

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 4, 2007

Advice Letter 3025-E-A

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

RECEIVED
REGULATORY RELATIONS

JUN - 5 2007

Subject: Establish a New Preliminary Statement Part ER – Memorandum Account to Track Costs of Air Conditioner Cycling Equipment in Excess of the 5,000 Installations Approved in Resolution E-4061

Dear Ms. de la Torre:

Advice Letter 3025-E-A is effective May 31, 2007. A copy of the advice letter is returned herewith for your records.

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

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177

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March 30, 2007

Advice 3025-E
(Pacific Gas and Electric Company ID 39 E)

Public Utilities Commission of the State of California

Subject: Establish a Sub-Account in the Demand Response Revenue Balancing Account to Recover Costs of Air Conditioner Cycling Equipment in Excess of the 5000 Installations Approved in Resolution E-4061

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric tariffs. The affected tariff sheets are enclosed as Attachment 1.

For the reasons discussed below, PG&E requests that this advice letter be approved no later than May, 24, 2007.

Purpose

The purpose of this advice filing is to create a sub-account in the Demand Response Revenue Balancing Account (DRRBA) to allow PG&E to record costs that are associated with the installation of air conditioning direct load control devices incremental to the 5,000 devices authorized in Resolution E- 4061.¹ Transfer of the balance of this sub-account for recovery in rates would require Commission authorization.

Background

On November 30, 2006, the California Public Utilities Commission (Commission) issued Decision (D.) 06-11-049, which approved the concept of PG&E's proposal for a direct load control program that would deliver demand response (DR) by cycling customer air conditioning units. D.06-11-049 ordered PG&E to file an advice letter to implement an Air Conditioning (AC) Cycling program for 2007 consistent with the decision. On December 8, 2007, in compliance with D.06-11-

¹ Resolution E-4061 was approved on February 15th, 2007, in response to PG&E's Advice Letter 2946-E

049, PG&E filed Advice 2946-E, proposing an AC cycling program for electric residential and small (loads less than 200kW) commercial customers for the summer of 2007. In addition to providing detailed budget and cost information, Advice 2946-E stated PG&E's intention to file an application for an extensive system wide AC direct load control program that would go into effect in 2008 (the "2008 Program").²

In Advice 2946-E, PG&E also proposed filing an advice letter, concurrent with the application, to create a mechanism for recording costs associated with continuing installations of devices beyond the 5,000 devices requested in Advice 2946-E (approved in Resolution E-4061). This was to ensure that PG&E will not lose the momentum created in the roll out of the 2007 program by having work on installations cease between the time when the 5000th device is installed and the beginning of the 2008 program. At that point, PG&E will have invested a great deal of effort to market and promote the AC direct load control program, as well as to get the necessary installation personnel in place, and it would not be in the best interest of PG&E's customers if PG&E were to abandon its roll out efforts once the first 5,000 installations are made.

PG&E Proposes to Continue to Build the AC Direct Load Control Program Beyond the First 5,000 Customer Installations

As described above, it is prudent for PG&E to continue with its installation of AC direct load control devices until the commencement of the 2008 program to maximize the DR benefit that this program and technology can provide. This will also maximize the value of a 2008 and beyond program, should the Commission approve such a program. If PG&E is successful in installing a total of 25,000 devices prior to the beginning of the 2008 Program, PG&E estimates the incremental 20,000 installations would cost \$7,600,000.

Recovery Mechanism

The proposed preliminary statement for the DRRBA AC Sub-Account sets parameters for what types of costs related to the installation of AC direct load control devices could be recorded into the DRRBA AC Sub-Account. Specifically, the DRRBA AC Sub-Account is limited to recording costs that meet the following criteria:

- no less than 5,000 devices have already been installed,
- the total number of devices installed does not exceed 25,000, and
- all devices are to be installed prior to the commencement of the 2008 program.

² The 2008 Program may not be approved by the beginning of 2008 and this advice seeks authority to continue to record costs into the new proposed sub-account until the 2008 Program commences, even if that occurs after January 1, 2008.

Upon commencement of the 2008 program, PG&E will request Commission approval to transfer the balance of the DRRBA AC Sub-Account to the main DRRBA account for recovery in rates through the Annual Electric True Up advice filing (AET). A Commission review of the expenses booked into the DRRBA AC Sub-Account would be part of the overall AET review by the Commission.

