

TO ALL PARTIES IN PG&E'S 2011 GT&S RATE CASE (A. 09-09-013):

It has come to PG&E's attention that PG&E made an error in allocating costs between Line 400 and Line 401 for forecasted capital projects at PG&E's Redwood path compressor stations. Historically, PG&E has allocated capital costs for work done at these compressor stations on a *pro rata* basis depending on the relative throughput capacities of the two lines, in accordance with D. 90-12-119, Ordering Paragraph 15. (The actual percentage allocators have changed over time as the throughput capacities have changed). However, when developing its 2011 GT&S Rate Case, there were a few compressor station projects in PG&E's capital forecast that were erroneously assigned only to the Line 400 Unbundled Cost Category (UCC). These projects are:

Project	Forecast Capital Expenditures (in \$000s)	Order No.
Delevan K3/Gerber K1 SCR	\$8,100	5735458
Replace Unit K1/K2 Delevan	\$75,858	5722956
Delevan Cs, Upgrade Station Con	\$2,914	5722960
Delevan K3 Turbine Exchange	\$2,036	5735698
Upgrade Delevan K3 Plc	\$2,514	5725200

Assigning the costs of these five projects solely to Line 400 caused higher rates for Core customers, and lower rates for Noncore and G-XF customers, than would have resulted had PG&E allocated these costs *pro rata* between Line 400 and Line 401.

PG&E has corrected this error in cost allocation for these five projects, resulting in the following corrected cost allocation:

Project	Forecast Capital Expenditures (in \$000s)	Line 401	Line 400	Order No.
Delevan K3/Gerber K1 SCR	\$8,100	\$4,018	\$4,083	5735458
Replace Unit K1/K2 Delevan	\$75,858	\$37,626	\$38,232	5722956
Delevan Cs, Upgrade Station Con	\$2,914	\$1,445	\$1,468	5722960
Delevan K3 Turbine Exchange	\$2,036	\$1,010	\$1,026	5735698
Upgrade Delevan K3 Plc	\$2,514	\$1,247	\$1,267	5725200

In addition, there are two projects forecasted for the Bethany Compressor Station that were erroneously allocated to Local Transmission. These projects should have been

allocated solely to the Line 401 UCC. (The Bethany Compressor Station serves only Line 401). These projects are:

Project	Forecast Capital Expenditures (in \$000)	Order No.
Bethany Upgrade Unit Controls	\$4,000	5735467
Bethany Unit VFD Replacement	\$6,500	5735468

The corrections described above do not affect PG&E's total filed revenue requirement, only the allocation of the revenue requirement among Local Transmission, Line 400 and Line 401.

PG&E has recalculated rates using the correct allocations discussed above. Updated rate tables are included as an attachment to this email, in the form of an updated Exhibit C.

Also included as an attachment to this email is a comparison table that compares the corrected rates to the rates filed in PG&E's December 9, 2009 filed amendment.

If PG&E's 2011 GT&S Rate Case proceeds to hearing, PG&E will introduce the attached updated rates as its filed rate proposal.