

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



January 24, 2006

Advice Letter 2671-G-A

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

Subject: 2006 natural gas public purpose program surcharges

Dear Ms de la Torre:

Advice Letter 2671-G-A is effective January 1, 2006. A copy of the advice letter is returned herewith for your records.

Sincerely,

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

Sean H. Gallagher, Director  
Energy Division

RECEIVED  
REGULATORY RELATIONS DEPARTMENT

JAN 26 2006



**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  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177

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

October 31, 2005

**Advice 2671-G**  
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: 2006 Natural Gas Public Purpose Program Surcharges**

Pacific Gas and Electric Company (PG&E) hereby submits gas public purpose program (PPP) surcharge rates to be effective January 1, 2006. The updated rates are shown in Table I to this filing. PG&E will file tariffs including these changes in a separate advice filing prior to the end of December 2005.

**Purpose**

In accordance with Public Utilities (PU) Code Sections 890-900 and Gas PPP Surcharge Decision (D.) 04-08-010, PG&E is updating its natural gas PPP surcharge rates to fund authorized energy efficiency (EE), low-income energy efficiency (LIEE), and California Alternative Rates for Energy (CARE) programs, and public interest research, development and demonstration (RD&D) administered by the California Energy Commission (CEC). D.04-08-010 requires PG&E and other jurisdictional gas utilities to implement updated gas PPP surcharge rates each January 1 through an advice letter filed by October 31<sup>st</sup> of the preceding year. This filing incorporates ~~changes approved in Advice Letter (AL) 2440-G-C, pursuant to D.04-08-010, to track PPP gas surcharge funding for each program in individual balancing accounts.~~

The assumptions used to calculate the gas PPP surcharge rates filed in this advice letter are consistent with the assumptions that will be used to calculate rates for the Annual Gas True-up of Transportation Balancing Accounts (AGT) that PG&E will file by November 17, 2005. The gas PPP surcharges will be consolidated with other end of the year rate changes effective January 1, 2006.

**Background**

PU Code Section 890-900 implemented a gas PPP surcharge effective January 1, 2001, requiring funding for gas PPP to be separated from gas utilities' rates and recovered through a separate surcharge. The Commission initially established

gas PPP surcharges for PG&E and other utilities in Resolution G-3303, dated December 21, 2000. On August 19, 2004, the Commission issued D.04-08-010 in Rulemaking (R.) 02-10-001, which determined broad policy issues and a framework for determining and administering the gas PPP surcharge.

D.04-08-010 resolved gas PPP surcharge administration and implementation issues. That decision also initiated a statewide gas public interest RD&D program to be administered by the CEC and to be funded through the gas PPP surcharge beginning January 1, 2005.<sup>1</sup> PG&E filed AL 2440-G-B and AL 2574-G on September 20, 2004, to implement D.04-08-010.

In AL 2440-G-B, PG&E proposed three new balancing accounts to separately track PPP surcharge amounts for EE, LIEE, and public interest RD&D.<sup>2</sup> PG&E filed supplemental AL 2440-G-C on August 24, 2005, incorporating clarifying language resulting from discussions with Energy Division staff and updating the filed tariffs to reflect recently approved revisions from other proceedings. On September 27, 2005, the Energy Division approved AL 2440-G-C effective July 1, 2005. The balancing account balances incorporated in this filing reflect the implementation of AL 2440-G-C.

In AL 2574-G, PG&E filed tariff changes to implement the gas PPP surcharge as a separate line item on non-exempt customers' bills, and proposed continuing gas PPP surcharges in its calculation of franchise payments to cities and counties until required billing and reporting system changes necessary to remove gas PPP surcharge amounts from billed revenue are completed. Pursuant to Ordering Paragraphs 3 and 4 of D.04-08-101, these changes were implemented with PG&E's regular monthly gas price change occurring six months after the date of the decision, in March 2005.

Amounts collected through the gas PPP surcharge are remitted to the State Board of Equalization (BOE), and are ultimately returned back to utilities or the CEC to administer the public purpose programs.

