

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 1, 2008

Advice Letters 2881-G
2881-G-A

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Subject: Annual Gas True-up of Transportation Balancing
Accounts and other Proposed Gas Rate Changes
Effective January 1, 2008

Dear Mr. Cherry:

Advice Letters 2881-G and 2881-G-A are effective January 1, 2008.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, 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

415.973.4977
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October 31, 2007

Advice 2881-G

(Pacific Gas and Electric Company ID U39 G)

Public Utilities Commission of the State of California

Subject: Annual Gas True-up of Transportation Balancing Accounts and Other Proposed Gas Rate Changes Effective January 1, 2008

Purpose

Pacific Gas and Electric Company (PG&E) submits its Annual Gas True-up of Transportation Balancing Accounts (AGT) to revise core and noncore gas transportation rates effective January 1, 2008. This advice letter consolidates gas rate changes authorized by and currently pending before the CPUC to be effective January 1, 2008.

The overall impact of this advice letter and the Public Purpose Program (PPP) surcharge funding submitted concurrently in Advice 2880-G results in a decrease in 2008 revenues of \$3.4 million from the amount currently recovered in rates as shown below and in Attachment I:

Proposed Change in Gas Revenue Requirements Effective January 1, 2008 (In millions of \$) ¹			
Description	Currently in Rates	Proposed	Change
End-Use Transportation	\$1,226.2	\$1,193.1	\$(33.2)
Public Purpose Programs (as submitted in Advice 2880-G)	\$132.7	\$169.8	\$37.1
Gas Accord IV Unbundled Costs	\$179.0	\$171.7	\$(7.3)
Total Change in Gas Revenue Requirements	\$1,537.9	\$1,534.6	\$(3.4)

The assumptions used to calculate the rate changes shown here are consistent with the assumptions used to calculate the gas PPP surcharges submitted in

¹ This table does not include gas procurement-related revenue requirement changes. Gas procurement-related revenue requirements and rates will be submitted, along with the core transportation rate changes shown in this filing, in the monthly core procurement advice letter, which will be submitted on December 20, 2007, to be effective January 1, 2008.

Advice 2880-G, to be effective January 1, 2008. This includes the illustrative weighted average cost of gas (WACOG) used to calculate the California Alternate Rates for Energy (CARE) shortfall recovered in gas PPP surcharge rates, and other proposed rate changes filed herein.

The proposed 2008 transportation revenue requirements, gas PPP authorized funding, unbundled Gas Accord IV revenue requirement approved in D.07-09-045, balancing account balances, and class-average transportation and PPP rates, effective January 1, 2008, are shown in Attachments I and II. PG&E will supplement its showing with two additional advice letters, with revised gas tariffs reflecting the final rate changes, to be submitted by December 20, 2007:

- (1) An advice letter consolidating the core transportation changes with monthly core procurement rates for January 2008, consistent with this filing; and
- (2) An advice letter implementing noncore transportation, transmission and storage rates, consistent with this filing.

Both of these advice letters will include the result of Commission action on filings currently pending after they are approved for gas rate changes effective January 1, 2008.

Transportation Balancing Accounts

The AGT changes core and noncore transportation rates, in accordance with Biennial Cost Allocation Proceeding (BCAP) Decision (D.) 05-06-029, for rates effective January 1, 2008. As described in PG&E's Preliminary Statement C--*Gas Accounting Terms and Definitions*, Part 12.b, *Revision Dates*, the AGT updates the customer class charge components of transportation rates to recover all transportation-related balancing and memorandum account balances for costs that the Commission has authorized to be recovered in rates. To determine the change in the customer class charge components of transportation rates, PG&E relies on the following:

- 1) The December 31 forecasted balance for each transportation balancing and memorandum account to be updated in the AGT is determined by the recorded balance at the end of September 2007 and a forecast of costs and revenues, including interest, through December 31; and
- 2) Customer class charge components are calculated by dividing the forecasted December 31 balancing account balance by PG&E's currently adopted BCAP throughput forecast.

Attachment II - Table B details forecasted balances for transportation balancing accounts. The total transportation balancing account balances are projected to be

undercollected by \$27.1 million, compared to the \$98.4 million undercollection currently amortized in rates, as shown in Attachment I.

The net result of the update to transportation balancing accounts in the AGT is a \$71.3 million decrease compared to the balancing account balances currently included in transportation rates. Because different balancing accounts are allocated differently to customer classes, the balancing account update results in a \$47.6 million decrease in core transportation revenues and a \$23.7 million decrease in noncore transportation revenues.

The remainder of this section describes the balancing accounts impacted by this AGT advice letter, the recent decisions impacting the balancing account balances, and PG&E's proposals to recover the forecasted balances in rates effective January 1, 2008. Certain account balances are recovered in rates through the Core Fixed Cost Account and/or Noncore Customer Class Charge Account rate components, as described below. For these accounts, PG&E will transfer the recorded December 2007 balance to the appropriate subaccount of the CFCA and/or NCA, once the AGT is approved.

1. Core Fixed Cost Account (CFCA)

The CFCA records authorized General Rate Case (GRC) distribution base revenue amounts (with credits and adjustments), certain other core transportation costs, and transportation revenue from core customers. The CFCA has three subaccounts:

- (i) The Distribution Cost subaccount, which recovers the core distribution base revenue requirement adopted in PG&E's GRC, including Annual Attrition Adjustments and the Cost of Capital Proceedings, and other core distribution-related costs authorized by the Commission. The Distribution Cost subaccount is allocated to core customer classes in proportion to their allocation of distribution base revenues;
- (ii) The Core Cost subaccount, which recovers non-distribution-related costs, such as the Self-Generation Incentive Program (SGIP) budget and Gas Accord local transmission revenue requirement, adopted by the Commission. The Core Cost Subaccount is allocated to core transportation customers on an equal-cents-per-therm basis; and
- (iii) The Winter Gas Savings Program (WGSP) Transportation Subaccount, which recovers transportation-related WGSP program rebates and costs from core customers.

The AGT includes a forecasted \$16.00 million undercollection in the CFCA, which results from:

- (i) A forecasted \$2.74 million overcollection in the Distribution Cost Subaccount due primarily to a credit of \$12.28 million related to the Gain / Loss on Sale of Real Property as approved in AL 2746-G-B. See the Transportation Revenue Requirements section below for additional details. The credit from the Gain / Loss on Sale of Real Property is partially offset by actual core demand being less than the adopted 2005 BCAP annual core demand used to set rates in the last AGT;
- (ii) A forecasted \$6.37 million undercollection in the Core Cost Subaccount, due primarily to actual core demand being less than the adopted Gas Accord III annual core demand used to set Local Transmission rates; and
- (iii) A forecasted \$12.38 million undercollection in the WGSP Transportation Subaccount related to last winter's 10/20 Plus WGSP as approved in Resolution G-3392. PG&E recovered 10/20 Program costs from residential customers exclusively through the procurement rate component, instead of through both transportation and procurement. This has resulted in the WGSP Transportation Subaccount being undercollected and the WGSP Procurement Subaccount being overcollected. Per the approved 10/20 Plus Program, in the 2008 AGT PG&E has adjusted the balance included in each participating core customer class (residential, small commercial, and large commercial) such that each class will pay for its own 10/20 Plus program costs based on transportation and procurement credits provided in 2007 and transportation and procurement revenues paid during 2007.

As approved in Resolution G-3405, a portion of authorized costs for the 10/20 Plus Program for this upcoming winter will also be recovered in core transportation rates in 2008.² See the Transportation Revenue Requirements section below for additional details.

2. Noncore Customer Class Charge Account (NCA)

The NCA records noncore costs and revenues from noncore customers. The NCA has two subaccounts:

- (i) The Noncore Subaccount, which recovers costs and balances from all noncore customers and is allocated on an equal-cents-per-therm basis; and
- (ii) The Interim Relief and Distribution Subaccount, which recovers the noncore distribution portion of gas revenue requirement changes

² The procurement portion of the WGSP will be recovered in monthly core procurement rates beginning January 1, 2008.

adopted in GRC decisions and other costs and balances approved by the Commission. It is allocated to noncore classes in proportion to their allocation of distribution base revenues.

The AGT includes a forecasted \$4.39 million overcollection in the NCA, which results from:

- (i) A forecasted \$4.12 million overcollection in the Noncore Subaccount due primarily to actual noncore demand being more than the adopted 2005 BCAP annual noncore demand used to set rates in the last AGT; and
- (ii) A forecasted \$270,000 overcollection in the Interim Relief and Distribution Subaccount.

3. Noncore Distribution Fixed Cost Account (NDFCA)

The NDFCA recovers 75 percent of the noncore distribution base revenue requirement. As authorized in D.05-06-029, PG&E is at risk for noncore gas distribution throughput variables for the other 25 percent of revenues. The AGT includes the collection of a forecasted \$356,000 overcollection in the NDFCA. The NDFCA balance is included in the rate component of the Interim Relief and Distribution Subaccount of the NCA.

4. Enhanced Oil Recovery Account (EORA)

The EORA balancing account records actual enhanced oil recovery (EOR) revenues for comparison with forecasted EOR revenues. This AGT proposes the return of a forecasted \$4,000 overcollection in the EORA. The EORA balance is included in the rate component of the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA.

5. Core Brokerage Fee Balancing Account (CBFBA)

The CBFBA ensures that variations between the adopted brokerage fee revenue requirement and actual brokerage fee revenues collected from core procurement customers will flow through core transportation rates. The AGT includes a forecasted \$842,000 undercollection in the CBFBA. The CBFBA balance is included in the rate component of the Core Cost Subaccount of the CFCA.

6. Natural Gas Vehicle Balancing Account (NGVBA)

In D. 07-03-044, adopting PG&E's 2007 GRC, the Commission approved a Settlement Agreement that moved funding for PG&E's Natural Gas Vehicle (NGV) program to gas distribution base revenues, effective January 1, 2007. As a result, PG&E submitted AL 2815-G/3007-E, in which the Commission approved the reversal of the program costs and related interest recorded in the

NGVBA after December 31, 2006, since the NGV program costs are now recorded as part of the Distribution base revenue in the CFCA and NDFCA. PG&E continues to record the revenue from the NGV rate schedules in the NGVBA. This AGT forecasts a \$2.49 million overcollection in the NGVBA. The NGVBA balance is included in the rate component of the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA.

7. Hazardous Substance Mechanism (HSM)

The HSM allocates costs and related recoveries associated with approved hazardous substance-related activities, as set forth in D.94-05-020 through the Hazardous Substance Cost Recovery Account (HSCRA). This AGT forecasts a \$15.34 million undercollection in the HSCRA, which is equal to the costs recorded in this account that were reviewed as part of PG&E's annual HSM report submitted to the Commission in April 2007. The HSCRA balance is included in the rate component of the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA.

8. Balancing Charge Account (BCA)

The BCA records the revenue and costs associated with providing balancing service, including charges and credits, as described in gas Schedule G-BAL and Gas Rule 14. PG&E forecasts the December 31, 2007, balance in the BCA to be an overcollection of \$453,000 and proposes to maintain a zero BCA balance in rates effective January 1, 2008. In 2008, PG&E intends to continue to purchase gas supply to replace under-delivered gas volumes that have been sold to customers under Schedule G-BAL consistent with PG&E's treatment of the BCA balance in 2007 as approved in Advice 2780-G.

9. Affiliate Transfer Fees Account (ATFA)

The ATFA records employee transfer fees paid to PG&E by its holding company and affiliates to ensure that PG&E's customers receive the fees pursuant to D.96-11-017. This AGT returns a forecasted \$125,000 overcollection in the ATFA, which represents activity in the account for 2007. The ATFA balance is included in the rate component of the Distribution Cost Subaccount of the CFCA and the Interim Relief and Distribution Cost Subaccount of the NCA.

10. Customer Energy Efficiency Adjustment (CEEA) - Annual Earnings Assessment (AEAP) Incentive

On October 27, 2005, the Commission issued D.05-10-041 adopting a settlement agreement between PG&E and the Division of Ratepayer Advocates that resolved all pending and anticipated future shareholder incentive claims in the consolidated AEAP (A.00-05-004). The December 31, 2007, forecast balance is a \$1.09 million overcollection. Advice 2780-G-A submitted December 21, 2006, established a rate intended to amortize the December 31, 2006, forecast balance down to zero. However, because of

differences between recorded sales and forecast sales, PG&E estimates that it will have collected more than the amount included in 2007 rates leaving an overcollection in the CEEA by December 31, 2007. As a result, in this advice letter, PG&E proposes to transfer the remaining balance in the CEEA to the Distribution Cost Subaccount of the CFCA and the Interim Relief and Distribution Subaccount of the NCA for refund to customers.

11. SmartMeter™ Project Balancing Account-Gas (SBA-G)

The SBA-G recovers the incremental Operating and Maintenance (O&M) and Administrative and General (A&G) expenditures, capital-related revenue requirements, benefits, and revenues associated with the SmartMeter™ Project authorized in D.06-07-027. This AGT includes a forecasted \$3.34 million undercollection in the SBA-G. The SBA-G is recovered through the SmartMeter™ Project rate component.

12. Pension Contribution Balancing Account (PCBA)

In accordance with D.06-06-014, this account includes the revenue requirement associated with the difference, if any, between adopted pension contributions and (i) lower contributions for any reason or (ii) federally mandated higher contributions, with the difference to be refunded to or recovered from customers. Consistent with D.06-06-014, PG&E is making quarterly payments for its pension contribution for 2007. It will be fully funded as of January 15th, 2008, the date of the last payment for the 2007 pension contribution, and as a result, PG&E does not expect that the PCBA will have a balance on December 31, 2007.

Transportation Revenue Requirement

The following items highlight recent decisions and pending filings that impact the transportation revenue requirement and rates filed in the AGT:

1. Cost of Capital Application

On May 8, 2007, PG&E filed A.07-05-008 to propose its cost of capital for 2008. Changes proposed in the Cost of Capital application include a \$7.1 million increase to PG&E's 2008 revenue requirements for gas distribution. These proposed changes have been reflected in the illustrative 2008 rates submitted with this advice letter. If the Commission issues a final decision in this proceeding by December 6, 2007, PG&E will consolidate the results of the decision in the supplement to this advice letter.

2. 2008 Attrition Adjustment

On October 22, 2007, PG&E submitted Advice 2877-G/3139-E, which requested a 2008 Attrition Adjustment to increase PG&E's currently authorized

gas distribution revenue requirement by \$22 million. As described in that advice letter, PG&E's 2008 Attrition Adjustment request is consistent with the provisions of D. 07-03-044, PG&E's 2007 test year GRC, and complies with the terms of the Settlement Agreements approved by the Commission in that decision. The proposed changes have been reflected in the illustrative 2008 rates submitted with this advice letter.

3. Self Generation Incentive Program (SGIP)

On October 26, 2007, the Commission issued an ALJ Ruling on the 2008 SGIP Budget. The proposed annual gas SGIP revenue requirement for 2008 and beyond for PG&E is \$5.84 million. The SGIP revenue requirement, per D.06-05-019, is allocated to all gas retail customers, except gas wholesale customers. The proposed 2008 SGIP revenue requirement is currently reflected in the rate components of the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA. If the Commission issues a final decision approving a budget for 2008 by December 6, 2007, PG&E will consolidate the results of the decision in the supplement to this advice letter, otherwise PG&E will leave the 2008 SGIP revenue requirement at the same amount as in 2007.

4. SmartMeter™ Project

As authorized by D.06-07-027, the gas portion of the adopted 2008 SmartMeter™ Project revenue requirement is \$27.78 million, and is recovered in rates through the SmartMeter™ Project rate component. As ordered by D.06-07-027, PG&E will collect the revenue requirement over a depreciation life of 20 years, and will allocate costs using the methodology adopted in D.06-07-027. In accordance with approved AL 2752-G-A/G-B and consistent with PG&E's current methodology for allocating customer and distribution-related costs, PG&E allocates the authorized revenue requirement to each core customer class in proportion to their allocation of distribution base revenues.

5. Climate Protection Tariff

On December 14, 2006, the Commission issued D.06-12-032 approving PG&E's voluntary program which allows customers to procure 'climate-neutral' electric and gas service by signing up for an optional tariff premium. As approved by the Commission, PG&E is reflecting \$1.54 million in gas distribution rates to recover CPUC-authorized program administration and marketing costs in the rate components of the Distribution Cost Subaccount of the CFCA and the NDFCA.

6. 10/20 Plus Winter Gas Savings Program Costs

On September 21, 2007, the CPUC issued Resolution G-3405 approving PG&E's 10/20 Plus WGSP designed to encourage conservation by providing up to a 20 percent rebate to core gas customers who reduce their cumulative gas usage during the January and February 2008 billing period. Resolution G-

3405 approved up to \$5 million in marketing and implementation costs that will be recovered in core transportation and procurement rates beginning January 1, 2008.³ The Resolution also approved recovery of 10/20 Plus rebates in core rates beginning January 1, 2008. Only the transportation portion of marketing and implementation costs impact the overall annual revenue change shown in Attachment I and II of this filing. There is no change in the forecasted marketing and implementation costs from the amount reflected currently in rates.

The AGT includes recovery of the large and small commercial customer portion of marketing costs and program rebates over 12 months in transportation rates. As approved in Resolution G-3405, the residential portion of marketing costs and program rebates will be recovered in rates between April and November 2008.

In addition to the 10/20 Plus WGSP costs, the WGSP - Transportation rates for January 1, 2008, will include the balance in the WGSP Transportation subaccount of the CFCA, as discussed above.

7. Gain on Sale

On August 3, 2007, the Commission approved AL 2746-G-B which describes how PG&E will allocate the proceeds currently recorded in the Real Property Gain Loss on Sale Memorandum Account (RPGLSMA) to PG&E's shareholders and ratepayers. The RPGLSMA records proceeds from the sales of non-generation-related real property approved by the Commission, pending a ruling by the Commission to address gain on sale ratemaking. The Commission initiated a rulemaking on September 2, 2004, to establish a policy for gain on sale ratemaking, which was approved in D.06-05-041 and D.06-12-043. The \$18.14 million, including interest, allocated to gas customers is reflected in the rate components of the Distribution Cost Subaccount and the Core Cost Subaccount of the CFCA and the Noncore Subaccount and the Interim Relief and Distribution Subaccount of the NCA.

8. Gas Advance Metering Account (GAMA)

The GAMA recovers incremental O&M, A&G expenditures, and capital-related revenue requirements incurred to develop and implement pre-deployment activities for the Advanced Metering Infrastructure (AMI) project pursuant to D.05-09-044. On October 10, 2007, the Commission approved Advice 2843-G/3072-E to recover \$1.6 million in AMI pre-deployment costs through May 2007. PG&E has reflected the \$1.6 million allocated to gas customers in the rate component of the Distribution Cost Subaccount of the CFCA.

³ Any unspent amounts will be returned to customers in rates beginning January 1, 2009. In agreement with Resolution 3392-G, an adjustment of \$.455 million to refund to customers the unspent amount from the 2006-2007 10/20 Plus WGSP is reflected in rates.

9. Rate Design and Cost Allocation Adjustments

The settlement agreements adopted in PG&E's Biennial Cost Allocation Proceeding (BCAP) D.05-06-029 included provisions for three cost allocation and rate design changes that are to be implemented, over time, in conjunction with PG&E's AGT filings. Accordingly, PG&E's 2008 AGT rates have been adjusted to reflect: 1) an additional 10 percent deaveraging of small commercial and residential rates, reflecting a total 60 percent deaveraging; 2) an additional 10 percent increase in the share of PG&E's distribution revenue requirement allocated to wholesale customer, West Coast Gas, for a total of 30 percent; and 3) a \$0.03 per therm increase in the compression rate component of PG&E's G-NGV2 rate for customers receiving compressed natural gas service for vehicular use.

Gas Accord IV Revenue Requirement

Decision 07-09-045 adopted rates, terms and conditions of service for PG&E's natural gas transmission and storage system effective January 1, 2008, through December 31, 2010. Decision 07-09-045 authorized a revenue requirement for 2008 of \$446.49 million,⁴ which represents an increase of \$2.8 million from the 2007 revenue requirement used to set 2007 rates. Reflected in this advice filing is a \$7.3 million decrease related to Gas Accord IV unbundled backbone costs, and a \$5.5 million increase is related to local transmission. The remaining \$4.6 million change is due to an increase in the procurement-related core backbone revenue requirement, and will be incorporated in monthly core procurement rates to be submitted on December 20, 2007, for rates effective January 1, 2008.

Gas Public Purpose Program Authorized Funding

This AGT incorporates gas PPP surcharge changes that are proposed in Advice 2880-G, submitted on October 31, 2007. The gas PPP surcharge rate impacts on customers are shown in Attachment II.

Public Utilities (PU) Code Sections 890-900 and D.04-08-010 authorize a gas rate surcharge to fund Public Purpose Programs. Advice 2880-G updates the natural gas PPP surcharge rates to fund authorized energy efficiency (EE), low-income energy efficiency (LIEE), California Alternate Rates for Energy (CARE) and public-interest Research, Development and Demonstration (RD&D) programs.

The gas PPP surcharges proposed in Advice 2880-G include:

- 1) Total gas PPP program funding of \$87.73 million, which represents an increase of \$11.40 million in authorized funding for gas Public Purpose Programs for EE, LIEE, CARE administrative expense and RD&D, and Board of Equalization administrative costs;

⁴ See the Gas Accord Settlement Agreement at Exhibit 1 to D.07-09-045, Section 8.6 and Table A-4.

- 2) Amortization over 12 months of forecasted December 31, 2007, balances in the PPP surcharge balancing accounts totaling a \$9.57 million overcollection, due primarily because the actual 2007 cost of gas on which CARE customers received a 25 percent discount was less than the forecasted cost of gas; and
- 3) A projected 2008 CARE revenue shortfall of \$91.70 million, which represents a \$5.72 million decrease from the forecasted 2007 CARE customer discount due to a decrease in the underlying assumption of gas costs compared to 2007 as well as a decrease in the forecast of CARE volumes. This shortfall is included in the PPP-CARE portion of the gas PPP surcharge rates for 2008.

This projected 2008 CARE revenue shortfall assumes an illustrative weighted average cost of gas (WACOG) of \$7.3224 per Dth based upon the September 18, 2007, published New York Mercantile Exchange January through December 2008 Natural Gas contract settlement prices adjusted to the Citygate and weighted by PG&E's adopted monthly core procurement volumes. The projected CARE revenue shortfall also reflects an estimate of CARE eligible customers, volumes, and related information on enrollment benchmarks to be achieved in 2008.

The illustrative 2008 WACOG of \$7.3224 per Dth is a decrease of \$0.3673 per Dth from the forecasted 2007 WACOG of \$7.6897 per Dth.

Effective Date

PG&E requests that this filing be approved effective **January 1, 2008**.

As noted above, average rates are shown on Attachment II to this filing. PG&E will submit final rates and preliminary statement changes on December 20, 2007, in its advice letters that will consolidate all year-end gas rate changes authorized to be effective on January 1, 2008. Changes to core transportation rates will be incorporated into the monthly core procurement advice filing for rates effective January 1, 2008, with a separate advice letter for noncore transportation and Gas Accord rates effective January 1, 2008.

Protests

Anyone wishing to protest this advice letter may do so by sending a letter by **November 20, 2007**, 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
Tariff Files, Room 4005

DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and inj@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 should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

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

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 below. Address changes should be directed to Rose de la Torre at PGETariffs@pge.com or (415) 973-4716. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>



Vice President - Regulatory Relations

Attachments

cc: Service Lists – Biennial Cost Allocation Proceeding (A.04-07-044)
Gas PPP Surcharge (R.02-10-001)
Gas Accord IV (A.05-12-002)

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: Megan Hughes

Phone #: (415) 973-1877

E-mail: mehr@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric
PLC = Pipeline

GAS = Gas
HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2881-G**

Tier: 2

Subject of AL: Annual Gas True-up of Transportation Balancing Accounts and Other Proposed Gas Rate Changes Effective January 1, 2007

Keywords (choose from CPUC listing): **True-Up, Transportation Balancing Account**

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Decision 04-06-029

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

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: No

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: **January 1, 2008**

No. of tariff sheets: **0**

Estimated system annual revenue effect (%): \$3.4 million decrease in revenues

Estimated system average rate effect (%): See advice letter

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:

Service affected and changes proposed¹: See advice letter

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 Avenue

San Francisco, CA 94102

E-mail: jnj@cpuc.ca.gov and mas@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 I
Change in Illustrative Annual Transportation and Gas Accord IV Revenue Requirement,
and PPP Authorized Funding in Rates

(In millions of \$)

Line No.		Present in Rates as of 9/1/2007	Proposed as of 1/1/2008	Total Change	Core	Noncore / Unbundled	Line No.
Transportation							
1	Transportation Balancing Accounts	98.4	27.1	(71.3)	(47.6)	(23.7)	1
2	GRC Distribution Base Revenues	1,047.0	1,076.1	29.1	28.1	1.0	2
3	Self Generation Incentive Program Revenue Requirement	5.8	5.8	0.0	0.0	0.0	3
4	SmartMeter™ Project ¹	21.3	27.8	6.5	6.5	0.0	4
5	CPUC Fee	4.8	4.8	0.0	0.0	0.0	5
6	Core Brokerage Fee Credit	(9.0)	(9.6)	(0.6)	(0.6)	0.0	6
7	10/20 Winter Gas Savings Program - Transportation	0.4	1.6	1.2	1.2	0.0	7
8	Climate Protection Tariff ²	1.5	1.5	0.0	0.0	0.0	8
9	Less CARE discount recovered in PPP surcharge from non-CARE customers ³	(97.4)	(91.7)	5.7	5.7	0.0	9
10	Less PPP-CARE Shortfall Not Collected in Proposed Rates	8.6	-	(8.6)	(8.6)	0.0	10
11	FF&U	1.5	0.7	(0.8)	(0.5)	(0.3)	11
12	Total Transportation RRQ with Adjustments and Credits	1,082.8	1,044.2	(38.7)	(15.7)	(23.0)	12
13	Procurement-Related G-10 Total	(3.1)	(3.2)	(0.1)	0.1	0.0	13
14	Procurement-Related G-10 Total Allocated	3.1	3.2	0.1	0.0	(0.1)	14
15	Total Transportation Revenue Requirements Reallocated	1,082.8	1,044.2	(38.7)	(15.6)	(23.1)	15
Gas Accord IV Transportation Revenue Requirement							
17	Local Transmission	138.2	143.7	5.5	3.9	1.6	17
18	Customer Access	5.2	5.2	-	0.0	0.0	18
19	Total Gas Accord Transportation RRQ⁴	143.4	148.9	5.5	3.9	1.6	19
20	Total End Use Transportation RRQ	1,226.2	1,193.1	(33.2)	(11.7)	(21.5)	20
Public Purpose Program (PPP) Funding							
22	Energy Efficiency	42.5	52.6	10.1	9.1	1.0	22
23	Low Income Energy Efficiency	23.3	23.3	0.0	(0.0)	(0.0)	23
24	Research and Development and BOE Administrative Fees	7.9	9.2	1.3	0.9	0.4	24
25	CARE Administrative Expense	2.6	2.6	0.0	(0.0)	0.0	25
26	Total Authorized PPP Funding	76.3	87.7	11.4	10.0	1.4	26
27	PPP Balancing Accounts	(41.0)	(9.6)	31.4	18.9	12.5	27
28	CARE discount recovered from non-CARE customers ³	97.4	91.7	(5.7)	(3.7)	(2.0)	28
29	Total PPP Required Funding	132.7	169.8	37.1	25.2	11.9	29
Gas Accord IV Unbundled Costs							
31	Backbone	171.2	163.9	(7.3)	0.0	(7.3)	31
32	Storage	7.8	7.8	-	0.0	0.0	32
33	Total GAIV Unbundled⁴	179.0	171.7	(7.3)	0.0	(7.3)	33
34	Total Change	1,537.9	1,534.6	(3.4)	13.5	(16.9)	34

Footnotes

- 1 The SmartMeter™ Project revenue requirement was approved in Decision (D.) 06-07-027 and Advice Letter (AL) 2752-G/G-A.
- 2 This amount includes administration and marketing costs as requested in PG&E's Climate Protection Tariff A.06-01-012, and approved in D.06-12-032.
- 3 The CARE shortfall assumes the illustrative WACOG of \$7.3224 per Dth as is filed in PPP Surcharge AL 2880-G.
- 4 These unbundled costs represent the change resulting from GAIV authorized amounts in D.07-09-045, and are included to show the total change in authorized amounts included in rates effective 1/1/08.

Note: Positive balances represent undercollections and negative balances represent overcollections.

Attachment II - TABLE A
PACIFIC GAS AND ELECTRIC COMPANY
Proposed Consolidated Gas Rates Effective January 1, 2008, Advice 2881-G
TOTAL REVENUE REQUIREMENT AND PUBLIC PURPOSE PROGRAM AUTHORIZED AMOUNTS

\$(000)

<u>Line No.</u>		<u>ANNUAL</u>	<u>Line No.</u>
1	TRANSPORTATION REVENUE REQUIREMENT		1
2	Base Revenue Amount (incl. F&U)		2
3	Distribution	\$1,076,500	3
4	Office Closure	(\$355)	4
5	Brokerage Fee Credit	(\$9,581)	5
6	CPUC Fee Expenses	\$4,784	6
7	Self Generation Incentive Program	\$5,840	7
8	Smart Meter™ Project ²	\$27,785	8
9	ClimateSmart ³	\$1,536	9
10	10/20 Plus - Transportation	\$1,574	10
11	Total Forecast Period Costs for Transportation	\$1,108,083	11
12	Transportation Account Balances	\$27,079	12
13	Franchise Fees and Uncollectible Accounts Expense (not incl. above)	\$717	13
14	Total Transportation Revenue Requirement	\$1,135,879	14
15	Less PPP-CARE Shortfall Collected in PPP-CARE Rates (1/2008)	\$91,700	15
16	Net Transportation Revenue Requirement Collected in Proposed Rates	\$1,044,179	16
17	Less Transportation RRQ as of 9/2007	\$1,082,885	17
18	Shortfall in Collecting Authorized RRQ Given Current Rates ¹	(\$38,706)	18
19	Customer Access	\$5,174	19
20	Local Transmission	\$143,768	20
21	Less Authorized GA III RRQ for 2007	(\$143,412)	21
22	Total Change in Transportation	(\$33,176)	22
23	PUBLIC PURPOSE PROGRAM AUTHORIZED AMOUNTS (excludes F&U)		23
24	Energy Efficiency	\$52,575	24
25	Low Income Energy Efficiency	\$23,320	25
26	Research Development and Demonstration	\$9,060	26
27	CARE Administrative Expense	\$2,601	27
28	CARE Shortfall in Rates (1/2008) ⁴	\$91,700	28
29	BOE/CPUC Gas Surcharge Administration Costs	\$179	29
30	Total Forecast Period Costs for Public Purpose Programs	\$179,435	30
31	Public Purpose Program Surcharge Account Balances	(\$9,567)	31
32	Total Public Purpose Program Authorized Amounts	\$169,868	32
33	Less Public Purpose Program Surcharge Collections as of 9/2007	\$132,801	33
34	Shortfall in Collecting Authorized Amounts Given Current Surcharge Rates ¹	\$37,067	34
35	GAS ACCORD IV RRQ (includes F&U) ⁵		35
36	Storage	\$7,750	36
37	Backbone	\$163,935	37
38	Less Authorized GA III RRQ for 2007	(\$178,970)	38
39	TOTAL CHANGE	(\$3,394)	39

Footnotes

- 1 This amount includes the change in authorized amounts and the change compared to revenues at present rates.
- 2 The SmartMeter™ Project revenue requirement was approved in D. 06-07-027 and Advice Letter (AL) 2752-G / G-A / G-B.
- 3 This amount includes administration and marketing costs as requested in PG&E's Climate Protection Tariff A.06-01-012, and approved in D.06-12-032.
- 4 The CARE shortfall assumes the illustrative WACOG of \$7.3224 per Dth as is filed in PPP Surcharge AL 2880-G.
- 5 These unbundled costs represent the change resulting from GAIV authorized amounts in D.07-09-045, and are included to show the total change in authorized amounts included in rates effective 1/1/08.

Note: Positive balances represent undercollections and negative balances represent overcollections.

Attachment II - TABLE B

PACIFIC GAS AND ELECTRIC COMPANY
Forecast of Balancing Account Balances for 2008 AGT/ PPP
BALANCING ACCOUNT SUMMARY

\$(000)

Line No.		Balance		Allocation	
		Sept. 07 Recorded	Dec. 07 Forecast	Core	Noncore
TRANSPORTATION BALANCING ACCOUNTS					
1	CFCA - Distribution Cost Subaccount		(\$2,738)	(\$2,738)	
2	CFCA - Core Cost Subaccount		\$6,368	\$6,368	
3	CFCA - 10/20 Winter Gas Savings Subaccount - Transportation		\$12,375	\$12,375	
4	Noncore Distribution Fixed Cost Account		(\$356)		(\$356)
5	NC Customer Class Charge (Noncore Subaccount)		(\$4,119)		(\$4,119)
6	NC Customer Class Charge (Interim Relief and Distribution Subaccount)		(\$270)		(\$270)
7	Enhanced Oil Recovery Account		(\$4)	(\$4)	\$0
8	Core Brokerage Fee Balancing Account		\$842	\$842	
9	Natural Gas Vehicle Balancing Account		(\$2,488)	(\$1,043)	(\$1,445)
10	Hazardous Substance Balance		\$15,342	\$6,431	\$8,911
11	Balancing Charge Account		\$0	\$0	\$0
12	Affiliate Transfer Fee Account		(\$125)	(\$121)	(\$4)
13	Customer Energy Efficiency Incentive Recovery Account - Gas		(\$1,092)	(\$1,083)	(\$9)
14	SmartMeter™ Project Balancing Account (SBA-G)		\$3,344	\$3,344	
15	Pension Contribution Balancing Account		\$0	\$0	\$0
16	Sum of Transportation Balancing Accounts		\$27,079	\$24,371	\$2,708
PUBLIC PURPOSE PROGRAM (PPP) SURCHARGE BALANCING ACCOUNTS					
18	PPP-Energy Efficiency ¹		(\$586)	(\$527)	(\$59)
19	PPP-Low Income Energy Efficiency ¹		\$3,605	\$3,244	\$361
20	PPP-Research Development and Demonstration ¹		(\$359)	(\$242)	(\$117)
21	California Alternate Rates for Energy Account ¹		(\$12,227)	(\$7,900)	(\$4,327)
22					
23	Sum of Public Purpose Program Balancing Accounts		(\$9,567)	(\$5,425)	(\$4,142)
24	TOTAL BALANCING ACCOUNTS		\$17,512	\$18,946	(\$1,434)

Footnote

1. These balances were included in the 2008 PPP Gas Surcharge filed in AL 2880-G.

Note: Positive balances represent undercollections and negative balances represent overcollections.

ATTACHMENT II TABLE D

**PACIFIC GAS AND ELECTRIC COMPANY
2008 ANNUAL GAS TRUE-UP (Advice 2881-G) WITH CONSOLIDATED JANUARY 1, 2008 CHANGES**

ILLUSTRATIVE CLASS AVERAGE RATES INCLUDING TRANSPORTATION AND G-PPPS (\$/th, (a), (b))

Line No.	<u>Customer Class</u>	<u>Present Rates July 1, 2007 (CPUC Fee Change) (A)</u>	<u>2008 ANNUAL GAS TRUE-UP (B)</u>	<u>% Change (C)</u>
TRANSPORTATION and PPP Surcharge - Retail Core				
1	Residential Non-CARE (c)	\$.476	\$.490	2.8%
2	Small Commercial Non-CARE (c)	\$.361	\$.346	(4.2%)
3	Large Commercial	\$.147	\$.160	8.5%
TRANSPORTATION and PPP SURCHARGE- Retail Noncore				
4	Industrial - Distribution (G-NT-D)	\$.133	\$.138	4.0%
5	Industrial - Transmission (G-NT-T)	\$.047	\$.050	6.2%
6	Industrial - Backbone (G-NT-BB)	\$.029	\$.031	7.8%
7	Electric Generation - Transmission (G-EG-D/T)	\$.024	\$.019	(20.9%)
8	Electric Generation - Backbone (G-EG-BB)	\$.011	\$.005	(51.7%)
TRANSPORTATION and PPP SURCHARGE - Wholesale Core and Noncore				
9	Alpine Natural Gas	\$.030	\$.024	(17.4%)
10	Coalinga	\$.029	\$.024	(17.8%)
11	Island Energy	\$.049	\$.044	(10.4%)
12	Palo Alto	\$.022	\$.017	(23.3%)
13	West Coast Gas - Castle	\$.069	\$.073	6.7%
14	West Coast Gas - Mather-D	\$.055	\$.063	15.3%
15	West Coast Gas - Mather-T	\$.030	\$.025	(17.3%)
TRANSPORTATION and PPP SURCHARGE - NGV1, NGV2, and NGV4 (experimental rate schedules)				
16	NGV1 - (uncompressed service)	\$.068	\$.086	25.2%
17	NGV2 - (compressed service)	\$.818	\$.865	5.7%
18	NGV 4 - Distribution (uncompressed service)	\$.125	\$.130	3.9%
19	NGV 4 - Transmission (uncompressed service)	\$.043	\$.045	6.3%

(a) Class average transportation rates include volumetric equivalent customer charge and exclude intrastate backbone transmission and storage charges.

(b) Rates are rounded to 3 decimals for viewing ease. Percentage rate changes are calculated on a 5-digit basis.

(c) CARE Customers receive a 20% discount off of the total bundled rate and are exempt from the CARE component of G-PPPS.

ATTACHMENT II TABLE E
PACIFIC GAS AND ELECTRIC COMPANY
2008 ANNUAL GAS TRUE-UP (Advice 2881-G) WITH CONSOLIDATED JANUARY 1, 2008 CHANGES

GAS TRANSPORTATION RATES AND PUBLIC PURPOSE PROGRAM SURCHARGES (2)
CLASS AVERAGE END-USE RATES (\$/th)

Line No.	Customer Class	Present Rates and Surcharges			Proposed Rates and Surcharges			% Change (3)		
		(A)			(B)			(C)		
		Transportation	G-PPPS (2)	Total	Transportation	G-PPPS (2)	Total	Transportation	G-PPPS (2)	Total
RETAIL CORE (1)										
1	Residential Non-CARE (4)	\$.438	\$.039	\$.476	\$.441	\$.048	\$.490	0.8%	25.5%	2.8%
2	Small Commercial Non-CARE (4)	\$.332	\$.029	\$.361	\$.310	\$.036	\$.346	(6.7%)	24.6%	(4.2%)
3	Large Commercial	\$.106	\$.042	\$.147	\$.109	\$.051	\$.160	2.9%	22.8%	8.5%
RETAIL NONCORE (1)										
4	Industrial - Distribution	\$.111	\$.022	\$.133	\$.108	\$.030	\$.138	(2.6%)	37.6%	4.0%
5	Industrial - Transmission	\$.029	\$.019	\$.047	\$.024	\$.027	\$.050	(17.5%)	42.9%	6.2%
6	Industrial - Backbone	\$.011	\$.019	\$.029	\$.005	\$.027	\$.031	(53.8%)	42.9%	7.7%
7	Electric Generation - Transmission (G-EG-T)	\$.024	\$.000	\$.024	\$.019	\$.000	\$.019	(20.9%)	n/a	(20.9%)
8	Electric Generation - Backbone (G-EG-BB)	\$.011	\$.000	\$.011	\$.005	\$.000	\$.005	(51.7%)	n/a	(51.7%)
WHOLESALE CORE AND NONCORE (G-WSL) (1)										
9	Alpine Natural Gas	\$.030	\$.000	\$.030	\$.024	\$.000	\$.024	(17.4%)	n/a	(17.4%)
10	Coalinga	\$.029	\$.000	\$.029	\$.024	\$.000	\$.024	(17.8%)	n/a	(17.8%)
11	Island Energy	\$.049	\$.000	\$.049	\$.044	\$.000	\$.044	(10.4%)	n/a	(10.4%)
12	Palo Alto	\$.022	\$.000	\$.022	\$.017	\$.000	\$.017	(23.3%)	n/a	(23.3%)
13	West Coast Gas - Castle	\$.069	\$.000	\$.069	\$.073	\$.000	\$.073	6.7%	n/a	6.7%
14	West Coast Gas - Mather Distribution	\$.055	\$.000	\$.055	\$.063	\$.000	\$.063	15.3%	n/a	15.3%
15	West Coast Gas - Mather Transmission	\$.030	\$.000	\$.030	\$.025	\$.000	\$.025	(17.3%)	n/a	(17.3%)
EXPERIMENTAL NATURAL GAS VEHICLE (1)										
16	NGV1 - (uncompressed Core service)	\$.054	\$.014	\$.068	\$.064	\$.022	\$.086	17.5%	55.0%	25.2%
17	NGV2 - (compressed Core service)	\$.804	\$.014	\$.818	\$.843	\$.022	\$.865	4.8%	55.0%	5.7%
18	NGV 4 - Distribution (uncompressed Noncore service)	\$.111	\$.014	\$.125	\$.108	\$.022	\$.130	(2.6%)	55.5%	3.9%
19	NGV 4 - Transmission (uncompressed Noncore service)	\$.029	\$.014	\$.043	\$.024	\$.022	\$.045	(17.5%)	55.1%	6.3%

(1) Transportation rates include a transportation component that recovers customer class charges, customer access charges, CPUC fees, local transmission (where applicable) and distribution costs (where applicable). Transport only customers must arrange for their own gas purchases and transportation to PG&E's citygate/local transmission system.

(2) D. 04-08-010 authorized PG&E to remove the gas public purpose program surcharge that recovers the costs of low income California Alternate Rates for Energy (CARE), low income energy efficiency, customer energy efficiency, Research Development and Demonstration program and BOE/CPUC Admin costs from transportation rates and into its own separate surcharge tariff. Certain customers are exempt from paying the PPP surcharge, see Tariff G-PPP for details.

(3) Rates are rounded to 3 decimals for viewing ease. Percentage rate changes are calculated on a 5-digit basis.

(4) CARE Customers receive a 20% discount off of the total bundled rate and are exempt from the CARE component of G-PPPS.

ATTACHMENT II TABLE F
PACIFIC GAS AND ELECTRIC COMPANY
2008 ANNUAL GAS TRUE-UP (Advice 2881-G) WITH CONSOLIDATED JANUARY 1, 2008 CHANGES

SUMMARY OF NON-PROCUREMENT RATES BY MAJOR ELEMENTS
(\$/dth; annual class averages)

	Core Retail			Noncore Retail					Wholesale						
	Non-CARE			Industrial			Electric Generation		Coalinga		Palo Alto		Island Energy		WC Gas Castle
	Residential	Sml Com.	Lg. Comm.	Distribution	Transmission	BB-Level Serv.	Dist./Trans.	BB-Level Serv.			Dist.	Trans.	Energy	Alpine	
TRANSPORTATION CHARGE COMPONENTS															
1 Local Transmission (1)	\$.3234	\$.3234	\$.3234	\$.1398	\$.1398		\$.1398		\$.1398	\$.1398	\$.1398	\$.1398	\$.1398	\$.1398	\$.1398
2 Self Generation Incentive Program	\$.0082	\$.0082	\$.0082	\$.0082	\$.0082	\$.0082	\$.0082	\$.0082							
3 CPUC Fee (3)	\$.0069	\$.0069	\$.0069	\$.0069	\$.0069	\$.0069	\$.0064	\$.0064							
4 Balancing Accounts (2)	\$.1799	\$.1625	\$.0642	(\$.0035)	\$.0115	\$.0123	\$.0120	\$.0120	\$.0123	\$.0123	\$.0079	\$.0123	\$.0123	\$.0123	\$.0076
5 Distribution - Annual Average	\$3.8941	\$2.0560	\$.6353	\$.8508	\$.0493		\$.0165	\$.0165			\$.3904				\$.2824
6 VOLUMETRIC RATE - Average Annual	\$4.4126	\$2.5570	\$1.0380	\$1.0022	\$.2156	\$.0274	\$.1830	\$.0432	\$.1521	\$.1521	\$.5380	\$.1521	\$.1521	\$.1521	\$.4297
7 CUSTOMER ACCESS CHARGE - Class Average (4)		\$.5391	\$.0478	\$.0781	\$.0215	\$.0215	\$.0094	\$.0094	\$.0846	\$.0174	\$.0935	\$.0935	\$.2910	\$.0928	\$.3031
8 CLASS AVERAGE TRANSPORTATION RATE	\$4.4126	\$3.0960	\$1.0858	\$1.0803	\$.2371	\$.0489	\$.1924	\$.0526	\$.2367	\$.1694	\$.6315	\$.2455	\$.4431	\$.2448	\$.7328
9 G-PUBLIC PURPOSE PROGRAM SURCHARGE/TAX (5)	\$.4844	\$.3595	\$.5140	\$.3000	\$.2650	\$.2650									
10 END-USE RATE	\$4.8970	\$3.4555	\$1.5998	\$1.3803	\$.5021	\$.3139	\$.1924	\$.0526	\$.2367	\$.1694	\$.6315	\$.2455	\$.4431	\$.2448	\$.7328

