

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4121
December 6, 2007

R E S O L U T I O N

Resolution E-4121. Pacific Gas and Electric Company (PG&E) submits electric tariff revisions to recover balances in balancing accounts, establish the Energy Recovery Bonds Balancing Account revenue requirement, and consolidate changes to electric rates effective January 1, 2008. Approved with modifications.

By Advice Letter 3115-E filed on August 31, 2007.

SUMMARY

PG&E's proposal to revise electric rates effective January 1, 2008 to recover balancing account balances, establish the 2008 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and consolidate authorized rate changes in its Annual Electric True-up (AET), while also consolidating authorized 2007 General Rate Case (GRC) revenue requirement changes which were effective November 1, 2007, is approved with the following modifications:

- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment as necessary.
- Upon approval of Advice Letter (AL) 3115-E, PG&E will – consistent with previous years' AET processes – submit by December 31, 2007 a supplemental advice letter with revised tariffs effective January 1, 2008 to supplement AL 3115-E. The supplemental AL will include recorded balancing account data through October 31, 2007, and forecasted balancing account data for November and December 2007.

In addition to recovering balances in accounts previously authorized for recovery through the AET process in Resolutions E-3906, E-3944, E-3956 and E-4032, PG&E is authorized to recover balances in the British Columbia Renewable Study Balancing Account (BCRSBA).

Per the September 6, 2007 Decision (D.)07-09-004 issued in Phase 2 of PG&E's 2007 GRC, customers taking service on the Family Electric Rate Assistance (FERA) program will remain exempt from California Solar Initiative (CSI) increases.

The ERBBA records the benefits and costs associated with Energy Recovery Bonds (ERBs) as authorized by D.04-11-015.

The ERBBA records benefits and costs associated with ERBs that are not provided to customers elsewhere and returns those benefits or charges those costs to customers. In this AET filing, PG&E proposes that the 2008 ERBBA revenue requirement be established using a forecast of 2008 ERBBA activity, including the amortization of the December 31, 2007 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 2895-E, which was approved by Resolution E-4032.

In AL 3115-E, PG&E estimated that its 2008 AET will result in a net revenue requirement increase of \$362 million.

PG&E estimated in its August 31, 2007 AET advice letter that there will be a net increase in electric revenue requirements of approximately \$362 million on January 1, 2008. This resulted from a combined increase of \$695 million in revenues for Electric Procurement and Ongoing Competitive Transition Charges (CTC), Public Purpose Programs (PPP), and Air Conditioning Cycling programs and the associated Air Conditioning Tracking Memorandum Account (ACTMA). This forecasted increase was offset by \$333 million in decreases to the Distribution Revenue Adjustment Account (DRAM), the Utility Generation Balancing Account (UGBA), the Department of Water Resources (DWR) Power and Bond Charges and associated Power Charge Collection Balancing Account (PCCBA), the Rate Reduction Bond Memorandum Account (RRBMA), transmission rates, and small adjustments to miscellaneous accounts.

PG&E will consolidate rate changes resulting from approval of its 2007 Phase 2 GRC with rate changes associated with its AET effective January 1, 2008.

D.07-09-004 approved rate changes associated with PG&E's 2007 Phase 2 GRC effective on or after November 1, 2007. This resolution approves rate changes

associated with PG&E's AET effective January 1, 2008. To streamline this process and eliminate the additional programming processes and confusion that may be caused to customers by frequent rate changes, PG&E will consolidate the effects of both rate changes – subject to later true-up – on January 1, 2008.

PG&E shall revise its AL 3115-E AET estimate to reflect actual changes authorized by the Commission and FERC prior to the end of 2007.

PG&E will supplement AL 3115-E before the end of 2007 to reflect the actual rate and revenue changes authorized by the Commission in various proceedings and advice letters, and actual changes authorized by the FERC. The supplement to AL 3115-E will also incorporate updated balances to accounts to be amortized in rates on January 1, 2008. The rates PG&E files in its supplemental advice letter will be reviewed for compliance after January 1, 2008. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify rates as required and make necessary billing adjustments.

