

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



August 26, 2004

Advice Letter 2502-G/2502-G-A

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

Subject: El Paso settlement refund plan

Dear Ms Smith:

Advice Letter 2502-G/2502-G-A is effective August 11, 2004. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in cursive script that reads "Paul Clanon".

Paul Clanon, Director  
Energy Division



July 2, 2004

**Advice 2502-G-A**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: El Paso Settlement Memorandum Account  
(Core Aggregation Customers)**

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental filing for revisions to its El Paso Settlement OIR (R.) 03-07-008 core aggregation customer refund calculation initially proposed in partial compliance with Ordering Paragraph (OP) 3 of Decision (D.) 03-10-087, issued October 30, 2003. This filing updates and supplements in part Advice 2502-G filed with the Commission on December 3, 2003.

This supplemental filing updates the core aggregation customer proportional share of the consideration received by PG&E from the El Paso Settlement, but does not revise the proposed new gas Preliminary Statement Part BE--El Paso Settlement Memorandum Account (EPSMA), and other tariff changes, filed in Advice 2502-G.

**Purpose**

This supplemental filing complies in part with OP 1 of Commission Resolution (R.) G-3363, issued April 22, 2004, in Rulemaking 03-07-008. Resolution G-3363 orders respondent utilities to incorporate a discount rate of 7.86 percent, using a 20-year payment stream for the net present value (NPV) calculation of refunds to certain customer classes. This filing revises the NPV calculation for core aggregation customers contained in Advice 2502-G as required by the Resolution. Advice 2503-G-A and Advice 2504-G-A are being filed concurrent with this filing in full compliance with OP 1.

**Background**

Approximately \$1 billion nominal value will be received from El Paso by CPUC-jurisdictional natural gas and electric utilities pursuant to the terms of the



Settlement Agreement reached in FERC Docket No. RP00-241-000. Approximately \$80 million of this consideration will be distributed to PG&E's gas customers over a 20-year period. In accordance with D. 03-10-087, PG&E's eligible core aggregation, core subscription, and wholesale customers will receive their distributions from the upfront payment. PG&E's core procurement customers will receive their distributions from both upfront cash and semi-annual payments.

On December 3, 2003, in accordance with OP 3 of D. 03-10-087, PG&E filed Advice 2502-G, Advice 2503-G, and Advice 2504-G to record the proportional share of the consideration received from the El Paso Settlement for core aggregation, core subscription, and wholesale customers respectively, and to establish accounting and ratemaking treatments for the refunds. On January 14, 2004, PG&E filed Advice 2511-G to revise gas Preliminary Statement Part D—*Purchased Gas Account* (PGA), to record the core procurement customers' proportional share of the consideration.

On December 18, 2003, the School Project for Utility Rate Reduction (SPURR) filed a protest to the respondent utility Settlement refund plan advice letters, arguing that a lower discount rate should be used in the refund plan NPV calculations. Resolution G-3363 denied SPURR's protest and established a 7.86 percent discount rate to be used by respondent utilities in their refund plan calculations over a 20-year payment stream.

On June 28, 2004, PG&E received an upfront cash payment from El Paso of \$26.3 million for its core gas customers and will receive an additional \$53.5 million in semi-annual payments over 20 years.<sup>1</sup>

In accordance with D. 03-10-087, and R. G-3363, core aggregation customers will receive a proportional share of the settlement amount based upon their class' share of PG&E's total system natural gas throughput, excluding noncore volumes,<sup>2</sup> for the 12 months immediately prior to the time that the utility first receives the consideration. The core aggregation customer share will be recorded to the EPSMA. The balance, including interest, will reduce core aggregation customer transportation rates for approximately 12 months in PG&E's next Annual True-up proceeding, expected to be effective January 1, 2005.

The following is the core aggregation customer share of the Settlement proceeds based on 1.9 percent of the core load:

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<sup>1</sup> The 20-year period may be shortened to 15 years if El Paso Corporation achieves an investment grade credit rating, and certain other conditions are met.

<sup>2</sup> Wholesale volumes are considered core load for this calculation.

**Net Present Value 20-Year Payment Stream at 7.86%:**

Upfront Cash	\$ 511,415
Deferred Cash Payment Total	\$ <u>520,617</u>
Net Present Value of Consideration	\$1,032,032

**Tariff Revisions**

PG&E requests that the tariffs filed in Advice 2502-G be approved effective the date the supplemental filing is approved.

**Protests**

Anyone wishing to protest this filing may do so by sending a letter by **July 22, 2004**, 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, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov)

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

The protest should be sent via both e-mail and facsimile to PG&E on the same date it is mailed or delivered to the Commission at the address shown below.

Pacific Gas and Electric Company  
Attention: 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: [RxDd@pge.com](mailto:RxDd@pge.com)

**Effective Date**

PG&E requests that this advice filing become effective on regular notice, **August 11, 2004**, which is 40 days after the date of filing.

**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. 03-07-008. 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 /s/*

Director, Regulatory Relations

Attachments

cc: Service List – R. 03-07-008

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

ABAG Power Pool  
Accent Energy  
Aglet Consumer Alliance  
Agnews Developmental Center  
Ahmed, Ali  
Alcantar & Elsesser  
Applied Power Technologies  
Arter & Hadden LLP  
Avista Corp  
Barkovich & Yap, Inc.  
BART  
Blue Ridge Gas  
BP Energy Company  
Braun & Associates  
C & H Sugar Co.  
CA Bldg Industry Association  
CA Cotton Ginners & Growers Assoc.  
CA League of Food Processors  
CA Water Service Group  
California Energy Commission  
California Farm Bureau Federation  
California Gas Acquisition Svcs  
California ISO  
Calpine  
Calpine Corp  
Calpine Gilroy Cogen  
Cambridge Energy Research Assoc  
Cameron McKenna  
Cardinal Cogen  
Chevron 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.  
Mirant California, LLC  
Modesto Irrigation Dist  
Morrison & Foerster  
Morse Richard Weisenmiller & Assoc.  
Navigant Consulting  
New United Motor Mfg, Inc  
Norris & Wong Associates  
Northern California Power Agency  
Office of Energy Assessments  
Palo Alto Muni Utilities  
PG&E National Energy Group  
Pinnacle CNG Company  
PITCO  
Plurimi, Inc.  
PPL EnergyPlus, LLC  
Price, Roy  
Product Development Dept  
Provost Pritchard  
R. M. Hairston & Company  
R. W. Beck & Associates  
Recon Research  
Regional Cogeneration Service  
RMC Lonestar  
Sacramento Municipal Utility District  
SCD Energy Solutions  
Seattle City Light  
Sempra  
Sempra Energy

Sequoia Union HS Dist  
SESCO  
Sierra Pacific Power Company  
Silicon Valley Power  
Simpson Paper Company  
Smurfit Stone Container Corp  
Southern California Edison  
SPURR  
St. Paul Assoc  
Stanford University  
Sutherland, Asbill & Brennan  
Tabors Caramanis & Associates  
Tansev and Associates  
Tecogen, Inc  
TFS Energy  
TJ Cross Engineers  
Transwestern Pipeline Co  
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