

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



November 29, 2010

Advice Letter 3157-G

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

**Subject: PG&E's Proposal on the Process for Amortization of PG&E's
Core Procurement Gas Balancing Accounts in Compliance
with Resolution G-3445**

Dear Ms. Yura:

Advice Letter 3157-G is effective November 10, 2010.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



Jane K. Yura
Vice President
Regulation and Rates

Pacific Gas and Electric Company
77 Beale St., Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

October 11, 2010

Advice 3157-G

(Pacific Gas and Electric Company ID U39G)

Public Utilities Commission of the State of California

Subject: PG&E's Proposal on the Process for Amortization of PG&E's Core Procurement Gas Balancing Accounts in Compliance with Resolution G-3445

Purpose

Pacific Gas and Electric Company ("PG&E") submits this advice letter in compliance with Resolution G-3445, which approved PG&E's Advice Letters 3063-G, 3072-G, and 3085-G. Those advice letters requested changes to PG&E's core gas customer rates (Schedule G-CP) for the months of December 2009, January 2010 and February 2010. In this advice letter, PG&E responds to Resolution G-3445, Ordering Paragraph 5 which states:

Within 60 days of the effective date of this resolution, PG&E shall submit an advice letter to address the methodology and process for future amortization of subaccount balances, which shall include a) a definitive threshold amount for over- or under-collections in its subaccounts; b) a length of time to amortize the balances; and c) a method to inform customers of the credit or charge in a way that customers get accurate gas price signals, as was intended by Decision 97-10-065.

The Resolution (at page 9) also states:

The requirements ordered in this resolution only attempt to clarify the current advice letter process for core procurement rates, and continue to allow procurement rate changes to occur in an efficient manner.... Accordingly, by directing PG&E to propose a methodology for amortizing over- or under-collections we are simply requiring PG&E to add a few details to an existing methodology.

Discussion

PG&E's monthly pricing advice letters are filed in compliance with Decision ("D.") 97-10-065 and D.98-07-025 and implement the cost recovery and rate setting procedures set forth in those decisions. In addition, PG&E already applies the kind of balancing account analysis required under the Resolution. Every month, before filing the monthly pricing advice letters, PG&E does the following: 1) assesses all under- or over-collections to determine the dollar amount for amortizing balances for that particular month, 2) determines the length of time to amortize any balances, and 3) informs its customers and the general public in its Core Gas Monthly Pricing advice letter of any associated credit or charge. The monthly prices--including forecasts of monthly prices--are also posted on www.pge.com.

PG&E analyzes its procurement balancing accounts each and every month to review accumulated dollar amounts, amortize balances, and set rates. Because rates are set in large part on forecasted costs and gas demands, the balances include both known amounts and forecasted amounts. This information is then combined with forecasted gas costs and customer demands to set a G-CP rate which, essentially, is a rate PG&E estimates should cover its gas costs.

In any given month, gas demands may be higher or lower than forecasted, and gas costs may be higher or lower than forecasted. The dollar impact of any deviations from the forecasts is captured in balancing accounts. There is nothing extraordinary about refunding over-collections to customers or, for that matter, charging customers for previous under-collections. This is the result of setting a price in advance of the month when revenues and costs are not yet precisely known and then later adjusted by balancing accounts (including interest) to "true-up" the revenues and costs. It is this process by which customers are made whole, how balancing accounts work and, for PG&E's core gas monthly pricing advice letters and its customers, how it has worked very well for almost 13 years.

One benefit of amortizing balancing accounts is to avoid large volatile price swings which can be very detrimental to customers. PG&E believes its actions conform completely to the Commission's intentions for monthly core gas pricing as indicated in D.97-10-065 (at page 5):

A \$7-\$10 per month increase in the peak winter month average gas bills does not strike us a "rate shock," any more than a \$2-\$4 per month decrease in spring/fall gas bills strikes us a consumer windfall. However, we note that this data covers only one year and a colder (or warmer) year could cause more significant increases or decreases. For those customers for whom month-to-month variation in the cost of utility bills presents a household budgeting challenge, PG&E provides an optional balance payment plan ("BPP") that permits customers to average gas bills, based on the most-recent 12 months of usage.

Amortization Proposal

With respect to Ordering Paragraph 5 of Resolution G-3445, PG&E submits the following: There are six different sub-accounts making up PG&E's core monthly pricing balancing accounts. Some of the accounts typically contain relatively small dollar amounts, ranging from a few hundreds of thousands of dollars to a few million while other sub-accounts are typically larger ranging from a few million dollars to potentially tens of millions of dollars. The account balances can be significantly impacted by the seasons, with winter months seeing higher balances (due to higher gas costs and demands) than summer months. Since the range of dollar amounts can vary considerably, it would not be reasonable to use a single dollar amount approach (for a definitive threshold amount) for all of the balancing accounts all of the time. Rather, PG&E proposes to continue to review each account individually every month and not let any subaccount balance deviate by more than 25 percent of its seasonal average over the past ten years before amortizing the balance in rates.

