November 3, 2011

Brian K. Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177


Dear Mr. Cherry:

Advice Letter 3920-E is effective on the following dates, as requested in the advice letter:

Fuel Cell Project - 8/17/11
PV Program - 8/31/11
Incremental Income Taxes Associated with Accelerated Amortization of Retired Meters - 1/1/12

Sincerely,

Edward F. Randolph
Edward F. Randolph, Director
Energy Division
October 5, 2011

Advice 3920-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California


Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its electric distribution and electric generation revenue requirements.

Purpose

PG&E proposes to include the revenue requirements for the Fuel Cell Project and Photovoltaic Program (PV) in the Utility Generation Balancing Account (UGBA) base amount effective August 17, 2011 and August 31, 2011, respectively. PG&E also proposes to include the revenue requirements for the incremental income taxes associated with the accelerated amortization of electromechanical meters replaced by SmartMeter™ devices (Retired Meters) in the Distribution Revenue Balancing Account (DRAM) effective January 1, 2011. This filing is submitted in compliance with Decision (D.) 10-04-028, D. 10-04-052 and D. 11-05-018.

Background

Fuel Cell

On April 8, 2010, the California Public Utilities Commission (CPUC or Commission) issued D. 10-04-028, which approved, with modifications, PG&E’s Fuel Cell Project proposed in Application (A.) 09-04-018. Pursuant to Ordering Paragraphs (OP) 1 and 3 of the decision:
“The application of Pacific Gas and Electric Company for approval of its Fuel Cell Project, is approved as modified to reduce capital costs to $20.3 million and reduce non-fuel operations and maintenance costs from $5.79 million to $4.71 million to remove any contingency and to exclude costs for education and outreach labor.”

“Pacific Gas and Electric Company may accrue the initial revenue requirement, as adjusted in this decision based on capital costs and operations and maintenance cost reductions, in its Utility Generation Balancing Account on the commercial operation date of the Fuel Cell Project.”

In compliance with D. 10-04-028, PG&E is recording the authorized revenue requirement in the UGBA as of the date of commercial operation, which was August 17, 2011. The Fuel Cell Project initial annual revenue requirement is $5.7 million. This revenue requirement will remain in effect until superseded by the rates that will be established in a general rate case (GRC) following commercial operation of the facility. PG&E anticipates including these costs in its next GRC, currently expected to be filed in mid-2012 for test year 2014.¹

Attachment 1 of this filing shows the initial annual Fuel Cell project revenue requirement. Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

PV Program

On April 22, 2010, the Commission issued D. 10-04-052, which adopted PG&E’s PV Program proposed in A. 09-02-019. The decision adopts a five-year solar PV program to develop up to 500 Megawatts (MW) of solar PV facilities. The decision provides for the development of solar facilities through both utility-owned generation (UOG) and power purchase agreements. Under the UOG portion of the PV Program, PG&E is authorized to install up to 250 MWs of UOG facilities at a rate of 50 MW per year. Pursuant to OP 4 of the decision:

“Pacific Gas and Electric Company is authorized to recover up to $1.45 billion in capital costs for the Utility-owned generation portion of its Photovoltaic Program via cost-of service ratemaking as follows:

¹ For simplicity, it is assumed that all three fuel cell units were operative on August 17, 2011, which is the day the last unit was placed into commercial operation. However, actual incurred costs will be recorded to the Fuel Cell Project Memorandum Account beginning on the individual unit operative date. For units two and three, located at the San Francisco State University campus, the operative date was July 27, 2011. For unit one, the last unit placed into operation, located at the California University East Bay, Hayward campus, the operative date was August 17, 2011.
a.) Pacific Gas and Electric Company may book the authorized revenue requirement in its Utility Generation Balancing Account."

In compliance with this decision, PG&E is recording the authorized revenue requirement in the UGBA. The revenue requirement amount recorded in UGBA each month is the total amount of capacity in service for the month in Megawatt-hours (MWh) multiplied by the adopted revenue requirement per MWh.

Below PG&E provides the PV sites placed into operation in 2011 as well as the corresponding operative dates and annual revenue requirements for Years 1 through 3 of the project by site:

<table>
<thead>
<tr>
<th>PV Site</th>
<th>Operative Date</th>
<th>MWs</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westside</td>
<td>8/31/2011</td>
<td>15</td>
<td>$14.865</td>
<td>$12,435</td>
<td>$11,655</td>
</tr>
<tr>
<td>Five Points</td>
<td>9/24/2011</td>
<td>15</td>
<td>14.865</td>
<td>12,435</td>
<td>11,655</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$49.550</td>
<td>$41.450</td>
<td>$38.850</td>
</tr>
</tbody>
</table>

$ Per MW $991 $829 $777

Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters

On May 5, 2011, the Commission approved, with modifications, PG&E’s 2011 GRC Settlement Agreement in A. 09-12-020. Pursuant to OP 46 of the decision:

“With respect to the amortization of retired meters replaced by SmartMeters …such additional revenue requirements shall become effective when approved, retroactive to January 1, 2011…”

As presented in Advice 3869-E, the 2011 revenue requirements for incremental income taxes associated with the accelerated amortization of retired meters is $4.850 million. The $4.850 million annual revenue requirement, calculated on a levelized basis, will be in effect from 2011 through 2016, which is the adopted six-year amortization period. Advice 3869-E was approved by the Energy Division on August 3, 2011.

Attachment 2 of this filing shows the cumulative adjustments to the base revenue requirements amounts through September 26, 2011.

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 25, 2011 which is 20 days from 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 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 Cherry  
Vice President, Regulation and Rates  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-6520  
E-mail: PGETariffs@pge.com

Effective Date

PG&E submits this advice letter as a Tier 1 filing. PG&E requests that this advice letter become effective as follows:

- Fuel Cell Project: August 17, 2011
- PV Program: August 31, 2011
- Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters: January 1, 2011

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 and the service list for the Fuel Cell Project A. 09-02-013, Photovoltaic Program
A. 09-02-019 and 2011 GRC A. 09-12-020. Address changes to the General Order 96-B service list and all electronic approvals should be directed to 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. Advice letter filings can also be accessed electronically at http://www.pge.com/tariffs/.

Vice President – Regulation and Rates

cc: Service Lists: A.09-02-013
    A.09-02-019
    A.09-12-020

Attachments
Company name/CPUC Utility No. Pacific Gas and Electric Company (ID U39 M)

Utility type: ☑ ELC ☑ GAS ☐ PLC ☐ HEAT ☐ WATER

Contact Person: Greg Backens
Phone #: 415-973-4390
E-mail: gab4@pge.com

EXPLANATION OF UTILITY TYPE

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

Advice Letter (AL) #: 3920-E Tier: 1

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.10-04-028, D.10-04-052 and D.11-05-018.

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 dates:

Fuel Cell Project: August 17, 2011
PV Program: August 31, 2011
Incremental Income Taxes Associated with the Accelerated Amortization of Retired Meters: January 1, 2011

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
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian K. Cherry, Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com
Pacific Gas And Electric Company
Fuel Cell
Components Of Initial Annual Revenue Requirement*
(thousands of nominal dollars)

<table>
<thead>
<tr>
<th>Line No.</th>
<th>Operating Revenue</th>
<th>5,677</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Operating Expense</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Operations and Maintenance</td>
<td>1,058</td>
</tr>
<tr>
<td>3</td>
<td>Administrative and General</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Employee Benefits</td>
<td>60</td>
</tr>
<tr>
<td>5</td>
<td>Insurance</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Subtotal</td>
<td>60</td>
</tr>
<tr>
<td>7</td>
<td>Uncollectibles</td>
<td>15</td>
</tr>
<tr>
<td>8</td>
<td>Franchise Requirements</td>
<td>43</td>
</tr>
<tr>
<td>9</td>
<td>Subtotal Operating expenses</td>
<td>1,175</td>
</tr>
<tr>
<td>10</td>
<td>Taxes</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Property</td>
<td>228</td>
</tr>
<tr>
<td>12</td>
<td>Payroll</td>
<td>20</td>
</tr>
<tr>
<td>13</td>
<td>State Corporation Franchise</td>
<td>254</td>
</tr>
<tr>
<td>14</td>
<td>Federal Income</td>
<td>742</td>
</tr>
<tr>
<td>15</td>
<td>Subtotal Taxes</td>
<td>1,244</td>
</tr>
<tr>
<td>16</td>
<td>Depreciation</td>
<td>2,030</td>
</tr>
<tr>
<td>17</td>
<td>Decommissioning Accrual</td>
<td>44</td>
</tr>
<tr>
<td>18</td>
<td>Total Operating Expenses</td>
<td>4,494</td>
</tr>
<tr>
<td>19</td>
<td>Net For Return</td>
<td>1,184</td>
</tr>
<tr>
<td>20</td>
<td>Weighted Average Rate Base</td>
<td>13,465</td>
</tr>
<tr>
<td>21</td>
<td>Rate of Return</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>On Rate Base</td>
<td>8.79%</td>
</tr>
<tr>
<td>23</td>
<td>On Equity</td>
<td>11.35%</td>
</tr>
</tbody>
</table>

Note: Total O&M Expense
O&M Expense(Excl Employee Benefits & Payroll Taxes) 1,058
Employee Benefits 60
Payroll Taxes 20
Total 1,137

* Year 1 = 8/11-7/12
Rolling Revenue Requirements
From 2011 GRC through 2013
in thousands

<table>
<thead>
<tr>
<th></th>
<th>Electric Distribution</th>
<th>Electric Generation</th>
<th>Gas Distribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 Adopted GRC RRQ</td>
<td>3,358,335</td>
<td>1,667,848</td>
<td>1,154,851</td>
<td>6,180,034</td>
</tr>
<tr>
<td>less: Other Operating Revenue</td>
<td>97,880</td>
<td>11,608</td>
<td>22,922</td>
<td>132,410</td>
</tr>
<tr>
<td>less: FERC jurisdictional amount</td>
<td>16,722</td>
<td>37</td>
<td></td>
<td>16,759</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 1/1/11)</strong></td>
<td><strong>3,243,733</strong></td>
<td><strong>1,656,203</strong></td>
<td><strong>1,131,429</strong></td>
<td><strong>6,031,365</strong></td>
</tr>
<tr>
<td>2011 Taxes on Retired Meters Revenue</td>
<td>4,850</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 Pension</td>
<td>70,751</td>
<td>34,754</td>
<td>35,009</td>
<td>140,514</td>
</tr>
<tr>
<td>2011 Pension Adjustment</td>
<td>(100)</td>
<td>324</td>
<td>(313)</td>
<td>(89)</td>
</tr>
<tr>
<td>2011 Cornerstone</td>
<td>12,926</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 Diablo Canyon Seismic Studies</td>
<td>2,658</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 1/1/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,693,939</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,192,224</strong></td>
</tr>
<tr>
<td>2011 Colusa Performance Incentive Payment</td>
<td>376</td>
<td></td>
<td></td>
<td>376</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 2/8/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,694,315</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,192,600</strong></td>
</tr>
<tr>
<td>2011 Fuel Cell Project - All 3 Units</td>
<td>5,677</td>
<td></td>
<td></td>
<td>5,677</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 8/17/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,699,992</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,198,277</strong></td>
</tr>
<tr>
<td>2011 Solar PV Program - 15 MWs</td>
<td>14,865</td>
<td></td>
<td></td>
<td>14,865</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 8/31/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,714,857</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,213,142</strong></td>
</tr>
<tr>
<td>2011 Solar PV Program - 15 MWs</td>
<td>14,865</td>
<td></td>
<td></td>
<td>14,865</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 9/24/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,729,722</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,228,007</strong></td>
</tr>
<tr>
<td>2011 Solar PV Program - 20 MWs</td>
<td>19,820</td>
<td></td>
<td></td>
<td>19,820</td>
</tr>
<tr>
<td><strong>2011 Base Revenue Amount (Eff. 9/26/11)</strong></td>
<td><strong>3,332,160</strong></td>
<td><strong>1,749,542</strong></td>
<td><strong>1,166,125</strong></td>
<td><strong>6,247,827</strong></td>
</tr>
</tbody>
</table>
AT&T
Alcantar & Kahl LLP
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
Barkovich & Yap, Inc.
Bartle Wells Associates
Bloomberg
Bloomberg New Energy Finance
Boston Properties
Braun Blaising McLaughlin, P.C.
Brookfield Renewable Power
CA Bldg Industry Association
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cardinal Cogen
Casner, Steve
Chris, King
City of Palo Alto
City of Palo Alto Utilities
City of San Jose
Clean Energy Fuels
Coast Economic Consulting
Commercial Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Department of Water Resources
Dept of General Services
Douglass & Lidell
Downey & Brand
Duke Energy
Economic Sciences Corporation
Ellison Schneider & Harris LLP
Foster Farms
G. A. Krause & Assoc.
GLJ Publications
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
Hitachi
In House Energy
International Power Technology
Intestate Gas Services, Inc.
Lawrence Berkeley National Lab
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
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NRG Energy, Inc.
NPower West
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast SolarResources
Northern California Power Association
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
eMeter Corporation