



**Pacific Gas and
Electric Company**

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Cellular: 415.517.5067
Internet: BKC7@pge.com

September 20, 2004

Advice 2440-G-B
(Pacific Gas and Electric Company ID U39G)

**Subject: Establish New Public Purpose Program Surcharge Gas
Preliminary Statement Parts BA, BB, BH and BI per Decision 04-
08-010**

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas tariffs in compliance with Public Purpose Program (PPP) Decision (D.) 04-08-010, issued August 19, 2004. The tariffs in this filing supersede those filed in Advice 2440-G-A, dated May 26, 2004. The affected tariff sheets are listed on enclosed Attachment I.

Purpose

This supplemental Advice 2440-G-B updates the tariffs PG&E filed in Advice 2440-G-A on May 26, 2004, to reflect modifications adopted by the California Public Utilities Commission (Commission) in D. 04-08-010 for the treatment of gas PPP surcharges. Decision 04-08-010 approved, with modifications, Advice 2440-G and Advice 2440-G-A, which clarified the tracking and accounting for surcharges associated with recovery of gas PPP authorized funding. Specifically, D. 04-08-010¹ at page 11 states that gas surcharges for energy efficiency (EE), low income energy efficiency (LIEE), California Alternate Rates for Energy (CARE), and public interest research, development and demonstration (RDD) must be separated into individual balancing accounts and must specify that: 1) the amortization of any balance in the account is in accordance with established Commission policies, and 2) surcharge amounts will earn interest at the actual interest rate while the surcharges are on deposit with the State.²

¹ Page 11 elaborates on Ordering Paragraph 13 of D. 04-08-010, which requires establishing or modifying balancing accounts and/or memorandum accounts to facilitate the unbundling of PPP costs from rates, and treatment of interest accrued in the Gas Consumption Surcharge Fund, among other things.

² D. 04-08-010 requires all gas PPP surcharge amounts collected from customers and remitted to the California State Board of Equalization (BOE) to be returned to PG&E, except amounts for the public interest RDD. The public interest RD&D program amounts will remain in the State Treasury for eventual disbursement to the California Energy Commission, the new administrator of public interest RD&D.

In compliance with D. 04-08-010, this advice letter is being filed concurrently with Advice 2574-G, which includes revisions to PG&E's gas tariffs to: 1) implement a new gas PPP surcharge rate schedule; 2) show the gas PPP surcharge as separate line item on customer's bills, and 3) exempt certain customers from the surcharge. The tariff changes in Advice 2574-G will be implemented along with required billing and reporting system modifications. Once the billing and reporting system modifications are in place to remove the gas PPP surcharge amounts from billed revenue, PG&E no longer will include gas PPP surcharges in the calculation of franchise payments to cities and counties.

Background

Public Utilities (PU) Code Section 890-900 implemented a gas PPP surcharge effective January 1, 2001, which requires funding for gas public purpose programs to be removed from gas utilities' rates and recovered through a separate surcharge. Resolution (R.) G-3303 established gas PPP surcharges for PG&E and other utilities.

Decision 04-08-010 resolved gas PPP surcharge administration, implementation and gas public interest RDD issues. The decision adopted an Energy Division workshop report, and resolved issues identified in that report. The decision also initiated a statewide gas public interest RDD program to be administered by the California Energy Commission and funded through the gas PPP surcharge beginning January 1, 2005.

Decision 04-08-010 approved (with the modifications described above) Advice 2440-G and 2440-G-A, filed on January 27, 2003, and May 26, 2004, respectively. These filings proposed a new balancing account to track gas PPP surcharge amounts separate from other transportation revenues. As authorized in R. G-3303, the filing also established a memorandum account to track gas surcharge payments remitted by PG&E to the California State Board of Equalization (BOE) and funding obtained from the Gas Consumption Surcharge Fund.³ These filings also revised various sections of PG&E's gas preliminary statement to reflect the proposed changes.

Preliminary Statement Changes – PPP Surcharge Accounts

In accordance with D. 04-08-010, PG&E is revising portions of the gas preliminary statement filed in Advice 2440-G-A to establish separate balancing accounts to track gas PPP surcharge amounts for EE, LIEE and public interest RDD. CARE surcharge amounts are already tracked in a separate balancing account. Any over- or under-collection in the balancing accounts will be reflected in future gas PPP surcharge rates in accordance with existing Commission policy.⁴

³ R. G-3342 and R. G-3361 reiterated the continued use of the memorandum account.

⁴ The current under or over-collection associated with the gas PPP surcharge is included in the Core Fixed Cost Account and the Noncore Customer Class Charge Account. Once this supplemental advice letter is approved, PG&E will transfer the EE portion of the gas PPP under/over collection to the PPP-EE, the LIEE portion to the PPP-LIEE, and the CARE portion to the PPP-CARE.

PG&E also is revising portions of its gas preliminary statement to incorporate the clarifications specified in D. 04-08-010, including the interest rate applicable on surcharges while held by the state, the treatment of interstate pipeline and third-party surcharges collected by BOE and sent to PG&E, treatment of franchise fees and uncollectible accounts expense on surcharge amounts, treatment of CPUC and BOE administrative costs, and the revision date for the gas PPP surcharge.

1. Preliminary Statement Part BA—*Public Purpose Program Surcharge--Energy Efficiency, Low Income Energy Efficiency, and Research, Development and Demonstration Balancing Account (PPP-EE/LIEE/RDD)* has been renamed *Public Purpose Program Surcharge--Energy Efficiency (PPP-EE)* and revised to record only authorized energy efficiency program funding and gas PPP surcharges that recover these amounts from eligible customers. A new section has been added pertaining to interest and entries added to transfer the EE portion of interstate pipeline and third-party surcharge amounts and interest from Preliminary Statement Part BB to this account, as described below.
2. Preliminary Statement Part BB—*Gas Public Purpose Program Surcharge Memorandum Account (PPP-MA)*, records payments of the gas PPP surcharge to BOE and the appropriations from the Gas Consumption Surcharge Fund.⁵ Decision 04-08-010 ruled that the surcharge amounts remitted to BOE, except RDD,⁶ should be returned in full to the utilities. As a result, except for timing differences between payments and appropriations, the balance in this account will be the difference in interest earned on the surcharge amounts while held by BOE and interstate pipeline and third-party surcharges collected by BOE and sent to PG&E. Preliminary Statement Part BB has been revised to add an entry to transfer the balance in this account to the applicable PPP balancing accounts to be included in future gas surcharge rates.
3. PG&E proposes new gas Preliminary Statements Part BH—*Public Purpose Program Surcharge--Low Income Energy Efficiency (PPP-LIEE)*, to record authorized low income energy efficiency program funding and gas PPP surcharges that recover these amounts from eligible customers, as well as the clarifications specified above regarding interest and interstate pipeline and third-party surcharges.
4. PG&E proposes new gas Preliminary Statements Part BI—*Public Purpose Program Surcharge--Research, Development and Demonstration Balancing Account (PPP-RDD)*, to record authorized public interest RDD funding and gas PPP surcharges that recover these amounts from eligible customers.

