

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4217  
December 18, 2008

**R E S O L U T I O N**

Resolution E-4217. Pacific Gas and Electric Company (PG&E) submits electric tariff revisions to recover balances in balancing accounts, establish the Energy Recovery Bonds Balancing Account revenue requirement, and consolidate changes to electric rates effective January 1, 2009. Approved with modifications.

By Advice Letter 3349-E filed on October 1, 2008.

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**SUMMARY**

**PG&E proposed to revise electric rates effective January 1, 2009 to recover balancing account balances, establish the 2009 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and consolidate authorized rate changes in its Annual Electric True-up (AET). PG&E's proposal is approved with the following modifications:**

- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment.
- PG&E shall – consistent with previous years' AET processes – submit by December 31, 2008 a supplement to Advice Letter (AL) 3349-E with revised tariffs effective January 1, 2009. The supplemental AL shall reflect action taken by the Commission and the Federal Energy Regulatory Commission on pending electric revenue requirements requests described in this resolution. The supplemental AL will include recorded balancing account data through October 31, 2008, and forecasted balancing account data for November and December 2008.

**PG&E forecasts a consolidated net revenue requirement increase of \$281.1 million on January 1, 2009.**

PG&E estimated that there will be a net increase in electric revenue requirements of approximately \$281.1 million on January 1, 2009.

## **BACKGROUND**

**The Commission has previously authorized PG&E to consolidate revenue requirements and amortize balances in regulatory accounts through the AET advice letter process.**

In AL 3115-E dated August 31, 2007, PG&E filed its 2007 AET advice letter for rates effective January 1, 2008. In AL 3115-E, PG&E proposed to consolidate revenue requirements authorized by the Commission and the FERC prior to the end of 2007, and recover balances in regulatory accounts previously considered in Resolution E-4032 (November 30, 2006), which addressed PG&E's 2006 AET advice letter. PG&E also requested in AL 3115-E authority to recover balances in the British Columbia Renewable Study Balancing Account (BCRSBA), for rates effective January 1, 2007.

PG&E included tables in AL 3115-E showing account balances requested for recovery as recorded through July 31, 2007. PG&E proposed that it submit a supplement to AL 3115-E in December 2007 to amortize balances recorded through October 2007, and forecasted December 2007 balances, and to consolidate all Commission and FERC-authorized revenue requirements for new rates effective January 1, 2008. Resolution E-4121 approved PG&E's request.

**On August 15, 2008 PG&E requested a 30-day extension of time to file its 2009 AET advice letter. The Commission's Executive Director granted PG&E's request by a letter dated August 20, 2008. PG&E filed AL 3349-E on October 1, 2008.**

On October 1, 2008, PG&E filed AL 3349-E, its fifth annual AET advice letter addressing electric revenues and rates effective January 1, 2009. In addition to requesting recovery of revenue requirements authorized by the Commission and the FERC by December 18, 2008, PG&E requested recovery of balances in the Procurement Transactions Auditing Account (PTAA) and the Non-Tariffed Balancing Account (NTBA) through the AET process.

**PG&E forecasts a net Commission-authorized revenue requirement increase of \$332.9 million.**

In its October 1, 2008 AET advice letter, PG&E estimated that there will be a net Commission-authorized increase in electric revenue requirements of approximately \$332.9 million. This resulted from a combined increase of \$703.5

million in revenues for Electric Procurement i.e., costs recovered through the Energy Resources Recovery Account (ERRA), and Ongoing Competitive Transition Charges (CTC), the Distribution Revenue Adjustment Mechanism (DRAM), the Utility Generation Balancing Account (UGBA), the Department of Water Resources (DWR) Power and Bond Charges and associated Power Charge Collection Balancing Account (PCCBA), and Nuclear Decommissioning Adjustment Mechanism (NDAM) Account. This forecasted increase was offset by \$380.6 million in decreases to the Public Purpose Program Revenue Adjustment Mechanism (PPPRAM), California Alternate Rates for Energy Account (CAREEA), and Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM), and Energy Recovery Bonds Balancing Account (ERBBA) and Rate Reduction Bond Memorandum Account (RRBMA) and small adjustments to miscellaneous accounts.

