

October 15, 2010

Advice 3746-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Notice of Federal Energy Regulatory Commission Rate Filing for Annual Updates to the Transmission Revenue Balancing Account Adjustment, the Reliability Services Rates and the End-Use Customer Refund Balancing Account Adjustment

Purpose

Pacific Gas and Electric Company ("PG&E") hereby submits this advice letter to provide the California Public Utilities Commission ("Commission" or "CPUC") with notice of PG&E's recent filing with the Federal Energy Regulatory Commission ("FERC") requesting a transmission rate change for its retail electric customers, in compliance with Resolution E-3930 ("Resolution"). The purpose of PG&E's FERC filing is to request the annual update to the Transmission Revenue Balancing Account Adjustment ("TRBAA"), the Reliability Services ("RS") rates and the End-Use Customer Refund Balancing Account Adjustment ("ECRBAA").

Background**TRBAA**

PG&E's Transmission Owner ("TO") Tariff specifies, among other things, the rates and charges for transmission access over the California Independent System Operator Corporation ("CAISO") grid. A component of these charges is the TRBAA, which is the ratemaking mechanism designed to ensure, among other things, that all Transmission Revenue Credits flow through to TO Tariff retail and wholesale transmission customers.

On October 6, 2010, PG&E proposed in its FERC filing in Docket No. ER11-44-000 to:

1. Revise the TO Tariff to reflect PG&E's annual revision of the TRBAA rate based on the TO12 Transmission Revenue Requirement (TRR) for retail service rendered between January 1, 2011 and February 2011; and
2. Revise the TO Tariff to reflect, for retail service rendered on or after March 1, 2011, PG&E's annual revision to the TRBAA based on the TO13 TRR (submitted in FERC Docket No. ER10-2026-000); and
3. Revise High Voltage and Low Voltage TRRs for use by the CAISO to calculate the CAISO Transmission Access Charge ("TAC") rates, specifically the 2011 High Voltage Access Charges and Transmission Charges under the CAISO Tariff for the TO12 time period described above.

The retail TRBAA rate revision is based on the Transmission Revenue Balancing Account ("TRBA") balance as of September 30, 2010, and on PG&E's 2011 TRBAA forecast, which is estimated to be equal to PG&E's net TRBAA revenues and debits for the twelve-month period ending September 30, 2010. The total revenue requirement used in developing the new TRBAA rate consists of the balance in the TRBA as of September 30, 2010, which is positive (under-collection) of \$3,117,929; the forecast TRBA amount, which is negative \$64,970,599; the accumulated interest, which is negative \$896,500; and a Franchise Fees and Uncollectibles ("FFU") adjustment, which is negative \$643,493. Overall, the year 2011 forecast TRBAA revenue requirement is negative \$63,392,663 (a credit to customers), as compared to 2010's revenue requirement of negative \$45,951,675. This results in a proposed 2011 TRBA rate of (\$0.00075) per kWh, compared to the present rate of (\$0.00054) per kWh.

RSBA

FERC Opinion No. 459 approved a September 21, 2001, partial settlement allowing recovery of PG&E's RS costs from Retail TO Tariff customers.

The RS rates consist of four components: (1) the 2010 Retail-Carry Over; (2) the forecast RS costs for 2011; (3) the 2010 Retail Carry-Over Interest, and; (4) an adjustment for FFU. The RS Rates for 2011 are developed using the following methodology: RS revenue requirement equals total RS costs less Retail revenue plus Retail Carry-Over plus FFU plus RS cost forecast and interest.

The total revenue requirement of \$31,105,637 which is used in the development of the retail 2011 RS Rates consists of the forecast total 2011 RS costs of \$27,521,446 plus the Retail Carry-Over of \$3,595,321 plus the FFU of negative \$322,297 plus Retail Carry-Over interest of \$311,166.

