July 19, 2010

Advice Letter 3683-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: Revision of First-Year Revenue Requirement of Colusa Power Plant

Dear Ms. Yura:

Advice Letter 3683-E is effective July 9, 2010.

Sincerely,

Julie A. Fitch, Director  
Energy Division
June 9, 2010

Advice 3683-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Revision of First-Year Revenue Requirement of Colusa Power Plant

Pacific Gas and Electric Company (“PG&E”) hereby submits a revised first-year revenue requirement for the Colusa Generating Station (“Colusa”) to be booked into PG&E’s Utility Generation Balancing Account (“UGBA”) when Colusa achieves commercial operation.

Background

This filing is made in accordance with California Public Utilities Commission (“CPUC” or “Commission”) Decision (“D.”) D.08-02-019 and D.06-11-048, the two decisions by which the Commission granted PG&E a certificate of public convenience and necessity and authorized PG&E to recover the cost of procuring, owning, and operating Colusa. The revised first-year revenue requirement will be in effect until the effective date of rates authorized by a Commission decision in PG&E’s 2011 General Rate Case (“GRC”), whereupon booking of the first year revenue requirement into UGBA will cease and Colusa’s revenue requirement will be collected in general rates.¹

The CPUC decisions authorized PG&E to undertake the Colusa project subject to a cost cap. The revised first year revenue requirement is based on a capital cost that does not exceed the adopted cost cap and is, therefore, submitted for approval as a Tier 2 advice letter pursuant to General Order (“G.O.”) 96-B, Energy Industry Rule 5.2.

Purpose

Colusa’s capital costs are capped at $684.4 million, including incentives.² The revised first-year revenue requirement is based on a capital cost of $672.8 million, without incentives. PG&E will adjust the initial capital cost by advice letter filing to reflect any performance incentive actually paid, consistent with the authority granted in D.06-11-048.³

¹ D.06-11-048, Ordering Paragraph (“OP”) 15.
² D.08-02-019, Conclusion of Law (“COL”) 2.
³ D.08-02-019, COL 4.
Discussion

Calculation of the revised first-year revenue requirement is accomplished in two steps: First, the revised revenue requirement proposed by PG&E in Application ("A.") 06-04-012 is adjusted to conform with the findings of D.06-11-048. Second, components of the adjusted revenue requirement are updated to reflect changes since the issuance of D.06-11-048.4

Attachment 1 displays the elements of PG&E’s revenue requirement and indicates how the first-year revenue requirement is derived through Commission-ordered adjustments. Column 1 shows the costs proposed in PG&E’s application. Column 2 shows costs approved by D.06-11-048. Column 3 represents Colusa’s first-year revenue requirement, which consists of the approved revenue requirement updated for the commercial operation date, changes in property taxes, and uncollectible and franchise fee factors. The adjustments to revenue requirements are identified in the note at the bottom of Attachment 1.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile, or electronically, any of which must be received no later than June 29, 2010, which is twenty (20) days from the date of this filing. Protests should be mailed to:

CPUC Energy Division  
Attention: Tariff Unit, 4th Floor  
505 Van Ness Avenue  
San Francisco, CA  94102

Facsimile: (415) 703-2200  
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005, 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:

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4 Technically, PG&E’s first-year revenue requirement will also include Operations and Maintenance (“O&M”) contingency amounts that will be booked in the authorized “Operations and Maintenance Contingency Balancing Account” (“OMCBA”) for later recovery pursuant to D.06-11-048, OP 11. The OMCBA will be established pursuant to PG&E’s concurrently-filed Advice Letter 3685-E.
Effective Date

PG&E submits this advice letter as a Tier 2 filing, to become effective on July 9, 2010, which is thirty (30) days after the date of filing.

Notice:

In accordance with G.O. 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 and the service list for A.06-04-012. Address changes to the G.O. 96-B service list should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission’s Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approval letters to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs.

Vice President - Regulation and Rates

Attachments

cc: Service List A.06-04-012
**Company name/CPUC Utility No.** Pacific Gas and Electric Company (ID U39 M)

<table>
<thead>
<tr>
<th>Utility type:</th>
<th>Contact Person: Linda Tom-Martinez</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ ELC</td>
<td>☑ GAS</td>
</tr>
<tr>
<td>☐ PLC</td>
<td>☐ HEAT    ☐ WATER</td>
</tr>
<tr>
<td>Phone #: (415) 973-4612</td>
<td>E-mail: <a href="mailto:lmt1@pge.com">lmt1@pge.com</a></td>
</tr>
</tbody>
</table>

**EXPLANATION OF UTILITY TYPE**

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

**Advice Letter (AL) #: 3683-E**  Tier: 2

**Subject** of AL: Revision of First-Year Revenue Requirement of Colusa Power Plant

**Keywords** (choose from CPUC listing): Balancing Account, Compliance

**AL filing type:** ☑ Monthly ☐ Quarterly ☐ Annual ☐ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.06-11-048 and D.08-02-019

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:

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 9, 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).