**PG&E forecasts a consolidated net revenue requirement increase of \$281.1 million on January 1, 2009.**

The net revenue requirement of \$281.1 million represents the combined impact of a Commission-authorized revenue increase of \$332.9 million and a FERC-authorized revenue decrease of \$41.8 million.

In AL 3349-E, PG&E provided illustrative rates effective January 1, 2009, based on forecasted December 31, 2008 balancing account balances which included July 31, 2008 recorded balances, and revenue requirement requests filed in the applications and advice letters pending before the Commission. The total annual revenue requirement increase reflecting these illustrative rates was \$281.1 million. The breakdown of the components of the annual revenue requirement increase estimated in AL 3349-E is shown below.

<b>CPUC-authorized</b>	<b>Amount in million \$</b>
Energy Resource Recovery Account (ERRA) and Ongoing CTC	\$200.1
Public Purpose Program Revenue Adjustment Mechanism (PPPRAM), California Alternative Rates for Energy Account (CAREA), and Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM)	-\$331.9
Energy Recovery Bonds Balancing Account (ERBBA) and RRBMA	-\$48.7
Nuclear Decommissioning Adjustment Mechanism (NDAM)	\$0.6
Distribution Revenue Adjustment Mechanism (DRAM), less CARE Discount	\$152.4
DWR Power and Bond Charges, and Power Charge Collection Balancing Account (PCCBA)	\$231.0
Utility Generation Balancing Account (UGBA), including FERABA	\$119.4
<b>Total CPUC-authorized net increase:</b>	<b>\$322.9</b>

<b>FERC-authorized</b>	<b>Amount in million \$</b>
Reliability Services (RS)	\$94.4
Transmission Revenue Balancing Account Adjustment (TRBAA)	-\$11.4
Transmission Owner (TO) 10/TO 10 Settlement	-\$44.2
End-Use Customer Refund Adjustment	-\$80.6
<b>Total FERC-authorized net decrease</b>	<b>-\$41.8</b>

The CPUC-authorized increase measured against the FERC-authorized decrease resulted in a forecast net increase of \$281.1 million, equal to a 2.6% increase in PG&E's average bundled electric rates:

<b>Net Change in Revenue Requirement</b>	<b>Amount in million \$</b>
CPUC-authorized rates:	\$322.9
FERC-authorized rates:	-\$41.8
<b>Total AET net increase:</b>	<b>\$281.1</b>

**Components of the CPUC-authorized increase include several significant “cost drivers”:**

The largest cost driver is the increase of \$231.0 million in DWR related costs as shown in the table above. The Ongoing CTC and ERRA increase of \$200.1 million is the result of procurement cost increases primarily due to higher natural gas prices coupled with lower than normal hydro conditions in 2008. The Utility Generation component increase of \$119.4 is primarily due to completion of installation of new steam generators at the Diablo Canyon Power Plant. The distribution component increase of \$152.4 is primarily due to requested CPUC approval of the SmartMeter upgrade application. The forecasted increases were offset by a decrease of \$331.9 million in the PPPRAM, CAREA, and PEERAM, largely due to a reduction in authorized funding for renewable energy programs administered by the California Energy Commission. The additional offsetting factor was the Energy Recovery Bonds of \$48.7 million.

**There is a forecast net decrease of \$41.8 million in FERC authorized revenue requirement:**

The increase in the Reliability Service Balancing Account was \$94.4 million. This increase was offset by the End-Use Customer Refund Adjustment of \$80.6 million related to the TO7, TO8, and TO9 rate case proceedings, now decided by the DC Circuit Court of Appeals. There was also a \$44.2 million refund related to the TO10 rate case. Finally PG&E forecasted that the revenue requirement for the base TRBA will decrease by \$11.4 million in 2009.

