Decision_____

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, including Real Time Pricing, to Revise its Customer Energy Statements, and to Seek Recovery of Incremental Expenditures. (U39M)	Application 10-03-014 (Filed March 22, 2010)

DECISION GRANTING PETITION TO MODIFY

1. Summary

This decision grants the Petition of Pacific Gas and Electric Company, the California Farm Bureau Federation, and the Agricultural Energy Consumers Association (AECA), (together, the Petitioners), filed December 12, 2013, asking the California Public Utilities Commission (Commission) to modify Decision (D.)11-12-053. The Petitioners ask for modification of D. 11-12-053 to approve the Second Amendment to the Supplemental Settlement Agreement on Agricultural Rate Design Issues, Appendix F (Agricultural Settlement) to D. 11-12-053.

In D. 11-12-053, the Commission, among other things, approved a Settlement calling for production of an Agricultural Aggregation Study (Study). The Study was intended to obtain information on participating agricultural customers' electrical usage to enable evaluation of agricultural account

aggregation. The scope, framework, and methodology of the Study were set forth in Exhibit C of the Settlement approved in D. 11-12-053.

No party responded to the Petition for Modification. Based on the circumstances outlined in the Petition and described below, we conclude that good cause exists for granting the Petition. We accordingly grant the Petition as requested and in accordance with the documents set forth in the Attachment to this decision. We thus approve Appendix, Agricultural Settlement.

2. Discussion

We conclude that Pacific Gas and Electric Company (PG&E), the California Farm Bureau Federation (CFBF), and the Agricultural Energy Consumers Association (AECA), (together, the Petitioners) have provided adequate justification for granting the requested modifications to Decision (D.) 11-12-053. In granting the Petition to modify D. 11-12-053, as approved in this decision, we adopt a modification in Clause 3.1 in Exhibit C to the Second Amendment to the Supplemental Settlement Agreement on Agricultural Rate Design Issues (Agricultural Settlement) and extend the deadline for the Study from December 31, 2012 to March 1, 2014.

In D. 11-12-053, Clause 3.1 of Exhibit C, provides $150,000 for participation payments of $10,000 to individual customers in the study, which assumed a total of 15 participants. Petitioners state that 13 separate entities were ultimately selected for the study once data requirements to participate were finalized. The Agricultural Aggregation Study (Study) is proceeding, but recently eight participating customers informed the Petitioners that they do not want to receive the participation payments. A ninth participant informed the Petitioners that it declines to receive $5,000 (half the participation payment) but wishes to receive the other half. Letters from the individual customers memorializing their decline

of the payments are being filed under seal with this pleading. The total budget allowed for the study was $250,000, with $100,000 to be paid to Consultants and $150,000 to be utilized for participation payments. Because only 13 entities were selected for participation, another $20,000 remains in the budget, which Petitioners agree should be part of the Consultant budget.

The parties to the Agricultural Settlement executed the Second Amendment to allocate the participation payments into two pools. The first pool of $85,000 will not be used for participation payments. The second pool of $45,000 will be for customers who accept all or a portion of the participation payments. With respect to the first pool of $85,000, the Petitioners agreed that the funds should be paid to California Bountiful Foundation, a non-profit 501(c)(3) corporation for the purpose of supporting and furthering the goals of the study.

2.1. Background and Details

By the terms of the Agricultural Settlement, $250,000 was budgeted for expenditures in conducting the study and providing participation payments to customers in the study. That full amount will not be expended as originally intended, Petitioners agreed, however, that the funds should be used in some manner associated with the study. To serve these purposes, payment of a portion of the funds to a non-profit entity was deemed appropriate. California Bountiful Foundation is a charitable, non-profit entity, approved as a 501(c)(3) entity under the Internal Revenue Code, and was developed to provide a conduit between food producers and consumers for better awareness and understanding of food production. California Bountiful is affiliated with CFBF but is a separate entity, and commits that the full amount of the funds donated to this purpose will be used in connection with the study. No fees will be assessed for

administration of the funds, which will be separately accounted for. California Bountiful provides the necessary structure to assure that the budgeted funds will be appropriately utilized and accounted for. The parties to the Agricultural Settlement have accepted disposition of the funds as reflected in the Second Amendment.

2.2. Extension of Study Time

Petitioners also seek to modify Clause 4 of the Settlement (as modified by the March 28, 2013 First Amendment) to extend the completion date of the study. Petitioners request a delay for submission of the completed Agricultural Account Aggregation Study from December 31, 2013 to March 1, 2014. Petitioners explain that due to various management and coordination issues, and the amount of data involved, assessing the information has required more time than anticipated. The magnitude of the issues, data and effort also increased with the increase in the number of meters included in the study under the March 28, 2013 First Amendment.