⁵ PG&E is currently tracking the payments to BOE and appropriations from the Fund in a separate account. Once this supplemental advice is approved, the balance in this tracking account, including interest, will be transferred to the new memorandum account.

⁶ RDD amounts remitted to BOE are not recorded in the PPP-MA since RDD surcharge amounts are not returned to PG&E.

CPUC and BOE administrative costs are also recovered through this account as both RDD and administrative costs are allocated to customers on an equal cents per therm basis, pursuant to D. 04-08-010. RDD surcharge amounts, and CPUC and BOE administrative costs, remitted to BOE are not returned to PG&E.⁷

5. Preliminary Statement Part V—*Public Purpose Program Surcharge--California Alternate Rates for Energy Account (PPP-CARE)*, is revised to change the name to PPP-CARE and to reflect the clarifications specified above regarding interest and interstate pipeline and third-party surcharges. The entry for the CARE shortfall has been revised to reflect the new CARE discount rate component shown on Preliminary Statement Part B.

Preliminary Statement Changes – Other Changes

1. Preliminary Statement Part B—*Default Tariff Rate Components*-- PG&E is submitting draft tariff sheets for the core and noncore Preliminary Statement Part B to identify the new PPP and CARE discount rate components. The changes to the core portion of Preliminary Statement Part B will be incorporated into the next monthly gas procurement price advice filing following Commission approval of this filing. The changes to the noncore portion of Preliminary Statement Part B will be filed concurrent with the core changes. No rates are changed in this filing.
2. Preliminary Statement Part C—*Gas Accounting Terms and Definitions*— PG&E has revised this preliminary statement to separate gas PPP authorized surcharges from PG&E's authorized revenue requirements and to be consistent with changes made to other preliminary statements which reflect modifications to the ratemaking adopted by the Commission in D. 04-08-010. Sections of Preliminary Statement Part C primarily impacted by these revisions include:
 - Section C.2 paragraph 5 and Table C.2—describes and shows PPP authorized funding separate from base revenue amounts.
 - Section C.11—removes PPP from PG&E's revenue requirement (text previously in Section C.10.d.) and establishes a new section for PPP Authorized Funding.
 - Section C.12.d---adds a new section describing the timing, calculation and information provided by the Energy Division to PG&E, for updating the gas PPP surcharge.

⁷ As authorized in D.04-08-010, the amount of approximately \$5.5 million previously recovered in the PPP surcharge rates prior to January 1, 2004, for public interest RD&D and remitted to BOE, can be used to offset future PPP surcharge collections for RDD authorized amounts.

3. Preliminary Statement Part F—*Core Fixed Cost Account (CFCA)*, is revised to remove the entry for the CARE shortfall. In order to separate the gas PPP surcharge amounts from transportation, the CFCA rate component will be set equal for CARE and non-CARE customers in Preliminary Statement Part B, with the CARE discount shown as a separate rate component recorded to the PPP--CARE balancing account.
4. Preliminary Statement Part J – *Noncore Customer Class Charge Account (NCA)*, is unchanged from the sheet approved in Advice 2440-G-A.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **October 11, 2004**, which is 21 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, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: 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: Brian K. Cherry
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

Effective Date

PG&E requests that the tariff revisions submitted in this advice letter be approved effective **November 1, 2004**, which is more than the regular 40 days notice, in conjunction with the monthly gas procurement and transportation rate changes.⁸

⁸ The core procurement monthly price change for November will be filed October 29, 2004, in conjunction with residential baseline transportation rate changes effective November 1, 2004.

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, and the parties on the service list for Rulemaking 02-10-001. 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/tariffs/>

Handwritten signature of Brian K. Cherry in cursive script.

Director, Regulatory Relations

Attachments

cc: Service List – Rulemaking 02-10-001

**Attachment I
Advice 2440-G-B**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
DRAFT	Preliminary Statement, Part B -- Default Tariff Rate Components -- (Core p. 1)	
DRAFT	Preliminary Statement Part B (Noncore p. 1) (Cont'd)	
22686-G	Preliminary Statement Part C—Gas Accounting Terms and Definitions	22025-G
22687-G	Preliminary Statement Part C (Cont'd.)	22646-G
22688-G	Preliminary Statement Part C (Cont'd.)	22645-G
22689-G	Preliminary Statement Part C (Cont'd.)	22028-G
22690-G	Preliminary Statement Part C (Cont'd.)	20845-G
22691-G	Preliminary Statement Part C (Cont'd.)	22029-G
22692-G	Preliminary Statement Part C (Cont'd.)	20443-G
22693-G	Preliminary Statement Part C (Cont'd.)	22132-G
22694-G	Preliminary Statement Part C (Cont'd.)	New
22695-G	Preliminary Statement Part C (Cont'd.)	22030-G
22696-G	Preliminary Statement Part C (Cont'd.)	
22697-G	Preliminary Statement Part F—Core Fixed Cost Account	20849-G
22698-G	Preliminary Statement Part F (Cont'd.)	20850-G
22699-G	Preliminary Statement Part J—Nonocre Customer Class Charge Account	20851-G
22700-G	Preliminary Statement Part J (Cont'd.)	20852-G
22701-G	Preliminary Statement Part V—Public Purpose Program Surcharge--California Alternate Rates for Energy Account	20794-G
22702-G	Preliminary Statement Part V (Cont'd.)	New
22703-G	Preliminary Statement Part BA—Public Purpose Program Surcharge -- Energy Efficiency Balancing Account	New
22704-G	Preliminary Statement Part BB—Public Purpose Program Surcharge Memorandum Account	New
22705-G	Preliminary Statement Part BH--Public Purpose Program Surcharge -- Low Income Energy Efficiency Balancing Account	New
22706-G	Preliminary Statement Part BI--Public Purpose Program Surcharge -- Research, Development and Demonstration Balancing Account	New
22707-G	Table of Contents -- Preliminary Statements (Cont.d)	22098-G
22708-G	Table of Contents -- Preliminary Statements	22677-G
22709-G	Table of Contents	22679-G



Revised Cal. P.U.C. Sheet No. **DRAFT**
 Canceling Revised Cal. P.U.C. Sheet No.

PRELIMINARY STATEMENT

(Continued)

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

CORE p.1

	RESIDENTIAL			
	G-1, GM, GS, GT		GL-1, GML, GSL, GTL	
	Baseline	Excess	Baseline	Excess
CORE FIXED COST ACCOUNT (1)*	0.26457	0.49607	0.26457	0.49607
CARE DISCOUNT	0.00000	0.00000	0.00000	0.00000
PPP - EE	0.00000	0.00000	0.00435	0.00435
PPP - LIEE	0.00000	0.00000	0.00000	0.00000
PPP - RDD	0.00000	0.00000	0.00000	0.00000
LOCAL TRANSMISSION	0.03578	0.03578	0.03578	0.03578
PPP - CARE	0.00000	0.00000	0.00000	0.00000
CPUC FEE **	0.00077	0.00077	0.00077	0.00077
EOR	0.00002	0.00002	0.00002	0.00002
CEE INCENTIVE	(0.00018)	(0.00018)	(0.00018)	(0.00018)
CTTS	0.00010	0.00010	0.00010	0.00010
CORE BROKERAGE FEE	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
CORE FIRM STORAGE	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
SHRINKAGE	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
INTERSTATE/INTRASTATE CAPACITY CHARGE	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
CANADIAN CAPACITY	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
CORE PROCUREMENT	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX
TOTAL RATE	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX	\$X.XXXXX

* Refer to footnotes at end of Core 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)

Advice Letter No. 2440-G-B
 Decision No.

