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Decision 07-05-058 May 24, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39-M) for Authorization, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2007.	Application 05-12-002 (Filed December 2, 2005)
Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Service, and Facilities of Pacific Gas and Electric Company (U 39-M).	Investigation 06-03-003 (Filed March 2, 2006)

OPINION ADOPTING A SETTLEMENT AGREEMENT REGARDING THE CLOSURE OF NINE FRONT COUNTERS

TABLE OF CONTENTS

Title **Page**

OPINION ADOPTING A SETTLEMENT AGREEMENT REGARDING THE CLOSURE OF NINE FRONT COUNTERS

1. Summary

This Opinion adopts an uncontested Settlement Agreement (Settlement) that allows Pacific Gas and Electric Company (PG&E) to close nine of its 84 front counters where customers can pay their bills and perform other transactions. The Settlement requires PG&E to provide customers with notice of the closure and to take certain steps to mitigate the impact of the closure on customers. PG&E will reduce its gas and electric rates by a total of $2,757,000 through 2010 to reflect cost savings from the closure.

This Opinion resolves all remaining issues identified in the Scoping Memo and is being issued within 18 months of the Scoping Memo as mandated by Pub. Util. Code § 1701.5.[1] However, this proceeding cannot be closed at this time because of pending applications to rehear a prior decision in this proceeding.

2. Procedural Background and Chronology

PG&E has 84 front counters throughout its service territory that offer a variety of customer services. For example, customers can pay their utility bills with cash at front counters, turn service on and off, resolve billing and service issues, and restore service following discontinuation for nonpayment of bills.

In Application (A.) 05-12-002, PG&E requested, among other things, authority to increase its general rate case (GRC) revenue requirement and to close all 84 of its front counters by June 30, 2007. PG&E asserted that it could provide the services offered by front counters at less cost through its Call Center

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[1] All statutory references pertain to the Public Utilities Code.

and Neighborhood Payment Centers (NPCs) operated by third parties. Closing all front counters would reduce PG&E's revenue requirement by $24 million annually starting in 2008. If the Commission rejected PG&E's proposal, PG&E requested $37.1 million in expenses for front counters in 2007 and $0.15 million for capital expenditures in 2007.

The following parties submitted testimony responding to PG&E's proposal to close its front counters: the Division of Ratepayer Advocates (DRA), the California Farm Bureau Federation (CFBF), the Greenlining Institute (Greenlining), and The Utility Reform Network (TURN). The Coalition of California Utility Employees (CCUE) intervened but did not submit testimony.

Ten public participation hearings (PPHs) were held during April and May, 2006.[2] Hundreds of letters were also received from the public. Much of the public's input focused on PG&E's proposal to close all front counters.

On May 26, 2006, most of the active parties for front-counter issues filed a joint motion to defer to Phase 2 of this proceeding all issues regarding PG&E's proposal to close its front counters. The unopposed motion was granted by the assigned Administrative Law Judge (ALJ) in a ruling issued on May 30, 2007.

In Decision (D.) 07-03-044, the Commission resolved all GRC issues except PG&E's proposal to close its front counters. That Decision also provided PG&E with funding to operate all of its front counters, and ordered PG&E to not make any significant reductions to the staffing or operations of its front counters pending the Commission's consideration of front-counter issues in Phase 2.[3]

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2 The PPHs were held in Oakland, Ukiah, Santa Rosa, King City, Salinas, San Louis Obispo, Modesto, Fresno, Woodland, and Chico.

3 D.07-03-044, Ordering Paragraph 5.

The active parties on front-counter reached a settlement and held a noticed settlement conference on February 15, 2007, as required by Rule 12.1(b) of the Commission's Rules of Practice and Procedure (Rule). On April 3, 2007, the active parties filed and served a Settlement Agreement[4] and a Motion to adopt the Settlement.[5] The Settlement resolves all issues regarding PG&E's proposal to close its front counters. The parties that signed the Settlement are PG&E, CFBF, CCUE, DRA, Greenlining, and TURN (together, "the Settling Parties"). A copy of the Settlement Agreement is in Appendix B of today's Opinion.

There were no comments submitted on the Settlement Agreement pursuant to Rule 12.2. Thus, the Settlement is unopposed.

On April 24, 2007, the Settling Parties filed additional information regarding the Settlement in response to an inquiry from the assigned ALJ.

3. Summary of the Settlement Agreement

3.1. The Settling Parties' Litigation Positions

In A.05-12-002, PG&E requested authority to close all 84 of its front counters by June 30, 2007, and to reduce rates by $24 million annually starting in 2008. DRA, CFBF, and TURN opposed any closures. TURN also recommended that PG&E reduce the cost of front counters by 20%. Greenlining did not oppose PG&E's proposal, but expressed concern about the impact that PG&E's proposal

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4 *Settlement Agreement Among Pacific Gas and Electric Company, Division of Ratepayer Advocates, The Utility Reform Network, the Greenlining Institute, the California Farm Bureau Federation and the Coalition of California Utility Employees* (referred to hereafter as "the Settlement Agreement" or "the Settlement").

5 *Motion of Pacific Gas and Electric Company, Division of Ratepayer Advocates, the California Farm Bureau Federation, the Coalition of California Utility Employees, the Greenlining Institute and The Utility Reform Network for Approval of Settlement Agreement* filed (referred to hereafter as the "Settlement Motion" or "the Motion").

would have on underserved communities. CCUE intervened on behalf of union members affected by PG&E's proposal.

The Settling Parties represent all the active parties on front-counter issues. They ask the Commission to approve the Settlement Agreement without modification and to find that the Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.

3.2. Summary of the Settlement Terms

The Settlement Agreement allows PG&E to close nine of its 84 front counters within six months of Commission approval. The front counters to be closed are located in Alameda, Corcoran, Geyserville, Half Moon Bay, Newman, Orland, Petaluma, Willits, and Willow Creek. These front counters were selected based on their relatively low transaction volumes and their proximity to other PG&E front counters. PG&E will reduce rates by a total of $2,757,000 through 2010 to pass through the savings from the closure of the nine front counters.[6]

The Settlement includes a Closure Plan that requires PG&E to notify by mail all customers who have used the nine front counters in the prior 12 months that these counters will be closed. The notice will provide information about alternatives to the closed front counters, including the locations of nearby NPCs. PG&E will also meet with representatives of the towns affected by the closures to discuss ways to reduce the impacts on these communities.[7]

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[6] Settlement, paras. 9 and 25. This projected savings of $2,757,000 assumes a July 1, 2007, closure date and will be prorated if the front counters are closed at a later date.

[7] Settlement, para. 26 and Attachment 3 of the Settlement.

PG&E will maintain for three years at least the same number of NPCs in close proximity to the nine front counters as existed on January 1, 2007.[8] Each of these NPCs will have a public phone located on premises or within one block that customers can use to call PG&E. PG&E will encourage NPCs to provide multilingual staff, to maximize the hours and days of operation, and to stock brochures on PG&E's low-income programs. PG&E will also work with Greenlining to incorporate additional criteria in PG&E's semi-annual NPC audits to address Greenlining's concerns about NPC service.[9]

On a pilot basis, PG&E will establish a call center for agricultural customers staffed by agricultural specialists. The new call center will have its own toll-free number that is separate from the toll-free number for PG&E's main Call Center. The call center for agricultural customers will be staffed weekdays from 7:00 a.m. to 7:30 p.m. and on Saturdays from 7:00 a.m. to 4:30 p.m. PG&E will work with CFBF to promote the use of this call center. PG&E agrees to operate the pilot program for at least one year, and PG&E may make the program permanent if it proves useful to agricultural customers.[10]

PG&E will dedicate two field representatives to agricultural issues. If an agricultural customer has a problem that cannot be resolved over the phone by the new call center, the problem will be referred to the dedicated field

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8 As required by D.98-07-077, PG&E provided in A.05-12-002 a list of all NPC locations and their general proximity to each of the 84 front counters. (Exhibit PG&E-5-WP06A&B, pp. 6AB-2 to 6AB-6.) PG&E listed a total of 378 NPCs.