Shortened Protest Period (10 days)

PG&E requests as shortened protest period of ten days. A shortened protest is needed to expedite the disposition of this advice letter by the Energy Division. PG&E requests a resolution on this advice letter by May 24, 2007. A resolution from the Commission later than May could result in setbacks in the installation of AC direct load control devices. In particular, PG&E is concerned that the lag associated with scheduling an installation may mean that as PG&E approaches the 5000th installation, PG&E may be required to turn some customers away if they would be in the queue to have a device installed after the 5000th installation. 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 **April 9, 2007**, which is 10 days after the date of this filing.

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: ijnj@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 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

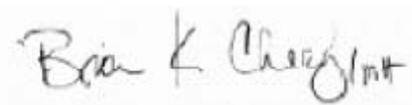
Effective Date

PG&E requests that this advice letter, upon regular notice by the Commission, be approved effective **no later than May 24, 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 the service lists for A.05-06-006. 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>



Vice President - Regulatory Relations

Attachments

cc: Service List – A.05-06-006

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 U39M

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 GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3025-E**

Subject of AL: Establish a Sub-Account in the Demand Response Revenue Balancing Account to Recover Costs of Air Conditioner Cycling Equipment in Excess of the 5000 Installations Approved in Resolution E-4061

Keywords (choose from CPUC listing): Balancing account

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

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

Resolution Required? Yes No

Requested effective date: **Commission approval**

No. of tariff sheets: 3

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%)

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 ED

Service affected and changes proposed¹:

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

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:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

inj@cpuc.ca.gov and mas@cpuc.ca.gov

Utility Info (including e-mail)

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

¹ Discuss in AL if more space is needed.



PRELIMINARY STATEMENT

ED. DEMAND RESPONSE REVENUE BALANCING ACCOUNT (DRRBA)

1. PURPOSE: The purpose of the Demand Response Revenue Balancing Account (DRRBA) is to record the difference between authorized Demand Response revenue requirements and dedicated distribution rate revenues to provide full recovery of Demand Response program revenue requirements within the program cycle budget. The DRRBA also includes the DRRBA Sub-Account, which tracks the costs associated with the installation of Air Conditioning (AC) direct load control devices. Pursuant to Decision (D.) 06-03-024, the DRRBA will allow recovery of Demand Response program costs recorded in the Demand Response Expenditure Balancing Account (DREBA) not to exceed the program cycle budget. (T)
(T)
2. APPLICABILITY: The DRRBA shall apply to all customer bills for service under all rate schedules and contracts for electric service subject to the jurisdiction of the Commission, except for those rate schedules or contracts specifically excluded by the Commission.
3. REVISION DATE: Disposition of the balance in this account shall be through the Annual Electric True-Up advice letter process.
4. RATES: The DRRBA is collected as part of the distribution rate set forth in each rate schedule. The DRRBA rate component is separately identified in Preliminary Statement Part I.
5. ACCOUNTING PROCEDURES: The following entries shall be made at the end of each month:
 - a. DREBA entries:
 - i) A debit entry equal to one-twelfth the annual Commission-authorized demand response revenue requirements.
 - ii) A credit entry equal to the revenue from the Demand Response Revenue Balancing Account distribution rate subcomponent.
 - iii) A debit entry equal to balance transfers from the DRRBA AC sub-account as authorized by the Commission. (N)
 - iv) A credit entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.
 - b. DRRBA sub-account entries: (N)
 - i) A debit entry equal to the costs associated with the installation of Air Conditioning (AC) direct load control devices, as long as the following conditions are met: (1) no less than 5,000 devices have already been installed, (2) the total number of devices installed does not exceed 25,000, and (3) all devices are to be installed prior to the commencement of the program adopted by the Commission in response to PG&E's April 2007 A/C Load Control Program application..
 - ii) A credit entry to the DRRBA sub-account, to transfer the amounts approved by the Commission into the main DRRBA account for recovery in rates.
 - iii) A credit entry equal to interest on the average balance in the sub-account account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor). (N)

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**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

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
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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 Cost Management LLC
Chevron USA Production Co.	Maynor, Donald H.	Utility Resource Network
City of Glendale	MBMC, Inc.	Wellhead Electric Company
City of Healdsburg	McKenzie & Assoc	White & Case
City of Palo Alto	McKenzie & Associates	WMA
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	