December 21, 2011

Advice Letter 3946-E

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: Implementation of Residential Rate Changes Authorized by Changes in Public Utilities Code Sections 739.1 and 739.9

Dear Mr. Cherry:

Advice Letter 3946-E is effective December 14, 2011.

Sincerely,

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

Advice 3946-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Implementation of Residential Rate Changes Authorized By Changes in Public Utilities Code Sections 739.1 and 739.9

Purpose

The purpose of this advice filing is to make adjustments to Pacific Gas and Electric Company’s (“PG&E”) residential rates in accordance with Public Utilities (“PU”) Code Sections 739.1 and 739.9. Similar rate revisions were first authorized by the California Public Utilities Commission (“Commission”) in Decision (“D.”) 09-12-048 effective January 1, 2010. Subsequently, PG&E filed Advice 3762-E, seeking similar rate revisions effective January 1, 2011, and received approval of its request by Energy Division letter dated December 13, 2010.

D.09-12-048 Ordering Paragraph (“OP”) 5 stated:

5. Future annual filing to implement proposed changes in residential rates as authorized by Senate Bill 695 (Ch. 337, Stats. 2009) shall be by Tier 2 advice letter as set forth in General Order 96-B, filed no later than 45 days before the proposed effective date.

Accordingly, this advice filing proposes to increase non-California Alternate Rates for Energy (“CARE”) residential rates for usage in Tiers 1 and 2 by five percent in accordance with Section 739.9, with a corresponding downward adjustment in the rates applicable to non-CARE usage in Tiers 3 and 4 (rates applicable to usage above 130 percent of the baseline allowances). The proposed rate adjustments will not result in any change in the revenue requirements authorized by the Commission but would be implemented on a consolidated basis with PG&E’s January 1, 2012, Annual Electric True-Up (“AET”). In accordance with Section 739.1, this advice filing proposes a zero percent change to Tier 1 and 2 CARE rates.
Rate Revisions

Section 739.9(a) states that annually through January 1, 2018, the Commission may increase the rates charged to non-CARE residential customers for electricity usage up to 130 percent of the baseline quantities (Tiers 1 and 2) by the annual percentage change in the Consumer Price Index (“CPI”) from the prior year plus 1 percent, but not less than 3 percent and not more than 5 percent per year. As the change in the CPI is 4.2 percent, PG&E proposes to increase its non-CARE Tier 1 and 2 residential rates by five percent. See Attachment 1 for calculation of the change in CPI and demonstration of PG&E’s compliance with the requirements of Section 739.9(b).

For CARE rate schedules, Section 739.1(b)(2) specifies that the Commission may increase the rates for electricity usage up to 130 percent of baseline quantities by the annual increase in benefits provided under the CalWORKs program for the fiscal year in which the rate increase would take effect, but not to exceed 3 percent per year. However, the cost of living benefits adjustment for the CalWORKs program was suspended for the 2010-2011 fiscal year, and each fiscal year thereafter, unless otherwise specified by statute (see Section 11453 (c)(6) of the W&I Code). Therefore, PG&E is not proposing any increase to CARE Tier 1 and Tier 2 rates. As required by PU Code Section 739.1(b)(4), PG&E’s CARE rates do not exceed 80 percent of the corresponding non-CARE rates, excluding the DWR Bond Charge (“DWRBC”), CARE Surcharge, and any applicable California Solar Initiative charges or other exempt charges.

A summary of the current November 1, 2011, and proposed illustrative January 1, 2012, Tier 1 and Tier 2 rates for residential Schedules E-1 and EL-1 is provided in the following table:

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1 PU Code Section 739.9(b) further requires that the rates charged for usage up to the baseline quantity, including any customer charge revenues, cannot exceed 90 percent of the system average rate.

2 The benefits amounts provided under the CalWORKs program are subject to an annual cost of living adjustment, effective July 1 of each year, as provided under Section 11453 (a) of the Welfare and Institutions (“W&I”) Code.