NOTES

1. Decision 07-09-045, Attachment A, Appendix B Table 11.
2. Based on the 2008 True-Up balances.
3. Resolution M-4819, effective July 1, 2007.
4. Decision 07-09-045, Attachment A, Appendix B Tables 2 and 12.
5. Decision 04-08-010 ordered the removal of PPP from transportation rates. On March 1, 2005 PG&E began to treat PPP as a tax. AL 2880-G updated the PPP surcharges for 2008.

ATTACHMENT II TABLE G

**PACIFIC GAS AND ELECTRIC COMPANY
2008 ANNUAL GAS TRUE-UP (Advice 2881-G) WITH CONSOLIDATED JANUARY 1, 2008 CHANGES
ALLOCATION OF TRANSPORTATION COSTS AND PUBLIC PURPOSE PROGRAM SURCHARGES IN RATES BY CLASS
(\$000)**

ALLOCATION OF AVERAGE ANNUAL DISTRIBUTION-LEVEL REVENUE REQUIREMENT BY CUSTOMER CLASS

Line No.	Component	TOTAL	Residential*	Small Commercial*	Large Commercial	Experimental NGV Core	Subtotal Core	Industrial Distribution	Industrial Transmission	Electric Gen	Total Wholesale**	Total Noncore & Wholesale
1	Customer	620,958	552,364	61,578	1,755	0	615,698	4,253	211	796	0	5,259
2	Distribution	442,268	312,600	95,930	4,172	0	412,702	20,073	5,914	3,528	51	29,566
3	Allocation of Franchise Fees	10,203	8,300	1,511	57	0	9,869	233	59	41	0	334
4	Allocation of Uncollectibles Expense	2,717	2,210	402	15	0	2,628	62	16	11	0	89
5	Totals Before Averaging	1,076,145	875,475	159,423	5,999	0	1,040,897	24,621	6,199	4,376	52	35,249
6	Re-Allocation Due to Averaging*	0	(48,786)	48,786	0	0	0	0	0	0	0	0
7	Final Allocation of Distribution Revenue Requireme	1,076,145	826,689	208,209	5,999	0	1,040,897	24,621	6,199	4,376	52	35,249
	Distribution Revenue Requirement Allocation %	100.00000%	76.81946%	19.34763%	0.55746%	0.00000%	96.72455%	2.28793%	0.57605%	0.40664%	0.00483%	3.27545%

ALLOCATION BY CUSTOMER CLASS OF AVERAGE ANNUAL COSTS AND BALANCES COLLECTED VIA THE CFCA, NCA, and NCFDCA RATE COMPONENTS

Component	TOTAL	Residential	Small Commercial	Large Commercial	Experimental NGV Core	Subtotal Core	Industrial Distribution	Industrial Transmission	Electric Gen	Total Wholesale	Total Noncore & Wholesale
8 Core Fixed Cost Acct. Bal. - Dist. Cost Subacct.	(2,738)	(2,175)	(548)	(16)	0	(2,738)	0	0	0	0	0
9 Core Fixed Cost Acct. Bal. - Core Cost Subacct.	6,368	4,502	1,681	184	0	6,368	0	0	0	0	0
10 CFCA-Comm. Trans. Portion of Wtr. Gas Savings Prog. (10/20+)	6,299	0	5,678	621	0	6,299	0	0	0	0	0
11 Noncore Customer Class Charge Account - ECPT	(4,119)	0	0	0	0	0	(259)	(1,230)	(2,591)	(38)	(4,119)
12 Noncore Customer Class Charge Account - Interim Relief	(270)	0	0	0	0	0	(189)	(48)	(34)	(0)	(270)
13 NC Distribution Fixed Cost Acct.	(356)	0	0	0	0	0	(248)	(63)	(44)	(1)	(356)
14 Natural Gas Vehicle Account Balance	(2,488)	(737)	(275)	(30)	0	(1,043)	(91)	(432)	(909)	(13)	(1,445)
15 Hazardous Substance Balance	15,342	4,547	1,698	186	0	6,431	561	2,662	5,606	82	8,911
16 Core Brokerage Fee Credit (Gas Brokerage Costs)	(8,065)	(5,702)	(2,129)	(233)	0	(8,065)	0	0	0	0	0
17 Core Brokerage Fee Credit (Sales/Marketing Costs)	(1,516)	(1,360)	(152)	(4)	0	(1,516)	0	0	0	0	0
18 Affiliate Transfer Fee Account	(125)	(102)	(19)	(1)	0	(121)	(3)	(1)	(1)	(0)	(4)
19 Balancing Charge Account	0	0	0	0	0	0	0	0	0	0	0
20 G-10 Procurement-related Employee Discount Allocated	3,040	901	336	37	0	1,274	111	528	1,111	16	1,766
21 Brokerage Fee Balance Account	842	595	222	24	0	842	0	0	0	0	0
22 G-10 Procurement-related Employee Discount	(3,040)	(3,040)	0	0	0	(3,040)	0	0	0	0	0
23 Gas Reimbursable Fees Account Balance	0	0	0	0	0	0	0	0	0	0	0
24 GAMA	0	0	0	0	0	0	0	0	0	0	0
25 WGSP (10/20) Balancing Account	12,375	13,518	(747)	(396)	0	12,375	0	0	0	0	0
26 Climate Protection Tariff	1,536	1,250	228	9	0	1,486	35	9	6	0	50
27 Self Gen Incentive Program Forecast Period Cost	5,840	1,740	650	71	0	2,461	215	1,019	2,146	0	3,379
28 Subtotals of Items Transferred to CFCA and NCA	28,925	13,937	6,623	452	0	21,012	131	2,444	5,290	47	7,912
29 Re-Allocation Due to Averaging	0	12	(12)	0	0	0	0	0	0	(0)	0
30 Alloc. After Averaging	28,925	13,949	6,611	452	0	21,012	131	2,444	5,290	46	7,912
31 Franchise Fees and Uncoll. Exp. on Items Above	351	169	80	5	0	255	2	30	64	0.44	96
32 Subtotals with FF&U and Other Bal. Acct./Forecast Period Costs	29,276	14,119	6,691	458	0	21,268	133	2,474	5,355	47	8,008
33 Total of Items Collected via CFCA, NCA, and NCFDCA	1,105,421	840,808	214,900	6,457	0	1,062,164	24,755	8,673	9,731	99	43,257

ALLOCATION BY CUSTOMER CLASS OF OTHER COSTS AND BALANCES COLLECTED VIA THEIR OWN RATE COMPONENT

Component	TOTAL	Residential	Small Commercial	Large Commercial	Experimental NGV Core	Subtotal Core	Industrial Distribution	Industrial Transmission	Electric Gen	Total Wholesale	Total Noncore & Wholesale
34 EOR Balancing Account	(4)	-3	-1	0	0	(4)	0	0	0	0	(0)
35 CEE Incentive	(1,092)	-972	-108	-3	0	(1,083)	-7	0	-1	0	(9)
36 Smart Meter™ Project Forecast Period Costs	27,785	22,067	5,558	160	0	27,785	0	0	0	0	0
37 SmartMeter™ Project Balancing Account (SBA-G)	3,344	2,655	669	19	0	3,344	0	0	0	0	0
38 CPUC FEE	4,784	1,461	546	60	0	2,066	180	855	1,683	0	2,718
39 Subtotals	34,816	25,209	6,663	236	0	32,108	173	855	1,681	0	2,708
40 Re-Allocation Due to Averaging	0	-801	801	0	0	(0)	0	0	0	0	0
41 Allocation after Remaining Averaging	34,816	24,408	7,464	236	0	32,108	173	855	1,681	0	2,708
42 Franch. Fee and Uncoll. Exp. on Items Above	423	297	91	3	0	390	2	10	20	0	33
43 Subtotals of Other Costs	35,239	24,704	7,555	239	0	32,498	175	865	1,701	0	2,741
44 Allocation of Total Transportation Costs	1,140,660	865,512	222,455	6,695	0	1,094,662	24,929	9,538	11,432	99	45,998

**ALLOCATION OF PUBLIC PURPOSE PROGRAMS IN RATES
(\$000)**

COMPONENT	TOTAL	Residential	Small Commercial	Large Commercial	Experimental NGV Core	Subtotal Core	Industrial Distribution	Industrial Transmission	Electric Gen	Total Wholesale	Total Noncore & Wholesale
45 PPP-EE Surcharge	52,575	41,439	4,217	1,653	0	47,309	1,413	3,853	0	0	5,266
46 PPP-EE Balancing Account	(586)	(462)	(47)	(18)	0	(527)	(16)	(43)	0	0	(59)
47 PPP-LIEE Surcharge	23,320	18,381	1,871	733	0	20,984	627	1,709	0	0	2,336
48 PPP-LIEE Balancing Account	3,605	2,842	289	113	0	3,244	97	264	0	0	361
49 PPP - RD&D Programs	9,060	4,314	1,592	168	28	6,103	516	2,442	0	0	2,958
50 PPP - RD&D Balancing Account	(359)	(171)	(63)	(7)	(1)	(242)	(20)	(97)	0	0	(117)
51 PPP-CARE Discount Allocation Set Annually	91,700	39,633	17,467	1,846	309	59,255	5,656	26,790	0	0	32,446
52 PPP-CARE Administration Expense	2,601	1,124	495	52	9	1,681	160	760	0	0	920
53 PPP-CARE Balancing Account	(12,227)	(5,284)	(2,329)	(246)	(41)	(7,900)	(754)	(3,572)	0	0	(4,326)
54 PPP-Admin Cost for BOE and CPUC	179	85	32	3	1	121	10	48	0	0	58.6
55 Subtotal	169,870	101,901	23,524	4,297	304	130,027	7,688	32,155	0	0	39,843
56 Re-Allocation Due to Core Averaging	0	(4,921)	4,921	0	0	0	0	0	0	0	0
57 Allocation after Remaining Averaging	169,870	96,980	28,446	4,297	304	130,027	7,688	32,155	0	0	39,843
58 LESS: Est. CARE Discount Provided to Residential CARE Customer	(91,700)	(91,700)	0	0	0	(91,700)	0	0	0	0	0
59 Net Allocation of PPP by Class After CARE Discount	78,170	5,280	28,446	4,297	304	38,326	7,688	32,155	0	0	39,843
60 Net Totals of Transportation and PPP Costs:	1,218,830	870,792	250,900	10,993	304	1,132,989	32,618	41,693	11,432	99	85,841

* Residential and Small Commercial Classes are 40% averaged

** Wholesale Customer West Coast Gas is allocated 30% of its full Distribution Cost allocation as of January 1, 2008

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

ABAG Power Pool	Douglass & Liddell	PG&E National Energy Group
Accent Energy	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Aglet Consumer Alliance	Duke Energy	PITCO
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Kahl	Dutcher, John	Praxair, Inc.
Ancillary Services Coalition	Dynergy Inc.	Price, Roy
Anderson Donovan & Poole P.C.	Ellison Schneider	Product Development Dept
Applied Power Technologies	Energy Law Group LLP	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Management Services, LLC	R. W. Beck & Associates
Arter & Hadden LLP	Exelon Energy Ohio, Inc	Recon Research
Avista Corp	Exeter Associates	Regional Cogeneration Service
Barkovich & Yap, Inc.	Foster Farms	RMC Lonestar
BART	Foster, Wheeler, Martinez	Sacramento Municipal Utility District
Bartle Wells Associates	Franciscan Mobilehome	SCD Energy Solutions
Blue Ridge Gas	Future Resources Associates, Inc	Seattle City Light
Bohannon Development Co	G. A. Krause & Assoc	Sempra
BP Energy Company	Gas Transmission Northwest Corporation	Sempra Energy
Braun & Associates	GLJ Energy Publications	Sequoia Union HS Dist
C & H Sugar Co.	Goodin, MacBride, Squeri, Schlotz &	SESCO
CA Bldg Industry Association	Hanna & Morton	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Heeg, Peggy A.	Silicon Valley Power
CA League of Food Processors	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
CA Water Service Group	Hogan Manufacturing, Inc	Southern California Edison
California Energy Commission	House, Lon	SPURR
California Farm Bureau Federation	Imperial Irrigation District	St. Paul Assoc
California Gas Acquisition Svcs	Integrated Utility Consulting Group	Sutherland, Asbill & Brennan
California ISO	International Power Technology	Tabors Caramanis & Associates
Calpine	Interstate Gas Services, Inc.	Tecogen, Inc
Calpine Corp	IUCG/Sunshine Design LLC	TFS Energy
Calpine Gilroy Cogen	J. R. Wood, Inc	Transcanada
Cambridge Energy Research Assoc	JTM, Inc	Turlock Irrigation District
Cameron McKenna	Luce, Forward, Hamilton & Scripps	U S Borax, Inc
Cardinal Cogen	Manatt, Phelps & Phillips	United Cogen Inc.
Cellnet Data Systems	Marcus, David	URM Groups
Chevron Texaco	Matthew V. Brady & Associates	Utility Resource Network
Chevron USA Production Co.	Maynor, Donald H.	Wellhead Electric Company
City of Glendale	MBMC, Inc.	White & Case
City of Healdsburg	McKenzie & Assoc	WMA
City of Palo Alto	McKenzie & Associates	
City of Redding	Meek, Daniel W.	
CLECA Law Office	Mirant California, LLC	
Commerce Energy	Modesto Irrigation Dist	
Constellation New Energy	Morrison & Foerster	
CPUC	Morse Richard Weisenmiller & Assoc.	
Cross Border Inc	Navigant Consulting	
Crossborder Inc	New United Motor Mfg, Inc	
CSC Energy Services	Norris & Wong Associates	
Davis, Wright, Tremaine LLP	North Coast Solar Resources	
Defense Fuel Support Center	Northern California Power Agency	
Department of the Army	Office of Energy Assessments	
Department of Water & Power City	OnGrid Solar	
DGS Natural Gas Services	Palo Alto Muni Utilities	