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, base transmission (Transmission owner or TO) rate changes, and end use customer refunds. It is just and reasonable for PG&E to begin recovering FERC-authorized revenues addressed in AL 3115-E, on the date that 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.

BACKGROUND

The Commission has previously authorized PG&E to consolidate revenue requirements and amortize balances in regulatory accounts through the AET advice letter process.

In AL 2895-E dated September 1, 2006, PG&E filed its 2007 AET advice letter for rates effective January 1, 2007. In AL 2895-E, PG&E proposed to consolidate revenue requirements authorized by the Commission and the FERC prior to the end of 2006, and recover balances in regulatory accounts previously considered in Resolution E-3956 (December 15, 2005), Resolution E-3944 (July 21, 2005) which addressed PG&E's request to recover costs in the Self-Generation Program Memorandum Account (SGPMA) and the Demand Responsiveness Program

Memorandum Account (DRPMA), and Resolution E-3906 (December 15, 2004) which addressed PG&E's 2004 AET advice letter.

PG&E also requested in AL 2895-E authority to recover balances in the Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM), the Customer Energy Efficiency Incentive Account (CEEIA), the SmartMeter™ Balancing Account (SBA), the Demand Response Revenue Balancing Account (DRRBA), and the Pension Contribution Balancing Account (PCBA), for rates effective January 1, 2007.

PG&E included tables in AL 2895-E showing account balances requested for recovery as recorded through July 31, 2006. PG&E proposed that it submit a supplement to AL 2895-E in December 2006 to amortize balances recorded through November 2006, and forecasted December 2006 balances, and to consolidate all Commission and FERC-authorized revenue requirements for new rates effective January 1, 2007.

Resolution E-4032 addressed PG&E's request in AL 2895-E to add additional accounts for recovery through the AET.

Resolution E-4032 approved PG&E's request with modifications, allowing the balances in the PEERAM, CEEIA, SBA, DRRBA, and PCBA to be recovered in rates effective January 1, 2007.

AL 3115-E complied with the timeline established by Resolution E-4032 in submitting by September 1, 2007, estimated revenue requirements and balances in regulatory accounts to be amortized in rates effective January 1, 2008.

On August 31, 2007, PG&E filed AL 3115-E, its fourth annual AET advice letter addressing electric revenues and rates effective January 1, 2008. In addition to requesting recovery of revenue requirements authorized by the Commission and the FERC by December 20, 2007, and recovery of balances in accounts previously considered in Resolution E-4032, PG&E requested recovery of the balance in the BCRSBA.

In AL 3115-E, PG&E estimated a consolidated \$362 million revenue requirement increase on January 1, 2008. Of this amount, \$381 million was related to Commission-authorized revenue increases, offset by a \$19 million

decrease related to FERC-authorized revenues. The net result was a revenue requirement increase of \$362 million.

In AL 3115-E, PG&E provided illustrative rates effective January 1, 2008, based on forecasted December 31, 2007 balancing account balances which included July 31, 2007 recorded balances, and revenue requirement requests filed in the applications and advice letters pending before the Commission. The total annual revenue requirement increase reflecting these illustrative rates was \$362 million. The following is a breakout of the components of the annual revenue requirement increase estimated in AL 3115-E:

- An estimated CPUC-authorized increase of \$381 million:

CPUC-authorized Balancing Accounts	Amount in million \$
Ongoing Competitive Transition Charge (CTC)/Modified Transition Cost Balancing Account (MTCBA)	\$341
Electric Procurement/ Energy Resource Recovery Account (ERRA)	\$235
Air Conditioning Cycling/ Air Conditioning Tracking Memorandum Account (ACTMA)	\$70
PPP/Public Purpose Program Revenue Adjustment Mechanism (PPPRAM)/California Rates for Alternative Energy Account (CAREA)/PEERAM	\$49
Energy Recovery Bonds	\$17
Rate Reduction Bond/RRBMA	-\$169
Distribution/DRAM	-\$77
DWR Bond, Power (including PCCBA), and Franchise Fees	-\$44
Utility-Retained Generation/UGBA	-\$41
Total CPUC-authorized net increase:	\$381

