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

Application of Pacific Gas and Electric Company To Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design. U 39 M	Application No. 13-04-____

GENERAL RATE CASE PHASE II
APPLICATION OF
PACIFIC GAS AND ELECTRIC COMPANY

GAIL L. SLOCUM
RANDALL J. LITTENEKER
SHIRLEY A. WOO

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-6583
Facsimile: (415) 973-0516
E-Mail: gail.slocum@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: April 18, 2013

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

SB_GT&S_0442148

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company To Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design. U 39 M	Application No. 13-04-____

GENERAL RATE CASE PHASE II APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY

I. INTRODUCTION

By this 2014 General Rate Case (GRC) Phase II Application,[1] Pacific Gas and Electric Company (PG&E) asks the California Public Utilities Commission (Commission) to adopt PG&E's proposals to revise its electric marginal costs, revenue allocation, and rate design. This request is related to PG&E's Application (A.) 12-11-009, PG&E's request to increase its Commission-authorized revenues for service in 2014, which is commonly referred to as Phase I of PG&E's 2014 GRC.[2]

II. EXECUTIVE SUMMARY

PG&E proposes to make progress in moving electric rates closer to cost of service, in order to send more economically efficient price signals and promote more equitable treatment among all customers. At the same time, PG&E balances other objectives including customer acceptance, rate stability, and simplifying electric rates to make them easier for customers to understand. Underlying PG&E's proposals are its updated unit marginal cost studies, presented in Exhibit (PG&E-2). This updated marginal cost information is used to allocate the overall

[1] This Application is submitted pursuant to Article 2 and Rule 3.2 of the Commission's Rules of Practice and Procedure and the Commission's Rate Case Plan (RCP) adopted in Decision (D.) 89-01-040 and modified in D.07-07-004.

[2] Pursuant to the RCP, the Phase II application must be filed 90 days after the Phase I application, which PG&E filed on November 15, 2012 (A.12-11-009). PG&E's Phase II filing would ordinarily have been due February 13, 2013. However, on January 30, 2013, CPUC Executive Director Paul Clanon granted PG&E's request that this Phase II application instead be filed on April 18, 2013, with all parties' subsequent due datesmoved accordingly, as shown in PG&E's proposed schedule in Section VII.H., below.

SB_GT&S_0442149

revenue requirement to the individual customer groups, as described in Chapters 1 and 2 of Exhibit (PG&E-1). After integrating the billing determinants with the corresponding unit marginal costsand accounting for policy considerations, PG&E constructed revised rate designs for all of PG&E's customer groups, as described in Chapters 3 – 8 of Exhibit (PG&E-1).

PG&E summarizes, in Section III, the proposals presented in its prepared testimony, which is being made available via Notice of Availability along with this Application. PG&E's Application does not request any changes to its adopted revenue requirements, but asks to revise its retail rates as authorized revenues change consistent with the principles in the accompanying testimony. The overall effect of PG&E's Phase II proposals is revenue neutral. The results of the Commission's decision in this proceeding will be applied to PG&E's then-current authorized revenues, incorporating any revenue change adopted in Phase I of PG&E's 2014 GRC and other Commission or Federal Energy Regulatory Commission (FERC) proceedings. Application of the rate design approved in this proceeding to a changed revenue requirement will produce rates different from those that are shown here for illustrative purposes.

PG&E's proposals revise revenue allocation and rates for distribution, generation and public purpose programs (PPP),[3] which will change total bundled rates. PG&E's proposed average rate change for each bundled service class is illustrated in Table 1 below. The average bundled rates shown in Table 1 are calculated using the January 1, 2013 authorized revenue requirement. Allocating revenue at full cost would result in bill impacts that may not be tolerable for certain customer classes, relative to their current rates. As a result PG&E is proposing limiting both the increases and decreases allocated to customer groups to a cap/floor of plus/minus 3 percent for bundled and plus/minus 6 percent[4] for Direct Access and Community Choice Aggregation (DA/CCA) customers. This capping will moderate changes in customer

---

3 PG&E is not proposing changes to any of the following rate components: Nuclear Decommissioning, Competition Transition Charges, the Energy Cost Recovery Amount (ECRA), the DWR Bond, the New System Generation Charge, or the Power Charge Indifference Adjustment (which is applicable only to DA/CCA customers). Finally, PG&E has not made any changes to transmission rates which are FERC jurisdictional.

