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July 9, 2013

**VIA EXPRESS MAIL AND E-MAIL**

Mr. John Pacheco  
State of California Department of Water Resources  
CERS Division  
2033 Howe Avenue, Suite 220  
Sacramento, CA 95825

Re: June 17, 2013 Proposed Determination of Revenue Requirement

Dear Mr. Pacheco:

Pursuant to California Code of Regulations Section 515 and the California Administrative Procedure Act, Pacific Gas and Electric Company (“PG&E”) hereby provides the following comments on the June 17, 2013, submission by the Department of Water Resources (DWR), entitled “Proposed Determination of Revenue Requirements for the Period January 1, 2014 through December 31, 2014” (“Proposed Determination”). DWR requested comments on the Proposed Determination by July 9, 2013.

PG&E wishes to include formally in comments the issue of DWR’s proposed 2014 administrative and general revenue requirement described as follows in the Proposed Determination.

*“The Department’s administrative and general costs of \$15 million consist of \$12 million for appropriated budget expenditures including funds for labor and benefits, pro-rata charges for services provided to the power supply program by other State agencies and \$3 million for consulting services for development and monitoring of the revenue requirement, litigation and dispute resolution support, power contract management, and financial advisory services...” (p. 13)*

PG&E objects to DWR’s \$15 million revenue requirement for administrative and general costs for the following two reasons.

1. In DWR’s workpapers for its 2013 Determination of Revenue Requirements, DWR forecast \$12 million in administrative and general expenses for 2014. PG&E is not aware of any changes in DWR’s activity significant enough to justify a 25% increase in DWR’s administrative and general revenue requirement for 2014.

Mr. John Pacheco  
July 9, 2013  
Page 2

2. Given the *pro forma* activity necessary to manage the remaining two power contracts and continuing bond payments, an administrative and general revenue requirement of \$15 million is neither just nor reasonable.

PG&E appreciates the opportunity to provide comments on the Proposed Determination, and would like to thank DWR for its willingness to work with PG&E to ensure the accuracy of DWR's revenue requirements. We appreciate your consideration of these comments.

Very truly yours,

/s/

Craig M. Buchsbaum

CMB:rt

cc: All parties to official CPUC service list R.13-02-019  
Michel Peter Florio, Commissioner