Pacific Gas and Electric Company

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October 29, 2012

Advice 4131-E
(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: **Update to Accounting Treatment for Revenues Associated with the Power Charge Indifference Amount**

Purpose

Pacific Gas and Electric Company (PG&E) requests that the California Public Utilities Commission (Commission) revise the accounting protocol related to positive revenues generated from the Power Charge Indifference Amount (PCIA) to record positive PCIA revenues in PG&E's Energy Resource Recovery Account (ERRA).

Background

The accounting treatment in place today for positive PCIA revenues was adopted in Decision (D.) 06-07-030 and dealt with stranded costs associated with the California Department of Water Resources (CDWR) revenue requirement. D.06-07-030 determined that a positive PCIA reflected the customers CDWR power charge obligations and, as such, positive PCIA revenues were remitted to CDWR consistent with the treatment originally adopted in D.02-11-022 for CDWR revenues paid under the 2.7 cent Customer Responsibility Surcharge (CRS) cap. Specifically, D.06-07-030, ordering paragraph (OP) 16 reads in part:

> "Within 30 days after the effective date of this order, each of the IOUs shall file an advice letter to revise the DWR power charge component, currently identified separately on direct access non-exempt customers' bills, to be renamed the Power Charge Indifference Adjustment (PCIA) charge. The tariff revisions to implement the PCIA shall be subject to the following provisions:
>
> . . . . . .
>
> e) If direct access non-exempt customers' share of the indifference amount exceeds these customers' share of the ongoing CTC revenue requirement, then the

difference is these customers' DWR power cost obligation. The PCIA charge is positive, and has the effect of decreasing bundled customers' DWR remittance rate, and therefore, for PG&E only, of decreasing bundled customers' Power Charge Collection Balancing Account rate.

f) If direct access non-exempt customers' share of the indifference amount is less than these customers' share of the ongoing CTC revenue requirement, then these customers' DWR power cost obligation is zero. The PCIA charge is negative, and has the effect of increasing bundled customers' ERRA costs (for PG&E) or URG rates (for SCE). The PCIA charge (including DWR franchise fees) will be set in proportion to the ongoing CTC.

In compliance with OP 16, PG&E filed Advice Letter 2871-E on August 4, 2006 to implement the provisions of D.06-07-030.[1] Since implementing the revised CRS indifference methodology pursuant to the directives in D.06-07-030, the PCIA associated with CDWR contract costs has never been positive.

Subsequent to the issuance of D.06-07-030, the indifference concept and calculation methodology was extended to include new generation resource costs, which were approved for stranded cost recovery in D.04-12-048. D.08-09-012 approved the final calculation methodology associated with the new generation resource commitments authorized in D.04-12-048. The calculation was a modified version of the indifference calculation approved in D.06-07-030 and includes the addition of new generation resource to each utility's total portfolio of resources, by vintage. Decision 08-09-012 did not address accounting protocols related to positive or negative PCIA revenues generated for the vintage PCIA which included new generation resources.

PG&E's implementation of the vintaged PCIA, approved in D.08-09-012, began in 2010, with vintaged portfolios beginning in 2009. The D.04-12-048 PCIA is intended to recover stranded costs associated with PG&E's new generation resource commitments and CDWR contract costs and has generated positive PCIA revenues since 2010. However, the CDWR revenue requirement is not the cost driver for the positive PCIA result. Currently, there is just one remaining CDWR contract left in PG&E's portfolio, which is set to expire in mid-2015. The driver for the positive PCIA revenue is now related to PG&E's new generation resource commitments and will remain so into the future.

[1] http://www.pge.com/nots/rates/tariffs/tm2/pdf/ELEC_2871-E.pdf

Request

PG&E requests that the Commission approve recording positive PCIA revenues associated with the vintage PCIA to ERRA beginning January 1, 2013, which would coincide with implementation of electric rate changes that would be implemented through PG&E's Annual Electric True-up Advice Letter. PG&E proposes that the positive PCIA revenues be recorded to the same line item in ERRA as the negative PCIA revenues, which are currently recorded to ERRA pursuant to D.06-07-030 directives. The net result would be that all PCIA revenues, whether positive or negative, would be recorded to ERRA. PG&E has modified the ERRA preliminary statement accordingly to reflect the fact that all PCIA revenues would be recorded to ERRA. The modification has eliminated the distinction between positive and negative PCIA revenues and instead simply reflects that the net PCIA revenues will be debited or credited to the ERRA.

