

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Consider
the Annual Revenue Requirement
Determination of the California Department
of Water Resources and related issues.

Rulemaking 11-03-006
(Filed March 10, 2011)

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
ON THE PROPOSED DECISION ALLOCATING
THE REVISED 2012 REVENUE REQUIREMENT DETERMINATION
OF THE CALIFORNIA DEPARTMENT OF WATER RESOURCES**

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Dated: November 21, 2011

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I. INTRODUCTION

Pursuant to California Public Utilities Commission (CPUC) Rule of Practice and Procedure 14.3, Pacific Gas and Electric Company (PG&E) submits these reply comments on the October 31, 2011 Proposed Decision.

While the Proposed Decision does not contain any errors, PG&E requests the CPUC to clarify one Finding of Fact and one Ordering Paragraph to reflect the mechanics agreed upon by PG&E and the Department of Water Resources (“DWR”) for reflecting the CPUC’s allocation to PG&E of DWR’s revenue requirement determination.

In 2012, PG&E will again have a negative revenue requirement allocation while also expecting energy deliveries from DWR. Appendix A of the Proposed Decision correctly reflects PG&E’s forecasted \$252 million negative revenue requirement allocation, which is comprised of two parts: (i) a fixed negative allocation of \$354 million for 2012 and (ii) a positive \$103 million remittance from PG&E to DWR, reflecting the forecast megawatt-hour (mwh) deliveries to PG&E in 2012. PG&E requests that the decision be expanded to provide clarity on the agreed-upon procedures with DWR on remittances in 2012.

II. PG&E REQUESTS THE CPUC TO CLARIFY ONE FINDING OF FACT AND ONE ORDERING PARAGRAPH

PG&E requests the following clarifications to Finding of Fact number 9. Additions are underlined and deletions are struck-through.

9. DWR's revised 2012 revenue requirement for the Power Charge is approximately ~~\$17774~~ million, which results in the allocated Power Charges to the customers of PG&E, SCE, and SDG&E as shown in Appendix A. In 2012, DWR is forecast to collect approximately ~~\$10315~~ million from PG&E's customers, ~~\$31 million from SCE customers~~, and ~~\$7424~~ million from SDG&E's customers. ~~The \$31 million being collected from SCE customers results from receipt of lagged payments made by SCE customers for SCE assigned contracts that expired during 2011.~~ DWR will return approximately \$354 million to PG&E's customers and \$441 million to SCE's customers in 2012.

PG&E requests the following clarification to Ordering Paragraph number 1.a.

1. The allocation to Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company, as shown in Appendix A of this decision, of the California Department of Water Resources' 2012 revenue requirement determination as revised on October 27, 2011, ~~is \$923 million.~~

a. As shown in Appendix A of this decision, the 2012 Power Charges allocated to the electric customers of Pacific Gas and Electric Company and San Diego Gas & Electric Company are set at \$0.08475, and \$0.04083 per kilowatt-hour, respectively, and shall go into effect on January 1, 2012. Pacific Gas and Electric Company will reduce the Power Charges allocated to its electric customers by \$252 million for 2012 in anticipation of DWR returning \$354 million to PG&E's electric customers in 2012.

PG&E's net share of DWR's 2012 revenue requirement determination, combining the negative and positive components, is negative \$252 million. Thus, this amount will be reflected in PG&E's customer rates in 2012. Separately, PG&E and DWR have agreed to procedures by which PG&E will make monthly payments to DWR—based on an assigned positive remittance rate in \$/mwh—forecast to total \$103 million for 2012. In conjunction with that, DWR will

return to PG&E's customers \$354 million in 2012, in twelve equal monthly payments. Residual balances during 2012 (i.e., reflecting the difference between the amount remitted and actual DWR revenue requirement allocations) will be incorporated into DWR's revenue requirement determination for 2013, consistent with past practices.

III. CONCLUSION

For the foregoing reasons, PG&E requests the CPUC adopt the proposed modifications to the Proposed Decision.

Respectfully submitted,

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