

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric  
Company for Expedited Authorization to  
Change Residential Electric Rates Effective  
June 1, 2010, To Provide Summer 2010 Rate  
Relief for Households With Upper Tier  
Consumption.

(U 39 E)

Application 10-02-\_\_\_\_

**APPLICATION OF  
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)**

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**BEFORE THE PUBLIC UTILITIES COMMISSION  
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Application of Pacific Gas and Electric Company for Expedited Authorization to Change Residential Electric Rates June 1, 2010, To Provide Summer 2010 Rate Relief for Households With Upper Tier Consumption.

(U 39 E)

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**APPLICATION OF  
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**I. INTRODUCTION**

Pursuant to Rules 2.1 and 3.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), Pacific Gas and Electric Company (PG&E) submits this Application requesting expedited Commission authorization to change residential electric rates effective June 1, 2010. The requested rate change is designed to provide rate relief this summer for households with substantial upper tier consumption, who are experiencing great hardship during hot summer months due to the steeply tiered rate structure currently in place. This proposal will provide lower bills for such households, including those in the Central Valley and elsewhere with large summer cooling demands during months with sustained periods of high temperatures. This proposal will also reduce month-to-month bill volatility for such customers.

PG&E anticipates that the rates proposed in this Application, if approved, will be in effect until other mitigation efforts it will propose in Phase 2 of PG&E's 2011 General Rate Case (GRC) can be put into effect.

Specifically, PG&E proposes to increase the Tier 3 rate, and reduce the Tier 4 and 5 rates, to bring these tiers closer together. The approximately 50 percent of residential customers who are on the California Alternative Rates for Energy (CARE) program, or are non-CARE customers whose consumption is limited to Tiers 1 and 2, will be unaffected by this proposal. Households with Tier 3 consumption and those with some amount of Tier 4 consumption will see moderate bill increases. Those whose Tier 4 consumption passes a certain threshold amount and those with Tier 5 consumption will see lower bills. The greater the kWh consumption in Tier 5, the greater the savings. Overall, this proposal is revenue-neutral, collecting the same amount of revenue as current rates.

This Application is part of a comprehensive strategy designed to help customers by providing critical summer rate relief and easing the financial burden of high bills this coming summer for households that consume in the upper tiers, as well as reduce month-to-month volatility in bill amounts. In addition to this Application, PG&E has filed (or will file today) the following pleadings designed to reduce overall revenue requirements effective June 1, 2010:

- To suspend California Solar Initiative (CSI) rates (via a Petition to Modify D.08-12-004, filed at the Commission on February 10, 2010);
- To accelerate generator settlement refunds (via an advice letter filed at the Commission today); and
- To accelerate the Transmission Owner (TO) 11 refund (via a filing today at the Federal Energy Regulatory Commission (FERC)).

The combined effect of these three filings, if approved, will more than offset the FERC-related increases scheduled to become effective March 1, 2010, resulting in lower system and residential average bundled rates for customers on June 1, 2010 than today's levels. While the three initiatives identified above will benefit both residential and non-residential customers, the rate proposed in this Application will provide additional relief to households with upper-tier consumption who were hit with very high bills during extreme weather last summer.

## II. RELIEF REQUESTED

The differential between PG&E's Tier 3 and 5 rates is almost 20 cents per kWh (a differential of about 13 cents per kWh between the Tier 3 and 4 rates, and about 7 cents per kWh between Tiers 4 and 5). PG&E proposes to design its rates in a manner similar to the design the Commission approved for Southern California Edison (SCE) and San Diego Gas & Electric Co. (SDG&E), to narrow these differentials to more reasonable levels. Specifically, PG&E proposes to have a five cent per kWh differential between Tiers 3 and 4, and between Tiers 4 and 5. This change would halve the overall Tier 3 to 5 differential, from near 20 cents to 10 cents per kWh, and would reduce the Tier 5 rate from 47.4 cents to 41.8 cents per kWh.

PG&E would collect the identical revenue from the three tiers as is currently collected. This Application proposes no changes to non-CARE Tier 1 and 2 rates, nor any changes to CARE rates. The requested relief will not change PG&E's authorized overall electric revenue requirement or the revenue assigned to the residential class. Since overall revenue is unchanged, the effect of PG&E's proposal is to increase Tier 3 rates while decreasing Tier 4 and 5 rates. Table 1 shows the proposed rates compared to current (January 1, 2010 effective date) rates.

**Table 1**  
**Pacific Gas and Electric Company**  
**Proposed Schedule E-1 Rate Changes Effective 6/1/10 (Non-CARE)**

Tier	2010 Rates 1/1/10 (\$/kWh)	Proposed Rates (\$/kWh)	Change (\$/kWh)
1	\$0.11877	\$0.11877	\$0.00000
2	\$0.13502	\$0.13502	\$0.00000
3	\$0.27572	\$0.31846	\$0.04274
4	\$0.40577	\$0.36846	-\$0.03731
5	\$0.47393	\$0.41846	-\$0.05547

As the table shows, PG&E's proposal would reduce Tier 5 rates by 5.5 cents per kWh, and would reduce Tier 4 rates by 3.7 cents per kWh, while increasing Tier 3 rates by 4.3 cents per kWh. These proposed rates will help mitigate the large month-to-month bill

increases experienced last summer in the Central Valley when sustained periods of high temperatures pushed substantial amounts of usage into Tier 5.

On March 22, 2010, in Phase 2 of its 2011 GRC, PG&E will be filing a comprehensive set of rate proposals for all of its customers. In the interim, one or more rate changes will likely take place. PG&E requests that, if the Commission approves PG&E's proposal in the instant Application, that the five cent differential be adopted for any subsequent rate changes prior to the Commission's determination of rates in Phase 2.

If the Commission approves this Application, PG&E estimates that about 9 percent of non-CARE Schedule E-1 households would see average monthly bill decreases of some amount. About one-third of households would see no change in their average monthly bill. The remaining 58 percent of households would see increases in average monthly bills. However, for most of these households the increases would be quite small. Only 1 percent would see increases greater than \$9.03 in their average monthly bill. Of course, increases or decreases on individual residential non-CARE customer bills will depend on each customer's electricity usage.

To implement this rate change on June 1, 2010, PG&E is proposing an expedited procedural schedule. Separately, PG&E is filing a motion to shorten time so protests and responses will be due in 20 days and PG&E's reply will be due 5 days later.

### **III. BACKGROUND**

Until the energy crisis of 2000 to 2001, PG&E had a two-tiered residential rate structure, with the upper-tier rate somewhat above the lower-tier rate. Assembly Bill (AB) 1X, enacted in 2001, changed that situation dramatically. The CPUC replaced the two-tier rate structure with a five-tier structure. In addition, AB 1X froze the rates in Tiers 1 and 2 at their levels as of February 1, 2001, and the Commission froze the rates for customers on the CARE program at their July 2001 levels, after increasing the CARE discount from 15 to 20 percent. With one minor exception, these frozen rates remained in place through 2009.

PG&E provides electric service to 4.67 million residential households. Table 2 shows the distribution of these customers by tier and type of rate (CARE versus non-CARE). Of these households, 1.08 million (23.1 percent) take service on CARE rates and 1.21 million (25.9 percent) take service on non-CARE rates but maintain their usage within Tiers 1 and 2. So nearly half of PG&E’s residential customers experienced no rate increases from 2001 through 2009. Considering the impact of inflation, which has increased by 23 percent since 2001, in real terms these customers enjoyed rate decreases over this period.

**TABLE 2  
PACIFIC GAS AND ELECTRIC COMPANY  
DISTRIBUTION OF RESIDENTIAL HOUSEHOLDS BY TIER  
TWELVE MONTHS ENDING SEPTEMBER 2009**

Tier	Number of Households			Percentage of Customers		
	Non-CARE	CARE	Total	Non-CARE	CARE	Total
1	774,122	246,693	1,020,815	16.6%	5.3%	21.8%
2	432,817	831,710	1,264,527	9.3%	17.8%	27.1%
3	933,880		933,880	20.0%		20.0%
4	842,683		842,683	18.0%		18.0%
5	612,351		612,351	13.1%		13.1%
Total	3,595,853	1,078,403	4,674,256	76.9%	23.1%	100.0%

On a percentage of sales basis, the impact of the residential rate freeze has been even more dramatic. As shown in Table 3, PG&E’s total residential sales are about 31,246 GWh per year. Of these, CARE sales are 7,086 GWh per year (22.7 percent) and non-CARE Tier 1 and 2 sales are 17,038 GWh/yr (54.5 percent). So more than three-quarters of PG&E’s residential sales were insulated from every rate increase since 2001 and through 2009. As a result, residential rate increases have been absorbed by less than one-quarter of the sales.

**TABLE 3  
PACIFIC GAS AND ELECTRIC COMPANY  
DISTRIBUTION OF RESIDENTIAL SALES BY TIER  
TWELVE MONTHS ENDING SEPTEMBER 2009**

Tier	Sales (GWh/yr)			Percentage of Sales		
	Non-CARE	CARE	Total	Non-CARE	CARE	Total
1	14,499	4,778	19,276	46.4%	15.3%	61.7%
2	2,539	2,308	4,847	8.1%	7.4%	15.5%
3	3,625		3,625	11.6%		11.6%
4	2,057		2,057	6.6%		6.6%
5	1,441		1,441	4.6%		4.6%
Total	24,160	7,086	31,246	77.3%	22.7%	100.0%

Collecting revenues from a relatively small base of sales has resulted in substantial increases from 2001 through 2009 in the non-CARE Tier 3 through 5 rates. During that nine-year period, the Tier 5 rate nearly doubled, increasing from 24.5 cents per kWh at the height of the energy crisis to 44.3 cents per kWh at the end of 2009. Such upper-tier rates can cause very high bills when combined with high usage during a month with extreme temperatures.

Recognizing the upper-tier rate inequity, in October 2009 the governor signed SB 695, which allows PG&E to propose to the CPUC to gradually increase non-CARE Tier 1 and 2 rates from three to five percent each year. On October 14, 2009, PG&E filed an application seeking such an increase effective January 1, 2010. In Decision (D.) 09-12-048, the Commission approved PG&E's application, allowing a three percent increase to the non-CARE Tier 1 and 2 rates effective January 1, 2010. These rate changes appear in Table 4. Despite these increases, the Tier 3 through 5 rates continue to increase and by a far greater amount than the Tier 1 and 2 rates increased, leading to continued aggravation of the high upper-tier rate problem.



**Table 4**  
**Pacific Gas and Electric Company**  
**Rate Change Effective 1/1/10 (Non-CARE)**

Tier	2009 Rates	2010 Rates	Change
	10/1/09 (\$/kWh)	1/1/10 (\$/kWh)	
1	\$0.11531	\$0.11877	\$0.00346
2	\$0.13109	\$0.13502	\$0.00393
3	\$0.26078	\$0.27572	\$0.01494
4	\$0.38066	\$0.40577	\$0.02511
5	\$0.44348	\$0.47393	\$0.03045

The methodology in D.07-09-004 for making changes to residential rates has exacerbated this problem.<sup>1/</sup> Under that decision, increases to residential rates are calculated by increasing the Tier 3, 4, and 5 rates by an equal proportion in order to collect the additional revenue requirement. Thus, over time the differentials between Tiers 3, 4, and 5 have grown larger and larger, and thus so have the cents-per-kWh differentials between the Tier 3 through 5 rates themselves. The differentials between the Tier 3 and 4 rates and between the Tier 4 and 5 rates have grown from about 4 and 2 cents per kWh, respectively, in 2002, to about 13 and 7 cents per kWh on January 1, 2010.

