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July 11, 2008

Advice 2937-G/3294-E

Pacific Gas and Electric Company (U 39-M)

Public Utilities Commission of the State of California

**Subject: Request for Authorization to Offer the Home Services Program
on a Non-Tariffed Basis**

Purpose

Pacific Gas and Electric Company (PG&E) hereby requests authorization from the California Public Utilities Commission (Commission or CPUC) to offer a new non-tariffed product and service (NTP&S) category entitled "Home Services Program." The program will offer customers products such as home and small business electric and gas line protection plans, home equipment warranties (i.e., water heaters, A/C units, etc.), and other related home products and services.

Background

This filing is made pursuant to Rule VII.E of the Affiliate Transaction Rules, which requires energy utilities to submit an advice letter describing any new category of NTP&S it proposes to offer. This letter is in compliance with all requirements of Rule VII.

Description of New Non-Tariffed Service

PG&E proposes to offer a new NTP&S category entitled "Home Services Program." This program will offer various home products and services to customers from a third-party vendor and/or PG&E. Customers may receive an informational brochure with their PG&E bill outlining the program and its various options. The program will offer customers items such as home and small business electric and gas line protection plans, home equipment warranties (i.e., water heaters, A/C units, etc.), and other similar home products and services.

PG&E may include brochures with customers' bills when, and as, bill insert space permits. Brochures and other informational materials may be developed or produced by the third-party vendor or by PG&E. PG&E will review the brochures and materials thoroughly prior to distribution to customers.

A third-party vendor will maintain a customer service phone number, provided on the brochures and materials, and handle calls from interested PG&E customers. Initially, the third-party vendor will conduct billing of customers who sign up for home products and services. However, PG&E seeks Commission authorization here to offer line item billing if and when PG&E has the ability and capacity to provide such service.

In addition, PG&E may offer information and materials on this program at PG&E's website or in PG&E's front offices.

PG&E's contract with its selected vendor will include customer service and other quality standards. The agreement will give PG&E the ability to reduce or terminate this program if the vendor should fail to meet the required standards.

PG&E's existing utility service will not be adversely affected by the implementation of this program. PG&E will regularly monitor service levels and resources related to the Home Services Program to ensure there are no adverse impacts to utility service.

The program will generate additional revenues to share with customers, at no additional cost to customers, and will comply with all applicable CPUC rules and requirements.

PG&E will track and record the costs and revenues of this program in the Non-Tariffed Products and Services Balancing Accounts – Electric (NTBA-E) and Gas (NTBA-G) established by Advice Letter 2891-G/3169-E and approved in Resolution G-3417. The NTBAs for both electric and gas will track the customer share of net revenues from the Home Services Program for annual disbursement of positive balances by NTP&S category via the 50/50 sharing mechanism as approved in Application 98-05-007 by D.99-04-021. In the event that PG&E files for, and the Commission approves, additional new non-tariffed products and services, PG&E will maintain accounting records to track associated revenues and costs for each new non-tariffed product and service approved by the Commission on a category by category basis.

The cost accounting for the Home Services Program will be consistent with D.99-

04-021, issued on April 1, 1999. As provided in that decision, revenues, net of costs and income taxes¹, will be split 50/50 between customers and shareholders. The costs associated with this program will include costs such as, but not limited to, contract negotiations and implementation, process development, documentation and associated training, and informational material review and approval, charged at the provider cost center standard rate where applicable.

All expenses and revenues will be charged to a unique order number created for the Home Services Program. The revenues, net of costs and taxes, will be split 50/50 between customers and shareholders. The amount shared with customers will be transferred to the Distribution Recovery Adjustment Mechanism (DRAM) and the Core Fixed Cost Account (CFCA) for a rate reduction through the Annual Electric True-Up and Annual Gas True-Up advice letters.

