

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 8, 2011

Advice Letter 3241-G/3919-E

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

**Subject: Implementation of PG&E's 2012 Revenue Requirement Adjustments
for the 2011 General Rate Case Attrition, Pension, Cornerstone
Improvement Project and Diablo Canyon Seismic Studies**

Dear Mr. Cherry:

Advice Letter 3241-G/3919-E is effective January 1, 2012.

Sincerely,

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

Edward F. Randolph, Director
Energy Division



October 5, 2011

Advice 3241-G/3919-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Implementation of PG&E's 2012 Revenue Requirement Adjustments for the 2011 General Rate Case Attrition, Pension, Cornerstone Improvement Project and Diablo Canyon Seismic Studies

Pacific Gas and Electric Company ("PG&E") hereby submits for filing revisions to its electric and gas distribution and electric generation revenue requirements, and revisions to the electric Preliminary Statement Part CG – *Utility Generation Balancing Account* (UGBA).

Purpose

The purpose of this Tier 1 advice letter is to implement the following 2012 revenue requirement adjustments:

- PG&E's 2012 General Rate Case ("GRC") attrition adjustments to its electric and gas distribution and electric generation revenue requirements. These revenue requirement adjustments are in compliance with the terms of the 2011 GRC Settlement Agreement approved by the California Public Utilities Commission ("CPUC" or "Commission") in Decision ("D.") 11-05-018, in Application ("A.") 09-12-020.
- PG&E's 2012 pension adjustments to its electric and gas distribution and electric generation revenue requirements. These revenue requirement adjustments are in compliance with the terms of the Pension Cost Recovery Mechanism Settlement Agreement approved by the Commission in D.09-09-020, in A.09-03-003.
- PG&E's 2012 Cornerstone Improvement Project ("CIP") adjustment to its electric distribution revenue requirement. This revenue requirement adjustment is in compliance with D.10-06-048, in which the Commission approved, with modifications, PG&E's CIP in A.08-05-023.
- PG&E's 2012 Diablo Canyon Seismic Studies adjustment to its generation revenue requirement. This revenue requirement adjustment is in compliance with D.10-08-003, in which the Commission granted PG&E's requested funding to perform

additional seismic studies in the area at and around the Diablo Canyon Nuclear Power Plant recommended by the California Energy Commission (“CEC”).

The purpose of this filing is also to update the electric Preliminary Statement Part CG – UGBA for the authorized pension revenue requirements explained above and in the background section.

PG&E requests that the Commission approve the above revenue requirement adjustments and the UGBA Preliminary Statement tariff adjustment to become effective on January 1, 2012.

Revenue Requirements - Background

Attrition

In D.11-05-018, the Commission adopted a Settlement Agreement in PG&E’s 2011 GRC in A. 09-12-020 for electric and gas distribution and electric generation revenue requirements for 2011 through 2013. The decision authorized a GRC revenue requirement increase for 2011 amounting to \$450 million. The decision also authorized additional post-test year attrition increases totaling \$180 million for 2012 and \$185 million for 2013. As provided in Ordering Paragraph (“OP”) 4 of D. 11-05-018:

“Pacific Gas and Electric Company is authorized to implement the attrition revenue requirement increases for the years 2012 and 2013 as detailed in Appendix C of Attachment 1 to this decision. The attrition increases may be implemented by advice letter.”

The 2012 attrition revenue requirement increases addressed in this filing are listed below:

	<u>2012 Attrition Revenue Requirement</u>
Electric Distribution	\$123 million
Gas Distribution	35 million
Electric Generation	<u>22 million</u>
Total	\$180 million

Pension

In D.09-09-020, the Commission adopted a Settlement Agreement in PG&E's Pension Cost Recovery Mechanism in A.09-03-003. The decision adopted 2011 through 2013 revenue requirements as follows: 2011 \$140.5 million; 2012 \$177.2 million; and 2013 \$215.7 million. In addition, pursuant to paragraph V.7 of the Settlement Agreement:

“The annual revenue requirements and the allocation to GRC-related functions will be updated, if necessary, to conform to the allocation factors adopted in PG&E's 2011 GRC using the calculation method in Appendix 1.”

In compliance with the Pension Recovery Mechanism Settlement Agreement, PG&E has updated the 2011 through 2013 pension revenue requirement amounts to conform to the capitalization factor and the operations and maintenance (“O&M”) labor allocations used in determining the 2011 GRC Settlement Agreement revenue requirements. The adjusted 2011 pension revenue requirement was included in Advice 3849-E, which was approved by the Commission on July 25, 2011.

The 2012 pension revenue requirement amounts addressed in this filing are listed below:

	2012 Pension Revenue Requirement
Electric Distribution	\$89.114 million
Gas Distribution	43.764 million
Electric Generation	<u>44.246 million</u>
Total	\$177.124 million

Cornerstone

In D.10-06-048 the Commission approved, with modifications, PG&E's application to improve electric distribution system reliability or CIP (A.08-05-023). Pursuant to OP 3 of the decision:

“Pacific Gas and Electric Company shall use its results of operations model used in this proceeding and incorporate the costs adopted in this decision to determine the appropriate revenue requirements for the years 2011 through 2013....”

