November 9, 2009

Advice Letter 3536-E

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: Diablo Canyon Steam Generator Replacement  
( Utility Generation Balancing Account Revenue Requirement )

Dear Mr. Cherry:

Advice Letter 3536-E is effective January 1, 2010.

Sincerely,

Julie A. Fitch, Director  
Energy Division
September 30, 2009

Advice 3536-E
(Pacific Gas and Electric Company ID U39E)

Public Utilities Commission of the State of California

Subject: Diablo Canyon Steam Generator Replacement
(Utility Generation Balancing Account Revenue Requirement)

Pacific Gas and Electric Company (PG&E) hereby requests authority to recover in rates the revenue requirement associated with the replacement of the steam generators at Diablo Canyon Power Plant accrued during 2009 and adopted for 2010 and submits the adjustment to the authorized revenue requirement associated with PG&E's owned generation facilities to include the costs associated with the replacement of the steam generators at Diablo Canyon Power Plant, effective January 1, 2010. This filing is submitted in compliance with Ordering Paragraph 6 of Decision (D.) 05-11-026.

Background

Ordering Paragraph 6 of D. 05-11-026 states that "PG&E shall include the revenue requirement associated with each unit in rates subject to refund, up to (capital costs of) $326 million for Unit 1 and $380 million for Unit 2, on January 1 of the year following commercial operation of each unit. PG&E shall file an advice letter to request authority to implement the above rate increase, subject to refund, for each unit. The rate increase shall not take effect until and unless the advice letter is approved by the Commission."

PG&E requests authority to recover in rates the 2009 revenue requirement associated with the replacement of the steam generators which has been recorded in the Utility Generation Balancing Account (UGBA) and the 2010 revenue requirement as described below. For rate design purposes, PG&E has included these amounts in its Annual Electric True-up (AET) filed on September 1, 2009. The 2009 steam generator revenue requirement is included in the UGBA balance while the 2010 steam generator revenue requirement will be included in the requested 2010 UGBA revenue requirement.

The Commission previously accepted PG&E's Advice 3448-E to record an annual revenue requirement of $56.168 million for the replacement of the Unit 1 steam generators, prorated from March 31, 2009, when Unit 1 returned to service and
Advice 3342-E to record an annual 2009 revenue requirement of $69.445 million for the replacement of the Unit 2 steam generators. As presented in A. 04-01-009, updated for current cost of capital and property tax factors, the revenue requirement for the replacement of the steam generators for 2010 is $62.253 million for Unit 1 and $67.950 million for Unit 2.

Table 1, attached, shows the cumulative adjustments to the electric generation base revenue amounts authorized in the 2007 GRC through January 1, 2010, including the amounts for 2010 Attrition as presented in Advice 3535-E.

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 20, 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

In accordance with D. 07-03-044, PG&E requests this advice filing be effective January 1, 2010.

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 San Heng (415) 973-2640. 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

cc: Service List – A. 04-01-009
## TABLE ONE

Rolling Revenue Requirements  
From 2007 GRC through 2010  
Electric Generation  
(Thousands of Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Action Description</th>
<th>Amount (Thousands of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Adopted GRC RRQ</td>
<td>1,019,755</td>
</tr>
<tr>
<td></td>
<td>Less: Other Operating Revenue</td>
<td>10,120</td>
</tr>
<tr>
<td></td>
<td>Less: FERC jurisdictional amount</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>2007 Base Revenue Amount (Eff. 1/1/07)</strong></td>
<td><strong>1,009,635</strong></td>
</tr>
<tr>
<td></td>
<td>Office Closures</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>2007 Base Revenue Amount (Eff. 8/1/07)</strong></td>
<td><strong>1,009,635</strong></td>
</tr>
<tr>
<td></td>
<td>2008 Attrition Adjustment</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>2008 Cost of Capital</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td><strong>2008 Base Revenue Amount (Eff. 1/1/08)</strong></td>
<td><strong>1,049,635</strong></td>
</tr>
<tr>
<td></td>
<td>Diablo Canyon Unit 2 Steam Generator Replacement</td>
<td>63,392</td>
</tr>
<tr>
<td></td>
<td><strong>2008 Base Revenue Amount (Eff. 4/16/08)</strong></td>
<td><strong>1,113,027</strong></td>
</tr>
<tr>
<td></td>
<td>2009 Attrition Adjustment</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>Diablo Canyon Refueling</td>
<td>35,000</td>
</tr>
<tr>
<td></td>
<td>2009 Cost of Capital</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Diablo Canyon Unit 2 Steam Generator Replacement</td>
<td>Reverse 2008 Revenue Requirement (63,392)</td>
</tr>
<tr>
<td></td>
<td>Add 2009 Revenue Requirement</td>
<td>69,445</td>
</tr>
<tr>
<td></td>
<td><strong>2009 Base Revenue Amount (Eff. 1/1/09)</strong></td>
<td><strong>1,194,080</strong></td>
</tr>
<tr>
<td></td>
<td>Gateway Generating Station</td>
<td>80,693</td>
</tr>
<tr>
<td></td>
<td><strong>2009 Base Revenue Amount (Eff. 1/4/09)</strong></td>
<td><strong>1,274,773</strong></td>
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<tr>
<td></td>
<td>Diablo Canyon Unit 1 Steam Generator Replacement</td>
<td>56,168</td>
</tr>
<tr>
<td></td>
<td><strong>2009 Base Revenue Amount (Eff. 3/31/09)</strong></td>
<td><strong>1,330,941</strong></td>
</tr>
<tr>
<td></td>
<td>Reverse Diablo Canyon Refueling</td>
<td>(35,000)</td>
</tr>
<tr>
<td></td>
<td>2010 Attrition Adjustment</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>Diablo Canyon Unit 2 Steam Generator Replacement</td>
<td>Reverse 2009 Revenue Requirement (69,445)</td>
</tr>
<tr>
<td></td>
<td>Add 2010 Revenue Requirement</td>
<td>67,950</td>
</tr>
<tr>
<td></td>
<td>Diablo Canyon Unit 1 Steam Generator Replacement</td>
<td>Reverse 2009 Revenue Requirement (56,168)</td>
</tr>
<tr>
<td></td>
<td>Add 2010 Revenue Requirement</td>
<td>62,253</td>
</tr>
<tr>
<td></td>
<td>2010 Cost of Capital</td>
<td>0</td>
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<td></td>
<td><strong>2009 Base Revenue Amount (Eff. 1/1/10)</strong></td>
<td><strong>1,340,531</strong></td>
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</table>
**Company name/CPUC Utility No.** **Pacific Gas and Electric Company (ID U39 M)**

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Olivia M. Brown</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ ELC</td>
<td>Phone #: 415.973.9312</td>
</tr>
<tr>
<td>☑ GAS</td>
<td>E-mail: <a href="mailto:oxb4@pge.com">oxb4@pge.com</a></td>
</tr>
<tr>
<td>☐ PLC</td>
<td></td>
</tr>
<tr>
<td>☐ HEAT</td>
<td></td>
</tr>
<tr>
<td>☐ WATER</td>
<td></td>
</tr>
</tbody>
</table>

**EXPLANATION OF UTILITY TYPE**

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

<table>
<thead>
<tr>
<th>Advice Letter (AL) #: 3536-E</th>
<th>Tier: 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subject of AL: Diablo Canyon Steam Generator Replacement (Utility Generation Balancing Account Revenue Requirement)</td>
<td></td>
</tr>
<tr>
<td>Keywords (choose from CPUC listing): Compliance</td>
<td></td>
</tr>
<tr>
<td>AL filing type: ☑ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ☐ Other _____________________________</td>
<td></td>
</tr>
<tr>
<td>If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.05-11-026</td>
<td></td>
</tr>
<tr>
<td>Does AL replace a withdrawn or rejected AL? No</td>
<td></td>
</tr>
<tr>
<td>Summarize differences between the AL and the prior withdrawn or rejected AL: N/A</td>
<td></td>
</tr>
<tr>
<td>Is AL requesting confidential treatment? No</td>
<td></td>
</tr>
<tr>
<td>Confidential information will be made available to those who have executed a nondisclosure agreement: N/A</td>
<td></td>
</tr>
<tr>
<td>Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: N/A</td>
<td></td>
</tr>
</tbody>
</table>

Resolution Required? ☑ Yes ☐ No

Requested effective date: January 1, 2010  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). N/A

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**
**jnj@cpuc.ca.gov and 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**
Alcantar & Kahl
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
Barkovich & Yap, Inc.
Bartle Wells 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
Chamberlain, Eric
Chevron Company
Chris, King
City of Glendale
City of Palo Alto
Clean Energy Fuels
Coast Economic Consulting
Commerce Energy
Commercial 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
Dutcher, John
Ellison Schneider & Harris LLP
FPL Energy Project Management, Inc.
Foster Farms
G. A. Krause & Assoc.
GLJ Publications
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Hitachi
International Power Technology
Intestate Gas Services, 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
Merced Irrigation District
Mirant
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
New United Motor Mfg., Inc.
Norris & Wong Associates
North Coast Solar Resources
Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recon Research
SCD Energy Solutions
SCE
SMUD
SPURR
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Sunshine Design
Sutherland, Asbill & Brennan
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 Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
eMeter Corporation