

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**Item #25 (Rev. 1)**

**ID #14482**

**RESOLUTION E-4748**

**December 17, 2015**

**ENERGY DIVISION**

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

**Resolution E-4748.** Pacific Gas and Electric Company (PG&E) consolidated electric revenue and rate changes effective January 1, 2016.

**PROPOSED OUTCOME:**

- Authorizes PG&E to revise electric rates effective January 1, 2016 to reflect revenue requirement changes approved by the California Public Utilities Commission (Commission) and the Federal Energy Regulatory Commission (FERC) by December 17, 2015, and amortization of balancing accounts. Rate and revenue changes made pursuant to this Resolution are subject to audit, verification, and adjustment.

**SAFETY CONSIDERATIONS:**

- Pursuant to Public Utilities Code Section 451, PG&E must take all actions necessary to promote the safety, health, comfort, and convenience of utility patrons, employees, and the public.

**ESTIMATED COST:**

- The estimated net increase in annual electric revenue requirements is approximately \$817.7 million over revenues in rates effective August 27, 2015 for PG&E customers if the Commission and FERC approve revenue requirements changes by December 17, 2015 in the proceedings identified herein.

By Advice Letter 4696-E filed on August 27, 2015.

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## **SUMMARY**

**This resolution authorizes Pacific Gas and Electric Company (PG&E) to revise electric rates effective January 1, 2016 to reflect authorized and pending revenue requirement changes in various proceedings by the California Public Utilities Commission (Commission) and the Federal Electric Regulatory Commission (FERC) by December 17, 2015 including the recovery of balances in balancing accounts previously approved for amortization in 2016. For revenue requirements that are not yet approved by the Commission and to update balancing accounts balance forecasts, PG&E will file a supplemental advice letter in late December 2015.**

- PG&E is authorized to recover Commission and FERC authorized 2016 revenue requirements in rates effective January 1, 2016 resulting from Commission orders adopted by December 17, 2015, as described herein.
- PG&E's request to establish the 2016 revenue requirement for the Energy Recovery Bonds Balancing Account (ERBBA) through Advice Letter (AL) 4696-E is consistent with previous years' Annual Electric True-Up (AET) filings, provides the customer benefits intended in Decision (D.)04-11-015, and is granted.
- PG&E is authorized to amortize its forecasted December 31, 2015 account balances, updated by the December supplement to AL 4696-E, in rates effective January 1, 2016, as described herein.
- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment.
- PG&E shall – consistent with previous years' AET processes – submit by December 31, 2015 a supplement to AL 4696-E with revised tariffs effective January 1, 2016. The supplemental AL shall reflect action taken by the Commission and the FERC on pending electric revenue requirements requests described in this resolution. The supplemental AL will include recorded balancing account data through October 31, 2015, and forecasted balancing account data for November and December 2015.
- PG&E's request to set January 1, 2016 rates based on the 2016 sales forecast in its 2016 Energy Resource Recovery Account (ERRA) Application (A.), A.15-06-001 is approved, on the condition that, should the final ERRA forecast decision adopt a different sales forecast, PG&E shall file a Tier 1 advice letter 60 days after the issuance of the final decision in that

proceeding containing appropriate rate adjustments to reflect the sales forecast adopted in the final decision in A.15-06-001.

**PG&E forecasts a consolidated net revenue requirement increase of \$817.7 million on January 1, 2016.**

PG&E estimates that there will be a net increase in electric revenue requirements of approximately \$817.7 million on January 1, 2016 over revenues in rates effective August 27, 2015, resulting in a 5.5 percent increase in the system bundled average electric rate and a 17.8 percent increase in the system average rate for Direct Access (DA) and Community Choice Aggregation (CCA) customers. Average rates for DA and CCA customers exclude commodity charges because these customers purchase the commodity from third-party service providers. The consolidated revenue requirement increase results from a combined \$980.6 million increase in Commission-jurisdictional revenues and a \$162.9 million decrease in FERC-jurisdictional revenues.

**BACKGROUND**

**PG&E has filed an Annual Electric True-up (AET) advice letter for the last 12 years. The AET AL seeks to consolidate revenue requirements that have been authorized by the Commission and the FERC, and to amortize balances in regulatory accounts through the AET AL. Rate changes addressed in the AET become effective on January 1 of the following year after the Commission acts on the AET advice letter.**

Resolution E-4693 authorized PG&E to consolidate revenue requirements and amortize year-end 2014 account balances upon filing a supplement to PG&E's 2014 AET AL (AL 4484-E). PG&E did so through AL 4484-E-B. Ordering Paragraph (OP) 11 of Resolution E-4693 also provided the following:

If PG&E requests amortization of future balances in the accounts authorized for amortization in [Resolution E-4693] by means of the annual electric true-up advice letter for rates effective January 1, it shall file the advice letter no later than September 1 of the year prior to when rates become effective. The advice letter shall reflect balances recorded as of July 31 of the year in which the advice letter

is filed and the estimated balances for August through December of that year.

**On August 27, 2015 PG&E filed AL 4696-E, its twelfth AET AL, addressing electric revenues and rates to be effective January 1, 2016.**

PG&E requests in AL 4696-E to recover revenue requirements authorized by the Commission and the FERC by December 17, 2015 – the date of the last scheduled Commission meeting in 2015 – and to recover year-end 2015 balances in the accounts authorized for recovery in the past AET Resolutions.

**PG&E requests to set its 2016 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement in AL 4696-E.**

Consistent with previous AETs, PG&E proposes to establish its 2016 ERBBA revenue requirement in AL 4696-E based on a forecast of 2016 ERBBA activity, and to amortize the forecasted December 31, 2015 ERBBA balance. PG&E amortizes the costs associated with PG&E's emergence from bankruptcy in the ERBBA. AL 4696-E includes a 2016 ERBBA revenue requirement of \$14.4 million and a forecasted December 31, 2015 ERBBA balance of (\$14.6) million, reflecting energy crisis litigation proceeds booked to the ERBBA, as discussed below.

