July 2, 2009

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: Notice to Terminate the Reliability Cost Balancing Account

Dear Mr. Cherry:

Advice Letter 3467-E is effective July 2, 2009.

Sincerely,

Julie A. Fitch, Director  
Energy Division
June 2, 2009

Advice 3467-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Notice to Terminate the Reliability Cost Balancing Account

Purpose

Pacific Gas and Electric Company (PG&E) hereby submits this advice letter to provide the Commission with notice of its intention to terminate the Reliability Cost Balancing Account, Electric Preliminary Statement Part DO.

Background

On July 8, 2004, the California Public Utilities Commission (CPUC, Commission) issued D.04-07-028 to clarify and modify past Commission orders regarding the principles that utilities shall follow when making resource scheduling and procurement decisions. D.04-07-028 ordered utilities to consider additional categories of California Independent System Operator (CAISO)-related costs in their evaluation of resource scheduling and procurement options incorporating "all known and reasonably anticipated [CAISO]-related costs (including congestion, re-dispatch and must-offer costs)."

On November 9, 2004 in Advice 2584-E, and in accordance with D.04-07-028, PG&E requested cost recovery for any additional reliability-related costs that it incurs as a result of implementing the requirements of D.04-07-028 through its Federal Energy Regulatory Commission (FERC) Reliability Services tariff provisions. The CPUC recognized that utilities may not be able to recover all reliability-related costs through these FERC tariff provisions, and it authorized utilities to seek recovery, for any disallowances by FERC, from the CPUC in the appropriate Energy Resource Recovery Account (ERRA) proceeding.
With the implementation of MRTU and the Commissions’ Resource Adequacy (RA) program, the concerns that led the Commission to issue D.04-07-028 are no longer relevant. It is for this reason PG&E requests to terminate the RCBA balancing account.

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 June 22, 2009 which is 20 days after 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

PG&E requests that this advice filing become effective on July 2, 2009, which is 30 days after the date of filing. This Advice Letter is submitted as a Tier 2 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 to the General Order 96-B service list should be directed to Rose de la Torre at (415) 973-4716. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at:

http://www.pge.com/tariffs

Vice President - Regulatory Relations
CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

<table>
<thead>
<tr>
<th>Company name/CPUC Utility No.</th>
<th>Pacific Gas and Electric Company (ID U39 M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility type:</td>
<td></td>
</tr>
<tr>
<td>☒ ELC</td>
<td>☒ GAS</td>
</tr>
<tr>
<td>☐ PLC</td>
<td>☐ HEAT</td>
</tr>
<tr>
<td></td>
<td>☐ WATER</td>
</tr>
<tr>
<td>Contact Person:</td>
<td>San Heng</td>
</tr>
<tr>
<td>Phone #:</td>
<td>415-973-2640</td>
</tr>
<tr>
<td>E-mail:</td>
<td><a href="mailto:S1HQ@PGE.COM">S1HQ@PGE.COM</a></td>
</tr>
</tbody>
</table>

EXPLANATION OF UTILITY TYPE

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

Advice Letter (AL) #: 3467-E

Subject of AL: Notice to Terminate the Reliability Cost Balancing Account

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 #: N/A

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:

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: N/A

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 2, 2009

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

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