Tariff schedules affected: N/A

Service affected and changes proposed: N/A

Pending advice letters that revise the same tariff sheets: 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  Pacific Gas and Electric Company
Tariff Files, Room 4005  Attn: Jane K. Yura
DMS Branch  Vice President, Regulation and Rates
505 Van Ness Ave.,  77 Beale Street, Mail Code B10B
San Francisco, CA 94102  P.O. Box 770000
jnj@cpuc.ca.gov and mas@cpuc.ca.gov  San Francisco, CA 94177
E-mail: PGETariffs@pge.com
## Components Of Initial Revenue Requirement

**Advice Filing**

(Thousands of Nominal Dollars)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Description</th>
<th>First Year Application 06-04-012</th>
<th>First Year Decision 06-11-048 (2) (a)</th>
<th>First Year Advice Letter 3683-E (3) (b)</th>
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<tbody>
<tr>
<td>1</td>
<td>Operating Revenue</td>
<td>130,698</td>
<td>126,397</td>
<td>126,560</td>
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<td></td>
<td><strong>Operating Expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Operations and Maintenance</td>
<td>18,469</td>
<td>16,143</td>
<td>16,448</td>
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<tr>
<td></td>
<td>Administrative and General</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>3</td>
<td>Employee Benefits</td>
<td>630</td>
<td>630</td>
<td>642</td>
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<td>4</td>
<td>Insurance</td>
<td>986</td>
<td>969</td>
<td>969</td>
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<td>5</td>
<td>Subtotal</td>
<td>1,616</td>
<td>1,599</td>
<td>1,611</td>
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<td>6</td>
<td>Uncollectibles</td>
<td>261</td>
<td>253</td>
<td>327</td>
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<td>7</td>
<td>Franchise Requirements</td>
<td>983</td>
<td>951</td>
<td>956</td>
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<tr>
<td>8</td>
<td>Subtotal Operating Expenses</td>
<td>21,329</td>
<td>18,946</td>
<td>19,342</td>
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<tr>
<td></td>
<td><strong>Taxes</strong></td>
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<tr>
<td>9</td>
<td>Property</td>
<td>2,485</td>
<td>2,443</td>
<td>3,271</td>
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<td>10</td>
<td>Payroll</td>
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<td>180</td>
<td>183</td>
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<td>11</td>
<td>State Corporation Franchise</td>
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<td>Federal Income</td>
<td>22,037</td>
<td>21,660</td>
<td>21,600</td>
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<td>Subtotal Taxes</td>
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<td>27,141</td>
<td>27,150</td>
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<td>14</td>
<td>Depreciation</td>
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<td>15</td>
<td>Decommissioning Accrual</td>
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<td>826</td>
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<tr>
<td>16</td>
<td>Total Operating Expenses</td>
<td>72,457</td>
<td>69,173</td>
<td>69,578</td>
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<tr>
<td>17</td>
<td>Net For Return</td>
<td>58,241</td>
<td>57,224</td>
<td>56,982</td>
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<tr>
<td>18</td>
<td>Weighted Average Rate Base</td>
<td>662,689</td>
<td>651,116</td>
<td>648,365</td>
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<td></td>
<td><strong>Rate of Return</strong></td>
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<tr>
<td>19</td>
<td>On Rate Base</td>
<td>8.79%</td>
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<td>8.79%</td>
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<tr>
<td>20</td>
<td>On Equity</td>
<td>11.35%</td>
<td>11.35%</td>
<td>11.35%</td>
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<tr>
<td>21</td>
<td>Total Capital Cost</td>
<td>684,428</td>
<td>672,828</td>
<td>672,828</td>
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<td>22</td>
<td>Commercial Operative Date</td>
<td>Sep-10</td>
<td>Sep-10</td>
<td>Nov-10</td>
</tr>
</tbody>
</table>

(a) Adjustments to Revenue Requirement per Decision 06-11-048

1. The removal of Incentive payments from capital costs.
2. The removal of O&M contingency from the Revenue Requirements calculation.
3. The change in O&M payroll Tax rate from 9.8% to 7.84%.

(b) Adjustments to Revenue Requirement per Decision 06-11-048

1. The updated Uncollectible and Franchise Fees and Property Tax rates.
2. Update of the O&M costs based on the current estimated date of operation November 2010.
Alcantar & Kahl
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
Barkovich & Yap, Inc.
Bartle Wells Associates
Bloomberg New Energy Finance
Boston Properties
Brookfield Renewable Power
C & H Sugar Co.
CA Bldg Industry Association
CAISO
CLECA Law Office
CSC Energy Services
California Cotton Giners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cameron McKenna
Cardinal Cogen
Casper, Steve
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
Douglass & Liddell
Downey & Brand
Dutcher, John
Economic Sciences Corporation
Ellison Schneider & Harris LLP
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
MAC Lighting Consulting
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
McKenzie & Associates
Merced Irrigation District
Mirant
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NRG West
New United Motor Mfg., Inc.
Noirs & Wong Associates
North Coast SolarResources
Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recon Research
Recurrent Energy
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