This change is necessary because, as noted above, the accounting protocol originally adopted in D.02-11-022 and continued under the D.06-07-030 directives does not appropriately match the vintage PCIA revenues with the underlying cost the PCIA recovers. As such, remitting PCIA revenues to CDWR when there are no longer stranded CDWR costs is not appropriate.

PG&E has attached a modified the ERRA preliminary statement that would record PCIA revenues to ERRA, and requests the Commission approve the revised preliminary statement CP.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **November 19, 2012,** which is 21 days[2] from the date of this filing. Protests must be submitted to:

CPUC Energy Division
EDTariffUnit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or

[2] The 20 day protest period concludes on a weekend. PG&E hereby moves this date to the following business day.

delivered to the Commission:

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter. (GO 96-B, Rule 7.4.) The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (GO 96-B, Rule 3.11).

Effective Date

PG&E requests that this Tier 2 Advice Letter be approved effective on or after **January 1, 2013**.

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 the service list for Rulemaking ("R.") 07-05-025 and A.12-06-002. Address changes to the General Order 96-B service list and all electronic approvals should be directed to 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.

Brian Cherry

Vice President – Regulatory Relations

cc: Service List A.12-06-002
Service List R.07-05-025

Attachments

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 E)**

Utility type:	Contact Person: Kimberly Chang
☑ ELC ☐ GAS	Phone #: (415) 972-5472
☐ PLC ☐ HEAT ☐ WATER	E-mail: kwcc@pge.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas	
PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: **4131-E** **Tier: 2**

Subject of AL: **Update to Accounting Treatment for Revenues Associated with the Power Charge Indifference Amount**

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

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑One-Time ☐ Other ______

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

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 AL: ______

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: **January 1, 2013** No. of tariff sheets: 4

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: Electric Preliminary Statement CP

Service affected and changes proposed: Update accounting treatment for revenues associated with PCIA

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:

California Public Utilities Commission
Energy Division
EDTariffUnit
505 Van Ness Ave., 4th Flr.
San Francisco, CA 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

ATTACHMENT 1
Advice 4131-E

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
32083-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 1	31659-E
32084-E	ELECTRIC PRELIMINARY STATEMENT PART CP ENERGY RESOURCE RECOVERY ACCOUNT Sheet 4	31326-E
32085-E	ELECTRIC TABLE OF CONTENTS Sheet 1	32078-E
32086-E	ELECTRIC TABLE OF CONTENTS PRELIMINARY STATEMENT Sheet 14	31855-E

ELECTRIC PRELIMINARY STATEMENT PART CP
ENERGY RESOURCE RECOVERY ACCOUNT

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA)

1. PURPOSE: The purpose of the Energy Resource Recovery Account (ERRA) is to record and recover power costs, excluding California Department of Water Resources (DWR) contract costs, associated with PG&E's authorized procurement plan, pursuant to Decision 02-10-062, Decision 02-12-074 and California Public Utilities Code § 454.5(d)(3). Power costs recorded in ERRA include, but are not limited to, utility retained generation fuels, Qualifying Facility (QF) contracts, QF/Combined Heat and Power (QF/CHP) Program contracts, inter-utility contracts, California Independent System Operator (ISO) charges, irrigation district contracts and other Power Purchase Agreements (PPA), greenhouse gas (GHG) costs for compliance instrument transactions under California cap-and-trade program pursuant to Assembly Bill (AB) 32, expenses or revenues related to renewable energy credits (REC), revenues or costs related to congestion revenue rights (CRRs), revenues or costs related to convergence bidding, Independent Evaluator (IE) costs related to Requests for Offers (RFOs), the technical assistance costs incurred by the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Long-Term Procurement Plan (LTPP) program, fees associated with participating in the Western Renewable Energy Generation Information System (WREGIS), all expenditures related to PG&E's wave energy project (WaveConnect), bilateral contracts, forward hedges, bilateral demand response agreements, pre-payments and collateral requirements associated with procurement (including disposition of surplus power), and ancillary services. These costs are offset by reliability-must-run (RMR) revenues, PG&E's allocation of surplus sales revenues, the (N)
Power Charge Indifference Amount (PCIA) revenues, and the ERRA (N)
revenue. Revenues received from Schedule TBCC will also be recorded to the ERRA.