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<sup>1</sup> D.04-08-010 adopted a first year cap of \$12 million beginning January 1, 2005. The initial cap can be increased by up to \$3 million annually pending identification and approval of additional RD&D projects, to a maximum cap of \$24 million after four years, including all necessary RD&D administrative costs. After four years, the Commission will assess the reasonableness of the funding level and the overall RD&D program. By August 31 of each year, the CEC provides a prioritized list of projects for the following year to be reviewed and approved by the Commission. The RD&D costs are allocated among utilities on the basis of throughput gas volumes. The Energy Division notifies each utility of its RD&D costs that are included in the October 31 gas PPP surcharge advice letters. (D.04-08-010 at mimeo pp. 35-36)

<sup>2</sup> CARE surcharge amounts are already tracked in a separate balancing account.

### Assumptions Incorporated into Rates

This advice letter updates PG&E's gas PPP surcharge rates based upon currently authorized public purpose program funding and amortization of forecasted end of year balances in the applicable PPP balancing accounts, as follows:

1. D.05-09-043, issued on September 22, 2005, authorized funding for three years totaling \$867,468,243,<sup>3</sup> plus carryover funds from prior program years, for PG&E's 2006-2008 EE programs, effective January 1, 2006. For 2006, the total annual authorized amount is \$244,653,750.<sup>4</sup> The allocation of this amount to PG&E's gas department is \$35,035,152.<sup>5</sup>
2. D.05-04-052, issued on April 21, 2005, continued the Commission's authorized total annual amount for LIEE of \$56,530,000 for PG&E. The decision also approved an allocation of program costs between electric and gas of 70/30 (electric/gas). Based on the current approved allocation, the 2006 annual LIEE program cost allocated to the gas department is \$16,959,000. On June 1, 2005, PG&E filed A.05-06-005, requesting approval of PG&E's 2006 LIEE program at the currently authorized funding level.
3. PG&E's portion for 2006 statewide public interest RD&D costs is \$6,385,217.<sup>6</sup> D.04-08-010 reduced PG&E's future funding responsibility for RD&D by the amounts previously collected from PG&E customers for gas public interest RD&D, but not spent. Of the \$5,519,408 previously collected, \$299,921 is currently held in the State Treasury.<sup>7</sup> Subtracting these remaining previously collected amounts from the 2006 total RD&D obligation yields the incremental funding requirement for 2006 RD&D. As a result, RD&D funding in the amount of \$6,085,296 is included in PG&E's 2006 gas PPP surcharge rates.

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<sup>3</sup> The total of \$867,468,243, which is currently being considered by the CPUC in A. 05-06-004 and is subject to change pending a final decision by the CPUC on this issue, does not include funding for evaluation, measurement and verification (EM&V).

<sup>4</sup> The \$244,653,750 does not include the EM&V budget (See D.05-09-043 Attachment 4, page 5).

<sup>5</sup> Conclusion of Law 4(a) of D. 05-09-043 states: "Incremental gas funding requirements shall be recovered through the gas public purpose surcharge rates effective January 1 of each program year. [PG&E] shall continue to make requests for cost recovery through their annual gas public purpose surcharge advice letter filings." The gas department allocation of \$35,035,152 is based upon adding the adopted incremental gas PPP funding of \$14,187,152 for EE in Table 4 of D. 05-09-043 to the 2005 authorized gas funding for EE of \$20,848,700).

<sup>6</sup> PG&E's allocation of 2006 RD&D costs were provided by the Energy Division in an e-mail dated September 21, 2005.

<sup>7</sup> The remainder of \$299,921 is calculated from the total previously collected RD&D funds of \$5,519,408 less PG&E's allocation of 2005 RD&D costs of \$5,219,487. PG&E did not include RD&D costs in its 2005 gas PPP surcharge rates.

