

August 22, 2001

Advice 2336-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Experimental Liquefied Natural Gas Demonstration Project

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas tariffs. The affected tariff sheets are listed on the enclosed Attachment I.¹

Purpose

The purpose of this filing is to request Commission approval to implement a new experimental gas tariff that permits PG&E to sell to independent fuel retailers a limited amount of Liquefied Natural Gas (LNG) produced by a PG&E-operated demonstration liquefaction facility located in Sacramento, California. The demonstration project taps into PG&E's natural gas pipeline system to produce LNG for resale to customers. The funding for the demonstration project is authorized in Decision (D.) 95-11-035 as part of PG&E's Low Emission Vehicle Program.

PG&E, along with other participants, will implement a small-scale demonstration natural gas clean-up and liquefaction facility to be used in conjunction with PG&E's natural gas pipeline system.² PG&E has identified commercial LNG retailers who are interested in providing PG&E-produced LNG to end use customers for use as vehicular fuel or for off-pipeline residential and commercial uses. Also, it is expected that there will be opportunities for PG&E to contract with LNG retailers to augment pipeline supplies during high winter peak demand periods.

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

² This demonstration project is co-sponsored with PG&E by the California Energy Commission (CEC), Southern California Gas Company, the U.S. Department of Energy and Sacramento Air Quality Management District.

The LNG facility will consist of a processing unit, compressor/turbo-expander assembly, heat exchanges, cryogenic valves and safety equipment. It will be connected to a 500-PSI transmission line. The gas received will be used to drive the mechanical equipment of the liquefier and then be returned to the distribution system. Some of the gas (15%) will be liquefied and temporarily stored onsite for later distribution to retailers or customers. The demonstration project is expected to produce up to 10,000 gallons of LNG per day. PG&E plans an operational date of November 2001 for the facility.

Background

PG&E's intention to participate in the development of the demonstration project was introduced in its November 1, 1999, Low Emission Vehicle (LEV) Biennial Report to the Commission. The Natural Gas Vehicle Report (at pp.21-22) states:

"In addition, Pacific Gas and Electric Company initiated planning of a small-scale, pipeline-installed natural gas liquefier system that could produce up to 10,000 gallons of liquefied fuel (LNG) for heavy-duty vehicles. When vaporized, this fuel is transformed into CNG [Compressed Natural Gas]. For high fuel use fleets, the cost of a large CNG fueling station could be significantly reduced.

"Pacific Gas and Electric Company prepared a proposal in response to a State Energy Commission solicitation for a small-scale natural gas liquefier. The funding available for a Northern California demonstration is \$250,000. Pacific Gas and Electric Company would collaborate with the Southern California Gas Company and the Idaho National Engineering and Environmental Laboratory and share RD&D costs."

In accordance with 1993 General Rate Case D. 92-12-057, PG&E, at its discretion, may reallocate up to 20% of its approved RD&D Balancing Account funds between RD&D programs without further Commission authority and 20-50% of its approved funds if the Commission grants an advice letter request. (Decision at p. 167). Funding for natural gas vehicle fueling infrastructure RD&D was approved in Low Emission Vehicle Program D. 95-11-035, which allows PG&E "to shift funds (for its natural gas RD&D program) between its approved RD&D programs under the same rules that govern fund-shifting for other RD&D expenditures." (Decision, Section III.12).

Tariff Revisions

PG&E's proposes to establish a new gas rate Schedule GLNG--*Experimental Liquefied Natural Gas Service*, which provides the rate and terms of service for PG&E to sell LNG to a third party for resale to end-use customers. PG&E

anticipates annual deliveries of approximately 2.788 MMth to the demonstration project in order to produce 10,000 gallons of LNG per day; therefore, service under Schedule G-LNG is classified as noncore.