4 This 6 percent limit for a DA/CCA customers results, on average, in a similar bill change that a similar bundled customer would receive if limited to 3 percent.

SB_GT&S_0442150

bills for those capped customer groups while moving those customer groups closer to cost of service. For rate and tariff simplification, and to enhance equity, PG&E proposes several changes to make its rates fairer and easier to understand and apply.

TABLE 1
PACIFIC GAS AND ELECTRIC COMPANY
COMPARISON OF CURRENT AND PROPOSED BUNDLED AVERAGE RATES

Line No.	Class	(1) Current Rates 2013 (cents/kWh)	(2) Full Cost Rates (cents/kWh)	(3) Percent Change	(4) Revenue Change (millions)	(5) Proposed Rates (cents/kWh)	(6) Percent Change	(7) Revenue Change (millions)
1	Residential	16.6	16.7	0.8	44.6	16.8	1.5	81.9
2	Small L&P	19.0	19.0	0.2	2.7	19.2	1.1	16.5
3	Medium L&P	16.6	15.6	-6.3	-87.8	16.1	-3.0	-42.0
4	E-19	14.3	13.7	-4.0	-64.0	13.9	-3.0	-48.0
5	Streetlights	17.9	20.6	15.1	10.8	18.4	3.0	2.1
6	Standby	11.9	11.8	-1.0	-0.6	12.0	1.3	0.8
7	Agriculture	15.4	18.3	18.5	140.9	15.9	3.0	22.8
8	E-20	11.9	11.7	-1.7	-20.9	11.7	-1.5	-18.4
9	Total	15.7	15.8	0.2	25.7	15.7	0.1	15.7

Because direct access (DA) and community choice aggregation (CCA) customers also pay rates for distribution and PPP, these customers will be affected by PG&E's proposals. Departing load customers will also be affected by the change to PPP rates to the extent they are required to pay these rates. Table 2 summarizes the impact of PG&E's proposals on DA and CCA customers.

TABLE 2
PACIFIC GAS AND ELECTRIC COMPANY
COMPARISON OF CURRENT AND PROPOSED DA/CCA REVENUE

Line No.	Class	(1) Current Rates 2013 (cents/kWh)	(2) Full Cost Rates (cents/kWh)	(3) Percent Change	(4) Revenue Change (millions)	(5) Proposed Rates (cents/kWh)	(6) Percent Change	(7) Revenue Change (millions)
1	Residential	11.1	10.6	-4.6	-2.7	10.8	-2.9	-1.7
2	Small L&P	10.8	11.2	3.8	1.0	11.4	5.7	1.5
3	Medium L&P	7.3	6,9	-4.9	-3.6	7.1	-3.4	-2.6
4	E-19	5.8	5.5	-5.3	-11.1	5.6	-4.0	-8.3
5	Streetlights	6.0	8.0	33.8	0.2	6.3	6.0	0.0
6	Standby	5.4	4.2	-22.3	-0.2	5.1	-6.0	0.0
7	Agriculture	7.2	9.3	29.8	1.0	7.6	6.0	0.2
8	E-20	3.9	3.8	-2.4	-5.2	3.9	-1.0	-2.2
9	Total	5.4	5.2	-3.5	-20.6	5.3	-2.2	-13.1

SB_GT&S_0442151

III. OVERVIEW OF PG&E'S PHASE II PROPOSALS

A. Marginal Cost

As described in Exhibit (PG&E-2), PG&E's proposed marginal cost approach is based on the economic theory of marginal costs and the Commission's adopted principles and methods. PG&E assessed the usefulness of marginal cost results in relevant applications and introduces refinements of marginal cost approaches based on improved data availability. In response to the requests of parties participating in the revenue allocation workshops required by the settlement approved by D.11-12-053, PG&E also provides a study that evaluates the effect of distributed generation on distribution capacity planning.