- And an estimated FERC-authorized decrease, -\$19 million:

FERC-related Balancing Account	Amount in million \$
Reliability Services (RS)	-\$69
Transmission Revenue Balancing Account Adjustment (TRBAA)	\$50
Total FERC-authorized net decrease	-\$19

The CPUC-authorized increase measured against the FERC-authorized decrease resulted in a net increase of \$362 million, equal to a 3.2% increase in PG&E's average bundled electric rates:

Authority	Amount in million \$
CPUC-authorized rates:	\$381
FERC-authorized rates:	-\$19
Total AET net increase:	\$362

Components of the CPUC-authorized increase include several significant "cost drivers":

The respective CTC/MTCBA and ERRA increases of \$341 and \$235 million were due to procurement cost increases primarily due to lower than normal 2007 hydro conditions, and a reversal of the end-of-year 2006 overcollections in procurement-related balancing accounts. The ACTMA component increase of \$70 million was due to the newly proposed Air Conditioning Direct Load Program. The \$49 million PPP/CAREA/PEERAM increase was due to a previously approved increase in the 2008 Energy Efficiency program budget. The RRBMA decreased by \$169 million due to the expiration of rate reduction bonds at the end of 2007. The \$77 million DRAM decrease resulted from an overcollection carried over from the end of 2006. DWR costs decreased by \$44 million due to a reduction in the PCCBA base revenue requirement, and the \$41 million UGBA decrease resulted from an overcollection carried over from the end of 2006.

Components of the FERC-authorized net decrease included these "cost drivers":

RS decreased by \$69 million due to an overcollected or "carryover" balance measured against forecasted 2008 RS costs. PG&E forecasted that the revenue requirement for the base TRBA will increase by \$50 million in 2008.

PG&E proposed to supplement AL 3115-E prior to January 1, 2008 to consolidate updated balancing account balances and revenue requirement changes approved by the Commission and FERC.

PG&E proposed to supplement AL 3115-E prior to the end of 2007 to incorporate the sum of (1) December forecast balances updated to reflect recorded data as of October 31, 2007, and (2) revenue requirement changes authorized by the Commission and FERC by December 20, 2007. The supplemental AL would include the new rates and revised tariffs to become effective on January 1, 2008.

NOTICE

Notice of AL 3115-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 IV of General Order 96-B, and served on parties to A.00-11-038, A.02-11-017, A.05-06-004, A.05-06-006, A.05-06-007, A.05-12-002, A.06-06-001, A.06-06-034, A.06-08-011, A.06-11-005, A.07-04-009, A.07-05-008, A.07-06-006, R.02-01-011, R.06-07-010, and R.07-01-041.

PROTESTS

No parties submitted protests on PG&E's AL 3115-E.

DISCUSSION

PG&E shall reflect in rates all Commission and FERC-authorized revenue requirement changes approved by December 20, 2007 through a supplemental advice letter.

Consistent with the procedure established in Resolutions E-3906 for rates effective January 2005, E-3956 for rates effective January 2006, and E-4032 for rates effective January 2007, the Commission authorizes PG&E to supplement AL 3115-E by December 31, 2007 to reflect the revenue requirements approved by the Commission in various proceedings and advice letters. The Commission authorizes PG&E to make the rates filed in the supplemental advice letter effective on January 1, 2008. The rates filed in this supplement will be reviewed by the Energy Division after January 1, 2008. In the event that after new rates become effective the Energy Division or a party reviewing the supplement discovers compliance issues that require modification of rates filed in the supplement, PG&E shall modify the rates as required and re-bill customers if necessary, or make other appropriate adjustments in a timely manner.

Pending CPUC proceedings and advice letters will affect the calculation of the amounts approved for recovery. In its supplement to AL 3115-E, PG&E shall

reflect revenue requirements approved by December 20, 2007, and shall update balances in balancing accounts approved for recovery by this resolution.