As presented in Advice 3716-E, the 2011 through 2013 CIP revenue requirements are as follows: 2011 \$12.926 million; 2012 \$32.537 million; and 2013 \$54.033 million. Advice 3716-E was approved by the Energy Division on October 6, 2010.

The 2012 CIP revenue requirement amount addressed in this filing is listed below:

**2012 CIP
Revenue
Requirement**

Electric Distribution \$32.537 million

Diablo Canyon Seismic Studies

In D.10-08-003 the Commission granted PG&E's request in A.10-01-014 to comply with the CEC recommendation to perform additional seismic studies in and around the Diablo Canyon Nuclear Power Plant. Pursuant to OP 5 of the decision:

“...In 2012, the amount to be collected in the Utility Generation Balancing Account shall be revised to \$11.78 million, plus the balance in the Diablo Canyon Seismic Study Balancing Account at the end of 2011, and an allowance for Uncollectibles and Franchise Fees....”

Further, as presented in the electric Preliminary Statement Part FM – *Diablo Canyon Seismic Studies Balancing Account*, which was established in Advice 3720-E, the 2011 through 2013 Diablo Canyon Seismic Studies revenue requirements are as follows: 2011 \$2.63 million; 2012 \$11.78 million; and 2013 \$2.32 million. Advice 3720-E was approved by the Energy Division on September 10, 2010.

The 2012 Diablo Canyon Seismic Studies revenue requirement amount, adjusted for Franchise Fees and Uncollectibles expense, addressed in this filing is listed below:

**2012 Diablo Canyon
Seismic Studies
Revenue Requirement**

Electric Generation \$11.90 million

Summary

The revenue requirement increases included in this filing were included in the total revenue requirements submitted by PG&E in the Annual Electric True-up (“AET” – filed September 1, 2011) and will be included in the Annual Gas True-up (“AGT” – to be filed on or about November 15, 2011). The AET and AGT will consolidate the above-

described increases with other revenue requirement changes, as approved by the Commission, and propose rate designs to recover the total authorized revenue requirement. The AGT will also include the allocation of the gas distribution attrition increase between core and noncore distribution service, and a revised Gas Preliminary Statement Part C – *Gas Accounting Terms and Definitions, Part C.2*.

Attachment 1 of this filing shows the cumulative adjustments to the base revenue requirement amounts through January 1, 2012.

Tariff Revision

In this advice letter filing, PG&E also includes a revised electric Preliminary Statement Part CG – *UGBA*. This revised tariff adjusts Section 5b of the Preliminary Statement to remove references to the 2006 pension contribution and replaces that reference with the CPUC authorized pension contribution amount.

Attachment 2 of this filing shows the revised Preliminary Statement Part CG – *UGBA*.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **October 25, 2011**, which is 20 days from the date of this filing. 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: jjn@cpuc.ca.gov and mas@cpuc.ca.gov

Copies also should be mailed to the attention of the Director, Energy Division, Room 4004, 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:

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

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

PG&E submits this advice letter as a Tier 1 filing. PG&E requests that this advice letter become effective on **January 1, 2012**.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service lists for 2011 GRC (A.09-12-020), Pension Cost Recovery Mechanism (A.09-03-003), Cornerstone Improvement Project (A.08-05-023) and Diablo Canyon Seismic Studies (A.10-01-014). Address changes to the General Order 96-B service list and all electronic approvals should be directed to PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs/>.



Vice President – Regulation and Rates

cc: Service List for A.09-12-020
Service List for A.09-03-003
Service List for A.08-05-023
Service List for A.10-01-014

Attachments

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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3241-G/3919-E**

Tier: **1**

Subject of AL: **Implementation of PG&E's 2012 Revenue Requirement Adjustments for the 2011 General Rate Case Attrition, Pension, Cornerstone Improvement Project and Diablo Canyon Seismic Studies**

Keywords (choose from CPUC listing): Compliance, GRC/General Rate Case, Balancing Account

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.11-05-018, D.09-09-020, D.10-06-048, D.10-08-003

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:

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, 2012**

No. of tariff sheets: 3

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: Electric Preliminary Statement Part CG

Service affected and changes proposed¹: 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:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian Cherry

