

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4379
December 16, 2010

R E S O L U T I O N

Resolution E-4379. Pacific Gas and Electric Company (PG&E) consolidated electric revenue and rate changes effective January 1, 2011.

PROPOSED OUTCOME: Authorizes PG&E to revise electric rates effective January 1, 2011 to reflect revenue requirement changes approved by the Commission and the Federal Energy Regulatory Commission (FERC) by December 16, 2010, and amortization of balancing accounts. Rate and revenue changes made pursuant to this resolution are subject to audit, verification, and adjustment.

ESTIMATED COST: PG&E estimates an increase in annual electric revenue requirements of approximately \$269.8 million (1.6% increase in its system average rates as compared to present rates) for PG&E customers.

By Advice Letter 3727-E filed on September 1, 2010.

SUMMARY

PG&E proposes to revise electric rates effective January 1, 2011 to reflect revenue requirement changes authorized in various proceedings by the Commission or the Federal Energy Regulatory Commission (FERC) by Dec 16, 2010. For revenue requirements that are not yet approved by the Commission, PG&E is using an estimated amount which will be trued up by PG&E by filing a supplemental advice letter. PG&E's proposal is approved with modifications.

- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment.
- PG&E shall – consistent with previous years' AET processes – submit by December 31, 2010 a supplement to Advice Letter (AL) 3727-E with revised tariffs effective January 1, 2011. The supplemental AL shall reflect actions

taken by the Commission and the Federal Energy Regulatory Commission on pending electric revenue requirements requests as described in this resolution. The supplemental AL will include recorded balancing account data through October 31, 2010, and forecasted balancing account data for November and December 2010.

PG&E forecasts a consolidated net revenue requirement increase of \$269.8 million on January 1, 2011.

PG&E estimates that there will be a net increase in electric revenue requirements of approximately \$269.8 million on January 1, 2011, incorporating various increases and decreases, authorized or to be authorized, resulting in a 1.6% increase in system average electric rates. The consolidated net revenue requirement increase includes PG&E's proposed 2011 general rate case (GRC) revenue requirement increase of \$856 million and reflects a \$984.9 decrease in the Department of Water Resources revenue requirement.

If a Commission decision in PG&E's 2011 GRC is not issued by December 16, 2010, PG&E is authorized to hold electric revenues constant on January 1, 2011.

PG&E anticipates that the Commission will approve a final decision on its 2011 GRC at the Commission's last meeting of the year, on December 16, 2010. In the event the Commission does not approve a final decision by December 16, 2010, to minimize rate fluctuations in 2011, PG&E proposes to hold total revenue constant on January 1, 2011, compared to revenues at present rates, subject to later true-up once the CPUC issues a final 2011 GRC decision. PG&E's proposal is approved.

BACKGROUND

The Annual Electric True-up (AET) advice letter is the vehicle that PG&E has used for the past many years, at the end of the year, to consolidate revenue requirements which are already authorized by the Commission or by the FERC for recovery, and to amortize balances in regulatory accounts.

On September 1, 2009, PG&E filed AL 3518-E, its 2009 AET advice letter for rates effective January 1, 2010. Resolution E-4289 dated December 17, 2009 addressed that advice letter.

In AL 3518-E, PG&E proposed to consolidate electric revenue requirements authorized by the Commission and the Federal Energy Regulatory Commission (FERC) by the date of the last Commission meeting of 2009, and recover balances in regulatory accounts previously considered in Resolution E-4217 (December 18, 2008), which addressed PG&E's 2008 AET advice letter. PG&E included tables in AL 3518-E showing account balances requested for recovery as recorded through July 31, 2009. PG&E proposed that it submit a supplement to AL 3518-E in December 2009 to amortize balances recorded through October 2009, and forecasted December 2009 balances, and to consolidate all Commission and FERC-authorized revenue requirements for new rates effective January 1, 2010. Resolution E-4289 authorized PG&E to consolidate revenue requirements and amortize year end 2009 account balances upon filing a supplement to AL 3518-E.

On September 1, 2010, PG&E filed AL 3727-E, its seventh annual AET advice letter addressing electric revenues and rates to be effective January 1, 2011.

PG&E requests in AL 3727-E to recover revenue requirements authorized by the Commission and the FERC by December 16, 2010 (the date of the last scheduled Commission meeting in 2010), and to recover year end 2010 balances in the accounts authorized for recovery in last year's AET Resolution, E-4289.

Out of an estimated \$269.8 million consolidated net increase, \$171.4 million of the net increase is CPUC jurisdictional.

In AL 3727-E PG&E estimates that there will be a net CPUC-jurisdictional increase in electric revenue requirements of approximately \$171.4 million on January 1, 2011. This results from increases in some revenue components and decreases in others. The revenue increases PG&E forecasts are: 1) \$213.7 million in public purpose program revenue requirements including amortization of balances recorded in the Public Purpose Revenue Adjustment Mechanism account (PPPRAM), the California Alternate Rates for Energy Account (CAREA), and the Procurement Energy Efficiency Revenue Adjustment Mechanism account (PEERAM); 2) \$492.6 million for distribution revenue requirements including amortization of the balance in the Distribution Revenue Adjustment Mechanism account (DRAM), and PG&E's requested distribution revenue requirements increases, including certain SmartMeter™ program costs, in its 2011 GRC; 3) \$534.1 million for non-fuel related generation revenue requirements including amortization of balances in the Utility Generation Balancing Account (UGBA), after transferring the balance in the Market Redesign and Technology

Upgrade Memorandum Account (MRTUMA) to the UGBA¹, and in the Family Electric Rate Assistance Balancing Account (FERABA), and PG&E's requested generation revenue requirement increase in the 2011 GRC; 4) \$72.4 million for the energy cost recovery amount (ECRA) which finances costs associated with PG&E's emergence from bankruptcy in 2004 including the Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement and amortization of the ERBBA balance, and the Dedicated Rate Component (DRC) charges; and 5) \$32.8 million for nuclear decommissioning revenue requirements including amortization of the balance in the Nuclear Decommissioning Adjustment Mechanism account (NDAM).

PG&E forecasts the following revenue decreases: 1) \$984.9 million in the Department of Water Resources (DWR) power and bond charge revenue requirements, DWR franchise fee revenue requirement, and amortization of the balance in the Power Charge Collection Balancing Account (PCCBA); and 2) \$189.4 million in electricity procurement and ongoing competition transition charge (CTC) revenue requirements including amortization of balances in the Energy Resource Recovery Account (ERRA) and the Modified Transaction Cost Balancing Account (MTCBA).

Out of the estimated \$269.8 million consolidated net increase, \$98.4 million net increase is FERC-jurisdictional.

PG&E estimates in AL 3727-E a net FERC-jurisdictional revenue increase of \$98.4 million in January 2011. This results from an increase in one revenue component and decreases in two components. PG&E expects a \$123.1 million increase in the end use customer refund adjustment (EUCRA)², a mechanism that returns FERC-ordered refunds to retail transmission customers.

¹ PG&E filed for recovery of costs recorded in the MRTUMA in its ERRA compliance A.10-02-012. PG&E states in AL 3727-E that it will consolidate, in the supplement to AL 3727-E, the results of the Commission's review of MRTUMA balances in A.10-02-012 if a decision in that proceeding is issued by December 16, 2010.

² On November 17, 2010, FERC approved PG&E's request to convert the EUCRA to a balancing account called the End Use Customer Refund Balancing Account (ECRBA). The ECRBA will become effective on January 1, 2011.

PG&E expects a decrease in FERC-authorized revenues caused by the following two factors: 1) \$14.5 in the transmission revenue balancing account adjustment (TRBAA) a mechanism that ensures revenues received by PG&E from the CAISO are credited to PG&E's customers; and 2) \$10.2 million for the reliability services balancing account (RSBA), a mechanism that allows transmission owners such as PG&E to recover reliability services costs assessed by the California Independent System Operator (CAISO).

PG&E is expecting no change in revenue for the cost of owning and operating PG&E's transmission system which is addressed in the FERC transmission owner's (TO) rate case.

The following tables provide a breakdown of various increases and decreases adding up to the net increase of \$ 269.8 million PG&E has estimated in AL 3727-E.

In AL 3727-E, PG&E provides illustrative rates effective January 1, 2011, based on revenue changes resulting from amortization of balances in regulatory accounts on December 31, 2010, and revenue requirement changes in Commission and FERC proceedings expected to be authorized by December 16, 2010. PG&E's forecasted account balances on December 31 are based on recorded balances through July 2010 and forecasted balances from August through December 2010.

A breakdown of the components of the annual revenue requirement increase estimated in AL 3727-E is shown below.

CPUC-authorized revenue changes effective January 1, 2011 forecasted by PG&E	Million \$
Public purpose program revenue requirements including amortization of balances in the PPPRAM, CAREA, and PEERAM accounts.	\$213.7
Distribution revenue requirements including amortization of balances in the DRAM, and PG&E's requested distribution revenue increase in the 2011 GRC.	\$492.6
Non-fuel generation revenue requirements including amortization of balances in the UGBA (after transfer of the MRTUMA balance to the UGBA) and FERABA accounts, and PG&E's requested generation revenue increase in the 2011 GRC.	\$534.1
Energy cost recovery amount revenue requirements including the	\$72.4

ERBBA revenue requirement and amortization of the balance in the ERBBA account, and DRC charges.	
Nuclear decommissioning revenue requirements including amortization of the balance in the NDAM account.	\$32.8
DWR power and bond charge revenue requirements including DWR franchise fees, and amortization of the balance in the PCCBA account.	-\$984.9
Energy procurement and ongoing CTC revenue requirements including amortization of the ERRA and MTCBA accounts.	-\$189.4
Total CPUC-authorized revenue change:	\$171.4

FERC-authorized revenue changes effective January 1, 2011 forecasted by PG&E	Million \$
End Use Customer Refund Adjustment (EUCRA)	\$123.1
Transmission Revenue Balancing Account Adjustment (TRBAA)	-\$14.5
Reliability Services (RS)	-\$10.2
Total FERC-authorized revenue change:	\$98.4

PG&E expects that the CPUC-authorized increase measured against the FERC-authorized decrease will result in a net increase of \$269.8 million. According to AL 3727-E this will amount to a 1.6% increase in PG&E's system average bundled customer electric rate.

Change in revenue requirements effective January 1, 2011 forecasted by PG&E	Million \$
CPUC-authorized:	\$171.4
FERC-authorized:	\$98.4
Total AET increase:	\$269.8

The revenue increases forecasted by PG&E include several significant "cost drivers".

The largest driver of the CPUC-authorized increases forecasted by PG&E is for distribution revenue requirements, including certain SmartMeter™ program costs, and generation revenue requirements proposed in its 2011 GRC. On

December 21, 2009, PG&E filed its 2011 GRC application, A.09-12-020. According to the comparison exhibit, PG&E-69, filed in A.09-12-020 on July 30, 2010, PG&E has requested an electric distribution revenue requirement increase of \$527 million, and a generation revenue requirement increase of \$329 million, over its 2011 authorized revenue requirements. The key reasons PG&E cites for the requested distribution and generation revenue requirement increase are: 1) increases in the costs of delivering energy safely to consumers, maintaining reliability, and providing responsive customer service; 2) need for substantial capital investments to replace aging infrastructure; 3) need for capacity driven additions; 4) recovery of costs for depreciation associated with PG&E's plant investments; and 5) costs of complying with governmental regulations and orders.³

Also driving PG&E's forecasted increase in distribution and generation revenue requirements is the \$105.5 million revenue requirement authorized by D.09-09-020 for retirement plan contributions in 2011. The reinstatement of the California Solar Initiative Rate is another factor contributing to PG&E's forecasted increase in distribution revenue requirements. In D.10-04-017, the Commission authorized PG&E to suspend its California Solar Initiative (CSI) collections from June 1, 2010 to December 31, 2010 and resume collection on January 1, 2011. PG&E's proposed SmartAC revenue decrease in A.09-08-018 mitigates the overall distribution revenue requirement increase. If the Commission approves PG&E's proposal in A.09-08-018 PG&E will be using its overcollected 2010 balance (approximately \$25 million) to offset its 2011 budget beginning January 1, 2011.

PG&E's forecasted increase in public purpose program revenue requirements is largely driven by an undercollection in the California Alternate Rates for Energy Account (CAREA). CAREA records the difference between (i) the revenue shortfall caused by the CARE program discounts plus CARE administrative costs and (ii) the revenues collected through the CAREA rate component. Higher than expected enrollment during 2010 in the CARE program contributed to the large undercollection in the CAREA account. Also contributing to the increase forecasted by PG&E is an increase in 2011 ERBBA revenue requirement. The ERBBA records among other things energy supplier refunds that PG&E returns

³ A.09-12-020, PG&E's pending GRC.

to customers. The energy supplier refunds expected in 2011 are lower than those returned in 2010 which contributes to the 2011 increase in the ERBBA revenue requirement.

PG&E expects the above CPUC-jurisdictional revenue increases to be partially offset by decreases in the ERRRA and ongoing Competition Transition Charge (CTC), and DWR revenue requirements. These decreases are mainly due to lower gas and electricity procurement prices in 2010 and 2011 and lower DWR revenue requirements in 2011. The Commission is considering PG&E's 2011 ERRRA and ongoing CTC revenue requirements in A.10-05-022, and the 2011 DWR revenue requirements in R.09-06-018.

Also PG&E expects an increase in FERC-authorized revenues because of a reduction in refunds in 2011 reflected in the EUCRA. The EUCRA refunds that PG&E forecasts include those associated with its twelfth transmission owner's rate case at FERC (TO12). In October 2010, PG&E filed an annual EUCRA adjustment with FERC to update its revenue requirements and rates related to this mechanism for 2011. PG&E forecasts that FERC-authorized EUCRA-related revenue increases in 2011 will be partially offset by decreases in Reliability Services costs, and by greater TRBAA revenues returned to customers. The changes in Reliability Services costs and TRBAA revenues reflects PG&E's estimate of RS costs and the year end 2010 RSBA balance. PG&E's October 2010 FERC filing includes its RS and TRBAA proposals. If FERC approves PG&E's filing addressing the EUCRA, TRBAA, and RS costs by December 16, 2010, PG&E will consolidate the final amounts in its supplement to AL 3727-E.

PG&E proposes to supplement AL 3727-E prior to January 1, 2011 to consolidate updated balancing account balances and revenue requirement changes approved by the Commission and FERC.

PG&E proposes to supplement AL 3727-E prior to the end of 2010 to incorporate (1) amortization of balances in accounts based on recorded data as of October 31, 2010, and forecast balances for November and December 2010, and (2) revenue requirement changes authorized by the Commission and FERC by December 16, 2010. The supplemental AL would include the new rates and revised tariffs to become effective on January 1, 2011.

PG&E proposes to hold electric revenues constant on January 1, 2011 if a decision in its 2011 GRC is not issued by December 16, 2010.

As noted above the revenue requirements changes forecasted to occur on January 1, 2011 include PG&E's requested increases to distribution and generation revenue requirements in its 2011 GRC A.09-12-020. To minimize rate fluctuations in 2011, PG&E proposes in AL 3727-E to hold its electric revenues constant on January 1, 2011 compared to revenues at present rates, if the Commission does not issue a decision in its GRC by December 16, 2010. In that event, PG&E would make revenue adjustments in the DRAM and UGBA accounts so that total electric revenues remain constant on January 1, 2011. After a decision is issued in its GRC, PG&E would revise electric rates based on the amounts the Commission authorizes in the GRC, and true-up the adjustments previously made to the DRAM and UGBA.

NOTICE

Notice of AL 3727-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed electronically in accordance with Section 4.3 of General Order 96-B, and served on parties to A.07-04-009, A.07-05-008, R.02-01-011, R.06-07-010, R.07-01-041, A.09-08-005, A.09-12-020, A.08-06-003, A.08-07-031, A.10-03-014, A.10-05-022, A.10-02-012, A.10-08-002, A.09-08-018, A.09-04-007, R.08-02-007, R.08-03-008, and R.09-01-019.

PROTESTS

No parties submitted protests to PG&E's AL 3727-E.

DISCUSSION

PG&E's request to establish the 2011 ERBBA revenue requirement is granted.

The ERBBA records benefits and costs associated with Energy Recovery Bonds. In this AET filing, PG&E proposes that the 2011 ERBBA revenue requirement be established using a forecast of 2011 ERBBA activity, including the amortization of the December 31, 2010 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 3518-E, which was approved by Resolution E-

4289. PG&E's request to establish the 2011 ERBBA revenue requirement using this methodology is granted. This methodology includes establishing the ERBBA revenue requirement using the most recent Commission adopted rate of return.

PG&E is authorized to incorporate revenue requirement changes for 2011 resulting from decisions approved by December 16, 2010, in Commission proceedings.

If by December 16, 2010 the Commission authorizes PG&E to make revenue requirement changes effective January 1, 2011 as a result of decisions in the formal proceedings listed below, PG&E shall incorporate those changes in the supplement to AL 3727-E. As described below PG&E shall file the supplement by December 31, 2010.

- 2011 GRC, A.09-12-020.
- ERRA, MTCBA, and ongoing CTC, A.10-05-022.
- 2011 DWR Power and Bond Charge revenue requirements, R.09-06-018.
- MRTUMA, A.10-02-012, PG&E's ERRA Compliance review proceeding: any incremental expenses and incremental capital related recorded in the MRTUMA associated with the CAISO's Market Redesign and Technology Upgrade (MRTU) initiative that the Commission authorizes PG&E to include in January 2011 rates by a decision in this proceeding.
- Renewables Portfolio Standard Cost Memorandum Account (RPSCMA), A.10-02-012. D.06-10-050 authorized PG&E to record in the RPSCMA third-party consultant costs incurred for the implementation and administration of the Renewable Portfolio Standard (RPS). Upon Commission authorization in A.10-02-012, the approved RPSCMA balance shall be transferred to the ERRA for recovery.
- SmartAC 2010-2011 Program Application, A.09-08-018. D.08-02-009 adopted PG&E's SmartAC program budgets for 2007 through 2011. In A.09-08-018 PG&E proposed decreasing its adopted budget for the five year cycle and to use an approximate \$25 million overcollection to offset its 2011 budget beginning January 1, 2011.
- California Air Resources Board (CARB) administrative fee, A.10-08-002, to recover the cost of the CARB implementation fee for Assembly Bill 32, the Global Warming Solution Act of 2006, which set the 2020 greenhouse gas emissions (GHG) reduction goal into law.

- Energy Efficiency Risk/Reward Incentive Mechanism, R.09-01-019, addressing incentive payments for the 2006-2008 energy efficiency (EE) program cycle and the final true-up payment for 2006-2008.

In D.10-07-047 in PG&E's Nuclear Decommissioning Cost Triennial Proceeding, A.09-04-007, the Commission approved an annual ND revenue requirement of \$41.5 million, with additional attrition amounts for 2011 and 2012. PG&E shall incorporate the 2011 ND revenue requirement adopted in D.10-07-047 in the supplement to AL 3727-E and in rates effective January 1, 2011.

In D.09-09-020, the Commission authorized PG&E an electric revenue requirement of \$105.5 million for pension plan contributions in 2011. PG&E shall incorporate this revenue requirement in the supplement to AL 3727-E and in rates effective January 1, 2011.

In D.10-04-017, the Commission authorized PG&E to suspend its CSI collections from June through December 2010, and resume collection on January 1, 2011. PG&E shall incorporate the revenue requirements increase associated with resumption of CSI collections in the supplement to AL 3727-E and in rates effective January 1, 2011.

In D.10-04-052, the Commission authorized PG&E's recovery of the actual cost of the pilot project associated with its proposed solar photovoltaic (PV) program. PG&E shall incorporate this revenue requirement in the supplement to AL 3727-E and in rates effective January 1, 2011.

PG&E is also authorized to incorporate in rates effective January 1, 2011 revenue requirement changes resulting from advice letters made effective by December 16, 2010.

PG&E requests in AL 3727-E to incorporate in January 1, 2011 rates revenue requirement changes associated with the advice letters listed below should they be approved by December 16, 2010. PG&E is authorized to do so.

- Cornerstone Improvement Project Balancing Account (CIPBA), and 2011 revenue requirement for the Cornerstone project. To improve PG&E's electric distribution system reliability, D.10-06-048 approved the Cornerstone Improvement Project and adopted a forecast of capital expenditures and expenses through 2013. Pursuant to D.10-06-048 PG&E

filed Advice Letter 3716-E to establish the Cornerstone Improvement Project Balancing Account (CIPBA) and provided its calculation of the Cornerstone Improvement Project's revenue requirements for 2011-2013. PG&E's estimate of the Cornerstone Improvement Project's revenue requirements to be included in the DRAM for 2011 is \$12.9 million. AL 3716-E was made effective September 10, 2010 by Energy Division staff disposition. The Cornerstone revenue requirement for 2011, \$12.9 million, as presented in PG&E's AL 3716-E shall be transferred to the DRAM and be reflected in PG&E's supplement to AL 3727-E for recovery in rates effective January 1, 2011.

- Self Generation Incentive Program (SGIP) Budget. Consistent with D.09-12-047, PG&E and the other Investor-Owned Utilities are entitled to receive an annual SGIP budget. PG&E's approved annual SGIP budget for gas and electric SGIP programs is \$36 million. If AL 3065-G-A/3562-E-A is approved as filed, PG&E will change the electric portion of the budget from 83% to 82%, which would result in a \$29.8 million allocation to electric customers for 2011, including Franchise Fees & Uncollectible Expense.
- Energy Efficiency (EE). PG&E filed its supplemental EE Compliance AL 3065-G-A/3562-E-A which presented the detailed program budgets. If the Commission approves AL 3065-G-A/3562-E-A as filed, PG&E will credit the PEERAM account to reflect an \$8.6 million program benefit allocated to electric customers.
- Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA). Consistent with D.07-12-052, the LTAMA records the technical assistance costs associated with the implementation and administration of the Long-Term Procurement Plan (LTPP). PG&E filed AL 3747-E on October 26, 2010 to request authorization to transfer the balance from the LTAMA to the ERRA effective November 29, 2010.

PG&E also proposes that it consolidate any changes to the balance in the Headroom Account (HA) in its supplement to AL 3727-E, if review of its AL 2521-E which addresses HA balances from prior years is completed by December 16, 2010. PG&E has substantially amortized the balance in the HA pursuant to Resolutions E-3956, E-4032, and E-4217 issued on prior AET advice letters, so that amounts recorded in the account could be returned to customers. A very small balance remains in the account. The December 31, 2010 forecast balance is approximately \$164,000. Commission staff's review of AL 2521-E will not be completed by December 16, 2010. Accordingly, the small balance in the HA shall

not be amortized in rates effective January 1, 2011, and the account will remain active pending disposition of AL 2521-E.

Pursuant to D.04-11-015 PG&E's annual DRC true-up advice letter shall become effective on January 1, 2011 if it is filed by December 16, 2010.

PG&E seeks to include in rates effective January 1, 2011, the revenue changes associated with its routine annual DRC charge true-up advice letter which it will file in mid December pursuant to D.04-11-015. That decision established the DRC charge update process and sets forth that this advice letter shall become effective on later of, 15 days after the date it is filed or on the first day of the first calendar quarter after the advice letter is filed. In accordance with D.04-11-015 PG&E is authorized to include the changes associated with its annual DRC charge true-up advice letter in rates effective January 1, 2011 if PG&E files the advice letter by December 16, 2010.

Recovery in rates effective January 1, 2011, of the balances recorded in the Long Term Technical Assistance Memorandum Account and the Renewables Portfolio Standard Cost Memorandum Account is contingent on Commission authorization to amortize the ERRA balance by December 16, 2010.

As noted above PG&E will transfer the LTAMA balance to the ERRA if the Commission approves AL 3747-E, filed on October 26, 2010, as filed. In its 2011 ERRA forecast proceeding, A.10-05-022, PG&E proposes to amortize the year-end 2010 ERRA balance in rates over calendar year 2011.⁴ Thus, recovery of the year end 2010 balance in the LTAMA will be reflected in PG&E's supplement to AL 3727-E if AL 3727-E is approved by December 16, 2010, and if the Commission approves a decision in A.10-05-022 by that same date.

Also as noted above, PG&E will transfer the balance recorded in the RPSCMA to the ERRA for recovery in rates if authorized by a decision in A.10-02-012. Thus, recovery of the balance in the RPSCMA will be reflected in PG&E's supplement to AL 3727-E if the Commission approves a decision in A.10-02-012 by December 16, 2010 authorizing transfer of the RPSCMA balance to the ERRA, and if the

⁴ A.10-05-022, Exhibit PG&E-1, pp. 1-2.

Commission approves a decision in A.10-05-022 by that same date authorizing amortization of the ERRA balance.

D.10-08-003 approved PG&E's request to recover in the Utility Generation Balancing Account, \$2.63 million plus an allowance for Uncollectibles and Franchise Fees in 2011, for seismic studies at Diablo Canyon.

Pursuant to D.10-08-003, PG&E filed AL 3720-E to establish the Diablo Canyon Seismic Studies Balancing Account (DCSSBA) and to recover its costs of conducting seismic studies in the area at and around the Diablo Canyon Power Plant including the cost associated with CPUC established Independent Peer Review Panel (IPRP) set up to review findings and results of the studies. AL 3720-E was approved and became effective on August 12, 2010. According to D.10-08-003 costs recorded to the DCSSBA shall be recovered in UGBA as part of the AET filing.

The approved seismic studies cost for 2011 is \$2.63 million, plus an allowance for Uncollectibles and Franchise Fees. D.10-08-003 authorized PG&E to transfer this forecasted (authorized) amount to the UGBA for recovery in rates effective January 1, 2011 and PG&E has reflected that in the current AET AL 3727-E. The DCSSBA records the difference between PG&E's authorized and actual costs for seismic studies. D.10-08-003 allows PG&E to recover the balance recorded in the DCSSBA beginning in 2012.

PG&E is allowed to amortize balances in accounts previously authorized 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 Resolution E-4289 which addressed PG&E's AET AL 3518-E filed in 2009: The DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, Hazardous Substance Mechanism (HSM), CAREA, ERBBA, FERABA, Affiliate Transfer Fees Account (ATFA), Customer Energy Efficiency Incentive Account (CEEIA), SmartMeter Project Balancing Account (SBA), Demand Response Revenue Balancing Account (DRRBA), Pension Contribution Balancing Account (PCBA), British Columbia Renewable Study Balancing Account (BCRSBA), and the Non-Tariffed Balancing Account (NTBA).

PG&E is allowed to amortize and transfer its balance in the Land Conservation Plan Environmental Remediation Memorandum Account (LCPERMA) to the Utility Generation Balancing Account (UGBA).

The LCPERMA was established pursuant to the Land Conservation Commitment (consistent with D.03-12-035) to record and recover hazardous substance investigation, remediation, or mitigation costs incurred by PG&E related to properties which will be or are encumbered or transferred pursuant to the Land Conservation Commitment. These costs may include, for example: investigation costs, remediation costs, monitoring costs, closure costs, agency oversight fees, permit fees, hazardous waste taxes, and costs to pursue, defend or pay claims relating to hazardous substance remediation or mitigation (provided that recoveries from third parties due to any such PG&E claims shall be recorded as a credit to the LCPERMA). In accordance with Preliminary Statement EZ, disposition of the balance in this account shall be through the AET advice letter process via the UGBA. PG&E is hereby authorized to transfer its LCPERMA year-end balance to the UGBA for recovery in rates.

PG&E's request in AL 3727-E to submit recorded data through October 31, 2010 and forecasted December 31, 2010 balances for recovery in its supplemental advice letter is granted.

In previous years' AET Resolutions (E-4121, E-4217, and E-4289), the Commission allowed PG&E to submit an AET supplemental advice letter reflecting recorded account balance data from January through October, and forecasted balances for November and December for years 2007, 2008, and 2009, respectively. We allow PG&E to use recorded data from January 1 through October 31, 2010, and forecast data for November and December 2010 to update account balances in its supplement to AL 3727-E.

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

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

Residential rate changes allowed by Public Utilities Code Section 739.9 are subject to Commission review and approval of an advice letter to be filed in November 2010 pursuant to D.09-12-048.

Senate Bill (SB) 695 signed into law in October 2009 added Section 739.9 to the Public Utilities Code (Section 739.9). That section allows the Commission to increase residential rates for usage up to 130 percent of baseline (Tiers 1 and 2 rates) by specific percentages based on specific indices. In developing illustrative rates in AL 3727-E, PG&E assumed a 3 percent increase to non-CARE Tier 1 and Tier 2 rates (the lower bound of potential increases allowed under SB 695) and no increase to CARE Tier 1 and Tier 2 rates. PG&E then set non-CARE rates for usage in excess of 130 percent of baseline to ensure the revenue allocated to the residential class is fully collected, while maintaining the fixed differential (\$0.10967 per kWh) between non-CARE Tier 3 and Tier 4 rates approved by D.10-05-051.

In November 2010, PG&E will file a separate advice letter seeking approval of a January 1, 2011 increase to non-CARE and/or CARE rates for usage up to 130 percent of baseline in accordance with SB 695 requirements, and the provisions adopted in D.09-12-048. If that advice letter is approved by December 16, 2010, PG&E shall reflect those rate changes in its supplement to AL 3727-E.

PG&E shall revise its AL 3727-E AET estimate to reflect actual changes authorized by the Commission and FERC by December 16, 2010.

PG&E shall supplement AL 3727-E by December 31, 2010 to reflect the actual rate and revenue changes authorized by the Commission in various proceedings and advice letters by December 16, 2010, and actual changes authorized by the FERC, by that same date. The supplement to AL 3727-E shall also incorporate updated balances of accounts to be amortized in rates on January 1, 2011. The rates PG&E files in its supplemental advice letter will be reviewed for compliance after January 1, 2011. If any rates filed in the 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.⁵

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 (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 3727-E that are authorized by December 16, 2010. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.

PG&E is authorized to hold electric revenues constant on January 1, 2011 if a decision in its 2011 GRC is not approved by December 16, 2010.

PG&E's request to hold electric revenues constant on January 1, 2011 (compared to revenues at present rates) if the Commission does not approve a decision in PG&E's 2011 GRC, A.09-12-020, by December 16, 2010, is granted. PG&E's proposal would mitigate rate fluctuations in 2011 and is consistent with what the Commission authorized in Resolution E-4032 which addressed PG&E's AET AL 2895-E for rates effective January 1, 2007. In that resolution, the Commission allowed PG&E to hold electric revenues constant on January 1, 2007 in anticipation of a revenue requirement increase in PG&E's 2007 GRC A.05-12-002.⁶ D.07-03-044 issued in March 2007 authorized an electric revenue increase in PG&E's 2007 GRC. A settlement agreement recently filed in PG&E's 2011

⁵ 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).

⁶ Resolution E-4032, November 30, 2006, pp. 1-2.

GRC would increase electric revenue requirements in 2011 if approved by the Commission.⁷

COMMENTS

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

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly the draft resolution was issued for public review and comment no later than 30 days prior to a vote of the Commission. PG&E submitted comments on December, 6 2010. PG&E's comments suggest clarifications, which are included in this resolution.

FINDINGS AND CONCLUSIONS

1. The AET is a process in which PG&E's revenue requirements authorized by the Commission in various proceedings are consolidated. The AET is a forum for PG&E to recover costs recorded in memorandum and balancing accounts which have been reviewed and approved for recovery by the Commission in a separate proceeding or advice letter, or are pending separate review that will be completed prior to end of the year.
2. PG&E filed AL 3727-E on September 1, 2010, proposing to establish 2011 electric rates to recover balances in accounts, establish the 2011 ERBBA revenue requirement, and consolidate Commission- and FERC-authorized rate changes, effective January 1, 2011.
3. It is reasonable for PG&E to establish the 2011 ERBBA revenue requirement using a forecast of 2011 ERBBA activity, including the amortization of December 31, 2010, forecast ERBBA balance, consistent with what was authorized in Resolution E-4289 addressing PG&E's last AET.

⁷ A.09-12-020, Motion of parties for adoption of Settlement Agreement, October 15, 2010, Att.1, Appx.A, p.1-A2. If the Settlement Agreement is approved by the Commission, PG&E's base electric revenue requirements would increase by \$349 million in 2011 (a \$183 million increase in electric distribution and a \$166 million increase in electric generation revenue requirements).

4. In accordance with the filed rate doctrine the Commission allows PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (TO) rate changes, adjusted for end-use customer refunds required to be paid to customers.
5. It is just and reasonable for PG&E to begin recovering in rates FERC-authorized revenues that are authorized by December 16, 2010.
6. PG&E should supplement AL 3727-E by December 31, 2010 to reflect the revenue requirement changes authorized by this Commission and FERC, and to update balances in accounts specified in this resolution to be amortized beginning January 1, 2011. The updated balances, revenues, and rates should be subject to future audit, verification, and adjustment pending review of the supplement to AL 3727-E.
7. PG&E's supplement to AL 3727-E should reflect in rates all FERC-authorized revenue requirement changes approved by December 16, 2010 and all Commission authorized revenue requirement changes and amortization of account balances, to the extent approved by December 16, 2010, in the following proceedings and advice letter filings:
 - 2011 GRC, A.09-12-020.
 - ERRA, MTCBA, and ongoing CTC, A.10-05-022.
 - 2011 DWR Power and Bond Charge revenue requirements, R.09-06-018.
 - Costs recorded in the MRTUMA subject to review in A.10-02-012.
 - Costs recorded in the RPSCMA may be reflected in rates effective January 1, 2011 if the Commission authorizes transfer of the RPSCMA balance to the ERRA in A.10-02-012, and the Commission authorizes amortization of the ERRA balance in A.10-05-022.
 - SmartAC 2010-2011 Program, A.09-08-018, addressing PG&E's proposal to use the overcollected 2010 balance to offset the 2011 program budget.
 - CARB administrative fee, A.10-08-002.
 - Energy Efficiency Risk/Reward Incentive Mechanism, R.09-01-019, addressing incentive payments for 2006-2008 EE programs.
 - Cornerstone Improvement Project Revenue Requirement, AL 3716-E. Consistent with D.10-06-048, PG&E filed AL 3716-E to establish the Cornerstone Improvement Project Balancing Account (CIPBA) and provided the calculation of the Cornerstone revenue requirements for 2011-2013. AL 3716-E was made effective September 10, 2010 by Energy Division staff disposition. The Cornerstone revenue requirement for 2011, \$12.9 million, as presented in PG&E's AL 3716-E shall be transferred to the

- DRAM and be reflected in PG&E's supplement to AL 3727-E for recovery in rates effective January 1, 2011.
- Self Generation Incentive Program (SGIP) Budget, AL 3065-G-A/3562-E-A. In this advice letter PG&E has requested to change the electric portion of its SGIP budget from 83% to 82%, which would result in a \$29.8 million allocation to electric customers for 2011, including Franchise Fees & Uncollectible Expense.
 - Energy Efficiency (EE): PG&E filed its supplemental EE Compliance AL 3065-G-A/3562-E-A which presented the detailed program budgets. In this advice letter, PG&E seeks to credit the PEERAM account to reflect an \$8.6 million program benefit allocated to electric customers.
 - Costs recorded in the Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA) may be recovered in rates effective January 1, 2011 if PG&E's AL 3747-E requesting transfer of the balance in the LTAMA to the ERRA is approved, and the Commission authorizes amortization of the ERRA balance in A.10-05-022.
8. PG&E's supplement to AL 3727-E should reflect the Nuclear Decommissioning revenue requirement for 2011 adopted in D.10-07-047, the 2011 electric revenue requirement for pension plan contributions adopted in D.09-09-020, the resumption of CSI collections on January 1, 2011 adopted in D.10-04-017, and the 2011 revenue requirement associated with PG&E's solar PV program pilot project adopted in D.10-04-052.
 9. The HA should remain active pending disposition of AL 2521-E, and the balance should not now be amortized in rates.
 10. In accordance with D.04-11-015, PG&E will file an annual true-up advice letter to adjust the DRC Charges for Series 1 and Series 2 of the Energy Recovery Bonds (ERB) pursuant to D.04-11-015. PG&E's supplement to AL 3727-E should reflect in rates the revenue requirement changes associated with PG&E's annual DRC Charge true-up advice letter if PG&E files that advice letter by December 16, 2010.
 11. PG&E's supplement to AL 3727-E should reflect that D.10-08-003 authorized PG&E to recover in the UGBA, \$2.63 million, plus allowances for Uncollectibles and Franchise Fees, in 2011 for seismic studies at Diablo Canyon.
 12. In Resolution E-4289, the Commission allowed PG&E to consolidate in rates effective January 1, 2010 amortization of December forecast balances updated to reflect recorded data as of October 31, 2009 in the DRAM, PPPRAM,

NDAM, UGBA, PEERAM, PCCBA, HSM, CAREA, ERBBA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, BCRSBA, and NTBA.

13. PG&E should, through the current AET, recover balances in these same accounts.
14. PG&E's Preliminary Statement EZ sets forth that disposition of the balance in the LCPERMA shall be through the AET advice letter process via the UGBA.
15. It is reasonable to authorize PG&E's request to submit the December 2010 supplemental advice letter with forecasted December 31, 2010 account balances which include recorded data through October 31, 2010.
16. PG&E should be allowed to amortize, subject to future audit, verification, and adjustment all accounts authorized in the ordering paragraphs of this resolution.
17. PG&E's proposal to modify residential rates pursuant to Public Utilities Code Section 739.9 is subject to approval of an advice letter PG&E will file in November 2010 seeking to increase residential rates for usage up to 130 percent of baseline.
18. The rates authorized by this resolution should be subject to refund to the same extent that they are subject to refund at the FERC.
19. PG&E's request to hold electric revenues constant (compared to revenues at present rates) on January 1, 2011 if a decision in its 2011 GRC A.09-12-020 is not approved by December 16, 2010, is consistent with what the Commission authorized in Resolution E-4032, and should be granted.

THEREFORE IT IS ORDERED THAT:

1. PG&E's request in Advice Letter 3727-E is approved (with modifications), only to the extent described in the ordering paragraphs below.
2. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.
3. PG&E's request to establish the 2011 ERBBA revenue requirement using a forecast of 2011 ERBBA activity, including the amortization of the December 31, 2010 forecast ERBBA balance, is approved.
4. No later than December 31, 2010, PG&E shall file a supplement to AL 3727-E with revised tariffs. The supplemental filing shall be effective on January 1, 2011, subject to Energy Division determination that PG&E is in compliance with this resolution. The updated revenues and rates contained in the supplemental filing shall be subject to audit, verification and adjustment. PG&E shall provide to the Energy Division and any party requesting them, workpapers supporting the rates filed in this supplemental advice letter and

the revenue allocation underlying those rates. The supplement shall do the following:

- a. Amortize over one year based on December 31, 2010 forecast amounts, updated with recorded data as of October 31, 2010, balances in the following accounts: DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, HSM, CAREA, ERRBA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, BCRSBA, NTBA and the LCPERMA. The balance in LCPERMA is authorized to be transferred to UGBA for recovery in rates.
 - b. Reflect in rates the 2011 ERBBA revenue requirement;
 - c. Reflect in rates recovery of the 2011 Nuclear Decommissioning revenue requirement authorized by D.10-07-047;
 - d. Reflect in rates recovery of the 2011 electric revenue requirement for pension plan contributions authorized by D.09-09-020;
 - e. Reflect in rates recovery of CSI collections which shall resume on January 1, 2011 pursuant to D.10-04-017;
 - f. Reflect in rates recovery of the 2011 revenue requirement associated with PG&E's solar PV program pilot project, pursuant to D.10-04-052.
 - g. Reflect in rates revenue changes associated with PG&E's annual DRC charges true-up advice letter if PG&E files that advice letter by December 16, 2010.
 - h. Reflect in rates recovery of the UGBA the 2011 revenue requirement authorized by D.10-08-003 for seismic studies at Diablo Canyon;
 - i. Reflect in rates all FERC-authorized revenue requirement changes approved by December 16, 2010, and all Commission-authorized revenue requirement changes and amortization of account balances approved by December 16, 2010, in those proceedings or advice letter filings specified in Finding and Conclusion No. 7, and if no Commission approval is granted by December 16, 2010, PG&E shall not include matters pending in any of those proceedings or advice letter filings specified in Finding and Conclusion No. 7.
5. PG&E's proposal to increase residential rates for usage up to 130 percent of baseline pursuant to Public Utilities Code Section 739.9 is subject to approval, by December 16, 2010, of an advice letter PG&E will file in November 2010 in accordance with D.09-12-048.
 6. Balances in all accounts authorized for recovery by this resolution are subject to audit, verification and adjustment.
 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 in the accounts authorized for amortization in this resolution 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.
9. PG&E's request to hold electric revenues constant on January 1, 2011, compared to revenues at present rates, if a decision in its 2011 general rate case A.09-12-020 is not approved by December 16, 2010, is granted.

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 16, 2010; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
TIMOTHY ALAN SIMON
NANCY E. RYAN
Commissioners