4. PG&E has included in its 2006 gas PPP surcharge rates \$177,934 for State Board of Equalization (BOE) administrative costs. These costs were provided to PG&E by the Energy Division in accordance with D. 04-08-010.<sup>8</sup>
5. Ordering Paragraph 4 of D.05-04-052 authorized a total annual CARE administration amount of \$7,457,000 for PG&E. On June 1, 2005, PG&E filed A.05-06-005, which requested to continue the currently authorized annual CARE administration expenses of \$7,457,000 in 2006. The allocation of the amount to PG&E's gas department in 2006 is \$2,609,950 based on the 20% CARE discounts received in the prior year. The proposed 2006 gas PPP surcharge rates assume that this request is approved by the Commission prior to the end of the year. Pursuant to PG&E's adopted tariffs, actual CARE administrative costs are recovered through the PPP-CARE balancing account.
6. A projected CARE revenue shortfall of \$132,463,791 is included in the PPP-CARE portion of the gas PPP surcharge rates for 2006. This projected CARE revenue shortfall assumes the illustrative weighted average cost of gas (WACOG) of \$11.553 per decatherm (Dth).<sup>9</sup> The projected CARE revenue shortfall also reflects an estimate of CARE eligible customers and related information on enrollment benchmarks to be achieved in 2006. An estimated 16.4 percent of residential volume is expected to receive the CARE discount in 2006, compared to 14.1 percent for the last 12 recorded months ending with August 2005.<sup>10</sup>
7. PG&E's proposed 2006 gas PPP surcharge rates include amortization over a 12-month period of forecasted end of year balances in the PPP surcharge balancing accounts approved in AL 2440-G-C on September 27, 2005. The end of year forecasted balance in the PPP-EE account is an undercollection of

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<sup>8</sup> The amounts included in setting the 2006 rate component for RD&D are comprised of public interest R&D and the BOE administrative expenses. The annual 2006 BOE administrative fee amount was provided by the Energy Division in a September 21, 2005, e-mail.

<sup>9</sup> The illustrative WACOG of 11.553 per Dth is based upon the October 5, 2005, published New York Mercantile Exchange (NYMEX) January 2006 through December 2006 Natural Gas contract settlement prices adjusted to the citygate and weighted by PG&E's adopted monthly core procurement volumes. This forecast reflects the significant uncertainty in the gas market following the supply disruptions of Hurricanes Katrina and Rita. In December, PG&E intends to review its illustrative WACOG forecast and, if necessary, revise the WACOG used to forecast the CARE shortfall recovered in gas PPP surcharge rates. Any revision to the proposed rates filed herein will be filed in a supplemental gas PPP surcharge advice letter at the end of December for rates effective January 1, 2006.

<sup>10</sup> On October 7, 2005, PG&E filed Advice 2664-G/2720-E proposing the implementation of PG&E's 2005-2006 Winter CARE and Relief Program. That filing included proposals that would increase the number of customers that would be eligible to receive the CARE rate. In December 2005, PG&E intends to review its estimate of the number of CARE eligible customers and, if necessary, revise the assumption used to forecast the CARE shortfall recovered in gas PPP surcharge rates. Any revision to the proposed rates filed herein will be filed in a supplemental gas PPP surcharge advice letter at the end of December for rates effective January 1, 2006.

\$666,000. The end of year forecasted balance in the PPP-LIEE account is an undercollection of \$169,000. The forecasted end of year balance in the PPP-RDD account is an undercollection of \$40,000. The forecasted balance in the PPP-CARE account is an undercollection of \$7,392,000. The forecasted balances are based on recorded PPP activity through September 30, 2005, and forecasted activity through December 30, 2005.

8. PPP surcharge rates included in this filing do not include a factor for franchise fees and uncollectible accounts expense, in accordance with D.04-08-010.
9. Gas volumes used in deriving PPP surcharge rates were adopted in D. 05-06-029.<sup>11</sup> Volumes for customers that are exempt from the PPP surcharge based on Publication No. 11 issued by the BOE have been excluded from the 2006 surcharge rates. As required by D. 04-08-010, these customers will be excluded from future PPP surcharge rates. PG&E also has included a three-year average of interstate gas volumes of 1,052,460 therms, based upon information provided by the Energy Division on September 21, 2005, in accordance with D.04-08-010.
10. In accordance with D. 04-08-010 and clarification from the Energy Division, customers served from PG&E's natural gas vehicle Schedules G-NGV1, G-NGV2 and G-NGV4, and experimental liquefied natural gas Schedule G-LNG are subject to gas PPP surcharge. Therefore, these volumes are now included in the calculation of the gas PPP surcharge rates. The gas PPP surcharge applicable to these rate schedules are shown in Table 1.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **November 20, 2005**, 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:

CPUC Energy Division  
Attention: Tariff Unit, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)

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<sup>11</sup> D.04-08-010 requires gas volumes used in deriving PPP surcharge rates to be based on adopted BCAP estimates if less than three years old. If three years have passed since the BCAP period commenced, PPP surcharge rates are based on available billing data from the most recent 36 months.

