

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. California Pacific Electric Company, LLC/U 933-E

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Mike Long

Phone #: 530-543-5277

E-mail: mike.long@liberty-energy.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 11-E

Subject of AL: Request to Establish the Vegetation Management Memorandum Account

Keywords (choose from CPUC listing): _____

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: filing date: 11/21/2011 No. of tariff sheets: 1

Estimated system annual revenue effect (%): _____

Estimated system average rate effect (%): _____

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Schedules No: Preliminary Statement 12.D, Sheet No. 42A

Pending advice letters that revise the same tariff sheets: N/A

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

ijnj@cpuc.ca.gov and mas@cpuc.ca.gov

Utility Info (including e-mail)

California Pacific Electric Company, LLC

Attention: Advice Letter Protests

933 Eloise Avenue

South Lake Tahoe, CA 96150

Email: mike.long@liberty-energy.com



California Pacific Electric Company, LLC
933 Eloise Avenue
South Lake Tahoe, CA 96150
Tel: 800-782-2506
Fax: 905-465-4514

VIA EMAIL AND HAND-DELIVERY

October 20, 2011

**Advice Letter 11-E
(U 933-E)**

Public Utilities Commission of the State of California
Attn: Energy Division, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102-3298

Subject: Request to Establish the Vegetation Management Memorandum Account

California Pacific Electric Company, LLC (U 933-E) (“CalPeco”)¹ requests approval from the California Public Utilities Commission (“Commission”) to create a new Preliminary Statement, Part 12.D, Vegetation Management Memorandum Account. The purpose of the Memorandum Account will be to record costs that CalPeco is currently incurring for vegetation management, but which the Commission has not authorized for recovery either for Sierra Pacific Power Company (“Sierra”), CalPeco’s predecessor as the regulated utility providing electric service to CalPeco’s service territory, or for CalPeco.

Background

On October 28, 2010, the Commission issued Decision 10-10-017, which approved Sierra’s transfer to CalPeco of the California electric distribution facilities and the Kings Beach Generating Station that Sierra had previously owned and operated. The transfer from Sierra to CalPeco was completed effective January 1, 2011. As of that date, CalPeco began operations as the utility with responsibility for serving the electric customers within Sierra’s former California service territory.

As part of the transfer, CalPeco committed to continue providing safe and reliable service.² In furtherance of that commitment, CalPeco has developed a vegetation management program designed to best ensure and enhance safe and reliable service.

In implementing its vegetation management program, CalPeco has realized that it is incurring expenses materially different than the vegetation management expenses and associated budget that this Commission approved in Sierra’s last California general rate case.³

¹ CalPeco also does business in California as “Liberty Energy - California Pacific Electric Company.”

² See Decision 10-10-017, Appendix 3, Regulatory Commitment 3(b).

³ Decision 09-10-041 (“Sierra GRC Decision”).

First, the Commission granted Sierra rate recovery for implementing its California vegetation management program based on the historic allocation factors which the Commission and the Public Utilities Commission of Nevada (“PUCN”) used for purposes of setting rates. Thus, the amount of rate recovery the Commission authorized for Sierra was not based on a forecast of the vegetation management expenses Sierra projected it would incur to provide service to its California customers. Rather, Sierra requested PUCN authority to recover an allocated Nevada portion of the combined vegetation management expenses and correspondingly requested Commission authority to recover the California allocation of the remaining portion of the combined vegetation management expenses.

Sierra, however, incurred vegetation management expenses in the two jurisdictions based on safety and reliability concerns, which frequently deviated from the allocated amounts reflected in its revenue requirement for both jurisdictions. Though the majority of Sierra’s combined vegetation management expenses occurred in California, the majority of these combined expenses were allocated to Nevada.

CalPeco intends to file a general rate case application in the first quarter of 2012. In its filing, it will request rate recovery based on its projected expenses on vegetation management that will be derived from its actual costs of operating and maintaining a vegetation management program for its distribution utility.

Second, CalPeco’s vegetation management program reflects CalPeco’s corporate commitment to respond to our customers’ and employees’ feedback and requests regarding the lessons learned from the 2007 Angora fire in the South Lake Tahoe vicinity. The Angora fire alone burned over 3000 acres and caused damages in excess of \$100 million to structures, property, and loss of tourism.

This Commission has appropriately intensified its focus on the relationship between vegetation and fire safety following the wildfires that ravaged Southern California in 2009. CalPeco has accordingly upgraded the program for vegetation management to best ensure fire safety and to provide increased reliability for CalPeco’s customers.

Proposal

Given the uncertainty associated with the costs of CalPeco’s vegetation management program and the ongoing, but nonetheless, imperative need to continue to provide safe and reliable service to its customers, CalPeco seeks authorization to revise its Preliminary Statement to establish a memorandum account entitled Vegetation Management Memorandum Account (“VMMA”). CalPeco proposes to use the VMMA to record any expenses associated with all vegetation management activities required by General Orders 95 and 165, and any other current or future order or decision by the Commission, for which the Commission has not already authorized rate recovery. For example, CalPeco anticipates that it will record in the VMMA any incremental expenses it will incur as a result of the expected Phase 2 decision in Rulemaking 08-11-005.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule. Rather, the VMMA will allow the Commission to determine

if the costs incurred by CalPeco for its vegetation management program are reasonable as part of CalPeco's upcoming general rate case application.

Effective Date

CalPeco requests that this Tier 2 advice letter filing become effective on regular notice, November 21, 2011, which is 30 calendar days after the date of filing

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or by email, any of which must be received no later than **November 9, 2011**, which is 20 days after the date of this filing. The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There is no restriction on who may file a protest. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102
Facsimile: (415) 703-2200
Email: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

The protest also should be sent via email and U.S. Mail (and by facsimile, if possible) to CalPeco at the addresses shown below on the same date it is mailed or delivered to the Commission.

California Pacific Electric Company, LLC
Attn.: Advice Letter Protests
933 Eloise Avenue
South Lake Tahoe, CA 96150
Fax: 905-465-4514
Email: peter.eichler@liberty-energy.com

With a copy to:
Steven F. Greenwald
Vidhya Prabhakaran
Davis Wright Tremaine LLP
505 Montgomery Street, Suite 800
San Francisco, CA 94111
Fax: 415-276-6599
Email: stevegreenwald@dwt.com
Email: vidhyaprabhakaran@dwt.com

Effective Date

CalPeco requests that this Tier 2 advice filing become effective on regular notice, November 21, which is 30 calendars days after the date of this filing.

Notice

In accordance with General Order 96-B, Section 4.3, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list.

If additional information is required, please contact Peter Eichler, Director, Regulatory Strategy, peter.eichler@liberty-energy.com.

Please contact me at your convenience if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Eichler". The signature is fluid and cursive, with a prominent initial "P" and a long, sweeping underline.

Peter Eichler
Director, Regulatory Strategy

cc: CalPeco Advice Letter Service List

PRELIMINARY STATEMENT
(Continued)

12. MEMORANDUM ACCOUNTS (Continued)

D. VEGETATION MANAGEMENT MEMORANDUM ACCOUNT ("VMMA")

i. **PURPOSE**

The purpose of the VMMA is to record expenses associated with all vegetation management activities required by General Orders 95 and 165, and any other current or future order or decision by the Commission, for which the Commission has not already authorized rate recovery.

ii. **APPLICABILITY**

The VMMA does not have a rate component.

iii. **ACCOUNTING PROCEDURE**

CalPeco shall maintain the VMMA by making entries at the end of each month as follows:

a. A debit entry equal to the payments related to vegetation management costs for which the Commission has not already authorized rate recovery.

b. When interest is payable under this part of the Preliminary Statement, the interest rate shall be 1/12 of the most recent month's interest rate on Commercial paper (prime, 3 months), published by the Federal Reserve Statistical Release, H.15. Should publication of the interest rate on commercial paper (prime, 3 months) be discontinued, interest will so accrue at the rate of 1/12 of the most recent month's interest rate on commercial paper, which most closely approximates the rate that was discontinued and which is published in the Federal Reserve Statistical Release, H.15, or its successor publication.

iv. **ACCOUNT DISPOSITION**

CalPeco shall request the recovery of the balance in the VMMA in a future proceeding.

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Advice Letter No. 11-E

Issued by
Bob Dodds
Name

Date Filed October 20, 2011

Decision No. _____

President
Title

Effective _____

Resolution No. _____

**CalPeco
Advice Letter Filing Service List
General Order 96-B, Section 4.3**

A.08-08-004 Service List

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ljt@cpuc.ca.gov
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A.09-10-028 and A.10-04-032 Service List

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AdviceTariffManager@sce.com

Truckee-Donner Public Utility District
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Truckee, CA 95734

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