

December 30, 2002

**Advice 2434-G**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: El Paso Turned-Back Capacity Balancing Account**

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.<sup>1</sup>

**Purpose**

In accordance with Resolution (R.) G-3339, issued December 19, 2002, PG&E submits new gas Preliminary Statement Part AZ—*El Paso Turned-Back Capacity Balancing Account*, to provide for allocation of costs associated with turned-back capacity purchased by PG&E from El Paso Pipeline Company (El Paso). The costs are allocated on an equal-cents-per-therm basis to core and noncore gas customers, subject to the outcome of Phase II of Order Instituting Rulemaking (OIR) 02-06-041.

**Background**

On June 27, 2002, the Commission opened OIR 02-06-041 in response to a Federal Energy Regulatory Commission order authorizing marketers in California to turn back up to 725 million cubic feet per day of firm capacity on the El Paso interstate pipeline. The intent of the OIR was to avoid potential devastating rate impacts on California consumers in the event of insufficient pipeline capacity to meet demand. Phase I of the OIR dealt with rules for major California utilities to obtain El Paso turned-back capacity not subscribed to by other California replacement shippers. Decision (D.) 02-07-037, dated July 17, 2002, in Phase I of OIR 02-06-041 ordered utilities to obtain such capacity.

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<sup>1</sup> 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.

Beginning with Advice 2401-G effective August 7, 2002, PG&E included prepayments to El Paso for turned-back capacity in its monthly core gas procurement rates. A similar prepayment was included in Advice 2405-G effective September 9, 2002, with no prepayment included in Advice 2412-G effective October 7, 2002. Advice 2418-G effective November 7, 2002, included a third prepayment to El Paso, and the monthly cost of El Paso capacity, in PG&E's monthly core procurement rates. The full cost of Transwestern Pipeline Company (TW) capacity during the same time periods, including brokering credits, were included in those monthly core procurement rates.<sup>2</sup>

Resolution G-3339 issued December 19, 2002, found that PG&E has met the objectives, terms and conditions set forth in D. 02-07-037 regarding El Paso pipeline capacity quantities and pricing terms. Resolution G-3339 authorizes PG&E to recover costs it incurs subscribing to El Paso pipeline capacity on an equal-cents-per therm basis from core and noncore customers, subject to reallocation pending the outcome of Phase II of OIR 02-06-041.<sup>3</sup> Resolution G-3339 also orders PG&E within 10 days to establish and maintain accounting procedures to record El Paso pipeline costs, including prepayments and brokering credits it has incurred, and future expenditures included in customer rates. This filing establishes such a balancing account effective December 19, 2002, pursuant to Ordering Paragraphs 8 and 9.

Resolution G-3339 allows PG&E to continue to treat TW pipeline charges and brokering credits under its Core Procurement Incentive Mechanism (CPIM), as is currently authorized.<sup>4</sup> Resolution G-3339 ordered PG&E to file an advice letter within 10 days from December 19, 2002, to restore language in Preliminary Statement, Part C – *Accounting Terms and Definitions*, in effect prior to the filing of Advice 2401-G, pertaining to TW cost recovery. This change is included in this filing.

### **Tariff Revisions**

This filing includes new Preliminary Statement Part AZ—*El Paso Turned-Back Capacity Balancing Account (EPTCBA)*. The EPTCBA provides the accounting procedures to record El Paso costs allocated to core and noncore customers on

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<sup>2</sup> Since July 17, 2002, El Paso prepayments have been recorded to the Purchased Gas Account; El Paso capacity costs were recorded to the Core Pipeline Demand Charge Account (CPDCA); and TW capacity costs, including brokering credits, were recorded to the CPDCA.

<sup>3</sup> Pursuant to Ordering Paragraph 7, PG&E will file an advice letter by January 8, 2003, proposing procedures and methods, as well as identifying tariff adjustments necessary to implement the core/noncore allocation of El Paso pipeline costs.

<sup>4</sup> Recovery of the costs not currently authorized under the CPIM will be considered in Phase II of OIR 02-06-041. PG&E returned the TW pipeline charges collected from customers in August, September, October and November core procurement rates, beyond what is allowed under the CPIM, in Advice 2433-G effective January 1, 2003.

an equal-cents-per-therm basis, as ordered in R. G-3339. This account also includes a subaccount to track the TW costs not currently authorized for recovery under the CPIM.

