

From: Jacobson, Erik B (RegRel)  
Sent: 12/5/2012 9:41:27 AM  
To: Lafrenz, Donald J. (donald.lafrenz@cpuc.ca.gov)  
Cc: Allen, Meredith (/O=PG&E/OU=Corporate/cn=Recipients/cn=MEAe)  
Bcc:  
Subject: RE: GHG Cross-over issue in RRA Forecast

The former. We are seeking approval of the 2012 cost estimate in ERRA, but will defer recovery subject to the implementation requirements determined in the GHG OIR. The proposed decision in the GHG OIR orders a deferral of cost recovery and establishment of a new GHG cost subaccount, which we are proposing to do through ERRA. The GHG OIR does not adopt a cost forecast for 2012, but directs us to file a Tier 1 advice letter listing the tariffs we will use to track estimated GHG costs and revenues.

Erik

**From:** Lafrenz, Donald J. [mailto:donald.lafrenz@cpuc.ca.gov]  
**Sent:** Wednesday, December 05, 2012 8:53 AM  
**To:** Jacobson, Erik B (RegRel)  
**Subject:** RE: GHG Cross-over issue in RRA Forecast

Erik, Thanks for the note.

Does PG&E still seek authorization of GHG costs in the 2012 ERRA forecast, but will request to defer recovery subject to the requirements of the GHG OIR? Or is recovery of GHG costs still to be determined in the GHG OIR, or some other proceeding?

-Don

**From:** Jacobson, Erik B (RegRel) [mailto:EBJ1@pge.com]  
**Sent:** Tuesday, December 04, 2012 10:45 AM  
**To:** Lafrenz, Donald J.  
**Cc:** [Redacted]  
**Subject:** GHG Cross-over issue in RRA Forecast

Don,

As we discussed, in its comments on ALJ Wilson's proposed decision regarding our ERRA forecast application (A.12-06-002), PG&E will recommend the following implementation approach to ensure consistency with the GHG OIR proposed decision that addresses GHG revenue allocation (R.11-03-012):

- Approve the total \$4.537 billion revenue requirement request.
- PG&E will defer collection in rates of \$180 million in GHG costs until implementation of GHG revenue return issue. The \$180 million is an estimate of the direct and indirect GHG costs, based on methodologies outlined in PG&E's June testimony and updated in November using the most recent forecast of emissions and allowance price. The \$180 million will be deferred by tracking these estimated costs in an ERRA subaccount.
- Rates on 1/1/2013 will be based on an effective \$4.357 billion revenue requirement (\$4.537 billion -\$180 million).
- Once GHG revenue return is implemented, PG&E will file a Tier 1 Advice Letter to begin collecting the previously deferred \$180 million in rates.

Please let me know if you have any concerns or questions. We would be happy to meet with you later this week or next to discuss in more detail.

Best regards,

Erik

*Erik Jacobson*

Senior Director, Regulatory Relations

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