February 14, 2012

Advice Letters 3945-E and 3945-E-A

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

Subject: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016 and Supplemental AL

Dear Mr. Cherry:

Advice Letters 3945-E and 3945-E-A are effective January 1, 2012.

Sincerely,

Edward F. Randolph, Director
Energy Division
November 15, 2011

Advice 3945-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016

Pacific Gas and Electric Company (PG&E) hereby submits for filing proposed revisions to Schedule AG-ICE – Agricultural Internal Combustion Engine Conversion Incentive Rate. PG&E proposes to revise Schedule AG-ICE unbundled rate components to comply with the 1.5 percent annual increase to Schedule AG-ICE total average rates adopted in Decision (D.) 05-06-016. The affected tariff sheets in draft form are listed on the enclosed Attachment I.

Purpose

Conclusion of Law No. 2 of D.05-06-016 states the following:

“2. The provision in the Joint Settlement that the initial rate of $0.07539 per kWh shall escalate at a rate of 1.5% per year during the 10 years these incentive rates are in effect, is reasonable and should be approved.” (D.05-06-016, page 38.)

Accordingly, the purpose of this filing is to request Commission approval to revise the unbundled generation components of Schedule AG-ICE total rates to comply with D.05-06-016. PG&E proposes no revision to the unbundled distribution components of Schedule AG-ICE.

Schedule AG-ICE first took effect on August 1, 2005. Since that time, PG&E has used generation energy charge revisions to maintain constant total rates throughout the calendar year, and generation energy and demand charge revisions to achieve the 1.5 percent annual escalation on January 1.¹ On January

¹ Advice 2738-E and 2738-E-A were approved by the Commission to establish the 1.5 percent annual increase to total Schedule AG-ICE rates on January 1, 2006. Advice 2933-E and 2933-E-A were approved effective January 1, 2007. Advice 3155-E and 3155-E-A were approved effective January 1, 2008. Advice 3361-E and 3361-E-A were approved effective January 1, 2009. Advice 3556-E and 3556-E-A were approved effective January 1, 2010. Advice 3760-E and 3760-E-A were approved effective January 1, 2011.
1, 2012, PG&E proposes to use generation energy and demand charge revisions to achieve the Schedule AG-ICE 1.5 percent annual escalation. PG&E first used generation demand charge revisions on January 1, 2009, and proposes to again focus on increasing generation demand charges on January 1, 2012. This will gradually increase Schedule AG-ICE demand charges toward the levels in otherwise applicable agricultural rates, to help avoid demand charge sticker shock when Schedule AG-ICE expires December 31, 2015.

For dates other than January 1, PG&E will continue to exclusively use only generation energy charge revisions to maintain constant total Schedule AG-ICE rates throughout the calendar year. Consistent with current practice, PG&E will revise all Schedule AG-ICE non-generation and non-distribution component rates to match corresponding levels and mid-year rate changes on Schedule AG-5B, simultaneously revising only the Schedule AG-ICE generation energy charges to maintain constant total rates.

On January 1 of each subsequent year, PG&E wishes to preserve the flexibility to achieve the 1.5 percent annual increase through either distribution or generation demand charge or energy charge component revisions, or through some combination thereof, as appropriate after non-generation and non-distribution revisions are considered.

**Tariff Revisions**

Attachment I reflects the illustrative draft proposed January 1, 2012 revisions to Schedule AG-ICE rate components. Schedule AG-ICE non-generation and non-distribution rate components reflect those filed for Schedule AG-5B in Table 4 on September 1, 2011 in PG&E’s Annual Electric True-Up (AET) Advice 3896-E for rates effective January 1, 2012. Schedule AG-ICE distribution rate components remain at current levels, generation demand charges are set at proposed levels, and generation energy charges are revised on a residual basis as needed to achieve the mandated 1.5 percent escalation in the total annual average rate for Schedule AG-ICE.

The attached Schedule AG-ICE rate changes are not the final result, and therefore are provided in draft form. PG&E will supplement this Schedule AG-ICE advice letter to reflect the update of the AET advice letter scheduled to be filed before the end of the year. Specifically, this advice letter will be supplemented to reflect final AET Schedule AG-5B non-generation and non-distribution energy charge revisions, and to finalize the offsetting revisions to the unbundled generation demand and energy charges necessary to yield the mandated 1.5 percent Schedule AG-ICE total average rate increase.
Protests
Anyone wishing to protest this filing may do so by sending a letter by Monday December 5, 2011, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. 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 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) 973-6520
E-mail: PGETariffs@pge.com

Effective Date
PG&E requests this advice letter be approved effective January 1, 2012, in conjunction with supplemental Schedule AG-ICE Advice 3945-E-A, which PG&E will file no later than December 31, 2011, to reflect the AET supplemental advice letter.

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 A.04-11-007. Address changes to the General Order 96-B service list should be directed to email 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

Attachments

cc: Service List A.04-11-007
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>Contact Person: Greg Backens</td>
</tr>
<tr>
<td>☑ ELC ☑ GAS</td>
<td>Phone #: 415-973-4390</td>
</tr>
<tr>
<td>☐ PLC ☐ HEAT ☐ WATER</td>
<td>E-mail: <a href="mailto:gab4@pge.com">gab4@pge.com</a></td>
</tr>
</tbody>
</table>

EXPLANATION OF UTILITY TYPE

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

Advice Letter (AL) #: 3945-E
Tier: 2
Subject of AL: Schedule AG-ICE 1.5 Percent Annual Escalation in Compliance with D.05-06-016

Keywords (choose from CPUC listing): Compliance, Increase Rates

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.05-06-016

Does AL replace a withdrawn or rejected AL? No. If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? No.

If so, what information is the utility seeking confidential treatment for: N/A

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: January 1, 2012
No. of tariff sheets: N/A

Estimated system annual revenue effect (%): 1.5% increase to AG-ICE participants

Estimated system average rate effect (%): 1.5% increase to AG-ICE participants

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: Electric Schedule AG-ICE

Service affected and changes proposed: Schedule AG-ICE 1.5 Percent Annual Escalation per D.05-06-016

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
DM 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
ELECTRIC SCHEDULE AG-ICE
AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE

RATES:

Total bundled service charges are calculated using the total rates shown below.

<table>
<thead>
<tr>
<th>TOTAL RATES</th>
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<tbody>
<tr>
<td>Customer/Meter Charge Rates</td>
<td></td>
</tr>
<tr>
<td>Customer Charge ($ per meter per day)</td>
<td>$1.31417</td>
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<tr>
<td>TOU Meter Charge ($ per meter per day)</td>
<td>$0.19713</td>
</tr>
</tbody>
</table>

Total Demand Rates ($ per kW)

<table>
<thead>
<tr>
<th>Secondary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Peak Demand Summer</td>
<td>$2.9364 (I)</td>
</tr>
<tr>
<td>Maximum Demand Summer</td>
<td>$3.7952 (I)</td>
</tr>
<tr>
<td>Maximum Demand Winter</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Primary</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Peak Demand Summer</td>
<td>$2.9364 (I)</td>
</tr>
<tr>
<td>Maximum Demand Summer</td>
<td>$32.1594 (I)</td>
</tr>
<tr>
<td>Maximum Demand Winter</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Transmission

| Minimum Peak Demand Summer     | $2.9364 (I)      |
| Maximum Demand Summer          | $1.6955 (I)      |
| Maximum Demand Winter          | $0.00             |

Total Energy Rates ($ per kWh)

| Peak Summer                    | $0.1206922 (I)  |
| Part-Peak Summer               | $0.09474322 (I) |
| Off-Peak Summer                | $0.0482709 (I)  |
| Part-Peak Winter               | $0.0966548 (I)  |
| Off-Peak Winter                | $0.0482709 (I)  |
ELECTRIC SCHEDULE AG-ICE
AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE

RATES: (Cont'd.)
Total bundled service charges shown on customers' bills are unbundled according to the component rates shown below.

UNBUNDLING OF TOTAL RATES

Customer/Meter Charge Rates: Customer/Meter charge rates provided in the Total Rate section above are assigned entirely to the unbundled distribution component.

Demand Rates by Component ($ per kW)

**Generation:**
Secondary
- Maximum Peak Demand Summer: $2.5223
- Maximum Demand Summer: $2.3609
- Maximum Demand Winter: $0.00

Primary
- Maximum Peak Demand Summer: $2.5223
- Maximum Demand Summer: $1.7454
- Maximum Demand Winter: $0.00

Transmission
- Maximum Peak Demand Summer: $2.5223
- Maximum Demand Summer: $1.2340
- Maximum Demand Winter: $0.00

**Distribution:**
Secondary
- Maximum Peak Demand Summer: $0.41
- Maximum Demand Summer: $1.43
- Maximum Demand Winter: $0.00

Primary
- Maximum Peak Demand Summer: $0.41
- Maximum Demand Summer: $1.40
- Maximum Demand Winter: $0.00

Transmission
- Maximum Peak Demand Summer: $0.41
- Maximum Demand Summer: $0.45
- Maximum Demand Winter: $0.00

(Continued)
### ELECTRIC SCHEDULE AG-ICE

**AGRICULTURAL INTERNAL COMBUSTION ENGINE CONVERSION INCENTIVE RATE**

#### RATES:
(Cont’d.)

#### UNBUNDLING OF TOTAL RATES
(Cont’d.)

Energy Rates by Component ($ per kWh)

**Generation:**
- Peak Summer: $0.08417896 (R)
- Part-Peak Summer: $0.05786141 (R)
- Off-Peak Summer: $0.01200469 (R)
- Part-Peak Winter: $0.06027649 (R)
- Off-Peak Winter: $0.01200469 (R)

**Transmission***: $0.00864950 (R)

**Transmission Rate Adjustments***: $0.00043146 (R)

**Reliability Services***: $0.0000429 (R)

**Public Purpose Programs**: $0.0120889 (R)

**Nuclear Decommissioning**: $0.00005566 (R)

**Competition Transition Charges**: $0.00439259 (R)

**Energy Cost Recovery Amount**: $0.004272 (R)

**DWR Bond Charge**: $0.0051605 (I)

**New System Generation Charge**: $0.00072 (N)

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* Transmission, Transmission Rate Adjustments, and Reliability Service charges are combined for presentation on customer bills.

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(Continued)
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 Ginters & Growers Assn
California Energy Commission
California League of Food Procesors
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
NLRG Energy, Inc.
NaturEner
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