1. Generation Marginal Energy And Capacity Costs

PG&E has developed separate marginal energy costs (MEC) and marginal generation capacity costs (MGCC) because using separate MEC and MGCC to allocate costs provides the appropriate price signals to customers. In response to parties' concerns about transparency in PG&E's last GRC Phase II proceeding, PG&E's marginal generation costs will be based on publicly available inputs and models. For capacity costs, PG&E proposes a 6-year planning horizon, consistent with the Commission's stated preference for a balance between longer-term and shorter-term perspectives.

2. Transmission Marginal Capacity Costs

PG&E proposes to use the Discounted Total Investment Method (DTIM) for calculating its marginal transmission capacity cost (MTCC), to better reflect the lumpiness of such investments[5] and the time value of money. PG&E's proposed transmission marginal costs are based on those planned investments that can be avoided or deferred if load growth fails to materialize as expected, i.e., deferrable transmission capacity projects. Because transmission rates are under the jurisdiction of FERC, transmission marginal costs are not used for setting

[5] "Lumpiness" of Transmission and Distribution equipment costs refers to the fact that there are large year-to-year variations in the size of such investments, which are therefore spread unevenly over time. This is because investments during the planning horizon are needed at different times and in different sizes for different areas, depending on the installed capacity and load growth unique to each area.

transmission rates. Nonetheless, PG&E requests approval of transmission marginal costs in this proceeding for the purposes of determining special contract pricing floors and for use in other proceedings where the Commission deems transmission marginal costs necessary.

3. Distribution Marginal Capacity Costs

PG&E developed its proposed marginal primary distribution capacity costs (MDCC) using the DTIM and costs by area because investments during the planning horizon are needed at different times and in different sizes for different areas depending on the installed capacity and load growth unique to each area, as reflected in the distribution expansion planning process. The DTIM conforms to the Commission's guidance in D. 92-12-057 and Commission-adopted marginal cost principles, and is well-suited for computing area-specific marginal costs. In addition, PG&E develops new business primary marginal costs and secondary marginal costs, which do not demonstrate the same lumpiness as primary distribution marginal costs. For that reason, these marginal costs are based on an average of three years of recorded cost and two years of forecast expenditures.

4. Customer Access Marginal Costs

PG&E bases its proposed marginal customer access costs (MCAC) on the one-time hookup cost (OTHC) method, also referred to as the New Customer Only (NCO) method, first adopted for PG&E in its 1993 GRC (D. 92-12-057). For new customer hookup costs, PG&E retains the previously adopted OTHC methodology but has improved its process for gathering new connection cost data to now include a forecast of the number of new connections, resulting in more accurate marginal costs. In addition to the one-time capital costs of new access equipment, PG&E's NCO-based MCACs include the lifetime operation and maintance (O&M) costs for that new access equipment and ongoing costs for customer revenue-cycle services (RCS) such as meter services, meter reading, billing, account maintenance, payment processing, and customer inquiry. PG&E significantly revises its RCS studies to reflect SmartMeter™ installations. In anticipation of a decision in A.11-12-009, Direct Access and Community

SB_GT&S_0442153

Choice Aggregation Service Fees, PG&E also updates RCS credits for DA/CCA customers in Exhibit (PG&E-2), Appendix D.

B. Revenue Allocation And Rate Design

PG&E proposes to revise allocation of current generation and distribution revenues to move further toward cost-based rates. This provides equitable, efficient allocation among customer groups. PG&E balances such movement with other policy considerations such as customer acceptance. PG&E believes that allocating revenue according to full Equal Percent of Marginal Cost (EPMC)[6] would result in bill impacts that may not be tolerable for certain customer classes. As a result, PG&E propose limiting both the increases and decreases allocated to customer groups to a cap/floor of plus/minus 3 percent for bundled and plus/minus 6 percent for Direct Access and Community Choice Aggregation customers. This capping will moderate changes in customer bills to the capped customer groups while moving those capped customer classes closer to cost of service. As described in Exhibit (PG&E-1), Chapter 2, PG&E currently allocates revenue separately for several different components of bundled service rates. Revenue allocation rules and policies for most of these components have been established in other proceedings and are not revisited here. PG&E's proposals in this proceeding are limited to revising or updating methods for setting rates for distribution, generation and PPP.