Compliance with Rule VII of the Affiliate Transaction Rules

Rule VII of the Affiliate Transaction Rules sets forth the requirements for a utility to offer non-tariffed products and services. Rule VII.C.4 delineates the specific conditions that must be met to offer the product or service on a non-tariffed basis; Rule VII.D lists the general conditions to offer any new non-tariffed products and service; and Rule VII.E.1 details the specific requirements for advice letter filings required to obtain Commission approval to offer new categories of non-tariffed products and services.

Rule VII.C.4 sets forth the following conditions that must be met for an energy utility to offer a non-tariffed product or service:

1. The non-tariffed product or service utilizes a portion of a utility asset or capacity;
2. Such asset or capacity has been acquired for the purpose of and is necessary and useful in providing tariffed utility services;
3. The involved portion of such asset or capacity may be used to offer the product or service on a non-tariffed basis without adversely affecting the cost, quality or reliability of tariffed utility products and services;
4. The products and services can be marketed with minimal or no incremental ratepayer capital, minimal or no new forms of liability or business risk being incurred by utility ratepayers and no undue diversion of utility management attention; and
5. The utility's offering of such non-tariffed product or service does not violate

¹ PG&E will use a tax-adjusted sharing methodology when calculating the 50-50 split between shareholders and ratepayers.

any law, regulation, or Commission policy regarding anti-competitive practices.

PG&E's Home Services Program is in compliance with the requirements of Rule VII.C.4 because PG&E will use existing utility assets and employees to offer the Home Services Program to participating customers. The existing utility assets associated with the Home Services Program include the assets that were acquired for the purpose of tariffed utility service in order to provide safe, reliable, and efficient service. These assets may include excess capacity in customer communications, billing, and the printing center.

PG&E will regularly monitor service levels and company resources to ensure that the Home Services Program will not affect the cost, quality, or reliability of tariffed utility products and services.

PG&E's shareholders will be responsible for all risk associated with the Home Services Program. PG&E will record the costs and revenues for this program in a unique order and track the customer share of net revenues in the NTBAs. This will ensure proper accounting procedures are met. Any costs that exceed revenues will be borne by PG&E's shareholders.

PG&E will offer the Home Services Program using existing PG&E facilities and personnel. The program will not unduly divert utility management attention from tariffed utility services. PG&E intends the implementation of the Home Services program to result in a higher level of customer satisfaction because it provides customer convenience, assistance, and saves time.

PG&E's Home Services Program does not violate any laws, regulations, or Commission policies regarding anti-competitive practices. The relevant market for the program is mainly the home warranties market. However, the market is already mature and competitive. Other utilities, such as the Sacramento Municipal Utilities District (SMUD) and Southern California Gas (SCG), already offer similar programs to their customers. PG&E will provide brochures and informational materials to its customers. If PG&E customers are interested in the home products or services, they will be able to contact the third-party vendor directly through a customer service number or other contact information provided on the brochures. Furthermore, the customer will have no obligation to subscribe to or purchase from the third-party vendor any of the products or services the vendor introduces or offers. Customers will make the final decision on selecting any home services or products, and can choose to disregard the brochures or informational materials sent to them by PG&E.

PG&E's goal in providing this program is to create a positive customer experience

and enhance customer service. This program should provide PG&E's customer with added convenience and assistance by offering home products and services through a program reviewed and monitored by PG&E. The Home Services Program vendor will set competitive, market-based prices. Any prices to be paid will be agreed to by the customer for selected home products services (e.g., gas line protection plan, etc.).

PG&E will select a vendor for this program based on the skill and ability to provide a diverse selection of products and services and a proven track record establishing that the vendor can deliver positive customer experience and increased customer satisfaction.