Issued by
Karen A. Tomcala
 Vice President
 Regulatory Relations

Date Filed
 Effective
 Resolution No.

September 20, 2004
DRAFT



Revised Cal. P.U.C. Sheet No. DRAFT
 Canceling Revised Cal. P.U.C. Sheet No.

PRELIMINARY STATEMENT
 (Continued)

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

NONCORE p.1

	G-NT TRANSMISSION	G-NT DISTRIBUTION (1)*			
		SUMMER			
		0 - <u>249,999</u>	250,000 - <u>599,999</u>	600,000 - <u>1,999,999</u>	2,000,000 - <u>2,999,999</u>
NCA	0.00301	0.00043	0.00043	0.00043	0.00044
PPP - EE	0.00000	0.00000	0.00000	0.00000	0.00000
PPP - LIEE	0.00000	0.00000	0.00000	0.00000	0.00000
PPP - RDD	0.00000	0.00000	0.00000	0.00000	0.00000
GRC INTERIM ACCT	0.00006	0.00371 (i)	0.00371 (i)	0.00371 (i)	0.00371 (i)
PPP - CARE	0.00000	0.00000	0.00000	0.00000	0.00000
CPUC Fee **	0.00077	0.00077	0.00077	0.00077	0.00077
EOR	0.00000	0.00001	0.00001	0.00001	0.00001
CEE INCENTIVE	0.00000	(0.00001)	(0.00001)	(0.00001)	(0.00001)
EL PASO CAPACITY CHARGE	0.00000	0.00000	0.00000	0.00000	0.00000
LOCAL TRANSMISSION (AT)	0.01533	0.01533	0.01533	0.01533	0.01533
DISTRIBUTION & BASE	0.00327	0.06481	0.04833	0.04496	0.03819
TOTAL RATE	0.00000	0.00000	0.00000	0.00000	0.00000

* 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)

Advice Letter No.
 Decision No.

Issued by
 Karen A. Tomcala
 Vice President
 Regulatory Relations

Date Filed
 Effective
 Resolution No.

September 20, 2004
 DRAFT



PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS

These accounting terms and definitions are used in the authorized gas revenue and surcharge amounts as well as the accounting procedure descriptions that follow in this Preliminary Statement. They are consistent with and apply to PG&E's Gas Rate Schedules and Rules. Additional definitions can be found in Rule 1. (T)

1. BALANCING ACCOUNT: In the context of this tariff, a balancing account is an account in which:
 - a. expenses are compared with revenues from rates designed to recover those expenses, or
 - b. forecast expenses are compared with recorded expenses, (T)
 - c. forecast revenues are compared with recorded revenues, or (T)
 - d. Authorized funding is compared to surcharge amounts. (N)

The resulting under- or overcollection, plus interest, is recorded on PG&E's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts, plus interest, are to be amortized in rates.

2. AUTHORIZED AMOUNTS: The Base Revenue Amount is comprised of GRC/BCAP Base Revenues, Base Revenues and Gas Accord Base Revenues. The Base Revenue Amount shall be increased or decreased to incorporate changes in the level of authorized operating revenue specified in CPUC decisions. The currently effective Base Revenue Amounts are shown in Table C.2. (T)

The GRC/BCAP Base Revenues are the annual operating revenue, less other operating revenue adopted in the General Rate Case (GRC), and the Biennial Cost Allocation Proceeding (BCAP), or other proceedings. (T)

Credits to GRC/BCAP Base Revenues are approved in various CPUC decisions. In Decision 01-11-001, the CPUC adopted specific levels of Enhanced Oil Recovery (EOR) revenue. In Decision 97-08-055, the CPUC adopted the core brokerage fee escalation adjustments. In Decision 01-11-001, the CPUC also authorized allocation adjustments for G-10 employee discounts. (T)

The Gas Accord Base Revenues are comprised of Local Transmission, Backbone Transmission, Storage and Transmission-level Customer Access charges adopted in Gas Accord Decision 03-12-061. (T)

The PPP authorized funding includes authorized amounts for Energy Efficiency (EE) and Low Income Energy Efficiency (LIEE) Programs and public interest Research, Development and Demonstration (RD&D) and California Alternate Rates for Energy (CARE) Administrative Expenses, PPP authorized funding and the subsidy for CARE customers are recovered through the gas PPP surcharge, as authorized by Public Utilities Code Section 890-900, Resolution G-3303, and D.04-08-010.¹ The currently effective authorized amounts are shown in Table C.2. (T)

1. D.04-08-010 determined that franchise fees and uncollectibles account expense (FF&U) should not be included in the calculation of gas PPP surcharges. (N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

2. AUTHORIZED AMOUNTS: (Cont'd.)

(T)

Description	Amount (\$000)			
	Core	Noncore	Unbundled	Total
GRC/BCAP BASE REVENUES (1):				
Authorized GRC Distribution Base Revenue	-	-		947,603
Less: Other Operating Revenue	-	-		(16,300)
Authorized GRC Distribution Revenues in Rates	893,787	37,516		931,303
BCAP ALLOCATION ADJUSTMENTS AND CREDITS TO BASE:				
G-10 Allocated Employee Discount	653	1,011		1,664
EOR Revenue	(146)	(6)		(152)
Core Brokerage Fee	(6,869)	(13)		(6,882)
GRC/BCAP REVENUE REQUIREMENT	887,425	38,508		925,933
GAS ACCORD BASE REVENUES				
Local Transmission	103,943	67,448		171,391
Customer Access Charge – Transmission		12,086		12,086
Storage (3)	36,456		6,495	42,951
Backbone Transmission (2)	51,353		58,717	101,070
L401 (PEP)			91,347	91,347
GAS ACCORD REVENUE REQUIREMENT	191,752	79,534	156,559	427,845
PUBLIC PURPOSE PROGRAM AUTHORIZED FUNDING (excludes CARE Shortfall(3)):				
Energy Efficiency				12,888 (N)
Low Income Energy Efficiency				29,192 (R)
Research, Development and Demonstration				-
CARE Administrative Expense				1,607 (R)
PUBLIC PURPOSE PROGRAM REVENUE REQUIREMENT				43,687 (R)

(T)

(T)

- (1) The GRC/Biennial Cost Allocation Proceeding (BCAP) Base Revenue includes Distribution Base Revenues for core and noncore Customers, adopted in the General Rate Case and allocated in Cost Allocation Proceedings, as shown in Part C.3.a. The authorized GRC amount includes the distribution base revenue approved effective January 1, 2003, in D.04-05-055, and an attrition adjustment amount approved effective January 1, 2004, in AL 2499-G-B.
- (2) The Gas Accord II D.03-12-061 adopted transmission revenues effective January 1, 2004, and storage revenues effective April 1, 2004. Storage revenues allocated to load balancing are included in unbundled transmission rates.
- (3) The Public Purpose Program (PPP) authorized funding includes 2004 PY LIEE program funding adopted in D.03-11-020 (unchanged from 2003 PY adopted in D.02-12-019), Energy Efficiency program funding adopted in D.03-08-067, CARE annual administration budget adopted in D.02-09-021, and excludes Franchise Fees and Uncollectible Accounts Expense, per D.04-08-010.

(T)

(T)

(T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

3. COST ALLOCATION FACTORS:

- a. General: These factors are derived from the core and noncore costs adopted in the last Cost Allocation Proceeding and are used to allocate recorded costs to customer classes.

Cost Category	Factor			Total
	Core	Noncore	Unbundled Storage	
Distribution Base Revenue	0.959717	0.040283		1.000000
Intervenor Compensation	0.959717	0.040283		1.000000
Carrying Cost on Non-cycled Gas in Storage*	0.875000		0.125000	1.000000

* Excluding Non-cycled Gas in Storage which is allocated to system load balancing and recovered through transmission rates.

- b. Pacific Gas and Electric Gas Transmission Northwest (PG&E GT-NW) and Intrastate Pipeline Demand Charges: Factors are derived based on the procedures defined in Decisions 91-11-025 and 97-05-093.

- 1) The core procurement factor will be equal to the capacity reserved for core procurement customers on each pipeline divided by the total capacity held by PG&E on that pipeline.
- 2) The core transport factor will be equal to the capacity reserved for core transport customers on each pipeline divided by the total capacity held by PG&E on that pipeline.

4. COST ALLOCATION PROCEEDING: The proceeding in which the Transportation Revenue Requirement, as described in Section C.10.c., and the gas PPP authorized funding, as described in Section C.11 below, are allocated between customer classes and included in rates. This proceeding is currently a biennial proceeding pursuant to CPUC Decision 90-09-089.

(T)
(T)
(T)

5. FORECAST PERIOD OR TEST PERIOD: The 24-month period, beginning with the revision date as specified in the Cost Allocation Proceeding.

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

- 8. CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) SHORTFALL: This shall be computed by subtracting CARE customers' monthly revenues from the revenues that would have been recovered from CARE customers had they been paying standard transportation and procurement rates. (T)
- 9. MEMORANDUM ACCOUNT: In the context of this tariff, a memorandum account operates similar to a balancing account except that interest may be excluded and the under- or overcollection may or may not be amortized in future rates.
- 10. REVENUE REQUIREMENT: The revenue requirement consists of the sum of the Transmission and Storage Revenue Requirement which is set in PG&E's Gas Accord Decision, and the Transportation and Procurement Revenue Requirements which are allocated in the Cost Allocation Proceeding, and are defined below. Rates will be established to recover all items in the revenue requirement. (T)
 - a. The Transmission System Revenue Requirement includes the Transmission portion of the Gas Accord base revenue amount,* load balancing storage costs, certain forecast amounts and F&U. Amounts to be included in the Customer Class Charge paid by Transmission Service customers are allocated in the Cost Allocation Proceeding and described under Transportation Revenue Requirement, below.
 - b. The Storage Revenue Requirement includes the core and Unbundled Storage base revenue amount,* carrying costs on noncycled gas in storage, and F&U.

* See Section C.2 for details.

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

10. REVENUE REQUIREMENT (Cont'd.)

c. The Transportation Revenue Requirement includes the core and noncore GRC/BCAP Base Revenue Amounts (with credits and adjustments),* forecast expenses, and balancing account balances, with interest, as listed below. These amounts are recovered through distribution rates and the Customer Class Charge.

- 1) GRC/BCAP Base Revenue Amount (with credits and adjustments): This shall be the GRC/BCAP Base Revenue amount, with credits and allocation adjustments, as shown in Section C.2. (T)
- 2) Natural Gas Vehicle (NGV) Expense: This shall be the total NGV expense, not included in 10.c.1., above, expected to occur during the forecast period. (T)
(T)
(L)
- 3) CPUC Reimbursement Fee Expense: This is the amount equal to the CPUC-adopted reimbursement rate, described in Preliminary Statement, Part O, multiplied by the total forecast period deliveries excluding interdepartmental, wholesale, interutility, and UEG deliveries. (T)
- 4) Core Fixed Cost Account (CFCA) Balance: This is the forecast revision-date balance in the CFCA, described in Preliminary Statement, Part F, based on the latest recorded data available. (T)
- 5) Noncore Customer Class Charge Account (NCA) Balance: This is the forecast revision-date balance in the NCA, described in Preliminary Statement, Part J, based on the latest recorded data available. (T)
- 6) Enhanced Oil Recovery Account (EORA) Balance: This is the forecast revision-date balance in the EORA, described in Preliminary Statement, Part K, based on the latest recorded data available. (T)

* See Section C.2 for details.

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

10. REVENUE REQUIREMENT (Cont'd.)

c. Transportation Revenue Requirement (Cont'd.)

- (L)
- 7) Natural Gas Vehicle Balancing Account (NGVBA) Balance: This is the forecast revision-date balance in the NGVBA, described in Preliminary Statement, Part X, based on the latest recorded data available. (T)
- 8) Hazardous Substance Mechanism (HSM) Balance: This is the forecast revision-date balance in the HSM, as described in Preliminary Statement, Part AN, based on the latest recorded data available. (T)
- 9) Customer Energy Efficiency Incentive Account (CEEIA) Balance: This is the forecast revision-date balance in the CEEIA, as described in Preliminary Statement, Part Y, based on the latest recorded data available. (T)
- 10) Core Pipeline Demand Charge Account (CPDCA) Balance: This is the forecast revision-date balance in the PG&E GT-NW Credit Subaccount and the Core Transport Interstate Transition Subaccount of the CPDCA, as described in Preliminary Statement, Part AE, based on the latest recorded data available. (T)
- 11) Core Brokerage Fee Balancing Account (CBFA) Balance: This is the forecast revision-date balance in the CBFA described in Preliminary Statement, Part U, based on the latest recorded data available. (T)
- 12) El Paso Turned-Back Capacity Balancing Account (EPTCBA) Balance: This is the forecast revision-date balance in the EPTCBA described in Preliminary Statement, Part AZ, based on the latest recorded data available. (T)
- 13) Affiliate Transfer Fees Account (ATFA) Balance: This is the forecast revision-date balance in the ATFA, described in Preliminary Statement, Part Q, based on the latest recorded data available. (N)
|
(N)
- 14) Franchise Fees and Uncollectible Accounts Expense (F&U): The amount to be added for F&U shall be determined by multiplying the sum of Sections C.10.c.2 through C.10.c.13, above, by the applicable F&U factor. (T)
|
(T)

