November 29, 2010

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,

Julie A. Fitch, Director  
Energy Division
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 sub-account 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 (2011-20113 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: 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:  

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

Vice President - Regulation and Rates

c: Resolution G-3445 Service List

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) #: 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 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: 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 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: Jane Yura
DMS Branch  Vice President, Regulation and Rates
505 Van Ness Ave.,  77 Beale Street, Mail Code B10B
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
Alcantar & Kahl LLP
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
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
CAISO
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Casner, Steve
Chris, King
City of Glendale
City of Palo Alto
City of Palo Alto Utilities
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
Department of the Army
Dept of General Services
Division of Business Advisory Services
Douglass & Liddell
Downey & Brand
Duke Energy
Dutcher, John
Economic Sciences Corporation
Ellison Schneider & Harris LLP
Foster Farms
G. A. Krause & Assoc.
GLJ Publications
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
NLine Energy, Inc.
NRG West
Navigant Consulting
Norris & Wong Associates
North America Power Partners
North Coast Solar Resources
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recon Research
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
Tioga Energy
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing
Communities Association (WMA)
eMeter Corporation