

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4289
December 17, 2009

R E S O L U T I O N

Resolution E-4289. Pacific Gas and Electric Company (PG&E) consolidated electric revenue and rate changes effective January 1, 2010.

PROPOSED OUTCOME: Authorizes PG&E to revise electric rates effective January 1, 2010 to reflect revenue requirement changes approved by the Commission and authorized by the Federal Energy Regulatory Commission (FERC) by December 17, 2009, and amortization of balancing accounts. Rate and revenue changes made pursuant to this resolution are subject to audit, verification, and adjustment.

ESTIMATED COST: An increase in annual electric revenue requirements of approximately \$306 million for PG&E customers.

By Advice Letter 3518-E filed on September 1, 2009.

SUMMARY

PG&E proposes to revise electric rates effective January 1, 2010 to recover balancing account balances, establish the 2010 Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement, and consolidate authorized rate changes in its Annual Electric True-up (AET). PG&E's proposal is approved with modifications.

- Balances in balancing accounts authorized for recovery in rates shall be subject to future audit, verification, and adjustment.
- PG&E shall – consistent with previous years' AET processes – submit by December 31, 2009 a supplement to Advice Letter (AL) 3518-E with revised tariffs effective January 1, 2010. The supplemental AL shall reflect actions taken by the Commission and the Federal Energy Regulatory Commission on pending electric revenue requirements requests as described in this resolution. The supplemental AL will include recorded balancing account

data through October 31, 2009, and forecasted balancing account data for November and December 2009.

PG&E forecasts a consolidated net revenue requirement increase of \$312.7 million on January 1, 2010.

PG&E estimates that there will be a net increase in electric revenue requirements of approximately \$312.7 million on January 1, 2010.

BACKGROUND

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

On October 1, 2008, PG&E filed AL 3349-E, its 2008 AET advice letter for rates effective January 1, 2009. Resolution E-4217 dated December 18, 2008 addressed that advice letter.

In AL 3349-E, PG&E proposed to consolidate electric revenue requirements authorized by the Commission and the Federal Energy Regulatory Commission (FERC) prior to the end of 2008, and recover balances in regulatory accounts previously considered in Resolution E-4121 (December 6, 2007), which addressed PG&E's 2007 AET advice letter. PG&E also requested in AL 3349-E authority to recover the balance in the Non-Tariffed Balancing Account (NTBA).

PG&E included tables in AL 3349-E showing account balances requested for recovery as recorded through July 31, 2008. PG&E proposed that it submit a supplement to AL 3349-E in December 2008 to amortize balances recorded through October 2008, and forecasted December 2008 balances, and to consolidate all Commission and FERC-authorized revenue requirements for new rates effective January 1, 2009. Resolution E-4217 authorized PG&E to consolidate revenue requirements and amortize year end 2008 account balances upon filing a supplement to AL 3349-E.

PG&E proposes to consolidate revenue requirements and amortize balances in regulatory accounts through the AET advice letter process for rates effective January 1, 2010.

On September 1, 2009, PG&E filed AL 3518-E, its sixth annual AET advice letter addressing electric revenues and rates effective January 1, 2010. PG&E requests in AL 3518-E to recover revenue requirements authorized by the Commission and the FERC by December 17, 2009 (the date of the last scheduled Commission meeting in 2009), and to recover year end 2009 balances in accounts previously authorized for recovery in Resolution E-4217. In addition PG&E proposes in AL 3518-E to recover balances in the Dynamic Pricing Memorandum Account (DPMA), the Market Redesign and Technology Upgrade Memorandum Account (MRTUMA), the Long-Term Procurement Plan Technical Assistance Memorandum Account (LTAMA), and the Renewables Portfolio Standard Cost Memorandum Account (RPSCMA) through the AET process.

PG&E forecasts a net Commission-authorized revenue requirements increase of \$314.2 million.

In AL 3518-E PG&E estimates that there will be a net Commission-authorized increase in electric revenue requirements of approximately \$314.2 million on January 1, 2010. This results from increases in some revenue components and decreases in others. The revenue increases PG&E forecasts are: 1) \$582.4 million in public purpose program revenue requirements which reflects increased funding for energy efficiency programs, and amortization of balances recorded in the Public Purpose Revenue Adjustment Mechanism account (PPPRAM), the California Alternate Rates for Energy Account (CARE), and the Procurement Energy Efficiency Revenue Adjustment Mechanism account (PEERAM); 2) \$298.7 million for distribution revenue requirements including amortization of the balance in the Distribution Revenue Adjustment Mechanism account (DRAM), and transfer of the residual balance in the Rate Reduction Bond Memorandum Account (RRBMA) to the DRAM; 3) \$423.8 million for non-fuel related generation revenue requirements including amortization of balances in the Utility Generation Balancing Account (UGBA), after transferring the balance in the MRTUMA to the UGBA¹, and the Family Electric Rate Assistance Balancing

¹ In A.09-06-001, PG&E's 2010 Energy Resource Recovery Account (ERRA) forecast proceeding, PG&E requested that the Commission review, in that proceeding, balances recorded in the MRTUMA. PG&E states in AL 3518-E that upon Commission authorization in the ERRA or other formal proceeding it will transfer balances recorded in the MRTUMA to the UGBA for recovery in rates.

