

Decision 12-12-008 December 20, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Adoption of Electric Revenue Requirements and Rates Associated with its 2013 Energy Resource Recovery Account (ERRA) and Generation Non-Bypassable Charges Forecast. (U39E)

Application 12-06-002
(Filed June 1, 2012)

DECISION ADOPTING PACIFIC GAS AND ELECTRIC COMPANY'S 2013 ELECTRIC PROCUREMENT COST REVENUE REQUIREMENT FORECAST

1. Summary

Today's decision adopts a 2013 electric procurement cost revenue requirement forecast of \$4,537.1 million for Pacific Gas and Electric Company (PG&E) as well as PG&E's 2013 forecast electric sales and rates subject to the Annual Electric True-up (AET) process. The total 2013 forecast of \$4,537.1 million is approximately \$663.0 million higher than the 2012 revenue requirement currently reflected in present rates. The \$4,537.1 million forecast consists of PG&E's 2013 Energy Resources Recovery Account revenue requirement forecast of \$4,178.6 million, an Ongoing Competition Transition Charge revenue requirement forecast of \$269.8 million, a Power Charge Indifference Amount credit forecast of \$13.0 million, and the Cost Allocation Methodology forecast revenue requirement of \$101.8 million. The rate changes will be effective on January 1, 2013, except as ordered herein. The 2013 revenue requirement will be consolidated with the revenue requirement effects of other Commission decisions in the AET process.

Today's decision also approves PG&E's 2013 electric sales forecast and approves PG&E's rate proposals associated with its proposed total electric procurement related revenue requirements to be effective in rates January 1, 2013.¹

Today's decision also grants PG&E authority to defer inclusion of \$180 million attributable to Greenhouse Gas (GHG) costs and associated franchise fees and uncollectables (included in the total 2013 forecast of \$4,537.1 authorized herein) in rates, until a final decision is issued in Rulemaking (R.) 11-03-012.² PG&E must track these GHG costs and associated franchise fees and uncollectables authorized herein in an ERRA sub-account until such time that it requests authority for inclusion of these GHG costs in rates. Such costs are excluded from the "trigger calculation" until included in rates.

Therefore, of the total 2013 forecast of \$4,537.1 authorized herein, PG&E may request that \$4.357 billion (\$4,537.1 billion - \$180 million) be included in rates at January 1, 2013, via a Tier 1 advice letter.

2. Background

Pacific Gas and Electric Company (PG&E) filed Application (A.) 12-06-002 on June 1, 2012, which was amended on June 20, 2012, and updated on November 9, 2012 (Update). PG&E's Amendment to its Application consists of a request for adoption of an electric revenue requirement of \$4,433.0 million. The \$4,433.0 million included an Energy Resource Recovery Account (ERRA) forecast amount revenue requirement of \$4,123.7 million, an Ongoing Competition

¹ See Exhibit PG&E-1 at Chapters 2, 8, and 9; and Exhibit PG&E-2 at Chapters 8 and 9.

² R.11-03-012 addresses the development of rules regarding utility cost and revenue issues associated with GHG emissions.

Transition Charge (CTC) forecast revenue requirement of \$213.3 million, a Power Charge Indifference Amount (PCIA) credit forecast of \$10.3 million, and the Cost Allocation Methodology (CAM) forecast revenue requirement of \$106.2 million. PG&E also requested adoption of its 2013 electric sales forecast and rates, subject to the Annual Electric True-Up (AET) process in its Application and Amendment to its Application.

On July 2, 2012, a prehearing conference (PHC) took place in San Francisco to establish the service list for the proceeding, discuss the scope of the proceeding, and develop a procedural timetable for the management of the proceeding. In addition to PG&E, the assigned Administrative Law Judge (ALJ) granted party status at the PHC to the Merced and Modesto Irrigation District (MMID), Marin Energy Authority (MEA), California Municipal Utilities Association (CMUA), California Large Energy Consumers Association, and Alliance for Retail Energy Markets (AReM).

On July 11, 2012, the Division of Ratepayer Advocates (DRA) filed a protest to A.12-06-002. DRA was also granted party status. On July 13, 2012, the MMID and CMUA jointly, MEA, and AReM and Direct Access Customer Coalition (DACC) jointly, filed protests to A.12-06-002. On July 23, 2011, PG&E filed a reply to the protests. In their protest, AReM and DACC requested party status. As AReM has already been granted party status, we herein grant DACC party status.

