



*Pacific Gas and
Electric Company™*

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April 14, 2006

HAND DELIVERY

Docket Clerk
Docket office
Public Utilities Commission
of the State of California
505 Van Ness Avenue, Room 2001
San Francisco, CA 94102

Re: R.04-01-006 - Order Instituting Rulemaking on Commission's Proposed Policies
and Programs Governing Post-2003 Low-Income Assistance Programs

Dear Docket Clerk:

Enclosed for filing in the above-captioned matter are an original and seven (7) copies of

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY
SEEKING APPROVAL OF AN AUGMENTATION TO ITS AUTHORIZED 2006
LOW INCOME ENERGY EFFICIENCY PROGRAM BUDGET**

Please file the original document, date-stamp a copy, and return the endorsed copy in the stamped, self-addressed envelope provided for this purpose.

Very truly yours,

/s/

Chonda J. Nwamu

CJN/pak

cc: Steven A. Weissman, ALJ
Dian Grueneich, Commissioner
Susan E. Brown, LIF
Mariana C. Campbell, ORA
Hazlyn Fortune, ORA
Sarita Sarvate, ED
Donna L. Wagner, ED
All Parties on Official Service List for R.04-01-006

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's
Proposed Policies and Programs Governing Post-2003
Low-Income Assistance Programs.

R.04-01-006

Application of Pacific Gas and Electric Company
Seeking Approval of an Augmentation to Its
Authorized 2006 Low Income Energy Efficiency
Program Budget

A.06-04-_____

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY
SEEKING APPROVAL OF AN AUGMENTATION TO ITS AUTHORIZED 2006
LOW INCOME ENERGY EFFICIENCY PROGRAM BUDGET**

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April 14, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION
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Order Instituting Rulemaking on the Commission's Proposed Policies and Programs Governing Post-2003 Low-Income Assistance Programs.

R.04-01-006

Application of Pacific Gas and Electric Company Seeking Approval of an Augmentation to Its Authorized 2006 Low Income Energy Efficiency Program Budget

A.06-04-_____

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY
SEEKING APPROVAL OF AN AUGMENTATION TO ITS AUTHORIZED 2006
LOW INCOME ENERGY EFFICIENCY PROGRAM BUDGET**

I. INTRODUCTION

Pacific Gas and Electric Company ("PG&E") respectfully submits this Application seeking approval of a budget augmentation for its Program Year 2006 Low Income Energy Efficiency program (LIEE). This Application is being submitted in compliance with Decision 05-12-026, Ordering Paragraphs 3 and 12, issued on December 15, 2005. This budget augmentation request reflects additional LIEE spending necessary to comply with Commission orders issued after PG&E filed its *Application for Approval of the 2006 and 2007 California Alternate Rates for Energy and Low Income Energy Efficiency Programs and Budgets* on June 1, 2005 (A.05-06-005). Given that Commission orders issued subsequently to PG&E's June 1, 2005 LIEE Application have resulted in increased LIEE spending not contemplated in PG&E's original LIEE budget proposal, PG&E hereby seeks an increase to its 2006 LIEE budget to cover the additional costs and to ensure program continuity throughout the year.

II. PROCEDURAL BACKGROUND

On June 1, 2005 PG&E submitted its application seeking approval of CARE and LIEE programs and budgets for 2006-2007 (A.05-06-005). In A.05-06-005, PG&E requested a LIEE

budget for PY 2006 in the amount of \$56.53 million which was the same as the PY2005 authorized budget. In addition, for its PY2006 LIEE program, PG&E requested approval to offer the same measures offered in the PY2005 LIEE program. By D.05-12-026 the Commission approved PG&E's proposed LIEE programs and budget for 2006 as described in A.05-06-005, and also authorized the use of unspent carryover funds from the prior year (approximately \$12 million). Further, D.05-12-026 ordered that the utilities offer certain new measures as part of their respective 2006 LIEE programs and also ordered that the utilities treat at least 5-10% more.^{1/} homes than contemplated in the original 2006 LIEE applications (i.e. PG&E's A.05-06-005).