PG&E proposes the EPMC approach for generation and distribution revenue allocation. PG&E's proposed rate designs for generation and distribution also typically use marginal cost relationships. PG&E proposes a methodology to implement rate changes between GRC Phase II proceedings in this proceeding.

1. Distribution And PPP Revenue Allocation And Rate Design

PG&E proposes to allocate distribution revenue to all customers based on distribution

---

[6] The CPUC has long used the EPMC methodology to establish overall utility rates that recover a utility's authorized revenue requirements. This is necessary because the aggregate of capacity energy and customer marginal costs do not equal the utility's revenue requirement. Although, in theory, efficient resource allocation counsel that prices be set equal to their marginal costs, in practice the CPUC has recognized that such costs have to be adjusted to equate to and recover the revenue requirement the utility is allowed to collect.

EPMC reflecting the marginal costs described in Exhibit (PG&E-2). For distribution rate design, PG&E continues to adjust individual components of rates, such as energy, demand and basic service fees (also known as fixed monthly customer charges), with reference to marginal costs. While PG&E is not changing the method for determining the CARE surcharge component of PPP rates, adjustments in revenue allocation and rate design for distribution and generation result in changes to this rate that are reflected in illustrative PPP rates in this proceeding.

2. Generation Revenue Allocation And Rate Design

PG&E's generation rates recover the generation revenue allocated to bundled customers. PG&E proposes to allocate generation costs based on the EPMC methodology using generation marginal capacity and energy costs from Exhibit (PG&E-2), Chapter 2, and to adjust demand and energy charges with reference to marginal generation costs.

3. Rate Design

Highlights of PG&E's specific rate design proposals for all customer classes, which are set forth in Chapters 3 – 8 of Exhibit (PG&E-1), are summarized below.

a. *Residential Rate*s

In this proceeding, PG&E's residential rate design proposals take modest steps to continue to address the inequitable rate tier imbalances and large intra-class subsidies in the current four-tiered residential rate structure, to the degree possible under current statutory constraints. PG&E's proposals are ones that the Commission can adopt without legislative change. If adopted these would provide a small measure of relief from the high rates currently faced by residential customers whose usage in Tiers 3 and 4. PG&E's proposals include:

- Collapsing the Tier 3 and 4 rates into a single Tier 3 rate for all non-CARE tiered rates and reducing Baseline Quantities to the 50 percent level;[7] and
- Increasing the Tier 3 rate (for usage in excess of 130 percent of baseline) for CARE customers by 2 cents per kilowatt-hour (kWh) per year over a three-year period, to better align this rate with the minimum discount established by the legislature (in SB 695), and

[7] PG&E has a 50 percent baseline proposal pending in its 2012 Rate Design Window proceeding (A.12-02-020), and would propose to continue to set baseline quantities on that basis if the CPUC fully approves it in that proceeding. For All-Electric customers, the baseline quantity would be set at 60 percent.

SB_GT&S_0442155

to make these rates more similar to those of Southern California Edison and San Diego Gas and Electric Company.

For its optional residential Time of Use (TOU) rate schedules, PG&E's proposals include:

- Collapsing the lower two rate tiers into a single tier. Together with the collapse of Tiers 3 and 4, the proposed optional TOU rates will consist of only 2 tiers, which will considerably simplify these rates.
- Adding modest basic service fees (of $3.60 for California Alternative Rates for Energy (CARE) customers, and $6.00 for non-CARE customers), to more appropriately recover fixed distribution costs that PG&E incurs regardless of customer energy usage levels, as is done for all other customer classes; and
- Making PG&E's optional rates, including TOU and E-8, revenue neutral, such that the average customer pays the same amount on the standard schedule as on the optional rate.

Taken as a whole, these proposals will reduce the Tier 4 rate on PG&E's standard rate schedule from its current level of 34 cents per kWh to 28.9 cents per kWh. While 28.9 cents per kWh is still too high relative to PG&E's proposed average residential rate of 16.8 cents, this incremental step represents important progress that can be achieved now, without legislative changes. Further action for strucutural reform will be needed both in the CPUC's Residential Rates OIR and through statutory changes needed to return residential rates to a more appropriate gradual differential between the tiers.

b. ***Small Light and Power Rates***

For Small Light and Power (or commonly, small commercial) customer rates, which consist primarily of customer and TOU energy charges, PG&E proposes to:

- Retain the current structure and adjust these rates so they align better with cost.
- Retain the threshold eligibility for Schedule A-1 to customer loads that are less than 75 kW; and add that same restriction to Schedule A-6. Customers with demands over 75 kW are more appropriately served under the Medium and Large Light and Power schedules with demand charges.

c. ***Agricultural Rates***

For Agricultural rates, PG&E proposes to:

- Simplify its rate structure by consolidating rate choices from six to three main rate schedules. This proposal responds to customer feedback on rate complexity.

- Adjust agricultural rates, which generally consist of basic service, demand and TOU energy charges, to facilitate consolidation. PG&E proposes to gradually eliminate the connected load charges currently paid by agricultural customers with smaller loads and replace them with demand charges applicable to metered demands.
- As in the residential class, PG&E proposes to make rate options revenue neutral.

d. *Medium and Large Light and Power Rates*

For the Medium and Large Light and Power customer class, whose rates typically consist of customer, demand and TOU energy charges, PG&E proposes to:

- Retain the current structure and adjust these rates so they align better with cost.
- Terminate Schedule E-37. The discount that E-37 provides to oil pumping facilities was created in the late 1990s, when crude oil prices were very low, as part of a legislative effort to bring more capped wells into service. With today's high crude oil prices, these subsidies to oil pumping customers are no longer justified.

IV. REGULATORY BACKGROUND AND AUTHORITY FOR PROPOSALS

A. Separate Application For Marginal Costs, Revenue Allocation And Rate Design

In the January 22, 2013, Scoping Memo, p. 7, in PG&E's 2014 Phase I proceeding, the Commission directed PG&E to "file a separate Phase II application to address electric marginal costs, revenue allocation, and rate design consistent with procedure of recent GRC proceedings, and consistent with the Commission's responsibility under PUC Section 1701.5 to complete ratemaking proceedings within 18 months." PG&E is filing its 2014 Phase II showing as a separate application.

B. Compliance Items

Appendix H (Exhibit 1) lists and describes compliance items included in PG&E's exhibits and testimony pursuant to previous Commission rate design related decisions (including, but not limited to, D.11-12-053).

V. ORGANIZATION OF PG&E'S PHASE II FILING

PG&E's marginal cost, revenue allocation, rate design and bill revision proposals are set forth in the prepared testimony that accompanies this Application. PG&E's testimony comprises three exhibits, which are contained in three bound volumes accompanying this Application.

PG&E's testimony is organized as follows:

Exhibit (PG&E-1): Revenue Allocation And Rate Design

Chapter 1 –Revenue Allocation and Rate Design Policy

Chapter 2 – Revenue Allocation Proposal

Chapter 3 – Residential Rates

Chapter 4 – Small Light and Power Rates

Chapter 5 – Medium and Large Light and Power Rates

Chapter 6 – Standby Rates

Chapter 7 – Streetlight Rates

Chapter 8 – Agricultural Rates

Appendix A – Revenue and Average Rate Summary at Full Cost Rates

Appendix B – Revenue and Average Rate Summary at Proposed Rates

Appendix C – Present and Proposed Rates

Appendix D – Illustrative Bill Impacts of Present Versus Proposed Total Rates

Appendix E – PG&E's Study of the Effects of Shortening to Five-Month Summer Season

Appendix F – Assignment of Streetlighting Expenses for Revenue Allocation and Rate Design

Appendix G – E-37 Cost Study

Appendix H – Summary of Compliance Items and Pending Issues

Exhibit (PG&E-2): Marginal Cost

Chapter 1 – Marginal Costs Proposals

Chapter 2 –Marginal Generation Cost

Chapter 3 – Deferrable Transmission Capacity Projects

Chapter 4 – Transmission Marginal Capacity Costs

Chapter 5 – Distribution Expansion Planning Process and Projected Costs

Chapter 6 – Distribution Marginal Cost Capacity Costs

Chapter 7 – Marginal Customer Access Costs

Appendix A – Mathematical Formulation of the Discounted Total Investment Method and Alternate Methods to Compute Marginal Distribution Costs

Appendix B – Marginal Cost Loaders and Financial Factors

Appendix C – Distribution Planning and Investment and Distributed Generation

Appendix D – Revenue Cycle Services Credits

Exhibit (PG&E-3): Witnesses' Statements of Qualifications.

VI. WORKPAPERS

Workpapers supporting PG&E's testimony will be provided upon request. Requests for workpapers should be directed to: Grant Fujii, 2014 GRC Phase II Case Coordinator, telephone (415) 973-2267, e-mail GDF8@pge.com. PG&E will request inclusion of many of the workpapers in the record of this Phase II proceeding. Therefore, when PG&E's witnesses adopt their prepared and rebuttal testimony, they may also sponsor and adopt their workpapers, or portions thereof.

VII. STATUTORY AND PROCEDURAL REQUIREMENTS

A. Service (Rules 1.9 And 1.10)

This Application and the accompanying prepared testimony comply with the requirements of form and process contained in the Commission's Rules of Practice and Procedure. This Application, including a Notice of Availability of supporting testimony, is being served by email on all parties on the official service list in PG&E's 2011 GRC Phase II proceeding (A.10-03-014) and PG&E's 2014 GRC Phase I proceeding (A.12-11-009). PG&E will provide workpapers not included with supporting testimony to the Division of Ratepayer Advocates promptly and to any other interested parties upon request.

B. Verification (Rules 1.11 And 2.1)

The required verification is attached to this Application.

C. Legal Name And Principal Place Of Business (Rule 2.1(a))

Applicant's legal name is Pacific Gas and Electric Company. Applicant's principal place of business is San Francisco, California. Its mailing address is Post Office Box 7442, San Francisco, California 94120. Since October 10, 1905, Applicant has been an operating public utility corporation organized under the laws of the State of California.

D. Correspondence And Communication (Rule 2.1(b))

All correspondence and communication regarding this Application should be addressed to:

Gail L. Slocum
Attorney
Pacific Gas and Electric Company
Mail Code B30A
P.O. Box 7442
San Francisco, CA 94120-7442
Telephone: (415) 973-6583
Facsimile: (415) 973-0516
E-mail: gail.slocum@pge.com

Steve Haertle
Principal Regulatory Case Manager
Regulatory Affairs
Pacific Gas and Electric Company
Mail Code B9A
P.O. Box 770000
San Francisco, CA 94105
Telephone: (415) 972-5603
Facsimile: (415) 973-6520
E-mail: steve.haertle@pge.com

PG&E requests that correspondence and communications regarding this Application also be directed to:

CPUC Law Filing
Pacific Gas and Electric Company
77 Beale Street B30A
San Francisco, CA 94105
Email: cpuccases@pge.com

E. Proposed Categorization (Rule 2.1(c))

PG&E proposes that this Application be categorized as a rate setting proceeding.

F. Need For Hearing (Rule 2.1(c))

Although formal evidentiary hearings will likely be needed, PG&E intends to explore the possibility of settlement on some or all of the issues raised in this Application.

G. Issues To Be Considered (Rule 2.1(c))

The key issues presented in this proceeding are discussed in Sections II and IV above and set forth in much greater detail in the accompanying prepared testimony. Stated generally, the issues to be considered include:

1. Are PG&E's marginal cost proposals reasonable and should they be adopted?
2. Are PG&E's revenue allocation proposals reasonable and should they be adopted?
3. Are PG&E's rate design proposals reasonable and should they be adopted?