On August 1, 2012, the Scoping Memo and Ruling of Assigned Commissioner (Scoping Memo) was issued. On August 16, 2012, MEA served

prepared testimony, and on August 29, 2012, PG&E served its rebuttal testimony.³

On August 28, 2012, PG&E informed the assigned ALJ via electronic mail (e-mail) that it had reached agreement with all active parties in the proceeding, and therefore evidentiary hearings would not be required. On August 29, 2012, the assigned ALJ informed the service list, via e-mail, that hearings had been removed from the calendar.

PG&E filed its Opening Brief on September 20, 2012. No other party filed Opening Briefs, and no party filed Reply Briefs.

On November 9, 2012, PG&E served an update (Update) requesting adoption of a total 2013 electric procurement revenue requirement forecast of \$4,537.1 million. On November 14, 2012, the Commission's Energy Division informed PG&E that it had updated one component of the revenue requirement requested in A.12-06-002. This resulted in a change to the breakdown of the total revenue requirement forecast but not the total itself. On November 21, 2012, PG&E served this information via its Revised Update. The Update and Revised Update are discussed in more detail below in Section 3.4.

3. Parties Positions

3.1. PG&E's 2013 ERRRA, Ongoing CTC, PCIA, and Sales Forecasts

The ERRRA records energy procurement costs associated with serving bundled electric customers. These costs include: (1) post-2002 contracted resource costs; (2) fuel costs of PG&E-owned generation resources; (3) qualifying facility and purchased power costs; and (4) other electric procurement costs such

³ PG&E served its opening testimony with the filing of its application.

as natural gas hedging and collateral costs. The ERRA regulatory process includes: (1) an annual forecast proceeding to adopt a forecast of the utility's electric procurement cost revenue requirement and electricity sales for the upcoming year, and (2) an annual compliance proceeding to review the utility's compliance in the preceding year regarding energy resource contract administration, least cost dispatch, fuel procurement, and the ERRA balancing account.

The Ongoing CTC forecast revenue requirement consists of the above-market costs associated with eligible contract arrangements entered into before December 20, 1995, and Qualifying Facility (QF) contract restructuring costs. CTC costs are recorded in the Modified Transition Cost Balancing Account.

The PCIA is applicable to departing load customers that are responsible for a share of the Department of Water Resources (DWR) power contracts or new generation resource commitments. The PCIA is intended to ensure that: 1) the departing load customers pay their share of the above-market portion of the DWR contract or new generation resource costs, and 2) bundled customers remain indifferent to customer departures. The utilities provide data to the Commission's Energy Division, which then performs calculations and provides results back to the utilities.

The CAM revenue requirement is a new item in PG&E's ERRA forecast. In Decision (D.) 10-12-035, the Commission adopted a "Qualifying Facility and Combined Heat and Power [QF/CHP] Program Settlement Agreement" that resolved outstanding QF issues and provides for a transition from the existing QF program to a new QF/CHP program. In that decision, the Commission also addressed cost recovery and cost allocation of the new CHP program costs. The

CAM was adopted in Ordering Paragraph 3, which provided that QF/CHP program costs can be recovered through non-bypassable charges. For the 2013 CAM forecast, PG&E's includes new CHP generation authorized in D.10-12-035, and one additional resource, the Marsh Landing Power Purchase Agreement authorized for CAM treatment in D.10-07-045.

3.2. MEA

Part of determining whether PG&E's forecasts should be adopted involves verification that the methods and inputs used by PG&E in calculating its forecasts, such as its forecast of 2013 electric sales and rates, were in compliance with applicable Commission decisions. No party provided alternatives to PG&E's forecasted figures. This is reflected in the discussion in Section 5 below.

In its served testimony, MEA is concerned that: 1) PG&E's Utility Owned Generation (UOG) Fuel Cell contract, is improperly vintaged in 2010 and 2011; and 2) the Commission needs to determine whether selected Renewable Portfolio Standard (RPS)-eligible non-CHP QF contracts are eligible to receive CAM treatment.

With regards to the vintaging issue, PG&E acknowledges that construction for the Fuel Cell contract began in 2010 and was operational in 2011. MEA posits that for UOG, the construction date, not the operational date, is used to determine the vintage of the facility.⁴ As a result, MEA recommends that PG&E's UOG Fuel Cell should be vintaged as 2010 only. In its rebuttal testimony PG&E agrees with MEA that its UOG Fuel Cell should be identified as a 2010 vintage.

⁴ See D.08-09-012, Conclusion of Law 15.