The Commission also issued D. 05-10-044, *Interim Opinion Approving Various Emergency Program Changes in Light of Anticipated High Natural Gas Prices in the Winter of 2005-2006* ("the Winter Initiative Decision") subsequently to PG&E's June 1, 2005 Application proposing its 2006 LIEE programs and budget. The Winter Initiative Decision, *inter alia*, directed the utilities to offer specific new LIEE measures during the Winter of 2005-2006 (i.e. November 1, 2005 – April 30, 2006) to help customers mitigate the impact of the exceptionally high natural gas prices that were anticipated for the winter. The cost of these new "LIEE Winter Initiatives" was also not contemplated in the 2006 LIEE budget request submitted on June 1, 2005 in A.05-06-005, and approved by D.05-12-26.

The Commission directed the utilities to submit budget augmentation requests for the 2006 LIEE programs to address 2006 LIEE program expenses that were not contemplated in the utilities' original 2006 LIEE budget applications. Specifically, D.05-12-026 provides that "[t]he utilities could not have anticipated the changes adopted in D.05-10-044 when they filed the applications underlying this decision. However, the utilities have asked the Commission to approve the proposed 2006-2007 funding levels set forth in their applications *with the*

^{1/} Decision D.05-12-026, Ordering Paragraph 3.

understanding that they may have to seek funding augmentations if program activity continues to accelerate.” (emphasis added). *Id* at p.4. “[I]n order to avoid a sudden drop in program activity after the winter, we direct the utilities to file augmented 2006 budget applications no later than April 14, 2005 , to enable the utilities to treat at least 5-10% more homes than they projected in the current applications [A.05-06-005].” *Id* at 5. Accordingly, as ordered in D.05-12-026, PG&E submits this budget augmentation request seeking additional funds to cover the costs of the new components of the 2006 LIEE program that were ordered by the Commission subsequently to PG&E’s original 2006 LIEE budget proposal. *See* A.05-06-005.

III. DISCUSSION

A. The Commission Adopted New LIEE Measures Proposed by the Low Income Standardization Team For Inclusion in the Utilities’ 2006 LIEE Programs

In D.05-12-026 the Commission adopted, with some modification, new LIEE measures that were recommended by the Low Income Standardization Team. In compliance with a Commission directive, the Standardization Team solicited new measure proposals for the 2006 LIEE programs and conducted an assessment of the proposed measures. On May 2, 2005, the Standardization Team filed its report with the Commission containing recommendations for new 2006 LIEE measures. On December 15, 2005, in D.05-12-026, the Commission adopted two of the new measures recommended by the Standardization Team and ordered that such measures be offered as part of the utilities’ 2006 LIEE programs. For PG&E, the two new LIEE measures that must be implemented as part of PG&E’s 2006 LIEE program are: 1) High efficiency central air conditioners; and 2) Duct testing and sealing. Since these newly adopted measures were not known at the time of PG&E’s June 1, 2005 application seeking approval of its 2006 LIEE budget (A.05-06-005), PG&E now seeks to augment its 2006 LIEE budget to cover, among other things, the cost of implementing these two new measures in 2006.

B. The Commission Ordered Various Emergency LIEE Program Measures (“Winter Initiative”) in Response to Expected High Natural Gas Prices During the Winter of 2005-2006

On October 27, 2005 the Commission issued *Interim Opinion Approving Various Emergency Program Changes in Light of Anticipated High Natural Gas Prices in the Winter of 2005-2006*, D.05-10-044 (“the Winter Initiative Decision”) approving, on a temporary basis (November 1, 2005-April 30, 2006), certain emergency low income program measures designed to help customers mitigate the impact of rising natural gas prices over the winter. Specifically, the Winter Initiative Decision ordered the following modifications to PG&E’s LIEE program:

- 1). Revise LIEE income eligibility to 200% of federal poverty guidelines for all customers. (Prior income eligibility for LIEE was 200% for elderly and disabled customers only, and 175% for other customers);
- 2). Replace central gas forced air furnaces to renters and home-owners as part of whole-house effort where existing furnace has an AFUE of 65 or lower;
- 3). Perform necessary duct work when installing a new furnace;
- 4). Replace leaky water heaters;
- 5). Increase new refrigerator replacements through “go-backs” and other initiatives; and
- 6). Hold harmless from repayment customers receiving LIEE benefits during the winter period who are later determined to be ineligible for the LIEE benefits.

PG&E has complied with each of these additional LIEE measures during the winter of 2005-2006.

Subsequently to the issuance of the Winter Initiative Decision, PG&E immediately increased the level of activity in its LIEE program including rapid implementation of the new LIEE measures. For example, PG&E treated 23,789 customer homes between November 1, 2005 and April 4, 2006 compared to 16,455 customer homes treated during the same period during the previous winter. In addition, PG&E has made significant progress this winter replacing inefficient furnaces, leaky water heaters, and refrigerators. PG&E replaced 607 inefficient furnaces and identified an additional 996 for replacement between November 1, 2005 and April 11, 2006. By the end of the winter period, PG&E forecasts that it will have replaced

and assessed for replacement approximately 1,700 inefficient furnaces. PG&E will continue to install the furnaces identified for replacement during the Winter Initiative until they are all replaced (probably by June or July). PG&E has replaced 79 leaky water heaters and identified an additional 45 for replacement since November 1, 2005. PG&E has also replaced 15,055 refrigerators and identified an additional 10,492 for replacement since November 1, 2005.

The Winter Initiative Decision focused primarily on the winter period from November 1, 2005 – April 30, 2006, and PG&E anticipates that the inefficient furnace replacement measure will be discontinued following the winter period, although the measure may be evaluated for inclusion in future LIEE programs. With respect to replacing leaky water heaters, PG&E had committed in Standardization Team meetings to include this measure as part of its LIEE program and, therefore, PG&E proposes to continue this measure through 2006. PG&E will also continue to actively seek out and replace qualifying refrigerators, including “go-back” and leveraging refrigerator replacements, as part of its 2006 LIEE program. PG&E has incorporated these assumptions related to its 2006 LIEE offerings into its LIEE cost projections and budget augmentation request. (See Attachment 1).

C. The Commission Ordered That in 2006 the Utilities’ LIEE Programs Treat 5-10% More Homes Than Projected in the Original June 1, 2005 Low Income Program and Budget Applications

The Commission’s Winter Initiative Decision resulted in an increase in the number of customer homes eligible to participate in PG&E’s LIEE program and, as a result, the Commission subsequently ordered that utilities treat at least 5-10% more homes than originally forecasted in the June 1, 2005 low income applications. Specifically, D.05-12-026 provides that “the utilities shall manage their authorized budgets for 2006 in a manner that accelerates Low Income Energy Efficiency [LIEE] and CARE enrollment in Winter 2005-2006...*and results in at least 5-10% more homes being treated* than originally anticipated when the original applications were filed.” (emphasis added) *Id* at p.40. For PG&E, the LIEE increased income eligibility

ordered in the Winter Initiative Decision resulted in an additional 200,000 customer homes eligible for participation in the LIEE program. In compliance with the Commission's directive to increase the number of homes treated, PG&E proposes to increase LIEE activity levels and treat 11% more homes than projected in A.05-06-005. Specifically, PG&E projects an increase from over 56,000 homes in 2005 (and originally projected for 2006) to 62,500 treated homes in 2006. Given that the 11% increase in LIEE activity was not contemplated at the time of filing A.05-06-005, PG&E has incorporated the increased costs associated with treating more houses in its 2006 budget projections and resulting budget augmentation request.

D. New Title 24 Duct Testing Requirements and a Proposed Tankless Water Heater Pilot Program Also Add Costs to PG&E's 2006 LIEE Program

PG&E includes as part of this 2006 LIEE budget augmentation request the projected costs associated with the new California Title 24 statutory requirement which became effective subsequently to PG&E's June 1, 2005 application seeking approval of the 2006 LIEE budget. New Title 24 duct sealing requirements became effective October 1, 2005 and added new processes surrounding California home retrofits. Under the new Title 24 requirements, HVAC contractors are required to ensure duct leakage is an acceptable percentage of fan flow or initial leakage when new alterations are made to HVAC systems in Climate Zones 2, and 9 -16 (the less temperate non-coastal climate zones). There are various exemptions and alternatives to the new Title 24 requirement that apply in specific cases. PG&E has incorporated into this budget augmentation request the projected 2006 LIEE costs associated with the new Title 24 compliance.

PG&E recently proposed adding a new pilot project to its 2006 LIEE program and this budget augmentation request also incorporates the cost of the proposed pilot. On March 6, 2006, PG&E filed a Petition to Modify D.05-12-026 to establish a tankless water heater pilot project as part of PG&E's 2006 LIEE program. Although the Petition to Modify is still pending at the

Commission, PG&E has included the cost of the pilot project --\$61, 578—as part of this 2006 LIEE budget augmentation request.

E. PG&E Will Require a 2006 LIEE Budget Augmentation to Fund The Additional LIEE Measures and Activity Costs that Were Unknown When PG&E Submitted its Original 2006 LIEE Budget Proposal on June 1, 2005

PG&E will need to increase its 2006 LIEE budget by approximately \$21 million to maintain the current pace of its LIEE program throughout 2006 and to treat 62,500 homes. As described above, Commission decisions issued after the filing of PG&E’s original LIEE budget application (A.05-06-005) have resulted in increased LIEE spending and the need for this budget augmentation request. This filing reflects the fact that PG&E has wholeheartedly embraced the directive to increase LIEE activity in 2006.

Beginning in November 2005, PG&E expanded its LIEE program activities and expenditures to include inefficient furnace replacement, leaky water heater replacement, and refrigerator “go-backs” in compliance with the Winter Initiative Decision. In addition, in D.05-12-026 the Commission adopted new measures for PG&E’s 2006 LIEE program as recommended by the Standardization Team report. The Commission also directed the utilities to increase LIEE program participation by a minimum of 5-10% as a result of the expanded LIEE income eligibility criteria established in the Winter Initiative Decision. Each of these additions to PG&E’s 2006 LIEE program have corresponding costs that were not anticipated in PG&E’s original 2006 LIEE budget request.

PG&E and its LIEE program implementers are currently on track to treat 62,500 homes in 2006, and PG&E’s projected LIEE activity will result in PG&E spending its entire authorized budget (\$56.53 million), including the prior year’s unspent carryover (\$12 million), with a projected shortfall of \$21 million in its LIEE balancing account.

PG&E’s revised 2006 LIEE cost projections supporting its \$21 million budget augmentation request are attached. Attachment 1 illustrates PG&E’s projected LIEE balancing

account shortfall resulting from increased LIEE spending and activities due to: the Winter Initiative Decision; the adoption of new 2006 measures; the Commission's request that utilities increase the number of LIEE-treated homes in 2006; new Title 24 requirements; and a new proposed Tankless Water Heater Pilot program. Attachment 2 illustrates PG&E's forecasted 2006 measure installations and projects the resulting increase in number of homes treated from 2005 to 2006.^{2/}

The approval of PG&E's \$21 million budget augmentation request will allow PG&E to maintain the pace of its LIEE program and treat approximately 62,500 customers this year. PG&E projects that it will be able to treat only 42,500 customers under its current 2006 LIEE budget, including carryover, if the budget augmentation request is not approved. Moreover, if the budget augmentation request is not approved by mid-July, PG&E will have to reduce contractor work to maintain LIEE funding throughout the entire year as required by D.05-04-052, Ordering Paragraph 3. Thus, PG&E respectfully requests a timely decision approving its \$21 million budget augmentation request.

PG&E proposes to increase Public Purpose Program (PPP) electric rates to reflect the increased revenue requirement for LIEE funding. Consistent with current practice PG&E proposes to increase the current LIEE component of PPP rates for each rate group by an equal percentage such that the total additional electric revenue requirement is collected. An increase in the LIEE rate is then accompanied by equal increases in PPP rates.

After the PPP rates are determined, total bundled rates are typically determined by summing the new PPP rates and the other rate components applicable to bundled service customers. In the case of residential rates, however, total charges for usage up to 130 percent of

^{2/} PG&E's forecasts are based on the utility program managers' knowledge of historic measure trends regarding the percentage of feasible measures for participating homes in prior years. The actual percent of feasible measures could vary depending on the specific homes assessed in any given year.

baseline (Tier 1 and Tier 2 usage) cannot be increased.^{3/} Therefore, to implement an increase for the residential class, PG&E proposes to offset the increase in PPP rates with an equal and opposite change to Tier 1 and Tier 2 generation rates to ensure that total Tier 1 and Tier 2 rates are not increased. Then, to ensure that the proper total revenue is collected, surcharges applicable to usage in excess of 130 percent of baseline (Tier 3, Tier 4 and Tier 5 rates) are increased proportionately such that the revenue allocated to the residential class is fully collected. This approach to changing residential rates is fully consistent with the rate restriction provisions of Water Code Section 80110, and is consistent with current practice.

Except as noted above for residential customers with usage only in Tier 1 and Tier 2, total rates for bundled customers would increase. The average increase in bundled electric rates based on a \$15 million electric revenue requirement increase is approximately 0.15 percent. In addition, all other non-bundled customers responsible for paying PPP charges would receive bill increases due to the increase in PPP rates. Customers taking direct access or community choice aggregation service are required to pay PPP charges. In addition, departing load customers may be required to pay PPP charges.

PG&E proposes to consolidate the electric rate change resulting from the adopted LIEE revenue requirement in this application with the first planned rate change following the Commission's decision in this case.

PG&E proposes to consolidate the gas rate change resulting from the adopted LIEE revenue requirement in this application with other changes to the 2007 gas public purpose program surcharge.

^{3/} Water Code Section 80110 prohibits increases to total charges for residential usage up to 130 percent of baseline until such time as the California Department of Water Resources (DWR) has recovered the costs of power it has procured for the electrical corporation's retail end-use customers.

The currently authorized electric/ gas revenue split for the 2006 LIEE program is 70% electric and 30% gas. PG&E will allocate any additional 2006 LIEE funding according to the currently authorized revenue split. If PG&E determines at a later time that the actual LIEE expenditures do not reflect the 70% electric/ 30% gas split, PG&E may seek an adjustment to the electric/ gas revenue split.

IV. INFORMATION REQUIRED BY THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE

A. Legal Name of Applicant and Related Information (Rule 15(A))

Pacific Gas and Electric Company ("PG&E") is, and has been since October 10, 1905, an operating public utility corporation organized under the laws of the state of California. It is engaged principally in the business of furnishing electric and gas service in northern and central California. PG&E's principal place of business is 77 Beale Street, San Francisco, California, 94105.

B. Correspondence and Communications (Rule 15(b))

Correspondence and communications regarding this application should be addressed to the following:

Chonda J. Nwamu
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Law Department
Post Office Box 7442 (B30A)
San Francisco, CA 94120
Telephone: (415) 973-6650
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E-mail: cjn3@pge.com

C. Articles of Incorporation (Rule 16)

A certified copy of PG&E's Restated Articles of Incorporation, effective April 12, 2004, was filed with the Commission on May 3, 2004 with PG&E's Application No.04-05-005. These articles are incorporated herein by reference.

D. Statutory and Other Authority (Rule 15)

This Application is made pursuant to Sections 701 and 702 of the Public Utilities Code of the State of California, the Commission's Rules of Practice and Procedure and prior decisions, orders and resolutions of the Commission

E. Balance Sheet and Income Statement (Rule 17)

A copy of PG&E's most recent balance sheet and income statement are attached to this application as Appendix A.

F. Present and Proposed Rates (Rule 23)

A description of PG&E's presently effective rates and charges for electric and gas service is contained in Appendix B.

The revenue changes proposed in this application from present revenues is less than one percent. Therefore, pursuant to Rule 23(c), changes by rate classification are not required.

The percentage of increase in revenue is less than one percent.

G. Proxy Statement (Rule 23)

Incorporated by reference herein is a copy of PG&E's most recent joint proxy statement sent to its shareholders, dated March 15, 2005. This proxy statement was provided to the Commission on April 5, 2005, with PG&E Application No.05-04-011.

H. Property and Equipment (Rule 23)

A description of PG&E's property and equipment, with their original costs and applicable depreciation reserve, is contained in Appendix C.

I. Summary of Earnings (Rule 23)

A summary or recorded year 2004 revenues, expenses, rate cases and rate of return for PG&E's Electric and Gas Departments is contained in Appendix D.

J. Depreciation Method (Rule 23)

PG&E's statement of the method of computing the depreciation deduction for federal income tax purposes is contained in Appendix E.

K. Notice and Service of Application (Rule 24)

In compliance with Rule 24 of the Commission's Rules of Practice and Procedure, PG&E will promptly, on receipt of an Application number, send notices, which generally state the proposed revenues, rate changes, and ratemaking mechanisms requested in this Application, to the parties listed in Exhibit F including the State of California and cities and counties served by PG&E. In addition, PG&E will include notices with the regular bills mailed to customers affected by the proposed increases. PG&E will also publish in newspapers notice of the proposed increase in rates in Compliance with Rule 24 of the Commission's Rules of Practice and Procedure. PG&E will serve a copy of this Application and all attachments via e-mail on all parties of record in this proceeding, R. 04-01-006.

L. Accompanying Exhibits And Appendices

PG&E's Exhibits accompany this filing and are incorporated herein by reference.

M. Proposed Category

Since this application may have an effect on PG&E's funding requirement, the application should be categorized as ratesetting.

N. Need for Hearing

PG&E believes that no hearings will be required on the issues presented herein.

O. Issue To Be Considered

Should PG&E's proposed LIEE PY 2006 budget augmentation request presented herein be approved?

P. Proposed Schedule

Application Filed	April 14, 2006
Protests and Responses to Application Filed	May 15, 2006
Reply to Protests Filed	May 25, 2006
Commission Decision	July, 2006

VI. CONCLUSION

For the reasons set forth above, Pacific Gas and Electric Company respectfully requests approval of an augmentation to its currently authorized Program Year 2006 LIEE balancing account budget in the amount of \$21 million to maintain the pace of its LIEE program throughout 2006.

Respectfully submitted,

/s/

Helen Burt
Senior Vice President, Chief Customer Officer

/s/

Chonda J. Nwamu
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April 14, 2006

VERIFICATION

I, the undersigned, say:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a corporation and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason; I have read the foregoing Application and I am informed and believe the matters therein are true and on that ground I allege that the matters stated therein are true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed at San Francisco, California, this 13th day of April, 2006.

/s/

Helen Burt
Senior Vice President, Chief Customer Officer

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Law Department B30A, 77 Beale Street, San Francisco, CA 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On the 14th day of April 2006, I served a true copy of:

**APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY
SEEKING APPROVAL OF AN AUGMENTATION TO ITS AUTHORIZED 2006
LOW INCOME ENERGY EFFICIENCY PROGRAM BUDGET**

- By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.04-01-006 et al. with an e-mail address.
- By U.S. Mail – by placing the enclosed for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties on the official service list for R.04-01-006 et al. without an e-mail address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 14th day of April 2006 at San Francisco, California.

/s/

PATRICIA KOKASON