

**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. (U39M).

Application 09-12-020
(Filed December 21, 2009)

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Pacific Gas and Electric Company

I.10-07-027
(Filed July 29, 2010)

**NOTICE OF *EX PARTE* COMMUNICATION
OF PACIFIC GAS AND ELECTRIC COMPANY**

Pursuant to Rule 8.3(a) of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following ex parte communication. The communication occurred on Tuesday, December 21, 2010, at approximately 11:00 a.m. at the offices of the California Public Utilities Commission in San Francisco. The communication was oral and handouts were provided, two of which are accessible on CPUC website (PG&E Opening Brief filed October 29, 2010, and PG&E Reply Brief filed November 15, 2010); and a one-page handout is attached to this notice. [Rule 8.3(a)(c)]

John Hughes, Director- Regulatory Relations, PG&E, initiated the communication with Carol Brown (Chief of Staff) and Scott Murtishaw (Advisor) of Commission President Michael R. Peevey's office. Brian Cherry, Vice President-Regulatory Relations, PG&E, was also in

attendance. [Rule 8.3(b)]

Mr. Cherry started the meeting with a discussion of PG&E's SmartMeter proceedings. He stated that PG&E's proposal in this General Rate Case (GRC) follows the ratemaking treatment adopted by the Commission in the SmartMeter proceedings that resulted in Decisions 06-07-027 and 09-03-026. Regarding TURN's "used and useful" argument, no party brought in the SmartMater case made such a proposal. He also mentioned that TURN did cross examine a Southern California Edison (SCE) witness in the 2009 GRC on depreciation of meters. However, the Commission did not address any meter issues in its final decision in the SCE GRC.

Mr. Hughes stated that TURN had filed an ex parte notice that included a discussion that the \$340 million of capital could be recovered over a five year period using PG&E's \$64 million revenue requirement for 2011. He said that if this was to happen, PG&E would have a write off for financial purposes since there would not be any return component. He presented the attached handout that illustrated that a five year depreciation period even at returns on equity lower than currently authorized would result in higher ratepayer costs for this GRC rate cycle (2011-2013). He added that the Commission had adopted similar accelerated depreciation schemes but only for items such as power plants and not mass items such as meters.

Mr. Cherry stated that PG&E's request is consistent with adopted utility accounting principles. He stated that if PG&E had retired the meters as is normally performed, there would be no impact on rate base. [Rule 8.3(c)]

To obtain a copy of this notice, please notify Sally Cuaresma at (415) 973-5012 or via email at a2c7@pge.com.

Respectfully submitted,

/s/ Brian K. Cherry

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Attachment: Rate of Return on Retired Electric Meters

PG&E Opening Brief filed October 29, 2010:

<http://www.regrel/Docs/GRC2011-Ph-I/Pleadings/PGE/2010/GRC2011-Ph-I Plea PGE 20101029-01.pdf>

PG&E Reply Brief filed November 15, 2010:

<http://www.regrel/Docs/GRC2011-Ph-I/Pleadings/PGE/2010/GRC2011-Ph-I Plea PGE 20101115-01.pdf>

Dated: December 22, 2010

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, Regulatory Relations Department B10C, 77 Beale Street, San Francisco, California 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On December 22, 2010, I caused to be served a true copy of:

**NOTICE OF EX PARTE COMMUNICATION
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 list for A.09-12-020/I.10-07-027 with an e-mail address.

[XX] By U.S. Mail – by placing it 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 all parties of record on the service list for A. 09-12-020/I.10-07-027 who do not have an email 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 December 22, 2010 at San Francisco, California.

/s/ Sally Cuaresma

Sally Cuaresma
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CALIFORNIA PUBLIC UTILITIES COMMISSION

Service List: A.09-12-020/I.10-07-027 – Last Changed: December 20, 2010

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