MEA also advances several alternative solutions for the Commission's consideration that depend upon the Commission's decision regarding the RPS-eligible non-CHP QF contracts;

1. If the Commission decides that the RPS-eligible non-CHP QF contracts cannot receive CAM treatment, then the costs of these types of contracts should be removed from CAM eligible contract calculations and the costs associated with them recovered from PG&E's bundled ratepayer base only;
2. If the Commission decides such types of facilities are eligible for CAM treatment, then a methodology should be developed to account for the additional market value of the electricity generated by these facilities due to their renewable attributes.⁵ Such methodology would use the already-approved 'renewable adder' methodology authorized in D.11-12-018 in the CAM calculation to subtract out the RPS value of the energy to determine the net capacity cost.⁶

3.3. PG&E Rebuttal Testimony

In its rebuttal testimony, PG&E states that it has reviewed D.10-12-035, and has determined that the CAM applies to net capacity costs of contracts associated

⁵ See Exhibit MEA-1 in A.12-06-002 at 4.

⁶ The "renewable adder" is used to approximate costs attributable to the renewable attributes of a contract whose costs are being assigned to DL customers through the PCIA. In the context of RPS eligible contracts receiving CAM treatment, a "renewable adder" would be subtracted along with the basic value of electricity from the overall contract costs in order to determine the net capacity costs attributed to the specific facility. Also see Pub. Util. Code § 365.1(c)(2)(B) regarding CAM resources which states, "The commission shall allocate the costs of those generation resources to ratepayers in a manner that is fair and equitable to all customers, whether they receive electric service from the electrical corporation, a community choice aggregator, or an electric service provider."

with the CHP program. Based on PG&E's review of D.10-12-035 and the associated settlement agreement, PG&E posits that even though the three contracts identified by MEA in its testimony are new QF contracts, these contracts are not associated with the CHP program, as defined by Section 13.1.2.2 of Attachment A (Term Sheet) to D.10-12-035.⁷ Therefore, PG&E will remove these resources from the 2013 CAM calculation in its November update and will instead include these resources in the total portfolio indifference calculation. The indifference calculation will classify these resources as 2012 vintaged RPS-eligible resources, which will ensure that the benefits associated with these resources will be captured in the weighting of the renewable megawatt-hour in the benchmark calculation.

3.4. PG&E's Updated Request

On November 9, 2012, PG&E served its Update, requesting adoption of a total 2013 electric procurement revenue requirement forecast of \$4,537.1 million. This total is approximately \$663.0 million higher than the 2012 revenue

⁷ Section 13.1.2.2 of the QF/CHP Settlement Term Sheet approved in D.10-12-035 states "If the CPUC determines that the IOUs should purchase CHP generation on behalf of DA and CCA customers, then the D.06-07-029 (and D.08-09-012 if necessary) shall be superseded to the extent necessary to authorize the IOUs to recover the net capacity costs associated with the CHP Program from all bundled service, DA and CCA customers and all departing load Customers except for CHP departing load Customers, on a non-bypassable basis. The net capacity costs of the CHP Program shall be defined as the total costs paid by the IOU under the CHP Program less the value of the energy and any ancillary services supplied to the IOU under the CHP Program. No energy auction shall be required to value such energy and ancillary services. In exchange for paying a share of the net costs of the CHP Program, the LSEs serving DA and CCA customers will receive a pro-rata share of the RA credits procured via the CHP Program." DA stands for Direct Access and CCA stands for Community Choice Aggregation.

requirement currently reflected in present rates. On November 21, 2012, PG&E served its Revised Update. Pursuant to the Revised Update, the \$4,537.1 million consists of PG&E's 2013 ERRA forecast revenue requirement of \$4,178.6 million, Ongoing CTC forecast revenue requirement of \$269.8 million, a PCIA credit forecast of \$13.0 million, and a CAM forecast revenue requirement of \$101.8 million.

According to PG&E, these updates reflect: 1) updated forward electric and gas prices; 2) an update to the final market price benchmark for certain non-bypassable charges; 3) more recent estimate of year-end account balances; 4) exclusion of GHG allowance revenue from the updated rate calculation; 5) inclusion (but not collection until a later date) of GHG costs and associated franchise fees and uncollectables; 6) tracking of deferred GHG costs and associated franchise fees and uncollectables in an ERRA sub-account; 7) exclusion of GHG costs and associated franchise fees and uncollectables from the "trigger calculation"; 8) modified the load to reflect more recent data on MEA Community Choice Aggregation (CCA) programs; 9) updated the 12-month coincident peak load valued that are used in the New System Generation charge calculation; 10) modified the list of CAM-eligible contracts for those executed or renewed since June; and 11) addressed eligibility issues raised in testimony.

The Commission's Energy Division (ED) provided selected information to PG&E that was used by PG&E to calculate its request in the current application. Subsequent to PG&E's November 9, 2012 Update, ED provide an updated "Utility Retained Generation (URG) GREEN" component of the market price benchmark calculation. Based on the revised "URG GREEN" component, PG&E served a Revised Update on November 21, 2012, which includes updates of the

ERRA, CTC, and PCIA components of the total forecast revenue requirement. The total of \$4,537.1 did not change as a result of these revisions.

In its opening comments to the proposed decision, PG&E states that GHG costs included in the current application, totaling \$180 million and associated franchise fees and uncollectables, should be approved, but that PG&E be allowed to defer recovery of these GHG costs and associated franchise fees and uncollectables, until a final decision in R.11-03-012 is issued and implementation of the allocation of GHG revenues and costs is resolved. Until it requests recovery of these GHG costs and associated franchise fees and uncollectables (by January 1, 2014), PG&E proposes to track these costs in a sub-account of the ERRA Balancing Account. Once a final decision is issued in R.11-03-012, PG&E would file a Tier 1 advice letter to implement allocation of GHG costs and associated franchise fees and uncollectables approved in this decision and tracked in the ERRA sub-account. PG&E also requests that the deferred GHG costs and associated franchise fees and uncollectables be excluded from the ERRA "trigger calculation." In its opening comments to the proposed decision, MEA believes that the proposed decision in R.11-03-012 raises a significant issue which could impact the current proceeding. MEA also recommends that the decision-makers in the current proceeding and R.11-03-012 should coordinate in order to ensure consistency.

In their opening comments to the proposed decision, MMID and CMUA jointly raise concerns regarding the increase in the Ongoing CTC proposed by PG&E in the current proceeding. MMID and CMUA jointly posit that municipal departing load customers, as well as CCA customers, are subject to paying Ongoing CTC rates with no phase-out date. MEA agrees with MMID and CMUA in its reply comments, referencing what it considers the ongoing

volatility and uncertainty surrounding the Ongoing CTC rate and other departing load charges. MEA requests that, pursuant to its and other parties recently filed *Petition to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5 of MEA, AReM, et al.* (Petition for Rulemaking),⁸ that the Commission open a new proceeding intended, in part, to address issues that affect the Ongoing CTC and the phase-out of this rate. In particular, the Petition for Rulemaking requests that a Rulemaking be open to address cost-shifting, cross-subsidization, and stranded cost recovery issues in one consolidated setting, so as to not risk delaying PG&E's request in the current application.

In its reply comments to the proposed decision, PG&E, states that, rather than address PG&E's proposals, which it states use existing methodologies, MMID and CMUA recommends that the Commission should revisit policy decisions regarding non-bypassable charges, such as the Ongoing CTC, in the current proceeding. PG&E posits that MMID and CMUA's recommendation is outside the scope of this proceeding, without merit and should be rejected by the Commission.

4. Discussion

With respect to the issues identified in the Scoping Memo, no party provided alternatives to the forecasted amount proposed by PG&E, except for MEA, which raised issues regarding vintaging and treatment of RPS-eligible non-CHP QF contracts. As part of its November 9, 2012 Update as revised by its November 21, 2012 Revised Update, PG&E has modified its forecasts to account for MEA's concerns. We find PG&E's ERRRA forecast revenue requirement,

⁸ Filed November 30, 2012.

pursuant to its Application, Amendment to its Application, Update and Revised Update, is reasonable and adopt it herein.

Another issue within the scope of this proceeding that was not addressed by parties in testimony was “whether/how the Commission should incorporate the effect of GHG Assembly Bill 32 allowances to customers, given that a final decision in Rulemaking (R.) 11-03-012 has not yet been issued.” In its Opening Brief, PG&E proposes that the allocation of GHG revenues be removed from the scope of this proceeding. As R.11-03-012 is an ongoing proceeding and no party addressed this issue in testimony, we do not address this issue herein.

GHG implementation costs, on the other hand, are part of PG&E’s requested 2013 ERRA revenue requirement. We believe PG&E’s proposal, as detailed in Section 3.4 above, is a reasonable method for addressing how to authorize GHG costs and eventually include them in rates, while also considering our resolution of R.11-03-012. By doing so, we resolve PG&E’s request in the current application, while allowing for coordination with the requirements that are ultimately determined in R.11-03-012.

As MMID’s, CMUA’s, and MEA’s concerns, as discussed above, are addressed in the recently filed Petition for Rulemaking, we do not address such issues or pre-judge our assessment of the recently filed Petition for Rulemaking herein.

5. Conclusion

For all of the foregoing reasons, PG&E’s ERRA revenue requirement forecast of \$4,178.6 million, a CTC revenue requirement forecast of \$269.8 million, a PCIA credit forecast of \$13.0 million, and a CAM forecast revenue requirement of \$101.8 million, as updated pursuant to PG&E’s Update and Revised Update, are adopted.

Therefore, the total ERRA revenue requirement request of \$4.537 billion is approved. PG&E will only request that \$4.357 billion (\$4.537 billion - \$180 million) be included in rates at January 1, 2013, via a Tier 1 advice letter. The remaining GHG costs of \$180 million and associated franchise fees and uncollectables, will be tracked in an ERRA sub-account until PG&E requests its inclusion in rates by January 1, 2014 via a Tier 1 advice letter. This request will occur once a final decision is issued in R.11-03-012. As these GHG costs and associated franchise fees and uncollectables will not be in rates until a later date, we authorize their exclusion from the “trigger calculation” until such time as we authorize PG&E to include such costs in rates.

We remind PG&E that its calculation of the 2013 forecast ERRA, CTC, PCIA, and CAM amounts must be in compliance with all applicable Commission decisions and regulations that address this issue.

In addition, PG&E’s forecast of electric sales and proposed associated electric rates in Exhibit PG&E-1, PG&E-2, PG&E-3, PG&E-4, and PG&E-5, which are subject to the AET process,⁹ should be adopted. These rates should be effective January 1, 2013, except as ordered herein.

⁹ Pursuant to Commission Resolutions E-3906, E-3956, E-4032, E-4121, E-4217, E-4289, and E-4379, PG&E is required to file an advice letter by September 1st of each year with its preliminary forecast of electric rate changes expected to be effective January 1st of the following year. Pursuant to these resolutions, AET advice letter provides a preliminary estimate of PG&E’s electric rates expected to be effective on January 1st of the upcoming year. These preliminary estimates of rates include: 1) the forecast of balancing account balances (for December 31st of the current year) that will be amortized in the upcoming year; and 2) electric rate changes being considered in pending proceedings and advice letters, as well as advice letters that have not yet been filed but are expected to be filed and approved by the last Commission meeting date of the current year; but exclude 3) rate impacts that are subject to pending legislation, which would result in changes to electric rates on January 1st of the upcoming year.

6. Procedural Issues

6.1. Categorization and Need for Hearings

In Resolution ALJ 176-3295, dated June 7, 2012, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were necessary. As noted above, on August 28, 2012, PG&E notified the assigned ALJ that PG&E had reached agreement with all active parties that hearings would not be necessary in this proceeding. On August 29, 2012, the assigned ALJ issued an e-mail to all parties cancelling previously scheduled hearings. Given these developments, we make a final determination here that the category is ratesetting, and a public hearing is not necessary.

6.2. Admittance of Testimony and Exhibits into Record

Since hearings were not held in the current proceeding, there was no opportunity to enter testimony and exhibits into the record. In order for us to assess the proposals put forth by the parties, it is necessary to include all testimony and exhibits submitted by PG&E and MEA into the record.

On September 10, 2012, PG&E and MEA filed a joint motion requesting that their testimony be received into the record. Rule 13.8(d) of the Commission's Rules of Practice and Procedure¹⁰ allows for testimony to be offered into evidence when hearings are not held.

We therefore receive both the public and confidential versions of PG&E's Application, Amendment to its Application, and testimony (Exhibits PG&E-1,

¹⁰ For the remainder of this decision all reference to Rules refer to the Commission's Rules of Practice and Procedure.

PG&E-2, PG&E-3, PG&E-4, and PG&E-5),¹¹ into evidence. The confidential nature of selected PG&E documents is addressed below. MEA's testimony is also received into evidence (Exhibit MEA-1). (See Attachment A for a list of Exhibits received into the record.)

6.3. Motions to File Under Seal, for Confidential Treatment, and to Seal Evidentiary Record

On June 1st and 20th, 2012, PG&E filed motions in which it requested authority to file confidential material under seal, including the confidential versions of its Application and Amendment to its Application, pursuant to Rule 11.4 and General Order (GO) 66-C. These documents were identified by the assigned ALJ as Application-C and Amendment to Application-C.

On September 10, 2012, PG&E filed a motion requesting that the evidentiary record in this proceeding be sealed, pursuant to Rule 11.5, GO 66-C, and D.06-06-066, with respect to confidential Exhibits PG&E-1C and PG&E-2C. On November 9, 2012, PG&E served a confidential version of Exhibit PG&E-4 (PG&E-4C), and on November 21, 2012, PG&E served a confidential version of Exhibit PG&E-5 (PG&E-5C).¹²

Rule 11.4 addresses a request to seal documents that have been filed, while Rule 11.5 addresses sealing all or part of an evidentiary record. GO 66-C provides definitions and guidance regarding public and confidential records

¹¹ Even though Exhibits PG&E-4 and PG&E-5 were received subsequent to PG&E's request for admittance of testimony into the record, because this exhibit is crucial to the resolution of this proceeding, we receive this exhibit into the record as well.

¹² Even though Exhibits PG&E-4C and PG&E-5C were received subsequent to PG&E's motion for confidential treatment, such exhibits are labeled confidential and contain confidential information, therefore we grant confidential treatment of them.

provided to and requested from the Commission. By D.06-06-066, we implemented Senate Bill (SB) 1488¹³ which required that we examine our practices regarding confidential information, as it applies to the confidentiality of electric procurement data (that may be market sensitive) submitted to the Commission.

6.3.1. Discussion - Confidential Treatment and Filing Under Seal

PG&E states that Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C contain confidential information, including market sensitive information such as forecasts of load, sales, and purchase power requirements, that if disclosed would put PG&E at a competitive disadvantage.

We have granted similar requests for confidential treatment in the past¹⁴ and do so again herein. We therefore authorize the confidential treatment, pursuant to GO 66-C and D.06-06-066, of PG&E's Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C as set forth in the ordering paragraphs of this decision.

Since the confidential versions of PG&E's Application and Amendment to its Application are filed, we grant PG&E's motion to file these documents under seal pursuant to Rule 11.4. Pursuant to Rule 11.5, we seal the confidential portions of the evidentiary record, which include Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C.

7. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were

¹³ Chapter 690, Stats. 2004.

¹⁴ See D.11-12-031.

allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed on December 10, 2012 by PG&E, MEA, and jointly by MMID and CMUA. Reply comments were filed on December 17, 2012 by PG&E and MEA. We have considered the comments in our final order.

8. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Seaneen M. Wilson is the assigned ALJ in this proceeding.

Findings of Fact

1. By Resolution ALJ 176-3295, dated June 9, 2012, A.12-06-002 was categorized as ratesetting with hearings needed.
2. Protests to the application were filed by DRA, MEA, jointly by AReM and DACC, and jointly by MMID and CMUA.
3. After service of testimony, parties agreed that hearings were not necessary.
4. PG&E's updated 2013 ERRa forecast revenue requirement, Ongoing CTC forecast revenue requirement, PCIA credit, CAM revenue requirement, sales forecast and associated rates, are supported by exhibits and filed documents.
5. PG&E requests, pursuant to its Application, Amendment to its Application, Update, and Revised Update, that the Commission adopt a total 2013 electric procurement forecast of \$4,537.1 million, which consists of PG&E's 2013 ERRa forecast revenue requirement of \$4,178.6 million, its Ongoing CTC forecast revenue requirement of \$269.8 million, its PCIA credit forecast of \$13.0 million, and its CAM forecast revenue requirement of \$101.8 million.
6. R.11-03-012 addresses development of rules regarding utility cost and revenue issues associated with GHG emissions.
7. Except for MEA's concerns regarding vintaging and treatment of RPS-eligible non-CHP QF contracts that are eligible to receive CAM treatment,

no party provided alternatives to the 2013 forecasted amounts requested by PG&E for ERRA, Ongoing CTC, PCIA credit, CAM revenue requirement, and electric sales and rates.

8. The total 2013 electric procurement forecast of \$4,537.1 million is approximately \$663.0 million higher than the 2012 revenue requirement currently in present rates.

9. PG&E's updates reflect: 1) updated forward electric and gas prices; 2) an update to the final market price benchmark for certain non-bypassable charges; 3) more recent estimate of year-end account balances; 4) exclusion of GHG allowance revenue from the updated rate calculation; 5) inclusion (but not collection until a later date) of GHG costs and associated franchise fees and uncollectables; 6) tracking of deferred GHG costs and associated franchise fees and uncollectables in an ERRA sub-account; 7) exclusion of GHG costs and associated franchise fees and uncollectables from the "trigger calculation"; 8) modified the load to reflect more recent date on MEA CCA programs; 9) modified the load to reflect more recent data on MEA CCA programs; 10) updated the 12-month coincident peak load valued that are used in the New System Generation charge calculation; 11) modified the list of CAM-eligible contracts for those executed or renewed since June; and 12) addressed eligibility issues raised in testimony.

10. MEA requests, pursuant to its reply comments and a separately filed Petition for Rulemaking, that the Commission open a new proceeding which, in part, would address the concerns raised by MMID and CMUA regarding what they believe is an increase in the Ongoing CTC rate, and that this rate has no phase-out date.

11. In its reply comments, PG&E states that it is using existing methodologies in its rate calculations in the current proceeding.

12. Rule 11.4 addresses a request to seal documents that have been filed.

13. Rule 11.5 addresses sealing all or part of an evidentiary record.

14. GO 66-C provides definitions and guidance regarding public and confidential records provided to and requested from the Commission.

15. By D.06-06-066, we implemented SB 1488 which required that we examine our practices regarding confidential information, as it applies to the confidentiality of electric procurement data (that may be market sensitive) submitted to the Commission.

16. PG&E requested that selected exhibits be given confidential treatment pursuant to GO 66-C and D.06-06-066.

17. We have granted similar requests for confidential treatment in the past.

18. PG&E requested that the confidential version of its Application and Amendment to its Application be filed under seal pursuant to Rule 11.4.

19. PG&E requested that the confidential portions of the evidentiary record be sealed pursuant to Rule 11.5.

Conclusions of Law

1. PG&E's updated 2013 ERRRA forecast revenue requirement of \$4,178.6 million, Ongoing CTC forecast revenue requirement of \$269.8 million, PCIA credit forecast of \$13.0 million, and CAM forecast revenue requirement of \$101.8 million should be adopted, except as ordered herein. This total forecast of \$4,537.1 includes \$180 million of GHG costs and associated franchise fees and uncollectables.

2. In order to consider our resolution of R.11-03-006, while still resolving the current application, PG&E should be authorized to defer collection of GHG costs

of \$180 million and associated franchise fees and uncollectables, until a final decision in the R.11-03-012 is issued and implementation of the allocation of GHG revenues and costs is resolved.

3. Until it requests recovery of these GHG costs and associated franchise fees and uncollectables, PG&E should track these costs in a sub-account of the ERRA Balancing Account.

4. Once a final decision is issued in R.11-03-012, PG&E should file a Tier 1 advice letter (by January 1, 2014), in order to implement allocation of GHG costs and associated franchise fees and uncollectables authorized in this decision and tracked in the ERRA sub-account.

5. As the deferred GHG costs and associated franchise fees and uncollectables will not be in rates until a later date, PG&E should exclude such deferred \$180 million of GHG costs and associated franchise fees and uncollectables from its ERRA “trigger calculation” until such costs are included in rates.

6. PG&E’s 2013 forecast of electric sales and associated rates should be adopted, subject to the AET process.

7. PG&E’s calculation of the forecast 2013 ERRA, Ongoing CTC, PCIA, and CAM should be in compliance with all applicable Commission decisions and requirements.

8. Since MEA and other parties have filed a Petition for Rulemaking which would, in part, address the concerns raised by MMID and CMUA regarding Ongoing CTC rates with no phase-out date, we should not address such issues or pre-judge our assessment of the recently filed Petition for Rulemaking herein.

9. PG&E’s request that the public and confidential versions of its testimony be received into evidence should be granted.

10. MEA's request that its testimony be received into evidence should be granted.

11. We should authorize the confidential treatment of PG&E's Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C, pursuant to GO 66-C and D.06-06-066.

12. We should grant PG&E's motion to file the confidential versions of its Application and Amendment to its Application under seal pursuant to Rule 11.4.

13. We should seal the confidential portions of the evidentiary record, which consist of Exhibit PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C, pursuant to Rule 11.5.

14. This decision should be effective immediately so that it may be reflected in rates effective January 1, 2013.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company is authorized to recover a total 2013 electric procurement cost revenue requirement forecast of \$4,537.1 million, consisting of its 2013 Energy Resource Recovery Account forecast revenue requirement of \$4,178.6 million, an Ongoing Competition Transition Charge forecast revenue requirement of \$269.8 million, a forecast Power Charge Indifference Amount credit of \$13.0 million, and a Cost Allocation Methodology forecast revenue requirement of \$101.8 million, except as ordered in Ordering Paragraph 2. This total forecast of \$4,537.1 includes \$180 million of Greenhouse Gas costs and associated franchise fees and uncollectables.

2. In order to consider our resolution of Rulemaking 11-03-006, while still resolving the current application, Pacific Gas and Electric Company is

authorized to defer collection of Greenhouse Gas costs of \$180 million and associated franchise fees and uncollectables, until a final decision in the Rulemaking 11-03-012 is issued, and implementation of the allocation of Greenhouse Gas revenues and costs is resolved.

3. Until it requests recovery of these Greenhouse Gas costs and associated franchise fees and uncollectables, Pacific Gas and Electric Company must track such costs in a sub-account of the Energy Resource Recovery Account.

4. Once a final decision is issued in Rulemaking 11-03-012, Pacific Gas and Electric Company must file a Tier 1 advice letter (by January 1, 2014), in order to implement allocation of Greenhouse Gas costs and associated franchise fees and uncollectables authorized in Ordering Paragraph 1 above, and tracked in a sub-account of the Energy Resource Recovery Account.

5. As the deferred Greenhouse Gas costs of \$180 million and associated franchise fees and uncollectables will not be in rates until a later date, Pacific Gas and Electric Company must exclude such deferred Greenhouse Gas costs and associated franchise fees and uncollectables from its Energy Resource Recovery Account "trigger calculation" until such costs are included in rates.

6. Pacific Gas and Electric Company's requested 2013 forecast of electric sales and associated rates are adopted, subject to the Annual Electric True-up process.

7. Pacific Gas and Electric Company shall consolidate the revenue requirement and sales forecast adopted in this order with the revenue requirement effects of other recent Commission decisions through the Annual Electric True-Up process.

8. Pacific Gas and Electric Company's calculation of the forecast Energy Resource Recovery Account forecast, forecast Ongoing Competition Transition Charge, forecast Power Charge Indifference Amount, and forecast Cost

Allocation Methodology must be in compliance with all applicable Commission decisions and requirements.

9. Since the Marin Energy Authority and other parties have filed a *Petition to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5 of Marin Energy Authority, Alliance for Retail Energy Markets, et al.* (Petition for Rulemaking), which would, in part, address the concerns raised by the Merced and Modesto Irrigation District and the California Municipal Utilities Association, regarding Ongoing Competition Transition Charge rates with no phase-out date, we do not address such issues or pre-judge our assessment of the recently filed Petition for Rulemaking herein.

10. Pacific Gas and Electric Company's request that the public and confidential versions of its testimony be received into evidence is granted (*see* Attachment A).

11. Marin Energy Authority's request that its testimony be received into evidence is granted (*see* Attachment A).

12. Pacific Gas and Electric Company's motion to file the confidential version of its Application and Amendment to its Application under seal is granted, pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure.

13. Pacific Gas and Electric Company's (PG&E) Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C are granted confidential treatment for a period of three years from the date of this order. During this three-year period, this information may not be viewed by any person other than the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by PG&E, or as ordered by a court of competent jurisdiction. If PG&E believes that it is necessary for this information to remain under seal for longer than three years, PG&E may file a motion

providing a justification for a further extension at least 30 days before the expiration of the three-year period granted by this order.

14. The confidential portions of the evidentiary record, consisting of Exhibits PG&E-1C, PG&E-2C, PG&E-4C, and PG&E-5C are sealed, pursuant to Rule 11.5 of the Commission's Rules of Practice and Procedure.

15. Hearings are not necessary.

16. Application 12-06-002 is closed.

This order is effective today.

Dated December 20, 2012, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK J. FERRON
Commissioners

ATTACHMENT A

Exhibit List

Exhibit No.	Sponsor/ Witness	Description/Title of Exhibit
PARTY: Pacific Gas and Electric Company (PG&E)		
Application	Various	Application of PG&E for 2013 ERRRA and Generation Non-Bypassable Charges Forecast
Application – C		Application of PG&E for 2013 ERRRA and Generation Non-Bypassable Charges Forecast – Confidential Version
Amendment to Application		Amendment to Application of PG&E for 2013 ERRRA and Generation Non-Bypassable Charges Forecast
Amendment to Application – C		Amendment to Application of PG&E for 2013 ERRRA and Generation Non-Bypassable Charges Forecast – Confidential Version
PG&E – 1		Prepared Testimony – 2013 ERRRA and Generation Non-Bypassable Charges Forecast
PG&E – 1C		Prepared Testimony – 2013 ERRRA and Generation Non-Bypassable Charges Forecast – Confidential Version
PG&E – 2		Amendment to the Prepared Testimony – 2013 ERRRA and Generation Non-Bypassable Charges Forecast
PG&E – 2C		Amendment to the Prepared Testimony – 2013 ERRRA and Generation Non-Bypassable Charges Forecast – Confidential Version
PG&E – 3		Rebuttal Testimony
PG&E - 4		November 9, 2012 Update
PG&E – 4C		November 9, 2012 Update – Confidential Version
PARTY: Marin Energy Authority (MEA)		
MEA – 1		Testimony of MEA on PG&E’s Application for 2013 ERRRA and Generation Non-Bypassable Charges Forecast

(END OF ATTACHMENT A)