Vice President, Regulation and Rates

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

**Advice 3241-G/3919-E
ATTACHMENT 1**

Rolling Revenue Requirements
From 2011 GRC through 2013
in thousands

	<u>Electric Distribution</u>	<u>Electric Generation</u>	<u>Gas Distribution</u>	<u>Total</u>
2011 Adopted GRC RRQ	3,358,335	1,667,848	1,154,351	6,180,534
less: Other Operating Revenue	97,880	11,608	22,922	132,410
less: FERC jurisdictional amount	16,722	37		16,759
2011 Base Revenue Amount (Eff. 1/1/11)	3,243,733	1,656,203	1,131,429	6,031,365
2011 Taxes on Retired Meters Revenue	4,850			4,850
2011 Pension	70,751	34,754	35,009	140,514
2011 Pension Adjustment	(100)	324	(313)	(89)
2011 Cornerstone	12,926			12,926
2011 Diablo Canyon Seismic Studies		2,658		2,658
2011 Base Revenue Amount (Eff. 1/1/11)	3,332,160	1,693,939	1,166,125	6,192,224
2011 Colusa Performance Incentive Payment		376		376
2011 Base Revenue Amount (Eff. 2/8/11)	3,332,160	1,694,315	1,166,125	6,192,600
2011 Fuel Cell Project - All 3 Units		5,677		5,677
2011 Base Revenue Amount (Eff. 8/17/11)	3,332,160	1,699,992	1,166,125	6,198,277
2011 Solar PV Program - 15 MWs		14,865		14,865
2011 Base Revenue Amount (Eff. 8/31/11)	3,332,160	1,714,857	1,166,125	6,213,142
2011 Solar PV Program - 15 MWs		14,865		14,865
2011 Base Revenue Amount (Eff. 9/24/11)	3,332,160	1,729,722	1,166,125	6,228,007
2011 Solar PV Program - 20 MWs		19,820		19,820
2011 Base Revenue Amount (Eff. 9/26/11)	3,332,160	1,749,542	1,166,125	6,247,827
2012 Attrition Adjustments	123,000	22,000	35,000	180,000
Pension:				
Reverse 2011 Pension	(70,651)	(35,078)	(34,696)	(140,425)
2012 Pension	89,114	44,246	43,764	177,124
Cornerstone:				
Reverse 2011 Cornerstone	(12,926)			(12,926)
2012 Cornerstone	32,537			32,537
Diablo Canyon Seismic Studies:				
Reverse 2011 Diablo Canyon Seismic Studies		(2,658)		(2,658)
2012 Diablo Canyon Seismic Studies		11,907		11,907
2012 Base Revenue Amount (Eff. 1/1/12)	3,493,234	1,789,959	1,210,193	6,493,386

**ATTACHMENT 2
Advice 3919-E**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

30642-E	ELECTRIC PRELIMINARY STATEMENT PART CG UTILITY GENERATION BALANCING ACCOUNT Sheet 1	27779-E
30643-E	ELECTRIC TABLE OF CONTENTS Sheet 1	30640-E
30644-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14	30262-E



ELECTRIC PRELIMINARY STATEMENT PART CG
UTILITY GENERATION BALANCING ACCOUNT

Sheet 1

CG. UTILITY GENERATION BALANCING ACCOUNT (UGBA)

1. **PURPOSE:** The purpose of the Utility Generation Balancing Account (UGBA) is to record and recover the authorized revenue requirements associated with PG&E-owned generation, including capital and related non-fuel operating and maintenance expenses.
2. **APPLICABILITY:** The Utility Generation Balancing Account (UGBA) shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Disposition of the balance in this account shall be determined through the advice letter process.
4. **GENERATION RATES:** The generation rates are included in the effective rates set forth in each rate schedule.
5. **ACCOUNTING PROCEDURES:** The CPUC jurisdictional portion of all entries shall be made at the end of each month as follows:
 - a. A credit entry equal to the revenue from the generation rates less the recorded revenues from the: (1) Energy Resource Recovery Account (as defined in Part I of PG&E's electric Preliminary Statement (PS)), (2) Power Charge Collection Balancing Account (as defined in Part I of PG&E's electric PS), (3) Regulatory Asset Tax Balancing Account (as defined in Part I of PG&E's electric PS); (4) Headroom Account (as defined in Part I of PG&E's electric PS); (5) Procurement Transactions Auditing Account (as defined in Part I of PG&E's electric PS); and (6) DWR Franchise Fees (as defined in Part I of PG&E's electric PS);
 - b. A debit entry equal to one-twelfth of the electric generation portion of revenue requirement associated with the CPUC authorized pension contribution amount. (D)/(N)
 - c. A credit equal to the Family Electric Rate Assistance (FERA) revenue shortfall. The corresponding debit entry is defined in PG&E's electric Preliminary Statement Part DX, Item 5.a;

(Continued)



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Sheet 1

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	Rules	30402, 30473, 30476-E	
	Maps, Contracts and Deviations.....	29909-E	
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PRELIMINARY STATEMENT

Sheet 14

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Part CD	Kern Restoration and Operation Memorandum Account.....	18509-E
Part CE	Baseline Balancing Account.....	23410,23411-E
Part CF	Net Energy Metering Memorandum Account	18831-E
Part CG	Utility Generation Balancing Account.....	30642,25926-E (T)
Part CH	Utility Retained Generation Income Tax Memorandum Account.....	20502-E
Part CI	Wholesale DWR/ISO Cost Memorandum Account	20503-E
Part CJ	Negative Ongoing Transition Charge Memorandum Account	25999-E
Part CK	Distribution Bypass Deferral Rate Memorandum Account	20619-E
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Part CO	Renewables Balancing Account.....	29677-E
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Part CQ	Modified Transition Cost Balancing Account.....	25896,26415-E
Part CR	Common Area Balancing Account	19768,19769-E
Part CS	Advanced Metering and Demand Response Account.....	26376-26378-E
Part CZ	Distribution Revenue Adjustment Mechanism.....	27780,28714,30076-E

(Continued)

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

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