To address the timing of the amortizations, PG&E proposes to not allow any balance accumulate longer than four months without amortizing in rates. This ensures that every account will be amortized at least three times each year.¹

With respect to the Resolution requirement to inform customers of the credit or charge in a way that customers get accurate gas price signals, PG&E proposes to add to its monthly rate forecast on www.pge.com the portion of the current rate that is attributable to significant balancing account balance amortization.

PG&E notes that it distributes its monthly pricing advice letters to core aggregators (as well as others) each month. In those advice letters, PG&E describes the reasons for any additional credits or charges to monthly pricing.

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 **November 1, 2010**, which is 21 days² after the date of this filing. Protests should be mailed to:

¹ These proposals do not apply to the PGA-Core Gas Hedging Plan subaccount and the PGA-Winter Gas Savings Program Procurement subaccount. Pursuant to Section 1.2 of the Settlement Agreement approved by D.07-06-013, PG&E will continue to amortize the PGA-Core Gas Hedging Plan subaccount during the winter season. Pertaining to the PGA-Winter Gas Savings Program Procurement subaccount, pursuant to AL 3039-G (2010 WGSP) and AL 3130-G-A (2011-2013 WGSP), the subaccount balance, based on the November recorded balance plus a forecast of December activity, is amortized in the monthly core procurement rates beginning on January 1 of the following year.

² The 20-day protest period concludes on a weekend; therefore, PG&E is moving this date to the following business day.

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: ijnj@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:

Jane K. Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **November 10, 2010**, which is 30 calendar days after the date of 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 Resolution G-3445. Address changes to the General Order 96-B service list should be directed to PG&E at e-mail 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 black ink that reads "Jane Yura / emt". The signature is written in a cursive style.

Vice President - Regulation and Rates

cc: Resolution G-3445 Service List

Attachments

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: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@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) #: **3157-G**

Tier: **2**

Subject of AL: **PG&E's Proposal on the Process for Amortization of PG&E's Core Procurement Gas Balancing Accounts in Compliance With Resolution G-3445**

Keywords (choose from CPUC listing): Core, Procurement, Compliance

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution G-3445

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 AL¹: _____

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: **November 10, 2010**

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 proposed¹: 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Jane Yura

Vice President, Regulation and Rates

77 Beale Street, Mail Code B10B

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

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

Alcantar & Kahl LLP	Department of the Army	Occidental Energy Marketing, Inc.
Ameresco	Dept of General Services	OnGrid Solar
Anderson & Poole	Division of Business Advisory Services	Praxair
Arizona Public Service Company	Douglass & Liddell	R. W. Beck & Associates
BART	Downey & Brand	RCS, Inc.
BP Energy Company	Duke Energy	Recon Research
Barkovich & Yap, Inc.	Dutcher, John	Recurrent Energy
Bartle Wells Associates	Economic Sciences Corporation	SCD Energy Solutions
Bloomberg	Ellison Schneider & Harris LLP	SCE
Bloomberg New Energy Finance	Foster Farms	SMUD
Boston Properties	G. A. Krause & Assoc.	SPURR
Braun Blaising McLaughlin, P.C.	GLJ Publications	San Francisco Public Utilities Commission
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Santa Fe Jets
Brookfield Renewable Power	Green Power Institute	Seattle City Light
CA Bldg Industry Association	Hanna & Morton	Sempra Utilities
CAISO	Hitachi	Sierra Pacific Power Company
CLECA Law Office	In House Energy	Silicon Valley Power
CSC Energy Services	International Power Technology	Silo Energy LLC
California Cotton Ginners & Growers Assn	Intestate Gas Services, Inc.	Southern California Edison Company
California Energy Commission	Lawrence Berkeley National Lab	Spark Energy, L.P.
California League of Food Processors	Los Angeles Dept of Water & Power	Sunshine Design
California Public Utilities Commission	Luce, Forward, Hamilton & Scripps LLP	Sutherland, Asbill & Brennan
Calpine	MAC Lighting Consulting	Tabors Caramanis & Associates
Casner, Steve	MBMC, Inc.	Tecogen, Inc.
Chris, King	MRW & Associates	Tiger Natural Gas, Inc.
City of Glendale	Manatt Phelps Phillips	Tioga Energy
City of Palo Alto	McKenzie & Associates	TransCanada
City of Palo Alto Utilities	Merced Irrigation District	Turlock Irrigation District
Clean Energy Fuels	Modesto Irrigation District	United Cogen
Coast Economic Consulting	Morgan Stanley	Utility Cost Management
Commercial Energy	Morrison & Foerster	Utility Specialists
Consumer Federation of California	NLine Energy, Inc.	Verizon
Crossborder Energy	NRG West	Wellhead Electric Company
Davis Wright Tremaine LLP	Navigant Consulting	Western Manufactured Housing Communities Association (WMA)
		eMeter Corporation
Day Carter Murphy	Norris & Wong Associates	
Defense Energy Support Center	North America Power Partners	
Department of Water Resources	North Coast SolarResources	