Petitioners recognize the implications of the delay as it relates to the inclusion of the results from the study in the 2014 General Rate Case (GRC) Application 13-04-012 and wish to avoid delaying that proceeding. AECA and CFBF represent that they now have the data for the study and can use the data to prepare opening testimony by the due date for intervenor testimony. Under the revised schedule, the Study would be completed and made available to participants in the GRC II proceeding by March 1, 2014, to comply with the terms of the Settlement as amended. AECA and CFBF commit that neither of them will introduce new proposals or evidence into the record from the study not already presented in their opening testimony.

Data for the study will be available to other participants through discovery on AECA and/or CFBF's testimony, consistent with the Authorization to Release Customer Information in Connection with Account Aggregation study (Appendix 2 to Exhibit C of the Agricultural Settlement) and the Nondisclosure Agreement for Agricultural Aggregation study under the Agricultural Settlement (Appendix 3 to Exhibit C of the Agricultural Settlement), as well as in Paragraph 1B of Exhibit C, and Task 2 of Appendix 1 to Exhibit C. Nothing would limit other participants' right to use the study and/or data for rebuttal testimony or cross-examination.

Copies of the Second Amendment and a red-line version of the Settlement and Exhibit C with Appendix 1 to the Agricultural Settlement Agreement accompanied Parties' pleading were attached to the Petitioner's pleading.

2.3. Tariff Modifications

To bring its tariffs in alignment with these modifications, PG&E requests that the Commission direct that (1) the new study deadline and disposition of the $10,000 customer participation payments be immediately effective on the date the decision is issued, and (2) PG&E file a Tier 1 advice letter within 10 days of the date of the Commission's approval effective back to the date of the decision modifying Electric Preliminary Statement Part V, Agricultural Account Aggregation study Memorandum Account, consistent with the modifications adopted.

Petitioners request expedited approval of their Petition to provide sufficient time to draft and complete the Study, and for PG&E to proceed with prompt payment of amounts to participating customers, the agricultural consultants, and a non-profit involved in California agricultural issues, consistent with the Second Amendment.

3. Conclusion

Based on the circumstances outlined above, we conclude that the Petitioners have justified granting the Petition to Modify D. 11-12-053. Although the Petition was filed more than one year after the original decision, Petitioners show that events giving rise to the request did not come to light until after the first year had passed. We thus conclude that the Petition was timely filed. We thus grant the Petition, and approve the requested modifications to D. 11-12-053, as set forth in the Attachment to this decision.

4. Uncontested

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise 30-day period for public review and comment is waived.

5. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Thomas R. Pulsifer is the assigned ALJ in this proceeding.

Findings of Fact

1. In D. 11-12-053, the Commission, among other things, approved a Settlement calling for production of an Agricultural Aggregation Study (Study).

2. Changed circumstances warrant modification to the terms of D. 11-12-053 relating to the Study.

3. By the terms of the Agricultural Settlement, $250,000 was budgeted for expenditures in conducting the study and providing participation payments to customers in the study. That full amount will not be expended as originally intended, Petitioners agreed.

4. The parties to the Agricultural Settlement approved in D. 11-12-053 executed the Second Amendment to allocate participation payments into two pools. The first pool of $85,000 will not be used for participation payments. The second pool of $45,000 will be for customers who accept all or a portion of the participation payments.

5. With respect to the first pool of funds, the funds would be paid to a non-profit entity, California Bountiful Foundation.

6. Due to various factors, modification of Clause 4 of the Settlement (as modified by the March 28, 2013 First Amendment) is warranted to extend the completion date of the Agricultural Account Aggregation Study from December 31, 2013 to March 1, 2014.

Conclusions of Law

1. Good cause exists to warrant approval of the Petition for Modification of D. 11-12-053 in accordance with the amendments set forth in the Attachment to this decision.

2. Although the Petition was filed more than one year after the original decision, events giving rise to the request did not come to light until after the first year had passed. Thus the Petition is deemed timely filed.

3. The Petition for Modification of D. 11-12-053 should be granted in accordance with the ordering paragraphs below.

O R D E R

IT IS ORDERED that:

1. The Petition of Pacific Gas and Electric Company, the California Farm Bureau Federation, and the Agricultural Energy Consumers Association (together, the Petitioners) for Modification of Decision 11-12-053 is granted.

2. The Second Amendment, and the modifications to the Settlement, Exhibit C and Appendix 1 to the Agricultural Settlement Agreement, as set forth in the Attachment to this decision, and as requested by the Petitioners is hereby granted, extending the due date for the agricultural aggregation study to March 1, 2014.

