



***Pacific Gas and
Electric Company™***

**Annual Electric True Up (AET) Advice Letter
and
2013 Electric Rate Change Outlook
Advice Letter filed on August 31, 2012**



Purpose of AET Advice Letter

- Amortize 2012 end-of-year balancing account balances.
- Consolidate all other CPUC and FERC authorized electric rate changes on 1/1/13.
- Lists pending electric proceedings and advice letters and associated rate changes expected to be approved by year-end 2012.
- Provides for a December supplemental advice filing that updates 12/31/12 forecast balancing account balances based upon 10/31/12 actual balancing account balances and consolidates only authorized proceedings and advice letters.
- Estimates PG&E's electric revenue on 1/1/13 to increase \$515 million over revenues at 7/1/12 rates



Change in revenue effective January 1, 2013 over July 1, 2012 rates forecasted by PG&E

CPUC-authorized revenue changes effective January 1, 2013 forecasted by PG&E	Million \$
Public purpose program revenue requirements including amortization of balances in the PPPRAM, CAREA, and PEERAM accounts.	-\$8
Distribution revenue requirements including amortization of balances in the DRAM, and PG&E's requested distribution revenue increase in the 2011 GRC.	\$94
Non-fuel generation revenue requirements including amortization of balances in the UGBA (after transfer of the MRTUMA balance to the UGBA) and FERABA accounts, and PG&E's requested generation revenue increase in the 2011 GRC.	\$136
Energy cost recovery amount revenue requirements including the ERBBA revenue requirement and amortization of the balance in the ERBBA account, and DRC charges.	-\$417
Nuclear decommissioning revenue requirements including amortization of the balance in the NDAM account.	-\$4
DWR power charge revenue requirements including DWR franchise fees, and amortization of the balance in the PCCBA account.	\$309
Energy procurement and ongoing CTC and CAM revenue requirements including amortization of the ERRA and MTCBA accounts.	\$615
AB 32 Revenue Return	-\$252
Total CPUC-authorized revenue change:	\$473



Change in revenue effective January 1, 2013 over July 1, 2012 rates forecasted by PG&E (Cont'd)

FERC-authorized revenue changes effective January 1, 2013 forecasted by PG&E	Million \$
End Use Customer Refund Balancing Account (ECRBA)	\$62
Transmission Revenue Balancing Account Adjustment (TRBAA)	-\$20
Total FERC-authorized revenue change:	\$42
Change in revenue effective January 1, 2013 forecasted by PG&E	Million \$
CPUC-authorized:	\$473
FERC-authorized:	\$42
Total AET increase:	\$515



2013 Annual Electric True-Up – Drivers

- **January 1, 2013 rates reflect increases due to:**
 - Higher procurement cost primarily driven by higher RPS and GHG compliance costs of \$615M.
 - Lower DWR negative revenue requirement of \$309M.
 - Lower starting point 2013 revenue at present rates due to changes in forecasted 2013 billing determinants of \$215M.
 - Increase in 2013 GRC Distribution and Generation attrition revenue requirements of \$123M and \$27M, respectively.
 - **The increases are offset by:**
 - Lower Energy Recovery Bond related revenue requirement of \$417M.
 - New AB 32 revenue of \$252M*, which assumes 100% return of auction revenue to customers.
- * Based on a the floor price of \$10/MT. Actual amount will be different.*
- Lower SmartMeter™ revenue requirement of \$101M

New Items in the 2013 AET Advice Letter

PENDING APPLICATIONS

- Greenhouse Gas OIR ⇒ \$252 million revenue return in 2013*.
** Based on a the floor price of \$10/MT. Actual amount will be different.*
- Cost of Capital ⇒ \$76 million lower distribution and generation revenue requirement in 2013.
- MRTU ⇒ new \$73 million revenue requirement.
- CEMA ⇒ new \$32 million revenue requirement.
- Lawrence Livermore National Laboratory ⇒ new \$13 million revenue requirement .

RATE DESIGN

- PG&E requests flexibility in the implementation of revenue change authorized by the Commission during its 12/20/12 business meeting.
- PG&E requests to design its 1/1/13 rates based on its 2013 Sales Forecast in the event that the final decision of its 2013 ERRRA Forecast Application is not issued by end of 2012. Any rate impact resulted from the decision will be implemented in rates after 1/1/13.