September 23, 2014

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,

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
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/.

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)

<table>
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<tr>
<th>Company name/CPUC Utility No.</th>
<th>Pacific Gas and Electric Company (ID U39 E)</th>
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<tr>
<td>Utility type:</td>
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<tr>
<td>☑ ELC</td>
<td>☐ GAS</td>
</tr>
<tr>
<td>☐ PLC</td>
<td>☐ HEAT</td>
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<tr>
<td></td>
<td>☐ WATER</td>
</tr>
<tr>
<td>Contact Person:</td>
<td>Jennifer Wirowek</td>
</tr>
<tr>
<td>Phone #: (415) 973-1419</td>
<td></td>
</tr>
<tr>
<td>E-mail:</td>
<td><a href="mailto:J6WS@pge.com">J6WS@pge.com</a> and <a href="mailto:PGETariffs@pge.com">PGETariffs@pge.com</a></td>
</tr>
</tbody>
</table>

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
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<td>ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14</td>
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<td>ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 18</td>
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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)
CZ. DISTRIBUTION REVENUE ADJUSTMENT MECHANISM (DRAM) (Cont’d.)

5. ACCOUNTING PROCEDURES: (Cont’d.)

b) The return on the following basis:

1) the investment on the average of the beginning and the end-of-month balance of plant installed at one-twelfth of the annual rate of return on distribution investment last adopted by the CPUC for PG&E’s Electric Department; less

2) the average of the beginning and end-of-month accumulated depreciation; less

3) the average accumulated net of deferred taxes on income resulting from the normalization of federal tax depreciation, at one-twelfth the annual rate of return on distribution last adopted by the CPUC for PG&E’s Electric Department; plus

c) State and Federal income taxes, net of the above deferred taxes; plus

d) Property taxes applied based on the prior year’s ending plant balance and updated to the current annual property tax rate in the mid-year; plus

e) Franchise fees and uncollectibles at the last CPUC-adopted rate.

z. An entry equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

Note: All debits and credits described above, except for that described in Section 5.w., shall include an allowance for franchise fees and uncollectible accounts expense.
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Advice Letter No: 4477-E
Decision No: 14-08-012
Issued by: Brian K. Cherry
Vice President
Effective: August 21, 2014
Resolution No: August 21, 2014
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Anderson & Poole
BART
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Bartle Wells Associates
Braun Blasing McLaughlin, P.C.

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California Cotton Ginners & Growers Assn
California Energy Commission
California Public Utilities Commission
California State Association of Counties
Calpine
Casner, Steve
Center for Biological Diversity
City of Palo Alto
City of San Jose
Clean Power
Coast Economic Consulting
Commercial Energy
Cool Earth Solar, Inc.
County of Tehama - Department of Public Works
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Dept of General Services
Division of Ratepayer Advocates

Douglass & Liddell
Downey & Brand
Ellison Schneider & Harris LLP
G. A. Krause & Assoc.
GenOn Energy Inc.
GenOn Energy, Inc.
Goodin, MacBride, Squeri, Schlotz & Ritchie
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MRW & Associates
Manatt Phelps Phillips
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McKenzie & Associates
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Morgan Stanley
NLine Energy, Inc.
NRG Solar
Nexant, Inc.
North America Power Partners

Occidental Energy Marketing, Inc.
OnGrid Solar
Pacific Gas and Electric Company
Praxair
Regulatory & Cogeneration Service, Inc.
SCD Energy Solutions
SCE
SDG&E and SoCalGas
SPURR
San Francisco Public Utilities Commission
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Sunshine Design
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Utility Cost Management
Utility Power Solutions
Utility Specialists
Verizon
Water and Energy Consulting
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)