October 31, 2005

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

Pursuant to D.04-08-010, PG&E requests that this advice filing become effective on **January 1, 2006**.

As noted above, updated rates are shown on Table I to this filing. These rate revisions and other tariff changes will be consolidated with other year-end gas rate changes effective on January 1, 2006. If necessary, PG&E will supplement this filing to revise its PPP surcharge rates to reflect any Commission decisions issued before the end of 2005 that impact the gas PPP surcharge rates filed herein.

### 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 to the service list for R. 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>

*Brian K. Cherry /sr*

Director - Regulatory Relations

Attachments

cc: Service List – R.02-10-001

**Table I**  
**2006 Natural Gas Public Purpose Program Surcharge Rates**  
**PG&E**  
**October 31, 2005**

Customer Class		¢/therm	¢/therm
		CARE	Non-CARE
<b>Core</b>	<b>Residential</b>	1.851	5.291
	<b>Small Commercial</b>	1.298	4.738
	<b>Large Commercial</b>	N/A	5.551
	<b>Natural Gas Vehicle (G-NGV1/G-NGV2)</b>	N/A	3.579
<b>Noncore</b>	<b>Industrial Distribution</b>	N/A	4.138
	<b>Industrial Transmission/Backbone</b>	N/A	3.891
	<b>Natural Gas Vehicle (G-NGV4)</b>	N/A	3.579
	<b>Liquefied Natural Gas</b>	N/A	3.579

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

**MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)**

Company name/CPUC Utility No. Pacific Gas and Electric Company U39G

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Sue Shaw

Phone #: (415) 973-7375

E-mail: sxs9@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2671-G

Subject of AL: Natural Gas Public Purpose Program Surcharge for 2006

Keywords (choose from CPUC listing): PUBLIC PURPOSE PROGRAM

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Decision 04-08-010

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Resolution Required?  Yes  No

Requested effective date: 01-01-06

No. of tariff sheets: None

Estimated system annual revenue effect (%): Total funding level: \$62.4 million, incremental funding: \$5.35 million.

Estimated system average rate effect (%): See Table 1 in Advice Letter

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting). See Table I in Advice Letter

Tariff schedules affected: Gas Residential, Commercial, Industrial, Natural Gas Vehicle, LNG

Service affected and changes proposed<sup>1</sup>: Proposed update to surcharge rates for 2006 Public Purpose Program for all gas customer classes

Pending advice letters that revise the same tariff sheets: \_\_\_\_\_

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Utility Info (including e-mail)

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

<sup>1</sup> Discuss in AL if more space is needed.

**PG&E Gas and Electric 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  
Anderson Donovan & Poole P.C.  
Applied Power Technologies  
APS Energy Services Co Inc  
Arter & Hadden LLP  
Avista Corp  
Barkovich & Yap, Inc.  
BART  
Bartle Wells Associates  
Blue Ridge Gas  
Bohannon Development Co  
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  
Cellnet Data Systems  
Chevron Texaco  
Chevron USA Production Co.  
Childress, David A.  
City of Glendale  
City of Healdsburg  
City of Palo Alto  
City of Redding  
CLECA Law Office  
Commerce Energy  
Constellation New Energy  
Cooperative Community Energy  
CPUC  
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  
Douglass & Liddell  
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  
Gas Transmission Northwest Corporation  
GLJ Energy Publications  
Goodin, MacBride, Squeri, Schlotz &  
Hanna & Morton  
Heeg, Peggy A.  
Hitachi Global Storage Technologies  
Hogan Manufacturing, Inc  
House, Lon  
Imperial Irrigation District  
Integrated Utility Consulting Group  
International Power Technology  
Interstate Gas Services, Inc.  
J. R. Wood, Inc.  
JTM, Inc  
Kaiser Cement Corp  
Luce, Forward, Hamilton & Scripps  
Manatt, Phelps & Phillips  
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  
North Coast Solar Resources  
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  
Praxair, Inc.  
Price, Roy  
Product Development Dept  
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  
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  
Transcanada  
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