H. Proposed Schedule

As discussed above, PG&E hopes to resolve some or all of the issues raised in this Application through settlement. PG&E has modified the schedule set forth in the RCP to reflect the extension granted to PG&E, and to allow for settlement discussions.

///

///

///

///

///

///

///

///

///

///

///

///

///

///

///

///

PG&E's Proposed Schedule for 2014 GRC Phase II

Event	RCP Deadline	Date
Phase II Application Filed	February 13, 2013[8]	April 18, 2013[9]
Protests Due	Per Rule 2.6(a): 30 days from Notice of Application in CPUC's Daily Calendar	Approximately May 22, 2013
Prehearing Conference	N/A	By June 7, 2013
PG&E updates exhibits	+ 100 days from Notice of Phase II filing	August 2, 2013
Mandatory Settlement Conference 1	N/A	By September 6, 2013
Division of Ratepayer Advocates serve testimony	+ 160 days from Phase II filing	September 30, 2013
Intervenors serve testimony	+ 200 days from Phase II filing	November 11, 2013
Mandatory Settlement Conference 2	N/A	By December 6, 2013
All parties serve rebuttal testimony	+ 239 days from Phase II filing	December 20, 2013
Evidentiary hearings begin	N/A[10]	January 13, 2014
Evidentiary hearings end	N/A	January 24, 2014
Opening briefs due	+ 18 days from end of hearings	February 11, 2014
Reply briefs due	+ 14 days from opening briefs	February 25, 2014
Proposed Decision	N/A	May 26, 2014 Opening Comments – June 16 Reply Comments – June 23
Final decision	+ 412 days from Phase II application	Late June or early July 2014
Effective date of rates	May 1	First opportunity when there is a change in rates for another purpose

8 Pursuant to the RCP, PG&E's Phase II application must be filed 90 days after Phase I. PG&E filed its 2011 GRC Phase I application on November 15, 2012. Thus, PG&E's Phase 2 filing would ordinarily have been due February 13, 2013.

9 On January 30, 2013, CPUC Executive Director Paul Clanon granted PG&E's request to delay the filing of its 2014 GRC Phase II application to April 18, 2013, with all parties' subsequent due dates under the RCP calibrated from PG&E's revised Phase II filing date.

10 Under the RCP, the Commission is supposed to hold two sets of hearings, one on initial testimony and another on rebuttal testimony, with hearings on rebuttal testimony to be held 10 days after rebuttal testimony is served. However, in past Phase II cases, the Commission has held one set of hearings, reserving a two week period for this purpose. PG&E's proposed hearing dates are consistent with this past precedent, and also take into account the Christmas/New Year's Holiday by delaying hearings until 1 1/2 weeks after the winter holiday period has ended.

I. Articles Of Incorporation (Rule 2.2)

PG&E is, and ever since October 10, 1906, has been an operating public utility corporation, organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, is on record before the Commission in connection with PG&E's Application 04-05-055, filed with the Commission on May 3, 2004. These articles are incorporated herein by reference pursuant to Rule 2.2 of the Commission's Rules.

J. Balance Sheet And Income Statement (Rule 3.2(a) (1))

PG&E's Balance Sheet and an Income statements for the period ending December 31, 2012 were filed with the Commission as Exhibit A to Application 13-02-023, and are incorporated by reference.

K. Statement Of Presently-Effective Rates (Rule 3.2(a)(2))

The presently-effective rates electric rates PG&E proposes to modify were filed with the Commission as Exhibit B in Application 12-02-023 and are incorporated by reference.

L. Statement Of Proposed Increases (Rule 3.2(a)(3))

The proposed illustrative rates in Appendix C to Exhibit (PG&E-1) do not reflect or pass through to customers any increased costs to PG&E for the services or commodities furnished by it that may be reflected in additional revenue requirement changes that may be adopted prior to a decision in this case, or through the decision in this case. The purpose of the marginal cost, revenue allocation and rate design proposals in this Application is to modify electric marginal costs, revenue allocation, and rate design, but not to increase the overall level of PG&E's electric revenues.

