

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

**NOTIFICATION OF APPLICATION FILING BY PACIFIC GAS
AND ELECTRIC COMPANY (PG&E): TO RECOVER IN RATES
COSTS ASSOCIATED WITH AGREEMENT FROM ITS
2008 LONG TERM REQUEST FOR OFFERS**

What is the 2008 Long Term Request For Offers (LT-RFO)

The 2008 LT-RFO is a competitive solicitation process that was used by Pacific Gas and Electric Company ("PG&E") to acquire or contract for generation resources to ensure reliable electrical supply in PG&E's service area. The need for these new resources was determined by the California Public Utilities Commission (CPUC) in Decision No. 07-12-052.

On September 30, 2009, PG&E filed an Application in which PG&E requested the CPUC to approve the terms and conditions, including cost recovery, of an agreement for PG&E to purchase from a third party developer a new 586 MW electrical generating facility (Contra Costa Generating Station) to be constructed in Oakley, California. The facility is forecasted to be operational in mid-2014, at which point it would be transferred by the developer to PG&E.

Detailed information about PG&E's Application:

PG&E's Application requests authorization to recover in electric rates the costs associated with the acquisition and initial operation of the Contra Costa Generating Station in order to improve PG&E's ability to provide a reliable supply of electricity.

Will electric rates increase?

Yes. PG&E is requesting an increase in electric rates for the cost of the new utility owned generation. If the Application is approved by the CPUC, rates for existing bundled customers (those who receive electric generation as well as transmission and distribution services from PG&E) will increase by \$227 million, or 1.8%, in 2015 (relative to current rates), which is the first and highest single year of recovery. In general, rates for existing direct access customers (those who purchase their electricity from non-PG&E suppliers) will not be subject to change. Finally, customers who depart PG&E's bundled service in the future may be responsible for a portion of these costs via a non-bypassable charge.

If the Commission approves the Application, a typical bundled residential customer using 550 kilowatt-hours per month will see the average monthly bill change from \$74.07 to \$74.50, an increase of \$0.43 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 \$166.93, an increase of \$3.25 per month. Individual bills may differ.

PG&E will provide an illustrative table of rate changes by customer class in a bill insert to be mailed directly to customers in October.

THE CPUC PROCESS

The CPUC's 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

To request a copy of the application and exhibits or for more details,
call PG&E at **1-800-PGE-5000**

Para más detalles llame al **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 request a copy of the application and exhibits by writing to:

Pacific Gas and Electric Company
LTRFO Application
P.O. Box 7442, San Francisco, CA 94120.

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