Account (FERABA), 4) \$119.4 million for the energy cost recovery amount (ECRA) which finances costs associated with PG&E's emergence from bankruptcy in 2004 including the Energy Recovery Bonds Balancing Account (ERBBA) revenue requirement (which includes amortization of the ERBBA balance), and the Dedicated Rate Component (DRC) charges; and 5) \$25.2 million for nuclear decommissioning revenue requirements including amortization of the balance in the Nuclear Decommissioning Adjustment Mechanism account (NDAM).

PG&E forecasts the following revenue decreases: 1) \$563.1 million in electricity procurement and ongoing competition charge transition charge (CTC) revenue requirements including amortization of balances in the Energy Resource Recovery Account (ERRA) and the Modified Transaction Cost Balancing Account (MTCBA), and 2) \$572.2 million in the Department of Water Resources (DWR) power and bond charge revenue requirements, DWR franchise fee revenue requirement, and amortization of the balance in the Power Charge Collection Balancing Account (PCCBA).

PG&E forecasts a net FERC-authorized revenue decrease of \$1.5 million.

PG&E estimates in AL 3518-E a net FERC-authorized revenue decrease of \$1.5 million in January 2010. PG&E expects some revenue components to increase and others to decrease. The increases PG&E expects are: 1) \$47.9 million for the end use customer refund adjustment (EUCRA), a mechanism that returns FERC-ordered refunds to retail transmission customers; and 2) \$39.7 million for the reliability services balancing account (RSBA), a mechanism that allows transmission owners such as PG&E to recover reliability services costs assessed by the California Independent System Operator (CAISO).

PG&E expects the following decreases in FERC-authorized revenues: 1) \$71.1 million for the cost of owning and operating PG&E's transmission system which is addressed in the FERC transmission owner's (TO) rate case; and, 2) \$18.0 million for the transmission revenue balancing account adjustment (TRBAA) a mechanism that ensures revenues received by PG&E from the CAISO are credited to PG&E's customers.

PG&E forecasts a consolidated net revenue requirements increase of \$312.7 million on January 1, 2010 which combines forecasted changes authorized by the Commission and the FERC.

PG&E estimates a net revenue requirements increase of \$312.7 million on January 1, 2010. This amount represents the combined impact of Commission-authorized revenue increases of \$314.2 million and a FERC-authorized revenue decrease of \$1.5 million.

In AL 3518-E, PG&E provides illustrative rates effective January 1, 2010, based on revenue changes resulting from amortization of balances in regulatory accounts on December 31, 2009, and revenue requirement changes in Commission and FERC proceedings expected to be authorized by December 17, 2009. PG&E's forecasted account balances on December 31 are based on recorded balances through July 2009 and forecasted balances from August through December 2009.

A breakdown of the components of the annual revenue requirement increase estimated in AL 3518-E is shown below.

CPUC-authorized revenue changes effective January 1, 2010 forecasted by PG&E	Million \$
Public purpose program revenue requirements including amortization of balances in the PPPRAM, CAREA, and PEERAM accounts.	\$582.4
Non-fuel generation revenue requirements including amortization of balances in the UGBA (after transfer of the MRTUMA balance to the UGBA) and FERABA accounts.	\$423.8
Distribution revenue requirements including amortization of balances in the DRAM and transfer of the remaining balance in the RRBMA to the DRAM.	\$298.7
Energy cost recovery amount revenue requirements including the ERBBA revenue requirement (which includes amortization of the balance in the ERBBA account), and DRC charges.	\$119.4
Nuclear decommissioning revenue requirements including amortization of the balance in the NDAM account.	\$25.2
DWR power and bond charge revenue requirements including DWR franchise fees, and amortization of the balance in the PCCBA account.	-\$572.2
Energy procurement and ongoing CTC revenue requirements including amortization of the ERRA and MTCBA accounts.	-\$563.1
Total CPUC-authorized revenue change:	\$314.2

FERC-authorized revenue changes effective January 1, 2010 forecasted by PG&E	Million \$
End Use Customer Refund Adjustment (EUCRA)	\$47.9
Reliability Services	\$39.7
Transmission Revenue Balancing Account Adjustment (TRBAA)	-\$18.0
Transmission Owner Rate Case	-\$71.1
Total FERC-authorized revenue change:	-\$1.5

PG&E expects that the CPUC-authorized increase measured against the FERC-authorized decrease will result in a net increase of \$312.7 million. According to AL 3518-E this will amount to a 2.1% increase in PG&E's system average bundled customer electric rate.

Change in revenue requirements effective January 1, 2010 forecasted by PG&E	Million \$
CPUC-authorized:	\$314.2
FERC-authorized:	-\$1.5
Total AET increase:	\$312.7

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

The largest driver of the CPUC-authorized increases forecasted by PG&E is for public purpose program revenue requirements. This increase is mainly due to 1) the termination in 2010 of a revenue credit recorded in the PPPRAM that was returned to customers in 2009 resulting from a payment PG&E received from the California Energy Commission for PG&E's share of unspent renewable energy funds; and 2) PG&E's amended request for an increase in energy efficiency funding dated July 2009 in Application (A.)08-07-031. Major factors contributing

to PG&E's expected non-fuel generation revenue increase are the completion and inclusion in rates of new steam generators at the Diablo Canyon Power Plant authorized by D.05-11-026, and the Gateway power plant (formerly Contra Costa Unit 8) authorized by D.06-06-035. The distribution revenue requirement increase forecasted by PG&E is due in part to the revenue increase for attrition year 2010 authorized by D.07-03-044 in PG&E's 2007 general rate case. Another cost driver is the proposed energy efficiency program incentive payments settlement pending Commission approval by December 17, 2009 filed by PG&E and other parties in Rulemaking (R.)09-01-019. The ECRA increase is primarily due to a revenue shortfall caused by sales that were below forecast, and an expected decrease in energy supplier refunds that reduce the ECRA revenue requirement. The increase in nuclear decommissioning revenue requirements forecasted by PG&E is driven by its pending request for an increase in revenues in the triennial nuclear decommissioning cost proceeding, A.09-04-007.

Also driving PG&E's forecasted increases in distribution and non-fuel generation revenue requirements are undercollections expected in the DRAM and UGBA on December 31, 2009, i.e., about \$109 million and \$287 million, respectively. These accounts ensure that PG&E recovers its authorized revenue requirements by comparing authorized revenues to actual (billed) revenues collected through distribution and generation rates. The undercollections result from sales in 2009 being lower than predicted and billed revenues less than authorized revenue requirements.²

PG&E expects the above CPUC-jurisdictional revenue increases to be partially offset by decreases in the total ERRA and ongoing CTC revenues due to lower gas and electricity procurement prices expected in 2010, as well as lower DWR revenue requirements primarily due to lower DWR sales. The Commission is considering PG&E's 2010 ERRA and ongoing CTC revenue requirements in A.09-06-001, and the 2010 DWR revenue requirements in R.09-06-018.

PG&E expects an increase in FERC-authorized EUCRA revenues because of a reduction in refunds in 2010. The EUCRA refunds that PG&E forecasts incorporate those associated with its tenth transmission owner's rate case at FERC (TO10), and an adjustment for revenues received by PG&E from standby

² PG&E's 10/9/09 response to Energy Division's data request ED DR 10/1/09.

service customers. The Reliability Services increase reflects PG&E's estimate of RS costs and the year end 2009 RSBA balance which PG&E states it may revise when it files at the FERC later in 2009. PG&E forecasts that FERC-authorized increases in 2010 will be offset by a decline in revenues authorized in its TO11 rate case, and PG&E's estimate of TRBAA revenues which may change when it files at the FERC later in 2009.

PG&E proposes to supplement AL 3518-E prior to January 1, 2010 to consolidate updated balancing account balances and revenue requirement changes approved by the Commission and authorized by FERC.

PG&E proposes to supplement AL 3518-E prior to the end of 2009 to incorporate (1) amortization of balances in accounts based on recorded data as of October 31, 2009, and forecast balances for November and December 2009, and (2) revenue requirement changes authorized by the Commission and FERC by December 17, 2009. The supplemental AL would include the new rates and revised tariffs to become effective on January 1, 2010.

NOTICE

Notice of AL 3349-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.05-12-002, A.07-04-009, A.07-05-008, R.02-01-011, R.06-07-010, R.07-01-041, A.08-06-003, A.08-07-031, A.09-06-011, A.09-08-005, A.09-06-001, A.09-02-020, R.09-01-019.

PROTESTS

No parties submitted protests to PG&E's AL 3518-E.

DISCUSSION

PG&E's request to establish the 2010 ERBBA revenue requirement is granted.

The ERBBA records benefits and costs associated with Energy Recovery Bonds 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 2010 ERBBA revenue requirement be established using a forecast of 2010 ERBBA

activity, including the amortization of the December 31, 2009 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 3349-E, which was approved by Resolution E-4217.³ PG&E's request to establish the 2010 ERBBA revenue requirement is granted.

PG&E is authorized to incorporate revenue requirement changes for 2010 resulting from decisions approved by December 17, 2009, in Commission proceedings.

If by December 17, 2009 the Commission authorizes PG&E to make revenue requirement changes effective January 1, 2010 as a result of decisions in the formal proceedings listed below, PG&E shall incorporate those changes in a supplement to AL 3518-E. As described below PG&E shall file the supplement by December 31, 2009.

- ERRA, MTCBA, and ongoing CTC, A.09-06-001.
- 2010 DWR Power and Bond Charge revenue requirements, R.09-06-018.
- Catastrophic Event Memorandum Account (CEMA) A.09-02-020 on recovery of costs recorded in the CEMA resulting from 2008 wildfires.
- 2010 Self-Generation Incentive Program (SGIP) budget, R.08-03-008.
- 2010 Demand Response (DR) Program budget: the Commission authorized a DR program budget for 2009 through 2011 in D.09-08-027 in A.08-06-003. PG&E's 2010 revenue requirement changes shall reflect the DR program budget adopted by that decision.
- Energy Efficiency (EE) program funding, A.08-07-031: D.09-09-047 adopted PG&E's EE program budgets for 2010 through 2012. That decision requires PG&E to consolidate the revenue changes authorized by the decision with other changes effective January 1, 2010.
- Energy Efficiency Risk/Reward Incentive Mechanism, R.09-01-019, addressing incentive payments for 2006-2008 EE programs.
- Nuclear Decommissioning revenue requirements, A.09-04-007.

³ The ERRBA records among other things energy supplier refunds that PG&E returns to customers. The energy supplier refunds expected in 2010 are lower than those returned in 2009 which contributes to the 2010 increase in the ECRA revenue requirement.

PG&E is also authorized to incorporate in rates effective January 1, 2010 revenue requirement changes resulting from advice letters made effective by December 17, 2009.

PG&E requests in AL 3518-E to incorporate revenue changes in rates effective January 1, 2010 associated with the advice letters listed below should they be approved by December 17, 2009. PG&E is authorized to do so.

- Attrition adjustment for 2010 authorized in D.07-03-044 in PG&E's 2007 GRC. PG&E filed AL 3050-G/3535-E on September 30, 2009 pursuant to D.07-03-044. This advice letter includes electric distribution and generation revenue requirement increases for the 2010 attrition year authorized by D.07-03-044.
- Headroom Account (HA) review in AL 2521-E. In accordance with prior resolutions addressing PG&E AET advice letters, PG&E has amortized the prior balances in the HA. PG&E's entries to the HA were presented in PG&E's AL 2521-E which is currently pending. PG&E is authorized to consolidate any changes to the HA balance resulting from the Commission's review of AL 2521-E if the review is completed by December 17, 2009.
- AL 3502-E addressing the residual balance in the RRBMA. In AL 3502-E PG&E proposed that the balance in the RRBMA remaining on December 31, 2009 be transferred to the DRAM. PG&E forecasts that the balance in the RRBMA on that date will be less than \$1 million. Energy Division has made AL 3502-E effective. PG&E shall transfer the year end 2009 balance in the RRBMA to the DRAM and close the RRBMA.
- AL 3030-G/3487-E on EE program funding. In AL 3030-G/3487-E PG&E proposed to augment its 2009 EE funding with unspent EE funds from prior years. Resolution G-3439 which addressed that advice letter requires PG&E to adjust its AET revenue requirements and EE balancing accounts to reflect the EE funding augmentation allowed by the resolution.
- California Air Resources Board (CARB) administrative fee. PG&E states in AL 3518-E that it plans to file an advice letter later in 2009 to propose recovery of CARB administrative fee costs from gas transportation and electric generation customers. PG&E intends to recover the cost of the CARB fee for electric generation customers in the ERRA balancing account. In order for the changes resulting from this advice letter to be included in rates effective January 1, 2010, a decision in PG&E's ERRA A.09-06-001

authorizing amortization of the ERRA account and approval of this advice letter are required by December 17, 2009.

Pursuant to D.04-11-015 PG&E's annual DRC true-up advice letter shall become effective on January 1, 2010 if it is filed by December 17, 2009.

PG&E seeks to include in rates effective January 1, 2010, the revenue changes associated with its routine annual DRC charge true-up advice letter which it will file in mid December pursuant to D.04-11-015. That decision established the DRC charge update process and sets forth that this advice letter shall become effective on later of: 15 days after the date it is filed, or the first day of the first calendar quarter after the advice letter is filed. In accordance with D.04-11-015 PG&E is authorized to include the changes associated with its annual DRC charge true-up advice letter in rates effective January 1, 2010 if PG&E files the advice letter by December 17, 2009.

PG&E is allowed to amortize balances in accounts previously authorized by prior resolutions for recovery through the AET advice letter.

This resolution allows PG&E to amortize the following accounts through this year's AET advice letter, as previously approved for recovery by Resolutions E-3906, E-3956, E-4032, E-4121, and E-4217 which addressed prior AET advice letters: The DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, Hazardous Substance Mechanism (HSM), CAREA, ERBBA, HA, FERABA, Affiliate Transfer Fees Account (ATFA), Customer Energy Efficiency Incentive Account (CEEIA), SmartMeter Project Balancing Account (SBA), Demand Response Revenue Balancing Account (DRRBA), Pension Contribution Balancing Account (PCBA), the British Columbia Renewable Study Balancing Account (BCRSBA), and the NTBA. The balance amortized in the DRAM shall include the December 31, 2009 balance in the RRBMA which PG&E shall transfer to the DRAM.

Unless the Commission's review of AL 2521-E is completed by December 17, 2009, PG&E shall not transfer the year end 2009 HA balance to the UGBA.

PG&E proposes in AL 3518-E to transfer the residual balance in the HA on December 31, 2009 to the UGBA. PG&E estimates that the HA will be overcollected by about \$0.2 million on that date. PG&E's entries to the HA are subject to review in AL 2521-E. Unless the Commission's review of AL 2521-E is

completed by December 17, 2009, PG&E shall retain the year end 2009 HA balance in that account.

PG&E shall recover balances recorded in the Long Term Technical Assistance Memorandum Account through the ERRA balancing account only if amortization of the ERRA balance is authorized by the Commission and AL 3551-E is approved by December 17, 2009.

The LTAMA tracks costs that PG&E pays in connection with the Commission's implementation and administration of the Long-Term Procurement Plan program. In AL 3518-E PG&E seeks to recover the balances recorded in this account through the AET process.

PG&E's tariffs authorize it to transfer the year end balance in LTAMA to the ERRA balancing account. In its 2010 ERRA forecast proceeding, A.09-06-001, PG&E proposes to amortize the year-end 2009 ERRA balance in rates over calendar year 2010.⁴ Amortization of the ERRA balance including recovery of balances recorded in the LTAMA is subject to a Commission decision in A.09-06-001. PG&E recently filed AL 3551-E requesting authorization to transfer the balance in the LTAMA to the ERRA for recovery in rates. Recovery of the year end 2009 balance in the LTAMA shall be reflected in PG&E's supplement to AL 3518-E if the Commission approves a decision in A.09-06-001 by December 17, 2009 authorizing amortization of the ERRA balance, and AL 3551-E is approved by that date.

Recovery of the balance in the Dynamic Pricing Memorandum Account is subject to review in PG&E's 2009 Rate Design Window A.09-02-022.

Pursuant to D.08-07-045 in PG&E's 2007 phase 2 GRC A.06-03-005, PG&E established the DPMA to record expenditures required to implement dynamic pricing rates. In compliance with that decision PG&E filed its 2009 Rate Design Window A.09-02-022 to propose dynamic pricing rates. In accordance with D.08-07-045 PG&E seeks recovery of costs recorded in the DPMA in A.09-02-022. PG&E's DPMA tariff states that the balance in the DPMA will be transferred to the DRAM upon Commission approval.

⁴ A.09-06-001, Exhibit PG&E-1, p. 1-9.

In AL 3518-E PG&E states that it will transfer the balance in the DPMA to the DRAM for recovery in rates upon approval of the costs recorded in the account in A.09-02-022. Since a proposed decision in A.09-02-022 was not issued in time for the Commission to approve a decision by December 17, 2009, PG&E's supplement to AL 3518-E shall not reflect recovery of any costs recorded in the DPMA.

Disposition of the balance in the Market Redesign and Technology Upgrade Memorandum Account is subject to Commission action in A.09-06-001 or another formal proceeding.

The MRTUMA records costs associated with the CAISO's Market Redesign and Technology Upgrade initiative. PG&E established this account pursuant to Resolution E-4093 which requires that costs recorded in this account be reviewed in a formal Commission proceeding prior to being recovered in rates. PG&E has proposed in its 2010 ERRa forecast proceeding, A.09-06-001, that the Commission review the MRTUMA balance in that proceeding. PG&E states in AL 3518-E that it will transfer the approved balance at the end of 2009 from the MRTUMA to the UGBA after Commission authorization by order in the A.09-06-001 or other formal proceeding where the Commission has completed a review of the reasonableness of amounts recorded in the MRTUMA.

If the Commission approves an order in A.09-06-001 or another formal proceeding by December 17, 2009 authorizing PG&E to recover amounts recorded in the MRTUMA in rates effective January 1, 2010, PG&E shall transfer those amounts to the UGBA as proposed by PG&E in AL 3518-E. Unless the Commission approves such an order, the supplement to AL 3518-E shall not reflect in rates any balances recorded in the MRTUMA.

Recovery of the balance in the Renewables Portfolio Standard Cost Memorandum Account is subject to Commission review in an ERRa proceeding.

The RPSCMA records the third-party consultant costs invoiced through the Commission and paid by PG&E in connection with the Commission's implementation and administration of the Renewables Portfolio Standard (RPS) as authorized in D.06-10-050. PG&E states in AL 3518-E that it will transfer the

year end 2009 balance from the RPSCMA to the ERRA as authorized in its Electric Preliminary Statement EL.

PG&E's Electric Preliminary Statement EL, the RPSCMA tariff, states that PG&E shall request recovery of the balance in the RPSCMA through the ERRA application or other proceeding as authorized by the Commission. PG&E informed Energy Division that it has not yet requested recovery of the balance through an ERRA application or other proceedings.⁵ The AET is not a forum for PG&E to request recovery of balances in an account unless they have been authorized for recovery in a separate proceeding.⁶ PG&E shall not recover balances recorded in the RPSMA through rates filed in the supplement to AL 3518-E unless PG&E receives authorization to do so in a proceeding separate from the AET by December 17, 2009.

PG&E's request in AL 3518-E to submit recorded data through October 31, 2009 and forecasted December 31, 2009 balances for recovery in its supplemental advice letter is granted.

Resolutions E-3956 and E-4032 provided that PG&E submit in its respective 2005 and 2006 supplemental AET advice letters December 31 forecasted account balances which included recorded data through November 30 of those years. In AL 3115-E and AL 3349-E, PG&E requested that its supplemental advice letter include recorded data through October 31, 2007 and October 31, 2008, respectively. The Commission decided in Resolutions E-4121 and E-4217 that it was reasonable to allow PG&E to submit an AET supplemental advice letter reflecting recorded account balance data from January 1 through October 31 in 2007 and 2008, respectively. We allow PG&E to use recorded data through October 31, 2009 to update account balances in its supplement to AL 3518-E.

