

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 21, 2011

Advice Letter 3942-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: Methodology for Calculation of Non-Bypassable Charges for
Mountain House Customers (Modesto Irrigation District)**

Dear Mr. Cherry:

Advice Letter 3942-E is effective December 9, 2011.

Sincerely,

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

Edward F. Randolph, 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

November 9, 2011

Advice 3942-E

(Pacific Gas and Electric Company ID U39E)

Public Utilities Commission of the State of California

Subject: Methodology for Calculation of Non-Bypassable Charges for Mountain House Customers (Modesto Irrigation District)

This filing is made in accordance with Decision (“D.”) 04-03-036, dated March 16, 2004, for Pacific Gas and Electric Company’s (“PG&E”) Application (“A.”) 03-02-005 pertaining to the authorization to lease and sell certain electric distribution facilities serving the Mountain House Area to Modesto Irrigation District (“MOD”). PG&E hereby files the annual advice letter to describe its calculations and methodologies for determining applicable non-bypassable charges (“NBCs”) for customers in the Mountain House Area of San Joaquin County, California, served by MOD.

Background

Pursuant to Public Utilities Code § 9610, a total of 137 Mountain House customers departed PG&E’s service territory on January 1, 2001, and began receiving electric service from MOD. In D.04-03-036 (issued in A.03-02-005), the California Public Utilities Commission (“CPUC” or “Commission”) approved, among other things, an agreement between PG&E and MOD for the lease of certain electric distribution facilities in the Mountain House area (“the Lease Agreement”). The Lease Agreement provides that MOD will pay NBCs on behalf of the departing customers. Ordering Paragraph 6 of D.04-03-036 requires that PG&E shall annually file an advice letter that contains the proposed calculations and methodologies for determining the amount of NBCs to be paid by MOD for the year at least 90 days before the due date for MOD’s payment of the NBCs for approval by the Commission’s Energy Division. This Advice Letter fulfills PG&E’s requirement as detailed in Ordering Paragraph 6 of D.04-03-036.

Methodology and Illustrative Calculations

Attachment 1 to this filing is PG&E's statement of methodology for calculating NBCs to be paid by MOD on behalf of departing customers.

Consistent with Paragraph 6.2 of the Lease Agreement, on or before January 31, 2012, PG&E will provide MOD with PG&E's calculation of the 2011 NBC bill for the Mountain House customers that departed PG&E's service territory on January 1, 2001, and began receiving electric service from MOD. This calculation will cover NBCs with interest for the period from January 1, 2011 through December 31, 2011.

Commission Resolution E-3903 authorized PG&E to calculate and collect "the amount of ND [Nuclear Decommissioning] charges that it should have but did not collect from [departing] customers from the date Schedule E-DEPART expired through the effective date of this Resolution," to amortize this amount over a three-year period, and to bill [departing] customers accordingly. (Res. E-3903, page 10). As the 2008 calculation included the final portion of amortized ND charges, no such charges are included in this bill. The 2011 calculation includes ND charges for January 1, 2011 through December 31, 2011.

Commission Resolution E-3999 authorized PG&E to calculate and collect current and past Competition Transition Charges (CTCs). Because "some transferred MDL [Municipal Departing Load] customers may owe large amounts, it is appropriate to allow the customer the option to pay off any amounts owed over a 36-month period." (Res. E-3999, page 57). Accordingly, PG&E's calculation for 2010 included the final installment of the amortized CTCs for the Mountain House customers from January 31, 2010 to February 28, 2010. The CTCs from January 1, 2011 through December 31, 2011, are included in the total NBCs for 2011.

Some of the 137 transferred accounts have subsequently gone out of existence, to make way for new development. Accordingly, PG&E will adjust the NBCs for the period January 1, 2011, through December 31, 2011, to account for these removals (and their removal dates), and PG&E will exclude these removed accounts from future NBC billings. As noted in Attachment 1, Mountain House customers are not obligated to pay the Department of Water Resources ("DWR")-related components of the Cost Responsibility Surcharge ("CRS") imposed by D.03-07-028, since they departed prior to the February 1, 2001, threshold date adopted in that decision.¹

¹ See D.03-07-028, Ordering Paragraph 2. For PG&E, the Cost Responsibility Surcharge (CRS) adopted by D.03-07-028 consists of the DWR Bond Charge (DWRBC), the DWR Power Charge (DWRPC), and the Competition Transition Charge (CTC). The DWRBC and DWRPC components of the CRS only apply to customers who departed PG&E service after February 1, 2001, and thus not to Mountain House customers (who departed on the January 1, 2001 transfer date). However, Mountain House customers are obligated to pay the CTC component of the CRS, which is

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 29, 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, 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 advice filing become effective on regular notice, **December 9, 2011**, which is 30 days after the date of this 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 Service List A.03-02-005. 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>.

A handwritten signature in cursive script that reads "Brian Cherry".

Vice President – Regulation and Rates

cc: Service List A.03-02-005
Joy A. Warren, Modesto Irrigation District

Attachments: Attachment 1 - Methodology for Calculation of 2011 Non-Bypassable Charges for Mountain House Customers

Attachment 2 - Preliminary 2011 Non-Bypassable Charge Invoice for Mountain House Customers

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) #: **3942-E**

Tier: **2**

Subject of AL: **Methodology for Calculation of Non-Bypassable Charges for Mountain House Customers (Modesto Irrigation District)**

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.04-03-036

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: **December 9, 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: N/A

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
jnj@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

Methodology for Calculation of 2011 Non-Bypassable Charges For Mountain House Customers

Pursuant to Ordering Paragraph 6 of Decision 04-03-036, this attachment describes PG&E's method of calculating the non-bypassable charge (NBC) obligations for 2011 associated with PG&E's Mountain House customers that departed to Modesto Irrigation District (MOD).

A total of 137 Mountain House customers departed PG&E service on January 1, 2001 and began receiving electric service from MOD. Just prior to their departure, PG&E took a "snapshot" of each customer's billing determinants for the period of January 2000 to December 2000 (i.e., the 12 months immediately prior to their departure on January 1, 2001).

Some of the 137 transferred accounts have subsequently gone out of existence, to make way for new development. Accordingly, PG&E will adjust the NBCs for the period January 1, 2011 through December 31, 2011 to account for these removals (and their removal dates), and PG&E will exclude these removed accounts from future NBC billings.

The NBC obligations of the Mountain House customers include Competition Transition Charges (CTCs, per Public Utilities Code Sections 367, 368, 375 and 376), Trust Transfer Amount (TTA, per Code Section 840(d)),¹ and Nuclear Decommissioning (ND, per Code Section 379) Charges.

CTCs — The opportunity for utilities to recover and the obligation for customers to pay CTCs has been established both by Commission policy decisions and California law.² Except for those specific activities expressly exempted by the California legislature or the Commission, these costs are to be paid by all energy consumers. Commission Resolution E-3999 authorized PG&E to calculate and collect current and past CTCs. The amortized CTCs for the Mountain House customers were from March 31, 2002 (the date the E-DEPART tariff expired) through December 31, 2006. The final installment of the amortized CTCs for Mountain House customers from January 31, 2010 through February 28, 2010 were paid in 2010. (the first installment of amortized CTCs was billed from March 31, 2007 through December 31 2007, the second installment was billed

¹ Preliminary Statements Part AS and Part AT of PG&E's electric tariffs establish a Fixed Transition Amount (FTA) charge and Rate Reduction Bond Memorandum Account (RRBMA) for residential and small commercial customers who received the 10 percent rate reduction on January 1, 1998, as mandated in Assembly Bill (AB) 1890 (Code § 368 (a)).

² Electric Restructuring Policy Decision (D.95-12-063), as modified by the Revised Policy Decision (D.96-01-009), primarily Conclusions of Law 54 and 58, and Ordering Paragraph 28, and AB 1890, primarily Code Sections 367, 368, 375, 376 and 840(d). (A.00-01-056)

from January 31, 2008 to December 31, 2008, the third installment was billed from January 31, 2009 to December 31, 2009 and the final portion of the three-year amortization period was billed over the first two months of 2010, January 31, 2010 through February 28, 2010). The CTCs from January 1, 2011, through December 31, 2011, are included in the total NBCs for 2011.

TTA Charges — The TTA charge is comprised of FTA (Fixed Transition Amount) and RRBMA (Rate Reduction Bond Memorandum Account) and only applicable to PG&E's residential and small commercial customers, to pay back rate reduction bonds issued to finance a 10 percent reduction in rates for these customers. The last payment for TTA was made in 2007. Effective through 2008, adjustments of TTA have been negative and were reflected on the bill as a credit, due to a credit balance in the RRBMA. Any remaining credit balance in the RRBMA was amortized in 2009 rates so no further adjustments (credits) are required. Therefore, the TTA credit is no longer included in the calculation of the total NBC's for 2011.

ND Charges — ND costs are separately identified in Code Section 379 as a non-bypassable charge that will continue until those costs are fully recovered. Per PG&E Advice 1614-E, filed October 11, 1996, PG&E's Commission-jurisdictional nuclear decommissioning accrual is approximately \$33 million per year.³ Per Commission Resolution E-3903, PG&E is authorized to bill previously-transferred Mountain House customers responsible for past ND charges for the period between March 31, 2002 (when Schedule E-DEPART temporarily expired) through January 31, 2005 (when Schedule E-DEPART was reinstated), amortized over a three-year period. The 2008 bill contained the final portion of such ND amortization charges (the first was billed from April 30, 2005 to December 31, 2005, the second – from January 31, 2006 to December 31, 2006, the third – from January 31, 2007 to December 31, 2007 and the final portion of the three-year amortization period was billed over the first three months of 2008, January 31, 2008 through March 31, 2008). The 2011 bill does not contain ND amortization charges. The ND charges from January 1, 2011, through December 31, 2011, are included in the total NBCs for 2011.

The Department of Water Resources' Bond and Power Charges, imposed by Decision 03-07-028, do not apply to the Mountain House customers due to the fact that these customers departed prior to February 1, 2001.

Since January 2002, PG&E has been annually billing MOD for all NBCs for which it had tariff authorization to bill. To date, PG&E has sent MOD eleven annual

³ Nuclear Decommissioning costs were approved in the 1996 General Rate Case at \$36 million per year, and then reduced by Advice 1614-E to \$33 million per year after a ruling by the Internal Revenue Service.

NBC bills (for 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010 and 2011) covering the obligations of the remaining departing customers.

The first NBC bill (for 2001) was calculated by: (1) aggregating the usage “snapshots” of all customers on each rate schedule; (2) applying then-current schedule-specific NBC rates to the usage totals by schedule; and (3) summing the resulting NBC bills across schedules to obtain a total bill. Since then, however, each of the remaining departed customers was individually set up for departing load billing in PG&E’s Customer Information System (CIS).⁴ PG&E’s CIS calculates each departed customer’s NBC bill based on monthly usage from the customer’s 12-month historic “snapshot” and the then-current NBC rates applicable to the customer’s rate schedule or otherwise approved by the Commission for municipal departing load. The monthly NBC charges for each customer plus interest at the three-month commercial paper rate are then summed across all customers to create one annual bill to send to MOD covering the preceding year.

⁴ Some of these 137 accounts have subsequently gone out of existence to make way for new developments. PG&E has adjusted the bill to account for the removal.

99950007139228600006624260000662426

Invoice Number	Invoice Date	Amount Due	Amount Enclosed
0007139228-6	09/28/2011	\$ 6,624.26	

MODESTO IRRIGATION DISTRICT
 ATTN: ROBERT HONDEVILLE
 P.O. BOX 4060
 MODESTO CA 95352

PG&E
 Box 997300
 Sacramento, CA
 95899-7300

Please return this portion with your payment. Thank you.

When Making Inquiries or Address Changes,
 Please Contact:

Departing Load
 Mail Code B12C
 P.O. Box 770000
 SAN FRANCISCO CA 94177-0001
 (800) 743-5000

Customer Number
 353102

Invoice Number
 0007139228-6

Departing Load Nonbypassable Charges
 Service Address :
 P.O. BOX 4060
 MODESTO

Description	Quantity	Unit	Factor	Rate	Amount
Reference Number: WXV13712					
NUCLEAR DECOMMISSIONING CHARGES - JAN 11	58838	Kwh			38.87
ONGOING CTC CHARGES - JAN 11	58838	Kwh			511.58
INTEREST CHARGE - JAN 11					1.01
NUCLEAR DECOMMISSIONING CHARGES - FEB 11	62731	Kwh			41.46
ONGOING CTC CHARGES - FEB 11	62731	Kwh			543.53
INTEREST CHARGE - FEB 11					0.96
NUCLEAR DECOMMISSIONING CHARGES - MAR 11	51587	Kwh			34.07
ONGOING CTC CHARGES - MAR 11	51587	Kwh			447.56
INTEREST CHARGE - MAR 11					0.70
NUCLEAR DECOMMISSIONING CHARGES - APR 11	46509	Kwh			30.73
ONGOING CTC CHARGES - APR 11	46509	Kwh			402.49
INTEREST CHARGE - APR 11					0.56

MODESTO IRRIGATION DISTRICT
 ATTN: ROBERT HONDEVILLE
 P.O. BOX 4060
 MODESTO CA 95352

PG&E
 Box 997300
 Sacramento, CA
 95899-7300

When Making Inquiries or Address Changes,
 Please Contact:

Departing Load
 Mail Code B12C
 P.O. Box 770000
 SAN FRANCISCO CA 94177-0001
 (800) 743-5000

Customer Number
 353102

Invoice Number
 0007139228-6

Description	Quantity	Unit	Factor	Rate	Amount
NUCLEAR DECOMMISSIONING CHARGES - MAY 11	56339	Kwh			37.16
ONGOING CTC CHARGES - MAY 11	56339	Kwh			484.36
INTEREST CHARGE - MAY 11					0.60
NUCLEAR DECOMMISSIONING CHARGES - JUN 11	69659	Kwh			45.97
ONGOING CTC CHARGES - JUN 11	69659	Kwh			607.24
INTEREST CHARGE - JUN 11					0.67
NUCLEAR DECOMMISSIONING CHARGES - JUL 11	60025	Kwh			39.59
ONGOING CTC CHARGES - JUL 11	60025	Kwh			523.21
INTEREST CHARGE - JUL 11					0.51
NUCLEAR DECOMMISSIONING CHARGES - AUG 11	66652	Kwh			43.99
ONGOING CTC CHARGES - AUG 11	66652	Kwh			581.30
INTEREST CHARGE - AUG 11					0.48
NUCLEAR DECOMMISSIONING CHARGES - SEP 11	64026	Kwh			42.26
ONGOING CTC CHARGES - SEP 11	64026	Kwh			557.92
INTEREST CHARGE - SEP 11					0.35



MODESTO IRRIGATION DISTRICT
ATTN: ROBERT HONDEVILLE
P.O. BOX 4060
MODESTO CA 95352

PG&E
Box 997300
Sacramento, CA
95899-7300

When Making Inquiries or Address Changes,
Please Contact:

Customer Number
353102

Departing Load
Mail Code B12C
P.O. Box 770000
SAN FRANCISCO CA 94177-0001
(800) 743-5000

Invoice Number
0007139228-6

Table with 5 columns: Description, Quantity, Unit, Rate, Amount. Rows include NUCLEAR DECOMMISSIONING CHARGES, ONGOING CTC CHARGES, INTEREST CHARGE for Oct and Nov 11, and Dec 11. Totals: Line Item SubTotal 6,624.26, AMOUNT NOW DUE 6,624.26

Note: This invoice reflects current charges only.
Any past due amounts will be billed separately.

ELECTRIC INDUSTRY DEFINITIONS

- a. Trust Transfer Amount (TTA): The charge repays principal and interest on the bonds used to refinance a portion of costs related to investments in electric generation facilities and purchased power contracts, in order to provide a 10% bill reduction to residential and small commercial customers in the years 1998 to 2002. The TTA does not belong to PG&E. The TTA has been transferred to a separate company. PG&E is collecting the TTA on behalf of this company.
- b. Nuclear Decommissioning: The non-by passable charge that collects the funds required for site restoration when PG&E's nuclear power plants are removed from service.
- c. Public Purpose Programs: The non-by passable charge that funds state-mandated assistance programs for low-income customers and energy-efficiency programs.
- d. DWR Bond Charge: The charge that recovers the cost of bonds issued to finance a portion of the historic cost of power purchased by California Department of Water Resources (DWR) to serve electric customers. DWR bond revenues are collected on behalf of DWR and do not belong to PG&E.
- e. Energy Cost Recovery Amount: These charges are approved by the CPUC and authorized by California Public Utilities Code Section 848 et seq. The purpose of these charges is to pay the principal, interest, and other costs associated with Energy Recovery Bonds (Bonds) that were issued by a Special Purpose Entity (SPE). One of these charges is the Dedicated Rate Component (DRC), which is \$0.00479 kWh. The right to receive DRC revenues has been transferred to the SPE and does not belong to PG&E. This right is called Recovery Property. PG&E collects the DRC on behalf of the SPE, which uses these funds to pay Bond principal, interest, and other Bond-related costs. The SPE transferred the net Bond proceeds to PG&E to purchase Recovery Property from PG&E. PG&E used the proceeds from the sale of Recovery Property to refinance its bankruptcy Regulatory Asset, which was established by the Commission to help finance PG&E's emergence from bankruptcy.
- f. Competition Transition Charges (CTC): The cost of purchased power agreements, signed prior to December 20, 1995, in excess of a CPUC approved proxy of the market price of electricity as well as a portion of electric industry restructuring implementation costs as authorized by the CPUC.
- g. Power Charge Indifference Adjustment (PCIA): The portion of your bill (either a charge or credit) intended to ensure that customers that purchase electricity from non-utility suppliers pay their share of the costs of generation acquired prior to 2003.

**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	