requirement in the UGBA as of the date of commercial operation, which was August 17, 2011. The Fuel Cell Project initial annual revenue requirement is \$5.7 million. This revenue requirement will remain in effect until superseded by the rates that will be established in a general rate case (GRC) following commercial operation of the facility. PG&E anticipates including these costs in its next GRC, currently expected to be filed in mid-2012 for test year 2014.¹

Attachment 1 of this filing shows the initial annual Fuel Cell project revenue requirement. Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

PV Program

On April 22, 2010, the Commission issued D. 10-04-052, which adopted PG&E’s PV Program proposed in A. 09-02-019. The decision adopts a five-year solar PV program to develop up to 500 Megawatts (MW) of solar PV facilities. The decision provides for the development of solar facilities through both utility-owned generation (UOG) and power purchase agreements. Under the UOG portion of the PV Program, PG&E is authorized to install up to 250 MWs of UOG facilities at a rate of 50 MW per year. Pursuant to OP 4 of the decision:

“Pacific Gas and Electric Company is authorized to recover up to \$1.45 billion in capital costs for the Utility-owned generation portion of its Photovoltaic Program via cost-of service ratemaking as follows:

¹ For simplicity, it is assumed that all three fuel cell units were operative on August 17, 2011, which is the day the last unit was placed into commercial operation. However, actual incurred costs will be recorded to the Fuel Cell Project Memorandum Account beginning on the individual unit operative date. For units two and three, located at the San Francisco State University campus, the operative date was July 27, 2011. For unit one, the last unit placed into operation, located at the California University East Bay, Hayward campus, the operative date was August 17, 2011.

a.) Pacific Gas and Electric Company may book the authorized revenue requirement in its Utility Generation Balancing Account.”

In compliance with this decision, PG&E is recording the authorized revenue requirement in the UGBA. The revenue requirement amount recorded in UGBA each month is the total amount of capacity in service for the month in Megawatt-hours (MWh) multiplied by the adopted revenue requirement per MWh.

Below PG&E provides the PV sites placed into operation in 2011 as well as the corresponding operative dates and annual revenue requirements for Years 1 through 3 of the project by site:

<u>PV Site</u>	<u>Operative Date</u>	<u>MWs</u>	<u>(Amounts in millions)</u>		
			<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Westside	8/31/2011	15	\$14.865	\$12.435	\$11,655
Five Points	9/24 /2011	15	14.865	12,435	11,655
Stroud	9/26/2011	20	<u>19.820</u>	<u>16,580</u>	<u>15,540</u>
Total			\$49.550	\$41.450	\$38.850
\$ Per MW			\$991	\$829	\$777

Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters

On May 5, 2011, the Commission approved, with modifications, PG&E’s 2011 GRC Settlement Agreement in A. 09-12-020. Pursuant to OP 46 of the decision:

“With respect to the amortization of retired meters replaced by SmartMeters ...such additional revenue requirements shall become effective when approved, retroactive to January 1, 2011...”

As presented in Advice 3869-E, the 2011 revenue requirements for incremental income taxes associated with the accelerated amortization of retired meters is \$4.850 million. The \$4.850 million annual revenue requirement, calculated on a levelized basis, will be in effect from 2011 through 2016, which is the adopted six-year amortization period. Advice 3869-E was approved by the Energy Division on August 3, 2011.

Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

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 **October 25, 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 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 submits this advice letter as a Tier 1 filing. PG&E requests that this advice letter become effective as follows:

- Fuel Cell Project: August 17, 2011
- PV Program: August 31, 2011
- Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters: January 1, 2011

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 Fuel Cell Project A. 09-02-013, Photovoltaic Program

A. 09-02-019 and 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/>.

A handwritten signature in cursive script that reads "Brian Cherry" followed by a stylized flourish.

Vice President – Regulation and Rates

cc: Service Lists: A.09-02-013
 A.09-02-019
 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: Greg Backens

Phone #: 415-973-4390

E-mail: gab4@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) #: **3920-E**

Tier: 1

Subject of AL: Implementation of PG&E's Annual Revenue Requirement Adjustments for the Fuel Cell Project and Photovoltaic Program, and PG&E's 2011 through 2013 Revenue Requirement Adjustment for the Incremental Income Taxes Associated with the Accelerated Amortization of Electromechanical Meters Replaced by SmartMeter™ Devices

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 #: D.10-04-028, D.10-04-052 and 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 AL: N/A

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: N/A

Resolution Required? Yes No

Requested effective dates:

No. of tariff sheets: N/A

Fuel Cell Project: August 17, 2011

PV Program: August 31, 2011

Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters: January 1, 2011

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: 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: Brian 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

ADVICE 3920-E
ATTACHMENT 1

**Pacific Gas And Electric Company
Fuel Cell
Components Of Initial Annual Revenue Requirement*
(thousands of nominal dollars)**

<u>Line No.</u>		Annual Revenue Requirement
1	Operating Revenue	5,677
2	Operating Expense	
3	Operations and Maintenance	1,058
4	Administrative and General	
5	Employee Benefits	60
6	Insurance	0
7	Subtotal	60
8	Uncollectibles	15
9	Franchise Requirements	43
10	Subtotal Operating expenses	1,175
11	Taxes	
12	Property	228
13	Payroll	20
14	State Corporation Franchise	254
15	Federal Income	742
16	Subtotal Taxes	1,244
17	Depreciation	2,030
18	Decommissioning Accrual	44
19	Total Operating Expenses	4,494
20	Net For Return	1,184
21	Weighted Average Rate Base	13,465
	Rate of Return	
22	On Rate Base	8.79%
23	On Equity	11.35%

Note: Total O&M Expense		
O&M Expense(Excl Employee Benefits & Payroll Taxes)		1,058
Employee Benefits		60
Payroll Taxes		20
Total		<u>1,137</u>

* Year 1 = 8/11-7/12

**ADVICE 3920-E
ATTACHMENT 2**

Rolling Revenue Requirements
From 2011 GRC through 2013
in thousands

	<u>Electric Distribution</u>	<u>Electric Generation</u>	<u>Gas Distribution</u>	<u>Total</u>
2011 Adopted GRC RRQ	3,358,335	1,667,848	1,154,351	6,180,534
less: Other Operating Revenue	97,880	11,608	22,922	132,410
less: FERC jurisdictional amount	16,722	37		16,759
2011 Base Revenue Amount (Eff. 1/1/11)	3,243,733	1,656,203	1,131,429	6,031,365
2011 Taxes on Retired Meters Revenue	4,850			4,850
2011 Pension	70,751	34,754	35,009	140,514
2011 Pension Adjustment	(100)	324	(313)	(89)
2011 Cornerstone	12,926			12,926
2011 Diablo Canyon Seismic Studies		2,658		2,658
2011 Base Revenue Amount (Eff. 1/1/11)	3,332,160	1,693,939	1,166,125	6,192,224
2011 Colusa Performance Incentive Payment		376		376
2011 Base Revenue Amount (Eff. 2/8/11)	3,332,160	1,694,315	1,166,125	6,192,600
2011 Fuel Cell Project - All 3 Units		5,677		5,677
2011 Base Revenue Amount (Eff. 8/17/11)	3,332,160	1,699,992	1,166,125	6,198,277
2011 Solar PV Program - 15 MWs		14,865		14,865
2011 Base Revenue Amount (Eff. 8/31/11)	3,332,160	1,714,857	1,166,125	6,213,142
2011 Solar PV Program - 15 MWs		14,865		14,865
2011 Base Revenue Amount (Eff. 9/24/11)	3,332,160	1,729,722	1,166,125	6,228,007
2011 Solar PV Program - 20 MWs		19,820		19,820
2011 Base Revenue Amount (Eff. 9/26/11)	3,332,160	1,749,542	1,166,125	6,247,827

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

AT&T	Dept of General Services	Northern California Power Association
Alcantar & Kahl LLP	Douglass & Liddell	Occidental Energy Marketing, Inc.
Ameresco	Downey & Brand	OnGrid Solar
Anderson & Poole	Duke Energy	Praxair
Arizona Public Service Company	Economic Sciences Corporation	R. W. Beck & Associates
BART	Ellison Schneider & Harris LLP	RCS, Inc.
Barkovich & Yap, Inc.	Foster Farms	Recurrent Energy
Bartle Wells Associates	G. A. Krause & Assoc.	SCD Energy Solutions
Bloomberg	GLJ Publications	SCE
Bloomberg New Energy Finance	GenOn Energy, Inc.	SMUD
Boston Properties	Goodin, MacBride, Squeri, Schlotz & Ritchie	SPURR
Braun Blasing McLaughlin, P.C.	Green Power Institute	San Francisco Public Utilities Commission
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	NaturEner	Wellhead Electric Company
Davis Wright Tremaine LLP	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	Norris & Wong Associates	eMeter Corporation
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	