

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 19, 2010

Advice Letter 3094-G/3618-E

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Subject: California Air Resources Board, Assembly Bill (AB) 32 Cost of Implementation Fee

Dear Ms. Yura:

Advice Letter 3094-G/3618-E is denied per Resolution G-3447.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division

February 12, 2010

Advice 3094-G/3618-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: California Air Resources Board, Assembly Bill 32 Cost of Implementation Fee

Pacific Gas and Electric Company (PG&E) hereby submits this Tier 2 advice filing and revisions to its gas and electric tariffs. The affected tariff sheets are listed on the enclosed Attachment 1.

Purpose

Pacific Gas and Electric Company (PG&E) hereby requests that the California Public Utilities Commission (Commission or CPUC) approve the cost recovery of the California Air Resources Board's (ARB) Assembly Bill (AB) 32 Cost of Implementation Fee from PG&E's end-use gas transportation and bundled electric generation customers.

Background

On September 27, 2006, Governor Schwarzenegger signed AB 32, "the California Global Warming Solutions Act of 2006." Among other provisions, AB 32 authorizes the ARB to adopt a schedule of fees to be paid by all sources of greenhouse gas (GHG) emissions to fund the administrative costs of implementing AB 32.

On September 25, 2009, the ARB Board adopted the AB 32 Cost of Implementation Fee regulation.¹ As specified in Section 95201, these administration fees shall apply to various entities, including the following:

- All public utility gas corporations operating in California. Fees shall be paid for each therm of natural gas delivered to any end user in California, excluding that delivered to electricity generating facilities.

¹ ARB will notice 15 day changes to the regulation, then submit the final regulatory package to the Office of Administrative Law (OAL). The regulation becomes effective once approved by OAL.

- Any owner or operator of an electricity generating facility in California that delivers electricity to the California transmission and distribution system or any electricity importer that is the purchasing or selling entity that delivers electricity at its first point of delivery in California. Fees shall be paid for each megawatt-hour of net power generated by combustion of natural gas, coal, or other fossil fuels except California diesel at an electricity generating facility in California, and reported pursuant to Section 95111 (a)(1)(A) or 95111(a)(2)(A) of the Mandatory Reporting Regulation. Fees shall also be paid for each megawatt-hour of imported electricity reported pursuant to Sections 95111(b)(2)(B and C) and 95111 (b)(3)(N) of the Mandatory Reporting Regulation if the electricity is from either unspecified sources or specified sources that combust natural gas, coal or other fossil fuels.
 - Under this regulation, no administration fee shall be paid for any megawatt-hour generated (1) at any electricity generating facility that has a nameplate generating capacity of less than one megawatt, or that emits less than 2,500 metric tons of CO₂ from electricity generating activities during the reporting year or (2) at a cogeneration facility.

Through this advice letter, PG&E requests the authority to recover these ARB implementation fees through its gas and electric rates, as described below.

The ARB determined that it would collect the cost of implementation fee using an upstream point of regulation approach to address emissions from natural gas (excluding those related to electricity generating facilities) and transportation fuels. The ARB also determined that this “upstream” approach would be the most administratively efficient method to collect the implementation fee, under the assumption that upstream entities would be able to pass along the implementation fee cost downstream to the actual sources of GHG emissions.

Implementation

Article 3, Section 95203 of the AB 32 Cost of Implementation Fee regulation describes how the ARB implementation fees shall be calculated. The implementation fee applicable to natural gas consumption and electricity generation will be based on an emissions factor related to the source of CO₂ emissions multiplied by the common carbon cost. The common carbon cost represents the annual cost per metric ton of CO₂ emissions, which is derived by dividing the total required revenue to recover the costs of implementation of AB 32 program expenditures, as approved in the California Budget Act for that fiscal year, by the statewide quantity of emissions from all GHG emission sources.²

The ARB mandates that all emissions information be submitted by using the California Air Resources Board’s Greenhouse Gas Reporting Tool. Reports from

² Ibid, Section 95203.

each affected entity for 2008 must be submitted to the ARB by either March 1, 2010, or 30 days after the operative date of the regulation, whichever is later. Beginning with 2009 data, each affected entity shall report its emissions data by June of the following calendar year. For natural gas reporting, PG&E must annually report the aggregate quantity of natural gas therms delivered at the meter to end users, excluding natural gas delivered to electricity generating facilities. For electricity generating reporting, PG&E must annually report first deliveries of electricity, whether from electricity generating facilities or from electricity imports, according to the Mandatory Reporting Regulation.³

Within 30 days after the Governor signs the State Budget, the ARB will provide each affected entity with a implementation fee determination notice (i.e., invoice). All entities must remit the invoice amount within 60 days or be subject to late fees.⁴

These ARB AB 32 implementation fee provisions will remain in effect, unless or until the AB 32 Cost of Implementation Fee regulations are modified.