The LNG rate consists of two general cost categories: utility transportation and liquefaction. The utility transportation component includes the cost of utility facilities required to transport natural gas on PG&E's local transmission system from PG&E's citygate to the demonstration project facility. The utility transportation rate is equivalent to PG&E's current Schedule G-NT volumetric rate for transmission-level service, plus a volumetric customer access charge. The liquefaction component is a proxy rate that represents the typical capital outlay and expense-related costs required to liquefy, temporarily store and dispense LNG. The derivation of the Schedule G-LNG rate is shown in workpapers included herein as Attachment 2.

Additionally, PG&E is revising Preliminary Statements Part B—*Default Tariff Rate Components*, to include LNG, and Part X—*Natural Gas Vehicle Balancing Account (NGVBA)*, to record the revenue from customers receiving service under the LNG rate schedule to the NGVBA. The costs associated with the LNG project are currently recorded in the NGVBA.

PG&E is also adding Exhibit A.LNG to Form No. 79-756—*Natural Gas Service Agreement (NGSA)*, and a reference to Schedule G-LNG in the Applicability section of Schedule G-BAL—*Gas Balancing Service for Intrastate Transportation Customers*.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Protests

Anyone wishing to protest this filing may do so in writing by **September 11, 2001**, which is 20 days from the date of this filing. The protest letter must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

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

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to

Pacific Gas and Electric Company on the same date it is mailed or delivered to the Commission at the address shown below.

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

Effective Date

PG&E requests that this advice filing become effective upon regular notice, **October 1, 2001**, which is 40 days after the date of filing.

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes should be directed to Nelia Avendano at (415) 973-3529. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments



PRELIMINARY STATEMENT
(Continued)

B. DEFAULT TARIFF RATE COMPONENTS (\$/THERM) (Cont'd.)

NONCORE p. 4

	G-NGV4 (1)*			(D) (N) ——— (N) G-LNG
	Transmission	Distribution		
		Summer	Winter	
NFCA SURCHARGE	0.00000	0.00000	0.00000	0.00000
NCA	0.00000	0.00000	0.00000	0.00000
DSM	0.00000	0.00000	0.00000	0.00000
NONCORE INTERIM GRC BA	0.00000	0.00000	0.00000	0.00000
ITCS	0.00000	0.00000	0.00000	0.00000
CARE	0.00000	0.00000	0.00000	0.00000
CPUC Fee **	0.00077	0.00077	0.00077	0.00077
EOR	0.00000	0.00000	0.00000	0.00000
CEE	0.00000	0.00000	0.00000	0.00000
NGV BALANCING ACCOUNT	0.02338	0.09321	0.11383	0.16551
LOCAL TRANSMISSION (AT RISK)	0.00000	0.00000	0.00000	0.00000
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00000	0.00000	0.00000	0.00000
TOTAL RATE	0.02415	0.09398	0.11460	0.16628

* Refer to footnotes at end of Noncore Default Tariff Rate Components.

** The CPUC Fee includes \$.00076 per therm as approved by the CPUC, plus an allowance for Franchise Fees and Uncollectible Expense (F&U).

(Continued)



PRELIMINARY STATEMENT
(Continued)

X. NATURAL GAS VEHICLE BALANCING ACCOUNT (NGVBA)

1. PURPOSE: The purpose of the NGVBA is to record for six years starting January 1, 1996: (1) all transportation revenue from customers receiving service under all natural gas vehicle and liquefied natural gas (LNG) rate schedules; (2) all Gas Department revenue requirements on reasonably incurred costs associated with PG&E's Natural Gas Vehicles (NGV) Program, and the Gas Department allocated portion of common costs from the Electric Vehicle (EV) Program, as authorized by the CPUC in Decision 95-11-035; and (3) any debit or credit balance in the NGVBA as of December 31, 1995. The balance in the NGVBA will be recovered in rates in future Cost Allocation Proceedings (CAP).

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C, or in Rule 1.