**PG&E proposes to supplement AL 3349-E prior to January 1, 2009 to consolidate updated balancing account balances and revenue requirement changes approved by the Commission and FERC.**

PG&E proposed to supplement AL 3349-E prior to the end of 2008 to incorporate the sum of (1) December forecast balances updated to reflect recorded data as of October 31, 2008, and (2) revenue requirement changes authorized by the Commission and FERC by end of the year. The supplemental AL would include the new rates and revised tariffs to become effective on January 1, 2009.

## **NOTICE**

Notice of AL 3349-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed electronically in accordance with Section IV of General Order 96-B, and served on parties to A.00-11-038, A.02-11-017, A.05-06-004, A.05-06-006, A.05-06-007, A.05-12-002, A.06-06-001, A.06-06-034, A.06-08-011, A.06-11-005, A.07-04-009, A.07-05-008, A.07-06-006, R.02-01-011, R.06-07-010, R.07-01-041, A.08-06-011, A.08-03-017, A.08-06-003, A.08-05-023, A.08-04-022, A.08-05-022, A.08-07-031, and A.08-04-020.

## **PROTESTS**

No parties submitted protests to PG&E's AL 3349-E.

## **DISCUSSION**

**PG&E's request to establish the 2009 ERBBA revenue requirement is granted.**

The ERBBA records benefits and costs associated with Energy Recovery Bonds (ERBs) that are not provided to customers elsewhere and return those benefits or charge those costs to customers. In this AET filing, PG&E proposes that the 2009 ERBBA revenue requirement be established using a forecast of 2009 ERBBA activity, including the amortization of the December 31, 2008 forecast ERBBA balance. This provides the benefits to customers intended in D.04-11-015 and is consistent with the approach proposed by PG&E in last year's AET AL 3115-E, which was approved by Resolution E-4121. PG&E's request should be authorized.

**PG&E shall reflect in rates all Commission and FERC-authorized revenue requirement changes approved by end of the year through a supplemental advice letter.**

Consistent with the procedure established in Resolutions E-3906 for rates effective January 2005, E-3956 for rates effective January 2006, E-4032 for rates effective January 2007, and E-4121 for rates effective January 2008, the Commission authorizes PG&E to supplement AL 3349-E by December 31, 2008 to reflect the revenue requirements approved by the Commission in various proceedings and advice letters. The Commission authorizes PG&E to make the

rates filed in the supplemental advice letter effective on January 1, 2009. The rates filed in this supplement will be reviewed by the Energy Division after January 1, 2009. In the event that after new rates become effective the Energy Division discovers, on its own or as a result of a party's review of the supplement, compliance issues that require modification of rates filed in the supplement, PG&E shall modify the rates as required and re-bill customers if necessary, or make other appropriate adjustments in a timely manner.

Pending CPUC proceedings and advice letters will affect the calculation of the amounts approved for recovery. In its supplement to AL 3349-E, PG&E shall reflect revenue requirements approved by end of the year and shall update balances in balancing accounts approved for recovery by this resolution, as further discussed below.

**PG&E is authorized to incorporate revenue requirement changes resulting from decisions issued by end of the year, in the following proceedings:**

- Demand Response Program Application, A.08-06-003
- ERRA and Ongoing CTC, A.08-06-011
- 2009 DWR Bond Charge Revenue Requirement, A.00-11-038
- 2009 DWR Power Charge Revenue Requirement, A.00-11-038
- Catastrophic Event Memorandum Account (CEMA) Application, A.08-03-017
- Self-Generation Incentive Program (SGIP) Budget. Subject to modification by the Commission in R.08-03-008; PG&E may continue its 2008 SGIP budget on January 1, 2009 if a decision on its 2009 SGIP budget is not issued in that proceeding by then.
- Cornerstone Project, A.08-05-023
- Generation Divestiture Transaction Cost Memorandum Account, A.08-04-022.
- California Alternate Rates for Energy Account, A.08-05-022, for PG&E's 2009-2011 Low Income Energy Efficiency and CARE Programs and Budgets.
- Low Income Energy Efficiency, A08-05-022
- Land Conservation Plan Environmental Remediation Memorandum Account, A.08-04-020
- Energy Efficiency, A.08-07-031.

