

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 7, 2012

Advice Letter 4082-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: Humboldt Bay Generating Station – True-Up of Actual Costs
and Prospective Recovery of Utility Generation Balancing
Account Revenue Requirement**

Dear Mr. Cherry:

Advice Letter 4082-E is effective August 6, 2012.

Sincerely,

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

Edward F. Randolph, Director
Energy Division



Brian K. Cherry
Vice President
Regulatory Relations

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

Fax: 415-973-6520

July 6, 2012

Advice 4082-E
(Pacific Gas and Electric Company ID U39 E)

Public Utilities Commission of the State of California

Subject: Humboldt Bay Generating Station – True-Up of Actual Costs and Prospective Recovery of Utility Generation Balancing Account Revenue Requirement

In compliance with Ordering Paragraph (“OP”) 14 of Commission Decision (“D.”) 11-05-018 approving PG&E’s 2011 General Rate Case (“GRC”), Pacific Gas and Electric Company (“PG&E”) hereby submits its true-up of the Humboldt Bay Generating Station (“HBGS” or “Humboldt”) initial capital cost, subject to the requirements of D.06-11-048, now that the final project costs are known. PG&E requests Commission authority to increase the capital cost target approved for the project by \$8.3 million, pursuant to OP 15 of D.11-05-018. PG&E also requests Commission authority to adjust the balance in the Utility Generation Balancing Account (“UGBA”) by \$1.184 million (plus interest) effective December 31, 2012 to reflect the forecast undercollection of revenues for HBGS as of that date and to increase the UGBA base revenue amount on January 1, 2013 by \$1.525 million to reflect the final initial capital cost of HBGS.

Background:

On November 30, 2006, D.06-11-048 approved the 2004 Long Term Request for Offer (“LTRFO”) Results for Adoption of Cost Recovery and Ratemaking by PG&E. That decision adopted an initial capital cost target for the HBGS of \$238.7 million. On June 9, 2010, PG&E filed Advice 3684-E, which established the first-year revenue requirement for Humboldt to be booked into PG&E’s UGBA when Humboldt achieved commercial operation. Advice 3684-E was approved on July 19, 2010 with an effective date of July 9, 2010. The first year revenue requirement established in Advice 3684-E was based on the initial capital cost of \$238.7 million that was approved in D.06-11-048. In PG&E’s 2011 GRC Application, (“A.”) 09-12-020, PG&E requested that the cost of HBGS be included in the generation revenue requirement to be established in the 2011 GRC. The initial capital cost of HBGS set forth in the application was based on the \$238.7 million adopted in D.06-11-048. In anticipation that the actual capital cost of

HBGS might exceed the \$238.7 million target, PG&E also requested that it be allowed to increase the initial capital cost target by up to \$25 million, up to a maximum of \$263.7 million.

The 2011 GRC decision ordered as follows:

...PG&E is authorized to file an advice letter to true-up the project's initial capital cost, subject to the requirements of D.06-11-048, when the final project costs are known. (Ordering Paragraph 14)

...PG&E is authorized to increase the initial capital cost target approved for the project by up to \$25 million by advice letter to the extent the project's actual costs exceed the initial cost target. (Ordering Paragraph 15)

In May 2012, PG&E closed out the initial capital cost of HBGS. The final initial capital cost of HBGS was \$246.9 million, or \$16.8 million below the maximum amount allowed in D.11-05-018.

Therefore, pursuant to D.06-11-048, PG&E is requesting the initial capital cost target for HBGS be increased to \$246.9 million, and that the UGBA revenue requirement be adjusted to reflect the increased capital cost target. The increased UGBA revenue requirement is made up of two components: one to true-up the HBGS revenue requirement for the September 16, 2010 through December 31, 2012 period, and one to reflect the revised HBGS revenue requirement for 2013, due to the increase in the HBGS capital cost over the \$238.7 million assumed in Advice 3684-E and D.11-05-018. Attachment 1 shows the revised HBGS revenue requirement for the September 16, 2010 through December 31, 2012 period. Attachment 2 shows the revised HBGA revenue requirement for 2013.

Purpose:

Pursuant to D.06-11-048, PG&E submits the true-up of the revenue requirement for the HBGS to reflect the final initial capital cost of the facility. Attachment 1 shows the actual vs. allowed revenue requirement for the period September 16, 2010 through December 31, 2012. Attachment 2 shows the forecast vs. allowed revenue requirement for 2013. PG&E requests that the revised revenue requirements discussed above be recorded in the UGBA.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **July 26, 2012**, which is **20 days** from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, 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 K. Cherry
Vice President, Regulatory Relations
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 regular notice, **August 6, 2012**, which is 31 days from the date of 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 the service lists for A.09-12-020 and A.06-04-012. Address changes to the General Order 96-B service list 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>.



Vice President – Regulatory Relations

cc: Service Lists A.09-12-020 and A.06-04-012

Attachments:

Attachment 1, Humboldt Bay Generating Station Allowed vs. Actual Revenue Requirement from September 16, 2010 to December 31, 2012

Attachment 2, Humboldt Bay Generating Station Allowed vs. Actual Revenue Requirement from January 1, 2013 to December 31, 2013

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 E)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Igor Grinberg

Phone #: 415-973-8580

E-mail: ixg8@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) #: **4082-E**

Tier: 2

Subject of AL: **Humboldt Bay Generating Station - True-Up of Actual Costs and Prospective Recovery of Utility Generation Balancing Account Revenue Requirement**

Keywords (choose from CPUC listing): 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.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: 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: **August 6, 2012**

No. of tariff sheets: N/A

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

EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry, Vice President, Regulatory Relations

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
Humboldt Bay Generating Station
Allowed vs. Actual Revenue Requirement
9/16/2010 to 12/31/2012
Advice 4082-E
(Thousands of Nominal Dollars)

<u>Line No.</u>		Allowed	Actual	Allowed Exceeds Actual
1	Operating Revenue:	108,210	109,394	(1,184)
	Operating Expenses:			
2	O&M	17,877	17,877	-
	Employee Benefits	128	128	-
3	Insurance	100	100	-
4	Uncollectibles	279	282	(3)
5	Franchise Requirements	817	826	(9)
6	Subtotal Expenses	19,201	19,213	(12)
7	Taxes:			
8	Property	5,726	5,445	281
	Payroll	36	36	-
9	State Corporation Franchise	2,876	2,737	138
10	Federal Income	16,410	16,955	(545)
11	Subtotal Taxes	25,048	25,174	(126)
12	Depreciation	18,230	18,426	(196)
13	Decommissioning Accrual	820	820	-
14	Total Operating Expenses	63,300	63,634	(334)
15				
16	Net for Return	44,911	45,760	(849)
17	Weighted Average Rate Base	511,009	520,673	(9,665)
18	Rate of Return: On Rate Base	8.79%	8.79%	
19	On Equity	11.35%	11.35%	

Attachment 2
Pacific Gas And Electric Company
Humboldt Bay Generating Station
Allowed vs. Actual Revenue Requirement
1/1/2013 to 12/31/2013
Advice 4082-E
(Thousands of Nominal Dollars)

<u>Line No.</u>		Allowed	Actual	Allowed Exceeds Actual
1	Operating Revenue:	45,015	46,540	(1,525)
	Operating Expenses:			
2	O&M	8,064	8,064	-
	Employee Benefits	-	-	-
3	Insurance	-	-	-
4	Uncollectibles	116	120	(4)
5	Franchise Requirements	340	351	(12)
6	Subtotal Expenses	8,520	8,536	(15)
7	Taxes:			
8	Property	2,586	2,701	(115)
	Payroll	-	-	-
9	State Corporation Franchise	1,212	1,268	(55)
10	Federal Income	6,339	6,612	(273)
11	Subtotal Taxes	10,138	10,581	(443)
12	Depreciation	7,955	8,230	(275)
13	Decommissioning Accrual	380	380	-
14	Total Operating Expenses	26,993	27,726	(734)
15				
16	Net for Return	18,023	18,814	(791)
17	Weighted Average Rate Base	205,070	214,071	(9,001)
18	Rate of Return: On Rate Base	8.79%	8.79%	
19	On Equity	11.35%	11.35%	

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

AT&T	Defense Energy Support Center	North America Power Partners
Alcantar & Kahl LLP	Department of Water Resources	North Coast SolarResources
Ameresco	Dept of General Services	Northern California Power Association
Anderson & Poole	Douglass & Liddell	Occidental Energy Marketing, Inc.
BART	Downey & Brand	OnGrid Solar
Barkovich & Yap, Inc.	Duke Energy	Praxair
Bartle Wells Associates	Economic Sciences Corporation	R. W. Beck & Associates
Bloomberg	Ellison Schneider & Harris LLP	RCS, Inc.
Bloomberg New Energy Finance	Foster Farms	Recurrent Energy
Boston Properties	G. A. Krause & Assoc.	SCD Energy Solutions
Braun Blaising McLaughlin, P.C.	GLJ Publications	SCE
Brookfield Renewable Power	GenOn Energy, Inc.	SMUD
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz & Ritchie	SPURR
CENERGY POWER	Green Power Institute	San Francisco Public Utilities Commission
CLECA Law Office	Hanna & Morton	Seattle City Light
CSC Energy Services	Hitachi	Sempra Utilities
California Cotton Ginners & Growers Assn	In House Energy	Sierra Pacific Power Company
California Energy Commission	International Power Technology	Silicon Valley Power
California League of Food Processors	Intestate Gas Services, Inc.	Silo Energy LLC
California Public Utilities Commission	Lawrence Berkeley National Lab	Southern California Edison Company
Calpine	Los Angeles Dept of Water & Power	Spark Energy, L.P.
Cardinal Cogen	Luce, Forward, Hamilton & Scripps LLP	Sun Light & Power
Casner, Steve	MAC Lighting Consulting	Sunrun Inc.
Center for Biological Diversity	MBMC, Inc.	Sunshine Design
Chris, King	MRW & Associates	Sutherland, Asbill & Brennan
City of Palo Alto	Manatt Phelps Phillips	Tecogen, Inc.
City of Palo Alto Utilities	Marin Energy Authority	Tiger Natural Gas, Inc.
City of San Jose	McKenzie & Associates	TransCanada
City of Santa Rosa	Merced Irrigation District	Turlock Irrigation District
Clean Energy Fuels	Modesto Irrigation District	United Cogen
Clean Power	Morgan Stanley	Utility Cost Management
Coast Economic Consulting	Morrison & Foerster	Utility Specialists
Commercial Energy	Morrison & Foerster LLP	Verizon
Consumer Federation of California	NLine Energy, Inc.	Wellhead Electric Company
Crossborder Energy	NRG West	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	NaturEner	eMeter Corporation
Day Carter Murphy	Norris & Wong Associates	