

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



July 2, 2004

Advice 2529-G/2529-G-A

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

Subject: El Paso capacity OIR gas refund plan and mechanism

Dear Ms Smith:

Advice Letter 2529-G/2529-G-A is effective July 12, 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



**Pacific Gas and
Electric Company**

Karen A. Tomcala
Vice President
Regulatory Relations

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June 1, 2004

**Advice 2529-G-A
(Pacific Gas and Electric Company ID U39G)**

Public Utilities Commission of the State of California

Subject: El Paso Capacity OIR (R.02-06-041) Gas Refund Plan (Noncore and Core Aggregation Customers) and Mechanism (Core Procurement Rates)

Pacific Gas and Electric Company (PG&E) hereby submits revisions to its El Paso Capacity OIR (OIR.) 02-06-041 Gas Refund Plan and proposed mechanism for placing refunded costs into PG&E's rates for core procurement customers. This filing updates Advice 2529-G filed with the Commission on March 22, 2004.

This supplemental filing replaces the El Paso Capacity OIR Refund Plan filed in Advice 2529-G to revise the refund amount, clarify customer eligibility, and to make other minor adjustments. This supplemental filing also clarifies the accounting mechanism for placing the refunded costs in core procurement rates. The amount to be disbursed to eligible noncore and core aggregation customers is \$23.1 million. The Refund Plan is described in Attachment 1 to this filing.

Purpose

This filing complies with Ordering Paragraph (OP) 9 of Decision (D.) 04-01-047, issued January 22, 2004, in OIR. 02-06-041. In accordance with D. 04-01-047, PG&E submits the updated El Paso Capacity OIR Gas Refund Plan, originally filed in Advice 2529-G, to return amounts due, plus interest, to noncore and core aggregation customers and proposes a mechanism for placing the refunded costs into rates for core procurement customers.

Background

The Commission opened OIR. 02-06-041 on June 27, 2002, in response to a FERC order authorizing marketers in California to turn back up to 725 MMcf/d of

firm capacity on the El Paso Natural Gas Company (El Paso) interstate pipeline. The intent of the Rulemaking was to establish a way to avoid potentially negative rate impacts on California consumers in the event that firm interstate capacity rights should be insufficient to meet gas demand.

Resolution (R.) G-3339, issued by the Commission on December 19, 2002, authorized full recovery of all costs associated with PG&E's subscription to capacity on the El Paso system on an equal-cents-per-therm basis from core and noncore customers, subject to reallocation in Phase 2 of the Rulemaking. PG&E began recovering El Paso capacity costs in core and noncore transportation rates, effective March 1, 2003.

Pursuant to D. 04-01-047, PG&E filed Advice 2515-G on January 26, 2004, and Advice 2515-G-A on January 27, 2004, to remove the cost of El Paso turned-back capacity from noncore rates effective February 1, 2004. PG&E also filed Advice 2517-G on January 30, 2004, to remove El Paso turned-back capacity costs from core transportation rates and include them in PG&E's core gas procurement rates, on an ongoing basis, effective February 6, 2004.

In this filing, PG&E revises its El Paso Capacity OIR Gas Refund Plan as discussed below.

Revisions to Refund Plan

The purpose of the Refund Plan is to return the noncore and core aggregation portion of El Paso turned-back capacity costs that PG&E billed to customers, and recorded to the El Paso Balancing Account. This filing updates the total refund amount based on the latest recorded data. The customer refunds will be recorded as an adjustment to revenue in the El Paso Balancing Account.

The refund rate is calculated using the eligible customer volumes. In this filing, PG&E is revising the eligibility criteria and updating the refund rate. The eligible volumes have been revised for cogeneration customers whose rates did not include El Paso costs until May 1, 2003.¹ The eligible customer volumes have also been revised to exclude volumes associated with noncore customers taking service under negotiated fixed-price contracts that did not incur any El Paso capacity costs.²

¹ Advice 2454-G revised cogeneration rates effective May 1, 2003. At that time, the rate in Schedule G-COG—*Gas Transportation Service to Cogeneration Facilities*, was a parity rate based on the tariffed rate for Schedule G-EG—*Gas Transportation Service to Electric Generation*, lagged by two months.

² Fixed contract customers' revenue is recorded to balancing accounts based on rate components for their otherwise applicable rate schedule shown on gas Preliminary Statement Part B. Any shortfall is absorbed by PG&E. PG&E will adjust its balancing account balances and shortfall to

The resulting refund rate is updated to reflect the revised total refund amount, the revised eligible throughput, and includes estimated interest calculated through July 2004. The refund rate will be revised to update interest prior to implementation of the Refund Plan.

The Refund Plan has also been revised to clarify that PG&E will remit the refund amount due to each eligible customer as a one-time bill credit.

Mechanism For Placing Refunded Costs Into Rates For Core Procurement Customers

PG&E proposes that once the customer refunds are processed and recorded to the core and noncore subaccounts of the El Paso Balancing Account,³ the remaining balance in the El Paso Balancing Account will be transferred to the core subaccount of the Purchased Gas Account (PGA) to be recovered from PG&E's core procurement customers through monthly core procurement rates. If future adjustments result in revenue or revenue credits being recorded to the El Paso Balancing account, the residual balance, including interest, will be transferred to the PGA.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **June 21, 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, 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.

reverse the revenue transactions recorded during the refund period for these customers, accordingly.

³ PG&E will make an adjustment to the NGV balancing account, instead of the El Paso Balancing Account, for refunds to eligible NGV customers.

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

Pacific Gas and Electric Company
Attention: Brian K. Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

PG&E requests that this advice filing become effective on regular notice, **July 12, 2004**, which is 41 days after the date of filing.

PG&E proposes that the refund will be made to eligible noncore and core aggregation gas customers within 45 days after CPUC approval of the Refund Plan.

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 (R.) 02-06-041. Address changes should be directed to Sharon K. Tatai at (415) 973-2788. Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs/>

Karen D. Ormeda/sct
Vice President - Regulatory Relations

Attachments

cc: Service List – R. 02-06-041

Attachment 1

PACIFIC GAS AND ELECTRIC COMPANY

EL PASO CAPACITY OIR (R.02-06-041)

**GAS REFUND PLAN
(NONCORE AND CORE AGGREGATION CUSTOMERS)**

1. PURPOSE

The purpose of the El Paso Capacity OIR Gas Refund Plan (Refund Plan) is to refund to eligible PG&E noncore gas customers, \$22.8 million and to eligible PG&E core aggregation customers, \$0.3 million of El Paso capacity charges, pursuant to Commission Decision No. (D.) 04-01-047, in Phase II of the El Paso Capacity Rulemaking 02-06-041. In accordance with Ordering Paragraphs 8 and 9 in D. 04-01-047, PG&E will refund the El Paso capacity charge revenue billed to noncore and core aggregation customers since March 1, 2003.

2. INITIAL REFUND DATE

Refunds will be made to eligible noncore and core aggregation gas customers within 45 days after CPUC approval of the Refund Plan.

3. TOTAL AMOUNT TO BE REFUNDED

The total estimated amount to be refunded to PG&E's eligible noncore and core aggregation customers, set forth in Table 1, includes refund amounts and estimated interest through July 2004. Final refund amounts may be adjusted, as appropriate, prior to the date the refund is implemented. Interest will also be updated to reflect actual interest rates through the month just prior to the date the refund is implemented. The monthly interest rate applied equals one-twelfth of the three-month commercial paper interest rate as reported in the Federal Reserve statistical release or its successor. The cost to implement the Refund Plan, for costs such as customer notifications or public messages, shall be debited to the refund amount. A contingency amount equal to 0.25 percent of the total refund will be temporarily retained by PG&E to cover implementation costs and to make subsequent corrections to customer accounts.

4. CUSTOMER ELIGIBILITY

An eligible customer is one who received:

1. Noncore industrial, electric generation and wholesale transportation service from PG&E at standard rates* during the period from March 1, 2003, through January 31, 2004;
2. Cogeneration transportation service from PG&E at standard rates*, and procurement service from a third-party supplier, during the period from May 1, 2003, through January 31, 2004; or
3. Core aggregation service from PG&E during the period from March 1, 2003, through February 5, 2004.

* A noncore customer taking service under a negotiated fixed-price contract that did not include El Paso capacity costs is not eligible for a refund.

5. METHODOLOGY FOR DISTRIBUTION OF REFUNDS TO ELIGIBLE CUSTOMERS

Refunds will be made to PG&E's eligible gas customers based on the method outlined below:

- a) The refund rate is provided in this Refund Plan in Table 1. The illustrative refund rate is equal to the Refund Plan amount divided by the total eligible therms billed for PG&E's noncore (non-cogeneration) customers' gas usage for the period March 1, 2003, through January 31, 2003; cogeneration gas usage for the period May 1, 2003, through January 31, 2004; and PG&E's core aggregation customers gas usage for the period March 1, 2003, through February 5, 2004. Total eligible therms billed may be adjusted, as appropriate, prior to the date the refund is implemented.
- b) The refund amount due to each eligible noncore (non-cogeneration) customer is determined by multiplying each customer's eligible gas usage billed for the period of March 1, 2003, through January 31, 2004, by the refund rate determined in (a) above.
- c) The refund amount due to each eligible cogeneration customer is determined by multiplying each customer's eligible gas usage billed under Schedule G-COG for the period of May 1, 2003, through January 31, 2004, by the refund rate determined in (a) above.
- d) The refund amount due to each eligible core aggregation customer is determined by multiplying each customer's gas usage billed for the

period of March 1, 2003, through February 5, 2004, by the refund rate determined in (a) above.

- e) The refund will be remitted as a one-time bill credit to each eligible customer with a current PG&E service agreement.
- f) The utility users tax, if applicable, will be applied at the current effective rate.

6. ADJUSTMENTS OF REFUNDS UPON CUSTOMER INQUIRY

If any former or present customer contends, within six months after the initial implementation date of the Refund Plan, that the amount received, by the customer is incorrect, or their eligibility for a refund has not been considered, PG&E will investigate and make appropriate adjustments.

7. UNCASHED CHECKS

Any uncashed checks resulting from the Refund Plan will remain a liability of PG&E to the individual customer for one year after the date of the check issuance. The claim of any person legally entitled to one of the uncashed checks (whether or not the check is returned to PG&E) will be honored. Where a check has been returned, PG&E will make every reasonable effort to locate the payee.

8. REFUND PLAN BALANCES

If, after nine months following the initial date of the Refund Plan, there is any refund balance, excluding amounts unclaimed by specific customers under Section 7 above, the refund balance will be transferred to the core subaccount of PG&E's Purchased Gas Account (PGA).

9. REPORT ON REFUND PLAN

A report of the total amount of refunds made to PG&E's noncore and core aggregation gas customers pursuant to the Refund Plan, including adjustments and corrections made pursuant to Section 6 of the Refund Plan, will be furnished to the CPUC's Energy Division after completing the refund and no later than 14 months after the refunds are issued.

10. CUSTOMER NOTIFICATION

The El Paso Refund will be shown as a line item on each eligible customer's energy statement. A message regarding the refund will also be included on the energy statement.

Table 1

**El Paso Capacity OIR (R.02-06-041)
Gas Refund Plan Amounts**

(Refund Rate)

| | |
|---|---------------------|
| Noncore Refund Amount | \$22,781,581.61 |
| Core Aggregation Refund Amount | <u>\$314,469.09</u> |
| Total Refund Plan Amount | \$23,096,050.70 |
| Less: Contingency and Implementation Costs | \$57,740.13 |
| Total To Be Refunded | \$23,038,310.57 |
| Noncore Use (March 1, 2003 through January 31, 2004) | 3,667,067,403 |
| Core Aggregation Use (March 1, 2003 through February 5, 2004) | 50,639,224 |
| Divided by: Total Noncore and Core Aggregation Usage (therms) | 3,717,706,627 |
| Refund Rate (per therm) | \$0.00620 |

**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
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Goodin, MacBride, Squeri, Schlotz &
Grueneich Resource Advocates
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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