PG&E is authorized to incorporate revenue requirement changes resulting from decisions issued by December 20, 2007, in the following proceedings:

- 2008 Cost of Capital, A.07-05-008
- ERRA and Ongoing CTC, A.07-06-006
- 2008 DWR Bond Charge Revenue Requirement, A.00-11-038
- 2008 DWR Power Charge Revenue Requirement, A.00-11-038
- Catastrophic Event Memorandum Account (CEMA) Application, A.06-11-005
- Air Conditioning (AC) Direct Load Control Program Application A.07-04-009
- Self-Generation Incentive Program (SGIP) Budget (awaiting further decision for 2008 budget per provisions of D.06-12-033); subject to modification by the Commission in R.06-03-004, PG&E may continue its 2007 SGIP budget on January 1, 2008 if a decision on its 2008 SGIP budget is not issued in that proceeding by December 20, 2007.

PG&E is also authorized to incorporate in rates revenue requirement changes resulting from the following advice letters, if made effective prior to the end of 2007:

- Attrition adjustment for 2008, consistent with the provisions of D.07-03-044, AL 2877-G/3139-E
- Headroom Account (HA), AL 2521-E
- Fixed Transition Amount (FTA) Annual True-up advice letter, expected to be filed in December, in accordance with D.97-09-055
- Dedicated Rate Component (DRC) Charges Annual True-up Advice Letter, expected to be filed in December, in accordance with D.04-11-015
- Advanced Metering and Demand Response Memorandum Account (AMDRA) advice letters, AL 3063-E, 3071-E, and 3072-E

PG&E is allowed to amortize balances in accounts previously authorized by Resolutions E-3906, E-3956, and E-4032 for recovery through the AET advice letter.

This resolution allows the following accounts to be amortized through the same advice letter process approved by the Resolutions E-3906, E-3956, and E-4032: The DRAM, PPPRAM, Nuclear Decommissioning Adjustment Mechanism

(NDAM), UGBA, PEERAM, PCCBA, RRBMA, Hazardous Substance Mechanism (HSM), CAREA, ERBBA, HA, Family Electric Rate Assistance Balancing Account (FERABA), Affiliate Transfer Fees Account (ATFA), CEEIA, SBA, DRRBA, and PCBA accounts.

PG&E is also authorized to recover balances in the BCRSBA.

Energy Division has reviewed the applicable tariffs, advice letters and Commission orders relating to the BCRSBA. The BCRSBA records cost of the "BC Renewable Study", which evaluates the feasibility of obtaining wind-generated and other renewable electric power from various regions in British Columbia, Canada, as authorized by D.07-03-013 in A.06-08-011, and as approved in compliance AL 3003-E. The CPUC-authorized tariff allows PG&E to amortize the BCRSBA in the AET. This resolution approves recovery of costs which are subject to audit associated with this study. The balance in the BCRSBA will be transferred annually to the UGBA.

PG&E will no longer amortize the Electric Reimbursable Fees Balancing Account (ERFBA) for recovery in the AET.

In Resolution E-4032, the Commission approved transferring existing ERFBA account balances to the DRAM. This was completed in January 2007. There is currently no balance in the account, and PG&E expects no further transactions. The Energy Division made AL 2862-G/3117-E effective October 7, 2007 by staff disposition, which eliminated the ERFBA among several other memorandum and balancing accounts.

PG&E will no longer amortize the Electric Vehicle Balancing Account (EVBA) for recovery in the AET.

The Energy Division made AL 2815-G/3007-E effective January 1, 2007, by staff disposition, which eliminated the EVBA. Balances previously recorded in the EVBA will be recovered through the DRAM in this AET.

PG&E proposes that small overcollections in otherwise fully amortized accounts with residual balances be transferred to its UGBA and DRAM accounts.

The HA tracks headroom collected in excess of the \$875 million cap for 2003 headroom established by PG&E's Modified Settlement Agreement approved in D.03-12-035. The December 31, 2007 forecast balance of approximately -\$0.3 million (overcollected) represents a residual balance after PG&E amortized this account balance. In compliance AL 2895-E-A, PG&E established a rate intended to amortize the December 31, 2006 forecast balance to zero. Due to differences between recorded sales and forecast sales, PG&E estimates that it will have a small residual balance in the HA on December 31, 2007, and proposes that this forecasted overcollection be transferred to the UGBA. The Commission has reviewed this proposal and finds that transferring the residual overcollected balance in the HA to the UGBA is reasonable.

The CEEIA tracks the cost of a settlement agreement adopted in D.05-10-41 between PG&E and the Division of Ratepayer Advocates, which resolved all pending and anticipated future shareholder incentive claims in the consolidated Annual Earnings Assessment Proceeding (A.00-05-004). The remaining December 31, 2007 forecast of approximately -\$0.9 million (overcollected) represents a residual balance after PG&E amortized this account balance. In compliance AL 2895-E-A, PG&E established a rate intended to amortize the December 31, 2006 forecast balance to zero. Due to differences between recorded sales and forecast sales, PG&E estimates that it will have a small residual balance in the CEEIA on December 31, 2007, and proposes that this forecasted overcollection be transferred to the DRAM. The Commission has reviewed this proposal and finds that transferring the residual overcollected balance in the CEEIA to the DRAM is reasonable.

Previous AET Resolutions have provided for PG&E's supplemental advice letter to include account balances with recorded data through November of the respective year and forecasted data for December of that year.

Resolution E-3906 ordered PG&E to submit a supplemental AET advice letter with recorded data through November 2004 to amortize account balances for that year. In Resolutions E-3956 and E-4032, Commission orders provided for PG&E's respective 2005 and 2006 supplemental AET advice letters to submit December 31 forecasts balances which included recorded data through November 30 of those years.

In AL 3115-E, PG&E has requested that in this year's supplemental advice letter it provide account balance updates with December 31 forecast balances which include recorded data through October 31, 2007.

The Commission has considered this request. PG&E states that submitting recorded data through October plus forecasts through December for its account balances makes it more feasible to provide timely updates to the AET advice letter and supplemental advice letter process. It is reasonable to allow PG&E to submit the 2007 AET supplemental advice letter reflecting forecasted balances for November and December 2007, and recorded account balance data from January 1 through October 31, 2007.

PG&E plans to incorporate the AET with rate changes resulting from approval of D.07-09-004, the Interim Opinion Adopting Settlements on Marginal Cost, Revenue Allocation, and Rate Design, in Phase 2 of PG&E's 2007 GRC.

D.07-09-004 in PG&E's 2007 Phase 2 GRC approved rates effective on or after November 1, 2007, and allows PG&E to collect the revenue requirement determined in Phase 1 of its 2007 GRC, as modified by subsequent revenue requirement authorizations. In considering PG&E's comments regarding the Commission's proposed decision indicating a desire to consolidate Phase 2 rate changes with the AET on January 1, 2008, the Commission stated that *"This approach both minimizes the number of electric rate changes and allows the Phase 2 rate change to take place in the context of more extensive changes to coincide with the projected elimination of the Fixed Transition Amount on January 1, 2008, PG&E hopes to reduce the effect of the increased allocation of costs for residential and small commercial customers associated with the settlement agreements. PG&E's proposal is reasonable and consistent with the intent of the PD."* Therefore, it is reasonable that PG&E consolidate all rate changes resulting from its 2007 GRC (which also affects rate design) and 2008 AET beginning January 1, 2008.

Resolution E-4032 determined that consideration of the allocation of legislated CSI residential rate increases related to FERA program-eligible customers should be deferred, pending a decision in PG&E's Phase 2 2007 GRC.

Resolution E-4032 deferred interpretation of Senate Bill 1, authorizing the CSI, and FERA program-associated rate design issues thereof until a decision was issued in PG&E's Phase 2 2007 GRC (A.06-03-005). On September 6, 2007, D.07-09-004 authorized the distribution of CSI rates amongst residential customers,

providing that customers taking service on the FERA program would remain exempt from CSI-related charges.

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 review, verification, and adjustments as necessary by the Commission.

COMMENTS

Per statutory requirement, a draft resolution was mailed to parties for comment at least 30 days prior to consideration by the Commission.

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed for comments at least 30 days prior to being considered by the Commission. PG&E filed comments on November 26, 2007.

PG&E submitted that the projected revenue change on January 1, 2008 has decreased approximately \$458 million since PG&E filed AL 3115-E on August 31.

PG&E now projects that its December update supplementing AL 3115-E will result in a net decrease of \$95.8 million. This is in contrast to the increase of \$362 million originally stated in AL 3115-E.

- This includes an estimated CPUC-authorized decrease of \$79.5 million:

CPUC-authorized Balancing Accounts	Amount in million \$
Ongoing Competitive Transition Charge (CTC)/Modified Transition Cost Balancing Account (MTCBA)	\$329.4
Electric Procurement/ Energy Resource Recovery Account (ERRA)	\$145.1
Air Conditioning Cycling/ Air Conditioning Tracking Memorandum Account (ACTMA)	\$0
PPP/Public Purpose Program Revenue Adjustment Mechanism	\$289.6

(PPPRAM)/California Rates for Alternative Energy Account (CAREA)/PEERAM	
Energy Recovery Bonds	-\$16.0
Rate Reduction Bond/RRBMA	-\$233.9
Distribution/DRAM	-\$368.6
DWR Bond, Power (including PCCBA), and Franchise Fees	-\$186.5
Utility-Retained Generation/UGBA	-\$38.7
Total CPUC-authorized net increase:	-\$79.5

- And an estimated FERC-authorized decrease of \$16.3 million:

FERC-related Balancing Account	Amount in million \$
Reliability Services (RS)	-\$63.1
Transmission Revenue Balancing Account Adjustment (TRBAA)	\$50.5
End-Use Customer Refund Adjustment (ECRA)	-\$3.6
Total FERC-authorized net decrease	-\$16.3

The updated CPUC-and FERC-authorized decreases add to a net decrease of - \$95.8 million, equal to a 1.1% decrease in PG&E's average bundled electric rates:

Authority	Amount in million \$
CPUC-authorized rates:	-\$79.5
FERC-authorized rates:	-\$16.3
Total AET net increase:	-\$95.8

PG&E's more recent forecasts of January 1, 2008 CPUC-jurisdictional revenue changes are approximately \$460 million lower than those originally provided in AL 3115-E.

One reason for the change in the CPUC-jurisdictional revenues is that the CTC/MTCBA and ERRRA forecasts decreased by approximately \$102 million. This resulted from lower natural gas prices used for recent updates to revenue requirements, compared to the gas prices PG&E originally relied on in making its revenue requirements forecasts shown in AL 3115-E filed on August 31.

The DWR Bond, Power, and Franchise Fee components decreased by approximately \$143 million as compared to PG&E's original forecast in AL 3115-

E. This results from a decrease in PG&E's DWR revenue requirement addressed in a proposed decision recently issued in R.06-07-010 which is expected to be considered by the Commission on December 20, 2007.

Additionally, \$70 million in costs associated with the AC cycling program and balances recorded in the ACTMA are no longer expected to be recovered in rates beginning on January 1, since a decision in A.07-04-009 is not anticipated by the end of 2007. PG&E now plans to include this revenue in rates effective on March 1, 2008 rates if a decision in the proceeding is issued by that date.

D.07-09-004 in PG&E's Phase 2 GRC requires a change in how CARE program costs are recovered. As a result PPP revenues increased, and distribution revenues decreased as compared to PG&E's original forecast included in AL 3115-E.

Other changes result from updated forecasts for the Energy Recovery bond and rate reduction bond revenue requirements.

FERC-jurisdictional revenues will decrease by approximately \$16 million on January 1, 2008, a slightly smaller decrease than that filed by PG&E in AL 3115-E.

PG&E's revenue requirements for TRBAA, RS, and the End Use Customer Refund Adjustment were approved on November 14 in FERC docket ER08-21-000. In anticipation of FERC approval of these revenue components, PG&E provided notice to the Commission in AL 3149-E on November 2, 2007, and requested that changes to these revenues be included in the next electric rate change. PG&E now expects that FERC-authorized revenue requirements will decrease by about \$16 million on January 1, 2008 as compared to a \$19 million decrease originally forecast by PG&E in AL 3115-E.

PG&E requests that that it be allowed to amortize ERRAs and MTCBA balances effective January 1, 2008, if a Commission decision on 2008 ERRAs and on-going CTC revenue requirements is not issued by the end of 2007.

PG&E states in comments that it is unlikely that a 2008 ERRAs and ongoing CTC forecast decision will be issued by the end of 2007. PG&E now estimates that the year-end 2007 balances in both accounts are \$198 million. This is based on

recorded data through October 31, 2007, and forecast data for November and December 2007.

PG&E further states that these amounts reflect electric procurement related costs which are subject to timely recovery under AB 57 and Commission decisions, and which are subject to a “trigger” recovery mechanism in the event the ERRA undercollection exceeds or is forecast to exceed a 5% “trigger”. To avoid the necessity of a trigger filing, PG&E requests that this Resolution authorize it to begin amortizing the undercollection beginning January 1, 2008, subject to adjustment, audit, and verification based on the outcome of a decision in the ERRA and ongoing CTC proceeding. PG&E cites Resolution E-3906 addressing its 2004 AET AL. In that resolution, the Commission approved an analogous proposal where a final decision in PG&E’s 2005 ERRA and ongoing CTC forecast proceeding was not issued by year-end.

In Resolution E-3906 we allowed PG&E to amortize its ERRA and MTCBA balances, prior to a final decision in its ERRA and ongoing CTC forecast proceeding, for the same reasons it requests in this case, i.e., to avoid a large undercollection which would be subject to a trigger filing. Accordingly, we allow PG&E to amortize its year-end 2007 ERRA and MTCBA balances effective January 1, 2008, prior to a decision in A.07-06-006. This is subject to adjustment, audit, and verification of balances, and any further provisions in the decision in that proceeding which we now expect will be issued in early 2008.

PG&E requests that its 2007 Self Generation Incentive Program (SGIP) budget continue until a final decision is issued on its 2008 budget.

PG&E notes in its comments that a final decision in R.06-03-004 addressing its budget for the SGIP may not be issued prior to the end of 2007. In that event, PG&E requests that it be allowed to continue its 2007 SGIP budget until a new budget for 2008 is authorized by the Commission in R.06-03-004. PG&E states this is necessary to avoid rate volatility that could be caused by dropping the SGIP rate to \$0 on January 1, 2008, absent a decision by the end of this year, only to raise rates in early 2008 once a decision on the 2008 budget is issued.

To avoid rate volatility it is reasonable to allow PG&E to continue its 2007 SGIP budget on January 1, 2008, if a decision on its 2008 SGIP budget is not issued by the end of this year. This is subject to modification and adjustment by the Commission in R.06-03-004.

PG&E notes that while the BCRSBA balance will be transferred annually to the UGBA, it is not a subaccount of the UGBA.

In AL 3115-E, PG&E requested that the BCRSBA, which was approved by the Energy Division on March 1, 2007 in AL 3003-E, be added to the list of accounts amortized annually through the AET advice letter process. PG&E notes that the BCRSBA does not have its own rate component, and that upon approval by the Commission of this AET, the BCRSBA will be transferred annually to the UGBA. PG&E further notes that the BCRSBA is not a subaccount of the UGBA, as the BCRSBA has its own preliminary statement and general ledger account. Text in this Resolution has been modified to reflect this information.

Minor edits have also been made in the Background, Findings, and Ordering Paragraphs to provide clarification and correct dates, including the date by which changes must be approved to be consolidated with rates on January 1, 2008.

Finding 16 has been corrected to properly reflect that all revenue requirement changes consolidated on January 1, 2008 will also reflect Phase 2 of the GRC. PG&E states that before rates can be implemented and reflected on customers' bills, a series of testing procedures must be performed, which take at least 10 days. As a result, in AL 3115-E, PG&E proposes to consolidate in electric rates authorized revenue requirement changes approved by the Commission by December 20, 2007, the last scheduled Commission meeting. Ordering Paragraph 3.c. has been corrected to reflect that date.

FINDINGS

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 is scheduled to be completed prior to the end of the year.
2. PG&E filed AL 3115-E on August 31, 2007, proposing to establish 2008 electric rates to recover balances in accounts, establish the 2008 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and

- consolidate Commission- and FERC-authorized rate changes effective January 1, 2008.
3. It is reasonable to authorize PG&E's request to submit the December 2007 supplemental advice letter with forecasted December 31, 2007 account balances which include recorded data through October 31, 2007.
 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, base transmission (transmission owner or TO) rate changes, and end-use customer refunds.
 5. It is just and reasonable for PG&E to begin recovering in rates FERC-authorized revenues addressed in AL 3115-E, after FERC makes rates effective to recover those revenues.
 6. In Resolution E-3956, the Commission allowed PG&E to consolidate in rates effective January 1, 2006 amortization of December forecast balances updated to reflect recorded data as of November 30, 2005 in the DRAM, PPPRAM, NDAM, UGBA, ERFBA, PCCBA, RRBMA, HSM, CAREA, ERBBA, HA, EVBA, FERABA, ATFA, and ILPMA.
 7. In Resolution E-4032, the Commission allowed PG&E to consolidate in rates effective January 1, 2007 amortization of December forecast balances updated to reflect recorded data as of November 30, 2006, in the PEERAM, CEEIA, SBA, DRRBA, and the PCBA.
 8. It is reasonable for PG&E to amortize the balances in its ERRRA and ongoing CTC/MTCBA accounts effective January 1, 2008, in anticipation of a decision in A.07-06-006.
 9. It is reasonable for PG&E to continue its 2007 SGIP budget until a new budget for 2008 is authorized by the Commission subject to modification and adjustment by the Commission in R.06-03-004.
 10. Along with recovery of accounts previously approved for recovery in the AET through Resolutions E-3906, E-3956, and E-4032, PG&E should consolidate in rates effective January 1, 2008 amortization of December forecast balances updated to reflect recorded data as of October 31, 2007 in the BCRSBA.
 11. The ERFBA and EVBA have since been eliminated and will no longer be used to recover balances through the AET.
 12. PG&E should reflect in rates the revenue requirement changes approved in formal Commission and FERC proceedings, and approved in advice letters prior to the end of 2007 as specified in this resolution.

13. PG&E should be allowed to amortize, subject to future review and adjustment if necessary by the Commission, all accounts authorized in the ordering paragraphs of this resolution.
14. PG&E should supplement AL-3115 by December 31, 2007 to reflect the revenue requirement changes authorized by the Commission and FERC, and to update balances in accounts specified in this resolution to be amortized beginning January 1, 2008. The updated balances, revenues, and rates should be subject to future adjustment pending review of the supplement to AL 3115-E.
15. The balances in all accounts authorized for recovery by this resolution should be subject to future review 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.
16. PG&E should consolidate all rate changes resulting from Phase 2 of its 2007 GRC and its 2008 AET on January 1, 2008.

THEREFORE IT IS ORDERED THAT:

1. PG&E's request in Advice Letter 3115-E is approved with modifications as 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. No later than December 31, 2007, PG&E shall file a supplement to AL 3115-E with revised tariffs. The supplemental filing shall be effective on January 1, 2008, 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 adjustment by the Commission. PG&E shall provide to the Energy Division and any party requesting, 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, 2007 forecast amounts, updated with recorded data as of October 31, 2007, balances in the following accounts: ERRRA, MTCBA, DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, RRBMA, HSM, CAREA, ERBBA, HA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, and BCRSBA;
 - b. Reflect in rates the 2008 ERBBA revenue requirement using the most recent Commission adopted rate of return;

- c. Reflect in rates all Commission and FERC-authorized revenue requirement changes approved on or before December 20, 2007, as specified in this resolution.
4. Balances in all accounts authorized for recovery by this resolution are subject to review, verification, and adjustment if necessary by the Commission.
5. In accordance with accounts authorized for amortization in Resolutions E-3906, E-3956, and E-4032, if PG&E requests amortization of future balances in the DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, RRBMA, HSM, CAREA, ERBBA, HA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, and/or BCRSBA, 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.
6. PG&E is authorized to continue its 2007 SGIP budget until a new budget for 2008 is authorized by the Commission subject to modification and adjustment by the Commission in R.06-03-004.

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 6, 2007; the following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners