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November 21, 2012

**Advice 3344-G/4147-E**  
(Pacific Gas and Electric Company ID U39 M)

Public Utilities Commission of the State of California

**Subject: Update to PG&E's base revenue requirements effective January 1, 2013, for Attrition, Pension, the Cornerstone Improvement Project, and the Diablo Canyon Seismic Studies Program**

PG&E submits for filing revisions to its electric and gas distribution and electric generation revenue requirements effective January 1, 2013.

**Purpose**

The purpose of this Tier 1 advice letter is to implement the following authorized base revenue requirement adjustments:

- 2013 General Rate Case ("GRC") attrition adjustments to its electric and gas distribution and electric generation revenue requirements. These revenue requirement adjustments are in compliance with the terms of the 2011 GRC Settlement Agreement approved by the California Public Utilities Commission ("CPUC" or "Commission") in Decision ("D.") 11-05-018, in Application ("A.") 09-12-020.
- 2013 Pension adjustments to its electric and gas distribution and electric generation revenue requirements. These revenue requirement adjustments are in compliance with the terms of the Pension Cost Recovery Mechanism Settlement Agreement approved by the Commission in D.09-09-020, in A.09-03-003.
- 2013 Cornerstone Improvement Project ("CIP") adjustment to its electric distribution revenue requirement. This revenue requirement adjustment is in compliance with D.10-06-048, in which the Commission approved, with modifications, PG&E's CIP in A.08-05-023.

- Removal of the Diablo Canyon Seismic Studies from the generation revenue requirements. In compliance with D.12-09-088, PG&E will no longer recover forecasted Diablo Canyon Seismic Studies costs through its base electric generation revenue requirement and will instead recover actual costs in the Energy Resource Recovery Account (ERRA) through the annual ERRA Compliance filing.

PG&E requests the Commission approve the above revenue requirement adjustments effective on January 1, 2013.

### **Background**

#### **Attrition:**

In D.11-05-018, the Commission adopted a Settlement Agreement in PG&E's 2011 GRC in A. 09-12-020 for electric and gas distribution and electric generation revenue requirements for 2011 through 2013. The decision authorized a GRC revenue requirement increase for 2011 amounting to \$450 million. The decision also authorized additional post-test year attrition increases totaling \$180 million for 2012 and \$185 million for 2013. As provided in Ordering Paragraph ("OP") 4 of D. 11-05-018:

"Pacific Gas and Electric Company is authorized to implement the attrition revenue requirement increases for the years 2012 and 2013 as detailed in Appendix C of Attachment 1 to this decision. The attrition increases may be implemented by advice letter."

The 2013 attrition revenue requirement increases addressed in this filing are listed below:

	<b>2013 Attrition Revenue Requirement</b>
Electric Distribution	\$123 million
Gas Distribution	35 million
Electric Generation	<u>27 million</u>
<b>Total</b>	<b>\$185 million</b>

**Pension:**

In D.09-09-020, the Commission adopted a Settlement Agreement in PG&E's Pension Cost Recovery Mechanism in A.09-03-003. The decision adopted 2011 through 2013 revenue requirements as follows: 2011 \$140.5 million; 2012 \$177.2 million; and 2013 \$215.7 million. In addition, pursuant to paragraph V.7 of the Settlement Agreement:

“The annual revenue requirements and the allocation to GRC-related functions will be updated, if necessary, to conform to the allocation factors adopted in PG&E's 2011 GRC using the calculation method in Appendix 1.”

In compliance with the Pension Recovery Mechanism Settlement Agreement, PG&E has updated the 2011 through 2013 pension revenue requirement amounts to conform to the capitalization factor and the operations and maintenance (“O&M”) labor allocations used in determining the 2011 GRC Settlement Agreement revenue requirements.

The 2013 pension revenue requirement amounts addressed in this filing are listed below:

	<b>2013 Pension Revenue Requirement</b>
Electric Distribution	\$108.448 million
Gas Distribution	53.259 million
Electric Generation	<u>53.845 million</u>
<b>Total</b>	<b>\$215.552 million</b>

**Cornerstone:**

In D.10-06-048 the Commission approved, with modifications, PG&E's application to improve electric distribution system reliability or CIP (A.08-05-023). Pursuant to OP 3 of the decision:

“Pacific Gas and Electric Company shall use its results of operations model used in this proceeding and incorporate the costs adopted in this decision to determine the appropriate revenue requirements for the years 2011 through 2013....”

As presented in Advice 3716-E, the 2011 through 2013 CIP revenue requirements are as follows: 2011 \$12.926 million; 2012 \$32.537 million; and 2013 \$54.033 million. Advice 3716-E was approved by the Energy Division on October 6, 2010.

The 2013 CIP revenue requirement amount addressed in this filing is listed below:

	<b>2013 CIP Revenue <u>Requirement</u></b>
Electric Distribution	\$54.033 million

**Diablo Canyon Seismic Studies:**

In D.10-08-003 the Commission granted PG&E's request in A.10-01-014 to comply with the California Energy Commission's (CEC) recommendation to perform additional seismic studies in and around the Diablo Canyon Nuclear Power Plant. As provided in OP 5 of D.10-08-003:

"Pacific Gas and Electric Company shall begin recovery of \$2.63 million...in the Utility Generation Balancing Account starting on January 1, 2011. Pacific Gas and Electric Company shall track the difference between the \$2.63 million and the actual expenditures in the Diablo Canyon Seismic Study Balancing Account. In 2012, the amount to be collected in the Utility Generation Balancing Account shall be revised to \$11.78 million, plus the balance in the Diablo Canyon Seismic Study Balancing Account at the end of 2011... In 2013, the amount collected in the Utility Generation Balancing Account shall be revised to \$2.32 million, plus the balance in the Diablo Canyon Seismic Study Balancing Account at the end of 2012..."

PG&E subsequently requested that the Commission re-open A.10-01-014 to consider increased costs of necessary expanded seismic studies. On September 13, 2012, the Commission issued D.12-09-008 authorizing PG&E to recover in rates an additional \$47.5 million above the \$16.73 million already approved in D.10-08-003, for a total of \$64.25 million. Pursuant to OPs 1, 4 and 5 of D.12-09-008:

- 1) "Pacific Gas and Electric Company is authorized to record and recover its **actual** costs of implementing the Diablo Canyon Seismic activities in the Diablo Canyon Seismic Studies Balancing Account up to \$64.25 million."
- 4) "Costs recorded to the Diablo Canyon Seismic Studies Balancing Account (DCSSBA) shall be recovered in Pacific Gas and Electric Company's (PG&E) annual Energy Resource Recovery Account Compliance proceedings..."
- 5) "...disposition of balances in the DCSSBA shall be recovered in PG&E's annual Energy Resource Recovery Account Compliance proceedings."

As authorized in D.10-08-003, PG&E recovered **forecasted** 2011 and 2012 Diablo Canyon seismic studies costs in rates through the Utility Generation Balancing Account (UGBA). However, effective January 1, 2013, consistent with D.12-09-008 and as described in advice filing 4109-E approved by the Commission on October 25, 2012, PG&E will no longer recover Diablo Canyon seismic studies costs on a forecast basis and will instead recover **actual** costs through the annual Energy Resource Recovery Account Compliance proceedings. Therefore, in this advice filing, PG&E removes forecasted Diablo Canyon seismic studies generation base revenue requirements from its Rolling Revenue Requirement report.

## Summary

The revenue requirement changes included in this filing were included in the total revenue requirements submitted by PG&E in the Annual Electric True-up (“AET” – filed on August 31, 2012) and in the Annual Gas True-up (“AGT” – filed on November 1, 2012). The AET and AGT consolidate the above-described changes with other revenue requirement changes, as approved by the Commission, and propose rates to recover the total authorized revenue requirement. The AGT also includes the allocation of the gas distribution attrition increase between core and noncore distribution service, and a revised Gas Preliminary Statement Part C – *Gas Accounting Terms and Definitions, Part C.2*.

Attachment 1 of this filing shows the cumulative adjustments to the base revenue requirement amounts through January 1, 2013.

## Protests

Anyone wishing to protest this advice letter may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **December 11, 2012**, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> 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 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. (General Order 96-B, Section 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 (General Order 96-B, Section 3.11).

### **Effective Date**

PG&E submits this advice letter as a Tier 1 filing. PG&E requests that this advice letter become effective on **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 lists for 2011 GRC (A.09-12-020), Pension Cost Recovery Mechanism (A.09-03-003), Cornerstone Improvement Project (A.08-05-023) and Diablo Canyon Seismic Studies (A.10-01-014). 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 /IG*

Vice President – Regulatory Relations

cc: Service List for A.09-12-020  
Service List for A.09-03-003  
Service List for A.08-05-023  
Service List for A.10-01-014

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 M)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Igor Grinberg

Phone #: 415-973-8580

E-mail: ixg8@pge.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric      GAS = Gas        
PLC = Pipeline      HEAT = Heat      WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3344-G/4147-E**

Tier: **1**

Subject of AL: **Update to PG&E's base revenue requirements effective January 1, 2013, for Attrition, Pension, the Cornerstone Improvement Project, and the Diablo Canyon Seismic Studies Program**

Keywords (choose from CPUC listing): Compliance, General Rate Case & Balancing Account

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.11-05-018, D.09-09-020, D.10-06-048 & D.12-09-088

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: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: N/A

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: N/A

Resolution Required?  Yes  No

Requested effective date: **January 1, 2013**

No. of tariff sheets: N/A

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: N/A

Service affected and changes proposed: 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:

CPUC, Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

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



**ATTACHMENT 1**

**Rolling Revenue Requirements  
From 2011 through 2013  
in thousands**

	Electric Distribution	Electric Generation	Gas Distribution	Total
2011 Adopted GRC RRQ	3,358,335	1,667,848	1,154,351	6,180,534
less: Other Operating Revenue	97,880	11,608	22,922	132,410
less: FERC jurisdictional amount	16,722	37		16,759
<b>2011 Base Revenue Amount (Eff. 1/1/11)</b>	<b>3,243,733</b>	<b>1,656,203</b>	<b>1,131,429</b>	<b>6,031,365</b>
2011 Taxes on Retired Meters Revenue	4,850			4,850
2011 Pension	70,751	34,754	35,009	140,514
2011 Pension Adjustment	(100)	324	(313)	(89)
2011 Cornerstone	12,926			12,926
2011 Diablo Canyon Seismic Studies		2,658		2,658
<b>2011 Base Revenue Amount (Eff. 1/1/11)</b>	<b>3,332,160</b>	<b>1,693,939</b>	<b>1,166,125</b>	<b>6,192,224</b>
2011 Colusa Performance Incentive Payment		376		376
<b>2011 Base Revenue Amount (Eff. 2/8/11)</b>	<b>3,332,160</b>	<b>1,694,315</b>	<b>1,166,125</b>	<b>6,192,600</b>
2011 Fuel Cell Project - All 3 Units		5,677		5,677
<b>2011 Base Revenue Amount (Eff. 8/17/11)</b>	<b>3,332,160</b>	<b>1,699,992</b>	<b>1,166,125</b>	<b>6,198,277</b>
2011 Solar PV Program - Westside 15 MWs		14,865		14,865
<b>2011 Base Revenue Amount (Eff. 8/31/11)</b>	<b>3,332,160</b>	<b>1,714,857</b>	<b>1,166,125</b>	<b>6,213,142</b>
2011 Solar PV Program - Five Points 15 MWs		14,865		14,865
<b>2011 Base Revenue Amount (Eff. 9/24/11)</b>	<b>3,332,160</b>	<b>1,729,722</b>	<b>1,166,125</b>	<b>6,228,007</b>
2011 Solar PV Program - 20 Stroud MWs		19,820		19,820
<b>2011 Base Revenue Amount (Eff. 9/26/11)</b>	<b>3,332,160</b>	<b>1,749,542</b>	<b>1,166,125</b>	<b>6,247,827</b>
2012 Attrition Adjustments	123,000	22,000	35,000	180,000
Pension:				
Reverse 2011 Pension	(70,651)	(35,078)	(34,696)	(140,425)
2012 Pension	89,114	44,246	43,764	177,124
Cornerstone:				
Reverse 2011 Cornerstone	(12,926)			(12,926)
2012 Cornerstone	32,537			32,537
Diablo Canyon Seismic Studies:				
Reverse 2011 Diablo Canyon Seismic Studies		(2,658)		(2,658)
2012 Diablo Canyon Seismic Studies		11,907		11,907
<b>2012 Base Revenue Amount (Eff. 1/1/12)</b>	<b>3,493,234</b>	<b>1,789,959</b>	<b>1,210,193</b>	<b>6,493,386</b>
2012 Solar PV Program - Cantua 20 MWs		18,300		18,300
<b>2012 Base Revenue Amount (Eff. 6/26/12)</b>	<b>3,493,234</b>	<b>1,808,259</b>	<b>1,210,193</b>	<b>6,511,686</b>
2012 Solar PV Program - Huron 20 MWs		18,300		18,300
<b>2012 Base Revenue Amount (Eff. 6/28/12)</b>	<b>3,493,234</b>	<b>1,826,559</b>	<b>1,210,193</b>	<b>6,529,986</b>
2012 Solar PV Program - Giffen 10 MWs		9,150		9,150
<b>2012 Base Revenue Amount (Eff. 7/2/12)</b>	<b>3,493,234</b>	<b>1,835,709</b>	<b>1,210,193</b>	<b>6,539,136</b>
2011 Solar PV Program - Westside 15 MWs		(14,865)		(14,865)
2011 Solar PV Program - Westside 15 MWs		12,435		12,435
<b>2012 Base Revenue Amount (Eff. 8/31/12)</b>	<b>3,493,234</b>	<b>1,833,279</b>	<b>1,210,193</b>	<b>6,536,706</b>
2011 Solar PV Program - Five Points 15 MWs		(14,865)		(14,865)
2011 Solar PV Program - Five Points 15 MWs		12,435		12,435
<b>2012 Base Revenue Amount (Eff. 9/24/12)</b>	<b>3,493,234</b>	<b>1,830,849</b>	<b>1,210,193</b>	<b>6,534,276</b>
2011 Solar PV Program - 20 Stroud MWs		(19,820)		(19,820)
2011 Solar PV Program - 20 Stroud MWs		16,580		16,580
<b>2012 Base Revenue Amount (Eff. 9/26/12)</b>	<b>3,493,234</b>	<b>1,827,609</b>	<b>1,210,193</b>	<b>6,531,036</b>
2013 Attrition Adjustments	123,000	27,000	35,000	185,000
Pension:				
Reverse 2012 Pension	(89,114)	(44,246)	(43,764)	(177,124)
2013 Pension	108,448	53,845	53,259	215,552
Cornerstone:				
Reverse 2012 Cornerstone	(32,537)			(32,537)
2013 Cornerstone	54,033			54,033
Diablo Canyon Seismic Studies:				
Reverse 2012 Diablo Canyon Seismic Studies		(11,907)		(11,907)
<b>2013 Base Revenue Amount (Eff. 1/1/13)</b>	<b>3,657,064</b>	<b>1,852,301</b>	<b>1,254,688</b>	<b>6,764,053</b>

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

1st Light Energy	Department of General Services	Norris & Wong Associates
AT&T	Department of Water Resources	North America Power Partners
Alcantar & Kahl LLP	Dept of General Services	North Coast SolarResources
Ameresco	Douglass & Liddell	Occidental Energy Marketing, Inc.
Anderson & Poole	Downey & Brand	OnGrid Solar
BART	Duke Energy	PG&E
Barkovich & Yap, Inc.	Economic Sciences Corporation	Praxair
Bartle Wells Associates	Ellison Schneider & Harris LLP	R. W. Beck & Associates
Bloomberg	Foster Farms	RCS, Inc.
Bloomberg New Energy Finance	G. A. Krause & Assoc.	SCD Energy Solutions
Boston Properties	GLJ Publications	SCE
Braun Blaising McLaughlin, P.C.	GenOn Energy Inc.	SMUD
Brookfield Renewable Power	GenOn Energy, Inc.	SPURR
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
CLECA Law Office	Green Power Institute	Seattle City Light
California Cotton Ginners & Growers Assn	Hanna & Morton	Sempra Utilities
California Energy Commission	Hitachi	Sierra Pacific Power Company
California League of Food Processors	In House Energy	Silicon Valley Power
California Public Utilities Commission	International Power Technology	Silo Energy LLC
Calpine	Intestate Gas Services, Inc.	Southern California Edison Company
Casner, Steve	Lawrence Berkeley National Lab	Spark Energy, L.P.
Cenergy Power	Los Angeles County Office of Education	Sun Light & Power
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sunrun Inc.
Chris, King	MAC Lighting Consulting	Sunshine Design
City of Palo Alto	MRW & Associates	Sutherland, Asbill & Brennan
City of Palo Alto Utilities	Manatt Phelps Phillips	Tecogen, Inc.
City of San Jose	Marin Energy Authority	Tiger Natural Gas, Inc.
City of Santa Rosa	McKenna Long & Aldridge LLP	TransCanada
Clean Energy Fuels	McKenzie & Associates	Turlock Irrigation District
Clean Power	Merced Irrigation District	United Cogen
Coast Economic Consulting	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	Morrison & Foerster LLP	Wellhead Electric Company
Davis Wright Tremaine LLP	NLine Energy, Inc.	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	NRG West	eMeter Corporation
Defense Energy Support Center	NaturEner	