2. APPLICABILITY: The NGVBA balance will be collected from all customer classes except for those specifically excluded by the CPUC.
3. REVISION DATE: Amounts recorded in the NGVBA shall be transferred to other balancing accounts on the revision date of the CAP or at other times, as ordered by the CPUC.
4. NGVBA RATES: This account does not have a rate component.
5. ACCOUNTING PROCEDURE:

PG&E shall maintain the NGVBA by making entries at the end of each month as follows:

- a. A credit entry equal to the transportation revenue for deliveries during the month under all natural gas vehicle and LNG rate schedules, excluding the allowance for franchise fees and uncollectible accounts (F&U) expense.
- b. A debit entry equal to:
 - 1) the incremental amounts recorded in PG&E's Operations and Maintenance and Administrative and General Expense Accounts that were incurred for the Gas Department's portion of the NGV Program, and the Gas Department allocated portion of common PG&E fleet expenses from the EV program;
 - 2) depreciation expense on the average of the beginning and the end-of-month balance of plant installed to support the Gas Department's portion of the NGV Program and the Gas Department allocated portion of common facilities from the EV Program, at one-twelfth the depreciation rate approved by the CPUC for these plant accounts;
 - 3) the return on investment on the average of the beginning and the end-of-month balance of plant installed to support the Gas Department's portion of the NGV Program and the Gas Department allocated portion of common facilities from the EV Program, at one-twelfth of the annual rate of return on investment last adopted for the gas department by the CPUC; less

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SCHEDULE G-BAL—GAS BALANCING SERVICE FOR INTRASTATE TRANSPORTATION CUSTOMERS

APPLICABILITY: This rate schedule provides the terms and conditions pursuant to which PG&E will endeavor to balance volumes of gas it receives into its pipeline system with the volume it delivers to End-Use Customers and to Off-System Delivery Points. In addition, this schedule provides for balancing PG&E's Market Center volumes. Under this schedule, PG&E will calculate, maintain, and carry imbalances; provide incentives for Customers to avoid and minimize imbalances; facilitate elimination of imbalances; and cash out imbalances. Schedule G-BAL applies to PG&E's Core Procurement Department transactions on behalf of PG&E's core procurement Customers, and to all Customers taking services under Schedules G-CT (or other core rate schedule(s) where procurement service is provided by a third party), to Schedules G-NT, G-EG, G-COG, G-NGV4, G-WSL, G-LNG, G-AFT, G-SFT, G-NFT, G-AA, G-NAA, G-AFTOFF, G-AAOFF, G-NFTOFF, G-NAAOFF, G-PARK, G-LEND, and to procurement service provided by PG&E to Customers under Schedule G-CSP.

(T)

Imbalances generally will be maintained at the delivery point.

This schedule is the default supply schedule for Noncore End-Use Customers who do not execute a Natural Gas Service Agreement (NGSA) (Form No. 79-756), pursuant to the terms of Schedules G-NT, G-COG or G-CSP.

TERRITORY: Schedule G-BAL applies everywhere PG&E provides natural gas service.

BALANCING AGGREGATION: Noncore End-Use Customers may elect to aggregate Cumulative Imbalances for multiple premises, or they may assign their balancing obligations to a Balancing Agent, as described below. If the Cumulative Imbalances are aggregated or assigned to a Balancing Agent, PG&E will aggregate individual Balancing Service accounts into a single Balancing Service account, with both the usage and the deliveries aggregated. A single Tolerance Band, as defined below, shall apply to the aggregated quantities.

BALANCING AGENT: The Balancing Agent is the party financially responsible for managing and clearing imbalances described in Schedule G-BAL. The Balancing Agent shall be responsible for all applicable balancing, capacity allocation and constraint obligations, charges, and credits related to gas service. The following are Balancing Agents: Core Transportation Agent (CTA), PG&E Core Procurement Department, Noncore Balancing Aggregation Agreement (NBAA) Agent, a Noncore End-Use Customer or Wholesale Customer that is not part of an NBAA. All Balancing Agents are subject to creditworthiness requirements.

For deliveries to a Core Transportation Group, the CTA will be responsible for any imbalances. For deliveries to storage and to off-system points, the Customer holding the Gas Transmission Service Agreement (GTSA) (Form No. 79-866) will be responsible for imbalances.

For deliveries made to Noncore End-Use Customers, the Noncore End-Use Customer will be responsible for imbalances; however, Noncore End-Use Customers may designate a Balancing Agent to manage and assume responsibility for the Noncore End-Use Customer's obligations under this schedule.

A Noncore End-Use Customer may change its Balancing Agent no more than once per month.

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SCHEDULE G-LNG—EXPERIMENTAL LIQUEFIED NATURAL GAS SERVICE

(N)

APPLICABILITY: This rate schedule applies to experimental natural gas liquefaction service provided by PG&E to noncore End-Use Customers. This experimental liquefaction service is limited and PG&E will provide this service on a first-come first-served basis.

TERRITORY: Schedule G-LNG applies to the PG&E experimental Liquefied Natural Gas (LNG) facility located in Sacramento, California.

RATES: The following charges will apply to per therm liquefied natural gas service under this rate schedule:

Liquefaction Charge (Per Therm): \$0.16628

LNG Gallon Equivalent: \$0.13635
(Conversion factor - One LNG Gallon = 0.82 Therms)

METERING: For metering and billing purposes, the number of LNG gallons dispensed will be compiled from a summary of transactions recorded at the dispensing unit for the Customer during a calendar month. Delivery and custody transfer of LNG shall be at the point where LNG is dispensed into the Customer's LNG transport vehicle. LNG will be weighed and converted to LNG gallons. Vehicles must be weighed at an authorized weigh station prior to receiving LNG and again after filling. Weight information must be provided to PG&E within 5 business days. LNG gallons delivered will be converted to therms and billed. LNG usage that occurs during a billing period, but which is not recorded in that billing period, will be deferred to a future billing period.

The rate includes local transportation costs from the PG&E Citygate to the LNG Facility. These charges do not include transportation service on PG&E's Backbone Transmission System, which must be arranged for separately

See Preliminary Statement, Part B for the default tariff rate components.

LNG COMPOSITION: The resulting LNG product delivered will contain amounts equal to or greater than ninety-six percent (96%) methane and amounts equal to or less than four percent (4%) ethane.

SERVICE AGREEMENT: The Customer must execute a Natural Gas Service Agreement (NGSA) Form No. 79-756 to receive service under this schedule.

NOMINATIONS: Customers who take service under this schedule must arrange for the delivery of natural gas to the PG&E LNG facility in quantities necessary to equal the amount of LNG fuel dispensed to the customer. Nominations are required for gas transported under this schedule. See Rule 21* for details.

* The rules referred to in this schedule are part of PG&E's gas tariffs. Copies are available at local offices.

(N)

(Continued)



SCHEDULE G-LNG—EXPERIMENTAL LIQUEFIED NATURAL GAS SERVICE

(N)

(Continued)

BACKBONE TRANSPORTATION SERVICE: Transportation service on PG&E's Backbone Transmission System may be taken in conjunction with this schedule under Schedules G-AFT, G-SFT, G-AA, G-NFT, or G-NAA. A separate Gas Transmission Service Agreement (GTSA) (Form No. 79-866) must be executed for such service.

SHRINKAGE: Transportation volumes will be subject to the transmission shrinkage requirement in accordance with Rule 21*.

CURTAILMENT OF SERVICE: Service under this rate schedule may be curtailed. See Rule 14* for details.

BALANCING SERVICE: Service hereunder shall be subject to all the applicable terms, conditions and obligations of Schedule G-BAL* and Rule 14*.

TAXES AND FRANCHISE FEES: Customer may pay a franchise fee surcharge for gas volumes purchased from suppliers other than PG&E and transported by PG&E. (See Schedule G-SUR for details.) The Customer will be responsible for any applicable costs, taxes, and/or fees incurred by PG&E in taking delivery of third-party gas from intra- or interstate sources.

(N)

* * The rules referred to in this schedule are part of PG&E's gas tariffs. Copies are available at local offices.



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