M. Property And Equipment (Rule 3.2(a)(4))

A general description of PG&E's Electric Department and Gas Department properties, their original cost, and the depreciation reserve applicable to such property and equipment, was filed with the Commission on November 15, 2012, as Exhibit E to PG&E's 2014 GRC Phase I, Application 12-11-009, and is incorporated by reference.

N. Summary Of Earnings (Rule 3.2(a)(5) and (6))

A summary of recorded year 2011 revenues, expenses, rate cases and rate of return for PG&E's Electric and Gas Departments was filed with the Commission on November 15, 2012, as Exhibit F of PG&E's 2014 GRC Phase I Application, A.12-11-009, and is incorporated by reference.

O. Depreciation Method (Rule 3.2(a)(7))

PG&E's statement of the method of computing the depreciation deduction for federal income tax purposes was filed with the Commission on November 15, 2012, as Exhibit G to PG&E's 2014 GRC Phase I Application, A. 12-11-009, and is incorporated herein by reference.

P. Proxy Statement (Rule 3.2(a)(8))

PG&E's most recent proxy statement dated March 25, 2013 is attached as Exhibit A.

Q. Type Of Rate Change Requested (Rule 3.2(a) (10)

The proposed rate changes sought in this Application reflect and pass through to customers the costs PG&E incurs to own and maintain its gas and electric plant and to enable PG&E to provide service to its customers.

R. Service and Notice of Application (Rule 3.2(b)-(d))

PG&E is concurrently serving this Application and attachments, or a Notice of Availability of this Application and attachments, on all parties on the official service lists in its 2011 GRC Phase II proceeding (A.10-03-014) and 2014 GRC Phase I proceeding (A.12-11-009). Within twenty (20) days after filing this Application, PG&E will mail or send electronically a notice stating in general terms the proposed revenues, rate changes and ratemaking mechanisms requested in this Application to the parties listed in Exhibit I to PG&E's 2014 GRC Phase I, A.12-11-009, filed with the Commission on November 15, 2012. Within twenty (20) days PG&E will also publish in newspapers of general circulation in each county in its service territory a notice of the filing of this Application and of proposed changes in rates. Within 45 days after filing this Application, PG&E will also include notices of the proposed changes in rates with the regular bills mailed or e-mailed to all customers affected by the proposed changes.

VIII. CONCLUSION

PG&E is ready to proceed with its showing, based on the testimony of witnesses regarding the facts and data contained in the accompanying exhibits in support of this Application.

For the reasons stated above and supported in the prepared testimony, PG&E respectfully requests that the Commission issue a decision by July 2014 that will:

1. Approve PG&E's proposed electric marginal costs, revenue allocation, and rate design, for rates to become effective at the first opportunity when there will be a change in rates for another purpose; and

2. Grant such further relief as may be just and reasonable.

Respectfully submitted,

TRINA A. HORNER
VICE PRESIDENT, REGULATORY
PROCEEDINGS & RATES

By: */s/ Trina A. Horner*
TRINA A. HORNER

GAIL L. SLOCUM
SHIRLEY A. WOO
RANDALL J. LITTENEKER

By: */s/ Gail L. Slocum*
GAIL L. SLOCUM

Pacific Gas and Electric Company
77 Beale Street
San Francisco, CA 94105
Telephone: (415) 973-6583
Facsimile: (415) 973-0516
E-Mail: Gail.Slocum@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: April 18, 2013

VERIFICATION

I, the undersigned, say:

I am an officer of Pacific Gas and Electric Company, a corporation, and am authorized to make this verification for that reason. I have read the foregoing APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY TO REVISE ITS ELECTRIC MARGINAL COSTS, REVENUE ALLOCATION, AND RATE DESIGN, and I am informed and believe that the matters therein are true and on the ground allege that the matters stated therein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Francisco, California, this 18th day of April, 2013.

/s/ Trina A. Horner
TRINA A. HORNER
Vice President, Regulatory Proceedings & Rates
PACIFIC GAS AND ELECTRIC COMPANY