

January 8, 2002

## **ADVICE 2365-G--REVISED**

**Public Utilities Commission of the State of California**  
(Pacific Gas and Electric Company U 39 G)

### **Subject: Shrinkage Credit Mechanism**

Pacific Gas and Electric Company (PG&E) hereby submits for filing a temporary credit mechanism to eliminate a natural gas shrinkage over-collection on PG&E's gas pipeline system. The proposed in-kind transmission and distribution shrinkage credits are added to PG&E's gas Rule 21—*Transportation of Natural Gas*. The affected tariff sheets are listed on the enclosed Attachment I.<sup>1</sup>

### **Purpose**

The purpose of the credit mechanism is to reduce to zero approximately 6.1 million decatherms of over-collected shrinkage gas that has accumulated on PG&E's gas pipeline system since implementation of the Gas Accord Settlement on March 1, 1998. The amount of accumulated shrinkage gas to be reimbursed to customers by the proposed credit mechanism is reduced by an amount equal to the "net cashout volume," pursuant to Decision (D.) 01-11-001 (Findings of Fact 8 and 9, section D. Revenue Requirement) in PG&E's 2000 Biennial Cost Allocation Proceeding (BCAP) Application (A.) 00-04-002.<sup>2</sup>

### **Background**

On July 21, 2000, in response to an increasing over-collection of shrinkage gas on its system, PG&E filed Advice 2252-G, requesting that the on-system in-kind shrinkage allowances approved in PG&E's 1998 BCAP be reduced on an interim

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<sup>1</sup> PG&E's Advice Letter is not a waiver of, or made without prejudice to, its rights as a debtor in possession under Chapter 11 of the United States Bankruptcy Code.

<sup>2</sup> BCAP D. 01-11-001 adopted a one-time offset of the net cashout volume against a portion of the transmission shrinkage gas that has been collected from customers during the period of the Gas Accord. Schedule G-BAL provides that monthly imbalances in excess of 5 percent that are not traded to others or to storage are cashed out. There have been significantly more negative (under-delivered) imbalance cashout volumes sold to customers compared to the positive (over-delivered) imbalance cashout volumes purchased from customers. As a result of this offset, there is no need for PG&E to purchase gas to replace this net cashout volume. In this filing, the net cashout volume, as of September 30, 2001, has reduced the amount of over-collected transmission shrinkage to be returned by 1.7 million decatherms.

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basis to the levels proposed in PG&E's 2000 BCAP A. 00-04-002. The Commission approved the interim shrinkage allowance reductions effective October 1, 2000. The interim shrinkage allowances from the BCAP application were adjusted slightly in BCAP D. 01-11-001, as filed in Advice 2357-G, effective January 1, 2002.

The credit mechanism set forth in this filing is for the purpose of eliminating the previously accumulated shrinkage over-collection of approximately 6.1 million decatherms (7.8 million decatherms, less net cashout volumes of 1.7 million decatherms, as authorized in BCAP D. 01-11-001). The Rule 21 tariff sheets attached to this filing show the shrinkage allowances adopted in the most recent BCAP, the proposed in-kind shrinkage credits, reduced by the cashout adjustment approved in D. 01-11-001, and the resulting temporary in-kind shrinkage allowances that will apply to shippers on PG&E's pipeline system.

The proposed in-kind shrinkage allowances are expected to reduce the current volume of over-collected shrinkage to zero in approximately 12 months. However, the actual time required to reduce the volume of over-collected shrinkage will depend on the volume of on-system usage. At such time as the level of over-collected shrinkage approaches zero, PG&E will advice-file to eliminate the shrinkage credit shown in Rule 21, and the shrinkage rates in the D. 01-11-001 (or its successor) will continue to apply.

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 advice letter may do so by sending a letter within twenty (20) days after the date of this filing, which is **January 28, 2002**. The protest must state the grounds upon which it is based, including such items as financial and service impact, and shall be submitted expeditiously. Protests should be sent by U.S. mail and via facsimile 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 Director, Energy Division, Room 4005, and Jerry Royer, Energy Division, at the address above. It is also requested that a copy of the protest be sent via U.S. 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):



RULE 21—TRANSPORTATION OF NATURAL GAS  
(Continued)

B. QUANTITIES OF GAS (Cont'd.)

1. IN-KIND SHRINKAGE ALLOWANCE (Cont'd.)

a. Backbone Shrinkage

Customer/Agent/CTAs transporting gas over PG&E's Backbone Transmission System shall deliver each day at the Receipt Point to PG&E an additional in-kind quantity of natural gas supply equal to a percent of total volume of natural gas to be delivered at the Receipt Point. Thus, the quantity to be nominated at the Receipt Point equals the quantity desired at the Delivery Point divided by (1 - x) where x is the decimal equivalent of the Backbone Transmission System In-Kind Shrinkage Allowance percentage, based on the transmission path utilized as follows:

Path	In-Kind Shrinkage Allowance (D.01-11-011)	(N)------(N) In-Kind Shrinkage Credit	(N)------(N) Effective In-Kind Shrinkage Allowance	(T)
Redwood to Off-System	1.11 percent	—	1.11 percent	
Mission to On-System	0	—	0	
Mission to Off-System	0	—	0	
All other transmission	1.35 percent	(0.56) percent	0.79 percent	

An In-Kind Shrinkage Credit will apply until such time as the Commission approves its removal.

(N)  
(N)

Provided, however, that PG&E and Customer/Agent/CTA shall not be prohibited under this Rule, where shrinkage requirements support a different shrinkage allowance, from mutually agreeing to a different shrinkage allowance for transportation over PG&E's Backbone Transmission System.

(Continued)



RULE 21—TRANSPORTATION OF NATURAL GAS  
(Continued)

B. QUANTITIES OF GAS (Cont'd.)

1. IN-KIND SHRINKAGE ALLOWANCE (Cont'd.)

b. Distribution Shrinkage

For transportation on PG&E's Distribution System, an additional In-Kind Shrinkage Allowance shall apply, which is separate from backbone shrinkage. The Noncore End-Use Customer/Agent/CTA shall deliver each day to PG&E an additional in-kind quantity of natural gas supply equal to a percent of the total volume of natural gas flowing through the End-Use Customer's meter. Thus, the quantity to be nominated at the Citygate equals the quantity to be flowed through the meter multiplied by (1 + y) where y is the decimal equivalent of the Distribution System In-Kind Shrinkage Allowance percentage, as follows:

End-Use Customer	In-Kind Shrinkage Allowance (D.01-11-011)	(N)------(N) In-Kind Shrinkage Credit	(N)------(N) Effective In-Kind Shrinkage Allowance	(T)
Core	2.41 percent	(0.53) percent	1.88 percent	(T)
Noncore Distribution	0.16 percent	(0.04) percent	0.12 percent	(T)
Noncore Transmission	—	—	—	(T)

An In-Kind Shrinkage Credit will apply until such time as the Commission approves its removal. (N)  
(N)

As an example, for a Core End-Use Customer being served via the Redwood Path, the amount to be nominated at Malin is calculated as:

$$\text{Receipt Point Quantity} = \frac{\text{Est. Metered Usage} \times (1 + y)}{(1 - x)}$$

Where: x = decimal equivalent of the Backbone Shrinkage percentage, and

y = decimal equivalent of the Distribution Shrinkage percentage

\* Noncore Transmission Level End-Use Customers or Agents require no Distribution System In-Kind Shrinkage Allowance.

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Advice Letter No. 2365-G  
Decision No. 01-11-001

Issued by  
**Karen A. Tomcala**  
Vice President  
Regulatory Relations

Date Filed January 8, 2002  
Effective \_\_\_\_\_  
Resolution No. \_\_\_\_\_



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