3. Pacific Gas and Electric Company is directed to file a Tier 1 advice letter to incorporate appropriate changes into its Preliminary Statement, in accordance with the Petitioners' request, due within 10 days of the date of this decision effective back to the date of the decision modifying Electric Preliminary Statement Part V, Agricultural Account Aggregation study Memorandum Account, consistent with the modifications adopted herein.

4. Application 10-03-014 is closed.

This order is effective immediately.

Dated _____, at San Francisco, California.

Attachment A

Second Amendment to Supplemental Settlement Agreement On Agricultu
Rate Design Issues in PG&E's Application 10-03-014

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I. Introduction

In accordance with Clause III.5., of the "Supplemental Settlement Agreement on Agricultural Rate Design Issues in PG&E's Application 10-03-014" (Settlement or Agricultural Rate Design Settlement) approved by the Commission in Decision (D.11-12-053), the parties to the Settlement, the Agricultural Energy Consumers Association, the California Farm Bureau Federation, the Energy Producers and Utility Coalition, the Southern San Joaquin irrigation District, and Pacific Gas and Electric Company (together, the Settlement Parties) have executed the Second Amendment to the Settlement.[1/]

II. Revisions to the Payment Provisions for the Costs of the Study

The Settlement Parties have agreed to revise Exhibit C to the Settlement, "Agricultural Account Aggregation Study Framework" (Settlement Exhibit C) to change the disposition of $150,000 in clause 3.1 and 3.2 of the Settlement Exhibit C, on page 3 of 4. The first sentence of clause 3.1 provides "Up to $150,000 of the $250,000 shall be used to pay incentives to customers who actually participate in the Study, with a payment equal to $10,000 per participant to help offset the cost of participating (participation payment)."

Eight of the participating customers have declined the participation payment. A ninth participant informed the Petitioners that it declines to receive $5,000 (half the participation payment) but wishes to receive the other half. Therefore, the Settlement Parties have agreed to allocate the participation payments referenced in clause 3.1 into two pools.[2/] The first pool of $85,000 will not be used for participation payments. The second pool of $45,000 will be for customers who accept all or a portion of the participation payments. With respect to the first

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1/ The First Amendment to the Settlement, dated March 28, 2013 extended the time to complete the Agricultural Account Aggregation Study. The Commission's Executive director, Paul Clanon, granted the extension in a letter dated April 10, 2013.

2/ The parties to the Agricultural Settlement are CFBF, AECA, Energy Producers and Users Coalition, and the South San Joaquin Irrigation District.

pool of $85,000, the Petitioners agreed that the funds should be paid to California Bountiful Foundation, a non-profit 501(c) (3) corporation for the purpose of supporting and furthering the goals of the Study. The total budget allowed for the Study was $250,000; $100,000 to be paid to Consultants and $150,000 to be utilized for participation payments. Because ultimately only 13 entities were selected for participation, another $20,000 remains in the budget, which Petitioners agree should be made part of the Consultant budget.

The Settlement Parties have agreed, subject to Commission approval of the Second Amendment, that the pool of $85,000 should be used to fund the Study by being paid to California Bountiful.

Therefore, the Settlement Parties agree to following revisions to clause 3.1 on page 3 of 4:

1. Up to $45,000 of the $250,000 shall be used to pay incentives to customers who actually participate in the Study, with a payment equal to $10,000 per participant to help offset the cost of participating (participation payment). A participant may elect to decline to receive $5,000 (half the participation payment) but wish to receive the other half. Customers who decline the participation payment will not receive it.

   For customers who have not declined the participation payment, an~~The~~ initial $5,000 of the $10,000 participation payment will be paid to the participant once the Agricultural Consultants have selected the participant and associated accounts and PG&E has confirmed that interval data will be available for the Study period. A second payment of $5,000 will be paid to the same participants five months after the initial participation payment is paid, provided the participant has not withdrawn from the Study, or declined the second payment of $5,000.

   It is contemplated that direct payment of $85,000 (of the $250,000) will be made to California Bountiful Foundation a non-profit 501 (c)(3) corporation for the purpose of supporting and further the goals of the Study.

   Up to $120,000 of the $250,000 shall be used to pay Agricultural Consultants for the work they will perform under the attached "Proposed Scope of Work for Agricultural Consultants" (Agricultural Consultant Work Scope).