The combination of these legislative and regulatory constraints has led to an unsustainable and arguably punitive situation for Tier 5 customers. The Tier 5 rate is far in excess of the cost to produce and deliver those kWhs, and far in excess of what is necessary to encourage conservation. For example, SCE's and SDG&E's highest tier rates are about 29 cents per kWh. Moreover, Tier 5 customers are subsidizing lower tier customers to an inappropriate extent. Last summer, when PG&E's Tier 5 rate was 44.1 cents per kWh, there were many high bill complaints from upper-tier users, particularly those located in areas

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<sup>1/</sup> D.07-09-004, Appendix C, Residential Settlement, p. 8, part VI(D), adopted a settlement in PG&E's 2007 General Rate Case (GRC) between PG&E and other interested parties which, among other things, determined the methodology to be used to design rates whenever a rate change occurred between the date of that decision and a decision in PG&E's 2011 GRC. See also Appendix B, p. 17, part 3(A). According to Appendix C, part VI(D), "*While the rate restrictions of AB 1X are in effect, revenue increases to the residential class will be implemented as proportional changes to the generation surcharges in Tiers 3, 4 and 5 as required to collect the revenue allocated to the residential class.*" (Emphasis added.) Since AB 695 removed the AB 1X rate restrictions, proportionality is no longer required by the settlement, and PG&E has therefore filed the instant request as a separate application.

subject to sustained high temperatures that drive usage into the upper tiers. Since the current Tier 5 rate is now higher, at 47.4 cents per kWh, an even worse situation could occur this coming summer unless the Commission acts to mitigate the high Tier 5 rates.

#### **IV. PG&E'S SUPPORTING TESTIMONY**

PG&E's prepared testimony in support of this Application consists of one exhibit, (PG&E-1), titled "Rate Proposal," with two chapters. Chapter 1 is sponsored by Dr. Dennis Keane and includes appendices. Chapter 2 is sponsored by Dr. Ahmad Faruqui and also includes appendices. This testimony describes in greater detail how the current situation has developed over the years, how PG&E proposes to implement the requested change in non-CARE residential electric rates effective June 1, 2010, the bill impacts of PG&E's proposal, and the bill comparisons.

#### **V. RELATIONSHIP TO OTHER PROCEEDINGS**

If the Commission approves this Application as requested, PG&E will file a compliance advice letter that incorporates the approved rate design methodology and will design rates to collect the authorized revenues then in effect. For this reason, the Tier 3-5 percentage changes and specific rates shown in Exhibit (PG&E-1) are illustrative only.

#### **VI. NEED FOR EXPEDITED TREATMENT**

PG&E will address the high upper-tier rates in Phase 2 of its 2011 GRC. However, under the GRC Rate Case Plan, any approved rate proposals in Phase 2 would not go into effect until the summer of 2011, at the earliest – too late to provide rate relief for this coming summer that could avoid a repeat of the high bill burden on customers that occurred last summer. Accordingly, PG&E requests expedited consideration of this Application, with an effective date of June 1, 2010, in time for the onset of the hottest summer months. Absent such rate relief, the combination of another hot summer and excessively high Tier 5 rates is a recipe for extreme customer dissatisfaction.<sup>2/</sup>

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<sup>2/</sup> PG&E's Tier 5 rate is anticipated to exceed 49 cents per kWh when two FERC-jurisdictional rate changes go into effect on March 1, 2010.

Separately, PG&E is filing a motion to shorten time for protests/responses and for PG&E's reply. Under these circumstances, the Commission should expedite the processing of this Application so it will have the opportunity to approve the changes to residential electric rates effective June 1, 2010.

**VII. INFORMATION REQUIRED BY THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE**

**A. Statutory and Other Authority (Rule 2.1)**

PG&E files this Application pursuant to Sections 451, 454, 701, 739.1, and 739.9 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure, and prior decisions, orders and resolutions of the Commission.

**B. Legal Name and Principal Place of Business (Rule 2.1(a))**

The legal name of the Applicant is Pacific Gas and Electric Company. PG&E's principal place of business is 77 Beale Street, San Francisco, California 94105.

