

September 3, 2010

Mr. Honesto Gatchalian
California Public Utilities Commission
Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, CA 94102

**Re: Substitute Sheets – Advice 3716-E, Cornerstone Improvement Project
Balancing Account and Revenue Requirements**

Dear Mr. Gatchalian:

Enclosed are an original and 4 copies of substitute sheets for Advice 3716-E, *Cornerstone Improvement Project Balancing Account and Revenue Requirements*. At the request of the Energy Division, PG&E submits these substitute sheets to make the following changes to the language of the "Purpose" section of Electric Preliminary Statement FL to read:

1. **PURPOSE:** The purpose of the Cornerstone Improvement Project Balancing Account - (CIPBA) is to record and recover the incremental Operations and Maintenance (O&M) and Administrative and General (A&G) expenditures, capital-related costs, capital-related revenue requirements, benefits, and revenues associated with the Cornerstone Improvement Project (Project) as authorized by the Commission in Decision (D.) 10-06-048. As required by D.10-06-048, the capital expenditures used in the monthly computation of the capital-related revenue requirement set forth in item 5.b. are limited to \$357.448 million over the 2010 to 2013 time period.

Please telephone me at (415) 973-9312 should you have any questions regarding these substitute sheets.



Olivia Brown
Operations Proceedings

Attachments

cc: Don Lafrenz, Energy Division



Sheet 1 (N)

ELECTRIC PRELIMINARY STATEMENT PART FL
 CORNERSTONE IMPROVEMENT PROJECT BALANCING ACCOUNT - (CIPBA) (N)

FL. Cornerstone Improvement Project Balancing Account - (CIPBA) (N)

1. **PURPOSE:** The purpose of the Cornerstone Improvement Project Balancing Account - (CIPBA) is to record and recover the incremental Operations and Maintenance (O&M) and Administrative and General (A&G) expenditures, capital-related costs, capital-related revenue requirements, benefits, and revenues associated with the Cornerstone Improvement Project (Project) as authorized by the Commission in Decision (D.) 10-06-048. As required by D.10-06-048, the capital expenditures used in the monthly computation of the capital-related revenue requirement set forth in item 5.b. are limited to \$357.448 million over the 2010 to 2013 time period.
2. **APPLICABILITY:** The CIPBA applies to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balance in this account shall be determined in the Annual Electric True-up Advice Letter, or as otherwise authorized by the Commission.
4. **RATES:** The CIPBA does not have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E shall maintain the CIPBA by making entries to this account at the end of each month as follows:
 - a. A credit entry each month equal to one-twelfth of the annual Project revenue requirement that was included as a debit in the Distribution Revenue Adjustment Mechanism (DRAM).
 - b. A debit entry each month equal to PG&E's incremental O&M and A&G expenses and capital-related costs incurred for the Project, plus the allowance for FF&U. Capital-related revenue requirements include depreciation expense, the return on investment, federal and state income taxes, and property taxes associated with the costs of installed equipment.
 - c. A credit (or debit as necessary) entry at the end of each year to transfer the balance in the account to DRAM.
 - d. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth 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.

The balance in this account will be transferred to the DRAM account at the end of each year. (N)

Advice Letter No: 3716-E
 Decision No. D.10-06-048

Issued by
Jane K. Yura
 Vice President
 Regulation and Rates

Date Filed August 11, 2010
 Effective _____
 Resolution No. _____