STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, *Governor*

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691

December 30, 2003

Advice Letter 2488-G/2488-G-A

Ms Anita Smith, Rate Analyst
Pacific Gas and Electric Company
77 Beale Street, Mail Code 10B
San Francisco, CA 94177

Subject: Public purpose program surcharge for 2004

Dear Ms Smith:

Advice Letter 2488-G/2488-G-A is effective January 1, 2004 by Resolution G-3361. A copy of the advice letter is returned herewith for your records.

Sincerely,

Paul Clanon

Paul Clanon, Director
Energy Division

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION G-3361
December 18, 2003

RESOLUTION

Resolution G-3361. Adopts gas public purpose program surcharge rates as directed by Assembly Bill (AB) 1002 for the service territories of Pacific Gas and Electric (PG&E), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), as well as for other gas public utilities under our jurisdiction for year 2004.

MAILED
DEC 23 2003
PUBLIC UTILITIES COMMISS
STATE OF CALIFORNIA

PG&E's, SDG&E's, SoCalGas' and Southwest Gas' requests are approved. Alpine Natural Gas Operating Company's (Alpine) request is approved, as modified.

By PG&E Advice Letter (AL) 2488-G filed on September 30, 2003 and 2488-G-A filed November 14, 2003. SDG&E AL 1411-G filed on October 28, 2003. SoCalGas AL 3304 filed October 28, 2003. Southwest Gas (Southwest) 695 filed September 12, 2003. Alpine Natural Gas Operating Company (Alpine) AL 8 filed on August 15, 2003.

SUMMARY

Assembly Bill (AB) 1002 (Stats. 2000, Ch. 932) directs the Commission to establish a gas surcharge annually to fund certain natural gas related public purpose programs such as low-income customer assistance, energy efficiency, and research and development. With some exceptions, the surcharge is to be applied on all consumers of natural gas in the state, including gas public utility[1]

[1] "Gas public utility" refers to the entities specified in Public Utilities Code section 891 (b).

customers and persons who use natural gas delivered by an interstate pipeline company.[2]

Consistent with the requirements of AB 1002, we establish surcharge rates for the three major gas public utilities in the state (PG&E, SDG&E and SoCalGas) as well as the remaining utilities under our jurisdiction with smaller service territories and fewer customers and which are required to assess their customers the gas surcharge rates.[3] For the purpose of collecting the surcharge from interstate pipeline customers, we will provide the State Board of Equalization (Board) the surcharge rates adopted herein.

The surcharge rates we approve in this resolution shall be implemented beginning January 1, 2004. Collections resulting from the assessment of these surcharge rates shall be remitted by gas public utilities and customers of interstate pipeline companies to the Board for deposit in the Gas Consumption Surcharge Fund (Fund). Monies in the Fund are to be continuously appropriated to the Commission or any other entity that we designate.

Mountain Utilities (MU) and Southern California Edison (SCE) are excused from collecting the surcharge rates adopted in this resolution and, therefore, not required to remit surcharge revenues to the Board.

BACKGROUND

AB 1002 was signed by the Governor on September 29, 2000 and added Article 10 (Sections 890-900) in Chapter 4 of Division 1, Part 1 of the Public Utilities (PU) Code. The provisions of this statute are briefly summarized below.

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[2] PU Code section 891(c) specifies that "interstate pipeline" means any entity that owns or operates a natural gas pipeline delivering gas to consumers in the state and is subject to rate regulation by the Federal Energy Regulatory Commission.

[3] These utilities are Avista Utilities, Alpine Natural Gas Operating Company, Southwest Gas Corporation, and West Coast Gas Company.

AB 1002 created a new method of funding various public purpose programs.[4] Prior to the enactment of the statute, funds for the public purpose programs were embedded in gas public utility rates and, therefore, only recoverable from gas public utility customers. To expand the number of entities contributing toward the cost of the programs, the statute required the Commission to establish a surcharge to be imposed on most of the consumption of natural gas in the state. As such, funding for the programs would come not only from gas public utility customers but also from customers of interstate pipelines.

Under the legislation, the Commission must annually determine the amount of funding for the specified public purpose programs (PPP) and set a surcharge rate applicable for each customer class of every gas public utility in order to recover program costs. The surcharge rate is developed according to the volume of retail natural gas transported by the state's gas public utilities. Upon approval, the Commission is to provide the Board with the authorized surcharge rates so that agency can inform customers of interstate pipeline companies of the amount they should pay.

Beginning January 1, 2001, consumers of natural gas located in the state were required to pay the surcharge except under certain circumstances.[5] As of July 1, 2001, gas public utilities were to identify the surcharge on their customer's bills as a separate line item. Persons consuming gas delivered directly by an interstate pipeline must pay the surcharge that would apply if they were served by the gas public utility in whose service territory they reside. Municipalities,

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[4] PU Code section 890(a) specifies that, "On and after January 1, 2001, there shall be imposed a surcharge on all natural gas consumed in the state. The commission shall establish a surcharge to fund low-income assistance programs required by Sections 739.1, 739.2, and 2790 and cost-effective energy efficiency and public interest research and development authorized by Section 740 and not adequately provided by the competitive and regulated markets. Upon implementation of this article, funding for those programs shall be removed from the rates of gas utilities."

PU Code section 890(d) further defines the applicable public purpose programs by specifying, in part, that "The Commission shall annually determine ...and fund the natural gas related programs described in subdivision (a)..."

[5] Some consumers of natural gas are exempt from paying the surcharge. See PU Code sections 896, 897, and 898.

districts or public agencies are required to collect the surcharge according to whether or not they offer their customers public purpose programs.[6]

Gas public utilities and interstate pipeline customers must remit surcharge revenues to the Board quarterly. In turn, the Board submits the remittances to the State Treasurer for deposit in the Fund. Monies in the Fund are continuously appropriated to the Commission or an entity designated by the Commission to fund the specified public purpose programs.

Among other things, provisions in the statute require that gas public utilities and interstate pipeline companies notify the Board of their status under PU Code section 891 and that consumers of natural gas delivered directly by interstate pipeline companies register with the Board.

Upon implementation of the surcharge, gas public utilities were prohibited from including program funding in their rates except to recover any previously outstanding costs, as provided for in PU Code section 890(j).

The Commission adopted initial gas surcharge rates pursuant to AB 1002 in Resolution G-3303 on December 21, 2000. The approved surcharge rates were based on the authorized costs of certain public purpose programs embedded in the rates of the three major gas utilities, PG&E, SDG&E and SoCalGas. As the resolution explained, these costs also served as the basis for the surcharge rates the remaining gas public utilities were required to assess their customers. The gas public utilities were ordered to collect the applicable surcharge through a separate line item shown on their customers' bills beginning on July 1, 2001. In accordance with the PU Code, the surcharge rates were furnished to the Board.

To set the 2002 surcharge rates, the Commission adopted Resolution G-3329 on December 11, 2001.

To set the 2003 surcharge rates, the Commission adopted Resolution G-3342 on December 19, 2002. Additionally, this resolution excused MU and SCE from collecting the surcharge rates and from making remittances to the Board.

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[6] See PU Code section 898.

On October 3, 2002, the Commission opened Rulemaking (R.) 02-10-001 to consider broad policy issues and adopt a long-term framework for implementing AB 1002. In a scoping memo issued April 22, 2003, the proceeding was segregated into two phases with Phase I focusing on administrative and implementation matters and Phase II on issues related to public interest research and development (RD&D). Among the issues under consideration in the initial phase of the proceeding are the clarification of exemptions from the surcharge, costs to be included in the derivation of the surcharge, computation of retail gas volumes in the service territory of each utility and related items. The rulemaking established an interim procedure for determining future surcharge rates as follows:

> "In order to set future annual surcharge rates, we require jurisdictional gas utilities to update their surcharge rates through advice letters submitted to the Commission by September 30 of each preceding year. The advice letters will estimate public program requirements, and estimated gas usage by customer classes, including California Alternative Rates for Energy (CARE) customers. The advice letters must include current and estimated balances in the appropriate gas surcharge accounts and the most recently adopted public purpose program costs, or estimates of public purpose costs, in calculating the gas surcharge for the next calendar year." (R. 02-10-001, p. 3)

For setting the 2004 surcharge rates, the following ALs were filed:

PG&E filed AL 2488-G on September 30, 2003 with proposed PPP gas surcharge rates for 2004. Supplemental AL 2488-G-A was filed on November 14, 2003. PG&E is requesting that the AL become effective on January 1, 2004. The proposed surcharge rates are said to reflect the following:

1) Decision (D.) 03-08-067, addressing a $240,956,000 two-year budget for 2004 and 2005 energy efficiency programs of which $12,888,000 is allocated annually to the gas department.

2) D. 02-12-019, approving a low-income energy efficiency (LIEE) budget of $56,530,000 of which $29,192,000 is allocated to the gas department.

3) exclusion of funding for public purpose RD&D because the utility's current General Rate Case does not request such funding.

4) an assumption that by January 2004, 72 percent of eligible customers will receive CARE rate discounts, slightly above the current 68 percent level.

5) use of a gas forecast of $0.463 per therm rather than $0.350 per therm value adopted in the utility's Biennial Cost Allocation Proceeding.

6) amortization of forecast undercollection of $4,235,000 in PPP surcharge revenue recorded to Core Fixed Cost Account and Noncore Customer Class Charge Account.[7]

7) amortization of forecast undercollection of $15,442,000 in the CARE balancing account.

8) fees are net of franchise fees and uncollectibles.

SDG&E filed AL 1411-G on October 28, 2003. The AL includes revisions to its tariff schedule G-PPPS, "Tax Surcharge to Fund Public Purpose Programs", with a requested effective date of January 1, 2003. The proposed surcharge rates are said to reflect the following:

1) projections of the CARE balancing account as of December 31, 2003.

2) D. 02-12-019, setting the utility's LIEE budget in the amount of $6.7 million based upon a 50/50 split between its gas and electric services.[8]

3) no adjustments made to the RD&D or Energy Efficiency rate components.

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[7] Revised per PG&E letter of December 11, 2003 correcting page 2 of AL 2488-G-A.

[8] The split between SDG&E's electric and gas operation was recently adopted in AL 1468-E/1361-G.

SoCalGas filed AL 3304 on October 28, 2003. The AL included revisions to its tariff schedule G-PPPS, "Tax Surcharge to Fund Public Purpose Programs" and related Preliminary Statement, with a requested effective date of January 1, 2003. The proposed surcharge rates are said to reflect the following:

1) projections of the CARE balancing account as of December 31, 2003.

2) CARE program costs, including a $22.7 million increase in CARE balancing account amortization.

3) no adjustments were made to the RD&D, Energy Efficiency or LIEE rate components.

In addition to the advice letters filed by the major gas utilities described above, the following Small and Multi-Jurisdictional gas utilities submitted the following advice letters concerning the rates related to their respective public purpose program expenses.

Alpine Natural Gas Operating Company filed AL 8 with a requested date of September 1, 2003. The utility is seeking to recover costs associated with its CARE and LIEE program and to reflect these charges on their customer's monthly bills. Alpine claims that it has experienced a net shortfall in funds for its CARE program of $1038.49 for the six month period ending July 1, 2003 and the estimated cost of its LIEE program is $12,000. The utility notes that it is not currently collecting SBx1 funds to cover the expense of its CARE and LIEE programs.

Avista Utilities filed AL C-56-G on September 15, 2003 with a requested effective date of January 1, 2004. The purpose of the filing is to comport with Ordering Paragraph 5 of D.03-03-007 regarding the collection of CARE program expenses for PY 2004. The utility is requesting an increase of $10,275 to continue its CARE into the next program year.

Southwest filed AL 695 on September 12, 2003 with a requested effective date of January 1, 2004. The filing was submitted in response to Ordering Paragraph 5 of D. 03-03-007. Southwest seeks to update its rates for its CARE program at the same authorized levels for (Program Year) PY 2003, once SBx1_5 monies have been exhausted. The proposed surcharge rates also include the

impact of its PY 2004 LIEE customer funded program expenses as proposed in A. 03-07-017.

NOTICE

Notice of PG&E AL 2488-G, SDG&E AL 1411-G, SoCalGas AL 3304, Alpine AL 8, Avista AL C-56-G and Southwest AL 695 was made by publication in the Commission's Daily Calendar. PG&E, SDG&E, SoCalGas, Alpine, Avista and Southwest state that copies of their respective ALs were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No protests were filed.

DISCUSSION

This resolution fulfils our obligation to establish a gas surcharge for year 2004 to fund certain natural gas related public purpose programs as specified in PU Code section 890 (a). The surcharge rates adopted in this resolution supersede those adopted in Resolution G-3342.

We advise the gas public utilities under our jurisdiction to observe all applicable PU Code sections concerning the gas surcharge. We identify and discuss some of the statutory requirements in this resolution. Our discussion is not intended to be inclusive, but to emphasize some of the more prominent legal aspects of the gas surcharge. For more definitive information concerning legal mandates, refer to Article 10 in Chapter 4 of Division 1, Part 1 of the PU Code.

Beginning on January 1, 2004, gas public utilities under our jurisdiction are required to assess the surcharge rates published in Appendix 1. The surcharge is expressed on a cents per therm basis (c/th) and is to be applied according to the following instructions:

(1) Except in cases where the surcharge does not apply, gas public utilities shall derive surcharge revenues by multiplying the appropriate surcharge rate by the number of gas therms consumed by their customers located in their respective service territories.

(2) The surcharge shall be identified on the gas public utilities' customer bills as a separate line item.

(3) For the customers of PG&E, SDG&E, SoCalGas, Southwest and Alpine, the utility shall apply the surcharge rate indicated for each utility by customer class and according to customer participation in the CARE[9] program, where applicable.

(4) For the customers of the remaining gas public utilities, the utility shall apply the default rate based upon customer participation in the CARE program.

The "system-wide" rates appearing in Appendix 1 are illustrative only and are only shown because they are used in the calculation of the default rate.

We will provide the surcharge rates in Appendix 1 to the Board to enable that agency to meet its responsibilities under the statute. As specified in PU Code section 890(h), the Board shall notify the customers directly receiving gas from interstate pipeline companies of the surcharge rates currently in effect for each customer class within the gas public utility service territories. These customers are required to pay the surcharge rate which corresponds to their customer class and the gas public utility service territory in which they are located.

We note that the surcharge does not apply if the gas is used in a particular manner. As specified in PU Code section 896, the following activities do not fall within the definition of natural gas consumption:

" "Consumption" does not include the use or employment of natural gas to generate power for sale, the sale or purchase of natural gas for resale to end users, the sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas

[9]Gas surcharge rates set in Appendix 1 are differentiated by CARE and non-CARE utility customers. Eligible CARE customers are exempt from the CARE component of the public purpose charges.

which this state is prohibited from taxing under the United States Constitution or the California Constitution."

Additionally, PU Code section 890(b)(2) specifies that gas public utilities are not required to collect the surcharge in certain situations where an account has been found to be worthless and charged off in accordance with generally accepted accounting principles. Furthermore, PU Code section 897 provides that the rights and obligations of parties to contracts approved by the Commission will remain unimpaired, as the rights and obligations were interpreted as of January 1, 1998.

Municipalities, districts, or public agencies that offer public purpose programs as described in PU Code section 898 are not required to collect the surcharge from customers located in their service territories. Otherwise, as stated in the statute, "A municipality, district, or public agency shall be required to collect a surcharge pursuant to this article from customers served by the municipality, district, or public agency outside its service territory unless the commission determines that the entity offers those customers services similar to those offered by gas utilities as described in subdivision (a) of Section 890."

We direct the gas public utilities to remit to the Board surcharge revenues on a quarterly basis in accordance with PU Code sections 892, 892.1 and 892.2. Consumers of natural gas delivered by interstate pipeline companies that meet the applicable criteria are required to remit the surcharge amounts to the Board as well. These payments will be transmitted to the State Treasurer by the Board for deposit in the Fund. Monies in the Fund will be appropriated to the Commission or an entity designated by the Commission on a continual basis.

With the adoption of the surcharge rates in this resolution, gas public utilities are prohibited from collecting the specified public purpose programs in their rates except to the extent provided for in PU Code section 890(j). The surcharge is also in addition to any other charges for gas sold or transported for consumption in the state.

We will adopt the proposed PPP gas surcharges presented in PG&E AL 2488-G-A, SDG&E AL 1411-G, SoCalGas AL 3304, Southwest AL 695 and Alpine AL 8, as modified by this resolution for the service territories of each respective utility.

For the remaining utilities, we will continue to use the default rate based upon the public purpose program costs of the three major gas utilities. This procedure is proper since the advice letter filed by Avista did not substantially comport with the directive expressed in R.02-10-001 and was incomplete. Further consideration of Avista's ALs will be conducted outside the context of the PPP gas surcharge setting process. We take no action on this AL in the resolution. The default rate is suitable for West Coast Gas since they failed to submit an AL related to their 2004 public purpose program costs. Accordingly, these utilities will make remittances to the Board based upon the adopted default rate.

Finally, we will continue to relieve MU and SCE from the obligation to assess its customers the gas surcharge rates adopted herein and remit surcharge revenues to the Board based upon the ALJ ruling issued in R. 02-10-001 on October 25, 2002 and November 15, 2002, respectively.

COMMENTS

Public necessity requires that the 30-day comment period of Public Utilities Code section 311(g) be reduced so that the gas surcharge contained in this resolution may go into effect as required. We have balanced the public interest in avoiding the possible harm to public welfare flowing from delay in considering this resolution against the public interest in having the full 30-day period for review and comment as required by Rule 77.7(f)(9). We conclude that the former outweighs the latter. We conclude that failure to adopt a decision before the expiration of the 30-day review and comment period would cause significant harm to the public welfare. Accordingly, we reduce the comment period for this Resolution.

Comments were filed by Alpine, Avista, and PG&E.

Alpine filed comments on December 11, 2003 and an amendment on December 15, 2003. The utility provided a revised surcharge rate to correct the deficiency in its AL 8 filing to include both its CARE and LIEE related expenditures. We find Alpine's request reasonable and adopt the surcharge rates presented in their amended comments. The resolution has been revised to reflect our decision. We also order the utility to file a supplement to AL 8 to implement their approved surcharge rates.

Avista filed comments on December 12, 2003. The utility does not recommend any changes to the draft resolution and notes how it will account for differences between the use of the default rate and actual program expenses. We find Avista's response to the draft resolution acceptable.

PG&E filed comments on December 15, 2003. The utility provided technical changes to the content of the draft resolution, which we adopt.

FINDINGS

1. Assembly Bill (AB) 1002 (Stats. 2000, Ch. 932) directs the Commission to establish a gas surcharge to fund public purpose programs effective January 1, 2001.
2. AB 1002 added Article 10 (Sections 890-900) in Chapter 4 of Division 1, Part 1 of the Public Utilities (PU) Code, entitled " Natural Gas Surcharge."
3. PU Code section 890(e), requires that the Commission shall annually establish a surcharge rate for each class of customer for the service territory of each public utility gas company.
4. The public purpose programs covered by the natural gas surcharge are specified in PU Code section 890(a), which states, "On and after January 1, 2001, there shall be imposed a surcharge on all natural gas consumed in this state. The Commission shall establish a surcharge to fund low-income assistance programs required by Sections 739.1, 739.2, and 2790 and cost-effective energy efficiency and conservation activities and public interest research and development authorized by Section 740 and not adequately provided by the competitive and regulated markets."
5. With some exceptions, the surcharge is to be assessed to all consumers of natural gas in the state, including public utility customers and consumers of natural gas who are customers of interstate pipelines.
6. As provided for in PU Code section 890(g), the Commission will inform the State Board of Equalization of the surcharge rate for each customer class within the service territory of each natural gas public utility company.
7. PU Code section 890(i) provides that the surcharge shall be in addition to any charges for natural gas sold or transported for consumption in the state and that, effective July 1, 2001, the surcharge imposed by the gas public utility shall be identified as a separate line item on customer bills.

8. PU Code section 892 provides that surcharge revenue collected by gas public utilities shall be paid to the State Board of Equalization.
9. PU Code section 892.1 provides that surcharges collected by gas public utilities are due quarterly on or before the last day of the month next succeeding each calendar quarter.
10. PU Code section provides that on or before the last day of the month following each calendar quarter, a return shall be filed by gas public utilities with the State Board of Equalization.
11. PU Code section 890(e) provides that the customer of an interstate pipeline shall pay the same surcharge as the customer would pay if the customer received service from the public utility gas corporation in whose service territory the customer is located.
12. PU Code 891(d) provides that each gas utility as defined in PU Code section 891 shall notify the State Board of Equalization of its status and that each person who consumes natural gas delivered from an interstate pipeline shall annually register with the State Board of Equalization.
13. Consumers of natural gas exempt from the surcharge are described in PU Code sections 896, 897, and 898.
14. The State Board of Equalization will inform each person who consumes natural gas delivered directly by an interstate pipeline of the surcharge rate for each customer class within each utility's service territory.
15. For those consumers of natural gas who are located in the service territory of one of the state's three major gas public utilities (PG&E, SDG&E and SoCalGas), Southwest and Alpine, we establish public purpose program surcharge rates by major customer classes as shown in Appendix 1.
16. For the non-major gas public utilities, except Southwest and Alpine, we establish a statewide public purpose program surcharge rate based on a weighted average of the three major utilities' public purpose program surcharges, as shown in Appendix 1.
17. The default rate will be used by the smaller utilities for making payments to the State Board of Equalization on a quarterly basis, in lieu of public purpose program costs currently embedded in their rates.
18. The surcharge rates adopted in Resolution G-3303 were based on the costs of public purpose programs embedded in the rates of PG&E, SDG&E and SoCalGas.
19. The surcharge payment will be calculated by each utility as the sum of the product of each customer class rate in Appendix 1 and the customer class throughput.

20. Each of the gas public utilities under our jurisdiction may continue to maintain balancing/tracking accounts approved in advice letters submitted in Ordering Paragraph 2 of Resolution G-3303.
21. PG&E filed AL 2488-G on September 30, 2003 and supplemental AL 2488-G-A on November 14, 2003 which included proposed public purpose surcharge rates for 2004.
22. SDG&E filed AL 1411-G on October 28, 2003 which included proposed gas public purpose program surcharge rates for 2004.
23. SoCalGas filed AL 3304 on October 28, 2003 which included proposed gas public purpose program surcharge rates for 2004.
24. Alpine filed AL 8 on August 15, 2003 to collect public purpose surcharges and change the name of its CARE surcharge to public purpose surcharge.
25. MU is exempt from assessing its customers the gas surcharge rates contained in Appendix 1 on the basis of the October 25, 2002 ALJ ruling issued in R. 02-10-001
26. SCE is exempt from assessing its customers the gas surcharge rates contained in Appendix 1 on the basis of the November 15, 2002 ALJ ruling issued in R. 02-10-001.
27. A failure to adopt a decision before the expiration day of the 30-day review and comment period may cause significant harm to the public welfare and therefore the comment period is reduced.

THEREFORE IT IS ORDERED THAT:

1. A certified copy of this resolution will be mailed to the Executive Director of the State Board of Equalization.
2. PG&E, SDG&E, SoCalGas, Avista Utilities, Alpine Natural Gas Operating Company, Southwest Gas Corporation and West Coast Gas Company are ordered to assess the surcharge rates contained in Appendix 1 in accordance with all applicable provisions of Article 10 in Chapter 4 of Division 1, Part 1 of the PU Code beginning on January 1, 2004 and until further order of the Commission.
3. PG&E AL 2488-G and 2488-G-A is approved and shall become effective January 1, 2004.
4. SDG&E AL 1411-G is approved and shall become effective January 1, 2004.
5. SoCalGas AL 3304 is approved and shall become effective January 1, 2004.
6. Southwest Gas AL 695 is approved and shall become effective January 1, 2004.

7. PG&E, SDG&E, SoCalGas, Avista Utilities, Alpine Natural Gas Operating Company, Southwest Gas Corporation and West Coast Gas Company are authorized to continue the memorandum accounts submitted by advice letter under Resolution G-3303 and as approved by the Commission.
8. Avista Utilities, Alpine Natural Gas Operating Company, Southwest Gas Corporation, PG&E, SoCalGas, SDG&E and West Coast Gas Company are authorized to file advice letters to revise tariff provisions necessary to implement the surcharge rates adopted herein within 10 days of the effective date of this resolution. The advice letters will be effective January 1, 2004, subject to Energy Division review.
9. Alpine shall file a supplemental advice letter to AL 8 reflecting the surcharge adopted for the utility herein within 14 days of the effective date of this resolution. The supplemental AL is to be effective January 1, 2004, subject to Energy Division review and approval.
10. MU and SCE shall not assess their customers the surcharge rates adopted in this resolution nor make remittances to the State Board of Equalization for deposit into the Gas Consumption Surcharge Fund.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 18, 2003; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President
CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

APPENDIX 1

PUBLIC PURPOSE SURCHARGE RATES AS SPECIFIED IN PUBLIC UTILITIES CODE SECTIONS 890 THROUGH 900

Effective beginning January 1, 2004.

		c/th	c/th
		CARE (see Note 1)	Non-CARE
CUSTOMER CLASS		PG&E	PG&E
Core	Residential	1.419	2.966
	Small Commercial/Industrial	1.070	2.617
	Large Commercial/Industrial	5.027	6.573
Noncore	Industrial Distribution	N/A	1.886
	Industrial Transmission	N/A	1.765
System-wide	(Illustrative)	0.930	2.381
		SDG&E	SDG&E
Core	Residential	3.276	4.702
	Commercial/Industrial	1.162	2.587
	Natural Gas Vehicle	1.134	2.559
Noncore	Commercial/Industrial	0.427	1.852
System-wide	(Illustrative)	2.308	3.734
		SoCalGas	SoCalGas
Core	Residential	1.881	3.700
	Commercial/Industrial	1.812	3.631
	Gas Air-conditioning	0.073	1.392
	Gas Engine	N/A	2.245
	Natural Gas Vehicle	N/A	1.819
Noncore	Commercial/Industrial	N/A	1.828
System-wide	(Illustrative)	0.665	2.485
		Southwest	Southwest
Core	Northern CA Division	0.723	1.212
Noncore	Northern CA Division – Industrial	N/A	1.212
Core	Southern CA Division	0.892	8.845
Noncore	Southern CA Division – Industrial	N/A	8.845
		Alpine	Alpine
Residential/ Retail		6.670	8.050
		California	California
Default Rate (see Note 2)		0.879	2.501

Note 1: Low-income customers who qualify for California Alternate Rate for Energy (CARE) currently receive a 20% discount on their gas rates. Eligible CARE customers are exempt from the CARE component of the public purpose charges.

Note 2: This rate applies to the Avista Utilities and West Coast Gas Company service territories.

Pacific Gas and
Electric Company

Karen A. Tomcala
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Regulatory Relations

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September 30, 2003

Advice 2488-G
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Public Purpose Program Gas Surcharge for 2004

Pacific Gas and Electric Company (PG&E) hereby submits public purpose program (PPP) gas surcharge rates to be effective January 1, 2004.[1] The updated rates are shown on Attachment I to this filing.

Purpose

Pursuant to Rulemaking (R.) 02-10-001, PG&E is updating its gas surcharge rates to fund PPP programs, as authorized by Assembly Bill (AB) 1002 which added Article 10 (Sections 890-900) in Chapter 4 of Division 1, Part 1 of the Public Utilities Code. Rulemaking 02-10-001 requires PG&E, and other jurisdictional gas utilities, to update its gas surcharge rates through an advice letter by September 30 of each year. The rulemaking further states (at p. 3): "The advice letters will estimate public purpose program requirements, and estimated gas usage by customer classes, including California Alternative Rates for Energy (CARE) customers. The advice letters must include current and estimated balances in the appropriate gas surcharge accounts and the most recently adopted public purpose program costs, or estimates of public purpose program costs, in calculating the gas surcharge for the next calendar year."

Revenues collected from the surcharge are remitted to the State Board of Equalization (BOE), and, pursuant to claims, are ultimately appropriated back to utilities or entities designated by the Commission to administer public purpose programs. The administration of the PPP gas surcharge and the matters associated with public interest research, development and demonstration (RD&D) are being addressed in the ongoing proceeding.

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

This advice letter updates PG&E's PPP surcharge rates based on the following assumptions and Commission decisions:

1. Decision (D.) 03-08-067 was issued on August 21, 2003, adopting a $240,956,000 two-year budget for PG&E's 2004 and 2005 Energy Efficiency (EE) programs, effective January 1, 2004. For 2004, the annual budget is $120,478,000. The allocation of this budget to PG&E's gas department is $12,888,000.

2. D.02-12-019, issued on December 5, 2002, approved a total annual Low Income Energy Efficiency (LIEE) budget of $56,530,000 for PG&E. The allocation of this budget to PG&E's gas department is $29,192,000.

3. D. 02-09-021, issued on September 5, 2002, adopted an authorized total annual CARE administration budget of $7,305,852 for PG&E. The allocation of this budget to PG&E's gas department continues to be $1,607,287.

4. PG&E's 2003 General Rate Case (GRC) Application 02-11-017 does not include a funding request for public purpose RD&D. Therefore, the proposed 2004 PPP surcharge rates exclude $1,880,000 for RD&D that has been included in prior PPP surcharge rates, pursuant to the 1999 GRC D. 00-02-046. Public interest RD&D is currently being considered in Phase 2 of R. 02-10-001. PG&E proposes that the PPP surcharge rates be revised to reflect any PPP RD&D funding level authorized by the Commission once a decision is issued in Phase 2 of the rulemaking proceeding.

5. PG&E's proposed PPP surcharge rates assume that by January 2004, 72 percent of eligible customers will receive CARE rate discounts, a slight increase from the current 68 percent level. PG&E's current PPP surcharge rates assume that 63 percent of eligible customers receive CARE discounts.

6. PG&E's 2000 BCAP decision (D.01-11-001) adopted a $0.350 per therm illustrative Weighted Average Cost of Gas (WACOG). PG&E has revised the illustrative WACOG to $0.463 per therm, consistent with more recent gas price forecasts.[2]

7. The 2004 PPP surcharge rates include the amortization over one year of a December 2003 forecast undercollection of $4,225,000 in PPP surcharge revenue recorded in the Core Fixed Cost Account (CFCA) and the Industrial Distribution and Industrial Transmission subaccounts of Noncore

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[2] PG&E's revised WACOG is based on the 2004 monthly California Border Price forecast, published in the August 2003 edition of Global Insight Natural Gas Monthly.

Customer Class Charge Account (NCA).[3] The forecast is based on the August 2003 recorded balance of $1,948,000.

8. All PPP Surcharge rates filed herein are net of franchise fees and uncollectibles expense (F&U).

Tariff Revisions

As noted, the updated rates are shown on Attachment I to this filing. These rate revisions will become effective with other year-end consolidated gas rate updates on January 1, 2004. PG&E is currently involved in several gas-related proceedings at the Commission. PG&E intends to supplement this filing to revise its PPP surcharge rates, effective January 1, 2004, to reflect any rates changes that result from Commission decisions issued in these proceedings before the end of 2003.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **October 20, 2003**, which is 20 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 Cherry

[3] This treatment of the PPP portion of the CFCA and NCA balances is consistent with PG&E's 2003 PPP surcharge Advice 2421-G/G-A and P.U. Code Section 890, which implemented the gas PPP surcharge effective January 1, 2001. PG&E filed Advice 2440-G on January 27, 2003, to record the core and noncore portion of PPP revenue requirement and the PPP surcharge revenue separate from the CFCA and NCA. This Advice letter has not yet been acted on by the Energy Division.

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

Pursuant to R.02-10-001, PG&E requests that this advice filing become effective on **January 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 R.02-10-001. Supporting workpapers for this filing are available upon written request to: Pacific Gas and Electric Company, Regulatory Relations Department, Attention: Sandra Ciach, 77 Beale Street, Mail Code B10C, P.O. Box 770000, San Francisco, CA 94177. Address changes should be directed to Sandra Ciach at (415) 973-7572. Advice letter filings can also be accessed electronically at:

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

Karen A. Tomcala/TSN

Vice President - Regulatory Relations

Attachments

cc: Service List – R.02-10-001

Attachment I

		c/th	C/th
Customer Class		CARE	Non-CARE
Core	Residential	1.418	3.279
	Small Commercial/Industrial	1.070	2.931
	Large Commercial/Industrial	5.025	6.886
Noncore	Industrial Distribution	N/A	2.200
	Industrial Transmission	N/A	2.079
System-wide	Illustrative	0.929	2.676

PGE Gas Advice Filing
List
General Order 96-A, Section III(G)

ABAG Power Pool
Accent Energy
ACN Energy, Inc.
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
CanAm Energy
Cardinal Cogen
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
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
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 &
Grueneich Resource Advocates
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.
Meyer, Joseph
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
Occidental Energy Marketing
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
Transwestern Pipeline/Enron
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