Cost Recovery Mechanism

PG&E proposes to recover the annual ARB AB 32 implementation fee determination through its existing natural gas and electricity rate structures. The ARB AB 32 Cost of Implementation fee for natural gas costs, excluding wholesale electric customers that will pay the fee directly as described in Section 95201 of the regulation, will be collected from core and non-core customers through PG&E's gas rates and recovered in the Core Fixed Cost Account (CFCA) and the Noncore Customer Class Charge Account (NCA). The ARB AB32 Cost of Implementation fee for electricity generating facility costs will be collected from bundled electric customers through PG&E's electric generation rate and recovered in the Energy Resource Recovery Account (ERRA).

Preliminary Statement Modifications

PG&E proposes to modify its Gas Preliminary Statement Part F, *Core Fixed Cost Account*, Section 6, in order to recover the ARB administration fee from core customers. The proposed modifications are in italics:

The "Core Cost Subaccount" recovers non-distribution-related costs, *including the California Air Resources Board AB32 Implementation Fee*, adopted by the Commission in various proceedings that are allocated to core transportation customers.

11) A credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB32 Implementation Fee.

³ Ibid, Section 95204.

⁴ Ibid, Section 95205.

Similarly, PG&E proposes to modify its Gas Preliminary Statement Part J, *Noncore Customer Class Charge Account*, Section 6, in order to recover the ARB administration fee from noncore customers. The proposed modifications are in italics:

The "Noncore Subaccount" recovers costs, *including the California Air Resources Board AB32 Implementation Fee*, and balances allocated on an equal cents per therm basis to all noncore customers.

9) A credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB32 Implementation Fee.

Additionally, PG&E proposes to modify its Electric Preliminary Statement Part CP, *Energy Resource Recovery Account*, Sections 1 and 5, in order to recover the ARB administration fee from electric generation customers. The following modifications are in italics:

Section 1:

1. PURPOSE: The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), revenues or costs related to congestion revenue rights (CRRs), Independent Evaluator (IE) costs related to Requests for Offers (RFOs), the technical assistance costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Long-Term Procurement Plan (LTPP) program, fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), all expenditures related to PG&E's wave energy project (WaveConnect), *the California Air Resources Board AB32 Implementation Fee*, bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA.

Section 5:

ac) A credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB32 Implementation Fee.

The proposed Gas and Electric Preliminary Statement revisions are included in Attachment 1.

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 **March 4, 2010**, 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: anj@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 Tier 2 advice filing be approved effective **March 15, 2010**, which is 31 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 to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

Brian Cherry

Vice President, Regulatory Relations

Attachments

cc: Service List A.09-09-013 and A.09-05-026

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: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@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) #: 3094-G/3618-E

Tier: 2

Subject of AL: California Air Resources Board, Assembly Bill (AB) 32 Cost of Implementation Fee

Keywords (choose from CPUC listing): Text changes, Preliminary Statement

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: N/A

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: N/A

Resolution Required? Yes No

Requested effective date: March 15, 2010

No. of tariff sheets: 11

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: Electric Preliminary Statement Part CP and Gas Preliminary Statements Parts F and J

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

**ATTACHMENT 1
Advice 3094-G**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
28055-G	GAS PRELIMINARY STATEMENT PART F CORE FIXED COST ACCOUNT Sheet 1	27763-G
28066-G	GAS PRELIMINARY STATEMENT PART F CORE FIXED COST ACCOUNT Sheet 3	27764-G
28067-G	GAS PRELIMINARY STATEMENT PART F CORE FIXED COST ACCOUNT Sheet 4	
28056-G	GAS PRELIMINARY STATEMENT PART J NONCORE CUSTOMER CLASS CHARGE ACCOUNT Sheet 1	23709-G
28068-G	GAS PRELIMINARY STATEMENT PART J NONCORE CUSTOMER CLASS CHARGE ACCOUNT Sheet 2	25108-G
28057-G	GAS TABLE OF CONTENTS Sheet 1	28050-G
28058-G	GAS TABLE OF CONTENTS Sheet 4	28045-G



GAS PRELIMINARY STATEMENT PART F
CORE FIXED COST ACCOUNT

Sheet 1

F. CORE FIXED COST ACCOUNT (CFCA)

1. **PURPOSE:** The purpose of the CFCA is to record the authorized GRC distribution base revenue amounts (with credits and adjustments), certain other core transportation costs, and transportation revenue from core customers. Any under- or overcollection in this account will be incorporated into core transportation rates in the next Annual Gas True-up of Balancing Accounts.

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C or in Rule 1. Refer to Section C.3 for the cost allocation factors used to determine the core portion of certain costs.

2. **APPLICABILITY:** The CFCA applies to all core transportation rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.
3. **REVISION DATE:** Disposition of the balance in this account shall be determined in the Annual Gas True-up of Balancing Accounts advice filing, or as otherwise authorized by the Commission.
4. **FORECAST PERIOD:** The forecast test period will be as specified in the current Cost Allocation Proceeding.
5. **RATES:** CFCA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
6. **ACCOUNTING PROCEDURE:** The CFCA consists of the following subaccounts:

The "Distribution Cost Subaccount" recovers the distribution base revenue requirement adopted in PG&E's General Rate Case (GRC), including Annual Attrition Adjustments and the Cost of Capital Proceedings, that are allocated to core transportation customers based on the distribution base revenue allocation adopted in the Cost Allocation Proceeding.

The "Core Cost Subaccount" recovers non-distribution-related costs, including the California Air Resources Board AB32 Implementation Fee, adopted by the Commission in various proceedings that are allocated to core transportation customers. (T)
 (T)

The "Winter Gas Savings Program Transportation Subaccount" recovers transportation-related program costs, including credits to customers and approved marketing, outreach, and implementation costs, from core transportation customers. The Winter Gas Savings Program (WGSP) is designed to encourage conservation as detailed in Schedule G-WGSP – *Winter Gas Savings Program*.

(Continued)



GAS PRELIMINARY STATEMENT PART F
CORE FIXED COST ACCOUNT

Sheet 3

6. ACCOUNTING PROCEDURE: (Cont'd.)

b. Core Cost Subaccount (Cont'd.)

- 4) a debit entry equal to one-twelfth of the core portion of the authorized local transmission revenue requirement, excluding the allowance for F&U;
- 5) a debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to this subaccount for recovery in rates, upon approval by the CPUC;
- 6) an entry equal to 70.03 percent of the local transmission revenue shortfall or over-recovery resulting from a change in customers qualifying for backbone-level end-use service, and associated throughput reduction or increase, as applicable;
- 7) a debit or credit entry equal to any amounts authorized by the CPUC to be recorded in this subaccount;
- 8) a debit entry equal to one-twelfth of the core portion of the current year Self Generation Incentive Program (SGIP) revenue requirement authorized by the CPUC;
- 9) an entry equal to the core portion of the gain or loss on the sale of a gas transmission non-depreciable asset, as approved by the Commission;
- 10) a debit entry equal to the core gas portion of incremental administrative costs and amounts written off as uncollectible associated with the payment deferral plan for qualifying citrus and other agricultural growers pursuant to Resolution E-4065; (T)
- 11) a credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB 32 Implementation Fee; and (N)
(N)
- 12) an entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.b.1 through F.6.b.11 above, are made, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release. H.15, or its successor. (T)

c. Winter Gas Savings Program Transportation Subaccount

The following entries will be made to this subaccount each month or as applicable:

- 1) a debit entry to record the transportation portion of WGSP credits;
- 2) a debit entry, as appropriate, to record the transportation portion of the actual WGSP marketing, outreach, and implementation costs up to the amount authorized by the CPUC;
- 3) a credit entry equal to the revenue from the WGSP – Transportation rate component, excluding the allowance for F&U; (L)

(Continued)



GAS PRELIMINARY STATEMENT PART F
CORE FIXED COST ACCOUNT

Sheet 4

- 6. ACCOUNTING PROCEDURE: (Cont'd.) (L)

 - c. Winter Gas Savings Program Transportation Subaccount

 - 4) a debit or credit entry equal to any other amounts authorized by the CPUC to be recorded in this subaccount; and
 - 5) an entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.c.1 through F.6.c.4 are made, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (L)



GAS PRELIMINARY STATEMENT PART J
NONCORE CUSTOMER CLASS CHARGE ACCOUNT

Sheet 1

J. NONCORE CUSTOMER CLASS CHARGE ACCOUNT (NCA)

1. PURPOSE: The purpose of the NCA is to record certain noncore costs and revenues from noncore customers. The balance in this account will be incorporated into noncore transportation rates in the next Annual Gas True-up of Balancing Accounts, or as otherwise authorized by the Commission.

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C or in Rule 1.

2. APPLICABILITY: The NCA balance applies to noncore transportation rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.
3. REVISION: Disposition of the balance in this account shall be determined in the Annual Gas True-up of Balancing Accounts advice filing, or as otherwise authorized by the Commission.
4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.
5. RATES: NCA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
6. ACCOUNTING PROCEDURE: The NCA consists of the following subaccounts:

The "Noncore Subaccount" recovers costs, including the California Air Resources Board AB32 Implementation Fee, and balances allocated on an equal cents per therm basis to all noncore customers. (T)
 (T)

The "Interim Relief and Distribution Subaccount" recovers the noncore distribution portion of the interim gas revenue requirement increase adopted in GRC Decision 04-05-055 and other costs and balances approved by the Commission. The balance in this subaccount will be allocated to noncore classes in proportion to their allocation of distribution base revenue as adopted in Cost Allocation Proceedings.

(Continued)



GAS PRELIMINARY STATEMENT PART J
NONCORE CUSTOMER CLASS CHARGE ACCOUNT

Sheet 2

J. NONCORE CUSTOMER CLASS CHARGE ACCOUNT (NCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

a. Noncore Subaccount

The following entries will be made to this subaccount each month, or as applicable:

- 1) a debit entry equal to one-twelfth of the noncore portion of the procurement-related G-10 employee discount allocation shown on Preliminary Statement Part C.2;
- 2) a debit entry equal to the noncore portion of intervenor compensation and any other expense adopted by the CPUC as a cost to be included in this subaccount;
- 3) a credit entry equal to the NCA-Noncore revenue, excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U);
- 4) an debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to this subaccount for recovery in rates, upon approval by the CPUC;
- 5) an entry equal to 29.97 percent of the local transmission revenue shortfall or over-recovery resulting from a change in customers qualifying for backbone-level end-use service, and associated throughput reduction or increase, as applicable;
- 6) a debit entry equal to one-twelfth of the noncore portion of the current year Self Generation Incentive Program (SGIP) revenue requirement authorized by the CPUC;
- 7) an entry equal to the noncore portion of the gain or loss on the sale of a gas transmission non-depreciable asset, as approved by the Commission;
- 8) a debit entry equal to the noncore gas portion of incremental administrative costs and amounts written off as uncollectible associated with the payment deferral plan for qualifying citrus and other agricultural growers pursuant to Resolution E-4065; (T)
- 9) a credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB 32 Implementation Fee; and (N)
(N)
- 10) an entry equal to interest on the average of the balance in the subaccount at the beginning of the month and the balance after entries from J.6.a.1 through J.6.a.9 above, are made, 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. (T)

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Advice Letter No: 3094-G
 Decision No.

Issued by
Brian K. Cherry
 Vice President
 Regulatory Relations

Date Filed February 12, 2010
 Effective _____
 Resolution No. _____



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**ATTACHMENT 1
Advice 3618-E**

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

Title of Sheet

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

28940-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 1	28044-E
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ELECTRIC PRELIMINARY STATEMENT PART CP
ENERGY RESOURCE RECOVERY ACCOUNT

Sheet 1

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. **PURPOSE:** The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), revenues or costs related to congestion revenue rights (CRRs), Independent Evaluator (IE) costs related to Requests for Offers (RFOs), the technical assistance costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Long-Term Procurement Plan (LTPP) program, fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), all expenditures related to PG&E's wave energy project (WaveConnect), the California Air Resources Board AB32 Implementation Fee, bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues and the ERRA revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA. (T)

California Public Utilities Code § 454.5(d)(3) mandates a trigger mechanism to ensure that an undercollection or overcollection in the ERRA does not exceed 5 percent of a utility's recorded generation revenues for the prior year excluding revenues collected for the DWR.

Pursuant to Decision 02-12-074, Conclusion of Law 23 and Ordering Paragraph (OP) 15, PG&E is authorized to file an expedited trigger application at any time that its forecast indicates the undercollection in the ERRA will be in excess of the 5 percent threshold or 5 percent of the prior calendar year generation revenues less revenues collected for DWR during that year.

Pursuant to Decision 04-01-050, the ERRA trigger mechanism for 2004 and subsequent years would be established annually through an Advice Letter on or before April of each year.

Decision 04-12-048 extended the ERRA Trigger to be in effect during the term of the long-term procurement contracts, or 10 years, whichever is longer.

2. **APPLICABILITY:** The ERRA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATES:** Pursuant to Decision 04-01-050, the revision dates applicable to the ERRA shall be (i) June 1 of each year for the forecast filing; (ii) February of each year for the compliance review filing; (iii) as determined in Section 1 above in the case of an ERRA Trigger Application; and (iv) through the advice letter process.

Decision 04-01-050 modified ERRA revision dates for 2004 and beyond specifically that (i) forecast filing date is June 1 of each year; (ii) the reasonableness review in February 2005; and (iii) the ERRA trigger for 2004 and subsequent years would be established annually through an Advice Letter on or before April 1 of each year.

(Continued)



ELECTRIC PRELIMINARY STATEMENT PART CP
ENERGY RESOURCE RECOVERY ACCOUNT

Sheet 4

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- x) A debit entry equal to incentive payments related to authorized bilateral demand response agreements;
- y) A monthly entry equal to the interest on the monthly nuclear fuel inventory at the beginning of the month and one-half the balance of the current month's activity, multiplied at a rate equal to one-twelfth of the rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor;
- z) A credit or debit entry equal to the revenues or costs related to CRRs;
- aa) A debit entry equal to the incremental IE costs through 2010 related to RFOs seeking terms of less than five years. After 2010, a debit entry equal to all IE costs related to all RFOs;
- ab) A debit entry equal to actual wave energy project (WaveConnect) expenditures.
- ac) A credit or debit entry equal to the revenues or costs related to the California Air Resources Board AB32 Implementation Fee; and (T)
(T)
- ad) A debit entry equal to the year-end balance transferred from the Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA). (T)



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Sheet 1

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PRELIMINARY STATEMENT

Sheet 7

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
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Part CK	Distribution Bypass Deferral Rate Memorandum Account	20619-E
Part CL	Distributed Energy Resources Memorandum Account.....	19042-E
Part CM	Bond Charge Balancing Account (BCBA)	20245,19556-E
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Part CQ	Modified Transition Cost Balancing Account.....	25896,26415-E
Part CR	Common Area Balancing Account	19768,19769-E
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Part CU	Customer Credit Card Holding Account	21533-E
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(Continued)

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Day Carter Murphy	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Defense Energy Support Center	OnGrid Solar
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Arizona Public Service Company	Dept of General Services	RCS, Inc.
BART	Division of Business Advisory Services	Recon Research
BP Energy Company	Douglass & Liddell	SCD Energy Solutions
Barkovich & Yap, Inc.	Downey & Brand	SCE
Bartle Wells Associates	Duke Energy	SMUD
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C & H Sugar Co.	Economic Sciences Corporation	Santa Fe Jets
CA Bldg Industry Association	Ellison Schneider & Harris LLP	Seattle City Light
CAISO	FPL Energy Project Management, Inc.	Sempra Utilities
CLECA Law Office	Foster Farms	Sierra Pacific Power Company
CSC Energy Services	G. A. Krause & Assoc.	Silicon Valley Power
California Cotton Ginners & Growers Assn	GLJ Publications	Silo Energy LLC
California Energy Commission	Goodin, MacBride, Squeri, Schlotz & Ritchie	Southern California Edison Company
California League of Food Processors	Green Power Institute	Sunshine Design
California Public Utilities Commission	Hanna & Morton	Sutherland, Asbill & Brennan
Calpine	International Power Technology	Tabors Caramanis & Associates
Cameron McKenna	Intestate Gas Services, Inc.	Tecogen, Inc.
Casner, Steve	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
Chamberlain, Eric	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
Chevron Company	MBMC, Inc.	TransCanada
Chris, King	MRW & Associates	Turlock Irrigation District
City of Glendale	Manatt Phelps Phillips	U S Borax, Inc.
City of Palo Alto	McKenzie & Associates	United Cogen
Clean Energy Fuels	Merced Irrigation District	Utility Cost Management
Coast Economic Consulting	Mirant	Utility Specialists
Commerce Energy	Modesto Irrigation District	Verizon
Commercial Energy	Morgan Stanley	Wellhead Electric Company
Consumer Federation of California	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
Crossborder Energy	New United Motor Mfg., Inc.	eMeter Corporation
Davis Wright Tremaine LLP	Norris & Wong Associates	
	North Coast SolarResources	