

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



October 18, 2004

Advice Letter 2566-G

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

Subject: Revised Preliminary Statement Part C, 2004 Attrition Rate Adjustment

Dear Ms Smith:

Advice Letter 2566-G is effective August 20, 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**

Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

415.973.4977
Internal: 223.4977
Fax: 415.973.7226
Cellular: 415.517.5067
Internet: BKC7@pge.com

August 20, 2004

Advice 2566-G

(Pacific Gas and Electric Company ID U39G)

**Subject: Revise Preliminary Statement Part C
 2003 General Rate Case — Attrition Rate Adjustment for 2004**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits revisions to its gas Preliminary Statement Part C—*Gas Tariffs and Definitions*, to include the approved Attrition Rate Adjustment for 2004 in the gas distribution revenue requirement. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

The Commission approved an attrition adjustment effective January 1, 2004, for PG&E in Advice 2499-G-B/2446-E-B, dated June 16, 2004. This advice filing updates the necessary gas preliminary statements to reflect the approved 2004 attrition increase of \$21,090,000 for the gas department, which includes a gas distribution attrition adjustment of \$18,530,000 and a gas energy efficiency program-related A&G expense adjustment of \$2,560,000.

Background

In PG&E's 2003 General Rate Case Decision (D.) 04-05-055, the Commission adopted, without modification, a Distribution Settlement Agreement filed with the Commission on September 15, 2003. Advice 2499-G-B/2446-E-B detailed the calculation of PG&E's Attrition for 2004 pursuant to Paragraphs 5.2, 5.3, and 3.1.4 of the Distribution Settlement Agreement. Accordingly, PG&E derived the 2004 Attrition adjustment by multiplying the 2003 authorized revenue requirement for gas distribution times the 2004 floor for the forecast change in CPI--All Urban Consumers, plus the gas department portion of gas energy efficiency program-related A&G expenses.

Tariff Revisions

PG&E is revising Preliminary Statement (PS) Part C.2—Base Revenue Amount, effective January 1, 2004, to update the authorized GRC distribution base

revenue to incorporate the Attrition adjustments discussed above. The corresponding adjustments also are made to the current version of PS Part C.2 effective April 1, 2004. The line showing Total Base Revenue is deleted on these tariff sheets, since the separate GRC/BCAP, Public Purpose Program, and Gas Accord Revenue Requirements are shown.

Also, PS Part C.3—Cost Allocation Factors, effective January 1, 2004, is being adjusted to show six decimal places in order to remove the inadvertent rounding error that would otherwise result when these factors are used to allocate distribution base revenue between core and noncore customers.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **September 9, 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.

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

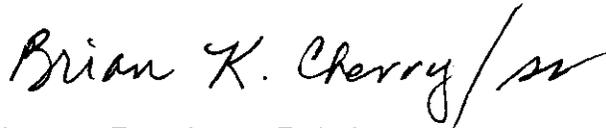
Facsimile: (415) 973-7226
E-mail: RxDd@pge.com

Effective Date

This filing implements changes previously authorized by the Commission in Advice 2499-G-A/G-B. Accordingly, PG&E requests that this advice filing become effective on the date filed, **August 20, 2004**, with the effective date for each tariff sheet approved as filed.

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 Application (A.) 02-11-017. 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>

Handwritten signature of Brian K. Cherry in cursive script, followed by a slash and a stylized initial.

Director, Regulatory Relations

Attachments

cc: Service List – 2003 GRC A. 02-11-017

**ATTACHMENT I
ADVICE 2566-G**

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Cal P.U.C. Sheet No.</u>
22644-G	Preliminary Statement Part C—Gas Accounting Terms and Definitions	22487-G
22645-G	Preliminary Statement Part C (Cont'd)	22489-G
22646-G	Preliminary Statement Part C (Cont'd)	22488-G
22647-G	Table of Contents – Preliminary Statements	22633-G
22648-G	Table of Contents	22643-G



PRELIMINARY STATEMENT
(Continued)

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

2. BASE REVENUE AMOUNT: (Cont'd.)

Description	Amount (\$000)			
	Core	Noncore	Unbundled	Total
GRC/BCAP BASE REVENUES (1):				
Authorized GRC Distribution Base Revenue	-	-		947,603 (I)
Less: Other Operating Revenue	-	-		(16,300)
Authorized GRC Distribution Revenues in Rates	893,787 (I)	37,516 (I)		931,303 (I)
BCAP ALLOCATION ADJUSTMENTS AND CREDITS TO BASE:				
G-10 Allocated Employee Discount	638	988		1,626
EOR Revenue	(146)	(6)		(152)
Core Brokerage Fee	(6,869)	(13)		(6,882)
GRC/BCAP REVENUE REQUIREMENT	887,410 (I)	38,485 (I)		925,895 (I)
PUBLIC PURPOSE PROGRAM BASE REVENUES (excludes CARE Subsidy(2)):				
Energy Efficiency and Low Income Energy Efficiency Programs	38,312	4,264		42,576
CARE Administrative & General Expenses	957	669		1,626
PUBLIC PURPOSE PROGRAM REVENUE REQUIREMENT	39,269	4,933		44,202
GAS ACCORD BASE REVENUES				
Local Transmission	103,943	67,448		171,391
Customer Access Charge - Transmission Storage (3)	38,911	12,086	11,216	50,127
Backbone Transmission (3)	51,353		49,680	101,033
L401 (PEP)			91,347	91,347
GAS ACCORD REVENUE REQUIREMENT	194,207	79,534	152,242	425,984 (I)

(D)

- (1) The GRC/Biennial Cost Allocation Proceeding (BCAP) Base Revenue includes Distribution Base Revenues for core and noncore Customers, adopted in the General Rate Case and allocated in Cost Allocation Proceedings, as shown in Part C.3.a. The authorized GRC amount includes the distribution base revenue approved effective January 1, 2003, in D.04-05-055, and an attrition adjustment amount approved effective January 1, 2004, in AL 2499-G-B. (N)
- (2) The Public Purpose Program (PPP) base revenue requirement includes 2004 PY LIEE program funding adopted in D.03-11-020 (unchanged from 2003 PY adopted in D.02-12-019), Energy Efficiency program funding adopted in D.03-08-067, CARE annual administration budget adopted in D.02-09-021, and Franchise Fees and Uncollectible Expense. (N)
- (3) The Gas Accord II D.03-12-061 adopted transmission revenues effective January 1, 2004. Storage revenues were set in Decision 02-08-070, through March 31, 2004. The Gas Accord II D.03-12-061 storage revenues will be effective April 1, 2004.

(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	0.959717 (C)	0.040283 (C)		1.000000
Intervenor Compensation	0.959717 (C)	0.040283 (C)		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 Revenue Requirement, excluding the Revenue Requirement for Transmission and Storage, as described in Section C.10 below, is allocated between customer classes and included in rates. This proceeding is currently a biennial proceeding pursuant to CPUC Decision No. 90-09-089.

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.)
2. BASE REVENUE AMOUNT: (Cont'd.)

Description	Amount (\$000)			
	Core	Noncore	Unbundled	Total
GRC/BCAP BASE REVENUES (1):				
Authorized GRC Distribution Base Revenue				947,603 (I)
Less: Other Operating Revenue				(16,300)
Authorized GRC Distribution Revenues in Rates	893,787 (I)	37,516 (I)		931,303 (I)
BCAP ALLOCATION ADJUSTMENTS AND CREDITS TO BASE:				
G-10 Allocated Employee Discount	653	1,011		1,664
EOR Revenue	(146)	(6)		(152)
Core Brokerage Fee	(6,869)	(13)		(6,882)
GRC/BCAP REVENUE REQUIREMENT	887,425 (I)	38,508 (I)		925,933 (I)
PUBLIC PURPOSE PROGRAM BASE REVENUES (excludes CARE Subsidy (2))				
Energy Efficiency and Low Income Energy Efficiency Programs	38,312	4,264		42,576
CARE Administrative & General Expenses	957	669		1,626
PUBLIC PURPOSE PROGRAM REVENUE REQUIREMENT	39,269	4,933		44,202
GAS ACCORD BASE REVENUES				
Local Transmission	103,943	67,448		171,391
Customer Access Charge – Transmission		12,086		12,086
Storage (3)	36,456		6,495	42,951
Backbone Transmission (3)	51,353		58,717	110,070
L401 (PEP)			91,347	91,347
GAS ACCORD REVENUE REQUIREMENT	191,752	79,534	156,559	427,845

(D)

- (1) The GRC/Biennial Cost Allocation Proceeding (BCAP) Base Revenue includes Distribution Base Revenues for core and noncore Customers, adopted in the General Rate Case and allocated in Cost Allocation Proceedings, as shown in Part C.3.a. The authorized GRC amount includes the distribution base revenue approved effective January 1, 2003, in D.04-05-055, and an attrition adjustment amount approved effective January 1, 2004, in AL 2499-G-B. (N)
- (2) The Public Purpose Program (PPP) base revenue requirement includes 2004 PY LIEE program funding adopted in D.03-11-020 (unchanged from 2003 PY adopted in D.02-12-019), Energy Efficiency program funding adopted in D.03-08-067, CARE annual administration budget adopted in D.02-09-021, and Franchise Fees and Uncollectible Expense. (N)
- (3) The Gas Accord II D.03-12-061 adopted transmission revenues effective January 1, 2004, and storage revenues effective April 1, 2004. Storage revenues allocated to load balancing are included in unbundled backbone transmission.

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**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 & Eisesser
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
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Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
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City of Glendale
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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
Dept of the Air Force
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
20-Aug-04

Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
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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

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Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Simpson Paper Company
Smurfit Stone Container Corp
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SPURR
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Tecogen, Inc
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