ECRA

The ECRA is an adjustment to the transmission revenue requirement that is used to calculate End-User Access Charge rates. Once a refund has been ordered by FERC, PG&E will calculate the total amount due to PG&E's End-Use Customers, including interest according to FERC. This amount will then be used to calculate a rate component of End-Use Customer rates for a 12-month period beginning on January 1 of the year following the date a refund is due retail customers under FERC Orders. PG&E selected a January 1 effective date so that the ECRA rate adjustment will coincide with the effective date for other balancing account rate adjustments. This provision was accepted as part of the settlement of the TO7 rate case.

Additionally, PG&E proposes to convert the ECRA to a balancing account called the End-Use Customer Refund Balancing Account ("ECRBA") in order to facilitate more accurate and timely refunds to retail customers than are made under the current ECRA mechanism. PG&E has included in the ECRBA calculation the TO Tariff base revenue requirement refunds associated with PG&E's TO12 refund obligation and a true-up amount associated with earlier ECRA rates. The Access Charge bills of End-Use Customers of the Participating TO shall include an ECRBA for the twelve-month period beginning on the January 1 following the first date such a refund is due to End-Use Customers as ordered by the Commission. When applicable, this End-Use Customer Refund Balancing Account Adjustment ("ECRBAA") will appear as a rate component of the End-Use Customer Access Charges for End-User Service in Appendix III of the TO Tariff. ECRBAA shall be a credit or charge equal to the refund or surcharge amount due to End-Use customers, including interest.

The total amount refunded through the ECRBAA in PG&E's filing with FERC is \$19,791,298, which is composed of \$16,575,811 in TO12 principal and \$386,554 in interest. The total also includes a \$2,828,932 true-up refund to customers.

Compliance with Resolution E-3930

PG&E submits this advice letter pursuant to Process Element 3 of the Resolution. Consistent with past practice, PG&E has also provided the Commission with a complete copy of the FERC filing on the same date that it was filed with FERC, by service to Mr. Frank Lindh of the Commission's Legal Division.

In this advice letter, PG&E requests authority to revise each corresponding transmission rate component of its Commission-jurisdictional tariffs on the date which FERC ultimately authorizes these changes to become effective, subject to refund, and to make corresponding adjustments to its total applicable Commission jurisdictional rates, with exceptions only as described below for the residential tariffs.

As described under Process Elements 5 and 6 of the Resolution, total rates for residential usage up to 130 percent of baseline ("Tier 1 and 2 usage") were previously constrained by California Assembly Bill 1X ("AB 1X"). California Senate Bill 695 ("SB 695"), enacted October 11, 2009, modified the constraints on total rates for residential usage up to 130 percent of baseline and Decision (D.) 09-12-048 also adopted PG&E's revised residential rate design as compliant therewith. Accordingly, PG&E will revise rates consistent with current practice and in compliance with this requirement.

As anticipated under Process Element 4 of Resolution E-3930, PG&E will supplement this advice or indicate in a separate advice letter that coincides with other retail rate changes when the requested TRBAA, RS, and ECRBA rate changes are approved, modified, denied or have been otherwise acted upon by the FERC. At that time, PG&E will also provide complete updated tariff sheets, including final adjustments to the rate components of the residential tariffs.

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 4, 2010**, which is 20 days after the date of this filing. Protests should be mailed to:

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

Facsimile: (415) 703-2200
E-mail: jj@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 as soon as practicable after FERC authorizes these changes to become effective. PG&E proposes to consolidate the electric rate changes resulting from the transmission rate change, to the extent practicable, with the first planned rate change after FERC authorizes PG&E's requests.

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 on the service lists for PG&E's 2010 General Rate Case Application, A.09-12-020 and A.10-03-014. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail 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. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.

A handwritten signature in black ink that reads "Jane Yura / lmt". The signature is written in a cursive style.

Vice President – Regulation and Rates

Attachments

cc: Service Lists A.09-12-020 and A.10-03-014

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) #: **3746-E**

Tier: 2

Subject of AL: Notice of Federal Energy Regulatory Commission Rate Filing for Annual Updates to the Transmission Revenue Balancing Account Adjustment, the Reliability Services Rates and the End-Use Customer Refund Balancing Account Adjustment

Keywords (choose from CPUC listing): Balancing Account, Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Resolution E-3930

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: **Upon FERC Approval**

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