

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



September 23, 2014

Advice Letter 4477-E

Meredith Allen
Senior Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

SUBJECT: Revise Electric Preliminary Statement Part CZ - Distribution Revenue Adjustment Mechanism, in Compliance with D.14-08-012 Approving the Settlement Agreement between PG&E and TURN in Phase 2 of PG&E's Acquisition of the Hercules Municipal Utility

Dear Ms. Allen:

Advice Letter 4477-E is effective as of August 21, 2014.

Sincerely,

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

Edward Randolph
Director, Energy Division

August 21, 2014

Advice 4477-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California (CPUC)

Subject: Revise Electric Preliminary Statement Part CZ – Distribution Revenue Adjustment Mechanism, in Compliance with Decision 14-08-012 Approving the Settlement Agreement between PG&E and TURN in Phase 2 of PG&E’s Acquisition of the Hercules Municipal Utility

Purpose

As provided in Ordering Paragraph (OP) 1 of Decision (D.) 14-08-012, Pacific Gas and Electric Company (PG&E) is filing this Tier 1 advice letter to add an accounting procedure to the Distribution Revenue Adjustment Mechanism to recover its revenue requirements for safety and service enhancements based on actual capital expenditures. Specifically, OP1 provides:

- a) “...PG&E’s actual recorded expenditures for those safety and service enhancements capital expenditures as generally described in PG&E’s Application for the years 2014, 2015 and 2016, up to the cumulative cap of \$3.631 million as set forth in the Application, shall be presumed necessary and reasonable and eligible for recovery in rates”
- b) “...PG&E shall be authorized to record and recover the revenue requirements that reflects actual capital recorded expenditures recorded in years 2014-2016 for those safety and service enhancements...through the Distribution Revenue Adjustment Mechanism (DRAM), and incorporated into rates each year as part of the Annual Electric True-up (AET) advice letter filing, until such time as the expenditures are included for recovery in PG&E’s next General Rate Case (GRC)...”
- c) “...PG&E shall be authorized as part of its next GRC...to consolidate in its base revenue requirements and rate the safety and service enhancement capital expenditures recorded in years 2014-2016 without re-litigation of reasonableness of these capital expenditures” and

- d) "...PG&E will file a Tier 1 advice letter adding an accounting procedure to its Electric Preliminary Statement part CZ, DRAM, to record revenue requirement that reflects capital expenditures in years 2014-2016..."

Background

On January 16, 2014, the California Public Utilities Commission (CPUC) issued a Phase 1 decision (D.14-01-009) approving the Asset Purchase Agreement (APA), dated May 13, 2013, between PG&E and the City of Hercules (A.13-07-001). In that decision, the CPUC authorized recovery of the net book value of the Hercules Municipal Utility (HMU) assets and also provided that Phase 2 of the proceeding address the reasonableness of PG&E's requested capital expenditures associated with safety and service enhancements.¹

On April 30, 2014, the CPUC approved advice letter 4374-E authorizing PG&E to establish the Hercules Safety and Service Enhancements Memorandum Account (HSSEMA) to record revenue requirements associated with actual safety and service enhancements capital expenditures incurred as of the transaction close date pursuant to the APA (April 10, 2014) and until the CPUC issued a decision on Phase 2 addressing recovery of these costs.

Finally, on August 14, 2014, the CPUC issued D.14-08-012 approving and adopting the settlement agreement between PG&E and TURN pertaining to Phase 2.

Tariff Revisions

Electric Preliminary Statement Part CZ – Distribution Revenue Adjustment Mechanism is revised to add accounting procedure 5.y to record capital-related revenue requirements based on incurred capital expenditures for the Hercules safety and service enhancements.

Electric Preliminary Statement Part GG – Hercules Safety and Service Enhancements Memorandum Account is retired from PG&E's tariff book upon transfer of the balance to the DRAM for recovery.²

The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

Protests

¹ D.14-01-009 Finding of Fact 29

² Settlement Agreement Section 4.2, Page 3

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than September 10, 2014, 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:

Meredith Allen
Senior Director, 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 requests that this Tier 1 advice filing become effective upon filing.

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 parties on the service list for A.13-07-001. Address changes to the General Order 96-B service list should be directed to PG&E at email address 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/>.

A handwritten signature in cursive script that reads "Meredith Allen/JW".

Senior Director, Regulatory Relations

Attachments

cc: Service List A.13-07-001

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 E)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Jennifer Wirowek

Phone #: (415) 973-1419

E-mail: J6WS@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

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

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **4477-E**

Tier: **1**

Subject of AL: **Revise Electric Preliminary Statement Part CZ – Distribution Revenue Adjustment Mechanism, in Compliance with Decision 14-08-012 Approving the Settlement Agreement between PG&E and TURN in Phase 2 of PG&E’s Acquisition of the Hercules Municipal Utility**

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.14-08-012

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: N/A

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: **August 21, 2014**

No. of tariff sheets: **5**

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: Electric Preliminary Statement Part CZ Distribution Revenue Adjustment Mechanism, Electric Preliminary Statement GG Hercules Safety and Service Enhancements Memorandum Account (HSSEMA)

Service affected and changes proposed: Accounting Procedures

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:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Meredith Allen
Senior Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

**ATTACHMENT 1
Advice 4477-E**

**Cal P.U.C.
Sheet No.**

Title of Sheet

**Cancelling Cal
P.U.C. Sheet No.**

34340-E	ELECTRIC PRELIMINARY STATEMENT PART CZ DISTRIBUTION REVENUE ADJUSTMENT MECHANISM Sheet 3	32539-E
34341-E	ELECTRIC PRELIMINARY STATEMENT PART CZ DISTRIBUTION REVENUE ADJUSTMENT MECHANISM Sheet 4	
34342-E	ELECTRIC TABLE OF CONTENTS Sheet 1	34338-E
34343-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14	33221-E
34344-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 18	33942-E



ELECTRIC PRELIMINARY STATEMENT PART CZ
DISTRIBUTION REVENUE ADJUSTMENT MECHANISM

Sheet 3

CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont'd.)

