

PUBLIC UTILITIES COMMISSION

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February 14, 2005

Advice Letter 2601-G, 2601-G-A

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

Subject: Gas accord III, annual true-up, cost of capital, and public purpose program tariff revisions and rate changes

Dear Ms de la Torre:

Advice Letter 2601-G, 2601-G-A is effective January 1, 2005. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

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January 31, 2005

Advice 2601-G-A
(Pacific Gas and Electric Company ID U39G)

Subject: SUPPLEMENTAL FILING - January 1, 2005, Gas Accord III, Annual True-up, Cost of Capital and Public Purpose Program – Corrections to Customer Access Charges and Rates

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits this supplemental advice filing for filing revisions to its gas tariffs. The affected tariff sheets are included in Attachment I to this filing.

Purpose

Advice 2601-G was filed on December 23, 2004, to submit proposed revisions to PG&E's gas tariffs for Commission-adopted changes effective **January 1, 2005**. Advice 2601-G incorporated changes to noncore end-use transportation rates and revenue requirements pursuant to the Gas Accord III Settlement Agreement (GAIII or GAIII Settlement) Decision (D.) 04-12-050, Annual True-up Advice 2589-G,¹ PG&E's 2004 and 2005 Cost of Capital D. 04-12-047, and CPUC Fee Resolution (R.) M-4813. Advice 2601-G also included revisions to unbundled backbone transmission and storage rates, and gas Public Purpose Program (PPP) surcharges applicable to noncore end-use customers, as filed in Advice 2585-G-A.

PG&E is submitting this supplemental filing to revise two items in Advice 2601-G. First, PG&E is making minor corrections to the Customer Access Charges (CAC) and rates. Second, notations are being added to the cover sheet for the Gas Accord III Settlement Agreement, providing an index of the changes that have been made to the original version dated August 27, 2004.

Correction to Customer Access Charges and Rates

In calculating the CAC for Schedules G-NT, G-EG, and G-NGV4, PG&E inadvertently used only noncore Electric Generation billing determinants in the denominator; therefore, approximately 65 core cogeneration customers who also

¹ Advice 2589-G incorporated the 2004 and 2005 annual attrition adjustments filed and approved in Advice 2499-G-B/2446-E-B and 2580-G/2566-E, respectively.

pay those charges were excluded from the rate design. This error would result in a slight revenue overcollection. The CAC on Schedules G-NGV4 and G-LNG is also being revised to be consistent with the Schedule G-NT CAC.

As a result of the adjustment to the CAC, distribution rates for certain rate schedules change slightly. The adopted rate design methodology for the Industrial Distribution customer class (Schedule G-NTD) requires PG&E to adjust the volumetric distribution rate so that the overall revenue allocation to this customer class (distribution + customer access) equals the base revenue allocation adopted in the General Rate Case (GRC) and Biennial Cost Allocation Proceeding (BCAP).

Tables 1, 2 and 12 of Appendix B of the GAIII Settlement Agreement, and page 24 of Exhibit 6 (cost allocation and rate design workpapers) have been modified to correct the CAC. These pages replace the pages that were included in Attachment III of Advice 2601-G, and are included as Attachment II to this filing.

Gas Accord III Settlement Agreement Cover Sheet

The Energy Division has requested that PG&E replace the cover sheet to the Gas Accord III Settlement Agreement filed in Advice 2601-G. The version of the Agreement filed in Advice 2601-G contained certain modifications to the previously-filed original version dated August 27, 2004. Specifically, as required by Section 8.2 of the Agreement itself, in Advice 2601-G, PG&E made adjustments to certain of the tables in the Agreement and Appendices to reflect the approved cost of capital adopted by the Commission in D. 04-12-047. The revised cover sheet to the Settlement Agreement submitted herewith as Attachment III: (i) lists the specific changes made to the Agreement and Appendices submitted in Advice 2601-G, as compared to the original version dated August 27, 2004; and (ii) explains that these changes are required by Section 8.2 of the Agreement.

Tariff Revisions

For the adjustment to Customer Access Charges described above, PG&E is making slight adjustments on pages 1, 2, 7, 8, and the Mainline Extension Factors of noncore Preliminary Statement Part B—*Default Tariff Rate Components*. PG&E is adjusting the Customer Access Charges and rates in Schedule G-NT – *Gas Transportation Service To Noncore End-Use Customers*, Schedule G-EG – *Gas Transportation Service to Electric Generation*, Schedule G-NGV4 – *Experimental Gas Transportation Service To Noncore Natural Gas Vehicles*, and the rate in Schedule G-LNG—*Experimental Liquefied Natural Gas*.

Effective Date

PG&E requests that this advice filing be approved effective **January 1, 2005**, which is the same effective date as Advice 2601-G.

Protests

Due to the limited matters in this protest, Energy Division recommends a shortened protest period. Anyone wishing to protest this filing may do so by sending a letter by **February 7, 2005**, which is 7 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

Copies should also be mailed to the attention of the Director, Energy Division, Room 4005 and Jerry Royer, Energy Division, at the address shown above. It is also requested that a copy of the protest be sent via postal mail and facsimile to Pacific Gas and Electric Company 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

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and sent via U.S. mail to parties shown on the attached list and the service lists shown below. Supporting workpapers for this filing are available upon written request to: Pacific Gas and Electric Company,

Regulatory Relations Department, Attention: Rose De La Torre, 77 Beale Street, Mail Code B10B, P.O. Box 770000, San Francisco, CA 94177. Address change requests should also 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 H. Cherry / sr

Director, Regulatory Relations

Attachments

Service Lists –Gas Accord III Settlement A. 04-03-021
BCAP A. 04-07-044
Cost of Capital A. 04-05-023

**ATTACHMENT I
ADVICE 2601-G-A**

Cal. P.U.C. Sheet No.	Title of Sheet	Canceling Cal P.U.C. Sheet No.
	Preliminary Statement	
22969-G	Part B—Default Tariff Rate Components - (Noncore p. 1)	22875-G
22970-G	Part B (Noncore p. 2) (Cont'd)	22876-G
22971-G	Part B (Noncore p. 6) (Cont'd)	22880-G
22972-G	Part B (Noncore p. 7) (Cont'd)	22881-G
22973-G	Part B (Noncore p. 8) (Cont'd)	22882-G
22974-G	Part B Mainline Extension (Cont'd)	22883-G
	Rate Schedules	
22975-G	G-NT—Gas Transportation Service to Noncore End-Use Customers	22892-G
22976-G	G-NT (Cont'd)	22893-G
22977-G	G-EG-- Gas Transportation Service to Transmission Level Electric Generation	22894-G
22978-G	G-NGV4—Experimental Gas Transportation Service to Noncore Natural Gas Vehicles	22919-G
22979-G	G-NGV4 (Cont'd)	22920-G
22980-G	G-LNG—Experimental Liquefied Natural Gas	22921-G
	Tables of Contents	
22981-G	Table of Contents – Preliminary Statements	22928-G
22982-G	Table of Contents (Cont'd)	22929-G
22983-G	Table of Contents	22930-G



PRELIMINARY STATEMENT
(Continued)

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

NONCORE p. 1

THERMS:	G-NT	G-NT—DISTRIBUTION			
	TRANSMISSION	SUMMER			
		0- 20,833	20,834- 49,999	50,000- 166,666	166,667- 249,999*
NCA	(0.00407) (R)	(0.01399) (R)	(0.01399) (R)	(0.01398) (R)	(0.01398) (R)
GRC INTERIM ACCT	0.00000	0.00638 (I)	0.00638 (I)	0.00638 (I)	0.00638 (I)
CPUC FEE	0.00000 (R)				
EOR	0.00000	0.00001	0.00001	0.00001	0.00001
CEE	0.00000	0.00002 (I)	0.00002 (I)	0.00002 (I)	0.00002 (I)
LOCAL TRANSMISSION (AT RISK)	0.01474 (R)				
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00340 (I)	0.09716 (I)	0.06807 (I)	0.06329 (I)	0.05372 (I)
TOTAL RATE	0.01407 (R)	0.10432 (I)	0.07523 (R)	0.07046 (R)	0.06089 (R)

(L)

(L)

(L)

(L)

(D)

* Rate components for G-NT Distribution over 249,999 therms are the same as G-NT Transmission.

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

NONCORE p. 2

THERMS:	(N) ——— (N)	G-NT—DISTRIBUTION			
	G-NT	WINTER			
	BACKBONE	0- 20,833	20,834- 49,999	50,000- 166,666	166,667- 249,999*
NCA	(0.00407)	(0.01622) (I)	(0.01622) (I)	(0.01622) (I)	(0.01622) (I)
GRC INTERIM ACCT	0.00000	0.00862 (I)	0.00862 (I)	0.00862 (I)	0.00862 (I)
CPUC FEE	0.00000	0.00000 (R)	0.00000 (R)	0.00000 (R)	0.00000 (R)
EOR	0.00000	0.00001	0.00001	0.00001	0.00001
CEE	0.00000	0.00002 (I)	0.00002 (I)	0.00002 (I)	0.00002 (I)
LOCAL TRANSMISSION (AT RISK)	0.00000	0.01474 (R)	0.01474 (R)	0.01474 (R)	0.01474 (R)
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00000	0.13118 (I)	0.09191 (I)	0.08546 (I)	0.07254 (I)
TOTAL RATE	(0.00407)	0.13835 (I)	0.09908 (R)	0.09263 (R)	0.07971 (R)

(L)

(L)

(L)

(L)

(D)

* Rate components for G-NT Distribution over 249,999 therms are the same as G-NT Transmission.

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

NONCORE p. 6

THERMS:	G-NGV4 (1)* TRANSMISSION	G-NGV4—DISTRIBUTION (1)*			
		SUMMER			
		0- 20,833	20,834- 49,999	50,000- 166,666	166,667- 249,999
NCA	0.00000	0.00000	0.00000	0.00000	0.00000
GRC INTERIM ACCT	0.00000	0.00000	0.00000	0.00000	0.00000
CPUC FEE	0.00000 (R)	0.00000 (R)	0.00000 (R)	0.00000 (R)	0.00000 (R)
EOR	0.00000	0.00000	0.00000	0.00000	0.00000
CEE	0.00000	0.00000	0.00000	0.00000	0.00000
NGV BALANCING ACCOUNT	0.01407 (R)	0.10432 (I)	0.07523 (R)	0.07046 (R)	0.06089 (R)
LOCAL TRANSMISSION (AT RISK)	0.00000	0.00000	0.00000	0.00000	0.00000
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00000	0.00000	0.00000	0.00000	0.00000
TOTAL RATE	0.01407 (R)	0.10432 (I)	0.07523 (R)	0.07046 (R)	0.06089 (R)

* Refer to footnotes at end of Noncore Default Tariff Rate Components.

(D)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

NONCORE p. 7

THERMS:	(N)——(N) G-NGV4 (1)* BACKBONE	G—NGV4-DISTRIBUTION (1)*			
		WINTER			
		0- 20,833	20,834- 49,999	50,000- 166,666	166,667 249,999
NCA	0.00000	0.00000	0.00000	0.00000	0.00000
GRC INTERIM ACCT	0.00000	0.00000	0.00000	0.00000	0.00000
CPUC FEE	0.00000	0.00000 (R)	0.00000 (R)	0.00000 (R)	0.00000 (R)
EOR	0.00000	0.00000	0.00000	0.00000	0.00000
CEE	0.00000	0.00000	0.00000	0.00000	0.00000
NGV BALANCING ACCOUNT	(0.00407)	0.13835 (I)	0.09908 (R)	0.09263 (R)	0.07971 (R)
LOCAL TRANSMISSION (AT RISK)	0.00000	0.00000	0.00000	0.00000	0.00000
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00000	0.00000	0.00000	0.00000	0.00000
TOTAL RATE	(0.00407)	0.13835 (I)	0.09908 (R)	0.09263 (R)	0.07971 (R)

* Refer to footnotes at end of Noncore Default Tariff Rate Components.

(D)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

NONCORE p. 8

	<u>G-LNG (1)*</u>
NCA	0.00000
GRC INTERIM ACCT	0.00000
CPUC Fee	0.00000 (R)
EOR	0.00000
CEE	0.00000
NGV BALANCING ACCOUNT	0.15327 (R)
LOCAL TRANSMISSION (AT RISK)	0.00000
DISTRIBUTION & BASE REVENUE CREDITS (AT RISK)	0.00000
TOTAL RATE	<u>0.15327 (R)</u>

* Refer to footnotes at end of Noncore Default Tariff Rate Components.

(D)

(Continued)



PRELIMINARY STATEMENT
(Continued)

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

MAINLINE EXTENSION FACTORS (1)

<u>Core Schedules (2)</u>	<u>Mainline Extension Rate (\$/Therm)</u>	<u>(N)-----(N) Customer Charge (\$/day)</u>	
Schedule G-NR1	0.22164 (R)	0.37858	
Schedule G-NR2	0.09290 (I)	4.95518	
Schedule G-NGV1	0.16684 (I)	0.10589	
Schedule G-NGV2	0.16684 (I)	0.10589	
<u>Noncore Schedules</u>			
Schedule G-NT			
Distribution	0.07647 (R)	11.31847	
Local Transmission	0.00340 (R)	24.52289	
Backbone	0.00000	24.52289	(N)
Schedule EG			
Distribution	0.00069	60.71025	(N)
Local Transmission	0.00069	60.71025	
Backbone	0.00069	60.71025	(N)
Schedule G-NGV4			
Distribution	0.07647 (R)	11.31847	
Local Transmission	0.00340 (R)	24.52289	
Backbone	0.00000	24.52289	(N)

(1) Mainline Extension Factors are required to support calculation of distribution-based revenues described in Rule 15.

(2) For all residential schedules, see Rule 15 for extension allowances.

(Continued)



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

APPLICABILITY: This rate schedule* applies to the transportation of natural gas to Noncore End-Use Customers on PG&E's Backbone, Local Transmission and/or Distribution Systems. To qualify for service under this schedule, a Customer must be classified as a Noncore End-Use Customer, as defined in Rule 1. To initially qualify for noncore status, a non-residential Customer must have maintained an average monthly use, through a single meter, in excess of 20,800 therms during the previous twelve (12) months, excluding those months during which usage was 200 therms or less. Certain noncore customers served under this schedule may be restricted from converting to a core rate schedule. See Rule 12 for details on core and noncore reclassification.

(T)

Customers on Schedule G-NT must procure gas supply from a supplier other than PG&E.

TERRITORY: Schedule G-NT applies everywhere within PG&E's natural gas Service Territory.

RATES: The applicable Customer Access Charges and Distribution Level Transportation Rate specified below is based on the Customer's Average Monthly Usage, as defined in Gas Rule 1. Usage through multiple noncore gas meters on a single premises will be combined to determine Average Monthly Usage.

In accordance with PU Code Sections 890-900 and California Public Utilities Commission Decision 04-08-010, the gas Public Purpose Program Surcharge is collected to fund gas-related public purpose energy efficiency and low-income energy efficiency programs, the California Alternate Rates for Energy (CARE) low-income customer assistance program, and public interest research, development and demonstration.

(N)

Public Purpose Program Surcharge (per therm):

Backbone/Transmission Level Rate	\$0.02648
Distribution Level Rate	\$0.02876

(N)

The following charges apply to service under this schedule:

1. Customer Access Charge:

The applicable Per-Day Customer Access Charge is multiplied by the number of days in the billing period.

<u>Average Monthly Use (Therms)</u>	<u>Per Day</u>
0 to 5,000	\$ 1.94663 (I)
5,001 to 10,000	\$ 5.79814 (R)
10,001 to 50,000	\$ 10.79178 (R)
50,001 to 200,000	\$ 14.16296 (R)
200,001 to 1,000,000	\$ 20.54926 (R)
1,000,001 and above	\$174.31134 (R)

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

(Continued)



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

RATES:
(Cont'd.)

2. Transportation Charge:

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

a. Backbone Level Rate:

The Backbone Level Rate applies to Backbone Level End-Use Customers as defined in Rule 1.

Backbone Level Rate (per therm): (\$0.00407)

(N)
—
(N)

b. Transmission-Level Rate:

The Transmission-Level Rate applies to Customers served directly from PG&E gas facilities that have a maximum operating pressure greater than sixty pounds per square inch (60 psi) that do not qualify for the Backbone Level Rate.

Transmission-Level Rate (per therm): \$0.01407 (R)

(T)
(T)
(T)
(T)

c. Distribution-Level Rate:

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.

(T)

Average Monthly Use (Therms)	Summer (Per Therm)	Winter (Per Therm)
Tier 1: 0 to 20,833	\$0.10432 (I)	\$0.13835 (I)
Tier 2: 20,834 to 49,999	\$0.07523 (I)	\$0.09908 (R)
Tier 3: 50,000 to 166,666	\$0.07046 (R)	\$0.09263 (I)
Tier 4: 166,667 to 249,999	\$0.06089	\$0.07971 (I)
Tier 5: 250,000 and above*	\$0.01407 (R)	\$0.01407 (R)

See Preliminary Statement Part B for Default Tariff Rate Components.

FEES AND
TAXES:

Customer may pay a franchise fee surcharge for gas volumes transported by PG&E. (See Schedule G-SUR for details.) 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-EG—GAS TRANSPORTATION SERVICE TO ELECTRIC GENERATION

APPLICABILITY: This rate schedule* applies to the transportation of natural gas used in: (a) electric generation plants served directly from PG&E gas facilities that have a maximum operation pressure greater than sixty pounds per square inch (60 psi); (b) all Cogeneration facilities that meet the efficiency requirements specified in the California Public Utilities Code Section 218.5**; and (c) solar electric generation plants, defined herein. This schedule does not apply to gas transported to non-electric generation loads.

Customers on Schedule G-EG permanently classified as Noncore End-Use Customers, per Rule 1 must procure gas supply from a third-party gas supplier, not from a Core Procurement Group, as defined in Rule 1.

Certain noncore customers served under this rate schedule may be restricted from converting to a core rate schedule. See Rule 12 for details on core and noncore reclassification.

TERRITORY: Schedule G-EG applies everywhere within PG&E's natural gas Service Territory.

RATES: The following charges apply to this schedule. They do not include charges for service on PG&E's Backbone Transmission System:

1. Customer Access Charge:

The applicable Per-Day Customer Access Charge specified below is based on the Customer's Average Monthly Use, as defined in Rule 1. Usage through multiple noncore meters on a single premises will be combined to determine Average Monthly Usage. Customers taking service under this schedule who also receive service under other noncore rate schedules at the same premises will be charged a single Customer Access Charge under this schedule.

Average Monthly Use (Therms)	Per Day
0 to 5,000 therms	\$ 1.94663 (I)
5,001 to 10,000 therms	\$ 5.79814 (R)
10,001 to 50,000 therms	\$ 10.79178
50,001 to 200,000 therms	\$ 14.16296
200,001 to 1,000,000 therms	\$ 20.54926
1,000,001 and above therms	\$174.31134 (R)

2. Transportation Charge:

Customers will pay one of the following rates for gas delivered in the current billing period:

a. The Backbone Level Rate applies to Backbone Level End-Use Customers as defined in Rule 1.

Backbone Level Rate: \$0.00057 per therm

b. All Other Customers: \$0.01531 per therm

(N)

(N)
(L)

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

** Efficiency Standard: In accordance with PU Code Section 218.5, at least 5 percent of the facility's total output must be in the form of useful thermal energy. Where useful thermal energy follows power production, the useful annual power output plus one-half the useful annual thermal energy output must equal no less than 42.5 percent of any natural gas and oil energy input.

(Continued)



**SCHEDULE G-NGV4—EXPERIMENTAL GAS TRANSPORTATION SERVICE TO
NONCORE NATURAL GAS VEHICLES**

APPLICABILITY: This rate schedule* applies to the transportation of gas to customer-owned natural gas vehicle fueling stations on PG&E's Backbone, Local Transmission and/or Distribution Systems. To qualify for service under this schedule, a Customer must be classified as a Noncore End-Use Customer, as defined in Rule 1. To initially qualify for noncore status, a non-residential Customer must have maintained an average monthly use, through a single meter, in excess of 20,800 therms during the previous twelve (12) months, excluding those months during which usage was 200 therms or less. See Rule 12 for details on core and noncore reclassification.

(T)

Customers must procure gas supply from a supplier other than PG&E.

TERRITORY: Schedule G-NGV4 applies everywhere within PG&E's natural gas Service Territory.

RATES: The applicable Customer Access Charges and Distribution Level Transportation Rate specified below is based on the Customer's Average Monthly Usage, as defined in Rule 1. Usage through multiple noncore gas meters on a single premises will be combined to determine Average Monthly Usage.

The following charges apply to service under this schedule:

1. Customer Access Charge:

The applicable Per-Day Customer Access Charge is multiplied by the number of days in the billing period.

<u>Average Monthly Use (Therms)</u>	<u>Per Day</u>
0 to 5,000	\$ 1.94663 (I)
5,001 to 10,000	\$ 5.79814 (R)
10,001 to 50,000	\$ 10.79178
50,001 to 200,000	\$ 14.16296
200,001 to 1,000,000	\$ 20.54926
1,000,001 and above	\$174.31134 (R)

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

(Continued)



**SCHEDULE G-NGV4—EXPERIMENTAL GAS TRANSPORTATION SERVICE TO
NONCORE NATURAL GAS VEHICLES**

(Continued)

RATES:
(Cont'd.)

2. Transportation Charge:

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

a. Backbone Level Rate:

(N)

The Backbone Level Rate applies to Backbone Level End-Use Customers as defined in Rule 1.

Backbone Level Rate (per therm) (\$0.00407)

(N)

b. Transmission-Level Rate:

(T)

The Transmission-Level Rate applies to Customers served directly from PG&E gas facilities that have a maximum operating pressure greater than sixty pounds per square inch (60 psi) that do not qualify for the Backbone Level Rate.

Transmission-Level Rate (per therm) \$0.01407 (R)

(T)

(T)

c. Distribution-Level Rate:

(T)

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.

Average Monthly Use (Therms)	Summer (Per Therm)	Winter (Per Therm)
Tier 1: 0 to 20,833	\$0.10432 (I)	\$0.13835 (I)
Tier 2: 20,834 to 49,999	\$0.07523 (I)	\$0.09908 (R)
Tier 3: 50,000 to 166,666	\$0.07046 (R)	\$0.09263 (I)
Tier 4: 166,667 to 249,999	\$0.06089	\$0.07971 (I)
Tier 5: 250,000 and above*	\$0.01407 (R)	\$0.01407 (R)

See Preliminary Statement Part B for Default Tariff Rate Components.

FEES AND
TAXES:

Customer may pay a franchise fee surcharge for gas volumes transported by PG&E. (See Schedule G-SUR for details.) 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-LNG—EXPERIMENTAL LIQUEFIED NATURAL GAS SERVICE

APPLICABILITY: This rate schedule* applies to experimental natural gas liquefaction service provided by PG&E to noncore End-Use Customers. This experimental liquefaction service is limited and PG&E will provide this service on a first-come first-served basis.

TERRITORY: Schedule G-LNG applies to the PG&E experimental Liquefied Natural Gas (LNG) facility located in Sacramento, California.

RATES: The following charges will apply to per therm liquefied natural gas service under this rate schedule:

Liquefaction Charge (Per Therm): \$0.15327 (R)

LNG Gallon Equivalent: \$0.12568 (R)
(Conversion factor - One LNG Gallon = 0.82 Therms)

METERING: For metering and billing purposes, the number of LNG gallons dispensed will be compiled from a summary of transactions recorded at the dispensing unit for the Customer during a calendar month. Delivery and custody transfer of LNG shall be at the point where LNG is dispensed into the Customer's LNG transport vehicle. LNG will be weighed and converted to LNG gallons. Vehicles must be weighed at an authorized weigh station prior to receiving LNG and again after filling. Weight information must be provided to PG&E within 5 business days. LNG gallons delivered will be converted to therms and billed. LNG usage that occurs during a billing period, but which is not recorded in that billing period, will be deferred to a future billing period.

The rate includes local transportation costs from the PG&E Citygate to the LNG Facility. These charges do not include transportation service on PG&E's Backbone Transmission System, which must be arranged for separately

See Preliminary Statement, Part B for the default tariff rate components.

LNG COMPOSITION: The resulting LNG product delivered will contain amounts equal to or greater than ninety-six percent (96%) methane and amounts equal to or less than four percent (4%) ethane.

SERVICE AGREEMENT: The Customer must execute a Natural Gas Service Agreement (NGSA) Form No. 79-756 to receive service under this schedule.

NOMINATIONS: Customers who take service under this schedule must arrange for the delivery of natural gas to the PG&E LNG facility in quantities necessary to equal the amount of LNG fuel dispensed to the customer. Nominations are required for gas transported under this schedule. See Rule 21 for details.

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

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G-NFT	Negotiated Firm Transportation On-System	22181,22909,22910-G
G-NFTOFF	Negotiated Firm Transportation Off-System	21835,19294,21836-G
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G-XF	Pipeline Expansion Firm Intrastate Transportation Service	22914,22915-G
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Gas Accord III Settlement Agreement

August 27, 2004

(As Adjusted Per Cost of Capital Decision 04-12-047)

Notes:

(1) Section 8.2 of the Gas Accord III Settlement Agreement provides that the 2005 Cost of Capital adopted by the Commission will be used to set the rates for the 2005 – 2007 Gas Accord III Settlement Period. On December 16, 2004, in D.04-12-047 (issued in A.04-05-023), the Commission approved PG&E's cost of capital for 2004 and 2005.

Accordingly, as required by Section 8.2, this version of the Gas Accord III Settlement Agreement includes modifications to the original version dated August 27, 2004, to include an adjustment reflecting the Cost of Capital approved in D.04-12-047. The following tables have been modified to reflect the Cost of Capital decision:

- Table in Section 5.3
- The following tables in Appendix A:
 - A-3
 - A-4
 - A-6
 - A-8
 - A-10
- Tables 1 through 13 of Appendix B

(2) Because the Commission in D.04-12-050 has approved the Gas Accord III Settlement Agreement, the “Rule 51” footer has been removed.

(3) Tables 1, 2 and 12 of Appendix B have been modified to correct the Customer Access Charges.

(4) The tables in Exhibit 3 (comparison tables) and Exhibit 6 (cost allocation and rate design workpapers) filed with the Joint Motion of Settlement Parties for Approval of Gas Accord III Settlement on August 27, 2004, have been modified to reflect the Cost of Capital approved in D.04-12-047, and the above-referenced correction to the Customer Access Charges.

Gas Accord III Settlement Agreement**Appendix B**

Table 1
Illustrative End-Use Class Average Rates (\$/dth) (a)
(As Adjusted per Cost of Capital Decision in D.04-12-047)

	Present Rates (As Filed on 3/19/2004)	Settlement Rates 2005	% Change
Core Retail Bundled Service (b)			
Residential	9.099	9.139	0.4%
Small Commercial	8.524	8.562	0.4%
Large Commercial	<u>7.273</u>	<u>7.299</u>	<u>0.4%</u>
Core Average	8.957	8.996	0.4%
Core Retail Transport-Only (c)			
Residential	3.617	3.585	-0.9%
Small Commercial	3.070	3.038	-1.0%
Large Commercial	<u>2.042</u>	<u>2.010</u>	<u>-1.5%</u>
Core Transport Average	3.434	3.395	-1.1%
Wholesale Transportation-Only (c)			
Alpine Natural Gas	0.326	0.259	-20.6%
Coalinga	0.330	0.251	-23.9%
Island Energy	0.596	0.450	-24.6%
Palo Alto	0.219	0.187	-15.0%
West Coast Gas - Castle	0.615	0.461	-25.0%
West Coast Gas - Mather	<u>0.407</u>	<u>0.260</u>	<u>-36.2%</u>
Wholesale Transportation Average	0.239	0.201	-16.2%
Noncore Retail Transportation-Only (c)			
Industrial - Distribution	1.121	1.111	-0.9%
Industrial - Transmission	0.476	0.415	-12.9%
Industrial - Backbone	0.476	0.236	-50.4%
Electric Generation - Distribution/Transmission	0.205	0.193	-5.9%
Electric Generation - Backbone	<u>0.205</u>	<u>0.045</u>	<u>-78.0%</u>
Noncore Transportation Average	0.367	0.303	-17.3%

Notes:

- a) Present 2004 rates are based on PG&E's 1999 General Rate Case (GRC) Decision 00-02-046, the Gas Accord II - 2004 Decision 03-12-061, the 2000 BCAP Decision 01-11-001 and 2004 True-Up Filings (Advice 2498-G, 2508-G, and 2514B-G) for the period beginning April 1, 2004. To isolate the rate change effects of the Gas Accord III rates addressed in this settlement, present rates and other proposed rate components not addressed in this case have been held consistent with the rates filed in the March 19, 2004 Application. The illustrative 2005 rates shown in this table are subject to change when consolidated with the effects of other rate filings including PG&E's Annual True-up of Balancing Accounts, 2003 GRC, Attrition, Core Monthly Pricing and 2005 Gas Public Purpose Program Surcharge.
- b) PG&E's bundled gas service is for core customers only. Intrastate backbone transmission and storage costs addressed in this proceeding, are included in end use rates paid by bundled core customers. Bundled service also includes a procurement cost for gas purchases, transportation on Canadian and Interstate pipelines, and core brokerage. An illustrative weighted average cost of gas (WACOG) of \$4.44 is assumed in all present and proposed bundled core rates. Core bundled rates also includes the cost of transportation and delivery of gas from the citygate to the customer's burner tip, including local transmission, distribution, customer access, public purpose, and customer class charges.
- c) PG&E's transportation-only gas service is for core and noncore customers. Transportation-only service begins at PG&E's citygate and includes the applicable costs of gas transportation and delivery on PG&E's local transmission, including distribution, customer access, public purpose programs and customer class charges. Transportation-only rates exclude backbone transmission and storage costs.
- d) Actual transportation rates will vary depending on the customer's load factor and seasonal usage. The rates shown here are averages for each class.
- e) Dollar difference are due to rounding.

Gas Accord III Settlement Agreement**Appendix B**

Table 2
2005 Rate Detail By End-Use Customer Class, Including Illustrative Components
(As Adjusted per Cost of Capital Decision in D.04-12-047)
(\$/dth)

	Core (a)			Noncore Transportation				
	Res	Small Comm	Large Comm	Industrial			Electric Gen	
				Dist	Trans	BB	D/T	BB
Transportation Charges:								
Local Transmission	0.341	0.341	0.341	0.147	0.147	0.000	0.147	0.000
Customer/ Customer Access Charge (b)	0.000	0.358	0.070	0.079	0.021	0.021	0.009	0.009
Gas Public Purpose Program Surcharge	0.302	0.266	0.669	0.192	0.180	0.180	0.000	0.000
CPUC FEE	0.008	0.008	0.008	0.008	0.008	0.008	0.007	0.007
Customer Class Charge	0.077	0.079	0.083	(0.004)	0.028	0.028	0.022	0.022
Distribution (c)	2.858	1.986	0.840	0.689	0.031	0.000	0.006	0.006
Total Transportation Rate	3.585	3.038	2.010	1.111	0.415	0.236	0.193	0.045

Procurement Charges for Core Bundled Customers:

Storage	0.138	0.131	0.096
Backbone Capacity	0.161	0.155	0.103
Backbone Usage	0.063	0.063	0.063
WACOG (d)	4.436	4.436	4.436
Interstate Capacity and Other	0.755	0.738	0.591
Total Core Procurement	5.554	5.524	5.289
Total Core Bundled Rates	9.139	8.562	7.299

Wholesale Transportation

	<u>Alpine</u>	<u>Coalina</u>	<u>Island Energy</u>	<u>Palo Alto</u>	<u>WCG Castle</u>	<u>WCG Mather</u>
Transportation Charges:						
Local Transmission	0.147	0.147	0.147	0.147	0.147	0.147
Customer/ Customer Access Charge (b)	0.089	0.081	0.280	0.017	0.291	0.090
Gas Public Purpose Program Surcharge	0.000	0.000	0.000	0.000	0.000	0.000
Customer Class Charge	0.022	0.022	0.022	0.022	0.022	0.022
Total Transportation Rate	0.259	0.251	0.450	0.187	0.461	0.260

Notes:

a) Table 2 presents the 2005 Gas Accord III rate components for local transmission, noncore customer access charges, bundled core storage and bundled core backbone transmission services. To isolate the rate change effects of the Gas Accord rates addressed in this settlement, other rate components not addressed in this proceeding including distribution, gas public purpose program, CPUC fee, customer class charge, and core customer charges have been held consistent with the rates filed in the March 19, 2004 Application. These other rate components are subject to change in 2005 when adjusted for the effects of other rate filings including PG&E's Annual True-up of Balancing Accounts, 2003 GRC, Attrition, Core Monthly Pricing and 2005 Gas Public Purpose Program Surcharge. Class average rates reflect load shape for bundled core.

b) Customer access and customer charges represent the class average volumetric equivalent of the monthly charge.

c) Distribution rates represent the annual class average.

d) Reflects the \$4.44/dth WACOG, adjusted for intrastate backbone usage charges.

e) Dollar difference are due to rounding.

Gas Accord III Settlement Agreement**Appendix B****Table 12
Customer Access Charges**

		(As Adjusted per Cost of Capital Decision 04-12-047)					
		<u>GA II</u> <u>2004</u>		<u>July 14, 2004</u> <u>Testimony</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>G-EG / G-NT (\$/month)</u>							
Transmission and Distribution (Therms/Month)							
Tier 1	0 to 5,000	\$30.12		\$ 65.05	\$ 59.21	\$ 60.63	\$ 61.85
Tier 2	5,001 to 10,000	\$237.27		\$ 192.34	\$ 176.36	\$ 180.62	\$ 184.23
Tier 3	10,001 to 50,000	\$900.15		\$ 354.60	\$ 328.25	\$ 336.17	\$ 342.89
Tier 4	50,001 to 200,000	\$2,372.80		\$ 464.85	\$ 430.79	\$ 441.18	\$ 450.01
Tier 5	200,001 to 1,000,000	\$3,397.26		\$ 671.72	\$ 625.04	\$ 640.12	\$ 652.92
Tier 6	1,000,001 and above	\$9,875.46		\$ 2,516.48	\$5,301.97	\$ 5,429.85	\$5,538.45
Tier 6	Usage Charge \$/dth	\$ -		\$ 0.006	\$ -	\$ -	\$ -
<u>Wholesale (\$/month)</u>							
	Alpine	\$524.45		\$ 331.56	\$ 319.05	\$ 326.74	\$ 333.28
	Coalinga	\$2,608.37		\$ 1,466.42	\$1,411.09	\$ 1,445.13	\$1,474.03
	Island Energy	\$1,421.98		\$ 993.56	\$ 956.07	\$ 979.13	\$ 998.71
	Palo Alto	\$11,144.58		\$ 4,889.36	\$4,704.88	\$ 4,818.36	\$4,914.73
	West Coast Gas - Castle	\$1,223.40		\$ 851.84	\$ 819.70	\$ 839.47	\$ 856.26
	West Coast Gas - Mather	\$1,894.90		\$ 778.46	\$ 749.09	\$ 767.15	\$ 782.50

Notes:

a) Dollar difference are due to rounding.

PACIFIC GAS AND ELECTRIC COMPANY
Workpapers Supporting Gas Accord III - Settlement Agreement
As Adjusted per Cost of Capital Decision In A. 04-05-023
PG&E Gas Transmission & Storage Rate Case (A. 04-03-021)

Customer Access Charge Tiering for Unified G-NTT and G-EG Structure

Line #		Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6	Tier 7	Tier 8	Tier 9	Tier 10	Tier 11	Tier 12	Tier 13	Tier 14	Tier 15	Tier 16	Tier 17	Tier 18	Tier 19	Tier 20	Tier 21	Tier 22	Tier 23	Tier 24	Tier 25	Tier 26	Tier 27	Tier 28	Tier 29	Tier 30	Tier 31	Tier 32	Tier 33	Comments						
1-a	Avg. # of Accts. Paying CAC per mo.	12.6	10.1	106.0	119.5	103.2	45.0																																		
1-b	Add: COG-D Accounts otherwise on Core tariffs	27.5	19.6	16.6	1.8	0.9																																			
1-c	Adjusted # of Accounts Including COG otherwise on Core	40.1	29.7	122.6	121.4	104.0	45.0																																		
2	Total Customer Access Charge 2005 RRG (\$ 000)																																								
3	LESS Total of Specific Allocations to Each Wholesale Customer (\$ 000)																																								
4	Net for Allocation Among G-NTT and G-EG Unified CAC Tiers (\$ 000)																																								
5	Multiply by 1000 to Convert to \$																																								
6	Net \$ for Allocation Among G-NTT/G-EG Unified CAC Tiers																																								
7	Filed Allocations for 2005																																								
8	SRM Capital	\$ 19.02	\$ 23.23	\$ 87.42	\$ 115.74	\$ 211.44	\$ 2,501.76	\$ 347.47																																	
9	O&M on Capital	\$ 4.52	\$ 5.53	\$ 20.80	\$ 27.53	\$ 50.30	\$ 595.16	\$ 82.66																																	
10	Customer Care O&M	\$ 8.11	\$ 56.74	\$ 81.01	\$ 107.31	\$ 129.37	\$ 669.71	\$ 148.15																																	
11	Phone Costs/Month/Account	\$ 12.60	\$ 12.60	\$ 12.60	\$ 12.60	\$ 12.60	\$ 12.60	\$ 12.60																																	
12	Subtotal	\$ 44.25	\$ 98.09	\$ 201.83	\$ 263.19	\$ 403.72	\$ 3,779.24	\$ 590.89																																	
13	Allocations Scaled to Settlement RRG for 2005																																								
14	SRM Capital	\$ 18.30	\$ 22.35	\$ 84.12	\$ 111.38	\$ 203.46	\$ 2,407.37	\$ 334.36																																	
15	O&M on Capital	\$ 4.35	\$ 5.32	\$ 20.01	\$ 26.50	\$ 48.40	\$ 572.71	\$ 79.54																																	
16	Customer Care O&M	\$ 7.80	\$ 54.60	\$ 77.95	\$ 103.26	\$ 124.49	\$ 644.45	\$ 142.56																																	
17	Phone Costs/Month/Account	\$ 12.13	\$ 12.13	\$ 12.13	\$ 12.13	\$ 12.13	\$ 12.13	\$ 12.13																																	
18	Subtotal	\$ 42.58	\$ 94.39	\$ 194.21	\$ 253.26	\$ 388.49	\$ 3,636.65	\$ 568.59																																	
19	Multiply by # of Billings per Year (Ln1-c * 12)	\$ 481.4	\$ 356.1	\$ 1,471.2	\$ 1,456.2	\$ 1,248.4	\$ 540.1	\$ 5,553.4																																	
20	Subtotal	\$ 20,500	\$ 33,610	\$ 285,727	\$ 368,811	\$ 484,980	\$ 1,964,008	\$ 3,157,635																																	
21	Total Allocation of O&M [(Ln13+Ln14)*Ln17]	\$ 5,851	\$ 21,333	\$ 144,127	\$ 186,957	\$ 215,838	\$ 657,335	\$ 1,233,441																																	
22	Resulting O&M Allocation Factor	0.474%	1.730%	11.685%	15.319%	17.499%	53.293%	100.000%																																	
23	Allocation of A&G and Billing O&M	\$ 8,005	\$ 29,188	\$ 197,196	\$ 258,532	\$ 295,312	\$ 899,372	\$ 1,687,604																																	
24	Total Allocation by Tier (Ln18+Ln21)	\$ 28,504	\$ 62,798	\$ 482,922	\$ 627,343	\$ 780,292	\$ 2,863,380	\$ 4,845,239																																	
25	2005 Monthly Charge By Tier (Ln22/Ln17)	\$ 59.21	\$ 176.36	\$ 328.25	\$ 430.79	\$ 625.04	\$ 5,301.97	\$ 872.48																																	
26	Check By Multiplying Avg. # of Accts. Per Mo. Per Tier	\$ 28,504	\$ 62,798	\$ 482,922	\$ 627,343	\$ 780,292	\$ 2,863,380	\$ 4,845,239																																	
27	2006 Customer Access Charge Revenue Requirement																																								
28	Ratio To 2005 CAC RRG																																								
29	2007 Customer Access Charge Revenue Requirement																																								
30	Ratio To 2006 CAC RRG																																								
31	2006 Customer Access Charges (\$/mo./acct.)	\$ 60.63	\$ 180.82	\$ 336.17	\$ 441.18	\$ 640.12	\$ 5,429.85	\$ 853.53																																	
32	2007 Customer Access Charges (\$/mo./acct.)	\$ 61.85	\$ 184.23	\$ 342.89	\$ 450.01	\$ 652.92	\$ 5,538.45	\$ 911.40																																	
33	Filed Customer Access Charge Revenue Requirement for 2005 (Errata Filing: \$000)																																								
34	Settlement Customer Access Charge RRG for 2005																																								
35	Scaling Factor																																								

**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool	DGS Natural Gas Services	Office of Energy Assessments
Accent Energy	DMM Customer Services	Palo Alto Muni Utilities
Aglet Consumer Alliance	Douglass & Liddell	PG&E National Energy Group
Agnews Developmental Center	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Ahmed, Ali	Duke Energy	PITCO
Alcantar & Elsesser	Duke Energy North America	Plurimi, Inc.
Anderson Donovan & Poole P.C.	Duncan, Virgil E.	PPL EnergyPlus, LLC
Applied Power Technologies	Dutcher, John	Praxair, Inc.
APS Energy Services Co Inc	Dynegy Inc.	Price, Roy
Arter & Hadden LLP	Ellison Schneider	Product Development Dept
Avista Corp	Energy Law Group LLP	R. M. Hairston & Company
Barkovich & Yap, Inc.	Energy Management Services, LLC	R. W. Beck & Associates
BART	Enron Energy Services	Recon Research
Bartle Wells Associates	Exelon Energy Ohio, Inc	Regional Cogeneration Service
Blue Ridge Gas	Exeter Associates	RMC Lonestar
Bohannon Development Co	Foster Farms	Sacramento Municipal Utility District
BP Energy Company	Foster, Wheeler, Martinez	SCD Energy Solutions
Braun & Associates	Franciscan Mobilehome	Seattle City Light
C & H Sugar Co.	Future Resources Associates, Inc	Sempra
CA Bldg Industry Association	G. A. Krause & Assoc	Sempra Energy
CA Cotton Ginners & Growers Assoc.	Gas Transmission Northwest Corporation	Sequoia Union HS Dist
CA League of Food Processors	GLJ Energy Publications	SESCO
CA Water Service Group	Goodin, MacBride, Squeri, Schlotz &	Sierra Pacific Power Company
California Energy Commission	Hanna & Morton	Silicon Valley Power
California Farm Bureau Federation	Heeg, Peggy A.	Simpson Paper Company
California Gas Acquisition Svcs	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
California ISO	Hogan Manufacturing, Inc	Southern California Edison
Calpine	House, Lon	SPURR
Calpine Corp	Imperial Irrigation District	St. Paul Assoc
Calpine Gilroy Cogen	Integrated Utility Consulting Group	Stanford University
Cambridge Energy Research Assoc	International Power Technology	Sutherland, Asbill & Brennan
Cameron McKenna	Interstate Gas Services, Inc.	Tabors Caramanis & Associates
Cardinal Cogen	J. R. Wood, Inc	Tansev and Associates
Cellnet Data Systems	JTM, Inc	Tecogen, Inc
Chevron USA Production Co.	Kaiser Cement Corp	TFS Energy
Childress, David A.	Korea Elec Power Corp	Transwestern Pipeline Co
City of Glendale	Luce, Forward, Hamilton & Scripps	Turlock Irrigation District
City of Healdsburg	Marcus, David	U S Borax, Inc
City of Palo Alto	Masonite Corporation	United Cogen Inc.
City of Redding	Matthew V. Brady & Associates	URM Groups
CLECA Law Office	Maynor, Donald H.	Utility Cost Management LLC
Constellation New Energy	McKenzie & Assoc	Utility Resource Network
Cooperative Community Energy	McKenzie & Associates	Wellhead Electric Company
CPUC	Meek, Daniel W.	Western Hub Properties, LLC
Creative Technology	Mirant California, LLC	White & Case
Cross Border Inc	Modesto Irrigation Dist	WMA
Crossborder Inc	Morrison & Foerster	
CSC Energy Services	Morse Richard Weisenmiller & Assoc.	
Davis, Wright Tremaine LLP	Navigant Consulting	
Davis, Wright, Tremaine, LLP	New United Motor Mfg, Inc	
Defense Fuel Support Center	Norris & Wong Associates	
Department of the Army	North Coast Solar Resources	
Department of Water & Power City	Northern California Power Agency	