

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 16, 2014

**Advice Letter 4462-E**

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

**SUBJECT: Headroom Account Closure and Other Headroom-Related Balancing Account Closures**

Dear Mr. Cherry:

Advice Letter 4462-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 4462-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: Headroom Account Closure and Other Headroom-Related Balancing  
Account Closures****Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits to the California Public Utilities Commission (Commission or CPUC) its request to: (1) refund remaining balances in the headroom account (HA) and the Net Energy Metering Memorandum Account (NEMMA), and (2) close these two accounts and other headroom-related balancing accounts.

**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.<sup>1</sup> As required by Resolution E-4647, on July 17, 2014, PG&E filed a separate advice letter (Advice 4461-E) that describes the required refund reallocations. Separate from Resolution E-4647 but based on informal guidance from Energy Division, this advice letter proposes to refund remaining credit balances in PG&E's HA and NEMMA balancing accounts and close these accounts as further described below. In addition, PG&E proposes to close certain other headroom-related

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<sup>1</sup> Resolution E-4647, pages 2-3.

balancing accounts that are no longer used for recording costs or other ratemaking purposes.

### **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.

On June 12, 2014, the Commission adopted Resolution E-4647 which approved the 2003 headroom amount as shown in Advice 2521-E.<sup>2</sup>

### **Refund Remaining Balances in the HA and NEMMA**

As of June 30, 2014, PG&E has a remaining credit balance in the HA of \$0.2 million. This amount relates to residual rebates and rebills. PG&E proposes to refund this remaining residual balance to its generation customers via the Utility Generation Balancing Account (UGBA), i.e. by recording a refund in the UGBA. PG&E then proposes to close the HA balancing account.

As discussed in Attachment 2 of Advice 2521-E, the NEMMA "records the costs associated with interconnection of the net energy metered customers' generators with projects between 10kW and 1MW in size, that are not being recovered from net metered customers through interconnection charges."<sup>3</sup> The NEMMA was included in the 2003 headroom calculation,<sup>4</sup> which was approved by Resolution E-4647. As of June 30, 2014, PG&E has a remaining credit balance in the NEMMA of \$1.7 million, which resulted from a credit to account for costs that were forecast in PG&E's 2003 GRC and were previously recovered through the NEMMA. PG&E proposes to refund this balance to electric distribution customers through the Distribution Revenue Adjustment Mechanism (DRAM) and then close the NEMMA.

If the CPUC approves this advice letter by December 18, 2014, these two refunds would be consolidated in PG&E's electric rates through the Annual Electric True-Up (AET) on January 1, 2015.

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<sup>2</sup> Resolution E-4647, Ordering Paragraph 1.

<sup>3</sup> Advice 2521-E, Attachment 2, Page 2.

<sup>4</sup> See Advice 2521-E, Attachment 1.

## **Close Other Headroom-Related Balancing Accounts**

### ***Balancing Accounts Included in the 2003 Headroom Calculation***

In addition to the HA and the NEMMA, PG&E also included several other balancing accounts in its 2003 headroom calculation, namely the Advanced Metering and Demand Response Account (AMDRA), the Capital Audit Consultant Cost Memorandum Account (CACOMA), the Real Time Energy Metering Memorandum Account (RTEMMA), and the Distributed Energy Resources Memorandum Account (DERMA).<sup>5</sup> These accounts are no longer active, and the balances have already been recovered through headroom. Because Resolution E-4647 approved PG&E's 2003 headroom calculation as presented in Advice 2521-E, PG&E requests permission to close the AMDRA, CACOMA, and the RTEMMA.<sup>6</sup>

### ***Other Headroom-Related Balancing Accounts***

In addition to the balancing accounts included in PG&E's 2003 headroom calculation, PG&E reached a settlement in its 2011 GRC that addressed two other balancing accounts, the Baseline Balancing Account (BBA) and the Common Area Balancing Account (CABA). The BBA was established pursuant to D.02-04-026 and required tracking of the generation and non-generation baseline shortfalls that were caused by increasing baseline quantities without an offsetting increase in residential rates beginning in May 2002. The CABA was established pursuant to D.03-01-037, which required that revenue shortfalls resulting from residential common area accounts switching to commercial service be tracked. In D.04-02-062, the CPUC ended further accruals to the BBA and CABA except for ongoing interest.<sup>7</sup> D.04-02-062 determined that the historic balances in the BBA and CABA would be addressed in a future GRC proceeding.

On December 15, 2011, the CPUC issued D.11-12-053 in PG&E's 2011 GRC, which approved a settlement that, among other things, concluded that "once the CPUC completes the Headroom Audit associated with its review of the Headroom Calculation filed in Advice 2521-E, and has concluded that PG&E has properly recovered its costs and has set rates properly beginning in 2004, the balances in CABA and BBA will be eliminated with no adjustments to rates going forward."<sup>8</sup> Because Resolution E-4647 approved PG&E's 2003 headroom calculation as presented in Advice 2521-E, confirming that the balances in these accounts have already been recovered, and

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<sup>5</sup> *Ibid*

<sup>6</sup> PG&E continued to use the DERMA subsequent to December 31, 2003. PG&E will file another advice letter in the near future to resolve the post December 2003 balance in the DERMA.

<sup>7</sup> D.04-02-062, Attachment A, page 3.

<sup>8</sup> D.11-12-053, Appendix A, VIII. *Revenue Allocation Settlement*, 4. *Other Allocation Issues*.

because the Settlement approved by D.11-12-053 provided for no future rate adjustments, PG&E requests permission to close these two accounts.

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, 4<sup>th</sup> 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) #: **4462-E**

**Tier: 2**

Subject of AL: **Headroom Account Closure and Other Headroom-Related Balancing Account Closures**

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., 4<sup>th</sup> 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	