

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 18, 2013

**Advice Letter 3431-G/4310-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: Update to PG&E's Revenue Requirements Effective January 1, 2014, for Pension and the Smart Grid Pilot Deployment Projects**

Dear Mr. Cherry:

Advice Letter 3431-G/4310-E is effective January 1, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division



November 15, 2013

**Advice 3431-G/4310-E**

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Update to PG&E's Revenue Requirements Effective January 1, 2014, for Pension and the Smart Grid Pilot Deployment Projects**

**Purpose**

Pacific Gas and Electric Company (PG&E or the Company) submits this Tier 1 advice letter to:

- Update its electric generation and electric and gas distribution base revenue requirements for pension;
- Update its electric generation and electric distribution base revenue requirements for the Smart Grid Pilot Deployment Projects; and
- Notify the California Public Utilities Commission (CPUC or Commission) that, with the exception of pension, PG&E will update its electric generation and electric and gas distribution base revenue requirements for the 2014 General Rate Case (GRC) once the Commission issues a final decision in that application.

**Background**

**Pension**

As explained in the August 30, 2013 Annual Electric True-up (AET) advice letter filing,<sup>1</sup> pursuant to Decision (D.) 09-09-020,<sup>2</sup> PG&E will maintain the annual contribution to the Company's retirement plan trust fund at the adopted 2013 amount of \$327 million. In addition, the remaining December 31, 2013 ratebase

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<sup>1</sup> Advice Letter 4278-E.

<sup>2</sup> D.09-09-020 issued on September 10, 2009, approving an all-party Settlement Agreement on a Pension Cost Recovery Mechanism, in Application (A.) 09-03-003.

associated with the portion of the pension contribution included in previous plant additions is included in the proposed 2014 GRC ratebase. Accordingly, in the 2014 AET and this advice letter filing, PG&E updates its 2014 base revenue requirements to include \$180.1 million for pension as follows:

- \$48.4 million for electric generation
- \$85.7 million for electric distribution
- \$46.0 million for gas distribution

### **Smart Grid Pilot Deployment Project**

On March 27, 2013, the Commission issued D.13-03-032 (the Decision) approving four out of the six Smart Grid Pilot Projects proposed by PG&E in A.11-11-017. Approved projects are listed in the table below.

<b>Project</b>	<b>Line of Business</b>
Smart Grid Sensor Pilot Project	Distribution
Smart Grid Voltage and Reactive Power Optimization (Volt/VAR) Pilot Project	Distribution
Smart Grid Detect and Locate Distribution Line Outages and Faulted Circuit Conditions Project	Distribution
Smart Grid Short Term Demand Forecasting Pilot Project	Generation

Pursuant to Ordering Paragraph (OP) 10 of the Decision, on May 1, 2013, PG&E met with the Energy Division to discuss and develop details regarding the Pilot Implementation Plan for the four approved projects. Subsequently, pursuant to OP 11 of the Decision, PG&E filed Advice Letter 4227-E to provide a Pilot Implementation Plan for each Smart Grid Pilot Project. Advice 4227-E was approved by the Commission on July 8, 2013, and made effective on June 21, 2013.

In A.11-11-017, PG&E requested “a cost recovery methodology where the Commission approves forecasted costs, and recovery of the costs through a one-way balancing account in which revenue requirements are set not to exceed the cost cap and the revenue requirements are trued-up to actual costs if lower than forecasted.”<sup>3</sup> Pursuant to Conclusion of Law 31 in D.13-03-032,

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<sup>3</sup> D.13-03-032, p. 69.

“PG&E’s cost recovery methodology for the four Smart Grid pilots approved in this decision is reasonable.”

In this advice letter, PG&E updates its 2014 base revenue requirements to include \$1.1 million for the Smart Grid Pilot Project as follows:

- \$0.5 million for electric generation related to the Smart Grid Short Term Demand Forecasting Pilot Project.<sup>4</sup>
- \$0.6 million for the electric distribution related to the Smart Grid Sensors, Volt/VAR Optimization and Detect and Locate Distribution Line Outages and Faulted Circuits Conditions Pilot Projects<sup>5</sup>

In compliance with the Decision, PG&E will record these adopted revenue requirements to the Utility Generation Balancing Account and the Distribution Revenue Adjustment Mechanism, respectively, effective January 1, 2014. PG&E will file future advice letters to update PG&E’s base revenue requirements for the four approved pilot projects for 2015 and 2016 and as the planned capital expenditures and expenses become effective.

#### **Note about the 2014 General Rate Case**

As explained in the 2014 AET, on November 15, 2012, PG&E filed its 2014 GRC A.12-11-009, which included proposed generation and distribution base revenue requirements. Then, on April 18, 2013, the Commission issued D.13-04-023 granting PG&E’s unopposed Motion to make its 2014 GRC revenue requirement effective January 1, 2014, even in the event the Commission issues a final decision after that date.<sup>6</sup> Furthermore, as provided in the Decision, the adopted 2014 GRC revenue requirements shall include interest covering the period subsequent to January 1, 2014...<sup>7</sup>

As of the date of this advice filing, briefs in the 2014 GRC have been submitted; however, the Commission has not yet issued a proposed decision. PG&E will file a future advice letter to update its base revenue

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<sup>4</sup> Conclusions of Law 33: “The Short Term Demand Forecasting pilot costs should be recovered through generation rates.”

<sup>5</sup> Conclusions of Law 32: “The costs for the Distribution Projects approved in this decision should be recovered through distribution rates.”

<sup>6</sup> D.13-04-023, OP 2.

<sup>7</sup> D.13-04-023, OP 3.

requirements for the 2014 GRC once the Commission issues a final decision in that rate case application.

### **Protests**

#### Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than December 5, 2013, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4th Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest

was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

**Effective Date**

PG&E submits this advice letter as a Tier 1 filing. PG&E requests that this advice letter become effective on **January 1, 2014**.

**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 lists for A.09-09-020, A.11-11-017 and A.12-11-009. Address changes to the General Order 96-B service list and all electronic approvals should be directed to [PGETariffs@pge.com](mailto: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](mailto:Process_Office@cpuc.ca.gov). Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs/>.



Vice President – Regulatory Relations

cc: Service Lists A.09-09-020, A.11-11-017 and A.12-11-009.

Attachment 1: Rolling Revenue Requirements from 2011 GRC Through 2014

# 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: Igor Grinberg

Phone #: (415) 973-8580

E-mail: ixg8@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **3431-G/4310-E**

**Tier: 1**

Subject of AL: **Update to PG&E's Base Revenue Requirements Effective January 1, 2013**

Keywords (choose from CPUC listing): Revenue Allocation

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: \_\_\_\_\_

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:  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, 2014**

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**

**ED Tariff Unit**

**505 Van Ness Avenue, 4th Floor**

**San Francisco, CA 94102**

**E-mail: EDTariffUnit@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian 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

## Rolling Revenue Requirements From 2011 GRC through 2014 in thousands

	Electric Distribution	Electric Generation	Gas Distribution	Total
2011 Adopted GRC RRQ	3,358,335	1,667,848	1,154,351	6,180,534
less: Other Operating Revenue	97,880	11,608	22,922	132,410
less: FERC jurisdictional amount	16,722	37		16,759
<b>2011 Base Revenue Amount (Eff. 1/1/11)</b>	<b>3,243,733</b>	<b>1,656,203</b>	<b>1,131,429</b>	<b>6,031,365</b>
2011 Taxes on Retired Meters Revenue	4,850			4,850
2011 Pension	70,751	34,754	35,009	140,514
2011 Pension Adjustment	(100)	324	(313)	(89)
2011 Cornerstone	12,926			12,926
2011 Diablo Canyon Seismic Studies		2,658		2,658
<b>2011 Base Revenue Amount (Eff. 1/1/11)</b>	<b>3,332,160</b>	<b>1,693,939</b>	<b>1,166,125</b>	<b>6,192,224</b>
2011 Colusa Performance Incentive Payment		376		376
<b>2011 Base Revenue Amount (Eff. 2/8/11)</b>	<b>3,332,160</b>	<b>1,694,315</b>	<b>1,166,125</b>	<b>6,192,600</b>
2011 Fuel Cell Project - All 3 Units		5,677		5,677
<b>2011 Base Revenue Amount (Eff. 8/17/11)</b>	<b>3,332,160</b>	<b>1,699,992</b>	<b>1,166,125</b>	<b>6,198,277</b>
2011 Solar PV Program - Westside 15 MWs		14,865		14,865
<b>2011 Base Revenue Amount (Eff. 8/31/11)</b>	<b>3,332,160</b>	<b>1,714,857</b>	<b>1,166,125</b>	<b>6,213,142</b>
2011 Solar PV Program - Five Points 15 MWs		14,865		14,865
<b>2011 Base Revenue Amount (Eff. 9/24/11)</b>	<b>3,332,160</b>	<b>1,729,722</b>	<b>1,166,125</b>	<b>6,228,007</b>
2011 Solar PV Program - 20 Stroud MWs		19,820		19,820
<b>2011 Base Revenue Amount (Eff. 9/26/11)</b>	<b>3,332,160</b>	<b>1,749,542</b>	<b>1,166,125</b>	<b>6,247,827</b>
2012 Attrition Adjustments	123,000	22,000	35,000	180,000
Pension:				
Reverse 2011 Pension	(70,651)	(35,078)	(34,696)	(140,425)
2012 Pension	89,114	44,246	43,764	177,124
Cornerstone:				
Reverse 2011 Cornerstone	(12,926)			(12,926)
2012 Cornerstone	32,537			32,537
Diablo Canyon Seismic Studies:				
Reverse 2011 Diablo Canyon Seismic Studies		(2,658)		(2,658)
2012 Diablo Canyon Seismic Studies		11,907		11,907
<b>2012 Base Revenue Amount (Eff. 1/1/12)</b>	<b>3,493,234</b>	<b>1,789,959</b>	<b>1,210,193</b>	<b>6,493,386</b>
2012 Solar PV Program - Cantua 20 MWs		18,300		18,300
<b>2012 Base Revenue Amount (Eff. 6/26/12)</b>	<b>3,493,234</b>	<b>1,808,259</b>	<b>1,210,193</b>	<b>6,511,686</b>

# ATTACHMENT 1

## Rolling Revenue Requirements From 2011 GRC through 2014 in thousands

	Electric Distribution	Electric Generation	Gas Distribution	Total	
2012 Solar PV Program - Huron 20 MWs		18,300		18,300	
<b>2012 Base Revenue Amount (Eff. 6/28/12)</b>	<b>3,493,234</b>	<b>1,826,559</b>	<b>1,210,193</b>	<b>6,529,986</b>	
2012 Solar PV Program - Giffen 10 MWs		9,150		9,150	
<b>2012 Base Revenue Amount (Eff. 7/2/12)</b>	<b>3,493,234</b>	<b>1,835,709</b>	<b>1,210,193</b>	<b>6,539,136</b>	
2011 Solar PV Program - Westside 15 MWs		(14,865)		(14,865)	
2012 Solar PV Program - Westside 15 MWs		12,435		12,435	
<b>2012 Base Revenue Amount (Eff. 8/31/12)</b>	<b>3,493,234</b>	<b>1,833,279</b>	<b>1,210,193</b>	<b>6,536,706</b>	
2011 Solar PV Program - Five Points 15 MWs		(14,865)		(14,865)	
2012 Solar PV Program - Five Points 15 MWs		12,435		12,435	
<b>2012 Base Revenue Amount (Eff. 9/24/12)</b>	<b>3,493,234</b>	<b>1,830,849</b>	<b>1,210,193</b>	<b>6,534,276</b>	
2011 Solar PV Program - 20 Stroud MWs		(19,820)		(19,820)	
2012 Solar PV Program - 20 Stroud MWs		16,580		16,580	
<b>2012 Base Revenue Amount (Eff. 9/26/12)</b>	<b>3,493,234</b>	<b>1,827,609</b>	<b>1,210,193</b>	<b>6,531,036</b>	
9/16/10-12/31/12 Humboldt Cost Cap Incr		1,184		1,184	
<b>2012 Base Revenue Amount (Eff. 9/26/12)</b>	<b>3,493,234</b>	<b>1,828,793</b>	<b>0</b>	<b>1,210,193</b>	<b>6,532,220</b>
2013 Attrition Adjustments	123,000	27,000	35,000	185,000	
Pension:					
Reverse 2012 Pension	(89,114)	(44,246)	(43,764)	(177,124)	
2013 Pension	108,448	53,845	53,259	215,552	
2013 Pension COC RRQ Decreases	(1,155)	(573)	(568)	(2,296)	
Cornerstone:					
Reverse 2012 Cornerstone	(32,537)			(32,537)	
2013 Cornerstone	54,033			54,033	
Diablo Canyon Seismic Studies:					
Reverse 2012 Diablo Canyon Seismic Studies		(11,907)		(11,907)	
2013 GRC COC RRQ Decreases	(117,555)	(47,745)	(28,710)	(194,010)	
Humboldt:					
Reverse 9/16/10-12/31/12 Humboldt Cost Cap Incr		(1,184)		(1,184)	
2013 Humboldt Cost Cap Incr		1,525		1,525	
2013 Humboldt COC RRQ Decrease		(96)		(96)	
<b>2013 Base Revenue Amount (Eff. 1/1/13)</b>	<b>3,538,354</b>	<b>1,805,412</b>	<b>1,225,410</b>	<b>6,569,176</b>	
2013 Solar PV Program - 10 West Gates MWs		8,800		8,800	
<b>2013 Base Revenue Amount (Eff. 6/6/13)</b>	<b>3,538,354</b>	<b>1,814,212</b>	<b>1,225,410</b>	<b>6,577,976</b>	
2013 Solar PV Program - 20 Gates MWs		17,600		17,600	
<b>2013 Base Revenue Amount (Eff. 6/7/13)</b>	<b>3,538,354</b>	<b>1,831,812</b>	<b>1,225,410</b>	<b>6,595,576</b>	

# ATTACHMENT 1

## Rolling Revenue Requirements From 2011 GRC through 2014 in thousands

	Electric Distribution	Electric Generation	Gas Distribution	Total
Smart Grid Pilot Deployment Plan Project		594		594
<b>2013 Base Revenue Amount (Eff. 6/21/13)</b>	<b>3,538,354</b>	<b>1,832,406</b>	<b>1,225,410</b>	<b>6,596,170</b>
2012 Solar PV Program - Cantua 20 MWs		(18,300)		(18,300)
2012 Solar PV Program - Cantua 20 MWs		15,500		15,500
<b>2013 Base Revenue Amount (Eff. 6/26/13)</b>	<b>3,538,354</b>	<b>1,829,606</b>	<b>1,225,410</b>	<b>6,593,370</b>
2012 Solar PV Program - Huron 20 MWs		(18,300)		(18,300)
2012 Solar PV Program - Huron 20 MWs		15,500		15,500
<b>2013 Base Revenue Amount (Eff. 6/28/13)</b>	<b>3,538,354</b>	<b>1,826,806</b>	<b>1,225,410</b>	<b>6,590,570</b>
2012 Solar PV Program - Giffen 10 MWs		(9,150)		(9,150)
2012 Solar PV Program - Giffen 10 MWs		7,750		7,750
<b>2013 Base Revenue Amount (Eff. 7/2/13)</b>	<b>3,538,354</b>	<b>1,825,406</b>	<b>1,225,410</b>	<b>6,589,170</b>
2013 Solar PV Program - 20 Guernsey MWs		17,600		17,600
<b>2013 Base Revenue Amount (Eff. 7/31/13)</b>	<b>3,538,354</b>	<b>1,843,006</b>	<b>1,225,410</b>	<b>6,606,770</b>
2011 Solar PV Program - Westside 15 MWs		(12,435)		(12,435)
2011 Solar PV Program - Westside 15 MWs		11,655		11,655
<b>2013 Base Revenue Amount (Eff. 8/31/13)</b>	<b>3,538,354</b>	<b>1,842,226</b>	<b>1,225,410</b>	<b>6,605,990</b>
2011 Solar PV Program - Five Points 15 MWs		(12,435)		(12,435)
2011 Solar PV Program - Five Points 15 MWs		11,655		11,655
<b>2013 Base Revenue Amount (Eff. 9/24/13)</b>	<b>3,538,354</b>	<b>1,841,446</b>	<b>1,225,410</b>	<b>6,605,210</b>
2011 Solar PV Program - 20 Stroud MWs		(16,580)		(16,580)
2011 Solar PV Program - 20 Stroud MWs		15,540		15,540
<b>2013 Base Revenue Amount (Eff. 9/26/13)</b>	<b>3,538,354</b>	<b>1,840,406</b>	<b>1,225,410</b>	<b>6,604,170</b>
Pension:				
Reverse 2013 Pension	(107,293)	(53,272)	(52,691)	(213,256)
2014 Pension	85,684	48,362	46,015	180,061
Smart Grid Pilot Deployment Plan Projects:				
Reverse 2013 Smart Grid Pilot Deployment Project		(594)		(594)
2014 Smart Grid Pilot Deployment Projects	577	492		1,069
<b>2014 Base Revenue Amount (Eff. 1/1/14)</b>	<b>3,517,322</b>	<b>1,835,394</b>	<b>1,218,734</b>	<b>6,571,450</b>

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

1st Light Energy	Douglass & Liddell	OnGrid Solar
AT&T	Downey & Brand	Pacific Gas and Electric Company
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Praxair
Anderson & Poole	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCE
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blasing McLaughlin, P.C.	Green Power Institute	SPURR
California Cotton Ginners & Growers Assn	Hanna & Morton	San Francisco Public Utilities Commission
California Energy Commission	In House Energy	Seattle City Light
California Public Utilities Commission	International Power Technology	Sempra Utilities
California State Association of Counties	Intestate Gas Services, Inc.	Slice-Energy
Calpine	K&L Gates LLP	SoCalGas
Casner, Steve	Kelly Group	Southern California Edison Company
Cenergy Power	Linde	Spark Energy
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sun Light & Power
City of Palo Alto	MRW & Associates	Sunshine Design
City of San Jose	Manatt Phelps Phillips	Tecogen, Inc.
Clean Power	Marin Energy Authority	Tiger Natural Gas, Inc.
Coast Economic Consulting	McKenna Long & Aldridge LLP	TransCanada
Commercial Energy	McKenzie & Associates	Utility Cost Management
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Power Solutions
Crossborder Energy	Morgan Stanley	Utility Specialists
Davis Wright Tremaine LLP	NLine Energy, Inc.	Verizon
Day Carter Murphy	NRG Solar	Water and Energy Consulting
Defense Energy Support Center	Nexant, Inc.	Wellhead Electric Company
Dept of General Services	North America Power Partners	Western Manufactured Housing Communities Association (WMA)
Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.	