

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



July 23, 2008

Advice Letters 3281-E/E-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: PG&E's Request for Modification of the Market  
Redesign and Technology Upgrade Memorandum Account for  
Clarification and Supplemental Filing

Dear Mr. Cherry:

Advice Letters 3281-E and 3281-E-A are effective July 30, 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

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June 16, 2008

**Advice 3281-E**

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

**Subject: PG&E's Request for Modification of the Market Redesign and Technology Upgrade Memorandum Account for Clarification**

**Background and Purpose**

In Resolution E-4093, the Commission approved PG&E's request to track in a memorandum account the incremental costs incurred by PG&E related to implementing, operating, and maintaining California Independent System Operator's (CAISO) Market Redesign and Technology Upgrade (MRTU) initiative, costs that are in addition to any MRTU costs authorized in PG&E's 2007 GRC decision.

In Advice 2981-E-A, which superseded the earlier filed Advice 2981 in its entirety, PG&E proposed to create electric Preliminary Statement EP - Market Redesign and Technology Upgrade Memorandum Account (MRTUMA), to record incremental expenses and incremental capital related costs associated with MRTU. Resolution E-4093 approved that request, with modifications. In compliance with Ordering Paragraph (OP) 4 of Resolution E-4093, PG&E submitted supplemental Advice 2981-E-B on June 15, 2007 to reflect the modifications to the preliminary statement ordered by the Commission. PG&E's Preliminary Statement EP - MRTUMA, as submitted by Supplemental Advice 2981-E-B, went into effect on June 7, 2008.

This advice letter requests approval to revise the MRTUMA to clarify that in addition to the costs to implement the initial phase of MRTU, all costs arising from PG&E's efforts to comply with MRTU Release 1 A (now known as the Markets and Performance or MAP), will also be recorded in the MRTUMA under the conditions set forth in Resolution E-4093. PG&E's proposed modification to the Preliminary Statement is for clarification only, and is not substantive. PG&E's proposed clarification to the Preliminary Statement is included in Attachment 1 to this filing.

This request is consistent with Resolution E-4093, which states:

The IOUs should be prepared with the necessary resources, tools, computer software and hardware to be able to implement MRTU Release 1, currently scheduled for February 2008, and all subsequent Releases. To meet this objective, the IOUs should be permitted to track incremental MRTU-related costs in a memorandum account. (*Id.*, p. 5.)

PG&E is proposing this clarifying language to the MRTUMA primarily to make clear how it will recover MRTU costs related to demand response. Consistent with Resolution E-4093, PG&E will record MRTU costs associated with MAP in the MRTUMA. As currently described by the CAISO, MAP will include incorporation of demand response into the CAISO's markets. These costs are not reflected, and will not be reflected, in the demand response revenue requirement request PG&E filed with the Commission on June 2, 2008 in its Application for Approval of 2009-2011 Demand Response Programs (A.08-06-003). However, as described in that application, should the Commission deny PG&E's request to clarify the MRTUMA, PG&E reserves the right to amend its DR Application or to file a subsequent application.

### **Discussion**

The CAISO has recently announced that it expects the MAP requirements to be in effect in Fall 2009. This release addresses convergence bidding, scarcity pricing and dispatchable demand response resources. As with Release 1, PG&E may incur significant costs to implement this initiative in order to integrate its demand response portfolio with the new participating load requirements. While the Resolution appears to include all costs arising from PG&E's implementation of all releases of the MRTU, PG&E is proposing changes to the currently approved MRTUMA to clarify that it will include all MAP costs, including demand response-related compliance costs, in the account, subject to later Commission review.

This proposal is not intended to delay the recovery of the costs PG&E incurs in connection with MRTU Release 1. In particular, as required by Resolution E-4093, PG&E intends to submit to the Energy Division, informational filings for cost estimates and amounts expected to be recorded in the MRTU Memorandum Account 30 days prior to each MRTU Release. PG&E intends to submit its application for recovery of the MRTU Release 1 costs as soon as possible after MRTU "goes live."

Similarly, PG&E intends to seek recovery of all MRTU MAP costs recorded in the MRTUMA shortly after MAP is incorporated into MRTU.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any other schedule or rule, as it merely requests a clarification to the

already authorized MRTUMA, which records incremental capital related revenue requirements and incremental O&M expenses for possible future recovery in rates.

The revised MRTUMA preliminary statement is being submitted as Attachment 1 to this advice letter and supersedes the version of the MRTUMA submitted in Advice 2981-E-B in its entirety.

### **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 21 days after the date of this filing, which is **July 7, 2008**. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: mas@cpuc.ca.gov and jnj@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:

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 become effective on regular notice, July 16, 2008, which is 30 calendar days after the date of filing.

### **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.

Address changes 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>

A handwritten signature in black ink, appearing to read "Bruce K. Anglin". The signature is written in a cursive, somewhat stylized font.

Vice President, Regulatory Relations

Attachment 1 – Memorandum Account

cc: Eric Greene – Energy Division

# 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) #: **3281-E**

**Tier: 2**

Subject of AL: PG&E's Request for Modification of the Market Redesign and Technology Upgrade Memorandum Account for Clarification

Keywords (choose from CPUC listing): MRTU

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 AL<sup>1</sup>: \_\_\_\_\_

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: **July 16, 2008**

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: MRTUMA

Service affected and changes proposed<sup>1</sup>: 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**

**[jjn@cpuc.ca.gov](mailto:jjn@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto: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](mailto:PGETariffs@pge.com)**

**ATTACHMENT 1  
Advice 3281-E**

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

**Title of Sheet**

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

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27568-E	ELECTRIC PRELIMINARY STATEMENT PART EP MARKET REDESIGN AND TECHNOLOGY UPGRADE MEMORANDUM ACCOUNT Sheet 1	26406-E
27569-E	ELECTRIC TABLE OF CONTENTS Sheet 1	27563-E
27570-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 9	27314-E



**ELECTRIC PRELIMINARY STATEMENT PART EP**  
**MARKET REDESIGN AND TECHNOLOGY UPGRADE MEMORANDUM**  
**ACCOUNT**

Sheet 1

EP. MARKET REDESIGN AND TECHNOLOGY UPGRADE MEMORANDUM ACCOUNT (MRTUMA)

1. PURPOSE:

The purpose of the MRTUMA authority is to record incremental expenses and incremental capital-related costs associated with the California Independent System Operator's (ISO) Market Redesign and Technology Upgrade (MRTU) initiative. PG&E must comply with the MRTU Tariff to conform to FERC regulations, and with existing legal agreements with the CAISO. In late September 2006, the FERC conditionally approved the MRTU tariff.

2. APPLICABILITY:

The MRTUMA shall apply to all customer classes, except for those specifically excluded by the Commission.

3. MRTUMA RATES:

The MRTUMA does not currently have a rate component.

4. ACCOUNTING PROCEDURE:

PG&E shall maintain the MRTUMA by making entries to this account at the end of each month as follows:

- a. A debit entry equal to PG&E's incremental expenses and capital-related revenue requirements (i.e., book depreciation, applicable taxes and an authorized return on rate base) associated with implementing the CAISO's MRTU initiative including Release 1a, Markets and Performance costs; and
- b. A credit entry to transfer amounts recorded in the MRTUMA to UGBA after Commission authorization by order in the ERRA or other formal proceeding where the Commission has completed a review of the reasonableness of those amounts; and
- c. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after entry 4.a, at a rate equal to one-twelfth 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)  
 (N)



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Sheet 1

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	Sample Forms .....	26370,26372,25587,25452,24958,26294,26295,25059-E	

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Part EF	Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM) .....	25392-E
Part EG	Credit Card Pilot Program Memorandum Account (CCPPMA).....	25351-25352-E
Part EH	Negative Indifference Amount Memorandum Account (NIAMA).....	25088-E
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**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	