

July 24, 2008
TO: STATE, COUNTY AND
CITY OFFICIALS

**NOTIFICATION OF APPLICATION FILING OF PACIFIC GAS AND ELECTRIC
COMPANY (PG&E) FOR APPROVAL OF
THE 2009-2011 ENERGY EFFICIENCY PROGRAMS AND BUDGETS**

Per Decision 07-10-031 the California Public Utilities Commission (CPUC) authorized PG&E to file an Application on July 21, 2008 requesting approval of its 2009-2011 Energy Efficiency Programs and Budgets (Application). In this Application filing, PG&E proposes a budget for the design, administration, implementation and evaluation of its proposed energy efficiency programs for years 2009-2011.

Energy efficiency programs are aimed at promoting the use of high efficiency products, appliances, equipment, services, and practices to reduce energy usage while maintaining a comparable level of service. Energy efficiency activities typically require permanent replacement of energy-using equipment with more efficient models. Some examples of these types of equipment include refrigerators, light fixtures and cooling equipment. PG&E's energy efficiency programs provide incentives on equipment and information to residential, commercial, agricultural, and industrial customers to increase energy efficiency at homes and work places to reduce energy demand. Through these conservation and energy efficiency measures, PG&E customers minimize the need for new generation, reduce carbon emissions and other pollutants, improve energy reliability, and contribute to price stability.

PG&E's programs work in tandem with those of the other investor-owned utilities in California to achieve the CPUC's statewide energy efficiency savings goals. PG&E's programs also play a key role in the CPUC's statewide Energy Efficiency Strategic Plan, which outlines long term goals and processes for achieving greater energy efficiency in California over the next several decades. To achieve its savings goals, PG&E leverages the support of local governments, community organizations, statewide organizations and other third-party partnerships. In order to maximize customer energy savings and convenience, PG&E has created an integrated offering of all of its energy efficiency, demand response, low-income and solar programs.

PG&E's currently authorized energy efficiency funding for 2006-2008 is \$943 million. PG&E's proposed energy efficiency funding for 2009-2011 is about \$1.9 billion. This increase is required to meet the aggressive energy savings targets that have been established by the CPUC, and would also apply to 2010 and 2011.

HOW WILL THIS IMPACT RATES?

Approval of PG&E's proposed Energy Efficiency program budget for years 2009-2011 will result in an increase in gas and electric public purpose program charges. The annual electric increase will result in an increase in public purpose program charges paid by all electric customers including bundled, direct access and departing load customers who are required to pay public purpose program charges. The annual gas increase will result in an increase in the 2009-2011 gas public purpose program surcharges paid by residential, commercial and industrial customers. PG&E expects that the rate changes associated with this Application will be consolidated with changes in other CPUC proceedings, so the eventual net change in rates for individual customers is difficult to predict.

PG&E will provide an illustrative allocation of the electric and gas rate increases among customer classes solely associated with this Application, in a bill insert to be mailed directly to customers in August.

If the CPUC approves PG&E's application, the bill for a typical bundled customer using 550 kWh per month would increase \$0.38 from \$72.13 to \$72.51. The average usage for customers using about twice their baseline allowance is about 850 kWh. The bill for this average bundled customer would increase \$2.99 from \$148.44 to \$151.43 per month. A residential customer using 40 therms of gas per month would see an average monthly gas bill increase of \$0.73 or 1.3%, from \$54.74 to \$55.47. Individual customers' bills may differ.

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 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 Administrative Law Judge and the Energy Division staff.

Reviewed by the California Public Utilities Commission