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART CP Sheet 4
ENERGY RESOURCE RECOVERY ACCOUNT

CP. ENERGY RESOURCE RECOVERY ACCOUNT (ERRA) (Cont'd.)

4. RATES: The ERRA rate is set forth in electric Preliminary Statement Part I.

5. ACCOUNTING PROCEDURES: The CPUC-jurisdictional portion of all entries shall be made at the end of each month as follows:

   a) A credit entry equal to the revenue from the ERRA rate component from bundled customers during the month, excluding the allowance for Franchise Fees and Uncollectible (FF&U) Accounts expense;

   b) A credit entry equal to RMR and ancillary services revenues from PG&E-owned generation facilities;

   c) A credit entry equal to surplus sales revenues allocated to PG&E per the Operating Agreement between PG&E and the DWR, if applicable;

   d) A credit entry equal to revenues received from Schedule TBCC;

   e) A credit entry equal to revenue associated with designated sales;

   f) A debit or credit entry equal to the net Power Charge Indifference Adjustment (PCIA), excluding the allowance for Franchise Fees and Uncollectible (FF&U) Accounts expense. (N)
   I
   (N)

   The following entry reflects the ongoing CTC portion of procurement costs as defined by the Public Utilities Code Section 367(a)(1)-(6), known as the statutory method, included in the Modified Transition Cost Balancing Account for recovery:

   g) A credit entry equal to the costs for ongoing CTC associated with QF obligations and PPA obligations, above the market benchmark currently adopted by the Commission;
   h) A debit entry equal to negative above-market costs, that are applied to positive above-market costs in the MTCBA;

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PRELIMINARY STATEMENT

SCHEDULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.	
	Preliminary Statements (Cont'd)		
Part CC	Real Time Energy Metering Memorandum Account	18307,18308-E	
Part CD	Kern Restoration and Operation Memorandum Account	18509-E	
Part CE	Baseline Balancing Account	23410,23411-E	
Part CF	Net Energy Metering Memorandum Account	18831-E	
Part CG	Utility Generation Balancing Account	31694, 31695-E	
Part CH	Utility Retained Generation Income Tax Memorandum Account	20502-E	
Part CI	Wholesale DWR/ISO Cost Memorandum Account	20503-E	
Part CJ	Negative Ongoing Transition Charge Memorandum Account	25999-E	
Part CK	Distribution Bypass Deferral Rate Memorandum Account	20619-E	
Part CL	Distributed Energy Resources Memorandum Account	19042-E	
Part CP	Energy Resource Recovery Account	**32083**,30255,30256,**32084**,30258,30259,30646,31466-E	(T)
Part CQ	Modified Transition Cost Balancing Account	25896,26415-E	
Part CR	Common Area Balancing Account	19768,19769-E	
Part CS	Advanced Metering and Demand Response Account	26376-26378-E	
Part CZ	Distribution Revenue Adjustment Mechanism	27780,28714,31696-E	

(Continued)

PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

1st Light Energy
AT&T
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Anderson & Poole
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Bloomberg New Energy Finance
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California Public Utilities Commission
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North Coast SolarResources
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Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunrun Inc.
Sunshine Design
Sutherland, Asbill & Brennan
Tecogen, Inc.
Tiger Natural Gas, Inc.
TransCanada
Turlock Irrigation District
United Cogen
Utility Cost Management
Utility Specialists
Verizon
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Western Manufactured Housing Communities Association (WMA)
eMeter Corporation