3 PG&E uses its standard residential rate schedule and its CARE counterpoint, Schedules E-1 and EL-1, to demonstrate compliance with this requirement.
Illustrative E-1 and EL-1 Tier 1 and Tier 2 Rates
($/kWh)

<table>
<thead>
<tr>
<th></th>
<th>Non-CARE (E-1)</th>
<th></th>
<th>CARE (EL-1)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Rate</td>
<td>Proposed Rate</td>
<td>Percentage Change</td>
<td>Current Rate</td>
</tr>
<tr>
<td>Tier 1</td>
<td>0.12233</td>
<td>0.12845</td>
<td>5.0%</td>
<td>0.08316</td>
</tr>
<tr>
<td>Tier 2</td>
<td>0.13907</td>
<td>0.14602</td>
<td>5.0%</td>
<td>0.09563</td>
</tr>
</tbody>
</table>

PG&E proposes to reduce non-CARE Tier 3 and 4 rates by an amount that offsets the revenue increase resulting from the Tier 1 and Tier 2 rate adjustments described above. Consistent with the rate design methodology approved by the decision on residential rate design in Phase 2 of PG&E’s 2011 General Rate Case (D.11-05-047), CARE Tier 3 rates will remain at their current levels, and non-CARE Tier 3 and 4 rates will be set to ensure the revenue allocated to the residential class is fully collected, while maintaining the fixed non-CARE Tier 3 and Tier 4 rate differential of $0.04 per kWh.

Assuming approval of this advice letter, PG&E will revise residential rates as described above and consolidate the change with PG&E’s AET for rates effective on January 1, 2012. Additionally, PG&E will ensure compliance with Section 739.9(b), which requires that the rates charged to non-CARE residential customers for electricity usage up to the baseline quantity, including any customer or minimum charge revenues, not exceed 90 percent of the system average rate (“SAR”).

**Tariff Revisions**

By this advice letter, PG&E is not filing any tariffs or illustrative rate tables. Instead, this advice letter addresses only the principles involved in implementing SB 695 and defers to PG&E’s AET final implemented rates and tariffs.

**Tier Designation**

Pursuant to OP 5 of D.09-12-048, PG&E submits this advice letter with a Tier 2 designation.

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4 PG&E uses its standard residential rate schedule and its CARE counterpoint, Schedules E-1 and EL-1, to demonstrate compliance with this requirement.
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 December 5, 2011, 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, 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 proposes that the rate changes described in this Advice Letter be incorporated into the AET and made effective January 1, 2012.

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.09-10-013. 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. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at http://www.pge.com/tariffs.

Brian Cheng

Vice President - Regulation and Rates

cc: Service List for A.09-10-013

Attachments
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>Phone #: (415) 973-4612</td>
</tr>
<tr>
<td>□ GAS</td>
<td>E-mail: <a href="mailto:lmt1@pge.com">lmt1@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

Advice Letter (AL) #: 3946-E  Tier: 2
Subject of AL: Implementation of Residential Rate Changes Authorized By Changes in Public Utilities Code Sections 739.1 and 739.9

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.09-12-048

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: January 1, 2012  No. of tariff sheets:
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: Brian Cherry
DMS Branch  Vice President, Regulation and Rates
505 Van Ness Ave.,  77 Beale Street, Mail Code B10C
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
CPI-W History

<table>
<thead>
<tr>
<th>Year</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>213.898</td>
<td>214.205</td>
<td>214.306</td>
</tr>
<tr>
<td>2011</td>
<td>222.686</td>
<td>223.326</td>
<td>223.688</td>
</tr>
</tbody>
</table>

Prior Year Change: 4.2%
Incremental adder: 1.0%
Total: 5.2%
Limited to: 5.0%

Notes: Prior Year Change defined as the percentage change from the third quarter of 2010 to the third quarter of 2011.

PU Code Section 739.9 (b) - "90% Test"

A) Proposed System Bundled Average Rate
B) 90% * Proposed System Bundled Average Rate

<table>
<thead>
<tr>
<th>Proposed Revenue</th>
<th>Forecast Sales</th>
<th>Proposed Avg Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>C) Proposed E-1 (Non-CARE) Tier 1</td>
<td>$1,648,516,897</td>
<td>12,834,268,718</td>
</tr>
<tr>
<td>D) Minimum Bill</td>
<td>$7,261,119</td>
<td></td>
</tr>
</tbody>
</table>

E) Baseline, including Minimum Charge
F) Is (E) <= (B)?

0.12901
YES
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.
NaturEner
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast Solar Resources
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
Tabs 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