9 Settlement, paras. 15, 20, 21, and 22.

10 Settlement, para. 16, and supplemental filing on April 24, 2007.

representative closest to the customer's location. The representative will then call the customer to resolve the issue or schedule a time to meet.[11]

PG&E will not close additional front counters for a minimum of three years from the date the Commission approves the Settlement. After three years, PG&E may seek to close up to 20 additional front counters, but such closures will not occur until after the Commission issues a decision authorizing additional closures in PG&E's 2011 test-year GRC. The other Settling Parties reserve the right to protest any future proposal to close front counters.[12]

Finally, the Settlement provides that PG&E employees affected by the closures may exercise their rights under pertinent labor agreements. The Settlement also requires ratification by appropriate union membership,[13] which was obtained on March 30, 2007.[14]

3.3. Declarations in Support of the Settlement Agreement

The Settlement Motion includes two sworn declarations from PG&E's expert witnesses Steve Phillips and Bruce T. Smith.[15] Phillips states that the nine front counters to be closed represent less than 4% of all payment transactions and less than 3% of all non-payment transactions at front counters in 2005. He also represents that PG&E notified customers of its proposal to close all 84 front counters by (1) mailing notices to all customers, and (2) posting notices at all

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[11] Settlement, para. 17.

[12] Settlement, paras. 9, 10, 11, 12, and 14.

[13] Settlement, paras. 23 and 27.

[14] Settlement Motion, p. 5.

[15] The declarations were admitted into the evidentiary record as Exhibits PG&E-80 and PG&E-81 pursuant to a ruling issued by the assigned ALJ on April 23, 2007.

front counters from September 1, 2005, to October 21, 2005. During this period, PG&E received approximately 1,000 responses. Of the 1,000 responses, 19 were from customers using one of the nine front counters to be closed. Of the 19, one customer supported the closures and 18 opposed. Of the 18 opposing, one thought the co-located field service center was closing, not the front counter. The remaining commentators mostly cited convenience and the ability to talk to a person face-to-face as their reasons for wanting the front counters to stay open.

Mr. Phillips states that payment alternatives exist for all nine front counters in the form of NPCs that provide longer operating hours at all nine sites and alternative language capabilities at six of the nine. Seven of the nine front counters to be closed have an NPC within one mile. Eight of the nine are located within 30 minutes driving time of another PG&E front counter.

Mr. Phillips also asserts that there are no transactions that require a customer to go to a front counter. Payments can be made in a variety of ways, including by mail, NPCs, by phone, electronic debiting, and on-line at pge.com. Phillips states that all non-payment transactions can be handled by calling PG&E's regular toll-free number, which is available 24 hours a day and can provide services in over 150 languages.

Mr. Smith's declaration provides the details of the forecasted total savings of $2,757,000 through 2010 from the closure of the nine front counters.

4. Discussion

4.1. Standard of Review

Rule 12.1(d) provides the following standard of review for all settlements:

> The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

The proponents of a settlement have the burden of demonstrating that the settlement satisfies Rule 12.1(d).

The Commission favors the settlement of disputes. This policy supports many goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results. This policy weighs against the Commission's alteration of uncontested settlements such as the one before us here. As long as a settlement as a whole is reasonable in light of the record, consistent with the law, and in the public interest, it should be adopted without alteration.[16]

4.2. Reasonable in Light of the Whole Record

There is a broad and detailed record regarding front-counter issues that includes public input at the PPHs, written testimony from several parties,[17] and the two declarations attached to the Settlement Motion. The record shows that adopting the Settlement Agreement will enable PG&E to reduce costs and rates for all customers while maintaining service quality for those who have historically used front counters.

The primary concern of those parties who opposed PG&E's proposal to close all 84 of its front counters was the adverse impact that PG&E's proposal would have on those customers who use front counters. The Settlement Agreement resolves this concern by keeping 75 of 84 front counters open, and closing nine front counters that together represent only 3.3% of all transactions at

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16 D.06-06-014, *mimeo.*, p. 12.

17 The written testimony includes exhibits PG&E-5, Chapters 6, 6A, and 6B; PG&E-5-WP06A&B; PG&E-18, Chapter 29; DRA-9; GI-2; and TURN-2. Although CFBF served written testimony (Exhibit CFBF-1), this testimony was not offered for admittance into the record.

front counters. Thus, the vast majority of customers who use front counters are unaffected by the Settlement.

Of those customers who are affected, the record shows that they will have reasonably comparable alternatives to the services provided by the nine closed front counters because:

- Eight of the nine front counters to be closed are within 30 minutes driving time of at least one other front counter that remains open. (Settlement Agreement, para. 9, Table 1.)
- PG&E will maintain for the next three years at least the same number of NPCs in close proximity to the nine front counters. (Settlement Agreement, para. 15.)
- NPCs are usually open longer hours than front counters. No front counters are open on nights or weekends, while 80% of NPCs are open on Saturday and 40% on Sunday. For customers at risk of shutoff and who wish to make an in-person payment during evenings or weekends, NPCs offer the option to do so. Upon paying their bill at an NPC and obtaining a receipt, customers may then call PG&E's toll-free number, available 24/7, to inform PG&E of their payment. PG&E's customer service representative can then immediately cancel the field order to prevent shutoff. (Exhibit PG&E-18, pp. 29-10 and 29-11.)
- Customers with delinquent bills who need to make payments expeditiously can do so at NPCs or by calling PG&E 24/7. If such customers need to make pay-plan arrangements, they can do so by calling PG&E 24/7. (Exhibit PG&E-18, p. 29-9.)
- PG&E will implement a five-day grace period after the bill is due so there should be no situation where a customer making a payment at an NPC (or via the Call Center) on the bill's due date is charged a late payment fee. (Exhibit PG&E-18, p. 29-19.)
- While six types of nonpayment transactions have historically been handled by front counters exclusively, this is no longer true. These six transactions accounted for approximately 10% of all nonpayment transactions at front counters in 2004. PG&E has

already modified five of the six processes to eliminate the need for customers to visit a front counter for these services. The redesign of the remaining transaction will be completed by early 2007 and prior to closure of any front counters. The redesigned processes are easier for customers in that they no longer have to go to a front counter, but may use the NPCs or the Call Center. Moreover, customers accessing service via the Call Center may do so 24/7 from the convenience of their home, office, or cell phone; and they may obtain service at the Call Center in 150 non-English languages, a clear benefit to many PG&E customers. (Exhibit PG&E-18, pp. 29-12 and 29-13.)

- To meet the special needs of agricultural customers, PG&E will create, on a pilot basis, a call center with its own toll-free phone line staffed by agricultural specialists. If the line is utilized and valued by agricultural customers, PG&E may make this an on-going service. (Settlement Agreement, para. 16.)
- PG&E will dedicate two field representatives to agricultural issues. If an agricultural customer's problem cannot be resolved over the phone, the problem will be referred to the dedicated field representative closest to the customer's location. The field representative will then call the customer to resolve the issue or schedule a time to meet. (Settlement Agreement, para. 17.)
- PG&E and Greenlining will work collaboratively to develop a plan that addresses Greenlining's concerns for underserved communities that rely on front-counters. To this end, Greenlining will help PG&E to identify service improvements. (Exhibit PG&E-18, p. 29-3; Settlement Agreement, para. 22.)
- PG&E's engineering, field, and emergency operations that are co-located with some front counters are not affected by the closure of front counters. (Exhibit PG&E-18, p. 29-14.)

To ensure that affected customers are aware of the alternatives available to them, the Settlement requires PG&E to mail a notice to all customers who have used the nine front counters in the previous 12 months that these front counters will be closed. PG&E will also post a notice at each of the nine front counters for a 45-day period prior to closure. The mailed and posted notices will inform customers of alternate payment options, including the locations of nearby NPCs. Additionally, PG&E will meet with representatives of each of the towns affected by the closures to discuss ways to reduce the impacts on the community.[18]

The Settlement's reduction to PG&E's revenue requirement of $2,757,000 through 2010 is supported by PG&E's uncontested testimony on this matter. TURN recommended a 20% across-the-board reduction for all 84 of PG&E's front counters, which is not adopted by the Settlement. PG&E's rebuttal testimony to TURN's recommendation provides reasonable support for the Settlement outcome on this matter.[19]

A major factor in determining whether a settlement is reasonable is the extent to which the settlement fairly balances the interests at stake.[20] PG&E supports the Settlement in the interest of its shareholders. Rather than close all 84 front counters, PG&E has significantly compromised its position. DRA supports the Settlement in the interest of all public utility customers pursuant to its authority under § 309.5(a). CFBF, Greenlining, and TURN support the Settlement on behalf of the consumer interests they represent. DRA, CFBF, and TURN were originally opposed to any closures, but have agreed to the closure of nine front counters as part of an overall settlement. Greenlining is also supportive because of the measures included in the Settlement to mitigate the effects of closure on underserved communities. CCUE supports the Settlement in the interest of PG&E's union employees. The Settling Parties state that they

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18 Settlement Agreement, para. 26 and Attachment 3 of the Settlement.

19 Exhibit PG&E-18, p. 29-18.

20 D.04-12-015, 2004 Cal. PUC LEXIS 574, *66.

represent all of the affected interests and that the Settlement fairly balances those interests.[21] We agree.

We conclude for the previous reasons that the Settlement is reasonable in light of the whole record. We also find that the Settlement Agreement provides sufficient information to enable the Commission to (1) implement the provisions, terms, and conditions of the Settlement, and (2) discharge its future regulatory obligations with respect to the parties and their interests.

4.3. Consistent with the Law

No party alleges that the Settlement is inconsistent with the law. Based on our review of the Settlement, we find that it complies with all applicable statutes, tariffs, and Commission decisions. Of particular relevance is the Settlement's compliance with D.95-12-055, issued in PG&E's 1996 GRC proceeding. That Decision requires PG&E to (1) obtain Commission approval before it closes any front counters, and (2) describe the notice that PG&E provided to customers regarding a proposed closure, the service alternatives available to customers, and the responses that PG&E received from customers and local officials.[22] PG&E provided a satisfactory demonstration of its compliance with D.95-12-055 in Exhibit PG&E-5 and supporting workpapers.[23]

4.4. The Public Interest

PG&E's front counters are heavily used. Approximately 10% of all customer transactions occur at front counters. During 2005, there were 5,641,305

21 Settlement Motion, p. 6.

22 D.95-12-055, 1995 Cal. PUC LEXIS 965, *154.

23 Exhibit PG&E-5, pp. 6A-11 to 6A-15. The supporting work papers are contained in Exhibit PG&E-5-WP06A&B.

transactions at front counters,[24] including 188,432 transactions at the nine front counters at issue here.[25]

The importance of the front counters to PG&E's customers was highlighted at the PPHs where numerous speakers said that PG&E's front counters provide essential customer services. For example, several speakers explained that many farm workers lack checking accounts and rely on front counters to pay their bills in cash. Other speakers described how farmers' difficulties with PG&E can be very complicated. These speakers described how the staff at front counters in agricultural communities understand the special needs of farmers and can resolve problems quickly, while the PG&E's representatives in a distant call center are generally unfamiliar with the intricacies of arcane agricultural tariffs.[26]

In light of the clear public need for the services provided by PG&E's front counters, we concur with the Settlement outcome that keeps 75 of 84 front counters open. With respect to the nine front counters slated for closure, we concluded that it is in the public interest to close these front counters, with the resultant savings passed through to PG&E's ratepayers, only if the customers who use these nine front counters have reasonably comparable alternatives.

We find that the Settlement Agreement does provide reasonable alternatives. The nine front counters slated for closure were selected based, in part, on their proximity to front counters that will remain open. As shown in

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24 Exhibit DRA-9, p. 9-16.

25 Settlement Agreement, para. 9, Table 1.

26 See, generally, Reporter's Transcript of the PPHs held in Woodland and Chico on May 17 and 18, 2006, respectively.

Table 1 of the Settlement, eight of the nine front counters are within a 30-minute drive of another front counter. The Settlement also provides that PG&E will maintain for the next three years at least the same number of NPCs in close proximity to the nine front counters.[27] Further, there are no transactions that require a customer to go to a front counter. Payments can be handled in several ways, including by mail, by calling PG&E's toll-free number, on-line at pge.com, and in person at NPCs. All non-payment transactions can be handled by calling PG&E's toll free number, which is available 24/7 and can provide services in over 150 languages.[28]

One of the main concerns expressed at the PPHs was that agricultural customers rely on front counters to resolve problems. To address this concern, the Settlement requires PG&E to (1) establish, on a pilot basis, a call center for agricultural customers that has its own toll-free line and is staffed by agricultural specialists; and (2) dedicate two field representatives to agricultural issues.[29] We find that these measures will ensure that agricultural customers receive service that is reasonable comparable to that provided by the nine closed front counters.

The other major concern expressed at the PPHs was that front counters provide a place where persons without a checking account can pay their utility bills in cash, or where persons can pay their bills at the last minute. The record shows that NPCs accept both cash payments and last-minute payments. Last-minute payments that are non-cash can also be made at any time by calling

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[27] Settlement, para. 15.

[28] Exhibit PG&E-80, Declaration of Stephen Phillips, para. 4.

[29] Settlement, paras. 16 and 17.

PG&E or online at pge.com.[30] We find that these alternatives are reasonably comparable to the services provided by the nine closed front counters.

PG&E agrees in the Settlement Agreement to make a good faith effort to educate customers who use the nine front counters about the available alternatives.[31] Attachment 3 of the Settlement Agreement contains a "Closure Plan" that describes the procedures that PG&E will use to notify customers.

We conclude that the uncontested Settlement is in the public interest because it permits PG&E to reduce costs and rates by closing nine front counters with relatively few transactions while ensuring that customers directly affected by closure receive reasonably comparable service through alternate means.

4.5. Conclusion and Implementation

For all of the previous reasons, we conclude that the uncontested Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest. Therefore, we will grant the Settling Parties' Motion to adopt the Settlement Agreement. In accordance with Rule 12.5, the adopted Settlement Agreement is binding on all parties. Such adoption does not constitute approval of, or precedent regarding, any principle or issue.

The declaration of Bruce T. Smith attached to the Settlement shows that adopting the Settlement reduces PG&E's revenue requirement by a total of $2,757,000 through 2010 (assuming the nine front counters are closed on July 1, 2007). As set forth in the declaration, PG&E shall pass these savings to its customers by reducing the annual base revenue recorded in the electric

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[30] Exhibit PG&E 18, Chapter 29, pp. 29-9 - 29-11.

[31] Settlement, para. 13.

Distribution Revenue Adjustment Mechanism and the gas Core Fixed Cost Account. These savings shall be allocated 55% to electric and 45% to gas.

PG&E shall file advice letters with revised tariff sheets to implement the Settlement. The annual amount credited to customers shall mirror the amounts shown in the declaration of Bruce T. Smith, except the amount for 2007 may be adjusted to reflect the actual date the nine front counters are closed. The advice letters should be filed and processed in accordance with the procedures described in D.07-01-024 and General Order (GO) 96-B for Tier 1 advice letters.

5. Compliance with § 1701.5

This is a ratesetting proceeding. As such, the Commission is required by § 1701.5 to resolve all issues identified in the scoping memo within 18 months from the date the scoping memo was issued. The assigned Commissioner issued his Ruling and Scoping Memo on February 3, 2006. Today's Opinion resolves all remaining issues set forth in the assigned Commissioner's Ruling and Scoping Memo and within the 18-month period mandated by § 1701.5. However, this proceeding cannot be closed at this time because of two pending applications to rehear D.07-03-044 that were timely filed on April 20, 2007.

6. Waiver of the Comment Period

This is an uncontested matter in which the Commission's Opinion grants the relief requested. Therefore, the otherwise applicable 30-day period for public review and comment is waived pursuant to § 311(g)(2) and Rule 14.6(c)(2).

7. Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Timothy Kenney is the assigned ALJ for this proceeding

Findings of Fact

1. The Settlement Agreement is uncontested and is supported by a comprehensive and detailed record.

2. The Settling Parties fairly represent the affected interests.

3. The Settlement Agreement represents a fair compromise of the Settling Parties' positions and interests.

4. The Settlement Agreement provides sufficient information to enable the Commission to (i) implement the provisions, terms, and conditions of the Settlement, and (ii) discharge its future regulatory obligations with respect to the parties and their interests.

5. The Settlement provides customers directly affected by the closure of the nine front counters with reasonably comparable service through alternate means.

6. The Settlement Agreement reduces PG&E's revenue requirement by $2,757,000 for the period of July 2007 through 2010. This reduction may be adjusted based on the date when the nine front counters are actually closed.

7. Today's Opinion resolves all remaining issues identified in the assigned Commissioner's Ruling and Scoping Memo issued on February 3, 2006, and does so within the 18-month period mandated by § 1701.5.

Conclusions of Law

1. The Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. The Motion to adopt the Settlement Agreement should be granted.

3. To pass through to ratepayers the reduction in PG&E's revenue requirement from the Settlement, PG&E should follow the guidance provided in the declaration of Bruce T. Smith that is attached to the Settlement Agreement.

4. PG&E should file advice letters with revised tariff sheets to implement the Settlement. The advice letters should be filed and processed in accordance with the procedures described in D.07-01-024 and GO 96-B for Tier 1 advice letters.

5. The following order should be effective immediately so that the Settlement Agreement adopted therein may be implemented expeditiously.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement contained in Appendix B of this Order is adopted.

2. PG&E shall file advice letters with revised tariff sheets to implement the adopted Settlement Agreement. The advice letters shall be filed and processed in accordance with the procedures described in Decision 07-01-024 and General Order 96-B for Tier 1 advice letters. In addition, the advice letters shall be limited to implementing the adopted Settlement Agreement, and shall not incorporate other revenue requirement or tariff changes outside of the Settlement Agreement.

3. The reduction to PG&E's revenue requirement set forth in Attachment 2 of the Settlement Agreement shall be flowed to customers in accordance with the provisions of Attachment 2. The reduction to PG&E's revenue requirement for 2007 that is set forth in Attachment 2 may be adjusted, on a prorated basis, to reflect the date when PG&E actually closes the nine front counters identified in the Settlement Agreement.

4. The Motion to adopt the Settlement Agreement is granted.

This Order is effective today.

Dated May 24, 2007, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
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Appendix A:

List of Appearances

A.05-12-002 and I.06-03-003

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(END OF APPENDIX A)

Appendix B:

Settlement Agreement Regarding Front Counter Issues

Note: The Signed Copy of the Settlement Agreement is in the Formal File for this proceeding. Appendix B of today's Opinion is a copy of the Settlement Agreement that does not show the parties' signatures.

Settlement Agreement Among Pacific Gas and Electric Company, Division of Ratepayer Advocates, The Utility Reform Network, the Greenlining Institute, the California Farm Bureau Federation, and the Coalition of California Utility Employees

SETTLEMENT AGREEMENT

1. As a compromise among their respective litigation positions, and subject to the Settlement Conditions set forth in Section 3 of this Agreement, the parties to this Settlement (Settling Parties) agree on a mutually acceptable outcome regarding Pacific Gas and Electric Company's (PG&E) proposal set forth in Application (A.) 05-12-002, Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2007 to close the front counters at all of its 84 local offices ("PG&E proposal"). The Settlement is presented to the Commission pursuant to Rule 12 of the Commission's Rules of Practice and Procedure.

SETTLING PARTIES

2. The Settling Parties are as follows: the Division of Ratepayer Advocates (DRA), PG&E, The Utility Reform Network (TURN), the California Farm Bureau Federation (CFBF), the Greenlining Institute (Greenlining) and the Coalition of California Utility Employees (CCUE).

SETTLEMENT CONDITIONS

3. The Settling Parties agree to the following general conditions:

   a. This Settlement resolves all issues in this docket associated with PG&E's proposal.

b. This Settlement and attachments thereto embody the entire understanding and agreement of the Settling Parties with respect to the matters described and supersede prior oral or written agreements, principles, negotiations, statements, representations, or understandings among the Settling Parties with respect to those matters.

c. Except as specifically provided herein, the Settling Parties agree that this Settlement should not constitute precedent regarding any principle or issue in this proceeding or in any future proceeding.

d. The Settling Parties agree that this Settlement is reasonable in light of the entire record, consistent with law, and in the public interest.

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

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

g. The Settling Parties shall jointly request Commission approval of this Settlement and shall actively support prompt approval of the Settlement.

h. The Settling Parties intend the Settlement to be interpreted and treated as a unified, integrated agreement. In the event the Commission rejects or modifies this Settlement, the Settling Parties reserve their rights under Rule 12.4.

i. This document may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

j. This Settlement shall become effective among the Settling Parties on the date the last Party executes the Settlement as indicated below.

k. In witness whereof, intending to be legally bound, the Settling Parties hereto have duly executed this Settlement on behalf of the Settling Parties they represent.

SETTLING PARTIES LITIGATION POSITION

4. PG&E recommended that all local office front counters be closed on June 30, 2007, and stated that it would credit back to customers the associated revenue requirement.

5. DRA and the CFBF opposed any closures.

6. TURN opposed any closures and recommended that PG&E reduce the costs of providing services in local offices by 20 percent.

7. Greenlining did not specifically oppose PG&E's proposal, but pointed out in its testimony that the primary beneficiaries of the front counters are underserved communities and that the creation by itself of additional contract payment centers does not compensate for closing front counters. Greenlining stated that it would work closely with PG&E to develop an overall plan that will address PG&E's considerations and the needs of low-income communities.

8. CCUE intervened in this case on behalf of its unions whose 35,000 members work at nearly all of the electric utilities in California, including approximately 13,000 employees of PG&E. CCUE did not submit testimony regarding local offices, but was an active participant in the settlement discussions as many union members would have been affected by PG&E's proposal.

SETTLEMENT TERMS

9. Of PG&E's current total of 84 local offices, 9 local offices (as identified in Table 1) would be closed within 6 months of CPUC approval. ("approval date"). These 9 offices were selected based on the proximity of alternative PG&E offices nearby and/or low transaction volumes. PG&E will not seek any

additional office closures for a minimum of three years from the approval date. After three years, PG&E could propose to close up to a maximum of an additional 20 offices, with the understanding that PG&E would not in any event seek such closures until the California Public Utilities Commission issues a decision on the merits in response to PG&E's 2010 or 2011 test year GRC. PG&E will not seek any additional front office closures for a minimum of four years from the approval date or for one year following a Commission decision on the merits in response to PG&E's 2010 or 2011 GRC application, whichever comes later.