5. ACCOUNTING PROCEDURES: (Cont'd.)

- q. A debit or credit entry, as appropriate, to record the gain or loss on the sale of an electric distribution non-depreciable asset, as approved by the Commission.
- r. A debit entry equal to the electric portion of incremental administrative costs and amounts written off as uncollectible associated with the payment deferral plan for qualifying citrus and other agricultural growers pursuant to Resolution E-4065, plus an allowance for franchise fees and uncollectibles (FF&U) accounts expense at the rates authorized in PG&E's most recent GRC for the incremental administrative costs.
- s. A debit entry equal to the Schedule E-BIP incentives paid to third party demand response aggregators, net of any penalties paid to PG&E, plus an allowance for Franchise Fees and Uncollectible Accounts expense.
- t. A debit entry equal to the costs that PG&E will reimburse the Division of Ratepayer Advocates (DRA) for work performed by the retained IT consultant(s) in Application (A.) 10-02-028 as authorized by the Commission, recorded during the month, plus an allowance for Franchise Fees and Uncollectible Accounts expense. The costs that PG&E will reimburse DRA shall not exceed \$240,000 (excluding an allowance for FF&U), subject to revision by the Commission.
- u. A debit or credit entry, as appropriate, to record the aggregate net revenues collected from the Conservation Incentive Adjustment unbundled rate component of residential electric rates.
- v. A credit entry equal to the Family Electric Rate Assistance (FERA) revenue shortfall from paying residential Tier 2 rates for Tier 3 usage. The corresponding debit entry is defined in PG&E's electric Preliminary Statement Part DX, Item 5.a.
- w. A debit entry equal to one-twelfth of the authorized amount recorded in the California Energy Systems for 21st Century Balancing Account – Electric (CES21BA-E), including an allowance for FF&U.
- x. A debit entry equal to one-twelfth of the annual revenue requirements recorded in the Smart Grid Line Sensor subaccount, Volt/VAR Optimization subaccount, and Detect & Locate Faults subaccount of the Smart Grid Pilot Deployment Project Balancing Account (SGPDPBA).
- y. A debit entry for PG&E's capital-related revenue requirements incurred for the Hercules safety and service enhancements, equal to:
 - a) Depreciation expense on the end-of-month balance of plant installed for each program at one-twelfth of the annual depreciation rates approved by the CPUC for these plant accounts; plus

(N)
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 (N)

(Continued)



ELECTRIC TABLE OF CONTENTS

Sheet 1

TABLE OF CONTENTS

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.	
	Title Page	34342-E	(T)
	Rate Schedules	33833,33834,34275,33836,34276,34277,32705,31541,34278-E	
	Preliminary Statements	33840,32706,30376, 34343 ,32398,33893,33670, 34344-E	(T)
	Rules	33841,32425,34339-E	
	Maps, Contracts and Deviations.....	33253-E	
	Sample Forms	32777,32429,32726,33726,32504,33654,33209,32506,34256,32437,32508,32439-E	

(Continued)



ELECTRIC TABLE OF CONTENTS
PRELIMINARY STATEMENT

Sheet 14

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Preliminary Statements (Cont'd)		
Part CC	Real Time Energy Metering Memorandum Account.....	18307,18308-E
Part CE	Baseline Balancing Account.....	23410,23411-E
Part CF	Net Energy Metering Memorandum Account	18831-E
Part CG	Utility Generation Balancing Account	31694,32538-E
Part CH	Utility Retained Generation Income Tax Memorandum Account.....	20502-E
Part CJ	Negative Ongoing Transition Charge Memorandum Account	25999-E
Part CK	Distribution Bypass Deferral Rate Memorandum Account	20619-E
Part CL	Distributed Energy Resources Memorandum Account.....	19042-E
Part CP	Energy Resource Recovery Account	30645,30255,30256,31326,30258,30259,30646,33213,32232-E
Part CQ	Modified Transition Cost Balancing Account.....	25896,26415-E
Part CR	Common Area Balancing Account	19768,19769-E
Part CS	Advanced Metering and Demand Response Account.....	26376-26378-E
Part CZ	Distribution Revenue Adjustment Mechanism.....	27780,28714, 34340,34341-E (T)/(N)

(Continued)



ELECTRIC TABLE OF CONTENTS
PRELIMINARY STATEMENT

Sheet 18

PART	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Preliminary Statements (Cont'd)		
Part GA	Greenhouse Gas Expense Memorandum Account	32419,32420-E
Part GB	Greenhouse Gas Revenue Balancing Account	32421-E
Part GC	California Energy Systems for the 21 st Century Balancing Account33937-E
Part GD	Smart Grid Pilot Deployment Project Balancing Account	32540-32542-E
Part GE	Statewide Marketing, Education and Outreach Expenditure Balancing Account	32643-E
Part GF	Customer Data Access Balancing Account – Electric	33136-E
Part GI	Energy Data Center Memorandum Account – Electric.....	33940-E

(D)

(Continued)

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

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