**C. Correspondence, Communications, and Service (Rule 2.1(b))**

All correspondence, communications, and service of papers regarding this Application should be directed to:

Deborah S. Shefler  
Law Department  
Pacific Gas and Electric Company  
P.O. Box 7442 (B30A)  
San Francisco, CA 94120  
Telephone: (415) 973-2959  
Facsimile: (415) 973-5520  
E-mail: [dss8@pge.com](mailto:dss8@pge.com)

PG&E requests that correspondence and communications regarding this

Application also be directed to:

Nancy J. Breckenridge  
Analysis & Rates  
Pacific Gas and Electric Company  
P.O. Box 7442 (B10A)  
San Francisco, CA 94120  
Telephone: (415) 973-4092  
Facsimile: (415) 973-6272  
e-mail: [njb6@pge.com](mailto:njb6@pge.com)

and PG&E also requests that correspondence and communications regarding this

Application be directed to:

CPUC Law Filing  
Pacific Gas and Electric Company  
77 Beale Street B30A  
San Francisco, CA 94105  
Email: [cpuccases@pge.com](mailto:cpuccases@pge.com)

**D. Categorization, Hearings, Issues, and Schedule (Rule 2.1(c))**

**1. Proposed Categorization**

PG&E proposes that this Application be categorized as a ratesetting proceeding.

**2. Need for Hearings**

PG&E anticipates there will be no need for hearings.

**3. Issues to Be Considered**

The issues presented in this Application are as follows:

1. Should the Commission grant PG&E's request to change Tiers 3, 4 and 5 of non-CARE residential electric rates so that there will be a five cent per kWh differential between Tiers 3 and 4, and between Tiers 4 and 5?
2. Should the Commission grant PG&E's request to change PG&E's non-CARE residential electric rates effective June 1, 2010?
3. Should the Commission grant PG&E's request that the five cent differential be adopted for any subsequent rate changes to non-CARE residential rates prior to the Commission's determination of rates in Phase 2 of PG&E's 2011

GRC?

4. Should the Commission adopt PG&E's calculation of new non-CARE residential electric rates for Tiers 3, 4 and 5?

#### 4. Procedural Schedule

PG&E proposes the procedural schedule below to provide the Commission the opportunity to change PG&E's residential electric rates on January 1, 2010. As noted, PG&E is filing separately a motion to shorten time, requesting that the allotted time for protests and responses be shortened from 30 days to 20 days and that the allotted time for PG&E's reply be shortened from 10 days to 5 days. This expedited schedule is based on a similar schedule the Commission adopted late last year when PG&E applied for an increase to non-CARE Tiers 1 and 2 rates pursuant to SB 695. PG&E filed the application October 14, 2009 and the new rates went into effect January 1, 2010, only a few weeks later. See D. 09-12-048.

February 26, 2010	PG&E files Application
20 days after calendaring	Protests and Responses due
25 days after calendaring	PG&E's Reply due
March 22, 2010	Prehearing conference held
March 29, 2010	Scoping Memo issued
April 19, 2010	Proposed Decision released
April 26, 2010	Comments on Proposed Decision due (no replies)
May 20, 2010	Final decision
June 1, 2010	PG&E puts approved rates into effect

**E. Articles of Incorporation (Rule 2.2)**

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, was filed with the Commission on May 3, 2004 with PG&E's Application 04-05-005. These articles are incorporated herein by reference.

**F. Authority to Increase Rates (Rule 3.2)**

This Application requests an increase in electric rates and is not a general rate increase application, so Rule 3.2 applies except for subsections (4), (6), (7), (8), and (9) of Rule 3.2(a).

**G. Balance Sheet and Income Statement (Rule 3.2(a)(1))**

Exhibit A of this Application presents PG&E's most current balance sheet and an income statement.

**H. Statement of Presently Effective Rates (Rule 3.2(a)(2))**

PG&E's presently effective electric rates were filed with the Commission on January 15, 2010, as part of PG&E's Diablo Canyon Seismic Studies Application No. 10-01-014, and are incorporated herein by reference.

**I. Statement of Proposed Increases or Changes In Rates (Rule 3.2(a)(3))**

This statement is not required since the proposed changes in revenues do not exceed one percent.

**J. Summary of Earnings (Rule 3.2(a)(5))**

PG&E's recorded year 2008 revenues, expenses, rate base and rate of return for PG&E's Electric Department were filed with the Commission on December 21, 2009, as part of PG&E's 2011 GRC No. 09-12-020, and are incorporated herein by reference.

**K. Type of Rate Change Requested (Rule 3.2(a)(10))**

The rate changes sought in this Application do not reflect or pass through any costs.

**L. Notice to Governmental Entities (Rule 3.2(b))**

The list of government entities, including the State of California and cities and counties served by PG&E, to whom PG&E will mail notice stating in general terms the proposed revenues, rate changes and ratemaking mechanisms requested in this Application, within ten days of filing, was filed with the Commission on December 21, 2009, as part of PG&E's 2010 GRC No. 09-12-020, and is incorporated herein by reference.

**M. Publication (Rules 3.2(c))**

Within ten days of filing this Application PG&E will publish in newspapers of general circulation in each county in its service territory a notice of filing, and within ten days of publication PG&E will file proof of compliance.

**N. Notice to Customers (Rule 3.2(d))**

Within 45 days of filing this Application PG&E will include notices with the regular bills mailed to all customers affected by the proposed changes, and within ten days of mailing PG&E will file proof of compliance.

**VIII. CONCLUSION**

Wherefore, PACIFIC GAS AND ELECTRIC COMPANY respectfully requests that no later than May 20, 2010, the Commission approve a decision in this proceeding to:

1. Grant PG&E's request to change Tiers 3, 4 and 5 of non-CARE residential electric rates so that there will be a five cent per kWh differential between Tiers 3 and 4, and between Tiers 4 and 5;
2. Grant PG&E's request to change PG&E's non-CARE residential electric rates for Tiers 3, 4 and 5 effective June 1, 2010;
3. Grant PG&E's request that the five cent differential be adopted for any subsequent rate changes to non-CARE residential rates prior to the Commission's determination of rates in Phase 2 of PG&E's 2011 GRC?

4. Adopt PG&E's calculation of new non-CARE residential electric rates for Tiers 3, 4 and 5; and
5. Grant such additional relief as the Commission may deem proper.

Respectfully Submitted,

JANE YURA  
VICE PRESIDENT –Regulation and Rates

By: \_\_\_\_\_ /s/  
JANE YURA

DEBORAH S. SHEFLER  
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Attorneys for  
PACIFIC GAS AND ELECTRIC COMPANY

Dated: February 26, 2010



VERIFICATION

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a corporation, and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing Application and am informed and believe that the matters contained therein are true and on that ground I allege that the matters stated herein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Francisco, California, this 26nd day of February 2010.

\_\_\_\_\_/s/\_\_\_\_\_  
JANE YURA  
VICE PRESIDENT – Regulation and Rates

# **EXHIBIT A**

**Pacific Gas and Electric Company**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in millions)

	Year ended December 31,		
	2009	2008	2007
<b>Operating Revenues</b>			
Electric	\$ 10,257	\$ 10,738	\$ 9,481
Natural gas	3,142	3,890	3,757
<b>Total operating revenues</b>	<b>13,399</b>	<b>14,628</b>	<b>13,238</b>
<b>Operating Expenses</b>			
Cost of electricity	3,711	4,425	3,437
Cost of natural gas	1,291	2,090	2,035
Operating and maintenance	4,343	4,197	3,872
Depreciation, amortization, and decommissioning	1,752	1,650	1,769
<b>Total operating expenses</b>	<b>11,097</b>	<b>12,362</b>	<b>11,113</b>
<b>Operating Income</b>	<b>2,302</b>	<b>2,266</b>	<b>2,125</b>
Interest income	33	91	150
Interest expense	(662)	(698)	(732)
Other income, net	59	28	52
<b>Income Before Income Taxes</b>	<b>1,732</b>	<b>1,687</b>	<b>1,595</b>
Income tax provision	482	488	571
<b>Net Income</b>	<b>1,250</b>	<b>1,199</b>	<b>1,024</b>
Preferred stock dividend requirement	14	14	14
<b>Income Available for Common Stock</b>	<b>\$ 1,236</b>	<b>\$ 1,185</b>	<b>\$ 1,010</b>