Rule VII.D sets forth the following general conditions that must be met before a utility can offer any new non-tariffed products and services. A utility may offer new non-tariffed products and services only if the Commission has adopted and the utility has established:

1. A mechanism or accounting standard for allocating costs to each new product or service to prevent cross-subsidization between services a utility would continue to provide on a tariffed basis and those it would provide on a non-tariffed basis.
2. A reasonable mechanism for treatment of benefits and revenues derived from offering such products and services, except that in the event the Commission has already approved a performance-based ratemaking mechanism for the utility and the utility seeks a different sharing mechanism, the utility should petition to modify the performance-based ratemaking decision if it wishes to alter the sharing mechanism, or clearly justify why this procedure is inappropriate, rather than doing so by application or other vehicle.
3. Periodic reporting requirements regarding pertinent information related to non-tariffed products and services; and
4. Periodic auditing of the costs allocated to and the revenues derived from non-tariffed products and services.

PG&E will comply with Rule VII.D stated above. PG&E has established, in Advice Letter 2891-G/3169-E, specific orders to track the costs and revenues associated with the Home Services Program, and will track and record the customer share of net revenues in the NTBAs, as described above.

The revenues generated from the Home Services Program will be subject to PG&E's net revenue sharing mechanism, adopted in D.99-04-021. This mechanism will allocate net revenues from the Home Services Program on a 50/50 basis between ratepayers and shareholders. The net revenue will be subject to a tax-adjusted sharing mechanism.

PG&E proposes to use the same reporting mechanism for the Home Services program that is currently used for the Mover Service Program and existing non-tariffed products and services in compliance with Rule VII.H. PG&E submitted its most recent (eleventh) Periodic Report on Non-Tariffed Products and Services on March 26, 2008. The next report will be submitted in 2009, and annually thereafter. In Rule VII.H, the Commission requires that PG&E's Periodic Report provide a brief description of the non-tariffed product and service categories it offers, costs allocated to and revenues derived from each category, and information on the proportion of relevant utility assets used to offer each category of product and service. Thus, the information in that periodic report will satisfy the Commission's requirement in Rule VII.E.

Furthermore, to ensure compliance with the requirements of Rule VII, PG&E will use its annual independent audit of compliance as required by Affiliate Transaction Rule VI.C, to review its non-tariffed product and service offerings, including the Home Services Program.

Prior to offering a new category of non-tariffed products and services, the Commission requires the utility to file an advice letter showing it meets the requirements set forth in Rule VII.E.1 as follows:

- a. Demonstrate compliance with these rules;
- b. Address the amount of utility assets dedicated to the non-utility venture, in order to ensure that a given product or service does not threaten the provision of utility service, and show that the new product or service will not result in a degradation of cost, quality, or reliability of tariffed goods and services;
- c. Address the potential impact of the new product or service on competition in the relevant market, including but not limited to the degree in which the relevant market is already competitive in nature and the degree to which the new category of products or services is projected to affect that market.
- d. Be served on the service list of Rulemaking 97-04-OII/Investigation 97-04-012, as well as on any other party appropriately designated by the rules governing the Commission's advice letter process.

PG&E's Home Services Program complies with all other applicable Affiliate Transaction Rules. None of PG&E's affiliates will participate as service providers for the Home Services Program.

No PG&E assets will be fully dedicated to the Home Services Program. As discussed above, the use of available capacity of existing utility assets will not adversely impact the costs, quality, or reliability of tariffed goods and services. To achieve this, PG&E will regularly monitor service levels and resources to ensure that the Home Services Program will not adversely affect utility service.

PG&E will bear the risk of this program in order to provide better and enhanced customer service to its customers. Consumers will benefit by saving time and obtaining needed products and services more conveniently. PG&E's ratepayers will benefit by improved utilization of the assets dedicated to ratepayer services and lower rates through revenue sharing.

Protests

Anyone wishing to protest this filing may do so by sending a letter by July 31, 2008, 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: mas@cpuc.ca.gov and jni@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Honesto Gatchalian, 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 Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C

P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-Mail: PGETariffs@pge.com

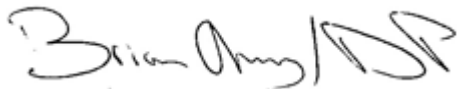
Effective Date:

PG&E requests that this advice filing be approved by Commission resolution as soon as possible, with the effective date at the beginning of the month in which the resolution is issued, for accounting purposes. PG&E submits this as a Tier 3 filing.