**The following tables provide a breakdown of various increases and decreases adding up to PG&E's estimated net increase of \$817.7 million.**

The net revenue requirement increase of \$817.7 million on January 1, 2016 represents the combined impact of a Commission-authorized revenue increase of \$980.6 million and a FERC-authorized revenue decrease of \$162.9 million relative to revenues in rates in effect as of the date of AL 4696-E, August 27, 2015.

Tables 1 through 3 below provide a breakdown of the revenue requirement changes presented in AL 4696-E. These modifications result from revenue requirement changes authorized or expected to be authorized by December 17, 2015 in the Commission and the FERC proceedings and on revenue changes resulting from amortization of forecasted December 31, 2015 regulatory account balances. PG&E's December 31, 2015 forecasts of account balances are based on recorded balances through July 2015 and forecasted balances from August through December 2015.

<b>Table 1: Commission-authorized revenue changes effective January 1, 2016 forecasted by PG&amp;E</b>	<b>Amount in million \$</b>
Energy procurement and ongoing Competition Transition Charge (CTC) and Cost Allocation Mechanism (CAM) revenue requirements including amortization of the balancing accounts, and 2013 deferred GHG Cost	-\$638.4
Public Purpose Program (PPP) revenue requirement including amortization of balances in the PPP Revenue Adjustment Mechanism (PPPRAM), California Alternative Rates for Energy Account (CAREA), and Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM)	-\$13.0
Energy Cost Recovery Amount (ECRA) revenue requirements including Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement and amortization of the balance in the ERBBA.	\$426.5
Nuclear Decommissioning revenue requirement including amortization of the balance in the Nuclear Decommissioning Adjustment Mechanism (NDAM)	-\$56.5
Distribution revenue requirement including amortization of balances in Distribution Revenue Adjustment Mechanism (DRAM), and Family Electric Rate Assistance Balancing Account (FERABA)	\$649.3
Department of Water Resources (DWR) bond and power charge revenue requirements including DWR franchise fees and amortization of the balance in the Power Charge Collection Balancing Account (PCCBA)	\$50.5
Non-fuel generation revenue requirements including amortization of balances in the Utility Generation Balancing Account (UGBA)	\$459.6
AB 32 Revenue Return	-\$102.6
<b>Total Commission-authorized net increase:</b>	<b>\$980.6</b>

<b>Table 2: FERC-authorized revenue changes effective January 1, 2016 forecasted by PG&amp;E</b>	<b>Amount in million \$</b>
Reliability Services (RS)	\$0.0

Transmission Owner (TO) 16 as settled	-\$162.9
<b>Total FERC-authorized net decrease</b>	<b>-\$162.9</b>

**The Commission-authorized increase measured against the FERC-authorized decrease resulted in a forecast net increase of \$817.7 million, equal to a 5.5% increase in PG&E’s average bundled electric rates.**

Table 3: Net Change in Revenue Requirement	Amount in million \$
Commission-authorized	\$980.6
FERC-authorized	-\$162.9
<b>Total AET net increase:</b>	<b>\$817.7</b>

**The Commission-authorized revenue requirement increases forecasted by PG&E include several significant “cost drivers.”**

Distribution revenue requirement: As seen in Table 1, the largest driver of Commission-jurisdictional revenue increases relates to the implementation of 2016 distribution revenue requirement including amortization of balances in Distribution Revenue Adjustment Mechanism (DRAM), and Family Electric Rate Assistance Balancing Account (FERABA) of \$649.3 million. The increase in the distribution revenue requirement is due to General Rate Case (GRC) attrition increase authorized in D.14-08-032, PG&E’s 2014 GRC decision, higher balancing account under-collections driven by lower recorded 2015 sales compared to the adopted sales used to set rates, and the lower 2016 sales forecast. PG&E’s sales forecast is based on the forecast included in PG&E’s 2016 Energy Resource Recovery Account.

Non-fuel generation base revenue requirements: The other significant driver of Commission-jurisdictional revenue increases is the non-fuel generation base revenue requirements including amortization of balances in the Utility Generation Balancing Account (UGBA) of \$459.6 million. The increase in the non-fuel generation base revenue requirements is primarily due to the lower 2016 sales forecast. PG&E’s sales forecast is based on the forecast included in PG&E’s 2016 Energy Resource Recovery Account and Generation Non-By-passable Charges Forecast and Greenhouse Gas Forecast Revenue and Reconciliation Application (A.15-06-001), filed on June 1, 2015.

Energy Cost Recovery Amount: The ECRA rate component finances costs associated with PG&E's emergence from bankruptcy in 2004, and amortizes the balance in the ERBBA. PG&E forecasts an increase of \$426.5 million over revenues at present rates in the Energy Cost Recovery Amount (ECRA) rate components. The increase in 2016 ECRA is primarily attributed to the ending of the energy suppliers refunds received by PG&E from sellers of electricity that PG&E overpaid during the energy crisis. In 2014 PG&E received \$426.5 million of refunds from large energy suppliers, which were included in 2015 rates. PG&E forecasts the size of the refund to be zero in 2016.