Except as noted above with regard to SGIP, PG&E shall not include any additional revenue requirements requested in these proceedings if a decision is not issued by the end of the year.

**PG&E is also authorized to incorporate in rates revenue requirement changes resulting from the following advice letters, if made effective prior to the end of 2008:**

- Attrition adjustment for 2009, consistent with the provisions of D.07-03-044, AL 2954-G/3340-E
- Headroom Account (HA). In accordance with Resolutions E-3956 and E-4032, PG&E has amortized the prior balances in the HA. PG&E is authorized to consolidate any changes to the HA balance if the Commission approves AL 2521-E by end of the year.
- Dedicated Rate Component (DRC) Charges Annual True-up Advice Letter, expected to be filed in December, in accordance with D.04-11-015
- Advanced Metering and Demand Response Memorandum Account (AMDRA), PG&E is no longer using the AMDRA. The remaining AMDRA balance shown in AL 3349-E is that amount requested in the Headroom Audit pending in Advice Letter 2521-E.
- Cost of Capital Advice Filing, in accordance with D.08-05-035, PG&E's 2008 cost of capital will be maintained through 2010, unless the automatic mechanism is triggered. If triggered an automatic adjustment shall be made to PG&E's cost of capital by an October 15 advice letter. The automatic mechanism has not been triggered to date. Therefore PG&E is not allowed to incorporate changes in cost of capital.

**PG&E is allowed to amortize balances in accounts previously authorized by Resolutions E-3906, E-3956, E-4032, and E-4124 for recovery through the AET advice letter.**

This resolution allows the following accounts to be amortized through this year's AET advice letter, as previously approved for recovery by Resolutions E-3906, E-3956, E-4032 and E-4124: The DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, RRBMA, Hazardous Substance Mechanism (HSM), CAREA, ERBBA, HA, Family Electric Rate Assistance Balancing Account (FERABA), Affiliate Transfer Fees Account (ATFA), Customer Energy Efficiency Incentive Account (CEEIA), SmartMeter Project Balancing Account (SBA), Demand Response Revenue Balancing Account (DRRBA), Pension Contribution Balancing Account (PCBA), and BCRSBA accounts.

**PG&E is also authorized to recover balances in the PTAA, the NTBA, and the ACEBA.**

Energy Division has reviewed the applicable tariffs, advice letters, and Commission orders relating to the PTAA, NTBA, and Air Conditioning Expenditure Balancing Account (ACEBA). The PTAA records costs associated with the independent auditing of the quarterly procurement transactions. PG&E's tariff currently states that it shall request recovery of the balance in the PTAA through the ERRA application, or other proceeding as authorized by the Commission. PG&E requests in AL 3349-E that it be allowed to recover PTAA balances through the AET. PG&E forecasts a positive balance (about \$0.3 million) in the account for 12/31/08, but requests that this balance be transferred to the ERRA for recovery in rates and the account be closed since the CPUC will no longer use the services of the independent outside auditor. PG&E's request is granted, subject to audit of the balance in the PTAA that PG&E transfers to the ERRA for recovery.

The NTBA was established per Resolution G-3417, to record the customer share of revenues net of costs and income taxes associated with new Non-Tariffed Products and Services pursuant to Affiliate Transaction Rule VII. PG&E's CPUC-authorized tariff states that PG&E shall transfer the year-end balance from this account to the DRAM through the AET process to properly credit customers with revenues for these products and services.

The ACEBA tracks PG&E's AC Direct Load Control program budget compared to costs incurred by PG&E to implement and administer the program as authorized in D.08-02-009 and approved in AL 3214-E. The CPUC-authorized tariff states that disposition of any remaining balance in the ACEBA will be determined in the AET or other proceeding authorized by the Commission. PG&E forecasts zero balance for December 31, 2008 in the ACEBA.

**PG&E cannot include balances in the LCPERMA, and GDTCMA accounts, and costs associated with the Cornerstone project unless the Commission has approved them by the end of the year.**

The Cornerstone Project is a six-year program designed to decrease the frequency and duration of outages pending approval in A.08-05-023. The LCPERMA records costs associated with hazardous substance remediation or mitigation costs incurred by PG&E related to properties which will be or are

encumbered or transferred under the Land Conservation Plan pending approval in A.08-04-020. The GDTCMA records transaction costs associated with PG&E's hydroelectric market valuation as authorized by D.03-02-028 pending approval in A.08-04-022. The Commission is considering PG&E's proposals to recover balances in these memorandum accounts and costs associated with the Cornerstone project in formal proceedings as described above.

**The Commission has reviewed a small residual balance in the HA and finds that transferring the residual overcollected balance in the HA to the UGBA is reasonable.**

The HA tracks headroom collected in excess of the \$875 million cap for 2003 headroom established by PG&E's Modified Settlement Agreement approved in D.03-12-035. The December 31, 2008 forecast balance of approximately (\$0.4) million (overcollected) represents a residual balance after PG&E amortized this account balance. In compliance AL 3115-E-A, PG&E established a rate intended to amortize the December 31, 2007 forecast balance to zero. Due to differences between recorded sales and forecast sales, PG&E estimates that it will have a small residual balance in the HA on December 31, 2008, and proposes that this forecasted overcollection be transferred to the UGBA. It is reasonable to transfer this balance as PG&E proposes.

**PG&E's request in AL 3349-E to submit recorded data through October 31, 2008 and a forecasted December 31, 2008 balance for recovery in its supplemental advice letter is granted.**

In Resolutions E-3956 and E-4032, Commission orders provided for PG&E's respective 2005 and 2006 supplemental AET advice letters to submit December 31 forecasts balances which included recorded data through November 30 of those years. In AL 3115-E, PG&E requested that its supplemental advice letter include recorded data through October 31, 2007. The Commission decided that it was reasonable to allow PG&E to submit an AET supplemental advice letter reflecting recorded account balance data from January 1 through October 31, 2007. We will allow PG&E to use recorded data through October 31 again this year.

**PG&E will revise its AL 3349-E AET estimate to reflect actual changes authorized by the Commission and FERC prior to the end of 2008.**

PG&E will supplement AL 3349-E before the end of 2008 to reflect the actual rate and revenue changes authorized by the Commission in various proceedings and advice letters, and actual changes authorized by the FERC. The supplement to AL 3349-E will also incorporate updated balances to accounts to be amortized in rates on January 1, 2009. The rates PG&E files in its supplemental advice letter will be reviewed for compliance after January 1, 2009. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify rates as required and make necessary billing adjustments.

Under the filed rate doctrine, the Commission is obligated to allow PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (Transmission owner or TO) rate changes, adjusted for end use customer refunds required to be paid to customers. It is just and reasonable for PG&E to begin recovering FERC-authorized revenues addressed in AL 3349-E, on the date that FERC makes rates effective to recover those revenues. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.

**The balances in all accounts authorized for recovery in rates are subject to audit, verification, and adjustment as necessary.**

The balances in the accounts authorized for recovery by this resolution are subject to future audit, verification and adjustment.

**COMMENTS**

**Per statutory requirement, a draft resolution was mailed to parties for comment.**

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However, section 311(g)(2) of the Public Utilities Code allows the 30-day period to be reduced upon stipulation of all parties in the proceeding. PG&E, the only party, stipulated to a reduced comment period, and the draft resolution was mailed under a shortened comment period.

PG&E submitted comments on the draft resolution on December 8, 2008. PG&E subsequently withdrew its comments.