Table 1

No.	**Local Office**	**Basis for Closure Recommendation**	**Payment Volume 2005**	**Non-Payment Volume 2005**
9 Offices to be Closed within 6 months of CPUC Approval				
1	Alameda	Approx. 10 minutes to the Oakland office. Single commodity area, low volumes.	26,153	2,314
2	Newman	Approx. 25 miles to Turlock, Los Banos and Modesto, low volumes.	19,343	7,236
3	Orland	Approx. 25 minutes to Red Bluff and Chico, low volumes.	13,921	2,785
4	Willits	Approximately 20 minutes to Ukiah, low volumes.	11,436	3,994
5	Corcoran	Approximately thirty minutes to Lemoore, low volumes.	6,364	656
6	Willow Creek	Very low transaction volumes	9,581	1,675
7	Petaluma	Approx. 25 minutes to San Rafael and Santa Rosa, low volumes.	37,469	4,561
8	Half Moon Bay	Approx. 30 minutes to San Carlos, low volumes.	23,771	2,204
9	Geyserville	Approximately 25 minutes to Santa Rosa, low volumes.	12,741	2,228
Total			**160,779**	**27,653**
% of Total Transactions			**3.53%**	**2.56%**

10. In any future proposal to close local offices, PG&E will include within its showing data illustrating how customers formerly served by the 9 closed local offices received comparable payment and nonpayment transaction services after the closure of these offices. Such data shall include transaction volumes at Neighborhood Payment Centers in the vicinity of the closed offices before and after the closures.

11. PG&E agrees to determine via an annual survey the percentage of customers who use the remaining 75 front counters after calling the Call Center and the reasons why they used the front counters after contacting the Call Center. Two such surveys will be conducted following approval of this Settlement. PG&E shall make the results of these surveys available to interested parties upon request.

12. If PG&E at a later date seeks to close any of the remaining 75 front counters, PG&E shall include data showing that each type of transaction performed at the front counter slated for closure can be adequately resolved by other means.

13. PG&E will make a good faith effort to continue to educate customers on alternative payment and non-payment transaction options.

14. DRA, TURN, CFBF, Greenlining, and CCUE reserve the right to protest any PG&E proposal to close any front counter not listed in Table 1 and to assert that PG&E must provide information, analyses, and or studies in addition to the data listed in this Settlement. DRA, TURN, CFBF, Greenlining, and CCUE also reserve the right to challenge the accuracy or relevance of any data or

studies prepared by PG&E as part of this Settlement or any other data or studies PG&E may present as part of a future request to close additional front counters. PG&E reserves its right to argue that whatever justification it sets forth in a future request to close additional front counters is sufficient.

15. For each of the 9 local offices PG&E will close, PG&E will maintain for the next three years at least the same number of Neighborhood Payment Centers (NPCs) in close proximity to the local office proposed for closure as existed on January 1, 2007. PG&E will ensure that each of these Neighborhood Payment Centers has either a public phone located within one block, or a phone on the premises that PG&E customers making payments are authorized to use.

16. On a pilot basis, PG&E will create a call center with a toll free phone line staffed with agricultural specialists. PG&E will work with CFBF to communicate and promote the use of this line. Initially the line would be staffed from Monday through Friday from 7:00 AM to 7:30 PM and on Saturdays from 7:00 AM to 4:30 PM. If the line is utilized and valued by agricultural customers, PG&E would consider making this an on-going service.

17. PG&E will dedicate two account representatives throughout the service area to address agricultural customer issues. These representatives will be available to agricultural customers for field visits. Agricultural customers can call the dedicated line mentioned in item 16 above. If the Agricultural Customer Service Representative cannot solve the customer's problem over the phone, the Representative will refer the issue to the dedicated Agricultural Account Services field representative closest to the customer's

location. The Agricultural Account Services representative will then call the customer to resolve the issue or schedule a time to meet.

18. Representatives of PG&E and CFBF will meet on a semiannual basis or more frequently if conditions warrant to discuss implementation of the two items above and possible improvements thereto.

19. PG&E reserves the right, as part of its 2010 or 2011 test year General Rate Case, to modify or cancel the service commitments set forth in paragraphs 16, 17, and 18 above, and CFBF reserves its right to assert that such services should continue.

20. PG&E will encourage Neighborhood Payment Centers (NPCs) to provide multilingual staff appropriate to the languages spoken in that neighborhood and will make every effort to maximize the hours and days of operation of its NPC network.

21. PG&E will encourage NPCs to stock brochures on PG&E's low income programs.

22. PG&E will work with the Greenlining Institute to incorporate additional criteria in PG&E's semi-annual NPC audits to address Greenlining's particular concerns regarding NPC customer service issues.

23. Impacted local office employees will have all rights under Title 19 and applicable IBEW/PG&E Transformation Letter Agreements. PG&E will offer voluntary severance within the demotion unit of those offices that are going to be closed. The Company will accept the severance request if it results in a directly impacted employee being placed in a position as a result of the severance.

24. PG&E would be authorized, but not required, to increase its pay station network to a maximum of 800 locations.

25. The costs and savings associated with the closure of the 9 offices are described in the attached declaration of Steve Phillips and Bruce T. Smith, attached hereto as Attachments 1 and 2. Settling Parties agree that these declarations will be admitted into evidence in this proceeding.

26. PG&E will follow the procedures outlined in Attachment 3 in closing the 9 offices.

27. This Settlement is subject to, and expressly contingent on, any ratification that the IBEW deems necessary and approval by the CPUC.

28. PG&E, DRA, TURN, CFBF, Greenlining and CCUE agree to waive the confidentiality provisions of CPUC Rule 12 in order for the IBEW to seek ratification from its members prior to filing a motion requesting approval of the Settlement.

PACIFIC GAS AND ELECTRIC COMPANY	DIVISION OF RATEPAYER ADVOCATES
By: ______/s/__________________	By: ______/s/__________________
Name: PATRICK G. GOLDEN Date: February 15, 2007	Name: DANA S. APPLING Date: March 9, 2007
THE COALITION OF CALIFORNIA UTILITY EMPLOYEES	THE CALIFORNIA FARM BUREAU FEDERATION
By: _______/s/_______________	By: ________/s/________________
Name: MARC JOSEPH Date: February 15, 2007	Name: RONALD LIEBERT Date: February 15, 2007
THE UTILITY REFORM NETWORK	THE GREENLINING INSTITUTE
By: ________/s/______________	By: _________/s/________________
Name: HAYLEY GOODSON Date: February 15, 2007	Name: THALIA GONZALEZ Date: February 15, 2007

SETTLEMENT AGREEMENT

ATTACHMENT 1

DECLARATION OF STEVE PHILLIPS

I, Steve Phillips, declare:

1. I am employed by PG&E as a Manager in PG&E's Customer Operations department. My responsibilities include sponsoring testimony in regards to Local Office and Pay Station Operations (EXH (PG&E-05), Chapters 6, 6A and 6B) in PG&E's 2007 General Rate Case. I make this declaration in support of the settlement between PG&E, the Division of Ratepayer Advocates (DRA), The Utility Reform Network (TURN), California Coalition of Utility Employees (CCUE), California Farm Bureau Federation (CFBF), and the Greenlining Institute (Greenlining) regarding local office closures.

2. The proposed settlement would close the following nine front counters within 6 months of CPUC approval:
   a. Alameda
   b. Newman
   c. Orland
   d. Willits
   e. Corcoran
   f. Willow Creek
   g. Petaluma
   h. Half Moon Bay, and
   i. Geyserville

3. The volumes of transactions at these offices represent less than 4% of all payment transactions and less than 3% of all non-payment transactions made at front counters in 2005.

4. The costs and savings associated with the closure of the nine offices is shown in Attachment A. Data is included through 2010. This proposal would reduce PG&E's revenue requirements forecast as reflected in the declaration by Bruce Smith.

5. As stated in PG&E's testimony in Exhibit (PG&E-5) Chapter 6A, pp6A-11 to 14, PG&E posted notices in all local offices (including these nine) from September 1, 2005 to October 21, 2005, and mailed notices to all customers regarding the proposed office closures. During this period, PG&E received approximately 1000 responses. This represents less than 1 percent of the customers who visited the local offices during the noticing period and a much smaller percentage of the total number of customers served by PG&E. Out of the 1000 responses, only 19 responses were from customers using one of the nine front counters proposed to be closed. Of the 19, 1 customer supported the closures and 18 opposed. Of the 18 opposing, one thought the service center was closing, not the front counter. Of the remaining comments, most cited convenience and the ability to talk to a person face to face as their reasons for wanting the offices to stay open.

6. Payment alternatives exist for all nine offices in the form of Neighborhood Payment Centers (NPC) that provide longer operating hours at all sites and alternative language capabilities at six of the nine. Seven of the nine offices to be closed have a NPC within one mile. In addition, PG&E will make a good faith effort to continue to educate customers on alternative payment and non-payment transaction options.

7. Another PG&E office is located within 30 minutes driving time of eight of the nine offices to be closed.

8. PG&E believes that there are no longer any transactions that require a customer to go to a local office front counter and none of the alternatives to the front counter for either payment or non-payment transactions would result in the customer having to incur additional costs other than the cost of a

telephone call or stamp. Payments can be handled in a variety of ways, including pay by mail, Neighborhood Payment Centers, pay by phone, electronic debiting, and on-line at pge.com. PG&E believes that all non-payment transactions can be handled by calling PG&E's toll free 1-800 number, which is available 24 hours a day and can provide services in over 150 languages.

I declare under penalty of perjury under the laws of the state of California that the foregoing is true and correct.

Executed this 3rd day of April, 2007 at Sacramento, California.

/s/
Steve Phillips

Table A

Pacific Gas and Electric Company

Costs and Savings Associated with Leaving 75 Front Counters Open

			(Millions of Escalated $)*					
Activity	**2007**		**2008**		**2009**		**2010**	
	Expense	**Capital**	**Expense**	**Capital**	**Expense**	**Capital**	**Expense**	**Capital**
Chapter 6 - Proposed Local Office and Pay Station Operations Costs	$37.10	-	$38.29	-	$39.62	-	$41.00	
Exhibit 7, Chapter 7- Capital Real Estate (CRE)								
ADA Improvements	$0.95	-	$0.06	-	-	-		
Ergonomic Improvements	-	$1.95	-	$2.03	-	$2.11		
Seismic Improvements	-	-	$0.99	$1.14	-	-		
TOTAL COSTS	**$38.05**	**$1.95**	**$39.34**	**$3.17**	**$39.62**	$2.11	**$41.00**	-
Close 9 Local Offices -Leave 75 Open								
First six months local office's open (Includes base APS costs)	$18.17	-	-	-	-	-		
Pay Station Mgmt Costs	$0.33	-	$0.34	-	$0.35	-	$0.36	
Second six months APS costs and annual thereafter	$1.50	-	$3.00	-	$3.00	-	$3.00	
Transfer of payments to Mail	$0.00	-	$0.00	-	$0.00	-	$0.01	
Transfer of Local Office Payments to Pay Stations	$0.04	-	$0.09	-	$0.09	-	$0.09	
Call Centers Non-Payment Costs	$0.11	-	$0.23	-	$0.23	-	$0.24	
Preparation of Offices for Closure	$0.05	-	$0.02	-	-	-		
Retraining and Severance Costs	$0.09	-	-	-	-	-		
Office Closure Team Costs	$0.18	-	-	-	-	-		
Customer Education and Communications Costs	$0.25	-	$ -	$ -	$ -	$ -		
Capital Real Estate (CRE)								
ADA Improvements	$0.85		$0.05					
Ergonomic Improvements		$1.74		$1.81		$1.88		
Seismic Improvements	-		$ 0.99	$1.14				
Costs to keep 75 offices open	$16.37		$33.88		$35.16		$36.49	
TOTAL ALTERNATIVE COSTS	**$37.94**	**$1.74**	**$38.60**	**$2.95**	**$38.83**	**$1.88**	**$40.19**	**-**
TOTAL SAVINGS BASED ON SETTLEMENT AGREEMENT	**$(0.11)**	**$(0.21)**	**$ (0.74)**	**$(0.22)**	**$(0.79)**	**$(0.23)**	**$(0.81)**	**-**

** Amounts shown are in SAP dollars and include benefits and payroll taxes. For revenue requirements, please see the declaration of Bruce T. Smith.*

SETTLEMENT AGREEMENT

ATTACHMENT 2

DECLARATION OF BRUCE T. SMITH

I, Bruce T. Smith, declare:

1. I am employed by PG&E as a Manager in PG&E's Operations Revenue Requirements Department. My responsibilities include serving as project manager for PG&E's 2007 General Rate Case. I make this declaration in support of the settlement between PG&E, the Division of Ratepayer Advocates (DRA), the Utility Reform Network (TURN), California Coalition of Utility Employees (CCUE), California Farm Bureau Federation (CFBF), and the Greenlining Institute (Greenlining).

2. As described in the Declaration of Steve Phillips, the proposed settlement allowing PG&E to close nine front counters will allow PG&E to revise its customer services expenses and capital expenditures compared to the forecasts presented in the 2007 GRC. I have computed the reduction in PG&E's forecast revenue requirements for 2007 through 2010 based on the revised expense and capital expenditure forecasts presented in the Declaration of Steve Phillips based on a closure date of July 1, 2007. The revenue requirement reduction includes the reduction in customer service expense and the reduction in depreciation, return and taxes associated with lower capital expenditures and rate base. PG&E's forecast revenue requirements would be reduced as follows:

Year	Amount	
2007	$(115,000)	(beginning July 1)
2008	$(807,000)	
2009	$(898,000)	
2010	$(937,000)	
Total	$(2,757,000)	

3. The average reduction in PG&E's annual revenue requirement from July, 2007, through the end of 2010 due to the closure of the nine front counters would be $788,000 ($2,757,000/ 3.5). To pass this revenue requirement reduction on to customers, PG&E will reduce the annual base revenue amounts recorded in the electric Distribution Revenue Adjustment Mechanism (DRAM) and the gas Core Fixed Cost Account (CFCA) by $433,000 and $355,000, respectively. (The revenue requirement reduction is allocated 55% to electric and 45% to gas based on the number of customers.) PG&E will file Advice letters to make these revenue requirement reductions effective on the date of the front counter closures. Thus the total reduction in revenue requirement credited to customers from 2007 through the end of 2010 will be adjusted based on the actual date of the office closures.

4. The input data and revenue requirement computations are shown in Appendix A to this Declaration.

I declare under penalty of perjury under the laws of the state of California that the foregoing is true and correct.

Executed this 2nd day of April, 2007, at Walnut Creek, California.

/s/

Bruce T. Smith

Declaration of Bruce T. Smith
Appendix A

Computation of Revenue Requirement Reduction
Due To Closure of Selected Local Offices

INPUT DATA

	2007	2008	2009	2010
Plant				
Beginning of year balance	0.000	(210.000)	(430.000)	(660.000)
Addition[1]	(210.000)	(220.000)	(230.000)	0.000
End of year balance	(210.000)	(430.000)	(660.000)	(660.000)
Average	(105.000)	(320.000)	(545.000)	(660.000)
Half year average	(52.500)			
Depreciation				
Beginning of year balance	0.000	(1.748)	(12.404)	(30.553)
Expense (3.33%)	(1.748)	(10.656)	(18.149)	(21.978)
End of year balance	(1.748)	(12.404)	(30.553)	(52.531)
Average	(0.874)	(7.076)	(21.479)	(41.542)
Half year average	(0.437)			
Rate Base	(52.063)	(312.924)	(523.522)	(618.458)
Customer Service Expense[1]	(110.000)	(740.000)	(790.000)	(810.000)

[1] Data from Declaration of Steve Phillips

Declaration of Bruce T. Smith

Appendix A

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2007

INPUT DATA

Present Revenue		0
Other Operating Revenue		0
Fuel Expense		0
O&M Expense		0
A&G Expense		0
Customer Service Expense		(110)
Expense Adjustment		0
Depreciation Expense		2
Super Fund Tax		0
Property Tax		0
Payroll Tax		0
Other Taxes		0
Rate Base		(52)
State Expense Adjustment		0
State Depreciation Expense		0
State Tax Adjustment		0
Federal Expense Adjustment		0
Federal Depreciation Expense		0
Preferred Dividend Credit		0
Federal Tax Adjustments		0
Cost of Common Equity	11.22%	
Equity Ratio	52.00%	5.83%
Cost of Preferred	6.42%	
Preferred Ratio	2.50%	0.16%
Cost of Debt	6.10%	
Debt Ratio	45.50%	2.78%
	Total	8.77%
Uncollectibles Expense Rate		0.29%
Franchise Fee Rate		0.76%
State Tax Rate		8.84%
Federal Tax Rate		35.00%

Net to Gross Multiplier

Revenue Base		1.000000
Less: Franchise	0.007600	
Less: Uncollectibles	0.002900	
		0.010500
Net for State Income Tax		0.989500
State Income Tax	@ 8.84%	0.087472
Net for Federal Income Tax		0.902028
Federal Income Tax	@ 35.00%	0.315710
Net Operating Revenue		0.586318
Net to Gross Multiplier		1.705558

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2007

REVENUE REQUIREMENT SUMMARY	Present Revenues	Proposed Revenues
Base Revenue Amount	0	(115)
Other Revenue	0	0
Total Revenue	0	(115)
Operating Expenses		
Fuel Expense	0	0
O&M Expense	0	0
A&G Expense	0	0
Customer Service Expense	(110)	(110)
Franchise Fees	0	(1)
Uncollectible Accounts	0	(0)
Expense Adjustments	0	0
Total Operating Expenses	(110)	(111)
Depreciation	2	2
Taxes Other Than Income		
Super Fund Tax	0	0
Property Tax	0	0
Payroll Tax	0	0
Other	0	0
Total Other Taxes	0	0
Income Taxes		
State	10	(0)
Federal	36	(1)
Total Income Taxes	45	(1)
Total Expenses	(63)	(110)
Operating Income	63	(5)
Rate Base	(52)	(52)
Rate of Return	-120.70%	8.77%
Income Requirement @ 8.77%	(5)	(5)
Income Deficiency	(67)	0
Revenue Deficiency	(115)	0

State Tax Computation	Present Revenues	Proposed Revenues
Total Revenue	0	(115)
Less:		
Total Operating Expenses	(110)	(111)
Total Other Taxes	0	0
Interest Expense	(1)	(1)
Adjustments	0	0
Depreciation	0	0
Total Deductions	(111)	(113)
State Taxable Income	111	(2)
Current State Tax	10	(0)
Tax Adjustments	0	0
Total State Tax	10	(0)

Federal Tax Computation

Total Revenue	0	(115)
Less:		
Total Operating Expenses	(110)	(111)
Total Other Taxes	0	0
Interest Expense	(1)	(1)
Adjustments	0	0
Federal Depreciation	0	0
State Income Tax	10	(0)
Preferred Div Credit	0	0
Total Deductions	(102)	(113)
Federal Taxable Income	102	(2)
Current Federal Tax	36	(1)
Tax Adjustments	0	0
Total Federal Tax	36	(1)

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2008

INPUT DATA

Present Revenue		0
Other Operating Revenue		0
Fuel Expense		0
O&M Expense		0
A&G Expense		0
Customer Service Expense		(740)
Expense Adjustment		0
Depreciation Expense		(11)
Super Fund Tax		0
Property Tax		0
Payroll Tax		0
Other Taxes		0
Rate Base		(313)
State Expense Adjustment		0
State Depreciation Expense		0
State Tax Adjustment		0
Federal Expense Adjustment		0
Federal Depreciation Expense		0
Preferred Dividend Credit		0
Federal Tax Adjustments		0
Cost of Common Equity	11.22%	
Equity Ratio	52.00%	5.83%
Cost of Preferred	6.42%	
Preferred Ratio	2.50%	0.16%
Cost of Debt	6.10%	
Debt Ratio	45.50%	2.78%
	Total	8.77%
Uncollectibles Expense Rate		0.29%
Franchise Fee Rate		0.76%
State Tax Rate		8.84%
Federal Tax Rate		35.00%

Net to Gross Multiplier			
Revenue Base			1.000000
Less: Franchise	0.007600		
Less: Uncollectibles	0.002900		
		0.010500	
Net for State Income Tax			0.989500
State Income Tax	@ 8.84%		0.087472
Net for Federal Income Tax			0.902028
Federal Income Tax	@ 35.00%		0.315710
Net Operating Revenue			0.586318
Net to Gross Multiplier			1.705558

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2008

REVENUE REQUIREMENT SUMMARY	Present Revenues	Proposed Revenues
Base Revenue Amount	0	(807)
Other Revenue	0	0
Total Revenue	0	(807)
Operating Expenses		
Fuel Expense	0	0
O&M Expense	0	0
A&G Expense	0	0
Customer Service Expense	(740)	(740)
Franchise Fees	0	(6)
Uncollectible Accounts	0	(2)
Expense Adjustments	0	0
Total Operating Expenses	(740)	(748)
Depreciation	(11)	(11)
Taxes Other Than Income		
Super Fund Tax	0	0
Property Tax	0	0
Payroll Tax	0	0
Other	0	0
Total Other Taxes	0	0
Income Taxes		
State	66	(4)
Federal	239	(16)
Total Income Taxes	305	(20)
Total Expenses	(446)	(779)
Operating Income	446	(27)
Rate Base	(313)	(313)
Rate of Return	-142.40%	8.77%
Income Requirement @ 8.77%	(27)	(27)
Income Deficiency	(473)	(0)
Revenue Deficiency	(807)	(0)

State Tax Computation	Present Revenues	Proposed Revenues
Total Revenue	0	(807)
Less:		
Total Operating Expenses	(740)	(748)
Total Other Taxes	0	0
Interest Expense	(9)	(9)
Adjustments	0	0
Depreciation	0	0
Total Deductions	(749)	(757)
State Taxable Income	749	(50)
Current State Tax	66	(4)
Tax Adjustments	0	0
Total State Tax	66	(4)
Federal Tax Computation		
Total Revenue	0	(807)
Less:		
Total Operating Expenses	(740)	(748)
Total Other Taxes	0	0
Interest Expense	(9)	(9)
Adjustments	0	0
Federal Depreciation	0	0
State Income Tax	66	(4)
Preferred Div Credit	0	0
Total Deductions	(683)	(762)
Federal Taxable Income	683	(45)
Current Federal Tax	239	(16)
Tax Adjustments	0	0
Total Federal Tax	239	(16)

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2009

INPUT DATA

Present Revenue		0
Other Operating Revenue		0
Fuel Expense		0
O&M Expense		0
A&G Expense		0
Customer Service Expense		(790)
Expense Adjustment		0
Depreciation Expense		(18)
Depreciation Expense		(18)
Super Fund Tax		0
Property Tax		0
Payroll Tax		0
Other Taxes		0
Rate Base		(524)
State Expense Adjustment		0
State Depreciation Expense		0
State Tax Adjustment		0
Federal Expense Adjustment		0
Federal Depreciation Expense		0
Preferred Dividend Credit		0
Federal Tax Adjustments		0
Cost of Common Equity	11.22%	
Equity Ratio	52.00%	5.83%
Cost of Preferred	6.42%	
Preferred Ratio	2.50%	0.16%
Cost of Debt	6.10%	
Debt Ratio	45.50%	2.78%
	Total	8.77%
Uncollectibles Expense Rate		0.29%
Franchise Fee Rate		0.76%
State Tax Rate		8.84%
Federal Tax Rate		35.00%

Net to Gross Multiplier		
Revenue Base		1.000000
Less: Franchise	0.007600	
Less: Uncollectibles	0.002900	
		0.010500
Net for State Income Tax	0.989500	
State Income Tax	@ 8.84%	0.087472
Net for Federal Income Tax		0.902028
Federal Income Tax	@ 35.00%	0.315710
Net Operating Revenue		0.586318
Net to Gross Multiplier		1.705558

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2009

REVENUE REQUIREMENT SUMMARY	Present Revenues	Proposed Revenues
Base Revenue Amount	0	(898)
Other Revenue	0	0
Total Revenue	0	(898)
Operating Expenses		
Fuel Expense	0	0
O&M Expense	0	0
A&G Expense	0	0
Customer Service Expense	(790)	(790)
Franchise Fees	0	(7)
Uncollectible Accounts	0	(3)
Expense Adjustments	0	0
Total Operating Expenses	(790)	(799)
Depreciation	(18)	(18)
Taxes Other Than Income		
Super Fund Tax	0	0
Property Tax	0	0
Payroll Tax	0	0
Other	0	0
Total Other Taxes	0	0
Income Taxes		
State	71	(7)
Federal	257	(27)
Total Income Taxes	328	(34)
Total Expenses	(480)	(852)
Operating Income	480	(46)
Rate Base	(524)	(524)
Rate of Return	-91.75%	8.77%
Income Requirement @ 8.77%	(46)	(46)
Income Deficiency	(526)	0
Revenue Deficiency	(898)	0

State Tax Computation	Present Revenues	Proposed Revenues
Total Revenue	0	(898)
Less:		
Total Operating Expenses	(790)	(799)
Total Other Taxes	0	0
Interest Expense	(15)	(15)
Adjustments	0	0
Depreciation	0	0
Total Deductions	(805)	(814)
State Taxable Income	805	(84)
Current State Tax	71	(7)
Tax Adjustments	0	0
Total State Tax	71	(7)
Federal Tax Computation		
Total Revenue	0	(898)
Less:		
Total Operating Expenses	(790)	(799)
Total Other Taxes	0	0
Interest Expense	(15)	(15)
Adjustments	0	0
Federal Depreciation	0	0
State Income Tax	71	(7)
Preferred Div Credit	0	0
Total Deductions	(733)	(821)
Federal Taxable Income	733	(76)
Current Federal Tax	257	(27)
Tax Adjustments	0	0
Total Federal Tax	257	(27)

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2010

INPUT DATA

Present Revenue			0
Other Operating Revenue			0
Fuel Expense			0
O&M Expense			0
A&G Expense			0
Customer Service Expense			(810)
Expense Adjustment			0
Depreciation Expense			(22)
Super Fund Tax			0
Property Tax			0
Payroll Tax			0
Other Taxes			0
Rate Base			(618)
State Expense Adjustment			0
State Depreciation Expense			0
State Tax Adjustment			0
Federal Expense Adjustment			0
Federal Depreciation Expense			0
Preferred Dividend Credit			0
Federal Tax Adjustments			0
Cost of Common Equity	11.22%		
Equity Ratio	52.00%		5.83%
Cost of Preferred	6.42%		
Preferred Ratio	2.50%		0.16%
Cost of Debt	6.10%		
Debt Ratio	45.50%		2.78%
	Total		8.77%
Uncollectibles Expense Rate			0.29%
Franchise Fee Rate			0.76%
State Tax Rate			8.84%
Federal Tax Rate			35.00%

Net to Gross Multiplier		
Revenue Base		1.000000
Less: Franchise	0.007600	
Less: Uncollectibles	0.002900	
		0.010500
Net for State Income Tax		0.989500
State Income Tax	@ 8.84%	0.087472
Net for Federal Income Tax		0.902028
Federal Income Tax	@ 35.00%	0.315710
Net Operating Revenue		0.586318
Net to Gross Multiplier		1.705558

LOCAL OFFICE SAVINGS REVENUE REQUIREMENT - 2010

REVENUE REQUIREMENT SUMMARY	Present Revenues	Proposed Revenues
Base Revenue Amount	0	(937)
Other Revenue	0	0
Total Revenue	0	(937)
Operating Expenses		
Fuel Expense	0	0
O&M Expense	0	0
A&G Expense	0	0
Customer Service Expense	(810)	(810)
Franchise Fees	0	(7)
Uncollectible Accounts	0	(3)
Expense Adjustments	0	0
Total Operating Expenses	(810)	(820)
Depreciation	(22)	(22)
Taxes Other Than Income		
Super Fund Tax	0	0
Property Tax	0	0
Payroll Tax	0	0
Other	0	0
Total Other Taxes	0	0
Income Taxes		
State	73	(9)
Federal	264	(32)
Total Income Taxes	337	(41)
Total Expenses	(495)	(882)
Operating Income	495	(54)
Rate Base	(618)	(618)
Rate of Return	-80.03%	8.77%
Income Requirement @ 8.77%	(54)	(54)
Income Deficiency	(549)	(0)
Revenue Deficiency	(937)	(0)

State Tax Computation	Present Revenues	Proposed Revenues
Total Revenue	0	(937)
Less:		
Total Operating Expenses	(810)	(820)
Total Other Taxes	0	0
Interest Expense	(17)	(17)
Adjustments	0	0
Depreciation	0	0
Total Deductions	(827)	(837)
State Taxable Income	827	(100)
Current State Tax	73	(9)
Tax Adjustments	0	0
Total State Tax	73	(9)
Federal Tax Computation		
Total Revenue	0	(937)
Less:		
Total Operating Expenses	(810)	(820)
Total Other Taxes	0	0
Interest Expense	(17)	(17)
Adjustments	0	0
Federal Depreciation	0	0
State Income Tax	73	(9)
Preferred Div Credit	0	0
Total Deductions	(754)	(846)
Federal Taxable Income	754	(91)
Current Federal Tax	264	(32)
Tax Adjustments	0	0
Total Federal Tax	264	(32)

SETTLEMENT AGREEMENT

ATTACHMENT 3

Closure Plan

The following steps will be used in the closure of the nine offices:

1. Prior to the closure of any office, PG&E will notify by mail all customers that have used any of the nine offices to be closed within the last 12 month period for either a payment or non-payment transaction. This communication will also provide specific details regarding the Neighborhood Payment Centers in the area.

2. PG&E will post notices for a 45 day period prior to the actual closure within the nine offices informing customers of the closure and of alternate payment options, including the locations of nearby Neighborhood Payment Centers. These posters will be provided in multiple languages appropriate to the office neighborhoods.

3. PG&E will meet with representatives of each of the towns affected by one of the office closures to discuss ways to reduce any impacts to the community as a result of the office closure.

[END OF APPENDIX B]