

**NOTIFICATION OF FILING OF PACIFIC GAS & ELECTRIC COMPANY (PG&E) APPLICATION
FOR APPROVAL OF ITS 2009-2011 DEMAND RESPONSE
PROGRAMS AND BUDGET**

The California Public Utilities Commission (CPUC), requires PG&E to file an application for approval of its Demand Response Programs and Budget. PG&E filed an application on June 2, 2008, requesting said approval ("Application").

What are Demand Response Programs?

Demand response programs increase electric reliability and reduce PG&E's total power purchase costs by motivating electric customers to reduce electric usage during high-demand, or peak usage, periods and/or shift electric usage to other periods when electric demand is lower.

PG&E's Application proposes a total [1] demand response related revenue [2] requirement of \$148.4 million (\$48.9 million in 2009; \$49.5 million in 2010; and \$50.0 million in 2011). PG&E proposes to recover these costs in electric distribution rates from both bundled and direct access customers. The annual revenue requirement increase (as compared to 2008 revenue requirement) is approximately \$10.1 million. Bundled customers are customers who receive electric generation as well as transmission and distribution service from PG&E. Direct Access customers are customers who receive transmission and distribution service from PG&E, but purchase electric generation service from third-party energy service providers.

Will Electric Rates Increase if the Application is Approved?

Yes. Approval of PG&E's proposed 2009-2011 demand response program revenue requirement will increase electric distribution rates paid by all electric bundled and direct access customers. PG&E expects any rate changes associated with its Application will be consolidated with electric rate changes in other CPUC proceedings. The eventual net change in rates is difficult to predict. Absent other electric rate changes, PG&E's revenue requirement request resulting from this Application would increase average bundled electric rates less than approximately 0.1 percent and would not have a significant impact on individual customers' rates.

THE CPUC PROCESS

The CPUC's independent Division of Ratepayer Advocates (DRA) will review this Application, analyze the proposal, and present an independent analysis and recommendations for the CPUC's consideration. 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 are allowed to present evidence or cross-examine witnesses during evidentiary hearings.

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 1-800-PGE-5000.

Para más detalles llame 1-800-660-6789.

詳情請致電 1-800-893-9555

For TDD/TTY(speech-hearing impaired), call 1-800-652-4712.

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

1-415-703-2074 or 1-866-849-8390 (toll free) TTY 1-415-703-5282, TTY 1-866-836-7825 (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 ALJ and the CPUC's Energy Division staff.

[1] The revenue requirement total includes charges for franchise fees (fees that PG&E pays to cities and counties for the right to use or occupy public streets, roads and ways) and uncollectibles (billed revenues that are unpaid by customers).

[2] Revenue is a technical term used to describe the total amount of money customers pay in rates for the electric and gas service they receive.

June 17, 2008

TO: STATE, COUNTY AND CITY
OFFICIALS

**NOTIFICATION OF APPLICATIONS BY PACIFIC GAS AND ELECTRIC COMPANY
TO RECOVER INCREASED PROCUREMENT COSTS FOR THE
REMAINDER OF 2008 AND FORECAST 2009**

Each year, Pacific Gas and Electric Company (PG&E) is required to forecast how much it will spend the following year to ensure adequate electricity supplies for its customers, and this forecast is reviewed and approved by the California Public Utilities Commission (CPUC). In addition, under California law, if PG&E's power procurement costs (that is, the costs of purchasing electricity for PG&E's customers) exceed the CPUC-authorized revenues by 5% or more, PG&E must file an application for expedited recovery of such costs. PG&E recovers these costs dollar-for-dollar through rates charged to customers, with no profit margin.

On June 10, 2008, PG&E submitted two separate applications with the CPUC to recover its power procurement costs. The first application (A.08-06-010) forecasts that by December 31, 2008, PG&E's power procurement costs will exceed its CPUC-authorized revenues by \$482 million. This increase in procurement costs is due to higher-than-expected natural gas and electricity prices, lower-than-expected precipitation, and higher-than-expected electricity sales. PG&E requests that this increase in power procurement costs be collected from customers over a 15-month period beginning October 1, 2008.

The second application (A.08-06-011) requests that the CPUC approve PG&E's forecast of its power procurement costs for 2009. PG&E's expected costs of electricity needed to serve its customers is \$4,924 million. PG&E requests that the electric rates designed to recover this amount become effective on or after January 1, 2009.

Does this mean electricity will cost me more?

Yes, PG&E's requests in the two applications will increase rates. However, the increase in rates is directly attributable to the higher costs that PG&E must pay to provide electricity to its customers; PG&E does not receive a profit margin from these increased rates or costs.

What impact will A.08-06-010 have on my electric bills?

PG&E's request in A.08-06-010 will increase total electric procurement rates by \$482 million, to be collected from customers over 15 months beginning October 1, 2008. If the application is approved by the CPUC, rates for bundled customers (those who receive electric generation, transmission, and distribution service from PG&E) will increase by \$482 million, or 4.5 percent on average, compared to current rates. In general, rates for direct access customers (those who purchase their electricity from a non-utility supplier) will not be subject to change. In addition, PG&E expects that rates to departing load customers (who receive electric generation from a non-utility supplier, as well as transmission and distribution service from a publicly-owned utility) will be unchanged.

The rate changes by customer class for bundled customers and direct access customers associated with A.08-06-010 will be provided in a bill insert to be sent directly to customers in July.

If the Commission approves PG&E's application, a typical residential customer using 550 kilowatt-hours per month will see the monthly bill change from \$72.13 to \$73.08, an increase of \$0.95 per month. A residential customer using 850 kilowatt-hours per month, which is about twice the baseline allowance, will see the monthly bill change from \$148.44 to \$155.67, an increase of \$7.23 per month. Individual bills may differ.

What impact will A.08-06-011 have on my electric bills?

PG&E's request in A.08-06-011 proposes a total electric procurement forecast of \$4,924 million, to be collected from customers over the 12 months of 2009. If the application is approved by the CPUC, rates for bundled customers will increase by \$681 million, or 6.1 percent on average, and rates for direct access customers will decrease by \$0.2 million, or -0.1 percent on average compared to current rates. In addition, PG&E expects to decrease rates to departing load customers by approximately \$1 million.

The rate changes by customer class for bundled customers and direct access customers associated with A.08-06-011 will be provided in a bill insert to be sent directly to customers in July. Please note that, due to CPUC requirements, the rate changes discussed below are compared to current rates, not the rates that will actually be in effect on December 31, 2008. In other words, if PG&E's request in A.08-06-010 (described above) is granted, the percentage rate change on January 1, 2009, from A.08-06-011 may be lower than forecast.

If the Commission approves PG&E's application, a typical residential customer using 550 kilowatt-hours per month will see the monthly bill change from \$72.13 to \$73.43, an increase of \$1.30 per month. A residential customer using 850 kilowatt-hours per month, which is about twice the baseline allowance, will see the monthly bill change from \$148.44 to \$158.33, an increase of \$9.89 per month. Individual bills may differ.

THE CPUC PROCESS

The CPUC's Independent Division of Ratepayer Advocates (DRA) will review these applications, analyze the proposals, and present an independent analysis and recommendations for the CPUC's consideration. Other parties 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 are allowed to present evidence or cross-examine witnesses during evidentiary hearings.

After considering all proposals and evidence presented during the hearing process, the CPUC will issue a draft decision for each of the applications. When the CPUC acts on these applications, it may adopt all or part of PG&E's requests, amend or modify them, or deny the applications. The CPUC's final decisions may be different from PG&E's proposals.

FOR FURTHER INFORMATION

For more details call PG&E at 800-743-5000

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If you are writing a letter to the Public Advisor's Office, please include the number of the application (08-06-010 or 08-06-011) to which you are referring. All comments will be circulated to the Commissioners, the assigned Administrative Law Judge and the Energy Division staff.