**Pacific Gas & Electric Company**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions)

	<b>Balance at December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 334	\$ 52
Restricted cash	633	1,290
Accounts receivable:		
Customers (net of allowance for doubtful accounts of \$68 million in 2009 and \$76 million in 2008)	1,609	1,751
Accrued unbilled revenue	671	685
Related parties	1	2
Regulatory balancing accounts	1,109	1,197
Inventories:		
Gas stored underground and fuel oil	114	232
Materials and supplies	200	191
Income taxes receivable	138	25
Prepaid expenses and other	662	705
<b>Total current assets</b>	<b>5,471</b>	<b>6,130</b>
<b>Property, Plant, and Equipment</b>		
Electric	30,481	27,638
Gas	10,697	10,155
Construction work in progress	1,888	2,023
<b>Total property, plant, and equipment</b>	<b>43,066</b>	<b>39,816</b>
Accumulated depreciation	(14,175)	(13,557)
<b>Net property, plant, and equipment</b>	<b>28,891</b>	<b>26,259</b>
<b>Other Noncurrent Assets</b>		
Regulatory assets	5,522	5,996
Nuclear decommissioning funds	1,899	1,718
Related parties receivable	25	27
Income taxes receivable	610	-
Other	291	407
<b>Total other noncurrent assets</b>	<b>8,347</b>	<b>8,148</b>
<b>TOTAL ASSETS</b>	<b>\$ 42,709</b>	<b>\$ 40,537</b>

**Pacific Gas & Electric Company**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share amounts)

	Balance at December 31,	
	2009	2008
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 833	\$ 287
Long-term debt, classified as current	95	600
Energy recovery bonds, classified as current	386	370
Accounts payable:		
Trade creditors	984	1,096
Disputed claims and customer refunds	773	1,580
Related parties	16	25
Regulatory balancing accounts	281	730
Other	347	325
Interest payable	813	802
Income tax payable	223	53
Deferred income taxes	334	257
Other	1,307	1,371
<b>Total current liabilities</b>	<b>6,392</b>	<b>7,496</b>
<b>Noncurrent Liabilities</b>		
Long-term debt	10,033	9,041
Energy recovery bonds	827	1,213
Regulatory liabilities	4,125	3,657
Pension and other postretirement benefits	1,717	2,040
Asset retirement obligations	1,593	1,684
Deferred income taxes	4,764	3,449
Other	2,073	2,170
<b>Total noncurrent liabilities</b>	<b>25,132</b>	<b>23,254</b>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Preferred stock without mandatory redemption provisions:		
Nonredeemable, 5.00% to 6.00%, outstanding 5,784,825 shares	145	145
Redeemable, 4.36% to 5.00%, outstanding 4,534,958 shares	113	113
Common stock, \$5 par value, authorized 800,000,000 shares, issued 264,374,809 shares in 2009 and 2008	1,322	1,322
Additional paid-in capital	3,055	2,331
Reinvested earnings	6,704	6,092
Accumulated other comprehensive loss	(154)	(216)
<b>Total shareholders' equity</b>	<b>11,185</b>	<b>9,787</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 42,709</b>	<b>\$ 40,537</b>

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, Post Office Box 7442, San Francisco, CA 94120.

On the **26th of February 2010**, I served a true copy of:

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY**

- [XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service lists for **A.06-03-005** (PG&E’s 2007 General Rate Case Phase 2 proceeding), **A.09-02-022** (PG&E’s 2009 Rate Design Window proceeding) and **A.09-10-013** (SB 695).
- [XX] By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to those parties listed on the official service lists for **A.06-03-005** (PG&E’s 2007 General Rate Case Phase 2 proceeding), **A.09-02-022** (PG&E’s 2009 Rate Design Window proceeding) and **A.09-10-013** (SB 695) without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 26th day of February 2010, at San Francisco, California.

\_\_\_\_\_  
/s/  
Jennifer Newman