BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2011.	Application 09-12-020 (Filed December 21, 2009)
Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service and Facilities of Pacific Gas and Electric Company.	Investigation 10-07-027 (Filed July 29, 2010)

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rule 8.3(a) of the Commission's Rules of Practice and Procedure, The Utility Reform Network (TURN) gives notice of the following *ex parte* communication. On December 6, 2010, at approximately 3:00 p.m., Robert Finkelstein, TURN's Legal Director, spoke via telephone with Scott Murtishaw, advisor to Commission President Michael Peevey. Mr. Murtishaw initiated the phone call, responding to a phone message Mr. Finkelstein had left the preceding Friday.

Mr. Finkelstein discussed TURN's position regarding PG&E's proposal to earn its authorized rate of return on electromechanical meters that have been replaced by SmartMeters and are therefore no longer used and useful. He explained that where plant was prematurely retired and therefore no longer used and useful, the Commission had consistently removed the associated investment from rate base and permitted the utility to recover its investment in such plant, but not a return on that plant investment. Mr. Finkelstein acknowledged that TURN had used the same 18-year amortization period proposed by PG&E rather than a shorter period, but stated that such an approach made sense here given the $1.8 billion in additional rate base resulting from the utility's SmartMeter spending, meaning the approximately $340 million associated with the removed meters would be a relatively small offset to that amount. He also noted that the Commission had the discretion to adopt a different amortization period. One such option would be to deny the return on the remaining investment in meters that are no longer used and useful, but accelerate the amortization period. Mr. Finkelstein pointed to the calculation in TURN's reply brief that indicated that PG&E has requested a 2011 revenue requirement of approximately $64 million revenue requirement for the meters that are no longer in service (approximately $20 million for amortization and $44 million for return on the remaining investment). If that $64 million annual figure were instead devoted entirely to amortization beginning in 2011, the remaining investment of $341 million would be fully recovered in just over five years.

Copies of this Notice may be obtained by contacting Larry Wong at 415-929-8876, x. 300 or adminassistant@turn.org.

December 9, 2010

Respectfully submitted,

By: ____________/S/________________

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