

**NOTIFICATION OF APPLICATION FILING BY
PACIFIC GAS AND ELECTRIC COMPANY (PG&E):
BIENNIAL COST ALLOCATION PROCEEDING (BCAP)**

What is BCAP?

The Biennial Cost Allocation Proceeding (BCAP) addresses proposals to revise the gas distribution revenue requirement allocation among core and noncore customer classes as well as the gas throughputs used to calculate gas distribution transportation rates and other gas distribution rate proposals.

On May 29, 2009, Pacific Gas and Electric Company (PG&E) asked the California Public Utilities Commission (CPUC) to approve a change in natural gas rates beginning July 1, 2010. The net result of these proposed changes would be about an average 2 percent increase in residential rates and about an average 1 percent increase in small commercial rates, compared to the rates in effect in April 2009. Electric rates are not affected.

What PG&E is Requesting

PG&E is proposing rates that recover the CPUC-authorized costs of transporting gas to customers on our gas distribution system. We are also proposing new gas sales forecasts, and cost allocation and rate proposals that we believe will result in rates that more fairly reflect the costs to provide service to customers.

How Residential Gas Costs Would Change

If the CPUC approves PG&E's request, a typical bundled residential customer (a customer who receives gas distribution and procurement services from PG&E) bill would increase about \$1.00 from \$51.50 to \$52.50. The typical residential customer uses about 37 therms per month. Individual bill impacts will differ, depending on energy usage. On January 1, 2011 and January 1, 2012, PG&E proposes a further 0.8% increase in residential rates in each year.

How Small Commercial Gas Costs Would Change

If the CPUC approves PG&E's request, a bundled small commercial customer bill would increase about \$3.40, from \$347.30 to \$350.70. The average small commercial customer uses about 287 therms per month. Individual bill impacts will differ depending on energy usage. On January 1, 2011 and January 1, 2012, PG&E proposes a 2.5% decrease in small commercial rates in each year.

Rates that are actually adopted by the CPUC may be higher or lower than PG&E's initial proposal. Bundled core rates include an illustrative procurement rate. Actual procurement rates change monthly and reflect the current market price for gas.

PG&E will provide a more illustrative allocation of the potential rate changes among customer classes under its BCAP Proposal, in a bill insert to be mailed directly to customers later this month.

The CPUC Process

The CPUC's Independent Division of Ratepayer Advocates (DRA) will review this Application. DRA is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout the state and obtain the lowest possible rate for service consistent with reliable and safe-service levels. DRA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. DRA's views do not necessarily reflect those of the CPUC. Other parties of record will also participate.

The CPUC may hold evidentiary hearings where parties of record present their proposals in testimony and are subject to cross-examination before an Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are parties of record can present evidence or cross-examine witnesses during evidentiary hearings. Members of the public may attend these hearings, but are not allowed to participate, only listen.

After considering all proposals and evidence presented during the hearing process, the ALJ will issue a draft decision. When the CPUC acts on this application, it may adopt all or part of PG&E's request, amend or modify it or deny the application. The CPUC's final decision may be different from PG&E's proposed application filing.

FOR FURTHER INFORMATION

For more details, call PG&E at 800-743-5000 • Para más detalles llame 800-660-6789

詳情請致電 800-893-9555 • For TDD/TTY (speech-hearing impaired), call 800-652-4712

You may contact the CPUC's Public Advisor with comments or questions as follows:

Public Advisor's Office
505 Van Ness Avenue, Room 2103
San Francisco, CA 94102
415-703-2074 or 866-849-8390 (toll-free)
TTY 415-703-5282, TTY 866-836-7825 (toll-free)
E-mail to public.advisor@cpuc.ca.gov

If you are writing a letter to the Public Advisor's Office, please include the name of the application to which you are referring. All comments will be circulated to the Commissioners, the assigned Administrative Law Judge and the Energy Division staff.

Reviewed by the California Public Utilities Commission

RECEIVED

JUN 12 2009

BELMONT CITY CLERK

NOTIFICATION OF APPLICATION FILING BY PACIFIC GAS AND ELECTRIC COMPANY (PG&E) FOR ITS FORECAST 2010 ELECTRIC PROCUREMENT COSTS AND OTHER PROJECT COSTS

June 5, 2009
TO: STATE, COUNTY AND CITY
OFFICIALS

On June 1, 2009, PG&E submitted an application to the California Public Utilities Commission (CPUC) requesting authority to lower electric rates by \$1.098 billion, or approximately 9 percent on average, effective January 1, 2010.

Each year, PG&E is required to file an application that forecasts in detail how much it will spend the following year to ensure adequate electricity supplies for its customers. The CPUC carefully reviews PG&E's forecast to ensure that customers are not charged more than it costs PG&E to provide electricity. The forecast costs approved by the CPUC are included in PG&E's electric rates the following year. During that year PG&E's actual costs and revenues are tracked, and any difference is passed through to PG&E customers later. PG&E recovers its electric procurement costs dollar-for-dollar, with no profit margin.

This application requests the CPUC to adopt PG&E's electric procurement cost forecast of \$3.509 billion for 2010. This forecast for 2010 is \$1.138 billion lower than 2010 revenues would be at present rates. The decrease is due primarily to energy prices so far in 2009 and as forecast through 2010 being lower than currently reflected in PG&E rates.

In addition, this application requests rate recovery of costs associated with two projects. First, PG&E requests a revenue requirement of \$35.9 million to recover costs of the initial stage of the Market Redesign and Technology Upgrade (MRTU) initiative. MRTU changes the manner in which electricity is procured and sold by participants in newly redesigned wholesale electric markets in California. The MRTU initiative, developed by the California Independent System Operator and approved by the Federal Energy Regulatory Commission, was launched on March 31, 2009. Second, PG&E requests rate recovery of \$4.9 million dollars for expenses incurred for the planned Tesla Generating Station. In November 2008 the CPUC dismissed PG&E's request for approval of the Tesla project.

The net total electric revenue requirement in this application is \$3.550 billion. PG&E requests that electric rates designed to recover this amount become effective on January 1, 2010.

Does this mean electricity will cost me more?

For most customers, no. Each customer classification will have no increase on average. Impacts on individual customers will vary from the average. PG&E's requested net total electric revenue requirement of \$3.550 billion for 2010 is \$1.098 billion lower than 2010 electric revenues would be at present rates.

What impact will this filing have on my electric bills?

To reflect PG&E's proposed decrease, rates for PG&E's bundled customers (that is, customers who receive electric generation, as well as transmission and distribution, service from PG&E) will decrease by approximately \$1,098.3 million, or an average of 9.2 percent, rates for direct access customers (who purchase their electricity from a non-PG&E supplier) will decrease by \$0.1 million, or an average of 0.0 percent, and rates to departing load customers (who discontinue or reduce their purchases of electricity supply and delivery services from PG&E and, while remaining in the same physical location, replace such purchases with electricity supplied and delivered by a source other than PG&E) will decrease by \$0.6 million, or an average of 2.7 percent.

If the CPUC approves PG&E's request, a typical bundled residential customer using 550 kilowatt-hours per month will see the average monthly bill change from \$74.07 to \$71.82, a decrease of \$2.25 per month. A residential customer using 850 kilowatt-hours per month, which is about twice the baseline allowance, will see the average monthly bill change from \$163.68 to \$146.68, a decrease of \$17.00 per month. Individual bills may differ.

PG&E will provide a more illustrative allocation of the potential rate changes among customer classes under its proposal, in a bill insert to be mailed directly to customers later this month.

The CPUC Process

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