Also in accordance with R. G-3339, PG&E is canceling tariff sheet no. 21150-G (Section C.7 of Preliminary Statement Part C as filed in Advice 2401-G) and replacing that sheet with a revised sheet that reinstates language in effect prior to August 27, 2002, which is the filing date of Advice 2401-G. The reinstated language is as follows: "Effective January 1, 1998, this [gas supply] portfolio will include the cost of Transwestern capacity forecast to be used for Core Portfolio customers."

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **January 21, 2003**, which is 22 days from the date of this filing. The protest 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, 4<sup>th</sup> Floor  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

Protests also should be sent by e-mail and facsimile to Mr. Jerry Royer, Energy Division, as shown above, and by U.S. mail to Mr. Royer at the above address.

The protest should be sent via both e-mail and facsimile to PG&E 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  
E-mail: [RxDd@pge.com](mailto:RxDd@pge.com)

**Effective Date**

In accordance with R. G-3339, PG&E requests that this advice filing become effective **December 19, 2002**, which is the date of the resolution.

**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 Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at:

[http://www.pge.com/customer\\_services/business/tariffs/](http://www.pge.com/customer_services/business/tariffs/)

Vice President - Regulatory Relations

Attachments



PRELIMINARY STATEMENT  
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

6. FRANCHISE FEES AND UNCOLLECTIBLE ACCOUNTS EXPENSE (F&U): F&U refers to that portion of rates designed to recover PG&E's authorized expenses for both the use of public rights-of-way (franchise fees) and bad debts (uncollectible accounts expense). Rates for retail customers include a component for F&U, as determined in PG&E's 1999 General Rate Case, Decision 00-02-046. Rates for wholesale customers include a component for the franchise fees only, per Decision 87-12-039. Rates for UEG and cogeneration include uncollectibles expense and a reduced component for franchise fees. Since UEG is exempt from franchise fees, the franchise fee rate for UEG and cogeneration is reduced to account for the UEG franchise fee exemption while maintaining UEG/cogeneration parity in accordance with Public Utility Code 454.4.

The F&U factor is equal to.....1.01843

7. GAS SUPPLY PORTFOLIO: This portfolio includes the cost of gas procured by PG&E for its Core Portfolio (Core Procurement) customers. Gas Supply Portfolio costs are recovered through the Procurement Revenue Requirement described in Section C.10.d.

Costs incurred for the portfolio include the cost of volumetric transportation, incremental pipeline capacity costs, imbalance transactions, hub services, incremental storage services, voluntary diversions, and emergency flow order (EFO) and operational flow order (OFO) charges. These costs may be offset by revenue or gains from risk management tools such as derivative financial instruments (net of transaction costs), and out-of-state sales. Other transactions such as net revenue from imbalance transactions and byproducts extraction and expenses/losses from risk management tools are included in the portfolio.

Effective January 1, 1998, this portfolio will include the cost of Transwestern capacity forecast to be used for Core Portfolio customers. For the Schedule G-BAL Transition Period, purchases under Schedule G-BAL will be included in the Gas Supply Portfolio. (T)  
(T)

The net cost of the "flowing supply" is the result of the transactions listed above. This portfolio also includes gas withdrawn from storage and excludes gas injected into storage for Core Procurement customers using the core storage reservation.

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PRELIMINARY STATEMENT  
(Continued)

AZ. EL PASO TURNED-BACK CAPACITY BALANCING ACCOUNT (EPTCBA)

(N)

1. PURPOSE: The purpose of the EPTCBA is to record the costs associated with the subscription, retention and disposition of turned-back capacity on the El Paso Natural Gas Company (El Paso) interstate pipeline and any proceeds realized from brokering such capacity, as authorized in Commission Decision 02-07-037, dated July 17, 2002, and Resolution G-3339 dated December 19, 2002. El Paso pipeline charges are allocated to PG&E's core and noncore customers on an equal-cents-per-therm basis subject to refund or reallocation pending the outcome of Phase II of OIR 02-06-041. Any under- or overcollection of El Paso interstate capacity will be incorporated into transportation rates in the next Cost Allocation Proceeding or Annual True-up of Balancing Accounts or as otherwise ordered by the Commission. The EPTCBA also tracks Transwestern Pipeline Company (TW) capacity costs not authorized to be recovered from core procurement customers under PG&E's Core Procurement Incentive Mechanism (CPIM). Allocation and recovery of these TW costs will be considered in Phase II of OIR 02-06-041.

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

2. APPLICABILITY: The EPTCBA balance applies to all rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.
3. REVISION DATE: The revision date applicable to the EPTCBA rate shall coincide with the revision date of the Cost Allocation Proceeding or at other times, as ordered by the CPUC.
4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.
5. EPTCBA RATES: EPTCBA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
6. ACCOUNTING PROCEDURE: The EPTCBA consists of the following subaccounts:

The "Core Subaccount" records costs and revenues for El Paso interstate capacity costs allocated to core customers.

The "Noncore Subaccount" records costs and revenues for El Paso interstate capacity cost allocated to noncore customers.

The "Transwestern Subaccount" records Transwestern costs not authorized to be recovered from core procurement customers under the CPIM.

a. Core Subaccount

The following entries will be made to this subaccount each month:

- 1) a debit entry equal to the cost of El Paso interstate pipeline capacity allocated to core customers;
- 2) a debit entry equal to other costs associated with subscription, retention and disposition of El Paso interstate pipeline capacity allocated to core customers;

(N)

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PRELIMINARY STATEMENT  
(Continued)

AZ. EL PASO TURNED-BACK CAPACITY BALANCING ACCOUNT (EPTCBA) (Cont'd.)

(N)

6. ACCOUNTING PROCEDURE: (Cont'd.)

a. Core Subaccount (Cont'd.)

- 3) a credit entry equal to the core customer portion of the credit received from El Paso for brokered excess interstate capacity;
- 4) a credit equal to the El Paso Capacity Charge revenues from core customers during the month, excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U); and
- 5) an entry equal to a one-time transfer from the Core Pipeline Demand Charge Account (CPDCA) for El Paso pipeline charges, and from the Purchased Gas Account for El Paso prepayments, that were booked to those accounts since July 17, 2002.
- 6) an entry equal to the interest on the average of the balance in the subaccount at the beginning of the month and the balance in the subaccount after entries AZ.6.a.1 through AZ.6.a.5, above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

b. Noncore Subaccount

The following entries will be made to this subaccount each month:

- 1) a debit entry equal to the cost of El Paso interstate pipeline capacity allocated to noncore customers;
- 2) a debit entry equal to other costs associated with subscription, retention and disposition of El Paso interstate pipeline capacity allocated to noncore customers;
- 3) a credit entry equal to the noncore customer portion of the credit received from El Paso for brokered excess interstate capacity;
- 4) a credit equal to the El Paso Capacity Charge revenues from noncore customers during the month, excluding the allowance for F&U; and
- 5) an entry equal to a one-time transfer from the Core Pipeline Demand Charge Account (CPDCA) for El Paso pipeline charges, and from the Purchased Gas Account for El Paso prepayments, that were booked to those accounts since July 17, 2002
- 6) an entry equal to the interest on the average of the balance in the subaccount at the beginning of the month and the balance in the subaccount after entries AZ.6.b.1 through AZ.6.b.5, above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, .H.15 or its successor.

(N)

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PRELIMINARY STATEMENT  
(Continued)

AZ. EL PASO TURNED-BACK CAPACITY BALANCING ACCOUNT (EPTCBA) (Cont'd.)

(N)

6. ACCOUNTING PROCEDURE: (Cont'd.)

c. Transwestern Subaccount

The following entries will be made to this subaccount each month:

- 1) a debit entry equal to Transwestern costs not authorized to be recovered from core procurement customers under the CPIM;
- 2) a credit entry equal to the the credit received from TW for brokered excess interstate capacity not authorized to be recovered from core procurement customers under the CPIM; and
- 3) an entry equal to a one-time transfer from the CPDCA for Transwestern costs not authorized for recovery under the CPIM that were booked to the CPDCA since July 17, 2002.
- 4) an entry equal to the interest on the average of the balance in the subaccount at the beginning of the month and the balance in the subaccount after entries AZ.6.c.1 through AZ.6.c.3, above, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

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