

ATTACHMENT A

SETTLEMENT AGREEMENT ON SUMMER 2010 RATE RELIEF IN PG&E'S APPLICATION 10-02-029

I. INTRODUCTION

In accordance with Rule 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC or Commission), the parties to this Settlement Agreement (Settling Parties) agree on a mutually acceptable outcome to the summer 2010 rate relief issues in Application (A.) 10-02-029, Application Of Pacific Gas And Electric Company for Expedited Authorization to Change Residential Electric Rates Effective June 1, 2010, to Provide Summer 2010 Rate Relief for Households With Upper Tier Consumption (Application). The details of this Settlement Agreement are set forth herein.

II. SETTLING PARTIES

The Settling Parties, who represent all the active parties in this proceeding, are:

Division of Ratepayer Advocates (DRA)

Pacific Gas and Electric Company (PG&E)

The Utility Reform Network (TURN)

III. SETTLEMENT CONDITIONS

This Settlement Agreement resolves the contested issues raised in A.10-02-029 on summer 2010 rate relief for non-California Alternate Rates for Energy (CARE) residential customers with significant upper tier usage, subject to the conditions set forth below:

1) This Settlement Agreement embodies the entire understanding and agreement of the Settling Parties with respect to the matters described, and it supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Settling Parties with respect to those matters.

**Page 2
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2) This Settlement Agreement represents a compromise among the Settling Parties' respective litigation positions, not agreement to or endorsement of disputed facts and law presented by the Settling Parties in this proceeding. This Settlement Agreement does not constitute precedent regarding any principle or issue in this proceeding or in any future proceeding.

3) The Settling Parties agree that this Settlement Agreement is reasonable in light of the testimony and protests submitted, consistent with law, and in the public interest.

4) The Settling Parties agree that no provision of this Settlement Agreement shall be construed against any Settling Party because that Settling Party or its counsel or advocate drafted the provision.

5) This Settlement Agreement may be amended or changed only by a written agreement signed by the Settling Parties.

6) The Settling Parties shall jointly request Commission approval of this Settlement Agreement and shall actively support its prompt approval. Active support shall include written and oral testimony if testimony is required, briefing if briefing is required, comments and reply comments on the proposed decision, advocacy to Commissioners and their advisors as needed, and other appropriate means as needed to obtain the requested approval.

7) The Settling Parties intend the Settlement Agreement to be interpreted and treated as a unified, integrated agreement. In the event the Commission rejects or modifies this Settlement Agreement, the Settling Parties reserve their rights under CPUC Rule 12.4.

IV. SETTLEMENT HISTORY

In the summer of 2009, PG&E's residential customers with substantial upper-tier usage faced extremely high bills due to the confluence of higher Tier 4 and 5 rates and sustained periods of high temperatures. PG&E filed Application (A.) 10-02-029 on

February 26, 2010, seeking to mitigate in the summer of 2010 some of the impact that the higher Tier 4 and 5 rates had on higher-than-expected bills last summer. PG&E proposed to lower Tier 4 and 5 rates by increasing Tier 3 rates. It filed a separate motion to shorten time, requesting that the allotted time for protests, responses and reply be shortened so that a final decision could be voted on at the Commission's May 20, 2010, meeting, to accommodate implementation of the requested rates, if approved, by June 1, 2010. Administrative Law Judge (ALJ) Barnett granted PG&E's motion to shorten time on March 4, 2010. DRA and TURN conducted discovery in the form of data requests, to which PG&E responded. DRA and TURN filed timely protests on March 23, 2010, objecting to the proposed Tier 3 increases, among other things. PG&E filed reply comments March 29, 2010. ALJ Barnett held a prehearing conference on April 1, 2010, and established the proceeding's scope and schedule.

On several occasions before and after filing the Application, PG&E met with DRA and TURN regarding the need to provide summer 2010 rate relief. Those meetings ultimately led to the agreement of all active parties on a reasonable outcome for this proceeding. When it became clear to the parties that a settlement of all disputed issues was probable, they advised ALJ Barnett of this development. On April 13, 2010, PG&E provided notice of a mandatory settlement conference to take place on April 20, 2010, pursuant to Rule 12.1(b). The parties filed their motion for approval of the settlement after that settlement conference.

V. SETTLEMENT TERMS

The Settlement Agreement provides rate relief for summer 2010 for non-California Alternate Rates for Energy (CARE) households with substantial upper tier electricity consumption. This Settlement Agreement will result in lower bills for such households, including those in the Central Valley and elsewhere with large summer cooling demands during months with sustained periods of high temperatures. The Settlement Agreement should also help reduce month-to-month bill volatility for such

customers. The Settlement Agreement achieves this outcome through modest rate increases for usage the falls into Tiers 3 and 4 (as compared to rates that would have gone into effect June 1, 2010, in the absence of A. 10-02-029) and by allocating to the new combined Tier 4/5 the residential class's share of other revenue requirement reductions.

The settlement terms are as follows:

1) As of June 1, 2010, in conjunction with certain revenue reductions initiated by PG&E,¹ Tier 3 rates on all non-CARE residential rate schedules will be set one-half cent higher than the currently effective rate levels filed in Advice 3603-E-A, which went into effect March 1, 2010.

2) Tiers 4 and 5 will be consolidated into a single tier and the applicable Tier 4/5 rate will be set at the level required to fully collect the remaining residential revenue requirement. As of March 1, 2010, the Schedule E-1 Tiers 4 and 5 rates are \$0.42482 and \$0.49778, respectively. Assuming approval of all revenue reductions requested by PG&E for June 1, 2010, and applying the residential class's share of that reduction to the Tier 4/5 consumption only, the Schedule E-1 Tier 3 rate will be \$0.29062, and the new Schedule E-1 Tier 4/5 rate will be \$0.40029, representing almost a 2.5 cent decrease for Tier 4 and almost a 10 cent decrease for Tier 5 from March 1, 2010, levels.

3) Illustrative June 1, 2010 Schedule E-1 electric rates per kWh that are expected to result from the Settlement Agreement are as follows:

Tier 1	\$0.11877
Tier 2	\$0.13502
Tier 3	\$0.29062

¹ In addition to this Application, PG&E has filed the following pleadings designed to reduce overall revenue requirements effective June 1, 2010: 1) a February 10, 2010 Petition to Modify D.08-12-004 to suspend California Solar Initiative (CSI) rates, adopted by the Commission in D.10-04-017; 2) Advice Letter 3625-E to accelerate generator settlement refunds; 3) a Federal Energy Regulatory Commission (FERC) filing and Advice Letter 3633-E to accelerate the Transmission Owner (TO) 11 refund; and 4) a FERC settlement in the TO12 rate case filed in Advice Letter 3652-E.

Tier 4/5² \$0.40029

- 4) The parties intend that these new rates be effective June 1, 2010.
- 5) In case of any increases or reductions in revenue requirements after June 1, 2010, PG&E shall maintain the Schedule E-1 differential (e.g., \$0.10967 based on rates provided herein) between Tier 3 and the new consolidated Tier 4/5 until the Commission issues a decision on other upper-tier mitigation efforts PG&E has proposed in Phase 2 of its 2011 General Rate Case (GRC), A. 10-03-014, and those approved rates are implemented.

6) Should PG&E sponsor an advertising campaign to publicize the rates implemented pursuant to this Settlement Agreement, such paid media shall include the following disclosure: "For those customers seeing Tier 5 rate reductions, the reductions are funded by Tier 3 and 4 rate increases pursuant to rates approved by the CPUC."

VI. SETTLEMENT EXECUTION

This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Settlement Agreement shall become effective among the Settling Parties on the date the last Settling Party executes the Settlement Agreement, as indicated below. In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement Agreement on behalf of the Settling Parties they represent.

² In order to implement this change by June 1, 2010, PG&E will continue to display Tier 4 and 5 rates and usage separately on customer bills, and will continue to show Tier 4 and 5 rates separately in its tariffs. However, the Tier 4 and Tier 5 rates will be identical.

Draft settlement document

The undersigned represent that they are authorized to sign on behalf of the Party represented.

PACIFIC GAS AND ELECTRIC COMPANY

By: _____
THOMAS E. BOTTORFF
Senior Vice President

Dated: _____

THE UTILITY REFORM NETWORK

By: _____
ROBERT FINKELSTEIN
Legal Director

Dated: _____

DIVISION OF RATEPAYER ADVOCATES

By: _____
DANA S. APPLING
Director

Dated: _____

(END OF ATTACHMENT A)