## **FINDINGS**

1. The AET is a process in which PG&E's revenue requirements authorized by the Commission in various proceedings are consolidated. The AET is a forum for PG&E to recover costs recorded in memorandum and balancing accounts which have been reviewed and approved for recovery by the Commission in a separate proceeding or advice letter, or are pending separate review that will be completed prior to end of the year.
2. PG&E filed AL 3349-E on October 1, 2008, proposing to establish 2009 electric rates to recover balances in accounts, establish the 2009 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and consolidate Commission- and FERC-authorized rate changes effective January 1, 2009.
3. It is reasonable to authorize PG&E's request to submit the December 2008 supplemental advice letter with forecasted December 31, 2008 account balances which include recorded data through October 31, 2008.
4. In accordance with the filed rate doctrine the Commission allows PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (transmission owner or TO) rate changes, adjusted for end-use customer refunds required to be paid to customers.
5. It is just and reasonable for PG&E to begin recovering in rates FERC-authorized revenues, on the date that FERC makes rates effective to recover those revenues.
6. In Resolution E-3956, the Commission allowed PG&E to consolidate in rates effective January 1, 2006 the amortization of December forecast balances updated to reflect recorded data as of November 30, 2005 in the DRAM, PPPRAM, NDAM, UGBA, the Electric Reimbursable Fees Balancing Account (ERFBA), PCCBA, RRBMA, HSM, CAREA, ERBBA, HA, the Electric Vehicle Balancing Account (EVBA), FERABA, ATFA, and the Interruptible Load Programs Memorandum Account (ILPMA).
7. In Resolution E-4032, the Commission allowed PG&E to consolidate in rates effective January 1, 2007 the amortization of December forecast balances updated to reflect recorded data as of November 30, 2006, in the PEERAM, CEEIA, SBA, DRRBA, and the PCBA, as well as other accounts authorized in Resolution E-3956.

8. In Resolution E-4121, the Commission allowed PG&E to consolidate in rates effective January 1, 2008 the amortization of December forecast balances updated to reflect recorded data as of October 31, 2006, in the BCRSBA, as well as other accounts authorized in the Resolution E-4032.
9. It is reasonable for PG&E to amortize the balances in its ERRA and ongoing CTC accounts effective January 1, 2009, if there is a decision in A.08-06-011 before end of the year.
10. It is reasonable for PG&E to continue its 2008 SGIP budget until a new budget for 2009 is authorized by the Commission, subject to modification and adjustment by the Commission in R.08-03-008.
11. PG&E is not allowed to incorporate changes in cost of capital. Since the automatic mechanism was not triggered by October 15, 2008, PG&E's 2008 cost of capital will be maintained in 2009
12. PG&E should recover accounts previously approved for recovery in the AET through Resolutions E-3906, E-3956, E-4032, and E-4121. In addition PG&E should transfer the year end 2008 balance in the NTBA to the DRAM for recovery, and costs recorded in the PTAA through year end 2008 to the ERRA for recovery. The PTAA should be closed after the transfer of the balance to the ERRA. PG&E is authorized to recover balances in the ACEBA through the AET, however PG&E forecasts zero balance for December 31, 2008 in the ACEBA.
13. It is reasonable for PG&E to transfer the residual overcollected balance in the HA to the UGBA.
14. It is reasonable for PG&E to establish the 2009 ERBBA revenue requirement using a forecast of 2009 ERBBA activity, including the amortization of December 31, 2008, forecast ERBBA balance.
15. PG&E should be allowed to amortize, subject to future audit, verification, and adjustment all accounts authorized in the ordering paragraphs of this resolution.
16. PG&E should supplement AL-3349-E by December 31, 2008 to reflect the revenue requirement changes authorized by the Commission and FERC, and to update balances in accounts specified in this resolution to be amortized beginning January 1, 2009. The updated balances, revenues, and rates should be subject to future adjustment pending review of the supplement to AL 3349-E.
17. The supplement should reflect in rates all FERC-authorized revenue requirement changes approved before the end of the year and all Commission authorized revenue requirement changes and amortization of

account balances approved before end of the year in the following proceedings or advice letter filings:

