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November 3, 2011

Advice 3939-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Notice of Federal Energy Regulatory Commission Rate Filing for Annual Updates to the Transmission Revenue Balancing Account Adjustment, the Reliability Services Rates and the End-Use Customer Refund Balancing Account Adjustment

Purpose

Pacific Gas and Electric Company (“PG&E”) hereby submits this advice letter to provide the California Public Utilities Commission (“Commission” or “CPUC”) with notice of PG&E’s recent filing with the Federal Energy Regulatory Commission (“FERC”) requesting a transmission rate change for its retail electric customers, in compliance with Resolution E-3930 (“Resolution”). The purpose of PG&E’s FERC filing is to request the annual update to the Transmission Revenue Balancing Account Adjustment (“TRBAA”), the Reliability Services (“RS”) rates and the End-Use Customer Refund Balancing Account Adjustment (“ECRBAA”) (“Balancing Account Update Filing”).

Background

TRBAA

PG&E’s Transmission Owner (“TO”) Tariff specifies, among other things, the rates and charges for transmission access over the California Independent System Operator Corporation (“CAISO”) grid. A component of these charges is the TRBAA, which is the ratemaking mechanism designed to ensure, among other things, that all Transmission Revenue Credits flow through to TO Tariff retail and wholesale transmission customers.

On October 14, 2011, PG&E proposed in its filing in FERC Docket No. ER12-76-000 to:

1. Revise the TO Tariff to reflect, for retail service rendered on and after January 1, 2012, PG&E's annual revision to the TRBAA based on the as-settled TO13 Transmission Revenue Requirement ("TRR") (submitted in FERC Docket No. ER10-2026-000); and
2. Revise wholesale High Voltage and Low Voltage TRRs for use by the CAISO to calculate the CAISO Transmission Access Charge ("TAC") rates under the CAISO Tariff for the same time period described above.

The retail TRBAA rate revision is based on (1) the Transmission Revenue Balancing Account ("TRBA") balance as of September 30, 2011, (2) PG&E's 2012 TRBAA forecast, which is a forecast of Transmission Revenue Credits for the following calendar year; (3) the interest balance for the TRBA; and (4) Franchise Fees and Uncollectible Accounts ("FF&U").

As part of the 2012 revision of the TRBAA, PG&E has included abandonment costs for PG&E's Canada to Northern California transmission project as proposed in PG&E's October 13, 2011 filing in Docket No. ER12-73-000 ("Abandonment Filing"). In the Abandonment Filing, made pursuant to Section 205 of the Federal Power Act, PG&E sought authority to recover approximately \$8.4 million in Project abandonment costs and has proposed the use of the TRBAA for that purpose. The Abandonment Filing demonstrates, among other things, that the recovery of the abandonment costs through PG&E's TRBAA update is just and reasonable and appropriate. Because FERC's decision on the Abandonment Filing was (and still is) pending at the time PG&E submitted its Balancing Account Update Filing, PG&E prepared two TRBAAs depending on the Commission's acceptance or rejection of PG&E's proposal to use the TRBAA as the mechanism to recover Project abandonment costs as proposed in the Abandonment Filing: Option A, the TRBAA *including* Project abandonment costs; and Option B, the TRBAA *without* Project abandonment costs.

The total revenue requirement used in developing the TRBAA rate under Option A consists of the balance in the TRBA as of September 30, 2011, which is a credit to end-use customers of \$14,209,003; the forecast TRBAA amount, which is a credit of \$69,445,817; the accumulated interest, which is a credit of \$1,307,195; and the FF&U adjustment, which is a credit of \$916,740. The final 2012 retail TRBAA revenue requirement under Option A is a credit to end-use customers of \$85,878,754, as compared to the 2011 TRBAA revenue requirement, which was a credit of \$63,392,663. This results in a proposed 2012 TRBAA rate of (\$0.00103) per kWh, compared to the present rate of (\$0.00075) per kWh.

The total revenue requirement used in developing the TRBAA rate under Option B consists of the balance in the TRBA as of September 30, 2011, which is a credit to end-use customers of \$22,655,173; the forecast TRBAA amount, which is a credit of \$69,445,817; the accumulated interest, which is a credit of \$1,341,413; and the FF&U

adjustment, which is a credit of \$1,008,244. The final 2012 retail TRBAA revenue requirement under Option B is a credit to end-use customers of \$94,450,646, as compared to the 2011 TRBAA revenue requirement, which was a credit of \$63,392,663. This results in a proposed 2012 TRBAA rate of (\$0.00113) per kWh, compared to the present rate of (\$0.00075) per kWh.

RSBAA

FERC Opinion No. 459 approved a September 21, 2001, partial settlement allowing recovery of PG&E's RS costs from Retail TO Tariff customers.

The RS Rate consists of four components: (1) the principal balance of the Reliability Services Balancing Account ("RSBA") as of September 30, 2011; (2) the forecast RS costs for 2012; (3) interest on the balance of the RSBA; and (4) an adjustment for FF&U.

The total RS revenue requirement used in the development of the retail 2012 RS Rates is a credit to customers of \$8,521,605. This consists of the principal balance of the RSBA as of September 30, 2011, a credit of \$12,366,444; plus the forecast RS costs for 2012 of \$4,198,912; plus the interest on the balance of the RSBA, a credit of \$263,107, plus the FF&U adjustment, a credit of \$90,967.

ECRBAA

The ECRBAA is a mechanism designed to refund over-collected transmission rate charges to PG&E's End-Use Customers. ECRBAA shall be a credit or charge equal to the refund or surcharge amount due to End-Use customers, including interest.

The ECRBAA consists of three components: (1) the principal balance of the End-Use Refund Balancing Account ("ECRBA") as of September 30, 2011; (2) the forecast of refunds, including interest, from the settlement of PG&E's applicable TO Tariff rate case; and (3) interest on the balance of the ECRBA.

The total amount refunded through the ECRBAA in this filing is \$82,943,387, which is composed of the principle balance of the ECRBA, a refund of \$1,079,035; the forecast of refunds for PG&E's TO13 rate case of \$78,052,034; and interest on the balance of the ECRBA, a refund of \$3,812,319.

Compliance with Resolution E-3930

PG&E submits this advice letter pursuant to Process Element 3 of the Resolution. Consistent with past practice, PG&E has also provided the Commission with a complete copy of the FERC filing on the same date that it was filed with FERC, by service to the Commission's Legal Division.

In this advice letter, PG&E requests authority to revise each corresponding transmission rate component of its Commission-jurisdictional tariffs on the date which FERC ultimately authorizes these changes to become effective, subject to refund, and to make corresponding adjustments to its total applicable Commission jurisdictional rates, with exceptions only as described below for the residential tariffs.

As described under Process Elements 5 and 6 of the Resolution, total rates for residential usage up to 130 percent of baseline ("Tier 1 and 2 usage") were previously constrained by California Assembly Bill 1X ("AB 1X"). California Senate Bill 695 ("SB 695"), enacted October 11, 2009, modified the constraints on total rates for residential usage up to 130 percent of baseline and Decision (D.) 09-12-048 also adopted PG&E's revised residential rate design as compliant therewith. In addition, D.11-05-047 on residential rate design in Phase 2 of PG&E's 2011 General Rate Case established tier 3 rates for California Alternative Rates for Energy (CARE). The level of these CARE tier 3 rates (applicable to CARE usage over 130 percent of baseline) is constrained by D.11-05-047 and is compliant with the constraints of SB 695.

PG&E designs residential rates by adjusting residential distribution and generation rates proportionately so that total residential rates for all CARE usage and for non-CARE usage up to 130 percent of baseline comply with the constraints noted above. PG&E then sets non-CARE rates for usage in excess of 130% of baseline to ensure the revenue allocated to the residential class is fully collected, while maintaining the 4 cent differential between non-CARE tier 3 and tier 4 rates established by D.11-05-047. Finally, as noted in D.07-09-044, Appendix C, Section VI, part D, revenue reductions to the residential class will be implemented by not changing rates for usage up to 130 percent of baseline, or for CARE usage in excess of 130% of baseline, and will be used to reduce non-CARE rates for usage in excess of 130% of baseline.

As anticipated under Process Element 4 of Resolution E-3930, PG&E will supplement this advice or indicate in a separate advice letter that coincides with other retail rate changes when the requested TRBAA, RS, and ECRBAA rate changes are approved, modified, denied or have been otherwise acted upon by the FERC. At that time, PG&E will also provide complete updated tariff sheets.

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 **November 23, 2011**, which is 20 days after 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: jjj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies of protests 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, Regulatory Relations
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 advice filing become effective as soon as practicable after FERC authorizes these changes to become effective. PG&E proposes to consolidate the electric rate changes resulting from the transmission rate change, to the extent practicable, with the first planned rate change after FERC authorizes PG&E's requests.

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. Address changes to the General Order 96-B service list should be directed to PG&E at email

address 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 approvals to PGETariffs@pge.com. 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

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) #: **3939-E**

Tier: 2

Subject of AL: **Notice of Federal Energy Regulatory Commission Rate Filing for Annual Updates to the Transmission Revenue Balancing Account Adjustment, the Reliability Services Rates and the End-Use Customer Refund Balancing Account Adjustment**

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 #: Resolution E-3930

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? No. If so, what information is the utility seeking confidential treatment for: N/A

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 date: Upon FERC authorization of FERC filing.

No. of tariff sheets: N/A

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

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:

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

**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	