

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



August 18, 2014

Advice Letter 4461-E

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

SUBJECT: HEADROOM REFUND REALLOCATIONS

Dear Mr. Cherry:

Advice Letter 4461-E is effective as of August 16, 2014.

Sincerely,

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

Edward Randolph
Director, Energy Division

July 17, 2014

Advice 4461-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Headroom Refund Reallocations**Purpose**

In compliance with Resolution E-4647, Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its request to reallocate approximately \$64 million plus interest in refunds that were recorded in the Headroom Account (HA) in 2004.

Summary

On June 12, 2014, the CPUC approved Resolution E-4647, which resolves PG&E's advice letter regarding the HA (Advice 2555-G/-G-A / 2521-E/-E-A). Resolution E-4647 determines that: (1) PG&E calculated 2003 headroom in compliance with CPUC Decision (D.) 03-12-035 in PG&E's bankruptcy proceeding and no adjustments need to be made to PG&E's 2003 HA entries; (2) the CPUC staff audit required by D.04-05-055 in PG&E's 2003 General Rate Case (GRC) finds that PG&E's Senior Executive Retention Program established in December 2000 was properly funded by shareholders, not ratepayers; and (3) PG&E is directed to consult with the Alliance for Retail Energy Markets (AREM) on a method to reallocate approximately \$64.1 million of refunds recorded in the HA in 2004 and credited to generation customers, to distribution and transmission customers.¹ As required by Resolution E-4647, this advice letter describes the refund reallocation required.

Background

On June 14, 2004, PG&E filed Advice 2555-G/2521-E (Advice 2521-E) to present and demonstrate PG&E's 2003 headroom calculation and accounting, in compliance with the Modified Settlement Agreement adopted by D.03-12-035 in PG&E's bankruptcy settlement proceeding. Advice 2521-E also provided information on its accounting for

¹ Resolution E-4647, pages 2-3.

certain executive compensation pursuant to Ordering Paragraph (OP) 11 of D.04-05-055 and requested approval to revise the name of the Utility Generation Balancing Account (UGBA) to the Generation Revenue Adjustment Mechanism (GRAM).²

PG&E also proposed in Advice 2521-E to use the HA as a procedural vehicle to refund \$64.1 million in additional revenues collected in 2004. The \$64.1 million was comprised of: (1) \$51.8 million in overcollected electric revenue requirements for post-retirement benefits other than pensions (PBOP) accrued during the 1999 through 2002 GRC cycle; (2) a \$7.2 million credit to customers resulting from the August 28, 2003 Federal Energy Regulatory Commission (FERC) Order No. 466 in PG&E's third Transmission Owner (TO) Tariff rate case (TO3); and (3) a \$5.1 million refund required by FERC Order No. 470, dated March 9, 2004, in PG&E's sixth TO Tariff rate case (TO6).

On June 12, 2014, the Commission adopted Resolution E-4647 which required PG&E to consult with AReM and propose a method to reallocate the \$64.1 million with interest to electric distribution and transmission customers.³

Reallocation of Refunds Recorded in the HA in 2004

In accordance with OP 4 of Resolution E-4647, on June 30, 2014, PG&E and AReM participated in a conference call to discuss PG&E's proposed refund reallocation to distribution and transmission customers from generation customers. PG&E proposes to reallocate the \$51.8 million⁴ in overcollected revenue requirements for PBOP to its electric distribution customers by crediting its Distribution Revenue Adjustment Mechanism account (DRAM), i.e., by recording a refund in DRAM. PG&E proposes to reallocate the \$7.2 million⁵ related to TO3 and the \$5.1 million⁶ related to TO6 to its retail electric transmission customers by crediting its End-Use Customer Refund Balancing Account (ECRBA), i.e., by recording these two refunds in ECRBA. Because this is a FERC-jurisdictional account, PG&E will seek authorization from FERC to use the ECRBA to refund these amounts to its retail electric transmission customers when PG&E submits its annual TO Tariff Balancing Account Revisions filing in October 2014. PG&E proposes to offset these three refund amounts by debiting its UGBA, i.e., by recording a cost/charge in the UGBA. AReM has stated that it supports this methodology.

² Ordering Paragraph 6 of Resolution E-4647 allows but does not require PG&E to change the name of the UGBA to the GRAM. However, because of the now long history with the "UGBA" name, PG&E no longer wishes to change the name.

³ Resolution E-4647, Ordering Paragraphs 3 and 4.

⁴ Interest on this balance through June 30, 2014 is \$10.1 million. In accordance with Ordering Paragraph 3 of Resolution E-4647, PG&E will continue to calculate interest until the effective date of the reallocation.

⁵ Interest on this balance through June 30, 2014 is \$1.4 million. In accordance with Resolution E-4647, PG&E will continue to calculate interest until the effective date of the reallocation.

⁶ Interest on this balance through June 30, 2014 is \$1.0 million. PG&E will continue to calculate interest until the effective date of the reallocation.

If the Commission approves this advice letter, PG&E will consolidate the PBOP-related refund reallocation into PG&E's electric rate change via its Annual Electric True-Up (AET) on January 1, 2015. If the Commission approves this advice letter and FERC approves the proposal in the TO Tariff Balancing Account Revision filing by December 18, 2014, PG&E will also consolidate the TO3 and TO6-related refund reallocations into PG&E's electric rate change via its AET on January 1, 2015.

The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than August 6, 2014, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest;

supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 2 advice filing become effective on regular notice, August 16, 2014, which is 30 calendar days after 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. 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/>.



Vice President, Regulatory Relations

cc: Don Lafrenz - Energy Division
Gurbux Kahlon – Energy Division
Mark Fulmer – Alliance for Retail Energy Markets
Daniel Douglass – Alliance for Retail Energy Markets

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: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@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) #: **4461-E**

Tier: 2

Subject of AL: **Headroom Refund Reallocations**

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 #: E-4647

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: **August 16, 2014**

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

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:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: 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

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

AT&T	Douglass & Liddell	Occidental Energy Marketing, Inc.
Alcantar & Kahl LLP	Downey & Brand	OnGrid Solar
Anderson & Poole	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
BART	G. A. Krause & Assoc.	Praxair
Barkovich & Yap, Inc.	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
Bartle Wells Associates	GenOn Energy, Inc.	SCD Energy Solutions
Braun Blaising McLaughlin, P.C.	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
CENERGY POWER	Green Power Institute	SDG&E and SoCalGas
California Cotton Ginners & Growers Assn	Hanna & Morton	SPURR
California Energy Commission	In House Energy	San Francisco Public Utilities Commission
California Public Utilities Commission	International Power Technology	Seattle City Light
California State Association of Counties	Intestate Gas Services, Inc.	Sempra Utilities
Calpine	K&L Gates LLP	SoCalGas
Casner, Steve	Kelly Group	Southern California Edison Company
Center for Biological Diversity	Linde	Spark Energy
City of Palo Alto	Los Angeles County Integrated Waste Management Task Force	Sun Light & Power
City of San Jose	Los Angeles Dept of Water & Power	Sunshine Design
Clean Power	MRW & Associates	Tecogen, Inc.
Coast Economic Consulting	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Commercial Energy	Marin Energy Authority	TransCanada
Cool Earth Solar, Inc.	McKenna Long & Aldridge LLP	Utility Cost Management
County of Tehama - Department of Public Works	McKenzie & Associates	Utility Power Solutions
Crossborder Energy	Modesto Irrigation District	Utility Specialists
Davis Wright Tremaine LLP	Morgan Stanley	Verizon
Day Carter Murphy	NLine Energy, Inc.	Water and Energy Consulting
Defense Energy Support Center	NRG Solar	Wellhead Electric Company
Dept of General Services	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	North America Power Partners	