- Demand Response Program Application, A.08-06-003
  - ERRA and Ongoing CTC, A.08-06-011
  - 2009 DWR Bond Charge Revenue Requirement, A.00-11-038
  - 2009 DWR Power Charge Revenue Requirement, A.00-11-038
  - Catastrophic Event Memorandum Account (CEMA) Application, A.08-03-017
  - Self-Generation Incentive Program (SGIP) Budget. Subject to modification by the Commission in R.06-03-004; PG&E may continue its 2008 SGIP budget on January 1, 2009 if a decision on its 2009 SGIP budget is not issued in that proceeding by then.
  - Cornerstone Project, A.08-05-023
  - Generation Divestiture Transaction Cost Memorandum Account, A.08-04-022.
  - California Alternate Rates for Energy Account, A.08-05-022
  - Low Income Energy Efficiency, A08-05-022
  - Land Conservation Plan Environmental Remediation Memorandum Account, A.08-04-020
  - Energy Efficiency, A.08-07-031.
  - Attrition adjustment for 2009, consistent with the provisions of D.07-03-044, AL 2954-G/3340-E
  - Headroom Account (HA), PG&E is authorized to consolidate any changes to the HA balance if the Commission approves AL 2521-E by end of the year.
  - Dedicated Rate Component (DRC) Charges Annual True-up Advice Letter, expected to be filed in December, in accordance with D.04-11-015
  - Advanced Metering and Demand Response Memorandum Account (AMDRA), PG&E is no longer using the AMDRA. The remaining AMDRA balance shown in AL 3349-E is that amount requested in the Headroom Audit pending in Advice Letter 2521-E.
18. The balances in all accounts authorized for recovery by this resolution should be subject to future audit by the Commission. PG&E may seek future recovery of balances in these accounts by advice letter filed no later than September 1 for rates effective on January 1 of the following year.
19. The rates authorized by this resolution should be subject to refund to the same extent that they are subject to refund at the FERC.

**THEREFORE IT IS ORDERED THAT:**

1. PG&E's request in Advice Letter 3349-E is approved with modifications as described in the ordering paragraphs below.
2. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.
3. PG&E's request to establish the 2009 ERBBA revenue requirement using a forecast of 2009 ERBBA activity, including the amortization of the December 31, 2008 forecast ERBBA balance, is approved.
4. No later than December 31, 2008, PG&E shall file a supplement to AL 3349-E with revised tariffs. The supplemental filing shall be effective on January 1, 2009, subject to Energy Division determination that PG&E is in compliance with this resolution. The updated revenues and rates contained in the supplemental filing shall be subject to audit, verification and adjustment. PG&E shall provide to the Energy Division and any party requesting, workpapers supporting the rates filed in this supplemental advice letter and the revenue allocation underlying those rates. The supplement shall do the following:
  - a. Amortize over one year based on December 31, 2008 forecast amounts, updated with recorded data as of October 31, 2008, balances in the following accounts: DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, RRBMA, HSM, CAREA, ERBBA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, BCRSBA, PTAA, NTBA, and ACEBA. PG&E shall amortize the HA balance by transferring it to the UGBA.
  - b. Reflect in rates the 2009 ERBBA revenue requirement using the most recent Commission adopted rate of return;
  - c. Not incorporate changes in cost of capital, since the automatic mechanism was not triggered by October 15<sup>th</sup>, PG&E's 2008 cost of capital will be maintained through 2009
  - d. Reflect in rates all FERC-authorized revenue requirement changes effective by January 1, 2009 and all Commission-authorized revenue requirement changes and amortization of account balances approved before end of the year in those proceedings or advice letter filings specified in Finding No. 17.
5. Balances in all accounts authorized for recovery by this resolution are subject to audit and verification.
6. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify rates as required and make any necessary billing or other adjustments in a timely manner.

7. In accordance with accounts authorized for amortization in Resolutions E-3906, E-3956, E-4032, and E-4121, if PG&E requests amortization of future balances by the annual electric true-up advice letter for rates effective January 1, it shall file the advice letter no later than September 1 of the year prior to when rates become effective. The advice letter shall reflect balances recorded as of July 31 of the year in which the advice letter is filed and the estimated balances for August through December of that year.
8. PG&E is authorized to continue its 2008 SGIP budget until a new budget for 2009 is authorized by the Commission, subject to modification and adjustment by the Commission in R.08-03-008.
9. PG&E shall close the PTAA after transferring the balance in that account to the ERRA for recovery in rates.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 18, 2008; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners