

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



December 28, 2004

Advice Letter 2574-G

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

Subject: Public purpose program surcharge – new gas Schedule G-PPPS and revisions to rate schedules

Dear Ms de la Torre:

Advice Letter 2574-G is effective October 30, 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

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September 20, 2004

Advice 2574-G
(Pacific Gas and Electric Company ID U39G)

**Subject: Gas Public Purpose Program (PPP) Surcharges -
New and Revised Gas Rate Schedules**

Pacific Gas and Electric Company (PG&E) hereby submits new draft Schedule G-PPPS and revisions to its gas tariffs. Schedule G-PPPS will take effect in conjunction with billing system changes that remove gas public purpose program (PPP) surcharges from transportation rates, in compliance with Public Purpose Program (PPP) Decision (D.) 04-08-010, issued August 19, 2004. The affected tariff sheets are listed on enclosed Attachment I.

Purpose

Ordering Paragraphs 3 and 4 of D. 04-08-010 require PG&E to identify the gas PPP surcharges as a separate line item on customers' bills and identify all customers exempt from the surcharge under the United States or California Constitutions, within six months of the effective date of the decision. When PPP surcharges are separated from PG&E's charges on its bill, PG&E will remove PPP surcharges from its transportation rate schedules and identify these surcharges in new rate Schedule G-PPPS—*Public Purpose Program Surcharge*. Schedule G-PPPS also will describe customers that are exempt from the surcharge in accordance with Public Utilities (PU) Code Section 896.

The tariff changes proposed in this filing will be implemented along with required billing and reporting system modifications. Once the billing and reporting systems are in place to remove the gas PPP surcharge amounts from billed revenue, PG&E no longer will include gas PPP surcharges in the calculation of franchise payments to cities and counties.

This filing is being submitted concurrently with Advice 2440-G-B, which incorporates other ratemaking provisions for gas PPP surcharges in compliance with D. 04-08-010.

Background

Public Utility Code Sections 890-900 implemented a gas PPP surcharge effective January 1, 2001, which requires funding for gas public purpose programs to be removed from gas utilities' rates and recovered through a separate surcharge. Resolution (R.) G-3303 established gas PPP surcharges for PG&E and other utilities.

Decision 04-08-010 resolved gas PPP surcharge administration, implementation, and gas public interest research, development and demonstration (RDD) issues. The decision adopted an Energy Division workshop report, and resolved the issues identified in that report. The decision also initiated a statewide gas public interest RDD program to be administered by the California Energy Commission and funded through the gas PPP surcharge beginning January 1, 2005.

Decision 04-08-010 approved, with the modifications, Advice 2440-G and 2440-G-A, filed on January 27, 2003, and May 26, 2004, respectively. These filings proposed a new balancing account to track gas PPP surcharge amounts separate from other transportation revenues. As authorized in R. G-3303, the filing also established a memorandum account to track the gas PPP surcharge payments remitted by PG&E to the State Board of Equalization (BOE) and funding obtained from the Gas Consumption Surcharge Fund.¹ These filings also revised various sections of PG&E's gas preliminary statement to reflect the proposed changes.

Decision 04-08-010 declined to rule on whether the gas PPP surcharge should be considered a tax or a fee. However, the decision removes franchise fees from gas PPP surcharges and removes gas PPP surcharges from the calculation of franchise payments to cities and counties. Therefore, consistent with these requirements and with this filing, PG&E will be implementing the gas PPP surcharge as if it were a tax, along with its billing and reporting system changes required to make these changes.

PG&E cannot fully separate gas PPP surcharges from its gas rates until the billing system changes are complete, and this advice filing is implemented. As an interim step, PG&E plans to show the PPP surcharge as a separate line on the end-use customer rate schedules when it updates its gas PPP surcharges on January 1, 2005.²

Tariff Revisions

Preliminary Statement Part B--*Default Tariff Rate Components for Schedule G-PPPS--Public Purpose Program Surcharge*--PG&E is submitting a new draft section of Preliminary Statement Part B to separate PPP surcharge rates from

¹ R. G-3342 and R. G-3361 reiterated the continued use of the memorandum account.

² Decision 04-08-010 ordered utilities to file its PPP surcharge advice letter by October 31, 2004, for gas PPP surcharge rates effective January 1 of the following year.

PG&E's rates. This same format will be filed with the gas PPP surcharges effective January 1, 2005.

*Schedule G-PPPS--Public Purpose Program Surcharge--*This new draft rate schedule shows the gas PPP surcharge rates that apply to all applicable rate classes and describes the customers that are exempt under PU Code Section 896.

*Schedule G-1--Residential Service; Schedules G-NR1--Gas Service to Small Commercial Customers; and Schedule G-NT--Gas Transportation Service to Noncore End-Use Customers--*These draft schedules show sample language that will be added to all gas end-use rate schedules that are subject to the provisions of Schedule G-PPPS.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **October 11, 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, 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 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 letter be approved upon regular notice, **October 30, 2004**, which is 40 days after the date of this filing. In accordance with D. 04-08-010, PG&E will implement these tariffs revisions with the regular monthly gas price change occurring six months after the date of the decision, expected to be March 7, 2005.

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 02-10-001. 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.

Director, Regulatory Relations

Attachments

cc: Service List ~ R. 02-10-001

**ATTACHMENT I
ADVICE 2574-G**

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Cal P.U.C. Sheet No.</u>
DRAFT	Preliminary Statement Part B—Default Tariff Rate Components – Schedule G-PPPS	
DRAFT	Schedule G-1—Residential Service	
DRAFT	Schedule G-NR1—Gas Service To Small Customers Customers	
DRAFT	Schedule G-NT—Gas Transportation Service to Noncore End-Use Customers	
DRAFT	Schedule G-PPPS—Gas Public Purpose Program Surcharge	
DRAFT	Schedule G-PPPS (Cont'd.)	

PRELIMINARY STATEMENT

(Continued)

B. DEFAULT TARIFF RATE COMPONENTS (\$/THERM) (Cont'd.)

PPP p.1

SCHEDULE G-PPPS--GAS PUBLIC PURPOSE PROGRAM SURCHARGE

	<u>PPP-EE</u>	<u>PPP-LIEE</u>	<u>PPP-RDD</u>	<u>PPP-CARE</u>	<u>Total - PPP</u>
RESIDENTIAL - NON CARE (G-1, GM, GS, GT)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
RESIDENTIAL - CARE (GL-1, GML, GSL, GTL)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
SMALL COMMERCIAL - NON CARE (GNR1)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
SMALL COMMERCIAL - CARE (GNR1)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
LARGE COMMERCIAL - NON CARE (GNR2)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
LARGE COMMERCIAL - CARE (GNR2)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
INDUSTRIAL - DISTRIBUTION (G-NT)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####
INDUSTRIAL - TRANSMISSION (G-NT)	\$0.#####	\$0.#####	\$0.#####	\$0.#####	\$0.#####

(Continued)



SCHEDULE G-1—RESIDENTIAL SERVICE

SEASONAL
CHANGES:

The summer season is May 1 through October 31, and the winter season is November 1 through April 30. Baseline quantities for bills that include the May 1 and November 1 seasonal changeover dates will be calculated by multiplying the applicable daily baseline quantity for each season by the number of days in each season for the billing period.

STANDARD
MEDICAL
QUANTITIES:

Additional medical quantities (Code M) are available as provided in Rule 19.

SURCHARGES:

Customers taking service on this schedule in conjunction with Schedule G-CT, or in conjunction with noncore service, will be subject to a franchise fee surcharge under Schedule G-SUR for gas volumes purchased from parties other than PG&E and transported by PG&E.

(N)
|
|
|
|

Customers served under this schedule are subject to a gas Public Purpose Program (PPP) Surcharge under Schedule G-PPPS.

(N)

ALTERNATIVE
PROCUREMENT
OPTIONS:

Customers may procure gas supply from a party other than PG&E by taking this schedule in conjunction with Schedule G-CT—Core Gas Aggregation Service. Customers who procure their own gas supply will not pay the Procurement Charge component of this rate schedule shown above and will be subject to the applicable rates specified in Schedule G-CT.

~~Customers taking service on this schedule in conjunction with Schedule G-CT or in conjunction with noncore service, will be subject to a franchise fee surcharge under Schedule G-SUR for gas volumes purchased from parties other than PG&E and transported by PG&E.~~

(D)



SCHEDULE G-NR1—GAS SERVICE TO SMALL COMMERCIAL CUSTOMERS
(Continued)

SHRINKAGE: Transportation volumes will be subject to a shrinkage allowance in accordance with Rule 21.

SURCHARGES: Customers taking service on this schedule in conjunction with Schedule G-CT, or in conjunction with noncore service will be subject to a franchise fee surcharge under Schedule G-SUR for gas volumes purchased from parties other than PG&E and transported by PG&E. (N)
|
|
|
Customers will be subject to a separate gas Public Purpose Program (PPP) Surcharge under Schedule G-PPPS. (N)

ALTERNATIVE PROCUREMENT OPTIONS: Customers may procure gas supply from a party other than PG&E by taking service on this schedule in conjunction with Schedule G-CT—Core Gas Aggregation Service. Customers who procure their own gas supply will not pay the Procurement Charge component of this rate schedule shown above and will be subject to the applicable rates specified in Schedule G-CT.

~~Customers taking service on this schedule in conjunction with Schedule G-CT, or in conjunction with noncore service, will be subject to a franchise fee surcharge under Schedule G-SUR for gas volumes purchased from parties other than PG&E and transported by PG&E.~~ (D)

Service under this schedule may also be taken in conjunction with procurement service from a party other than PG&E if: (1) the Customer is taking noncore service at the same premises, and (2) the Customer executes a Natural Gas Service Agreement (Form No. 79-756) with PG&E. Service will be provided in increments of one (1) year. If there is a difference between actual deliveries and actual usage, such differences will be subject to the terms and conditions of Schedule G-BAL. Those Customers will not pay the Procurement Charge component of this schedule.

Transportation volumes will be subject to a shrinkage allowance in accordance with Rule 21.

The Customer may, at its option, receive firm interstate capacity directly assigned by PG&E as provided in Rule 21.1.

CURTAILMENT OF SERVICE: Service under this schedule may be curtailed. Details are provided in Rule 14.



SCHEDULE G-NT—GAS TRANSPORTATION SERVICE TO NONCORE END-USE CUSTOMERS
(Continued)

RATES:
(Cont'd.)

2. Transportation Charge:

A customer will pay one of the following rates for gas delivered in the current billing month.

Transmission-Level Rate:

Transmission-Level Rates apply to Customers served directly from PG&E gas facilities that have a maximum operating pressure greater than sixty pounds per square inch (60 psi).

Transmission-Level Rate (Per Therm) \$0.00000

Distribution-Level Rates:

The Distribution-Level Rate applies to Customers served from PG&E gas facilities that have a maximum operating pressure of sixty pounds per square inch (60 psi) or less. The Tier 5 rate is equal to the Transmission-Level Rate specified above.

<u>Average Monthly Use</u> (Therms)	<u>Summer</u> (Per Therm)	<u>Winter</u> (Per Therm)
Tier 1: 0 to 20,833	\$0.	\$0.
Tier 2: 20,834 to 49,999	\$0.	\$0.
Tier 3: 50,000 to 166,666	\$0.	\$0.
Tier 4: 166,667 to 249,999	\$0.	\$0.
Tier 5: 250,000 and above*	\$0.	\$0.

See Preliminary Statement Part B for Default Tariff Rate Components.

SURCHARGES,
FEEES AND
TAXES:

Customers will be subject to a gas Public Purpose Program (PPP) Surcharge under Schedule G-PPPS. Customer may be subject to a franchise fee surcharge for gas volumes transported by PG&E under Schedule G-SUR. The Customer will be responsible for any applicable costs, taxes, and/or fees incurred by PG&E in taking delivery of third-party gas from intra- or interstate sources.

* Tier 5 Summer and Winter rates are the same.

(Continued)



SCHEDULE G-PPPS—GAS PUBLIC PURPOSE PROGRAM SURCHARGE

APPLICABILITY: Pursuant to Public Utility (PU) Code Sections 890-900, this schedule applies a gas Public Purpose Program (PPP) surcharge to gas transportation volumes under the rate schedules* specified below. The gas PPP surcharge is collected to fund gas energy efficiency and low-income energy efficiency programs, the California Alternate Rates for Energy (CARE) low-income assistant program, and public interest research and development. Under PU Code Section 896, certain customers are exempt from the gas PPP surcharge as described in the Exempt Customer section, below.

TERRITORY: This rate applies everywhere within PG&E's natural gas Service Territory.

RATES: The following surcharges apply to natural gas service for eligible Core and Noncore End-Use Customers.

<u>Customer Class (Rate Schedule):</u>	<u>Per Therm (Non-CARE)</u>	<u>Per Therm (CARE)</u>
Residential: (G-1, GM, GS, GT, GL-1, GML, GSL, GTL)	\$0.#####	\$0.#####
Small Commercial (G-NR1)	\$0.#####	\$0.#####
Large Commercial (G-NR2)	\$0.#####	\$0.#####
Industrial: (G-NT--Distribution)	\$0.#####	N/A
Industrial: (G-NT--Transmission)	\$0.#####	N/A

EXEMPT CUSTOMERS: In accordance with PU Code Section 896, certain customers are exempt from Schedule G-PPPS. These include:

- a. All gas consumed by customer's served under Schedules G-EG and G-WSL;
- b. All gas consumed by Enhanced Oil Recovery (EOR) facilities;
- c. All gas consumed by customers in which the State of California is prohibited from taxing under the United States Constitution or the California Constitution, consistent with California Energy Resources Surcharge Regulations 2315 and 2316, as described in Publication No. 11 issued by the California State Board of Equalization (BOE), which include:
 - 1. The United States, its unincorporated agencies and instrumentalities;
 - 2. Any incorporated agency of instrumentality of the United States wholly owned by either the United States or by a corporation wholly owned by the United States;
 - 3. The American National Red Cross, its chapters and branches;
 - 4. Insurance companies, including title insurance companies, subject to taxation under California Constitution, Article XIII, Section 28, or its successor;

*PG&E's gas tariffs are available on-line at www.pge.com

(Continued)



SCHEDULE G-PPPS—GAS PUBLIC PURPOSE PROGRAM SURCHARGE

EXEMPT
CUSTOMERS:
(Cont'd.)

5. Enrolled Indians purchasing and consuming natural gas on Indian reservations; and
6. Federal Credit unions organized in accordance with the provisions of the Federal Credit Union Act.

EXEMPT
CUSTOMER BILL
ADJUSTMENTS:

PG&E will annually review its customer accounts and make appropriate bill adjustments to return any surcharge amounts received from exempt customers, plus applicable interest, within 30 days after identification of such exempt customers, unless previously refunded from the State Treasury. PG&E will inform BOE of any refunds issued to customers.

**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 Texaco
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
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
Energy Law Group LLP
Energy Management Services, LLC
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 &
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
Turlock Irrigation District
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