**There is a forecast net decrease of \$162.9 million in FERC authorized revenue requirement.**

On July 12, 2015 FERC granted PG&E's request to implement the TO16 as-settled rates on an interim basis. PG&E is implementing this change effective September 1, 2015, which reflects \$162.9 million refunds related to the TO16 rate case.<sup>1</sup>

**The 2016 rates presented in AL 4696-E are based on PG&E's 2016 sales forecast and residential rate changes pursuant to D.11-12-053 and D.14-06-029.**

The illustrative 2016 electric rates presented in AL 4696-E are based on: (1) PG&E's sales forecast in 2016 ERRA Forecast Application A.15-06-001 filed on June 1, 2015; (2) the rate design and revenue allocation methodology for rate changes between Phase 2 GRCs as established in D.11-12-053; and (3) the residential rate design approved by D.14-06-029. PG&E did not incorporate in illustrative rates presented in AL 4696-E the residential rate changes required by the Residential Rate Reform Decision, D.15-07-001, or the 2014 GRC Phase 2 Decision, D.15-08-005.

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<sup>1</sup> The FERC gave final approval to the TO16 Settlement and the as-settled rates on September 30, 2015.

## **NOTICE**

Notice of AL 4696-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the AET AL was mailed and distributed electronically in accordance with Section IV of General Order 96-B, and served on parties to A.12-11-009, A.13-04-012, R.12-06-013, A.15-06-001, A.14-11-010, A.15-02-009, R.13-11-005, R.12-01-005, A.12-08-007, and R.15-02-012.

## **PROTESTS**

No parties submitted protests to PG&E's AL 4696-E.

## **DISCUSSION**

**PG&E is authorized to incorporate revenue requirements that have been authorized for recovery in rates effective January 1, 2016.**

PG&E is authorized to incorporate revenue requirements that have been previously authorized for recovery by Commission decisions in rates effective January 1, 2016:

- \$4,188.2 million in base distribution revenue requirements authorized by D.14-08-032, PG&E's 2014 GRC decision, recorded in the DRAM.
- \$159.3 million for PG&E's Pension Contribution pursuant to D.09-09-020 with an allocation of \$101.9 million to distribution revenues and \$57.4 million to generation revenues.
- \$58.1 million for the Demand Response authorized by D.14-05-025, and D.15-01-023.
- \$30 million for the Self Generation Incentive Program authorized by D.14-12-033.
- \$20.4 million for the Commission Fee authorized by D.04-02-062.
- \$82.9 million for the California Solar Initiative authorized by D.11-12-019.
- \$8 million for the California Solar Initiative-Multifamily Affordable Solar Housing (MASH) and the Single Family Affordable Solar Homes (SASH) Programs authorized by D.15-01-027.

- \$17.6 million for the Smart Grid Pilot Deployment Project Balancing Account (SGPDPBA) authorized by D.13-03-032.
- \$3.5 million for the California Energy Systems for 21<sup>st</sup> Century authorized by D.12-12-031, D.14-03-029 and Resolution E-4677.
- \$1.1 million for the Hercules Municipal Project authorized by D.14-01-009.
- \$2.0 million for the electric generation revenue requirements authorized by D.14-08-032, PG&E's 2014 GRC decision, recorded in the UGBA.
- (\$41.0) million UGBA-Photovoltaic Program credit authorized by D.14-08-032.
- (\$54.0) million UGBA-Department of Energy litigation proceeds credit authorized by D.14-08-032.
- (\$70.0) million NDAM-Department of Energy litigation proceeds credit authorized by D.14-08-032.
- \$103.3 million for the Solar Photovoltaic (PV) Program authorized by D.10-04-052 and AL 4647-E.
- \$3.1 million for the DWR Franchise Fees pursuant to California Public Utilities Code Sections 6350-6354.
- \$107.4 million for the Nuclear Decommissioning Adjustment Mechanism (NDAM) authorized by D.14-02-024 and D.14-12-082.
- \$120.9 million for the Energy Efficiency (EE) authorized by D.15-01-023.
- \$86.1 million for the Electric Program Investment Charge (EPIC) authorized by D.12-05-037, and D.15-04-020.
- \$236 million for the Procurement EE/PEERAM authorized by D.15-01-023.
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- \$10.2 million for the Statewide ME&O- Phase 2 for 2016 pursuant to D.15-08-033 with allocation of \$5.7 million to PEERAM, \$4.4 million to Demand Response and \$73,510 to Energy Saving Assistance (ESA).

**PG&E's request to establish the 2016 ERBBA revenue requirement is granted.**

The ERBBA records benefits and costs associated with Energy Recovery Bonds. In this AET AL, PG&E proposes that the 2016 ERBBA revenue requirement be established using a forecast of 2016 ERBBA activity, including the amortization

of the December 31, 2015 forecast ERBBA balance. This provides the benefits to customers intended in D.04-11-015 and is consistent with the approach proposed by PG&E in last year's AET AL 4484-E, which was approved by Resolution E-4693.

PG&E's request to establish the 2016 ERBBA revenue requirement as proposed in AL 4696-E is granted. This includes establishing the ERBBA revenue requirement using the most recent rate of return adopted by the Commission.

**PG&E is authorized to incorporate revenue requirement changes in the following pending Commission proceedings in rates effective January 1, 2016, provided the Commission adopts a decision by December 17, 2015.**

If by December 17, 2015 the Commission authorizes PG&E to make revenue requirement changes effective January 1, 2016 as a result of decisions in the formal proceedings listed below, PG&E shall incorporate those changes in the supplement to AL 4696-E to be put into rates effective January 1, 2016. As described below PG&E shall file the supplement by December 31, 2015.

- ERRA, Ongoing CTC, PCIA, CAM and GHG Allowance Revenue Requirements, A.15-06-001.
- 2016 DWR Power Charge and Bond Charge Revenue Requirement, R.15-02-012.
- ESA and California Alternate Rates for Energy (CARE), A.14-11-010.
- Statewide Marketing, Education, and Outreach (SWME&O) Phase 2, D.14-08-032.
- Electric Vehicle Infrastructure Program, A.15-02-009.

**PG&E is authorized to incorporate revenue requirement changes in January 1, 2016 rates resulting from the following pending advice letters, if approved by the Commission by the December 17, 2016 Commission meeting.**

- PG&E plans to file an AL by the end of 2015 to implement the 2016 GRC attrition adjustments to electric distribution and electric generation revenue requirements, consistent with the provisions of D.14-08-032.
- PG&E filed AL 3606-G/4659-E on June 30, 2015 requesting the Energy Efficiency Incentive Awards for the program year 2014 and it filed AL

4705-E/3632G on September 15, 2015 requesting approval of the program year 2013. These ALs are consistent with D.12-12-032 and D.13-09-023 and AL 3356-G-A/4176-E-A.

- PG&E filed AL 4689-E on August 17, 2015 submitting Commission and FERC approved rate and Tariff changes effective September 1, 2015 pursuant to Residential Rate Reform Decision, D.15-07-001, and 16th Transmission Owner Tariff (TO16) Settlement, Docket No. ER14-2529-000.

**PG&E is authorized to incorporate revenue requirement changes in January 1, 2016 rates resulting from the following pending FERC cases, if made effective by the December 17, 2016 Commission meeting.**

PG&E shall consolidate the results of pending FERC proceedings affecting the Transmission Owner (TO) Base Revenue,<sup>2</sup> the Transmission Revenue Balancing Account (TRBA), the Reliability Service Balancing Account (RSBA), and the End-Use Customer Refund Balancing Account (ECRBA) in the December AET filing if the FERC approves them by December 17, 2015.

**PG&E is authorized to amortize in January 1, 2016 rates the forecasted December 31, 2015 balances in accounts previously approved for recovery by the Commission.**

This Resolution allows PG&E to amortize the following accounts through this year's AET advice letter, as previously approved for recovery by Resolutions E-4693 and E-4548, which addressed PG&E's 2015 AET AL 4484-E and 2013 AET AL 4096-E, respectively:

- Distribution Revenue Adjustment Mechanism (DRAM).
- Public Purpose Programs Revenue Adjustment Mechanism (PPPRAM).
- EPIC Revenue Adjustment Mechanism (EPICRAM).

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<sup>2</sup> PG&E filed its 17th TO Tariff rate case (TO17) on July 28, 2015. Although PG&E has requested an effective date of October 1, 2015 consistent with FERC precedent, PG&E expects FERC to accept the TO17 rates and suspend them for five months, making the rates effective March 1, 2016. As such, the AET forecast in Table 2 is based on the TO16 as-settled rates.

- Nuclear Decommissioning Adjustment Mechanism (NDAM).
- Utility Generation Balancing Account (UGBA).
- Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM).
- Power Charge Collection Balancing Account (PCCBA).
- Hazardous Substance Mechanism (HSM).
- California Alternate Rates for Energy Account (CAREA).
- Energy Recovery Bonds Balancing Account (ERBBA).
- Family Electric Rate Assistance Balancing Account (FERABA).
- Affiliate Transfer Fees Account (ATFA).
- Customer Energy Efficiency Incentive Account (CEEIA).
- Non-Tariffed Balancing Account (NTBA).
- Land Conservation Plan Environmental Remediation Memorandum Account (LCPERMA).
- Demand Response Expenditures Incentives Subaccount (DREBA-Incentives).
- Mobile Home Park Balancing Account (MHPBA), and
- Major Emergency and Catastrophic Event Balancing Account (MEBA).

PG&E is also authorized to amortize balances in the Demand Response Expenditures Operations Subaccount (DREBA-Operations), which was implemented by AL 3558-E-A pursuant to D.09-08-027. The amount included in DREBA-Operations is the balance of unspent and uncommitted funds from the authorized demand response budgets recorded through December 31, 2014.

Consistent with Resolution E-4693, PG&E is also authorized to amortize balances in the Revised Customer Energy Statement Balancing Account–Electric (RCESBA-E), the Smart Grid Memorandum Account (SGMA), and the Smart Grid Customer Data Access Balancing Account (CDABA), subject to the limitations set forth in PG&E's tariffs described below.

**PG&E is authorized to amortize the year-end 2015 balance in the Revised Customer Energy Statement Balancing Account–Electric (RCESBA-E) in rates effective January 1, 2016 subject to the limitation on cost recovery set forth in its tariff.**

The RCESBA-E, established by D.12-03-015, records actual electric revenue requirements associated with PG&E's costs for implementing its revised customer energy statement. PG&E's combined electric and gas cost for implementing the energy statement is capped at \$19.012 million over the period from 2012 through 2016, with 55%, or \$10.461 million, of the cap allocated to electric customers. According to the RCESBA-E tariff, Electric Preliminary Statement Part FX, the annual disposition of the balance in the account shall be through the AET. PG&E estimates in AL 4696-E that the RCESBA-E balance to be transferred to the DRAM for recovery in rates effective January 1, 2016 will be approximately \$1.2 million.

**PG&E is authorized to transfer the year-end 2015 balance in the Smart Grid Memorandum Account (SGMA) to the DRAM for recovery in rates effective January 1, 2016, subject to the limits set forth in PG&E's tariff.**

The SGMA records PG&E's costs for Smart Grid projects as authorized by the Commission in D.09-09-029. In accordance with the SGMA tariff, Preliminary Statement FD, disposition of the balance recorded for projects approved by the Commission and the DOE is transferred to the DRAM at the end of each year for recovery through the AET process. Accordingly, the forecasted year-end 2015 SGMA balance presented in the December 2015 supplement to AL 4696-E shall be transferred to the DRAM for recovery in rates effective January 1, 2016, subject to the limitation on cost recovery through the AET that is set forth in PG&E's tariff.<sup>3</sup> PG&E estimates in AL 4484-E that the SGMA balance to be

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<sup>3</sup> Preliminary Statement Part FD, Smart Grid Memorandum Account, Part 3: Once a project is approved by the Commission and by the DOE, the balance in the subaccount for that project is transferred to the DRAM Account at the end of each year for recovery through the Annual Electric True-up Advice letter until the PG&E portion of the total expenditure amount adopted for that project is reached. Revenue requirements associated with expenditures in excess of the

*Footnote continued on next page*

transferred to the DRAM for recovery in rates effective January 1, 2016 will be approximately \$5.3 million.

**PG&E is authorized to recover the balance in the Smart Grid Customer Data Access (CDA) Balancing Account (CDABA) in January 1, 2016 rates.**

PG&E is authorized to amortize the balance in the CDABA, a one-way balancing account established in D.13-09-025 to record and recover the actual costs of the CDA project from 2013-2016 up to a \$19.4 million spending cap. The CDABA tariff, which was filed in AL 4297-E and approved effective October 9, 2013 pursuant to D.13-09-025, establishes that the disposition of the CDABA balance shall be determined in the AET via the DRAM. PG&E estimates in AL 4696-E that the CDABA balance to be transferred to the DRAM for recovery in rates effective January 1, 2016 to be approximately \$4 million. PG&E will update the CDABA balance in the December 2015 supplement to AL 4696-E to reflect actual CDA expenditures for amortization in January 1, 2016 rates.

**PG&E shall revise its estimate of revenue requirements and rates filed in AL 4696-E to reflect actual changes authorized by the Commission and FERC by December 17, 2015.**

PG&E shall supplement AL 4696-E by December 31, 2015 to reflect the actual rate and revenue changes authorized by the Commission by December 17, 2015 in the proceedings and advice letters as specified in this Resolution, along with the actual changes authorized by the FERC by December 17, 2015. The December 2015 supplement to AL 4696-E shall also incorporate updated end-of-2015 account balance forecasts, based on recorded account data through October 31, 2015, to be amortized in rates on January 1, 2016.

The rates PG&E files in its supplemental advice letter will be reviewed for compliance after January 1, 2016. If any rates filed in the December 2015

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adopted amounts shall continue to accrue in the subaccount, but are not transferred to DRAM for recovery unless and until authorized by the Commission.

supplement are not in compliance with this order, PG&E shall modify the rates as required and re-bill customers if necessary, or make other appropriate adjustments in a timely manner. This process is consistent with the procedure established in prior resolutions addressing PG&E AET advice letters.<sup>4</sup>

**PG&E's request to submit a supplement to AL 4696-E in late December 2015 with recorded account balance data through October 31, 2015 and an updated forecast of December 31, 2015 balances for recovery is granted.**

In previous years' AET resolutions (E-4693, E-4121, E-4217, E-4289, E-4379, E-4432, E-4548, and E-4620), the Commission allowed PG&E to submit a supplement to the AET advice letter reflecting recorded account balance data from January through October, and forecasted balances for November and December, of a given year. We authorize PG&E to use recorded data from January 1 through October 31, 2015, and forecasted data for November and December 2015 to update account balances in its December supplement to AL 4696-E for amortization in January 1, 2016 rates.

**PG&E is authorized to set January 1, 2016 rates based on the 2016 sales forecast in A.15-06-001 regardless of whether a Commission decision is adopted in that proceeding by December 17, 2015.**

PG&E proposes to use the 2016 sales forecast served in A.15-06-001, its 2016 ERRRA forecast proceeding, to set rates effective January 1, 2016. PG&E requests that it be allowed to implement January 1, 2016 rates based on its 2016 ERRRA sales forecast, even if the final decision in A.15-06-001 adopts a different sales forecast. PG&E states that if the sales forecast adopted in the final decision in A.15-06-001 differs from the sales forecast, PG&E will confer with the Energy

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<sup>4</sup> The following resolutions on prior PG&E AET advice letters authorized this same process; the effective date of the new rates addressed by the resolution is in parentheses: Resolution E-3906 (Jan. 1, 2005); Res. E-3956 (Jan. 1, 2006); Res. E-4032 (Jan. 1, 2007); Res. E-4121 (Jan. 1, 2008); Res. E-4217 (Jan. 1, 2009); Res. E-4289 (Jan. 1, 2010); Res. E-4379 (Jan. 1, 2011), Res. E-4432 (Jan. 1, 2012), Res. E-4548 (Jan. 1, 2013), and Res. E-4620 (Jan. 1, 2014).

Division and file an advice letter on the need for and timing of rate adjustments going forward to reflect a new sale forecast.

We grant PG&E's request to use the sales forecast provided in A.15-06-001 for designing rates effective January 1, 2016. If the sales forecast adopted by the Commission differs from the sales forecast proposed by PG&E, PG&E shall file a Tier 1 advice letter 60 days after the issuance of the final decision in that proceeding containing the appropriate corrective rate adjustments to reflect the sales forecast adopted by the final decision in A.15-06-001.

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

In compliance with the recommendations of the California State Auditor, Energy Division is performing in-depth review of balancing accounts using a risk-based approach. Each of the balances in the accounts authorized for recovery by this Resolution is subject to future audit, verification and adjustment.

**The rates authorized by this Resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.**

Under the filed rate doctrine, the Commission is obligated to allow PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (Transmission owner or TO) rate changes, adjusted for end use customer refunds required to be paid to customers. It is just and reasonable for PG&E to begin recovering FERC-authorized revenues addressed in AL 4696-E, once FERC makes rates effective to recover those revenues. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.

## **COMMENTS**

**Pursuant to statutory requirements, a draft resolution was mailed to parties for comment.**

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. However Rule 14.6(c)(2), applicable in this case, stipulates the Commission may reduce or waive the period for public review and

comment on draft resolutions in an uncontested matter where the resolution grants the relief requested. Accordingly, the Draft Resolution was served on PG&E and issued for public review and comment no later than 28 days prior to a vote of the Commission.

PG&E submitted comments to the Draft Resolution on December 7, 2015. PG&E suggested that the Draft Resolution be modified to reflect minor clarifications and include PG&E's proposals to return to customers in rates effective January 1, 2016 the Photovoltaic Program savings and Department of Energy net proceeds. We agree with PG&E's clarifications and have incorporated the appropriate changes throughout the Resolution.

PG&E also suggested including languages in the Resolution to reflect the Commission actions (revising PG&E's distribution revenue requirement to remove the 2016 SmartMeter Opt-Out Program and revising the CPUC reimbursement fee as authorized by the Commission in Resolution M-4828) made since the filing of AL 4696-E. These items were not incorporated because PG&E is not seeking approval of these items in this Resolution. Instead PG&E is planning to reflect these items in its year end filing.

## **FINDINGS**

1. The AET is a process in which PG&E's revenue requirements authorized by the Commission in various proceedings are consolidated in rates on January 1 of a given year. The AET is a forum for PG&E to recover costs recorded in memorandum and balancing accounts which have been reviewed and approved for recovery by the Commission in a separate proceeding or advice letter, or are pending separate review that will be completed prior to the end of the year.
2. PG&E filed AL 4696-E on August 31, 2015, proposing to establish 2016 electric rates to recover balances in accounts, establish the 2016 ERBBA revenue requirement, and consolidate the Commission- and FERC-authorized rate changes effective January 1, 2016.
3. It is reasonable for PG&E to establish the 2016 ERBBA revenue requirement using a forecast of 2016 ERBBA activity, including the amortization of the forecasted December 31, 2015 ERBBA balance, consistent with what was authorized in Resolution E-4693 addressing PG&E's 2015 AET.

4. PG&E should supplement AL 4696-E by December 31, 2015 to reflect the revenue requirement changes authorized by the Commission and FERC by December 17, 2015, and to update balances in accounts specified in this Resolution to be amortized beginning January 1, 2016. The updated balances, revenues, and rates should be subject to future adjustment pending review of the December supplement to AL 4696-E.
5. PG&E should reflect the following revenue requirements that have been previously authorized for recovery by Commission decisions in January 1, 2016 rates in its December 2015 supplement to AL 4696-E:
  - \$4,188.2 million in base distribution revenue requirements authorized by D.14-08-032, PG&E's 2014 GRC decision, recorded in the DRAM.
  - \$159.3 million for PG&E's Pension Contribution per D.09-09-020 with an allocation of \$101.9 million to distribution revenues and \$57.4 million to generation revenues.
  - \$58.1 million for the Demand Response authorized by D.14-05-025, and D.15-01-023.
  - \$30 million for the Self Generation Incentive Program authorized by D.14-12-033.
  - \$20.4 million for the Commission Fee authorized by D.04-02-062.
  - \$82.9 million for the California Solar Initiative authorized by D.11-12-019.
  - \$8 million for the California Solar Initiative-Multifamily Affordable Solar Housing (MASH) and Single Family Affordable Solar Homes (SASH) Programs authorized by D.15-01-027.
  - \$17.6 million for the Smart Grid Pilot Deployment Project Balancing Account (SGPDPBA) authorized by D.13-03-032.
  - \$3.5 million for the California Energy Systems for 21<sup>st</sup> Century authorized by D.12-12-031, D.14-03-029 and Resolution E-4677.
  - \$1.1 million for the Hercules Municipal Project authorized by D.14-01-009.
  - \$2.0 million for the electric generation revenue requirements authorized by D.14-08-032, PG&E's 2014 GRC decision, recorded in the UGBA.
  - (\$41.0) million UGBA-Photovoltaic Program credit authorized by D.14-08-032.

- (\$54.0) million UGBA-Department of Energy litigation proceeds credit authorized by D.14-08-032.
  - (\$70.0) million NDAM-Department of Energy litigation proceeds credit authorized by D.14-08-032.
  - \$103.3 million for the Solar Photovoltaic (PV) authorized by D.10-04-052 and AL 4647-E.
  - \$3.1 million for the DWR Franchise Fees per Commission Code 6350-6354.
  - \$107.4 million for the Nuclear Decommissioning Adjustment Mechanism (NDAM) authorized by D.14-02-024 and D.14-12-082.
  - \$120.9 million for the Energy Efficiency (EE) authorized by D.15-01-023.
  - \$86.1 million for the Electric Program Investment Charge (EPIC) authorized by D.12-05-037, and D.15-04-020.
  - \$236 million for the Procurement EE/PEERAM authorized by D.15-01-023.
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  - \$10.2 million for the Statewide ME&O- Phase 2 for 2016 per D.15-08-033 with allocation of \$5.7 million to PEERAM, \$4.4 million to Demand Response and \$73,510 to ESA.
6. PG&E's December 2015 supplement to AL 4696-E should reflect all Commission-and FERC-authorized revenue requirement changes approved by December 17, 2015 and amortization of account balances, to the extent approved by December 17, 2015, in the following proceedings and advice letter filings:
- A.15-06-001, 2016 ERRRA, Ongoing CTC, PCIA, CAM and GHG Allowance Revenue Requirements.
  - R.15-02-012, 2016 DWR Power Charge and Bond Charge Revenue Requirement.
  - A.14-11-010, Energy Savings Assistance (ESA) and California Alternate Rates for Energy (CARE).
  - D.14-08-032, Statewide Marketing, Education, and Outreach (SWME&O) Phase 2.
  - A.15-02-009, Electric Vehicle Infrastructure Program.

- PG&E's AL to implement the 2016 GRC attrition adjustments to electric distribution and electric generation revenue requirements, consistent with the provisions of D.14-08-032.
  - AL 3606-G/4659-E, PG&E's request for the Energy Efficiency Incentive Awards for the Program year 2014 and another AL in which PG&E will be requesting approval of Program year 2013, consistent with D.12-12-032 and D.13-9-023 and Advice Letter 3356-G-A/4176-E-A.
  - AL 4689-E, PG&E's request for electric residential rate changes for 2015, pursuant to Residential Rate Reform Decision, D.15-07-001, and Settlement of 16th Transmission Owner Tariff, Docket No. ER14-2529-000.
7. PG&E should be authorized to hold ERRA, CTC, PCIA, and CAM revenue requirements at the amounts in currently-effective rates in the event that the Commission does not adopt a decision in A.15-06-001 by December 17, 2015.
  8. PG&E should recover forecasted year-end balances in the following accounts authorized by Resolutions 4693-E and E-4548, in rates effective January 1, 2016: the DRAM, PPPRAM, EPICRAM, NDAM, UGBA, PEERAM, PCCBA, HSM, CAREA, ERBBA, FERABA, ATFA, CEEIA, NTBA, LCPERMA, DREBA, MHPBA, MEBA.
  9. PG&E is also authorized to amortize balances in the DREBA-Operations, which was implemented by AL 3558-E-A pursuant to D.09-08-027.
  10. PG&E should recover the year-end 2015 balance recorded in the RCESBA-E in rates effective January 1, 2016 in accordance with the RCESBA-E tariff, which states that the annual disposition of the RCESBA-E shall be through the AET and sets a cumulative 2012-2016 cap of \$10.5 million that can be recovered from PG&E electric customers.
  11. PG&E should recover the year-end 2015 balance recorded in the SGMA in rates effective January 1, 2016 in accordance with the SGMA tariff, which states that the annual disposition of the SGMA shall be through the AET and limits the amount that can be recovered for smart grid projects through the AET to the revenue requirements authorized by D.09-09-029.
  12. PG&E should recover the year-end 2015 balance recorded in the CDABA in rates effective January 1, 2016 in accordance with the CDABA tariff, which states that the annual disposition of the CDABA shall be through the AET and sets a cumulative 2013-2016 cap of \$19.4 million that can be recovered from PG&E customers for the CDA project.

13. PG&E is authorized to incorporate revenue requirement changes in the TO Base Revenue, TRBA, RSBA, and ECRBA in the December AET filing, if the FERC approves them by December 17, 2015.
14. PG&E should be allowed to amortize, all accounts authorized in the ordering paragraphs of this Resolution in January 1, 2016 rates, subject to future audit, verification, and adjustment
15. The rates that PG&E files in its December 2015 supplement to AL 4696-E should be designed based on the rate design and revenue allocation methods approved in D.15-07-001 and D.15-08-005.
16. PG&E should design January 1, 2016 rates in its December 2015 supplement to AL 4696-E using the 2016 sales forecast that PG&E has proposed in A.15-06-001.
17. If the Commission adopts a different 2016 sales forecast than what PG&E has proposed in A.15-06-001 and uses to design rates in its December 2015 supplement to AL 4696-E, PG&E should file a Tier 1 advice letter 60 days after the issuance of the final decision in that proceeding containing the appropriate corrective rate adjustments to reflect the sales forecast adopted by the final decision in A.15-06-001.
18. In accordance with the filed rate doctrine the Commission allows PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (transmission owner or TO) rate changes, adjusted for end-use customer refunds required to be paid to customers.
19. It is just and reasonable for PG&E to begin recovering in rates FERC-authorized revenues, once FERC makes rates effective to recover those revenues.
20. The balances in all accounts authorized for recovery by this resolution should be subject to future audit by the Commission. PG&E may seek future recovery of balances in these accounts by advice letter filed no later than September 1 for rates effective on January 1 of the following year.
21. The rates authorized by this resolution should be subject to refund to the same extent that they are subject to refund at the FERC.

**THEREFORE IT IS ORDERED THAT:**

1. PG&E's request in Advice Letter 4696-E is approved.
2. PG&E's request to establish the 2016 ERBBA revenue requirement using a forecast of 2016 ERBBA activity, including the amortization of the December 31, 201508 forecast ERBBA balance, is approved.
3. PG&E shall file a supplement to AL 4696-E with revised tariffs no later than December 31, 2015. The supplemental filing shall be effective on January 1, 2016, subject to Energy Division determination that PG&E is in compliance with this Resolution. The updated revenues and rates contained in the supplemental filing shall be subject to audit, verification and adjustment.

PG&E shall provide work papers supporting the rates filed in the supplemental advice letter and the revenue allocation underlying those rates to the Energy Division and any party requesting them. The December 2015 supplement shall do the following:

- a. Amortize over one year based on December 31, 2015 forecast amounts, updated with recorded data as of October 31, 2015, balances in the following accounts: the DRAM, PPPRAM, EPICRAM, NDAM, UGBA, PEERAM, PCCBA, HSM, CAREA, ERBBA, FERABA, ATFA, CEEIA, LCPERMA, DREBA, DREBA-Operations, MHPBA-E, MEBA, and NTBA. The balance in the RCESBA-E is authorized to be transferred to the DRAM for recovery in rates subject to the limitation on cost recovery set forth in PG&E's RCESBA-E tariff (55% of \$19.012 million, or \$10.461 million, to be recovered from electric customers from 2012 through 2016). The balance in the SGMA is authorized to be transferred to the DRAM for recovery in rates subject to the limitation on cost recovery set forth in PG&E's tariff. The balance in the CDABA is authorized to be transferred to the DRAM for recovery in rates subject to the limitation on cost recovery set forth in PG&E's tariff (\$19.4 million over the 2013-2016 period).
- b. Reflect the 2016 ERBBA revenue requirement in rates.
- c. Reflect all previously-approved Commission- and FERC-jurisdictional revenue requirement changes in January 1, 2016 rates.
- d. Reflect all Commission- and FERC-authorized revenue requirement changes and account balance amortizations approved by December 17, 2015 in the proceedings or advice letter filings specified in Finding and Conclusions No. 6 in rates. To the extent Commission approval is not

granted by December 17, 2015, PG&E shall not include items from any of those proceedings or advice letter filings, save for the ERRAs, CTCs, PCIA, and CAM revenue requirements and associated balancing account amortizations as filed in A.14-05-024, which are to stay at currently-effective amounts in the absence of a decision by December 17, 2015 per Finding and Conclusion No. 7, as well as the 2016 sales forecast contained in A.15-06-001, which will be used in the supplement to set January 1, 2016 rates per Ordering Paragraph No. 17.

4. PG&E shall use the rate design and revenue allocation methods approved in D.15-07-001 and D.15-08-005 to design the rates it files in its December 2015 supplement to AL 4696-E.
5. PG&E shall use the sales forecast it proposed in its 2016 ERRAs Forecast A.15-06-001 to design the rates it files in the December 2015 supplement to AL 4696-E. If the Commission approves a different sales forecast than that which is used to design rates filed in the December 2015 supplement, PG&E shall file a Tier 1 advice letter 60 days after the issuance of the final decision in that proceeding containing the appropriate corrective rate adjustments to reflect the sales forecast adopted by the final decision in A.15-06-001.
6. Balances in all accounts authorized for recovery by this resolution are subject to audit and verification.
7. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify rates as required and make any necessary billing or other adjustments in a timely manner.
8. If PG&E requests amortization of future balances by the annual electric true-up advice letter for rates effective January 1, it shall file the advice letter no later than September 1 of the year prior to when rates become effective. The advice letter shall reflect balances recorded as of July 31 of the year in which the advice letter is filed and the estimated balances for August through December of that year.
9. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 17, 2015; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

# **ATTACHMENT A**

**List of Acronyms in Alphabetical Order:**

A.	Application
AAASMA	Agricultural Account Aggregation Study Memorandum Account
A&G	Administrative and General
AET	Annual Electric True-up
AL	Advice Letter
ATFA	Affiliate Transfer Fees Amount
CAM	Cost Allocation Mechanism
CARE	California Alternate Rates for Energy
CAREA	California Alternate Rates for Energy Account
CCA	Community Choice Aggregation
CDA	Customer Data Access
CDABA	Customer Data Access Balancing Account
CEEIA	Customer Energy Efficiency Incentive Account
CES21	California Energy Systems for the 21st Century
CES21BA-E	California Energy Systems for the 21st Century Balancing Account - Electric
Commission	California Public Utilities Commission
CSI	California Solar Initiative
CTC	Competition Transition Charge
D.	Decision
DA	Direct Access
DOE	Department of Energy
DR	Demand Response
DRAM	Distribution Revenue Adjustment Mechanism
DREBA	Demand Response Expense Balancing Account
DWR	California Department of Water Resources
ECRA	Energy Cost Recovery Amount
EE	Energy Efficiency

EPIC	Electric Program Investment Charge
EPICRAM	Electric Program Investment Charge Revenue Adjustment Mechanism
ERBBA	Energy Recovery Bonds Balancing Account
ERRA	Energy Resource Recovery Account
ESA	Energy Savings Assistance
FERABA	Family Electric Rate Assistance Balancing Account
FERC	Federal Energy Regulatory Commission
FF&U	Franchise Fees and Uncollectibles
GHG	Greenhouse Gas Resolution E-4693 December 18, 2014 PG&E AL
GRC	General Rate Case
HSM	Hazardous Substance Mechanism
IDSM	Integrated Demand-Side Management
LCPERMA	Land Conservation Plan Environmental Remediation Memorandum Account
MASH	Multifamily Affordable Solar Housing
MEBA	Major Emergency and Catastrophic Event Balancing Account
MHPBA-E	Mobile Home Park Balancing Account – Electric
MRCBA-E	Meter Reading Costs Balancing Account – Electric
MTCBA	Modified Transition Cost Balancing Account
NDAM	Nuclear Decommissioning Adjustment Mechanism
NDCTP	Nuclear Decommissioning Cost Triennial Proceeding
NSGBA	New System Generation Balancing Account
NTBA	Non-Tariffed Balancing Account
OP	Ordering Paragraph
PCCBA	Power Charge Collection Balancing Account
PEERAM	Procurement Energy Efficiency Revenue Adjustment Mechanism
PG&E	Pacific Gas and Electric Company
PGC	Former Public Goods Charge
PPP	Public Purpose Program
PPPRAM	Public Purpose Programs Revenue Adjustment Mechanism
PV	Solar Photovoltaic
R.	Rulemaking
RCESBA-E	Revised Customer Energy Statement Balancing Account-Electric
RSBA	Reliability Services Balancing Account

S.B.	Senate Bill
SASH	Single Family Affordable Solar Homes
SGIP	Self Generation Incentive Program
SGMA	Smart Grid Memorandum Account
SGPDP	Smart Grid Pilot Deployment Project
SOPBA-E	SmartMeter™ Opt-Out Balancing Account – Electric
SW ME&O	Statewide Marketing, Education, and Outreach
TO16	Transmission Owner 16
TRBAA	Transmission Revenue Balancing Account Adjustment
TY	Test Year
UGBA	Utility Generation Balancing Account