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

10. REVENUE REQUIREMENT (Cont'd.)

- d. Core Procurement Revenue Requirement includes the cost of gas from the Gas Supply Portfolio, pipeline capacity costs, intrastate transmission costs, the forecast revision-date balance in the Purchased Gas Account and other procurement balancing accounts, the brokerage fee and core storage revenue requirements, plus F&U, as applicable. (T)
- 1) Procurement Cost of Gas (Sales Only): The Procurement Cost of Gas is determined by multiplying the forecast core sales volume by the Weighted Average Cost of Gas (WACOG).
- 2) Procurement Cost of Gas (Shrinkage only): This cost-of-gas component shall be determined by multiplying the forecast shrinkage (LUAF & GDU) quantities for core procurement and core subscription customers by the weighted average cost of gas (WACOG). Customers who procure their own supplies are not responsible for this cost component; rather, they deliver shrinkage in-kind.
- 3) Pipeline Demand Charges: Pipeline Demand Charges include fixed demand and capacity charges from Canadian and FERC-regulated interstate pipelines.
- 4) Intrastate Transmission Charges: Intrastate Transmission Charges include capacity charges reserved for Core Portfolio customers on PG&E's Backbone Transmission System at the Modified Fixed Variable (MFV) tariff rate for core customers.
- 5) Carrying Cost on Non-Cycled Gas in Storage: The Carrying Cost on Non-Cycled Gas in Storage shall be determined by multiplying the forecast value of gas in storage during this forecast period, excluding gas owned by third parties, by the current interest rate on three-month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)
- 6) Carrying Cost on Cycled Gas in Storage: The Carrying Cost on Cycled Gas in Storage shall be determined by multiplying the forecast value of gas in storage during this forecast period, excluding gas owned by third parties, by the current interest rate on three-month Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)
- 7) Purchased Gas Account (PGA) Balance: This is the forecast revision-date balance in the PGA, described in Preliminary Statement, Part D, based on the latest recorded data available. (T)
- 8) Core Pipeline Demand Charge Account (CPDCA) Balance: This is the forecast revision-date balance in the Core Demand Charge Subaccount of the CPDCA, described in Preliminary Statement, Part AE, based on the latest recorded data available. (T)

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

10. PROCUREMENT REVENUE REQUIREMENT (Cont'd.)

d. Core Procurement Revenue Requirement (Cont'd.)

- 9) Core Firm Storage Account (CFSA) Balance: This is the forecast revision-date balance in the CFSA, described in Preliminary Statement, Part AG, based on the latest recorded data available. (T)
- 10) Core Storage Revenue Requirement: This is the core storage amount shown in the Gas Accord base revenue in C.2, above.
- 11) Brokerage Fee Revenue Requirement: This is the amount credited to the GRC/BCAP base revenues shown in Section C.2, above. (T)
(T)
- 12) Franchise Fees and Uncollectible Accounts Expense (F&U): The amount to be added for F&U shall be determined by multiplying the sum of C.10.d.1 through C.10.d.9, above.

11. PUBLIC PURPOSE PROGRAM AUTHORIZED FUNDING

Public Purpose Program (PPP) authorized funding includes the authorized amounts for Energy Efficiency (EE) and Low Income Energy Efficiency (LIEE) programs, public interest RD&D, CARE Administrative Expense, and the forecast revision-date balances in the PPP balancing accounts. PPP authorized funding and the CARE shortfall are recovered through the gas PPP surcharge. (N)

- 1) PPP Authorized Amounts: This shall be the EE, LIEE, and RD&D authorized funding amount shown in Section C.2. (N)
- 2) CARE Administrative Expense: This shall be the total CARE administrative expense expected to occur during the forecast period, as shown in Section C.2. (T) (L)
(T) (L)
- 3) PPP-EE Balancing Account Balance: This is the forecast revision-date balance in the PPP EE described in Preliminary Statement, Part BA, based on the latest recorded data available. (N)
- 4) PPP-LIEE Balancing Account Balance: This is the forecast revision-date balance in the PPP-LIEE described in Preliminary Statement Part BH, based on the latest recorded data available.
- 5) PPP-RDD Balancing Account Balance: This is the forecast revision-date balance in the PPP-RDD described in Preliminary Statement Part BI, based on the latest recorded data available. (N)
- 6) PPP-CARE Balancing Account Balance: This is the forecast revision-date balance in the PPP-CARE, described in Preliminary Statement, Part V, based on the latest recorded data available. (T) (L)
(T) (L)

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

12. REVISION DATES: PG&E's application for the Biennial Cost Allocation Proceeding (BCAP) shall be filed based on a schedule set forth by the CPUC. PG&E's Procurement rate shall be updated monthly. (T)

a. Core Procurement Rate Change

Per Decision 97-10-065, an advice filing to change core procurement rates will be filed monthly. The filing will update certain forecasted procurement costs and the amortization component of the procurement rate. PG&E will continue to provide a Weighted Average Cost of Gas (WACOG) forecast in its BCAP for ratemaking purposes.

Per Decision 03-12-008, noncore customers switching to core service are subject to a crossover procurement rate, as specified in Schedule G-CPX, for the first twelve (12) regular monthly billing periods. Schedule G-CPX is filed by advice letter monthly.

b. Annual True-up of Balancing Accounts

Per Decision 95-12-053, an advice filing to change core and noncore transportation rates will be filed 45 days prior to the end of the first year of the BCAP and every twelve months thereafter until a new BCAP decision is rendered. The filing will update the amortization component of the transportation rate for all transportation-related balancing accounts.

To determine the change in the amortization component of transportation balancing accounts, PG&E will rely on the following:

- 1) A revenue requirement will be developed that compares an annual actual estimated balance (9 months recorded and 3 months estimated) to the expected revenue at present rates from the amortization components in BCAP Year 2 or the next twelve months. The amortization components for the transportation balancing accounts will then be changed to reflect additional over- or under-collections in the accounts over the next twelve months.
- 2) The new amortization components will be calculated by dividing the balancing account balances (based on 9 months recorded and 3 months estimated) by the adopted annual average BCAP throughput.

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

12. REVISION DATES (Cont'd.)

(T)

c. In-Kind Shrinkage

Pursuant to D.03-12-061, an in-kind shrinkage allowance will be applied to all scheduled storage injection volumes beginning April 1, 2004. The in-kind shrinkage quantity will be calculated by dividing the total storage-related GDU and LUAF by the forecast annual storage-cycle quantity.

D.03-12-061 authorizes PG&E to update its in-kind shrinkage allowances on an annual basis through an advice letter compliance filing. The in-kind shrinkage allowances for backbone transmission and distribution will change effective January 1. The storage in-kind shrinkage allowance will change effective April 1. The in-kind shrinkage allowances are shown in Rule 21.

If necessary, PG&E may make separate advice letter filings to adjust in-kind shrinkage allowances at other times of the year in order to better match the actual shrinkage experience on PG&E's system. The BCAP shall continue to be the proceeding in which the pipeline shrinkage calculation methodology, and the proportion of LUAF and GDU that are to be assigned to transmission and distribution shrinkage, is determined.

d. PPP Surcharge Rates

(N)

Timing and Frequency: Per Decision 04-08-010, an advice filing to change core and noncore gas PPP surcharges will be filed by October 31 of each year to be effective January 1 of the next year.

PG&E may request a change in gas PPP surcharge rates during the year if failure to make the rate change would result in a forecasted total rate increase of 10 percent or more on January 1 of the next year. Requested rate changes will be by advice letter filing and be filed at least 40 days prior to the beginning of the next quarter with an effective date to be determined by the Energy Division in consultation with the California State Board Of Equalization (BOE).

If the current year program budget for CARE subsidy costs has not been adopted by the CPUC, PG&E will use forecasts of expected CARE subsidy costs based upon estimated future gas prices (using a credible, published source) and CARE penetration rates to calculate the surcharge. Amortization of balances in the applicable PPP balancing accounts will be in accordance with CPUC-established policies for the treatment of these funds.

Information due dates: By October 31, Energy Division will provide the allocation of RDD, BOE and CPUC administrative costs, and interstate pipeline customer gas volumes used for setting surcharge rates.

(N)

13. PIPELINE DEMAND CHARGE CREDITS: When PG&E brokers interstate capacity it will receive conditional credits from interstate pipelines from other parties who have acquired PG&E's brokered capacity. These credits may include other items such as reversed credits previously given to PG&E and late charges assessed per the interstate's FERC-approved tariffs.

(L)

(L)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

- 14. CORE PROCUREMENT INCENTIVE MECHANISM: The Core Procurement Incentive Mechanism (CPIM) is designed to replace traditional reasonableness reviews for Gas Procurement Costs as defined in C.10, above. PG&E will report its procurement activities monthly to the CPUC's Energy Division and Office of Ratepayer Advocates (ORA) and will file an annual report outlining cost savings, reward or penalties under the CPIM. Incentive rewards and penalties are calculated annually and, upon Commission approval, will be recorded in the Core Subaccount of the Purchased Gas Account (PGA). (T)

Decision 97-08-055 adopted a CPIM mechanism for Post-1997 performance as filed in Application 96-08-043, and as affirmed in D.03-12-061, and as modified by D.04-01-047. The modifications adopted in Decision 04-01-047 are effective for the CPIM year starting November 1, 2002. The CPIM will continue until either ORA or PG&E proposes modifications and those modifications are approved by the CPUC.

The CPIM provides PG&E with a direct financial incentive to procure core gas and transportation services at the lowest reasonable cost by calculating rewards or penalties through comparing actual procurement costs to an aggregate market-based benchmark.

The CPIM establishes both a standard benchmark, which applies to purchasing activities occurring under most operating and temperature conditions, and an alternate benchmark which applies only under extraordinary circumstances requiring economic and/or physical diversions of supplies and transportation resources held by other shippers on the interstate and intrastate transmission system.

The CPIM standard benchmark is made up of three components: (1) the fixed transportation cost component, which includes both interstate and intrastate capacity reservation costs; (2) the variable cost component, which covers commodity costs and volumetric transportation costs; and (3) a storage cost component.

The commodity and capacity benchmark components are calculated daily. At the end of each 12-month period, the daily benchmark components are added together to form a single annual benchmark budget. Actual incurred costs are compared to the benchmark. If actual gas commodity and capacity costs fall within a range (tolerance band) around the benchmark, costs are deemed reasonable, and are fully recoverable from ratepayers. If actual costs fall below the tolerance band, the savings (the difference between the lower limit of the tolerance band and actual recorded costs) are shared between ratepayers and shareholders according to the following procedure:

- a) 75 percent to ratepayers and 25 percent to shareholders.
- b) In addition, annual PG&E shareholder awards are capped at the lower of 1.5 percent of the total annual gas commodity costs, or \$25 million.

Ratepayers and shareholders share equally any costs in excess of the upper limit of the tolerance band.

An alternate benchmark can be invoked by PG&E under certain extraordinary circumstances requiring economic and/or mandatory diversions of gas and transmission resources held by other shippers. All voluntary and involuntary diversion costs are compared to the highest value of the daily PG&E Citygate index range. There is no tolerance band for the alternate benchmark, and actual costs savings or overruns, relative to the benchmark, are shared 95 percent by ratepayers and 5 percent by shareholders.



PRELIMINARY STATEMENT
(Continued)

F. CORE FIXED COST ACCOUNT (CFCA)

1. PURPOSE: The purpose of the CFCA is to record the authorized GRC/BCAP base revenue amounts (with credits and adjustments), certain other core transportation costs, and transportation revenue from core customers. Any under- or overcollection in this account will be incorporated into core transportation rates in the next Cost Allocation Proceeding or Annual True-up of Balancing Accounts. (T)

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C or in Rule 1. Refer to Section C.3 for the cost allocation factors used to determine the core portion of certain costs.

2. APPLICABILITY: The CFCA applies to all core transportation 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 CFCA 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. CFCA RATES: CFCA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
6. ACCOUNTING PROCEDURE: PG&E shall make the following entries to this CFCA at the end of each month:
- a. A credit entry equal to California Alternate Rates for Energy (CARE) revenue shortfall resulting from deliveries for the month, excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U); (T)
(T)
(D)
 - b. A credit entry equal to the CFCA revenue from core deliveries during the month, excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U); (T)
(T)
(D)
(D)
(D)
 - c. A credit entry equal to the revenue from the local transmission rate component from core deliveries during the month, excluding the allowance for F&U; (T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

F. CORE FIXED COST ACCOUNT (CFCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

- d. A debit entry equal to one-twelfth of the core portion of the authorized GRC/BCAP Revenue Requirements, excluding the allowance for F&U; (N)
(N)
- e. A debit entry equal to the core portion of intervenor compensation payments authorized by the CPUC, recorded during the month; (T)
(T)
- f. A debit entry equal to the core annual average local transmission rate, excluding F&U, multiplied by the core local transmission usage during the month; (T)
(T)
- g. An entry equal to the balances transferred to or from this account as adopted in a Cost Allocation Proceeding or at other times, as ordered by the CPUC; and (T)

(D)
- h. An entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.a through F.6.f, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)
(T)
(T)



PRELIMINARY STATEMENT

(Continued)

J. NONCORE CUSTOMER CLASS CHARGE ACCOUNT (NCA)

1. PURPOSE: The purpose of the NCA is to record certain noncore costs and revenues from noncore customers. The balance in this account will be incorporated into noncore transportation rates in the next Cost Allocation Proceeding or Annual True-up of Balancing Accounts.

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

(T)

2. APPLICABILITY: The NCA balance applies to noncore transportation rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC.
3. REVISION: The revision date applicable to the NCA 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. NCA RATES: NCA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
6. ACCOUNTING PROCEDURE: The NCA consists of the following subaccounts:

The "Industrial Distribution Subaccount" tracks the portion of costs or balances allocated specifically to industrial distribution-level customers taking service on Schedule G-NT.

The "Industrial Transmission Subaccount" tracks the portion of costs or balances allocated specifically to industrial transmission-level customers taking service on Schedule G-NT.

The "Noncore Subaccount" tracks costs or balances allocated on an equal cents per therm basis to all noncore customers. Prior to revising the NCA rate, the noncore distribution and transmission portion of the balance in this subaccount will be transferred to the Industrial Distribution and Industrial Transmission Subaccounts, respectively.

The "Interim Relief Subaccount" tracks the noncore industrial distribution portion of the interim gas revenue requirement increase adopted in Decision 98-12-078. The balance in this subaccount will be allocated to noncore industrial distribution rates and included in the NCA rate component (see Preliminary Statement Part B) upon implementation of the next Annual True-up of Balancing Accounts.

a. Industrial Distribution Subaccount

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

- 1) a debit entry equal to any expense adopted by the CPUC as a cost to be included in this account;

(D)

(Continued)



PRELIMINARY STATEMENT
(Continued)

J. NONCORE CUSTOMER CLASS CHARGE ACCOUNT (NCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

- (D)
- 2) a credit entry equal to the noncore distribution portion of NCA revenue, excluding the allowance for F&U; (T)
- 3) an entry equal to the adopted balances transferred to this account in a cost allocation proceeding or at other times, as ordered by the CPUC; and (T)
- 4) an entry equal to interest on the average of the balance in the subaccount at the beginning of the month and the balance after entries from J.6.a.1 through J.6.a.3, above, at a rate equal to one-twelfth of 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. (T)
(T)

b. Industrial Transmission Subaccount

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

- 1) a debit entry equal to any expense adopted by the CPUC as a cost to be included in this account; (D)
(D)
- 2) a credit entry equal to the noncore transmission portion of NCA revenue, excluding the allowance for F&U; (T)
- 3) an entry equal to the adopted balances transferred to this subaccount in a cost allocation proceeding or at other times, as ordered by the CPUC; and (T)
- 4) an entry equal to interest on the average of the balance in the account at the beginning of the month and the balance after entries from J.6.b.1 through J.6.b.3, above, at a rate equal to one-twelfth of 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. (T)
(T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

- V. PUBLIC PURPOSE PROGRAM SURCHARGE – CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (PPP-CARE) (T)
1. PURPOSE: The purpose of the PPP-CARE balancing account is to record the California Alternate Rates for Energy (CARE) shortfall associated with the Low-Income Ratepayer Assistance (LIRA) Program established by Decisions 89-07-062 and 89-09-044, as well as the expansion of the LIRA Program authorized by Decision 92-04-024. This account also records the CARE Program administrative costs, pursuant to Public Utilities Code Section 739.1 (b). The program was revised in Decision 94-12-049 and the name changed to CARE. The balance in this account will be incorporated in the gas Public Purpose Program (PPP) surcharge in accordance with existing CPUC policy. (T)
(T)

Descriptions of the terms and definitions used in this section are found in Preliminary Statement, Part C, or in Rule 1. Refer to Section C.8 for the CARE shortfall computation.

 2. APPLICABILITY: The PPP-CARE balance applies to all non-CARE rate schedules and contracts subject to the jurisdiction of the CPUC, except for those schedules and contracts specifically excluded by the CPUC and Public Utility Code Section 896. (T)
(T)
 3. REVISION DATE: The revision date applicable to the PPP-CARE shall coincide with the revision date of the gas PPP surcharge, or at other times, as ordered by the CPUC. (T)
 4. INTEREST: In addition to the amounts recorded to the PPP-CARE through Accounting Procedure 7.f. below, while the surcharge collections are in the possession of the State, the applicable interest that applies is the actual amount of interest that accrued while the collections were in the possession of the State. This interest is transferred to the PPP-CARE account through Accounting Procedure 7.e., below. (N)
|
|
|
(N)
 5. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding. (T)
 6. CARE RATES: CARE Rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable. (T)
 7. ACCOUNTING PROCEDURE: PG&E shall make the following entries to the PPP-CARE at the end of each month: (T)
 - a. A debit entry equal to the CARE revenue shortfall resulting from core deliveries during the current month less the allowance for Franchise Fees and Uncollectibles Accounts Expense (F&U); (T)
 - b. A debit entry equal to all monthly administrative costs allocated to the gas CARE Program that include, but are not limited to, outreach, marketing, regulatory compliance, certification and verification, billing, measurement and evaluation, and capital improvements and upgrades to communications and processing equipment;

(Continued)



PRELIMINARY STATEMENT

(Continued)

V. CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (PPP-CARE) (CONT'D.)

7. ACCOUNTING PROCEDURE: (Cont'd.)

- | | | | |
|----|---|-----|-----|
| c. | A credit entry equal to the PPP-CARE surcharge amounts, which includes adjustments for customer accounts found worthless and written off, as applicable; | (T) | (L) |
| | | (T) | (L) |
| d. | A credit entry to transfer the CARE portion of the interstate pipeline and third-party surcharge amounts received from the Gas Consumption Surcharge Fund recorded in the PPP Surcharge Memorandum Account (PPP-MA), Preliminary Statement Part BB; | (N) | |
| | | | |
| | | | |
| | | | |
| e. | An entry to transfer the CARE portion of the balance in the PPP-MA, as applicable; and | (N) | |
| f. | An entry equal to the interest on the average balance in the account at the beginning of the month and the balance in the account after entries V.6.a and V.6.e, 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. | (T) | (L) |
| | | | |
| | | | |
| | | | |
| | | | (L) |
| 8. | REASONABLENESS REVIEW: In conjunction with the appropriate proceeding, the utility shall file with the Commission an annual report on the CARE program, reporting on the reasonableness of recorded Program administrative costs included in the PPP-CARE balancing account during the previous year. CARE administrative costs shall include, but are not limited to, the costs specified in Section 739.1 (b) of the Public Utilities Code. | (T) | (L) |
| | | | |
| | | | |
| | | | |
| | | | (L) |



PRELIMINARY STATEMENT
(Continued)

BA. PUBLIC PURPOSE PROGRAM SURCHARGE – ENERGY EFFICIENCY (PPP-EE)

(N)

1. **PURPOSE:** The purpose of the PPP-EE is to record the authorized gas energy efficiency (EE) public purpose program (PPP) funding and the gas PPP-EE surcharge amount that recovers the authorized funding from eligible customers. Pursuant to Decision 04-08-010, franchise fees and uncollectible accounts expense are not included in the gas PPP surcharges. The balance in this account will be incorporated into the gas PPP surcharge in accordance with existing CPUC policy.

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

2. **APPLICABILITY:** The PPP-EE shall apply to all customer classes, except for those specifically excluded by the Commission and Public Utility Code Section 896.
3. **REVISION DATE:** The revision date applicable to the PPP-EE shall coincide with the revision date of the gas PPP surcharge, or at other times, as ordered by the CPUC.
4. **INTEREST:** In addition to the interest applied to amounts recorded to the PPP-EE through Accounting Procedure 7.e, below, while the surcharge collections are in the possession of the State, the applicable interest that applies is the actual amount of interest that accrued while the collections were in the possession of the State. This interest is transferred to the PPP-EE account through Accounting Procedure 7.d, below.
5. **FORECAST PERIOD:** The forecast test period will be as specified in the current Cost Allocation Proceeding.
6. **RATES:** PPP-EE rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
7. **ACCOUNTING PROCEDURE:** PG&E shall make the following entries to this PPP-EE at the end of each month:
 - a. A debit entry equal to 1/12 of the authorized annual PPP-EE funding;
 - b. A credit entry equal to the PPP-EE surcharge amount, which includes adjustments for customer accounts found worthless and written off, as applicable;
 - c. A credit entry to transfer the EE portion of the interstate pipeline and third party surcharge amounts received from the Gas Consumption Surcharge Fund recorded in the PPP Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB;
 - d. An entry to transfer the EE portion of the balance in the PPP-MA, as applicable; and,
 - e. An entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries BA.7.a through BA.7.d, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

(N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

- BB. PUBLIC PURPOSE PROGRAM SURCHARGE MEMORANDUM ACCOUNT (PPP-MA)** (N)
1. **PURPOSE:** The purpose of the PPP-MA is to record the payments of the gas Public Purpose Program (PPP) surcharge by PG&E and remitted to the California State Board of Equalization (BOE), and the funding obtained from the Gas Consumption Surcharge Fund (Fund), as authorized by the Commission. The interest earned on appropriations from the Fund and interest payments made to the BOE are also tracked in this account. Recording this activity results in the balance of this account reflecting the actual interest earned on appropriations from the Fund, which is transferred to the appropriate PPP surcharge balancing account for recovery.
 2. **APPLICABILITY:** The PPP-MA shall apply to all customer classes, except for those specifically excluded by the Commission.
 3. **RATES:** The PPP-MA currently does not have a rate component.
 4. **ACCOUNTING PROCEDURE:** PG&E is authorized to maintain the PPP-MA by making the following entries:
 - a. A debit entry equal to the gas PPP surcharge amounts remitted to the BOE;
 - b. A credit entry equal to the appropriations received from the Fund;
 - c. A credit entry equal to the RDD surcharge amounts included in entry 4.a, above remitted to BOE, which will not be returned to PG&E;
 - d. A debit entry to transfer any interstate pipeline and third party surcharge amounts included in entry b. above, to the applicable PPP balancing account;
 - e. A one time entry equal to the difference between the PPP surcharges remitted to BOE and appropriations from the Fund, including interest, prior to the effective date of this account;
 - f. An entry to transfer the balance in this account to the applicable PPP balancing accounts for recovery in gas PPP surcharge rates; and
 - g. An entry equal to the interest on the average balance in the account at the beginning of the month and the balance in the account after entries BB.4.a through BB.4.f, 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)

(Continued)



PRELIMINARY STATEMENT

(Continued)

BH. PUBLIC PURPOSE PROGRAM SURCHARGE – LOW INCOME ENERGY EFFICIENCY (PPP-LIEE)

(N)

1. **PURPOSE:** The purpose of the PPP-LIEE is to record the authorized gas low income energy efficiency (LIEE) public purpose program (PPP) funding and the gas PPP-LIEE surcharge amounts that recovers the authorized funding from eligible customers. Pursuant to Decision 04-08-010, franchise fees and uncollectible accounts expense are not included in gas PPP surcharges. The balance in this account will be incorporated into the gas PPP surcharge in accordance with existing CPUC policy.

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

2. **APPLICABILITY:** The PPP-LIEE shall apply to all customer classes, except for those specifically excluded by the Commission and Public Utility Code Section 896.
3. **REVISION DATE:** The revision date applicable to the PPP-LIEE shall coincide with the revision date of the gas PPP surcharge, or at other times, as ordered by the CPUC.
4. **INTEREST:** In addition to the interest applied to amounts recorded to the PPP-LIEE through Accounting Procedure 7.e, below, while the surcharge collections are in the possession of the State, the applicable interest that applies is the actual amount of interest that accrued while the collections were in the possession of the State. This interest is transferred to the PPP-LIEE account through Accounting Procedure 7.d, below.
5. **FORECAST PERIOD:** The forecast test period will be as specified in the current Cost Allocation Proceeding.
6. **RATES:** PPP-LIEE rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.
7. **ACCOUNTING PROCEDURE:** PG&E shall make the following entries to this PPP-LIEE at the end of each month:
 - a. A debit entry equal to 1/12 of the authorized annual PPP-LIEE funding;
 - b. A credit entry equal to the PPP-LIEE surcharge amount, which includes adjustments for customer accounts found worthless and written off, as applicable;
 - c. A credit entry to transfer the LIEE portion of any interstate pipeline and third party surcharge amounts received from the Gas Consumption Surcharge Fund recorded in the PPP Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB;
 - d. An entry to transfer the LIEE portion of the balance in the PPP-MA, as applicable; and,
 - e. An entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries 7.a through 7.d, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

(N)

(Continued)



PRELIMINARY STATEMENT

(Continued)

BI. PUBLIC PURPOSE PROGRAM SURCHARGE – RESEARCH, DEVELOPMENT AND DEMONSTRATION (PPP-RDD)

(N)

1. **PURPOSE:** The purpose of the PPP-RDD is to record the authorized gas research, development and demonstration (RDD) funding and the gas public purpose program (PPP) surcharge amounts that recover the authorized funding from eligible customers. This account also recovers PG&E's allocation of the authorized annual Board Of Equalization (BOE) and CPUC administrative costs. The balance in this account will be incorporated into the gas PPP surcharge in accordance with existing CPUC policy.

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

2. **APPLICABILITY:** The PPP-RDD shall apply to all customer classes, except for those specifically excluded by the Commission and Public Utility Code Section 896.

3. **REVISION DATE:** The revision date applicable to the PPP-RDD shall coincide with the revision date of the gas PPP surcharge, 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. **RATES:** PPP-RDD rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable.

6. **ACCOUNTING PROCEDURE:** PG&E shall make the following entries to this PPP-RDD at the end of each month:

- a. A debit entry equal to 1/12 of the authorized annual PPP-RDD funding;
- b. A debit entry equal to 1/12 of PG&E's allocation of the authorized annual BOE and CPUC administrative costs;
- c. A credit entry equal to the PPP-RDD surcharge amount, which includes adjustments for customer accounts found worthless and written off, as applicable;
- d. A credit entry equal to the amount remitted to BOE for RDD included in authorized PPP surcharges in effect prior to January 1, 2004, not to exceed the authorized amount recorded in 6.a, above; and
- e. An entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries BA.6.a through BA.6.c, above, at a rate equal to one-twelfth the interest rate of the 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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FGE Gas Advice Filing

List

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ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Elsesser
Applied Power Technologies
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Blue Ridge Gas
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Palo Alto
City of Redding
CLECA Law Office
Constellation New Energy
CPUC
Creative Technology
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army
Department of Water & Power City
Dept of the Air Force
DGS Natural Gas Services
DMM Customer Services
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hogan Manufacturing, Inc
House, Lon
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates
Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Price, Roy
Product Development Dept
Provost Pritchard
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
TJ Cross Engineers
Transwestern Pipeline Co
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA