

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
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October 7, 2005

Advice Letter 2440-G-C

Rose de la Torre
Pacific Gas & Electric
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Establishment of new public purpose program surcharge gas accounts pursuant
D.04-09-010

Dear Ms de la Torre:

This letter supersedes the September 27, 2005 letter regarding this matter. Advice Letter 2440-G-C is effective July 1, 2005.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



**Pacific Gas and
Electric Company®**

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
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August 24, 2005

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

**Subject: Establish New Public Purpose Program Surcharge Gas Accounts
pursuant to Decision 04-08-010**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) is revising its gas tariffs in compliance with Public Purpose Program (PPP) Decision (D.) 04-08-010, issued August 19, 2004. The tariffs filed in this supplemental filing completely supersede and replace the tariffs filed in Advice Letter (AL) 2440-G-B. PG&E also is incorporating the tariff revisions proposed in AL 2621-G into this supplemental filing, and will request to withdraw AL 2621-G following approval of this filing. The affected tariff sheets are listed on Attachment I to this filing.

Purpose

The purpose of this filing is to revise PG&E's gas preliminary statements to track the authorized PPP funding requirements and gas PPP surcharge collections in separate PPP balancing accounts, and to track surcharge payments, in accordance with D. 04-08-010. PG&E's current tariffs reflect changes approved by the CPUC in advice filings made after September 20, 2004, which is the date PG&E filed supplemental PPP AL 2440-G-B. This filing updates the tariffs filed in AL 2440-G-B to reflect such revisions and incorporates appropriate tariff changes proposed in AL 2440-G-B needed to implement D. 04-08-010.

In addition, clarifying language resulting from discussions with Energy Division staff is incorporated into the tariffs included in this filing.¹ PPP changes proposed in AL 2621-G are incorporated into this advice filing to facilitate review and approval of all PPP changes to implement D. 04-08-010. As stated above, PG&E will withdraw AL 2621-G following CPUC authorization of this supplemental filing.

¹ The gas PPP program expenditures recorded in the subaccounts within Preliminary Statement Part Y--Customer Energy Efficiency Adjustment, continue to be one-way balancing accounts.

Background

Effective January 1, 2001, Public Utility Code Sections 890-900 implemented a gas PPP surcharge that requires funding for gas public purpose programs to be removed from gas utilities' rates and recovered through a separate surcharge. Gas PPPs include energy efficiency (EE), low income energy efficiency (LIEE), public interest research development and demonstration (RDD), and California Alternate Rates for Energy (CARE) programs. The Commission initially established gas PPP surcharges beginning January 1, 2001, for PG&E and other California utilities in Resolution (R.) G-3303, issued December 21, 2000. Also in that resolution, the CPUC issued Rulemaking 02-10-001 to address broader aspects of the legislation, including unbundling PPP surcharges from utility rates and identify customers exempt from the PPP surcharge.

PG&E filed AL 2440-G on January 27, 2003, and AL 2440-G-A on May 26, 2004. In those filings, PG&E proposed a new balancing account to track gas PPP surcharge amounts separate from PG&E's other revenues. As authorized in R. G-3303, PG&E established a memorandum account to track gas PPP surcharges billed to customers and remitted to the California State Board of Equalization (BOE) and the gas surcharge amounts subsequently received by PG&E from the California Gas Consumption Surcharge Fund (Fund).

On August 19, 2004, the Commission issued D. 04-08-010, which determined broad policy issues and provided a framework for determining and administering the gas PPP surcharge, as well as initiating a statewide gas public interest RDD program beginning January 1, 2005, to be administered by the California Energy Commission and funded through the gas PPP surcharge. Decision 04-08-010 requires that all the gas PPP surcharges remitted quarterly by PG&E to BOE be returned to PG&E in a timely manner, except for RDD funds and BOE and CPUC administrative fees.²

On September 20, 2004, PG&E filed AL 2440-G-B and AL 2574-G to implement D. 04-08-010, which approved AL 2440-G/G-A with modifications. AL 2440-G-B reflected modifications adopted by the CPUC in D. 04-08-010 for the accounting treatment of gas PPP surcharges. AL 2574-G separates gas PPP surcharges from PG&E's rates and shows the surcharges as a separate line item on non-exempt customers' bills beginning March 1, 2005.³ Finally, on April 7, 2005, PG&E filed AL 2621-G to implement changes to the accounting for the CARE shortfall beginning March 1, 2005, when PG&E removed gas PPP surcharges from transportation rates as approved by AL 2574-G.

² The public interest RDD program amounts will remain in the State Treasury for eventual disbursement to the California Energy Commission, the new administrator of public interest RD&D.

³ Advice 2574-G was approved on December 28, 2004.

Preliminary Statement Changes – PPP Surcharge Accounts

In accordance with D. 04-08-010, portions of the gas preliminary statement filed in AL 2440-G-A are revised to establish separate balancing accounts to track gas PPP surcharge amounts for EE, LIEE and public interest RDD, and the funding requirements authorized by the CPUC for these programs.⁴ CARE surcharge amounts already are 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 D. 04-08-010.

PG&E is also revising portions of its gas preliminary statement to incorporate the clarifications specified in D. 04-08-010 regarding: a) interest that applies while the billed surcharge amounts are in the possession of the State is the actual amount of interest that accrued while in the possession of the State; b) any interstate pipeline and third-party surcharge amounts received by PG&E from the Fund are included with other amounts that recover PPP surcharge funding authorized by the CPUC; c) franchise fees and uncollectible accounts expense are not included in surcharge amounts; d) treatment of CPUC and BOE administrative costs; and e) the annual October 31 advice filing to revise gas PPP surcharge rates on January 1 of each year.

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 EE program funding authorized by the CPUC and the amounts that recover the authorized funding, which include gas surcharge amounts billed to eligible customers and other amounts received from the Fund. A new section is added pertaining to interest. Entries have been added to transfer the EE portion of amounts received from the Fund to this account, which include interstate pipeline and third-party surcharge amounts and interest, and recorded in the PPP-MA (Preliminary Statement Part BB).
2. Preliminary Statement Part BB—*Gas Public Purpose Program Surcharge Memorandum Account (PPP-MA)*, tracks the gas PPP surcharges billed to customers and remitted quarterly to BOE and the gas surcharge amounts subsequently received by PG&E from the Fund.⁵ Decision 04-08-010 requires that the surcharge amounts remitted to BOE, except RDD, now be returned to the utilities. As a result, except for timing differences on PPP

⁴ The current balance associated with the gas EE and LIEE surcharges is included in the Core Fixed Cost Account and the Noncore Customer Class Charge Account. Following authorization of this supplemental advice letter, PG&E will transfer the EE portion of the gas PPP balance to the PPP-EE and the LIEE portion of the balance to the PPP-LIEE.

⁵ PG&E is currently tracking the payments by PG&E to BOE and funding received by PG&E 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 PPP-MA.

surcharge payments between PG&E and the Fund, the balance in this account will be the sum of: 1) the difference between the interest associated with the billed surcharges recorded in this account and the actual interest received by PG&E from the Fund; and 2) interstate pipeline and third-party surcharges collected by BOE and sent to PG&E. Preliminary Statement Part BB is revised to add entries to transfer the interest portion of the balance and the interstate pipeline and third-party accounts to the applicable PPP balancing accounts to be included in future gas surcharge rates.

3. Preliminary Statements Part BH—*Public Purpose Program Surcharge--Low Income Energy Efficiency (PPP-LIEE)*, records authorized LIEE program funding approved by the CPUC and gas PPP surcharges that recover these amounts from eligible customers. A new section is added pertaining to interest. Entries are added to transfer the LIEE portion of amounts received from the Fund to this account, including interstate pipeline and third-party surcharge amounts and interest, and recorded in the PPP-MA.
4. Preliminary Statements Part BI—*Public Purpose Program Surcharge--Research, Development and Demonstration Balancing Account (PPP-RDD)*, records public interest RDD funding authorized by the CPUC and the gas PPP surcharges that recover these amounts from eligible customers.⁶ CPUC and BOE administrative costs also are recovered through this account, since both RDD and administrative costs are allocated to customers on an equal cents per therm basis, pursuant to D. 04-08-010. Both RDD billed surcharge and CPUC and BOE administrative costs remitted by PG&E to BOE are not returned to PG&E. Additionally, interest in this account is only recorded on billed surcharges until remitted to BOE and will be held in the account until further direction from the CPUC.
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. A new section is added pertaining to interest. Entries are added to transfer the CARE portion of amounts received from the Fund to this account, including interstate pipeline and third-party surcharge amounts and interest, and recorded in the PPP-MA. CARE shortfall recording is revised consistent with the billing changes approved in AL 2574-G. Accounting Procedure 7.a is revised to apply only to deliveries from non-residential CARE customers under Schedule G-CARE. Accounting Procedure 7.b. is added to record the CARE shortfall amount from the new "CARE Discount" rate component for CARE residential customers.⁷

⁶ 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.

⁷ These revisions were included in AL 2661-G.

Preliminary Statement– Other Changes

PG&E is also revising portions of its current gas preliminary statement to implement D. 04-08-010 as follows:

1. Preliminary Statement Part B--*Default Tariff Rate Components*--The previous title, "Gas Public Purpose Program Surcharges", is re-named "Schedule G-PPPS – Gas Public Purpose Program Surcharges". This revision was approved in AL 2574-G, but inadvertently omitted on the tariff sheet filed with PG&E's noncore transportation rate changes effective March 1, 2005.⁸
2. Preliminary Statement Part C—*Gas Accounting Terms and Definitions*—Authorized gas PPP funding requirements are separated from PG&E's transportation revenue requirements 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.11—removes PPP-related items from PG&E's transportation revenue requirement and establishes a new section for PPP Authorized Funding.
 - Section C.12.d— adds a new section describing the timing of updating gas PPP surcharge rates, the information necessary to calculate the annual PPP surcharges that is provided by the Energy Division to PG&E, the customers exempt from gas PPP surcharges and communication with BOE to prevent the issuance of duplicate refunds to exempt customers, and the calculation PPP surcharge rates.
3. Preliminary Statement Part F—*Core Fixed Cost Account (CFCA)*, is revised to remove all entries associated with PPP activity, except Accounting Procedure 6.a.1. This entry is clarified to apply only to deliveries to non-residential core CARE customers under Schedule G-CARE.
4. Preliminary Statement Part J – *Noncore Customer Class Charge Account (NCA)*, is revised to remove all entries associated with PPP activity.
5. Schedule G-CARE—*CARE Program Service for Qualified Nonprofit Group-Living and Qualified Agricultural Employee Housing Facilities*- is revised to change the reference from "CARE Rate component" to "PPP-CARE Rate component" consistent with Preliminary Statement Part B.⁹

⁸ See AL 2613-G. This revision was proposed in AL 2661-G.

⁹ See AL 2613-G. This revision was included in AL 2661-G.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **September 13, 2005**. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jjnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date

PG&E requests the tariff revisions submitted in this advice letter be effective **July 1, 2005**, so that the second quarter gas PPP surcharges remitted by PG&E to BOE are properly recorded to the PPP-MA. As described in Preliminary Statement Part BB – PPP Surcharge Memorandum Account, Section 1--Purpose, the PPP-MA tracks the gas PPP surcharges billed to customers remitted quarterly by PG&E to BOE, as well as the gas surcharge amounts subsequently received by PG&E from the Gas Consumption Surcharge Fund. PG&E remitted its second quarter PPP surcharges to BOE on July 29, 2005, and anticipates subsequently receiving the appropriated gas surcharge amounts from the Fund no later than September 2005. Tracking of the surcharges between PG&E and the BOE/Fund requires both the remittance by PG&E to BOE and subsequent return of PPP surcharges to be recorded to the PPP-MA.

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>

Brian K. Cherry /ss

Director, Regulatory Relations

Attachments

cc: Service List – Rulemaking 02-10-001

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Susan Shaw

Phone #: (415) 973-7375

E-mail: sxs9@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2440-G-C**

Subject of AL: Establishes New Public Purpose Program Surcharge Gas Accounts pursuant to D. 04-08-010

Keywords (choose from CPUC listing): BALANCING ACCOUNT, ENERGY EFFICIENCY, PUBLIC PURPOSE PROGRAM, MEMORANDUM ACCOUNT, LOW INCOME

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Decision 04-08-010

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: Not applicable

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: **July 1, 2005**

No. of tariff sheets: **28**

Estimated system annual revenue effect (%): To be determined

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: Preliminary Statement Parts B, C, F, J, V, BA, BB, BH, BI; Sch. G-CARE

Service affected and changes proposed¹: Adds new Public Purpose Program Balancing Accounts to tariffs

Pending advice letters that revise the same tariff sheets: ALs 2440-G, 2440-G-A, 2440-G-B, 2661-G

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Director, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ Discuss in AL if more space is needed.

**ATTACHMENT 1
Advice 2440-G-C**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
23344-G	Preliminary Statement Part B--Default Tariff Rate Components	22884-G
23345-G	Preliminary Statement Part C--Gas Accounting Terms and Definitions	23257-G
23346-G	Preliminary Statement Part C (Cont.)	23259-G
23347-G	Preliminary Statement Part C (Cont.)	22886-G
23348-G	Preliminary Statement Part C (Cont.)	22132-G
23349-G	Preliminary Statement Part C (Cont.)	23262-G
23350-G	Preliminary Statement Part C (Cont.)	22030-G
23351-G	Preliminary Statement Part C (Cont.)	New
23352-G	Preliminary Statement Part C (Cont.)	22369-G
23353-G	Preliminary Statement Part F--Core Fixed Cost Account	23266-G
23354-G	Preliminary Statement Part F (Cont.)	23267-G
23355-G	Preliminary Statement Part F (Cont.)	22888, 23268-G
23356-G	Preliminary Statement Part J--Noncore Customer Class Charge Account	23269-G
23357-G	Preliminary Statement Part J (Cont.)	23270-G
23358-G	Preliminary Statement Part V--California Alternate Rates For Energy Account	20794-G
23359-G	Preliminary Statement Part V (Cont.)	23277-G
23360-G	Preliminary Statement Part BA--Public Purpose Program - Energy Efficiency	New
23361-G	Preliminary Statement Part BA (Cont.)	New
23362-G	Preliminary Statement Part BB--Public Purpose Program Memorandum Account	New
23363-G	Preliminary Statement Part BB (Cont.)	New

**ATTACHMENT 1
Advice 2440-G-C**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
23364-G	Preliminary Statement Part BH--Public Purpose Program Surcharge - Low Income Energy Efficiency Balancing Account	New
23365-G	Preliminary Statement Part BI--Public Purpose Program Surcharge - Research, Development and Demonstration Balancing Account	New
23366-G	Preliminary Statement Part BI (Cont.)	New
23367-G	Schedule G-CARE--CARE Program Service for Qualified Nonprofit Group Living and Qualified Agricultural Employee Housing Facilities	20595-G
23368-G	Table of Contents -- Preliminary Statements	23154-G
23369-G	Table of Contents -- Preliminary Statements	23336-G
23370-G	Table of Contents -- Rate Schedules	23337-G
23371-G	Table of Contents -- Rate Schedules	23338-G



PRELIMINARY STATEMENT
(Continued)

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

PPP p. 1

	SCHEDULE G-PPPS—GAS PUBLIC PURPOSE PROGRAM SURCHARGE					(T)
	PPP-EE	PPP-LIEE	PPP-RDD*	PPP-CARE	Total-PPP	
RESIDENTIAL – NONCARE (G-1, GM, GS, GT)	\$0.00729	\$0.01035	\$0.00004	\$0.02356	\$0.04124	
RESIDENTIAL – CARE (GL-1, GML, GSL, GTL)	\$0.00729	\$0.01035	\$0.00004	\$0.00000	\$0.01768	
SMALL COMMERCIAL – NONCARE (G-NR1)	\$0.00519	\$0.00736	\$0.00004	\$0.02356	\$0.03615	
SMALL COMMERCIAL – CARE (G-NR1)	\$0.00519	\$0.00736	\$0.00004	\$0.00000	\$0.01259	
LARGE COMMERCIAL – NONCARE (G-NR2)	\$0.00779	\$0.01106	\$0.00004	\$0.02356	\$0.04245	
LARGE COMMERCIAL – CARE (G-NR2)	\$0.00779	\$0.01106	\$0.00004	\$0.00000	\$0.01889	
INDUSTRIAL – DISTRIBUTION (G-NT-D)	\$0.00213	\$0.00303	\$0.00004	\$0.02356	\$0.02876	
INDUSTRIAL – TRANSMISSION (G-NT-T)	\$0.00119	\$0.00169	\$0.00004	\$0.02356	\$0.02648	
INDUSTRIAL – BACKBONE (G-NT-B)	\$0.00119	\$0.00169	\$0.00004	\$0.02356	\$0.02648	

* In 2005, the PPP-RDD rate is comprised only of State Board of Equalization administrative costs. In accordance with D.04-08-010, PG&E's \$5.2 million allocation of public interest RD&D is completely offset by RD&D amounts already collected from customers.

(Continued)



PRELIMINARY STATEMENT
(Continued)

C. GAS ACCOUNTING TERMS AND DEFINITIONS

These accounting terms and definitions are used in the authorized gas revenue requirements and surcharge funding 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)
(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, or (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. BASE REVENUE AND AUTHORIZED FUNDING AMOUNTS: The GRC Distribution Base Revenue Amount is the annual operating revenue, less other operating revenue adopted in the General Rate Case (GRC) or other proceedings.

Adjustments and credits to GRC Base Revenues were approved in various CPUC decisions. In Decision 05-06-029, the CPUC adopted specific levels of Enhanced Oil Recovery (EOR) revenue. In Decision 04-12-050, the CPUC revised the core brokerage fee authorized in Decision 97-08-055. Adjustments for G-10 employee discounts are revised when the CPUC authorizes revisions to illustrative residential core procurement rates in the BCAP or other proceedings. The currently effective GRC Distribution Base Revenue Amount (with adjustments and credits) is shown in Table C.2.

The Gas Accord Base Revenues are comprised of Local Transmission, Backbone Transmission, Storage and transmission-level customer access adopted in Gas Accord Decision 04-12-050. The currently effective Gas Accord Revenue Requirement is shown in Table C.2.

The Public Purpose Program (PPP) authorized funding includes amounts for Energy Efficiency (EE) and Low Income Energy Efficiency (LIEE) Programs, public interest Research, Development and Demonstration (RD&D), State Board of Equalization (BOE) and CPUC Surcharge Administration Fees, California Alternate Rates for Energy (CARE) Administrative Expenses and CARE shortfall. PPP-authorized funding and the subsidy for CARE customers are recovered through the gas PPP surcharge, as authorized by Public Utilities Code Sections 890-900, Resolution G-3303 and Decision 04-08-010.* The currently authorized PPP funding amounts are shown in Table C.2.

* Decision 04-08-010 determined that franchise fees and uncollectible accounts expense (FF&U) should not be included in the calculation of gas PPP surcharges.

(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	0.967277	0.032723		1.000000
Intervenor Compensation	0.967277	0.032723		1.000000
Other – Equal Distribution Based on All Transportation Volumes	0.419158	0.580842		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 below, and the gas PPP authorized funding, as described in Section C.11. below, is allocated between customer classes. This proceeding is currently a biennial proceeding pursuant to CPUC Decision 90-09-089.

(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 Decisions, 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.
 - 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.) (T)
- d. Core Procurement Revenue Requirement (Cont'd.) (T)
- 9) Core Firm Storage Account (CFSA) Balance: The revenue requirement will include 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 Distribution Base Revenues shown in C.10.c.1, above.
- 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 Research, Development & Demonstration (RDD), California Alternate Rates for Energy (CARE) Administrative Expenses, CARE shortfall expenses, and the forecast revision-date balances in the PPP balancing accounts. PPP authorized funding is 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) CARE Shortfall Expense: This shall be the total CARE shortfall expected to occur during the forecast period. (N)
- 4) 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.
- 5) 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.
- 6) 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)
- 7) 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 Decision 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.

Decision 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)

1) **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. The PPP surcharge rates will include a forecast of the December 31 balance for each PPP balancing account, in accordance with prevailing Commission balancing account amortization policies. The forecast will be based on the most recent recorded balance, plus a forecast of the costs and revenues, including interest, through December 31. The forecasted balance for the PPP-RDD account will exclude interest until further direction from the CPUC.

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.

2) **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)

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

(N)

12. REVISION DATES (Cont'd.)

PPP Surcharge Rates (Cont'd.)

- 3) Refunds: In accordance with PU Code Section 896, certain customers are exempt from Schedule G-PPPS, as follows: (a) all gas consumed by customer's served under Schedules G-EG and G-WSL; (b) all gas consumed by Enhanced Oil Recovery facilities; and (c) all gas consumed by customers in which the State of California is prohibited from taxing under the United States Constitution or the California Constitution, consistent with California Energy Resources Surcharge Regulations 2315 and 2316, as described in Publication No. 11 issued by the California State Board of Equalization. See Schedule G-PPPS for a listing of these exempt customers.

PG&E will annually review its customer accounts to determine if any refunds are warranted. To prevent the issuance of duplicate refunds of PPP surcharge collections, PG&E and BOE will exchange information on customer refunds and PG&E will not issue refunds to customers that have previously received a refund from BOE.

- 4) Calculation: PPP surcharge rates are calculated in accordance with the formulas and throughput volumes specified in Decision 04-08-010. Additionally, Decision 04-08-010 removes franchise fees and uncollectible expense amounts from PPP surcharges and excludes PPP surcharge amounts in determining franchise payments by utilities.

(N)

- 13. PIPELINE DEMAND CHARGE CREDITS: When PG&E brokers interstate capacity it will receive conditional credits from interstate pipelines which represent accrued revenues to the interstate pipeline 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.) (L)

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 Decision 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; and
- 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 distribution 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 Annual Gas True-up of Balancing Accounts. (D)

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: Disposition of the balance in this account shall be determined in the Annual Gas True-up of Balancing Accounts advice filing, or as otherwise authorized by the Commission.
4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.
5. 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: The CFCA consists of the following subaccounts:

The "Distribution Cost Subaccount" recovers the distribution base revenue requirement adopted in PG&E's General Rate Case (GRC), including Annual Attrition Adjustments and the Cost of Capital Proceedings, that are allocated to core transportation customers based on the distribution base revenue allocation adopted in the Cost Allocation Proceeding.

The "Core Cost Subaccount" recovers non-distribution-related costs adopted by the Commission in various proceedings that are allocated to core transportation customers.

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

6. ACCOUNTING PROCEDURE: (Cont'd.)

a. Distribution Cost Subaccount

The following entries will be made to this subaccount at the end of each month:

- 1) a credit entry equal to California Alternate Rates for Energy (CARE) shortfall resulting from core commercial deliveries for the month under Schedule G-CARE, excluding the allowance for Franchise Fees and Uncollectible Accounts Expense (F&U); (T)
(T)
- 2) a debit entry equal to one-twelfth of the core portion of the authorized GRC distribution base revenue amount (with credits and adjustments), excluding the allowance for (F&U); (D)
- 3) a credit entry equal to the revenue from the CFCA – Distribution Cost rate component, excluding the allowance for F&U; (T)
- 4) a debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to this subaccount for recovery in rates, upon approval by the CPUC; (D)
(T)
- 5) a debit or credit entry equal to any expense adopted by the CPUC as a cost to be recovered in this subaccount; and (T)
- 6) 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 6.a.1 through 6.a.5, 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)

b. Core Cost Subaccount

The following entries will be made to this subaccount at the end of each month:

- 1) a credit entry equal to the revenue from the CFCA – Core Cost rate component, excluding the allowance for F&U;
- 2) 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;
- 3) a debit entry equal to the core portion of intervenor compensation payments authorized by the CPUC, recorded during the month;

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

6. ACCOUNTING PROCEDURE: (Cont'd.)

b. Core Cost Subaccount (Cont'd.)

- 4) a debit entry equal to one-twelfth of the core portion of the authorized local transmission revenue requirement, excluding the allowance for F&U;
- 5) A debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to this subaccount for recovery in rates, upon approval by the CPUC;
- 6) an entry equal to 70.03 percent of the local transmission revenue shortfall or over-recovery resulting from a change in customers qualifying for backbone-level end-use service, and associated throughput reduction or increase, as applicable;
- 7) a debit or credit entry equal to any expense adopted by the CPUC as a cost to be recovered in this subaccount; and
- 8) 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.b.1 through F.6.b.7, 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.



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 Annual Gas True-up of Balancing Accounts, or as otherwise authorized by the Commission. (D)

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

- 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: Disposition of the balance in this account shall be determined in the Annual Gas True-up of Balancing Accounts advice filing, or as otherwise authorized by the Commission.
- 4. FORECAST PERIOD: The forecast test period will be as specified in the current Cost Allocation Proceeding.

- 5. RATES: NCA rates are included in the effective rates set forth in each rate schedule (see Preliminary Statement, Part B), as applicable. (T)

- 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 distribution portion of the interim gas revenue requirement increase adopted in GRC Decision 04-05-055 and other amounts approved by the Commission. The balance in this subaccount will be allocated to noncore distribution customers and included in the GRC Interim Account rate component (see Preliminary Statement Part B) as authorized by the Commission.

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.)

a. Industrial Distribution Subaccount (Cont'd.)

- 2) a credit entry equal to the noncore distribution portion of NCA revenue, excluding the allowance for F&U; (D)
- 3) an entry equal to the adopted balances transferred to this account in the Annual Gas True-up 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)

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)
- 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 the Annual Gas True-up 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)

(Continued)



PRELIMINARY STATEMENT
(Continued)

- V. PUBLIC PURPOSE PROGRAM SURCHARGE – CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (PPP-CARE) (T)
(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 (D.) 89-07-062 and 89-09-044, as well as the expansion of the LIRA Program authorized by D.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 D.94-12-049 and the name changed to CARE. The projected CARE shortfall and administrative expenses authorized by the California Public Utilities Commission (CPUC) are recovered through the billed surcharges that recover the authorized expenses, and other amounts received from the State of California Gas Consumption Surcharge Fund (Fund). Pursuant to D.04-08-010, franchise fees and uncollectible accounts expense (F&U) are not included in gas PPP surcharges. The balance in this account will be incorporated in the gas Public Purpose Program (PPP) surcharge advice filing in accordance with D.04-08-010. (N)

(N)
(T)
(T)

As described and tracked in the Public Purpose Program Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB, PPP surcharge amounts billed to customers are remitted quarterly to the California State Board of Equalization. The PPP-CARE surcharges are subsequently returned to PG&E from the Fund, with interest, and may include interstate pipeline and third party surcharges. The CARE portion of interstate pipeline and third party amounts received from the Fund and recorded in the PPP-MA are transferred to this balancing account. The interest recorded in this balancing account is described in the INTEREST section. (N)

(N)

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.
 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.
 4. INTEREST: Amounts recorded in the PPP-CARE earn interest at the CPUC authorized rate (Accounting Procedure 7.g). Decision 04-08-010 requires that while the billed surcharge amounts are in the possession of the State, the interest that applies to these amounts is the actual amount of interest that accrued while in the possession of the State. Therefore, Accounting Procedure 7.f. adjusts the PPP-CARE for interest earned on the surcharge amounts while in the possession of the State. (T)

(T)
 5. FORECAST PERIOD: The forecast test period will be as specified in Decision 04-08-010. (T)
 6. RATES: PPP-CARE rates are set forth in Schedule G-PPPS (See Preliminary Statement Part B), as applicable. (T)
(T)

(Continued)



PRELIMINARY STATEMENT
(Continued)

- V. PUBLIC PURPOSE PROGRAM SURCHARGE – CALIFORNIA ALTERNATE RATES FOR ENERGY ACCOUNT (PPP-CARE) (Cont'd.) (T)
(T)
7. ACCOUNTING PROCEDURE: PG&E shall make the following entries to the PPP-CARE at the end of each month:
- a. a debit entry equal to the CARE shortfall resulting from core commercial deliveries under Schedule G-CARE during the current month, excluding the allowance for F&U; (N)
(N)
 - b. a debit entry equal to the CARE shortfall amount from the CARE Discount rate component, excluding the allowance for F&U; (T)
(T)
 - c. 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; (T)
 - d. a credit entry equal to the PPP-CARE surcharges billed for the month, net of actual customer accounts written off, as applicable; (T)
(T)
 - e. a credit entry to transfer the CARE portion of the interstate pipeline and third-party surcharge amounts received from the Fund and recorded in the PPP-MA; (T)
 - f. an entry to transfer the CARE interest portion of the balance in the PPP-MA, as applicable; and (T)
 - 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 7.a. and 7.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. (T)
(T)
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.



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 gas energy efficiency (EE) public purpose program (PPP) funding authorized by the California Public Utilities Commission (CPUC), the billed surcharge amounts that recover the authorized funding from eligible customers, and other amounts received from the State of California Gas Consumption Surcharge Fund (Fund). Pursuant to Decision (D.) 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 advice filing in accordance with D.04-08-010.

As described and tracked in the Public Purpose Program Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB, PPP surcharge amounts billed to customers are remitted quarterly to the California State Board of Equalization. The PPP-EE surcharges are subsequently returned to PG&E from the Fund, with interest, and may include interstate pipeline and third party surcharges. The EE portion of interstate pipeline and third party amounts received from the Fund and recorded in the PPP-MA are transferred to this balancing account. The interest recorded in this balancing account is described in the INTEREST section.

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:** Amounts recorded in the PPP-EE earn interest at the CPUC authorized rate (Accounting Procedure 7.e). Decision 04-08-010 requires that while the billed surcharge amounts are in the possession of the State, the interest that applies to these amounts is the actual amount of interest that accrued while in the possession of the State. Therefore, Accounting Procedure 7.d adjusts the PPP-EE for interest earned on the surcharge amounts while in the possession of the State.
5. **FORECAST PERIOD:** The forecast test period will be as specified in Decision 04-08-010.
6. **RATES:** PPP-EE rates are set forth in rate Schedule G-PPPS (see Preliminary Statement, Part B), as applicable.

(N)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

(N)

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 annual PPP-EE funding authorized by the CPUC;
- b. a credit entry equal to the recorded PPP-EE surcharges billed for the month, net of actual customer accounts 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 Fund and recorded in the PPP-MA;
- d. an entry to transfer the EE interest 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)



PRELIMINARY STATEMENT
(Continued)

BB. PUBLIC PURPOSE PROGRAM SURCHARGE MEMORANDUM ACCOUNT (PPP-MA)

(N)

1. **PURPOSE:** The purpose of the PPP-MA is to track gas PPP surcharges billed to customers and remitted to the California State Board of Equalization (BOE) and the gas surcharge amounts subsequently received by PG&E from the Gas Consumption Surcharge Fund (Fund). Pursuant to Public Utility Code Sections 892 and 892.1, PG&E remits quarterly to BOE gas PPP surcharges billed to customers. Decision 04-08-010 requires all funds remitted to BOE be returned to PG&E in a timely manner, except for RD&D funds, BOE and Commission administrative costs, and deductions for any refunds issued by BOE. All amounts from the Fund that are returned to PG&E, including remittances to BOE from interstate pipelines and other third parties who reside within PG&E's service territory are recorded in this account and transferred to the appropriate PPP balancing account (Accounting Procedure 6.d.). The interest recorded in this balancing account is described in the INTEREST section.
2. **APPLICABILITY:** The PPP-MA shall apply to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** The revision date applicable to the PPP-MA shall coincide with the revision date of the gas PPP surcharge, or at other times, as ordered by the CPUC.
4. **INTEREST:** As described in each of the INTEREST sections in the applicable PPP balancing accounts (PPP-EE, PPP-LIEE and PPP-CARE), amounts recorded in those balancing accounts earn interest at the CPUC authorized rate. Decision 04-08-010 requires that while the billed surcharge amounts are in the possession of the State, the applicable interest that applies to these amounts is the actual amount of interest that accrued while in the possession of the State. Once the billed surcharges are remitted to BOE, the interest associated with the billed surcharges that continues to be recorded in the applicable balancing accounts is offset in this account (Accounting Procedure 6.f). The surcharge amounts received by PG&E from the Fund include interest (Accounting Procedure 6.c). The difference between the interest associated with the billed surcharges recorded in this account and the actual interest received by PG&E from the Fund is allocated among and transferred to the applicable PPP balancing accounts (Accounting Procedure 6.e). Transferring the difference between the two interest amounts adjusts the interest associated with billed surcharges that has already been recorded in the applicable balancing accounts to reflect the actual interest earned while in the possession of the State.
5. **RATES:** The PPP-MA currently does not have a rate component.

(N)

(Continued)



PRELIMINARY STATEMENT

(Continued)

BB. PUBLIC PURPOSE PROGRAM SURCHARGE MEMORANDUM ACCOUNT (PPP-MA)

6. 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 quarterly to the BOE;
 - b. a credit entry equal to the RDD and BOE/Commission administrative surcharge amounts included in entry 6.a., which will not be returned to PG&E;
 - c. a credit entry equal to the surcharge amounts received from the Fund;
 - d. a debit entry to transfer any interstate pipeline and third party surcharge amounts included in entry 6.c. above, to the applicable PPP balancing account;
 - e. an entry to transfer the interest portion of the balance in the account to the applicable PPP balancing accounts for recovery in gas PPP surcharge rates; and
 - 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 6.a through 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.

(N)

(N)



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 gas low income energy efficiency (LIEE) public purpose program (PPP) funding authorized by the California Public Utilities Commission (CPUC), the billed surcharge amounts that recover the authorized funding from eligible customers, and other amounts received from the State of California Gas Consumption Surcharge Fund (Fund). Pursuant to Decision (D.) 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 advice filing in accordance with D.04-08-010.

As described and tracked in the Public Purpose Program Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB, PPP surcharge amounts billed to customers are remitted quarterly to the California State Board of Equalization. The PPP-LIEE surcharges are subsequently returned to PG&E from the Fund, with interest, and may include interstate pipeline and third party surcharges. The LIEE portion of interstate pipeline and third party amounts received from the Fund and recorded in the PPP-MA are transferred to this balancing account. The interest recorded in this balancing account is described in the INTEREST section.

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:** Amounts recorded in the PPP-LIEE earn interest at the CPUC authorized rate (Accounting Procedure 7.e). Decision 04-08-010 requires that while the billed surcharge amounts are in the possession of the State, the interest that applies to these amounts is the actual amount of interest that accrued while in the possession of the State. Therefore, Accounting Procedure 7.d adjusts the PPP-LIEE for interest earned on the surcharges while in the possession of the State.
5. **FORECAST PERIOD:** The forecast test period will be as specified in Decision 04-08-010.
6. **RATES:** PPP-LIEE rates are set forth in rate schedule G-PPPS (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 annual PPP-LIEE funding authorized by the CPUC;
 - b. a credit entry equal to the PPP-LIEE surcharges billed for the month, net of actual customer accounts write-offs, as applicable;
 - c. a credit entry to transfer the LIEE portion of any interstate pipeline and third party surcharge amounts received from the Fund and recorded in PPP-MA;
 - d. an entry to transfer the LIEE interest 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)



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 gas research, development and demonstration (RDD) funding authorized by the California Public Utilities Commission (CPUC) and the billed surcharge amounts that recover the authorized funding from eligible customers. This account also recovers PG&E's allocation of the annual State Board Of Equalization (BOE) and CPUC administrative costs authorized by the CPUC. Pursuant to Decision (D.) 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 advice filing in accordance with D.04-08-010.

As described and tracked in the Public Purpose Program Surcharge Memorandum Account (PPP-MA), Preliminary Statement BB, PPP surcharge amounts billed to customers are remitted quarterly to the BOE. The RDD, BOE and CPUC billed surcharge amounts remitted to BOE are not returned to PG&E. The interest recorded in this balancing account is described in the INTEREST section.

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. INTEREST: Decision 04-08-010 directs PG&E to record interest on the billed surcharge amounts until remitted to BOE. Therefore, interest in this account is only recorded on billed surcharges until remitted to BOE and will be held in the account until further direction from the CPUC.

5. FORECAST PERIOD: The forecast test period will be as specified in Decision 04-08-010.

6. RATES: PPP-RDD rates are set forth in Schedule G-PPPS (see Preliminary Statement, Part B), as applicable.

7. 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 annual PPP-RDD funding authorized by the CPUC;
- b. a debit entry equal to 1/12 of PG&E's allocation of the annual BOE and CPUC administrative costs authorized by the CPUC;
- c. a credit entry equal to the PPP-RDD surcharges billed for the month, net of actual customer accounts written off, as applicable;
- d. a credit entry equal to the amount previously 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 7.a, above; and

(N)

(Continued)



PRELIMINARY STATEMENT

(Continued)

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

(N)

7. ACCOUNTING PROCEDURE:

- e. an entry equal to interest on the average of the billed surcharges in the account at the beginning of the month that have not been remitted to BOE, including interest previously recorded in the account, and the billed surcharges in the account after entry 7.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)



SCHEDULE G-CARE—CARE PROGRAM SERVICE FOR QUALIFIED NONPROFIT GROUP-LIVING AND QUALIFIED AGRICULTURAL EMPLOYEE HOUSING FACILITIES

APPLICABILITY: This schedule is applicable to Facilities which meet the criteria for California Alternate Rates for Energy (CARE) set forth in Rules 19.2 or 19.3.*

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

RATES: If the Facility qualifies for residential service, the facility's account will be served on the appropriate residential CARE rate schedule.

Qualified Facilities served on a nonresidential rate schedule will not pay the CARE rate component shown in Preliminary Statement Part B, and will receive a 20 percent discount on the charges billed under the otherwise applicable rate schedule. For the purpose of calculating the G-CARE bill, the otherwise applicable commodity or volumetric charge will be the adopted charge less the PPP-CARE rate component. (T)

Core transport Qualified Facilities receiving service in conjunction with Schedule G-CT will receive a 20 percent discount on the transportation charges billed under their otherwise-applicable rate schedule. They will receive an additional 20 percent discount on the procurement charge from their otherwise-applicable rate schedule. This is to assure that the Customer receives the same CARE discount whether they are procuring gas from PG&E or from a party other than PG&E.

See Preliminary Statement, Part B, for the Default Tariff Rate Components.

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



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**PG&E Gas and Electric Advice
Filing List
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ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alcantar & Eisesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
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
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
Cooperative Community Energy
CPUC
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
DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynergy 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
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
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
North Coast Solar Resources

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
Praxair, Inc.
Price, Roy
Product Development Dept
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
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
Transcanada
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