III. Revised Study Period

The Settlement Parties agree that additional time is needed to conduct and complete the Study. Therefore the Settlement Parties agree to modify the following sentence in the Settlement, Clause 4, page 10, as modified by the First Amendment, to read:

> *Instead the Settling Parties agree to facilitate an Agricultural Settlement Account Aggregation Study (Study) expected to be completed on or ~~about the end of December 2013~~before March 1, 2014.*

IV. Scope Of Second Amendment

This Second Amendment does not affect any other provision in the Settlement, other than 1) to revise the period to conduct and complete the Study, and 2) to allocate $150,000 originally identified for participation payments into $45,000 that will be available for participation payments, $85,000 that will be paid directly to California Bountiful, and $20,000 that will be made part of the Consultant budget. The Consultant budget in Task 5, Appendix 1 to Exhibit C, will be increased from $10,000 to $30,000. Except for this change to Task 5 in Appendix 1 of Exhibit C, the Exhibits to the Settlement and the other Appendices to Settlement Exhibit C are not affected by the Second Amendment. A copy of Settlement Exhibit C and Appendix 1, as amended in red-line, is attached to this Second Amendment.

V. Execution Of Second Amendment

This Second Amendment to the Settlement may be executed in counterpart, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Second Amendment to the Settlement Exhibit C shall become effective upon approval by the Commission. In witness whereof, intending to be legally bound, representatives of the Settlement Parties have duly executed this Second Amendment on behalf of the Settlement Parties they represent.

The undersigned represent that they are authorized to sign the Second Amendment to the Settlement on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Agricultural Energy Consumers Association
(AECA)

By: Michael Boccadoro

MICHAEL BOCCADORO
Title: Executive Director, Agricultural Energy Consumers Association

Date: December 6, 2013

The undersigned represent that they are authorized to sign the Second Amendment to the Settlement on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

California Farm Bureau Federation (CFBF)

By: Karen Norene Mills

KAREN NORENE MILLS
Title: Attorney for California Farm Bureau Federation

Date: December 5, 2013

The undersigned represent that they are authorized to sign the Second Amendment to the Settlement on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Energy Producers and Utility Coalition (EPUC)

By:

NORA SHERIFF
Title: Counsel for Energy Producers and Users Coalition

Date: December 5, 2013

The undersigned represent that they are authorized to sign the Second Amendment to the Settlement on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Pacific Gas and Electric Company

By: _____

Trina Horner
Title: Vice President, Regulatory Proceedings and Rates
Date: December 5, 2013

The undersigned represent that they are authorized to sign the Second Amendment of the Settlement on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

South San Joaquin Irrigation District (SSJID)

By: _____

Jeff Shields
Title: General Manager
Date: December 9, 2013

(End of Attachment A)

Attachment B

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SUPPLEMENTAL SETTLEMENT AGREEMENT ON AGRICULTURAL RATE DESIGN ISSUES IN PG&E'S APPLICATION 10-03-014

RED-LINED VERSION

SUPPLEMENTAL SETTLEMENT AGREEMENT ON AGRICULTURAL RATE DESIGN ISSUES IN PG&E'S APPLICATION 10-03-014

I. INTRODUCTION

In accordance with Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC), the parties to this Agricultural (Ag) Rate Design Settlement Agreement (Ag Settling Parties) agree on a mutually acceptable outcome to the rate design issues for the Ag class[1] in Application (A.) 10-03-014, of Pacific Gas and Electric Company to Revise Its Electric Marginal Costs, Revenue Allocation, and Rate Design.

This Ag Settlement is supplemental to the Settlement in A.10-03-014 filed with the CPUC on March 14, 2011 (March 14 Settlement), in that it uses the revenue allocation agreed to in the March 14 Settlement and addresses Ag rate design issues that were not resolved in the March 14 Settlement. The Ag Settling Parties respectfully request that the Commission consolidate its decision on this Ag Settlement with its decision on the March 14 Settlement because this Ag Settlement is an extension of and is complementary to the March 14 Settlement Agreement. The details of this Ag Settlement are set forth herein.

[1] The Ag customer class encompasses and is defined as PG&E customers taking service under Schedules AG-1A/B, AG-4A/B/C, AG-5A/B/C, AG-RA/B, AG-VA/B, and AG-ICE, as described in Exhibit (PG&E-14) Chapter 6. Schedule E-37 is implicitly part of the agricultural class even though Schedule E-37 customers are not agricultural customers. Rate design and rates for Schedules AG-5B and E-37 are identical and are based on the combined billing determinants of Schedule AG-5B and Schedule E-37 customers.

II. AG SETTLING PARTIES

The Ag Settling Parties[2] are as follows:

- Agricultural Energy Consumers Association (AECA)
- California Farm Bureau Federation (CFBF)
- Energy Producers and Users Coalition (EPUC)
- Pacific Gas and Electric Company (PG&E)
- South San Joaquin Irrigation District (SSJID)

III. AG SETTLEMENT CONDITIONS

This Ag Settlement resolves the issues raised by the Ag Settling Parties in A.10-03-014 on Ag rate design, subject to the conditions set forth below:

1. This Ag Settlement embodies the entire understanding and agreement of the Ag Settling Parties with respect to the matters described, and it supersedes prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Ag Settling Parties with respect to those matters. This Ag Settlement supplements and is an extension to the March 14 settlement filing, and thus incorporates by reference the terms, boilerplate and all language of that document.

2. This Ag Settlement represents a negotiated compromise among the Ag Settling Parties' respective litigation positions on the matters described, and the Settling Parties have assented to the terms of this Settlement only to

2 Although they are not signatories to the Ag Settlement, the California Large Energy Consumers Association (CLECA), Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) participated in the Ag settlement conferences to monitor for potential revenue allocation effects on other classes. These three parties have indicated that they do not oppose the Ag Settlement.

arrive at the agreement embodied herein. Nothing contained in this Ag Settlement should be considered an admission of, acceptance of, agreement to, or endorsement of any disputed fact, principle, or position previously presented by any of the Ag Settling Parties on these matters in this proceeding. Pursuant to Rule 12 of the Commission's Rules of Practice and Procedure, this Ag Settlement does not constitute and should not be used as a precedent regarding any principle or issue in this proceeding or in any future proceeding.

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

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

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

6. The Ag Settling Parties shall jointly request Commission approval of this Ag Settlement and shall actively support its prompt approval. Active support shall include written and oral testimony if testimony is required,[3] 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.

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[3] Any oral or written testimony that the CPUC might require may be prepared jointly among parties with similar interests.

7. The Ag Settling Parties intend the Ag Settlement to be interpreted and treated as a unified, integrated agreement incorporating the March 14 Settlement, which forms the foundation for the Ag rate design agreed to herein. In the event the Commission rejects or modifies this Ag Settlement or the underlying March 14 Settlement, the Ag Settling Parties reserve their rights under CPUC Rule 12.4.

IV. PROCEDURAL AND SETTLEMENT HISTORY

The overall procedural and settlement history of A.10-03-014 is set forth in Section IV of the March 14 Settlement on Marginal Cost and Revenue Allocation (MCRA) issues in this proceeding. This supplement to the March 14 settlement filing incorporates by reference the terms and boilerplate language of that document.

V. AG SETTLEMENT TERMS

A. General Terms

The Ag Settling Parties agree that the primary purpose of rate design for the Ag class is to take the revenue allocations reached for this class in the March 14 Settlement and ensure that they are fully recovered through Ag rates in a manner that is just and reasonable, is in the public interest, is reasonably based on the marginal costs from the March 14 Settlement, and reflects a reasonable compromise of Ag Settling Parties' proposals.

The Ag Settling Parties agree that the illustrative rates set forth herein are consistent with the revenue allocation set forth in Tables 1 and 2 of the March 14 Settlement, which were based on the January 1, 2011 effective rates and revenue requirements. The Ag Settling Parties agree that the actual rates derived at the time of implementation of this Ag Settlement, once adopted by the CPUC, shall be designed to

collect the then-current revenue, modified as prescribed by the MCRA Settlement Agreement.[4] Adopted revenue requirements in effect at the time of settlement implementation shall be applied to determine initial settlement rates. Therefore, the actual rates that will result when the Phase 2 rate changes are implemented will vary from those shown in Exhibit A. However, these actual rates shall be based on the rate design methods described in this Ag Settlement Agreement.

The Ag Settling Parties agree that all testimony served prior to the date of this Ag Settlement that addresses the issues resolved by this Ag Settlement should be admitted into evidence without cross-examination by the parties. However although PG&E believes that at most a protest to the filed Ag Settlement and a corresponding response are necessary to dispose of any contested issues and approval of the Ag Settlement in full, in the event the ALJ orders new testimony or hearings on such issues, testimony on contested Ag Settlement issues, and only those issues, would be subject to cross-examination.

The Ag Settling Parties further agree that this Ag Settlement resolves all Ag rate design issues in A.10-03-014.

B. Ag Settlement Rates

1. Illustrative Ag Settlement Rates

The Ag Settling Parties agree that rates to collect the revenue allocated to the Ag customer classes under the March 14 Settlement shall be designed consistent with the illustrative rates set forth below and in Exhibit A, for Schedules AG-1A/B, AG-4A/B/C,

[4] *See also* Ag Settlement's methodologies relating to revenue allocation issues, in sections of this Settlement further below.

AG-5A/B/C, AG-RA, AG-RB, AG-VA, AG-VB, and E-37.[5] The agreed basic rate designs reflect the MCRA Settling Parties' prior agreement, in the March 14 MCRA Settlement, to a 1.5 percent increase to all schedule average total rates for the agricultural class.

The Ag Settling Parties further agree that the same methods used to determine the illustrative rates provided herein will be applied to the revenue requirement in effect when this Settlement is implemented, as described in Section A. above.

2. Methods Used To Develop Illustrative Settlement Rates

The Ag Settling Parties agree that the basic rate designs for each of the applicable Ag rate schedules will be updated upon implementation of this Ag Settlement using the methods underlying development of the illustrative settlement rates for Schedules AG-1A/B, AG-4A/B/C, AG-5A/B/C, AG-RA, AG-RB, AG-VA, AG-VB, and E-37 set forth in this supplemental Ag Settlement Agreement.

The Ag Settling Parties agree that customer charges for all Ag schedules will increase by 20 percent for all AG-A and AG-B rate schedules, but that AG-4C and AG-5C will remain at their current level. The Ag Settling Parties agree that demand charges and connected load charges shall generally increase by 5 percent, except in certain cases implicit in Exhibit A where distribution and generation revenue assignments to demand charges do not allow a 5 percent increase. The Ag Settling Parties agree that unbundled

[5] The Lamont PUD proposed to allow non-Ag water pumping accounts to be eligible for Schedule E-37, which, although it is not an Ag rate schedule, currently serves oil pumping customers whom Lamont asserted may have certain similarities with other non-Ag water pumping accounts. Thus, this E-37-related issue was the subject of a compromise set forth in this Ag Settlement. In addition, this Ag Settlement does not include AG-ICE rate design, which is handled separately through annual advice letters, pursuant to D.05-06-016, as stated at pages 6-4 to 6-5 of Exhibit (PG&E-14).

energy charges will be set residually, based on current Distribution and Generation seasonal and Time-Of-Use (TOU) relationships

The above methods shall be used to set initial rates upon implementation of this settlement at then-current revenue requirements using the MCRA Settlement Agreement's revenue allocation principles. All subsequent rate changes until a decision in the next GRC Phase 2 proceeding shall be governed by the principles set forth in the March 14 MCRA Settlement in Section VIII, Section 3, for Rate Changes Between GRCs, except to the extent necessary to assure that all subsequent rate changes adhere to the TOU revenue neutrality methodology set forth in this Ag Settlement (*see* Section 3 below).

3. TOU Revenue Neutrality

The Ag Settling Parties agree that it will be reasonable to adjust the revenue amounts assigned to the AG-4A and AG-4B rate schedules (or other destination TOU rate schedules) over the course of the 2011 General Rate Case cycle to account for those revenue shortfalls that result as current AG-1A and AG-1B customers are reassigned to TOU rate schedules. The revenue adjustment amount will be symmetric if there are net revenue increases rather than revenue shortfalls due to TOU migration. Similarly, the adjustments will be based on all default TOU migrating customers, and will not use only those who saved on their new TOU rate. The adjustments will track those revenue shortfalls that result strictly from structural differences between the current groups of non-TOU versus TOU agricultural rate schedules, net of any shortfalls that should be attributed to customer TOU usage shifts in response to their assignment to TOU rate schedules.

Illustrative revenue adjustments for AG-1A customers defaulting to AG-4A and for AG-1B customers defaulting to AG-4B, for achieving revenue neutrality, are shown in the Excel file *Ag-PGE-Settlement-TOU-Adjust.xls* (provided as Exhibit B hereto) The revenue shortfall amounts will be calculated annually based on 12-month record periods ending September 30, and then applied as adjustments to the following year's rates as set in PG&E's Annual Electric True-Up (AET) proceeding.

The Settling Parties agree that the TOU revenue-neutrality adjustments will be made using the following methodology:

1. The revenues that would have been billed to the migrating customers under both the pre-migration schedule and their new TOU schedules will be calculated. The net difference, accounting for both positive and negative revenue amounts, will be used to develop the initial or "nominal" shortfall amounts for each TOU schedule.

2. A comparison of the pre-migration and post-migration TOU load shapes for the migrating customers will be used to estimate the change in revenue due to load shapes. Any changes in revenues due to TOU load shape changes will be used to adjust the nominal revenue shortfalls for each TOU schedule, resulting in the Adjusted Shortfall Amounts to be applied as adjustments in the AET. For customers migrating to AG-4B, AG-5B (if applicable), or AG-5C (if applicable), these adjustments will also consider changes in revenues attributable to changes in summer on-peak demand utilization.

3. The "original peak TOU shares" of the migrated customers (and original ratios of summer-season kWh to on-peak kW, for the customers migrating to AG-4B, AG-5B, or AG-5C) will be calculated using actual peak-period TOU shares and demand utilization ratios from the 12-month period before the customers were assigned to their new TOU rate. For each subsequent year, the baseline usage will be from the 12 months prior to the migration, even if a migrated customer has been on a TOU schedule for more than a year.

