

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



March 22, 2004

415.972.5209  
Internal: 222.5209  
Fax: 415.972.5625  
Internet: kat5@pge.com

**Advice 2529-G**

(Pacific Gas and Electric Company ID U39G)

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

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits its El Paso Capacity OIR (R.) 02-06-041 Gas Refund Plan and proposed mechanism for placing refunded costs into PG&E's rates for core procurement customers. The estimated amount to be disbursed to eligible noncore and core aggregation customers is \$20.384 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 R. 02-06-041. In accordance with D. 04-01-047, PG&E submits the El Paso Capacity OIR Gas Refund Plan 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 R. 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. The Rulemaking was implemented in two phases.

Phase 1 dealt with rules for major California utilities to obtain El Paso turned-back capacity. Phase 1 D. 02-07-037, dated July 17, 2002, ordered utilities to obtain



turned-back El Paso capacity and stated that, upon compliance with the order, utilities would receive full recovery for both newly acquired El Paso capacity and any costs associated with existing capacity rights on interstate pipelines.

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 (ECPT) basis from core and noncore customers, subject to reallocation in Phase 2 of the Rulemaking. On January 8, 2003, PG&E filed Advice 2437-G revising core and noncore transportation rates, effective March 1, 2003, to recover El Paso turned-back capacity costs on an ECPT basis. Also, in accordance with R. G-3339, on December 30, 2002, PG&E submitted Advice 2434-G, creating a new gas Preliminary Statement Part AZ – *El Paso Turned-Back Capacity Balancing Account* (El Paso Balancing Account), to track the costs allocated to core and noncore customers and the revenues associated with El Paso turned-back capacity.

Phase 2 of the Rulemaking addressed, among other issues, ongoing turned-back El Paso capacity cost allocation and rate issues. Phase 2 D. 04-01-047, dated January 22, 2004, ordered PG&E to: 1) remove the cost of El Paso turned-back capacity from transportation rates; 2) refund the El Paso capacity turned-back capacity charge revenue billed to noncore and core aggregation customers since March 1, 2003; and 3) propose a mechanism for placing the refunded costs into the rates paid by PG&E's core procurement customers. 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 submits the El Paso Capacity OIR Gas Refund Plan to return amounts due, plus interest, to eligible noncore and core aggregation customers and proposes a mechanism for placing the refunded costs into rates for core procurement customers.

### **Refund Amount Calculation**

The Refund Plan provides an illustrative refund rate based on the noncore and core aggregation portion of El Paso turned-back capacity revenue that PG&E has collected and recorded in the El Paso Balancing Account, plus interest, through July 2004. The refund rate may be revised to update eligible therms billed and/or



final refund amounts, including interest, prior to implementation of the Refund Plan.

### **Mechanism For Placing Refunded Costs Into Rates For Core Procurement Customers**

PG&E proposes that once the final refund amount is determined, the noncore and core aggregation portions of the refund amount will be transferred from the noncore and core subaccounts of the El Paso Balancing Account, respectively, to a refund account. The remaining balance in El Paso Balancing Account will be transferred to the core subaccount of the Purchased Gas Account (PGA) and be recovered from PG&E's core procurement customers through monthly core procurement rates. Once these transfers are complete, the El Paso Balancing Account will be closed. If revenue adjustments result in future El Paso Balancing account revenue, the adjustments will be recorded in the PGA.

### **Effective Date**

PG&E requests that this advice filing become effective on regular notice, **May 1, 2004**, which is 40 days after the date of filing.

PG&E proposes that the refund will be made to eligible noncore and core aggregation gas customers within 60 days after CPUC approval of the Refund Plan.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **April 12, 2004**, which is 21 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 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

### 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. 02-06-041. 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/ /tariffs/>

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, \$20.1 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 beginning 60 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 estimated refund amounts and 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 make subsequent corrections to customer accounts.

4. CUSTOMER ELIGIBILITY

An eligible customer is a current PG&E gas customer who received noncore transportation service from PG&E during the period from March 1, 2003, through January 31, 2004 or who received core aggregation service during the period from March 1, 2003, through February 5, 2004.

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) An illustrative 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 customers' gas usage for the period March 1, 2003, through January 31, 2003, 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 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 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.
- d) PG&E will remit the refund amount due to each eligible customer as a one-time bill credit, or a one-time refund payment made by check, as determined by PG&E.
- e) 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 eligible customers' bills with an explanation identifying the refund credit. Customers receiving the refund by check will be provided a similar explanation. A notice announcing this filing, with information concerning eligibility will be posted on PG&E's website at [www.pge.com](http://www.pge.com).

**Table 1**

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

**(Illustrative Refund Rate)**

Noncore Refund Amount	\$20,069,545.90
Core Aggregation Refund Amount	<u>\$314,578.11</u>
Total Refund Plan Amount	\$20,384,124.01
Less: Contingency and Implementation Costs	\$50,960.31
 Total To Be Refunded	 \$20,333,163.70
Noncore Use (March 1, 2003 through January 31, 2004)	3,508,018,067
Core Aggregation Use (March 1, 2003 through February 5, 2004)	50,639,057
Divided by: Total Noncore and Core Aggregation Usage (therms)	3,558,657,124
Refund Rate (per therm)	\$ 0.00571

**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