PG&E shall revise its AL 3518-E AET estimate to reflect actual changes authorized by the Commission and FERC by December 17, 2009.

⁵ October 23, 2009 phone conversation between PG&E and Energy Division staff.

⁶ See Resolution E-4121, Finding 1.

PG&E shall supplement AL 3518-E by December 31, 2009 to reflect the actual rate and revenue changes authorized by the Commission in various proceedings and advice letters by December 17, 2009, and actual changes authorized by the FERC, by that same date. The supplement to AL 3518-E shall also incorporate updated balances of accounts to be amortized in rates beginning January 1, 2010. We authorize PG&E to make the rates filed in the supplemental advice letter effective on January 1, 2010. The rates PG&E files in its supplemental advice letter will be reviewed for compliance after January 1, 2010. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify the rates as required and re-bill customers if necessary, or make other appropriate adjustments in a timely manner. This process is consistent with the procedure established in prior resolutions addressing PG&E AET advice letters.⁷

Residential rate changes allowed by Public Utilities Code Section 739.9 is subject to Commission review in A.09-10-013.

Senate Bill (SB) 695 signed in to law in October 2009 added Section 739.9 to the Public Utilities Code (Section 739.9). That section allows the Commission to increase residential rates for usage up to 130 percent of baseline (Tiers 1 and 2 rates) by specific percentages based on specific indices. PG&E states in AL 3518-E that it will seek to consolidate changes to Tiers 1 and 2 rates allowed by SB 695 in its December 2009 supplement to AL 3518-E.

PG&E recently filed A.09-10-013 requesting Commission authorization to increase Tier 1 and 2 rates citing the provisions of Section 739.9, and to make commensurate decreases to the upper tiers of residential rates. PG&E requests in A.09-10-013 that the Commission approve its proposed residential rate changes on December 17, 2009 and that it be allowed to incorporate these changes in its supplement to AL 3518-E.

If the Commission approves a decision in A.09-10-013 by December 17, 2009 that authorizes PG&E to make changes to residential rates and incorporate those

⁷ The following resolutions on prior PG&E AET advice letters authorized this same process; the effective date of the new rates addressed by the resolution is in parentheses: Resolution E-3906 (Jan. 1, 2005); Res. E-3956 (Jan. 1, 2006); Res. E-4032 (Jan. 1, 2007); Res. E-4121 (Jan.1, 2008); Res. E-4217 (Jan. 1, 2009).

changes in its supplement to AL 3518-E, PG&E shall reflect those changes in the supplement. Absent such a decision in A.09-10-013 PG&E shall not reflect any rate changes allowed by Section 739.9 in its supplement to AL 3518-E.

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

Under the filed rate doctrine, the Commission is obligated to allow PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (TO) rate changes, adjusted for end use customer refunds required to be paid to customers. It is just and reasonable for PG&E to begin recovering FERC-authorized revenues addressed in AL 3518-E that are authorized by December 17, 2009. The rates authorized by this resolution shall be subject to refund to the same extent that they are subject to refund at the FERC.

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

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

COMMENTS

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

Public Utilities Code section 311(g)(1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly the draft resolution was issued for public review and comment no later than 30 days prior to a vote of the Commission.

The draft resolution was revised to reflect clarifications and corrections recommended by PG&E in comments.

PG&E submitted comments on the draft resolution on December 7, 2009. In comments PG&E recommended that the draft resolution be revised to make the following clarifications and corrections:

- Clarify language in the Background section by describing the GRC attrition, and energy incentive program incentive payment contributions to the distribution revenue requirement increase in separate sentences. This clarification avoids giving the erroneous impression that the energy efficiency incentive payments are recorded in the DRAM.
- Clarify language in the Background section to explain that the DWR revenue reduction is primarily due to lower DWR sales.
- Delete language in the Discussion section regarding amortization of the balance in the HA if the account balance is not transferred to the UGBA. Because the HA balance is only \$0.2 million PG&E proposes to retain the balance in the HA until the Commission's review of the account is completed and its balance is transferred to the UGBA. Consistent with this change the HA should be deleted from the list of accounts in Ordering Paragraph 4a that PG&E shall amortize.
- Revise a portion of the Discussion section to clarify for compliance purposes that costs recorded in the DPMA shall not be reflected in the supplement to AL 3518-E since the Commission will not issue a decision in A.09-02-022 by December 17, 2009.
- Revise a portion of the Discussion section to clarify that PG&E has not yet requested recovery of balances in the RPCSMA in the ERRA or another proceeding to avoid a possible erroneous interpretation that the Commission has refused to authorize recovery of the account balances.
- Revise Ordering Paragraph 4b to include the ERBBA in the list of accounts that PG&E shall amortize.
- Revise the expected decrease in the FERC-authorized TRBAA revenue described in the Background section to \$18.0 million to correct an error.
- Revise the date for beginning account balance amortization in Finding and Conclusion 20 to January 1, 2010 to correct an error.

With one exception described below, the draft resolution was revised to reflect changes recommended by PG&E in comments. The portion of the Discussion section listing Commission proceedings that may affect revenue changes on January 1, 2010, Finding and Conclusion 21, and Ordering Paragraph 4c were also revised to conform with the fourth revision listed above regarding costs recorded in the DPMA. In addition, the estimated cost shown above the Summary section on the first page of the draft resolution was revised from \$313 million to \$306 million to reflect that costs recorded in the DPMA shall not be recovered effective January 1, 2010 through this AET.

Ordering Paragraph 4a was not revised to include the ERBBA as requested by PG&E, but Ordering Paragraph 4b was revised to make it clear that the supplement to AL 3518-E shall include amortization of the balance in the ERBBA.

FINDINGS AND CONCLUSIONS

1. The AET is a process in which PG&E's revenue requirements authorized by the Commission in various proceedings are consolidated. The AET is a forum for PG&E to recover costs recorded in memorandum and balancing accounts which have been reviewed and approved for recovery by the Commission in a separate proceeding or advice letter, or are pending separate review that will be completed prior to end of the year.
2. PG&E filed AL 3518-E on September 1, 2009, proposing to establish 2010 electric rates to recover balances in accounts, establish the 2010 ERBBA revenue requirement, and consolidate Commission- and FERC-authorized rate changes effective January 1, 2010.
3. It is reasonable to authorize PG&E's request to submit the December 2009 supplemental advice letter with forecasted December 31, 2009 account balances which include recorded data through October 31, 2009.
4. In accordance with the filed rate doctrine the Commission allows PG&E to recover FERC-authorized costs for reliability services, transmission access, transmission revenue adjustments, and base transmission (TO) rate changes, adjusted for end-use customer refunds required to be paid to customers.
5. It is just and reasonable for PG&E to begin recovering in rates FERC-authorized revenues that are authorized by December 17, 2009.
6. In Resolution E-3956, the Commission allowed PG&E to consolidate in rates effective January 1, 2006 the amortization of December forecast balances updated to reflect recorded data as of November 30, 2005 in the DRAM, PPPRAM, NDAM, UGBA, PCCBA, RRBMA, HSM, CAREA, ERBBA, HA, FERABA, and the ATFA.
7. In Resolution E-4032, the Commission allowed PG&E to consolidate in rates effective January 1, 2007 the amortization of December forecast balances updated to reflect recorded data as of November 30, 2006, in the PEERAM, CEEIA, SBA, DRRBA, and the PCBA, as well as other accounts authorized in Resolution E-3956.
8. In Resolution E-4121, the Commission allowed PG&E to consolidate in rates effective January 1, 2008 the amortization of December forecast balances

- updated to reflect recorded data as of October 31, 2007, in the BCRSBA, as well as other accounts authorized in the Resolution E-4032.
9. In Resolution E-4217, the Commission allowed PG&E to consolidate in rates effective January 1, 2009 the amortization of December forecast balances updated to reflect recorded data as of October 31, 2008, in the NTBA as well as other accounts authorized in the Resolution E-4121.
 10. PG&E should transfer the year end 2009 balance in the RRBMA to the DRAM and close the RRBMA.
 11. PG&E should recover balances in accounts previously approved for recovery in the AET through Resolutions E-3906, E-3956, E-4032, E-4121, and E-4217.
 12. PG&E should transfer the year end balance in the LTAMA to the ERRA balancing account for recovery in rates effective January 1, 2010 if PG&E's AL 3551-E is approved by December 17, 2009, and a Commission decision allowing the amortization of the ERRA account is approved in A.09-06-001 by that same date.
 13. It is reasonable for PG&E to amortize the balances in its ERRA and MTCBA accounts effective January 1, 2010, if authorized by a Commission decision in A.09-06-001 that is approved by December 17, 2009.
 14. PG&E should not transfer the year end 2009 balance in the HA to the UGBA unless the Commission's review of AL 2521-E is completed by December 17, 2009.
 15. Recovery of the balance recorded in the DPMA is subject to Commission authorization in A.09-02-022.
 16. Disposition of the balance recorded in the MRTUMA is subject to Commission authorization in A.09-06-001 or another formal Commission proceeding.
 17. Recovery of the balance in the RPSCMA is subject to Commission review in a future ERRA proceeding or another proceeding separate from the AET.
 18. It is reasonable for PG&E to establish the 2010 ERBBA revenue requirement using a forecast of 2010 ERBBA activity, including the amortization of December 31, 2009, forecast ERBBA balance, as it did in its last AET.
 19. PG&E should be allowed to amortize, subject to future audit, verification, and adjustment all accounts authorized in the ordering paragraphs of this resolution.
 20. PG&E should supplement AL 3518-E by December 31, 2009 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, 2010. The updated balances, revenues, and rates should

be subject to future adjustment pending review of the supplement to AL 3518-E.

21. The supplement should reflect in rates all FERC-authorized revenue requirement changes authorized by December 17, 2009 and all Commission authorized revenue requirement changes and amortization of account balances approved by December 17, 2009 in the following proceedings or advice letter filings:
 - Energy Resource Recovery Account, Modified Transition Cost Balancing Account, and ongoing Competition Transition Charge, A.09-06-001;
 - 2010 Department of Water Resources Power and Bond Charge revenue requirements, R.09-06-018;
 - Catastrophic Event Memorandum Account, A.09-02-020;
 - 2010 Self Generation Incentive Program budget, R.08-03-008;
 - 2010 Demand Response program budget; A.08-06-003;
 - 2010 Energy Efficiency program budget, A.08-07-031;
 - Energy Efficiency Risk/Reward Incentive Mechanism, R.09-01-019;
 - Nuclear Decommissioning revenue requirements, A.09-04-007;
 - Attrition adjustment for 2010 as filed in AL 3050-G/3535-E in compliance with D.07-03-044;
 - Headroom Account (HA), to consolidate any changes to the HA balance if the Commission completes its review of AL 2521-E by December 17, 2009;
 - Energy Efficiency program funding addressed in AL 3030-G/3487-E;
 - California Air Resources Board administrative fee advice letter PG&E expects to file later in 2009; this should be reflected in rates effective January 1, 2010 only if both this advice letter is approved by December 17, 2009 and the Commission approves a decision in A.09-06-001 by that same date authorizing amortization of the ERRRA account.
22. The supplement should reflect in rates the revenue requirement changes associated with PG&E's annual DRC charge true-up advice letter if PG&E files that advice letter by December 17, 2009.
23. The balances in all accounts authorized for recovery by this resolution should be subject to future audit by the Commission.
24. 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.
25. PG&E's proposal to modify residential rates pursuant to Public Utilities Code Section 739.9 is subject to Commission review in A.09-10-013.

26. The rates authorized by this resolution should be subject to refund to the same extent that they are subject to refund at the FERC.

THEREFORE IT IS ORDERED THAT:

1. PG&E's request in Advice Letter 3518-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. PG&E's request to establish the 2010 ERBBA revenue requirement using a forecast of 2010 ERBBA activity, including the amortization of the December 31, 2009 forecast ERBBA balance, is approved.
4. No later than December 31, 2009, PG&E shall file a supplement to AL 3518-E with revised tariffs. The supplemental filing shall be effective on January 1, 2010, subject to Energy Division determination that PG&E is in compliance with this resolution. The updated revenues and rates contained in the supplemental filing shall be subject to audit, verification and adjustment. PG&E shall provide to the Energy Division and any party requesting, 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, 2009 forecast amounts, updated with recorded data as of October 31, 2009, balances in the following accounts: DRAM, PPPRAM, NDAM, UGBA, PEERAM, PCCBA, HSM, CAREA, FERABA, ATFA, CEEIA, SBA, DRRBA, PCBA, BCRSBA, and NTBA. PG&E shall amortize the RRBMA by transferring the year end 2009 balance in that account to the DRAM, and close the RRBMA.
 - b. Reflect in rates the 2010 ERBBA revenue requirement using the most recent Commission adopted rate of return, including amortization of the ERBBA balance over one year based on the December 31, 2009 forecast amount, updated with recorded data as of October 31, 2009;
 - c. Not reflect recovery of any costs recorded in the DPMA;
 - d. Not reflect recovery of any costs recorded in the MRTUMA unless the Commission approves a decision in A.09-06-001 or another formal proceeding by December 17, 2009 authorizing PG&E to do so;
 - e. Not reflect recovery of any costs recorded in the RPSCMA unless the Commission approves a decision by December 17, 2009 in a proceeding separate from the AET authorizing PG&E to do so;

- f. Reflect in rates all FERC-authorized revenue requirement changes authorized by December 17, 2009, and all Commission-authorized revenue requirement changes and amortization of account balances approved by December 17, 2009, in those proceedings or advice letter filings specified in Finding and Conclusion No. 21, and if no Commission approval is granted by December 17, 2009, PG&E shall not include matters pending in any of those proceedings or advice letter filings specified in Finding and Conclusion No. 21;
 - g. Reflect in rates the revenue requirement changes associated with PG&E's annual DRC charge true-up advice letter if PG&E files that advice letter by December 17, 2009.
- 5. If the Commission approves a decision in A.09-10-013 by December 17, 2009 that authorizes PG&E to make changes to residential rates and incorporate those changes in its supplement to AL 3518-E, PG&E shall reflect those changes in the supplement. Absent such a decision in A.09-10-013, PG&E shall not reflect any rate changes allowed by Public Utilities Code Section 739.9 in its supplement to AL 3518-E.
 - 6. PG&E shall not transfer the balance in the HA to the UGBA until the Commission has completed its review of PG&E's entries to the HA filed in AL 2521-E.
 - 7. Balances in all accounts authorized for recovery by this resolution are subject to audit and verification.
 - 8. If any rates filed in the supplement are not in compliance with this order, PG&E shall modify rates as required and make any necessary billing or other adjustments in a timely manner.
 - 9. If PG&E requests amortization of future balances in the accounts authorized for amortization in Resolutions E-3906, E-3956, E-4032, E-4121, E-4217 and this resolution by means of the annual electric true-up advice letter for rates effective January 1, it shall file the advice letter no later than September 1 of the year prior to when rates become effective. The advice letter shall reflect balances recorded as of July 31 of the year in which the advice letter is filed and the estimated balances for August through December of that year.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 17, 2009; 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