4. Revenues associated with peak day pricing discounts and revenues shall be excluded from this analysis.

5. The TOU revenue-neutrality adjustment will only apply to load billed before the 2014 GRC Phase 2 rates take effect. Settling Parties anticipate that adjustments will be applied only to the 2014 and 2015 AET rates. The 2014 AET adjustment will reflect those customers assigned to new TOU rates in 2013, and will reflect

usage of these customers for the period from March 1, 2013 to September 30, 2013 (using bills issued during the month of September). The 2015 AET adjustment will reflect usage for the period starting October 1, 2013 (using bills issued during the month of October) and continuing to the effective date of rate changes in Phase 2 of PG&E's 2014 GRC or September 30, 2014, whichever is later.

6. Each year, on approximately November 1 but no later than November 15, PG&E will provide the Agricultural representatives as well as CLECA, DRA, EPUC and TURN and any requesting parties with workpapers and analyses used to determine the revenue shortfall to be included in the final AET to be filed in late December of that year. These data will include a comparison of the migrated customers' aggregate current and prior-to-migration year's loads and load shapes, a comparison of the loads and load shapes for the same years for the non-migrating customers who are on the target schedule (e.g. Schedule AG-4A), and the workpapers corresponding to the example spreadsheet used to estimate the revenue loss. If requested, PG&E will confer with the Agricultural representatives to discuss the results before filing of the final AET.

7. If the summer on-peak TOU load shares of the non-migrating customers on the applicable schedules lie within the following deadband ranges, it will be assumed that the underlying Agricultural electricity consumption conditions are sufficiently unchanged that the approach described in Paragraphs 1 through 6 of this section can be used without further adjustments:

   AG4A: 11.3 percent, plus or minus 0.5 percent (10.8%-11.8%)
   AG4B: 15.7 percent, plus or minus 0.5 percent (15.2%-16.2%)

   If the summer on-peak TOU load shares are outside of the deadband, PG&E and the Agricultural representatives will confer to evaluate whether underlying consumption conditions may have changed sufficiently that the adopted methodology needs to be reviewed. (Deadbands will not be defined separately for AG5B or AG5C, but the review would also encompass these adjustments, if there are migrating customers who have chosen service under either of these two schedules.) CLECA, DRA, EPUC, TURN and any other requesting parties shall be notified of the results of such conference(s) if those conferences result in a recommendation to adjust the methodology. If either PG&E or the Agricultural representatives or the requesting parties believe further review is necessary, PG&E, the Agricultural representatives and those of the requesting parties' will confer for the purpose of determining an appropriate adjustment to the methodology.

4. Account Aggregation

The Ag Settling Parties agree that it is reasonable not to adopt an agricultural aggregation tariff in this proceeding as proposed by AECA. Instead the Settling Parties agree to facilitate an Agricultural Settlement Account Aggregation Study (Study), expected to be completed on or before March 1, 2014~~about the end of December by the second quarter of 2013~~.

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This Study will obtain data and other information on agricultural customers' electrical usage to allow evaluation of agricultural account aggregation. The scope, framework and methodology for the Study have been expressly agreed to by PG&E, AECA, CFBF and SSJID and are set forth in detail in Exhibit C, which includes supporting documents referenced as Appendices 1 through 4, which are incorporated by reference herein.

5. Schedule E-37 Cost Study and Enrollment Closure

The Ag Settling Parties agree that it is reasonable to reject the proposal by the Lamont Public Utility District (Lamont) that non-Ag general water or sewerage pumping accounts, whose annual load factor is 50 percent or more, be eligible to take service on Schedule E-37. The Ag Settling Parties acknowledge that the original purpose of Schedule E-37 was to provide incentives to oil pumping accounts to return idle oil wells to production when California crude oil prices were low, as set forth in D.97-09-047 which created Schedule E-37 exclusively for customers whose North American Industry Classification System (NAICS) code is 211111 (crude petroleum and natural gas extraction). Further, the Settling Parties recognize that present cost of service for this type of customer should be considered as well as whether the original impetus for adding an incentive in 1997 specifically for these domestic oil pumping customers continues to apply to, or be necessary and appropriate for, all domestic oil pumping customers. The

Ag Settling Parties agree that allowing other types of non-Ag pumping customers, such as general water and sewerage pumping customers, to participate in an incentive rate that may no longer be suitable even for its original purpose, in all circumstances, would be inappropriate, absent further study and analysis as reflected in this Ag Settlement.

In addition, based on Lamont's October 6, 2010 direct testimony in this proceeding (at page 18), a revenue shortfall of up to $18.4 million would occur if the Schedule E-37 applicability language were expanded to include non-Ag water and sewerage pumping customers. Since this rate would be optional and selected by only those customers that would expect to benefit, revenue reductions would be likely. The Ag Settling Parties agree that revenue reductions that would certainly result from this option would create revenue shortfalls that would be supported by other customers, and therefore create a cost to non-participating customers. While the Ag Settling Parties acknowledge some uncertainty in the magnitude of the revenue reduction, they agree that allowing additional customers on this rate without further review of the cost basis for the rate would not be appropriate.

In summary, the Ag Settling Parties reached a compromise that, absent further review confirming that Schedule E-37 is reasonable for its original purpose and is reasonably cost-based for large non-Ag water pumping customers, the applicability of the E-37 rate should not be expanded.

The Ag Settling Parties have agreed that the following steps should occur: (a) immediately close E-37 to new enrollment, (b) provide a one-way customer option for existing E-37's to migrate to A-10, A-10-TOU, or E-19/20, (c) require PG&E to study a new cost-based E-37 industrial schedule allocation for oil and non-Ag water and

sewerage pumping accounts to be filed in the 2014 GRC Phase 2, and (d) consider in the 2014 GRC Phase 2 proceeding whether E-37 should be eliminated and whether a new cost-based pumping rate, including large non-Ag pumping, should be offered. This compromise allows a more considered approach to ensure that reasonable, cost-based options are made available to non-Ag water pumping compared to simply expanding the use of a rate that was offered on a very limited basis only to oil pumping customers so that they would bring idle wells back into service as a source of domestic petroleum.

The Settling Parties agree that the requirement of item (c) above, to file a study in the next GRC, will provide the information needed to determine whether or not large non-agricultural pumping load customers should have their own rate schedule.

6. Schedule AG-R and AG-V Enrollment Closure and Phase-Out

The Ag Settling Parties agree that it is reasonable to immediately close both Schedule AG-R and AG-V to new enrollment. In addition, both schedules will be entirely eliminated on March 1, 2014 for customers with 12 months of interval data.

7. Peak Day Pricing Rate Refinements

The Ag Settling Parties agree that it is reasonable to adopt the refinements to Schedule Peak Day Pricing (PDP) rates proposed by PG&E in Chapter 6 of Exhibit (PG&E-14).

8. Other

Unless otherwise specifically agreed by the parties or addressed in this Ag Settlement Agreement above, the proposals, methods and explanations contained in Chapter 6 of Exhibit PG&E 14, served on January 7, 2011, shall be adopted for the purpose of implementing rates under this Settlement.

VI. TIMING OF RATE CHANGES

The provisions regarding the timing of this GRC rate change and rate changes between General Rate Cases agreed to in the March 14 MCRA Settlement, Term VIII, Subsections 2 and 3, shall apply to this Ag Settlement, unless specifically noted above.

Certain elements of this Ag Settlement Agreement will or may require employee training and/or changes to PG&E systems beyond those required for a normal change in rate value. Such structural and system changes will be implemented by PG&E diligently as time permits in a manner consistent with smooth operations of the systems involved. The Ag Settling Parties recognize that such changes could take several months to implement.

VII. 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 Ag Settlement shall become effective among the Ag Settling Parties on the date the last Settling Party executes the Ag Settlement, as indicated below. In witness whereof, intending to be legally bound, the Ag Settling Parties hereto have duly executed this Ag Settlement on behalf of the Ag Settling Parties they represent.

The undersigned represent that they are authorized to sign on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Agricultural Energy Consumers Association (AECA)

By: /s/

MICHAEL BOCCADORO

Title: Executive Director

Date: July 15, 2011

The undersigned represent that they are authorized to sign on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

California Farm Bureau Federation (CFBF)

By: /s/

KAREN NORENE MILLS

Title: Attorney for CFBF

Date: July 15, 2011

The undersigned represent that they are authorized to sign on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Energy Producers and Utility Coalition (EPUC)

By: /s/

NORA SHERIFF

Title: Counsel

Date: July 18, 2011

The undersigned represent that they are authorized to sign on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

Pacific Gas and Electric Company

By: /s/
AMRIT P. SINGH

Title: Senior Director, Analysis and Rates

Date: July 18, 2011

The undersigned represent that they are authorized to sign on behalf of the Party Represented, for purposes of this Ag Settlement in Phase 2 of PG&E's 2011 GRC:

South San Joaquin Irrigation District (SSJID)

By: /s/

JEFFREY K. SHIELDS

Title: General Manager

Date: July 15, 2011

EXHIBIT A

ILLUSTRATIVE AG SETTLEMENT RATES

EXHIBIT B

Illustrative Revenue Neutrality Adjustments for AG-1A Customers Defaulting to AG-4A and for AG-1B Customers Defaulting to AG-4B

EXHIBIT C

Account Aggregation Study Framework and Supporting Documents

(End of Attachment B)