February 9, 2007

Advice Letter 2961-E

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: 2007 Department of Water Resources (DWR) Revenue Requirement Determination

Dear Ms de la Torre:

Advice Letter 2961-E is effective January 1, 2007. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division
December 28, 2006

Advice 2961-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: 2007 Department of Water Resources (DWR) Revenue Requirement Determination

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter in compliance with Decision (D.) 06-12-035, Order Allocating the 2007 Revenue Requirement Determination of the California Department of Water Resources. Revised electric tariffs will be filed as part of PG&E’s Annual Electric True-up (AET) supplemental advice filing¹.

Purpose

The purpose of this filing is to comply with the requirements of D.06-12-035. Ordering Paragraph (OP) 5 of D.06-12-035 provides:

“Within 14 days of the issuance of today’s decision, the utilities shall file advice letters with revised tariffs that reflect the power charges, as adjusted for the non-bundled customer responsibility surcharge. The new tariffs shall be effective no later than January 1, 2007, subject to review by the Commission’s Energy Division.”

Electric Rate Consolidation

In this advice letter, PG&E seeks to affect the DWR revenue requirement changes described below by including them in PG&E’s supplemental AET filing, which is expected to be filed on or about December 29, 2006, with rate changes to be effective on January 1, 2007.

¹ This will be a supplement to Advice Letter 2895-E, which was filed on September 1, 2006.
2007 DWR Bond Charge

The 2007 DWR revenue requirement proceeding establishes both the 2007 DWR bond charge rate and the 2007 DWR power charge revenue requirement. In this advice letter, PG&E proposes to implement both changes through the consolidated rate changes made in the AET. Pursuant to D.06-12-035 (OP 2), the DWR bond charge for 2007 is $0.00469 per kilowatt-hour (kWh). The DWR bond charge is paid by eligible bundled and non-bundled customers.

2007 DWR Power Charge and Remittance Rate

The 2007 DWR power charge revenue requirement determined by the 2007 DWR revenue requirement decision (D.06-12-035) is $1,710 million\(^2\). As detailed in PG&E’s AET supplement, the December 31, 2006 Power Charge Collection Balancing Account (PCCBA) balance is forecast to be $20 million. As provided for in the CPUC’s AET Resolution E-4032, PG&E, in its AET supplement, will combine the current year power charge revenue requirement with the amortization of the forecast PCCBA balance to develop the total power charge related revenue requirement to be implemented in retail rates ($1,730 million). The PCCBA revenue component is collected in generation rates paid by bundled customers.

The corresponding DWR remittance rate for PG&E is provided in Appendix A of D.06-12-035 and is $0.0875 per kWh.

Non-bundled Charges

PG&E expects that the power charge component of PG&E’s non-bundled cost responsibility surcharge revenues for 2007 will be zero. PG&E’s entire 2007 DWR power charge revenue requirement will be collected from bundled customers.

Tariff Changes

Pursuant to PG&E’s discussion with the Energy Division, PG&E will file a supplement to its AET Advice Filing on or about December 29, 2006, with tariffs that include the final DWR related rate values based on D.06-12-035. The AET supplement will also contain revised rates for the PCCBA in electric Preliminary Statement I – Rate Schedule Summary.

\(^2\) See attached Appendix A which contains applicable excerpts from Appendix A of D.06-12-035.
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 January 17, 2007, 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: jnj@cpuc.ca.gov and mas@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 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, 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

Effective Date

Pursuant to OP 5 of D.06-12-035, PG&E requests that this advice filing become effective January 1, 2007.
Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and parties on the list for Rulemaking (R.) 06-07-010. Address changes to the General Order 96-A service list should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs

Brian K. Cherry

Vice President, Regulatory Relations

Attachments

cc: Service Lists R.06-07-010
Attachment A

Pacific Gas and Electric Company
Allocation of 2007 Revenue Requirement to PG&E and Remittance Rate Calculation (D.06-12-035)
(Dollars in millions)

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>PG&amp;E</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Allocation Percentages</td>
<td>42.20%</td>
<td>Decision 05-06-060</td>
</tr>
<tr>
<td>2</td>
<td>2004-2005 Revenues</td>
<td>(3,799)</td>
<td>Actuals</td>
</tr>
<tr>
<td>3</td>
<td>2004-2005 Expenses</td>
<td>3,929</td>
<td>Actuals</td>
</tr>
<tr>
<td>4</td>
<td>Transfer to PCA due to Over/(Under) Payment by IOUs</td>
<td>(130)</td>
<td></td>
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<tr>
<td>5</td>
<td>2006 Revenues</td>
<td>(2,025)</td>
<td>Actuals through Sep-06</td>
</tr>
<tr>
<td>6</td>
<td>2006 Expenses</td>
<td>2,017</td>
<td>Actuals through Sep-06</td>
</tr>
<tr>
<td>7</td>
<td>Transfer to PCA due to Over/(Under) Payment by IOUs</td>
<td>7</td>
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**Balancing Calculation**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>PG&amp;E</th>
<th>Reference</th>
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<tr>
<td>12</td>
<td>December 31, 2007 Projected Balance</td>
<td>654</td>
<td></td>
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<tr>
<td>13</td>
<td>January 1, 2004 Starting PCA Balances</td>
<td>701</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Cumulative Transfer to/(from) PCA Due to Over/(Under) Payment by IOUs</td>
<td>(123)</td>
<td>Line 5 + Line 9</td>
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<tr>
<td>15</td>
<td>Transfer needed to allocate starting and ending balances</td>
<td>76</td>
<td></td>
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**2007 Revenue Requirement Determination**

<table>
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<tr>
<th>Line</th>
<th>Description</th>
<th>PG&amp;E</th>
<th>Reference</th>
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<tr>
<td>19</td>
<td>Avoidable Costs</td>
<td>41</td>
<td>2007RptRR</td>
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<tr>
<td>20</td>
<td>Net Non-Avoidable Costs</td>
<td>1,634</td>
<td>2007RptRR</td>
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<tr>
<td>21</td>
<td>Gas Collateral Cost</td>
<td>25</td>
<td>2007RptRR</td>
</tr>
<tr>
<td>22</td>
<td>Administrative and General</td>
<td>11</td>
<td>2007RptRR</td>
</tr>
<tr>
<td>23</td>
<td>Other Non-Allocated Costs</td>
<td>-</td>
<td>2007RptRR</td>
</tr>
<tr>
<td>24</td>
<td>Surplus Revenue</td>
<td>(44)</td>
<td>2007RptRR</td>
</tr>
<tr>
<td>25</td>
<td>Interest Earnings on Fund Balance</td>
<td>(34)</td>
<td>2007RptRR</td>
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<tr>
<td>26</td>
<td>Cumulative Transfer to/(from) PCA Due to Over/(Under) Payment by IOUs</td>
<td>76</td>
<td>Line 16</td>
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**Rate Calculation Table**

<table>
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<tr>
<th>Line</th>
<th>Description</th>
<th>PG&amp;E</th>
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<tbody>
<tr>
<td>1</td>
<td>Revenue Requirement Allocated to IOU's Customers</td>
<td>$1,710</td>
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<tr>
<td>2</td>
<td>DWR Delivered Energy (GWh)</td>
<td>19,546</td>
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<tr>
<td>3</td>
<td>Calendar Year Remittance Rates</td>
<td>0.08750</td>
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<tr>
<td>5</td>
<td>less: Estimated Direct Access CRS Revenues</td>
<td>-</td>
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<tr>
<td>6</td>
<td>Bundled Revenue Requirement</td>
<td>1,710</td>
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<tr>
<td>7</td>
<td>DWR Delivered Energy (GWh)</td>
<td>19,546</td>
</tr>
<tr>
<td>8</td>
<td>Calendar Year Remittance Rates (with CRS)</td>
<td>0.08750</td>
</tr>
</tbody>
</table>
**ADVICE LETTER FILING SUMMARY**

**ENERGY UTILITY**

**Company name/CPUC Utility No.** Pacific Gas and Electric Company (ID U39 M)

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Ted Maguire</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ ELC</td>
<td>☐ GAS</td>
</tr>
<tr>
<td>☐ PLC</td>
<td>☑ HEAT</td>
</tr>
</tbody>
</table>

**Phone #:** (415) 973-0888

**E-mail:** TEMN@pge.com

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**EXPLANATION OF UTILITY TYPE**

| ELC = Electric | GAS = Gas |
|PLIC = Pipeline | HEAT = Heat | WATER = Water |

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**Advice Letter (AL) #: 2961-E**

**Subject of AL:** 2007 Department of Water Resources (DWR) Revenue Requirement Determination

**Keywords (choose from CPUC listing):** Compliance

**AL filing type:** ☑ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ☐ Other _____________________________

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

D.06-12-035

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

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

---

Resolution Required? ☐ Yes ☑ No

**Requested effective date:** January 1, 2007

**No. of tariff sheets:** 0

**Estimated system annual revenue effect (%):** See AL 2895-E-A: AET Supplemental Filing

**Estimated system average rate effect (%):** See AL 2895-E-A: AET Supplemental Filing

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:** See AL 2895-E-A: AET Supplemental Filing

**Service affected and changes proposed:** See AL 2895-E-A: AET Supplemental Filing

Pending advice letters that revise the same tariff sheets: N/A

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Protests 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:

<table>
<thead>
<tr>
<th>CPUC, Energy Division</th>
<th>Pacific Gas and Electric Company</th>
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</thead>
<tbody>
<tr>
<td>Tariff Files, Room 4005</td>
<td>Attn: Brian K. Cherry</td>
</tr>
<tr>
<td>DMS Branch</td>
<td>Vice President, Regulatory Relations</td>
</tr>
<tr>
<td>505 Van Ness Ave.,</td>
<td>77 Beale Street, Mail Code B10C</td>
</tr>
<tr>
<td>San Francisco, CA 94102</td>
<td>P.O. Box 770000</td>
</tr>
<tr>
<td><a href="mailto:jnj@cpuc.ca.gov">jnj@cpuc.ca.gov</a> and <a href="mailto:mas@cpuc.ca.gov">mas@cpuc.ca.gov</a></td>
<td>San Francisco, CA 94177</td>
</tr>
<tr>
<td></td>
<td>E-mail: <a href="mailto:PGETariffs@pge.com">PGETariffs@pge.com</a></td>
</tr>
</tbody>
</table>

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1 Discuss in AL if more space is needed.
ABAG Power Pool
Accent Energy
Agnew Developmental Center
Ahmed, Ali
Alcantar & Kahl
Ancillary Services Coalition
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
CPUC
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright, Tremaine LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
DGS Natural Gas Services

Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz & Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
IUCG/Sunshine Design LLC
J. R. Wood, Inc
JTM, Inc
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Matthew V. Brady & Associates
Maynor, Donald H.
MBMC, Inc.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
OnGrid Solar
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabor's Caramanis & Associates
Tecogen, Inc
TFS Energy
Transcanada
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA