

March 1, 2000

ADVICE 2218-G

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits for filing and approval a proposal to refund to eligible core gas customers overcollected revenues in the Core Fixed Cost Account (CFCA) in the amount of \$318.6 million through a one-time bill credit. This CFCA Refund Plan (Refund Plan) is being filed this date in conjunction with Advice 2217-G, which implements authorized gas transportation rate changes effective March 1, 2000, in compliance with Decision (D.) 00-02-046, dated February 17, 2000, in PG&E's 1999 General Rate Case (GRC). The Refund Plan is described in Attachment I.

Decision 00-02-046 (Ordering Paragraph 1.a.) orders PG&E to file revised gas tariff sheets which consolidate the adopted gas revenue requirement change with the Annual True-up of Balancing Accounts (True-up) and other relevant gas rate changes identified in of Resolution (R.) G-3266.¹ Advice 2217-G references this Refund Plan; therefore, in that Advice filing, the rate component which amortizes the CFCA balance is set to zero.

Two factors have caused the CFCA balance to reach the current overcollected level of \$318.6 million: 1) during 1998 and 1999, cooler than average temperatures increased core throughput considerably higher than adopted levels, and 2) the rate component which amortizes the current \$141 million undercollection remained in core rates six months longer than anticipated due to postponement of PG&E's 1999 True-up beyond the regular twelve-month period ending September 1, 1999.²

¹ Resolution G3266 dated September 16, 1999, authorized PG&E to deviate from its Preliminary Statement on a one-time only basis and defer its True-up until after a decision was issued in the GRC. R. G-3266 also ordered PG&E to consolidate the rate changes associated with the True-up, PG&E's 1998 Annual Earnings Assessment proceeding (AEAP) and 1999 Cost of Capital (COC) with gas rate changes from the GRC.

² 1998 BCAP D. 95-06-073, adopted a one-year amortization of a \$141 million undercollection in the CFCA. The CFCA rate component was set using a throughput forecast proposed by TURN and a CFCA amortization methodology stipulated to by ORA, TURN and PG&E. The decision stated: "Adoption of the

PG&E's request for a one-time credit should not be considered precedent in addressing the future CFCA balances in BCAPs or True-ups. A refund will return customer monies more expeditiously and promote rate stability for core customers.³ If the \$318.6 million was amortized in rates as a credit over twelve months, creating a decrease during the year 2000, a 24 percent bundled core increase would occur when the credit was removed in 2001, assuming other variables remained equal. This type of rate swing is contrary to the Commission's stated intent in D.00-02-046:

In revenue allocation and rate design proceedings, we seek to avoid or minimize significant bill impacts for the various classes of ratepayers. Just as we have responded to concerns about the impacts of revenue allocation and rate design modifications, we prefer to avoid or minimize major bill impacts from any revenue requirements increases in this GRC. (p. 49)

The Commission recently authorized a similar one-time refund of fixed costs account overcollections for Southern California Gas Company (SoCalGas). Resolution G-3275 dated December 16, 1999, ordered SoCalGas to return to its core customers \$100 million of the projected year-end 1999 balance in the CFCA through a one-time bill credit. Similarly, R. G-3205, dated March 18, 1997, ordered PG&E to implement a one-time refund of the overcollection in its Purchase Gas Account to core customers.

The final refund amount will be updated to reflect actual interest rates through the month prior to the date the refund is implemented. The refund will be made to eligible customers during the billing cycle beginning in May 2000, following approval of the Refund Plan by the Commission.

Pursuant to General Order 96-A, PG&E requests that this filing be approved in less than 40 days' regular notice, which is **March 31, 2000**, so that PG&E may implement this refund during the May 2000 billing cycle.

BCAP Joint Testimony (between ORA, TURN and PG&E) on the issue of the amortization of the CFCA is expected to reduce the balance in the CFCA to a reasonable level." (Finding of Fact 11.)

³ The GRC consolidated rate change still lowers core rates by 3.6 percent.

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Anyone wishing to protest this filing may do so by sending a letter within 20 days of the date of this filing. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, CA 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of Director, Energy Division, and to Jerry Royer, Energy Division, at the address shown above. A copy of the protest should be sent by U.S. mail and via facsimile to:

Pacific Gas and Electric Company
Attention: Les Guliasi
Manager, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based and shall be submitted expeditiously. There are no restrictions on who may file a protest.

In accordance with Section III, Paragraph G, of General order 96-A, PG&E is mailing copies of this advice letter to the utilities and interested parties shown on the attached mailing list and to parties of record in GRC Application (A.) 97-12-020. Address change requests should be directed to Nel Avendano at (415) 973-3529.

Vice President - Regulatory Relations

Attachments

cc. Service List - A. 97-12-020