Notice:

In accordance with General Order 96-B, Section IV, a copy of this advice letter excluding the confidential appendices is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for Rulemaking 97-04-011/Investigation 97-04-012. Address changes should be directed to Rose De La Torre (415) 973-4716. Advice letter filings can also be accessed electronically at:

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



Brian K. Cherry
Vice President - Regulatory Relations

cc: Rulemaking 97-04-011/Investigation 97-04-012

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: David Poster

Phone #: (415) 973-1082

E-mail : DXPU@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) #: **2937-G/3294-E**

Tier: [3]

Subject of AL: Request for Authorization to Offer the Home Services Program on a Non-Tariffed Basis

Keywords (choose from CPUC listing): Non-Tariffed Products and Services

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

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: Yes No

Resolution Required? Yes No

Requested effective date: **As soon as possible.**

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 proposed¹: N/A

Pending advice letters that revise the same tariff sheets:

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian 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**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PITCO
Anderson & Poole	Douglass & Liddell	PPL EnergyPlus, LLC
Arizona Public Service Company	Downey & Brand	Pinnacle CNG Company
BART	Duke Energy	Praxair
BP Energy Company	Duncan, Virgil E.	R. W. Beck & Associates
Barkovich & Yap, Inc.	Dutcher, John	RCS, Inc.
Bartle Wells Associates	Ellison Schneider & Harris LLP	RMC Lonestar
Blue Ridge Gas	Energy Management Services, LLC	Recon Research
Braun & Associates	FPL Energy Project Management, Inc.	SCD Energy Solutions
C & H Sugar Co.	Foster Farms	SCE
CA Bldg Industry Association	Foster, Wheeler, Martinez	SESCO
CAISO	Franciscan Mobilehome	SMUD
CLECA Law Office	G. A. Krause & Assoc.	SPURR
CSC Energy Services	GLJ Publications	Santa Fe Jets
California Cotton Ginners & Growers Assn	Goodin, MacBride, Squeri, Schlotz & Ritchie	Seattle City Light
California Energy Commission	Green Power Institute	Sempra Utilities
California League of Food Processors	Hanna & Morton	Sequoia Union HS Dist
California Public Utilities Commission	Heeg, Peggy A.	Sierra Pacific Power Company
California Water Company	Hitachi	Silicon Valley Power
Calpine	Hogan Manufacturing, Inc.	Smurfit Stone Container Corp
Cameron McKenna	Imperial Irrigation District	Southern California Edison Company
Cardinal Cogen	Innercite	St. Paul Assoc.
Casner, Steve	International Power Technology	Sunshine Design
Cerox	Intestate Gas Services, Inc.	Sutherland, Asbill & Brennan
Chamberlain, Eric	J. R. Wood, Inc.	TFS Energy
Chevron Company	JTM, Inc.	Tabors Caramanis & Associates
Chris, King	Los Angeles Dept of Water & Power	Tecogen, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	TransCanada
City of Palo Alto	MBMC, Inc.	Turlock Irrigation District
City of San Jose	MRW & Associates	U S Borax, Inc.
Clean Energy Fuels	Manatt Phelps Phillips	United Cogen
Coast Economic Consulting	Matthew V. Brady & Associates	Utility Cost Management
Commerce Energy	McKenzie & Associates	Utility Resource Network
Commercial Energy	Meek, Daniel W.	Utility Specialists
Constellation	Merced Irrigation District	Vandenberg Air Force
Constellation New Energy	Mirant	Verizon
Consumer Federation of California	Modesto Irrigation District	Wellhead Electric Company
Crossborder Energy	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
Davis Wright Tremaine LLP	Morrison & Foerster	White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	