

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



May 15, 2006

Advice Letter 2722-G

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

Subject: Allocation of Enron and Reliant Settlement Proceeds to Core Gas Customers

Dear Ms de la Torre:

Advice Letter 2722-G is effective May 11, 2006. A copy of the advice letter is sent herewith for your records.

Sincerely,

Sean H. Gallagher
Director
Energy Division

REGULATORY RELATIONS	
Tariffs Section	
M Brown	D Poster
R Dela Torre	S Ramaiya
B Lam	
MAY 19 2006	
_____	Records
Return to _____	File
cc to _____	



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
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Internet: BKC7@pge.com

April 11, 2006

ADVICE 2722-G

(Pacific Gas and Electric Company U 39G)

Subject: Allocation of Enron and Reliant Settlement Proceeds to Core Gas Customers

Public Utilities Commission of the State of California (CPUC)

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to its gas tariffs. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

This advice letter proposes a methodology to refund the gas portion of Enron and Reliant energy supplier refunds, claim offsets or other credits associated with gas market activities, amounting to an estimated total of \$54 million, to all core gas customers. Specifically, PG&E proposes to credit the gas portion of any net amounts received pursuant to the Enron and Reliant settlements to the Core Cost Subaccount of the Core Fixed Cost Account (CFCA). These amounts will then be returned to core customers, with interest, beginning January 1, of the year following the date the refund amounts are received by PG&E, as part of the Annual Gas True-up of Transportation Balancing Accounts (AGT).

Background

PG&E, the CPUC and certain other parties entered into separate settlement agreements¹ with the Enron Parties² and Reliant Energy, Inc³ resolving various

¹ The Enron Settlement was approved by FERC on November 15, 2005 (FERC Docket EI00-95, 113 FERC ¶ 61,171) and approved by the United States Bankruptcy Court Northern District of California on December 30, 2005. The Reliant Settlement was approved by FERC on December 22, 2005 ((FERC Docket EL00-95, 113 FERC ¶ 61,308)

² As that term is defined in the Enron Settlement. Other parties to the Enron Allocation Agreement include Southern California Edison Company; San Diego Gas & Electric Company; the People of the State of California, *ex rel.* Bill Lockyer, Attorney General; the California Department of Water Resources; the California Electricity Oversight Board; the State of Oregon, Department of Justice,

regulatory, bankruptcy, appellate and adversarial proceedings; litigation; and investigations regarding numerous issues and allegations arising from events in the California and western electricity and natural gas markets. The distribution among settling parties of funds and rights to funds made pursuant to the settlement agreements are governed by separate allocation agreements. In these allocation agreements, the settlement funds to be distributed to the settling parties associated with natural gas manipulation claims are referred to as "civil gas manipulation." Both the Enron and Reliant allocation agreements require PG&E to file a gas advice letter to the Commission proposing a refund allocation method for the gas customer share of the settlement funds allocated to PG&E for civil gas manipulation claims.

Enron Settlement

The California Litigation Escrow Allocation Agreement with Respect to the Enron Settlement (the "Enron Allocation Agreement") entered into by PG&E, the CPUC and certain other parties allocates 14 percent of PG&E's total Aggregated Allowed Claim to civil gas manipulation. PG&E expects to receive partial payouts on its share of the Allowed Claim funds in several payments during 2006, at which time PG&E will credit gas customers with the 14 percent share. PG&E currently estimates allocating a total of approximately \$14 million of the total funds received to PG&E's gas customers⁴. On February 1, 2006, PG&E received a partial payout of funds. Of the total amount received by PG&E, \$2,096,021, or 14%, will be credited to core gas customers upon approval of this advice letter.

Reliant Settlement

The California Litigation Escrow Allocation Agreement with Respect to Reliant Settlement (the "Reliant Allocation Agreement") entered into by PG&E, the CPUC and certain other parties allocates approximately \$40 million of the total amount to be distributed to PG&E pursuant to the Reliant settlement and allocation agreement to civil gas manipulation claims for the benefit of PG&E's gas customers. On March 8, 2006, PG&E received an initial distribution of settlement funds, of which \$30,534,095 is allocated to gas customers, as a result of the Reliant Settlement. PG&E expects to receive the remaining funds associated with

Office of the Attorney General, Hardy Myers, Attorney General; and the Washington State Office of the Attorney General, Rob McKenna, Attorney General.

³ Includes other Reliant entities. Other parties to the Reliant Allocation Agreement include Southern California Edison Company; San Diego Gas & Electric Company; the California Attorney General; the California Department of Water Resources; the California Electricity Oversight Board; the San Diego District Attorney's Office; and various local governmental parties and municipalities;

⁴ Pursuant to the Enron Allocation Agreement PG&E's received rights to \$345.9 million of the total Allowed Aggregated Claim. Of the \$345.9 million, \$48.5 was allocated to civil gas manipulation. However, due to the bankruptcy of Enron, PG&E will only receive a portion of its rights to the Allowed Aggregated Claim. Of the total amount estimated to be received, PG&E currently expects to allocate approximately \$14 million to civil gas manipulation.

civil gas manipulation in four installments of varying amounts, currently expected toward the end of 2006 and early part of 2007. Upon approval of this advice letter, PG&E will credit these proceeds to core gas customers.

Refund Allocation Method

Due to the variable amount and staggered timing that PG&E will receive funds under the Enron and Reliant settlements, PG&E proposes to refund the gas share of the Enron and Reliant Settlements to all core gas transportation customers through a balancing account adjustment. In order to provide the benefit to all core gas customers, PG&E proposes to record the core gas portion of Reliant and Enron Settlement payments to the Core Cost Subaccount of the CFCA. The amount recorded in 2006 will be returned to customers in the AGT beginning January 1, 2007.

Tariff Revisions

Gas Preliminary Statement Part F—*Core Fixed Cost Account, Core Cost Subaccount*, is revised to record both debit and credit amounts authorized by the CPUC to be recorded in this subaccount.

Effective Date

PG&E requests that this advice letter be effective and approved by **May 11, 2006**, which is the regular 30 days notice period from the date of this filing.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than 20 days after the date of this filing, which is **May 1, 2006**. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or

delivered to the Commission:

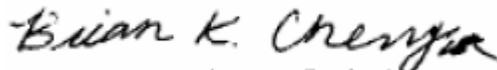
Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

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

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. 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>



Director, Regulatory Relations

Attachments

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: Shilpa Ramaiya

Phone #: (415) 973-3186

E-mail: srrd@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) #: **2722-G**

Subject of AL: Allocation of Enron and Reliant Settlement Refunds to Core Gas Customers

Keywords (choose from CPUC listing): Refunds, Core

AL filing type: Monthly Quarterly Annual One-Time Other _____

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

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: **5-11-2006**

No. of tariff sheets: 3

Estimated system annual revenue effect: (%): \$54 million credited to core customers (estimated)

Estimated system average rate effect (%): Unknown at this time

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).

Tariff schedules affected: Preliminary Statement Part F – Core Fixed Cost Account (CFCA)

Service affected and changes proposed¹: Refunds per Enron/Reliant settlement

Pending advice letters that revise the same tariff sheets: Advice 2673-G (Self-Generation Advice Letter)

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

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

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

Utility Info (including e-mail)

Attn: Brian K. Cherry

Director, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ Discuss in AL if more space is needed.

**ATTACHMENT 1
Advice 2722-G**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
23928-G	Preliminary Statement Part F--Core Fixed Cost Account	23596-G
23929-G	Table of Contents -- Preliminary Statements	23822-G
23930-G	Table of Contents -- Rate Schedules	23824-G



PRELIMINARY STATEMENT
(Continued)

F. CORE FIXED COST ACCOUNT (CFCA) (Cont'd.)

6. ACCOUNTING PROCEDURE: (Cont'd.)

b. Core Cost Subaccount (Cont'd.)

- 4) a debit entry equal to one-twelfth of the core portion of the authorized local transmission revenue requirement, excluding the allowance for F&U;
- 5) A debit or credit entry, as appropriate, to record the transfer of amounts from other accounts to this subaccount for recovery in rates, upon approval by the CPUC;
- 6) an entry equal to 70.03 percent of the local transmission revenue shortfall or over-recovery resulting from a change in customers qualifying for backbone-level end-use service, and associated throughput reduction or increase, as applicable;
- 7) a debit or credit entry equal to any amounts authorized by the CPUC to be recorded in this subaccount; and (T)
- 8) an entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.b.1 through F.6.b.7, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)

c. Winter Gas Savings Program Transportation Subaccount

The following entries will be made to this subaccount at the end of each month:

- 1) a debit or credit entry, as appropriate, to record the transfer of rebates and adjustments from other accounts to this subaccount for recovery in rates;
- 2) a credit entry equal to the revenue from the WGSP – Transportation rate component, excluding the allowance for F&U; and
- 3) an entry equal to interest on the average of the balance in the account at the beginning of the month and the balance in the account after entries F.6.c.1 through F.6.c.2, above, at a rate equal to one-twelfth the interest rate of the three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.



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Part C	Gas Accounting Terms and Definitions.....	23345,23674,23346,23511,23347,23260,23299,23300,23248,23561,23350,23351,23512-G
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Part I	Not Being Used	
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Part AA	Not Being Used	
Part AB	Not Being Used	
Part AC	Catastrophic Event Memorandum Account.....	14178,14179-G
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Part AE	Core Pipeline Demand Charge Account	23301-G
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Part AG	Core Firm Storage Account.....	23380-G
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**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

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