

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



September 7, 2006

Advice Letter 2748-G

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

Subject: Refund plan for wholesale customers for self generation incentive program costs

Dear Ms de la Torre:

Advice Letters 2748-G is effective September 1, 2006. 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**  
Vice President  
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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**August 1, 2006**

**Advice 2748-G**

(Pacific Gas and Electric Company ID U 39 G)

**Subject: Refund Plan for Wholesale Customers for Self Generation Incentive Program Costs**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) hereby submits, for California Public Utilities Commission (CPUC or Commission) approval, its proposed plan to refund Self Generation Incentive Program (SGIP) costs<sup>1</sup> paid by wholesale customers in gas rates between July 1, 2005, and June 30, 2006. The amount to be disbursed to gas wholesale customers is \$112,682, including estimated interest through August 31, 2006. PG&E will update the interest prior to refunding the customers.

**Purpose**

This proposed Wholesale Self Generation Incentive Program Refund Plan (Refund Plan) is filed in compliance with Commission Decision (D.) 06-05-019 and Energy Division instructions from approved Advice 2732-G, which requires PG&E to return, with interest, the amount collected from PG&E's wholesale gas customers for their allocated share of SGIP costs. The Refund Plan is described in Attachment I to this filing.

**Background**

The Commission ruled on PG&E's Biennial Cost Allocation Proceeding (BCAP), in which PG&E sought changes to rates, revenue allocations, and rate design for natural gas sales and services, in July 2005 through D.05-06-029. This decision, among other things, adopted an equal-cents-per-therm (ECPT) allocation of SGIP costs for wholesale as well as retail customers. Subsequently, the City of

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<sup>1</sup> These costs include the California Solar Initiative (CSI) costs included in the SGIP revenue requirement in 2006 per D.05-12-044 and D.06-01-024.

Palo Alto filed an Application for Rehearing of the BCAP decision arguing that wholesale customers should not pay a portion of the SGIP costs.

In D.06-05-019 released on May 15, 2006, the Commission modified PG&E's BCAP decision (D.05-06-029) to exempt wholesale customers from SGIP costs. In that decision, the Commission ordered, through Ordering Paragraph 5, PG&E to file an advice letter revising its tariffs to remove SGIP costs from the rates paid by wholesale customers and allocate these SGIP costs to retail gas customers on an ECPT basis. PG&E complied with the order through Advice 2732-G filed on June 1, 2006. The Commission approved Advice 2732-G effective July 1, 2006, and instructed PG&E to file a refund plan by advice letter no later than August 15, 2006.

### **Refund Amount Calculation**

The Refund Plan, shown as Attachment I, describes the methodology for determining the customer-specific refund, including interest, for PG&E's six wholesale gas customers.

### **Effective Date**

PG&E requests that this advice filing become effective on **September 1, 2006**. PG&E will complete the refund to its six eligible wholesale customers during the month of September, if so authorized by the Commission. In the event the Commission approves the Refund Plan after September 1, the Refund Plan will be implemented as soon as possible following Commission approval.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter by **August 21, 2006**, which is 20 days from the date of this filing. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. Protests should be mailed to:

IMC Branch Chief – Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
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)

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.

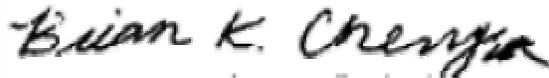
Pacific Gas and Electric Company  
Attention: Brian Cherry  
Vice President Regulatory Relations  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

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 and A.04-07-044 (BCAP Service List). Advice letter filings can also be accessed electronically at:

<http://www.pge.com/tariffs>

A handwritten signature in black ink that reads "Brian K. Cherry". The signature is written in a cursive style with a small dot above the letter 'i' in "Cherry".

Vice President, Regulatory Relations

Attachments

**PACIFIC GAS AND ELECTRIC COMPANY**

**WHOLESALE SELF GENERATION INCENTIVE PROGRAM REFUND PLAN**

**SEPTEMBER 2006**

1. PURPOSE

This refund plan complies with direction provided in the Commission's approval of PG&E's Advice 2732-G. In the advice letter approval, PG&E is directed to return, with interest, to wholesale gas customers all Self Generation Incentive Program (SGIP) costs<sup>1</sup> that have been collected from them in rates between July 1, 2005, and June 30, 2006.

In D.05-06-029, the Commission issued a ruling in PG&E's Biennial Cost Allocation Proceeding (BCAP) in which PG&E requested revisions to cost allocations and rates for natural gas sales and services, effective July 1, 2005. This decision adopted an equal-cents-per-therm (ECPT) allocation of SGIP costs to all of PG&E's gas customer classes including wholesale. Subsequently, the City of Palo Alto filed an Application for Rehearing of the BCAP decision arguing that wholesale customers should not bear any portion of the SGIP costs.

Consequently, the Commission issued D.06-05-019 on May 15, 2006, modifying D.05-06-029 to exempt wholesale customers from payment of SGIP costs. Ordering Paragraph 5 of the decision requires PG&E to file an advice letter revising its tariffs to remove SGIP costs from the rates paid by wholesale customers and allocate these SGIP costs to retail gas customers on an ECPT basis. Accordingly, PG&E filed Advice 2732-G to remove SGIP costs from its wholesale gas rates, effective July 1, 2006. In the Commission's approval of Advice 2732-G, PG&E was directed to file a refund plan no later than August 15, 2006.

2. INITIAL REFUND DATE

Refunds will be made to eligible wholesale gas customers beginning in September 2006. In the event the Commission does not approve the Refund Plan before September 1, 2006, the refund plan will be implemented as soon as possible following Commission approval of the Refund Plan.

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<sup>1</sup> These costs include the California Solar Initiative (CSI) costs included in the SGIP Revenue Requirement in 2006 per D.05-12-044 and D. 06-01-024.

3. TOTAL AMOUNT TO BE REFUNDED

The total amount to be refunded to PG&E's eligible customers, set forth in Table 1, below, includes interest calculated through July 31, 2006, and estimated through August 31, 2006. PG&E will update the interest amount prior to processing the refunds to reflect the actual interest rate for August 2006. In accordance with PG&E's approved tariffs, the monthly interest rate PG&E will apply to the refunds will equal one-twelfth of the three-month commercial paper interest rate as reported in the Federal Reserve statistical release.

4. CUSTOMER ELIGIBILITY

An eligible customer is a PG&E Wholesale customer, at the time the refund is issued, that was a PG&E Wholesale customer taking service on Schedule G-WSL during the period July 1, 2005, through June 30, 2006.

5. METHODOLOGY FOR DISTRIBUTION OF REFUNDS TO ELIGIBLE CUSTOMERS

Refunds will be made to PG&E's Wholesale gas customers based on the method outlined below:

- a) The refund amount due to each eligible customer is equal to the customer's gas usage billed for the period of July 1, 2005, through June 30, 2006, multiplied by the rate that recovered SGIP costs from the customer during that period (see Table 1), plus interest.
- b) PG&E will refund the amount due to each eligible customer through a one-time refund payment made by check.
- c) The utility users tax, if applicable will be refunded at the rate(s) in effect during the refund period.

6. ADJUSTMENTS OF REFUNDS UPON CUSTOMERS' INQUIRY

If any customer contends, within six months after the initial refund date of this Refund Plan, that the refund amount received by that customer is incorrect, PG&E will investigate and make any appropriate adjustments.

7. UNCASHED CHECKS

Any uncashed checks resulting from the Refund Plan will remain a liability of PG&E to the individual customer for one year after the date of the check. The claim of any person legally entitled to one of the uncashed checks (whether or not the check is returned to PG&E) will be honored. Where a check has been returned, PG&E will make every reasonable effort to locate the payee.

8. REFUND PLAN BALANCES

Prior to beginning the refund, PG&E will transfer the refund amount from the Noncore Subaccount of the Noncore Customer Class Charge Account (NCA), the account where the revenue to recover SGIP costs allocated to wholesale customers has been recorded, to a refund liability account. An adjustment will be made to the Core Cost Subaccount of the Core Fixed Cost Account (CFCA) to reflect the reallocation of the refund amount between core and noncore retail customers. After the refund is complete, PG&E will transfer any remaining balance in the refund liability account to the NCA, with a corresponding adjustment to the CFCA.

9. REPORT ON REFUND PLAN

A report of the total amount of refunds made eligible customers pursuant to this Refund Plan, including adjustments and corrections made pursuant to Section 6 of this Refund Plan, will be furnished to the Commission's Energy Division after completing the refund and no later than 14 months after the refunds are issued.

10. CUSTOMER COMMUNICATION

A letter explaining the refund will be included with the check sent to all eligible customers.

Table 1

**Refund Plan Amount**through June 30, 2006, plus interest estimated through August 31, 2006<sup>2</sup>

	Volumes	Rate	Refund	Interest through 8/31/06	Total Amt. Refunded
<b>West Coast Gas Castle, Inc.</b>					
Volumes: 7/1/05 -12/31/05	376,858	\$0.00207	\$780	\$5	\$785
Volumes: 1/1/06 - 3/31/06	426,882	\$0.00294	\$1,255	\$16	\$1,271
Volumes: 4/1/06 - 6/30/06	165,868	\$0.00500	\$829	\$57	\$886
	<u>969,608</u>		<u>\$2,864</u>	<u>\$78</u>	<u>\$2,942</u>
<b>City of Palo Alto</b>					
Volumes: 7/1/05 -12/31/05	14,014,594	\$0.00207	\$29,010	\$234	\$29,244
Volumes: 1/1/06 - 3/31/06	11,798,331	\$0.00294	\$34,687	\$521	\$35,208
Volumes: 4/1/06 - 6/30/06	6,442,046	\$0.00500	\$32,210	\$1,879	\$34,090
	<u>32,254,971</u>		<u>\$95,908</u>	<u>\$2,635</u>	<u>\$98,542</u>
<b>City of Coalinga</b>					
Volumes: 7/1/05 -12/31/05	823,947	\$0.00207	\$1,706	\$12	\$1,717
Volumes: 1/1/06 - 3/31/06	962,654	\$0.00294	\$2,830	\$35	\$2,865
Volumes: 4/1/06 - 6/30/06	355,599	\$0.00500	\$1,778	\$126	\$1,904
	<u>2,142,200</u>		<u>\$6,314</u>	<u>\$173</u>	<u>\$6,487</u>
<b>West Coast Gas-Mather, Inc</b>					
Volumes: 7/1/05 -12/31/05	280,314	\$0.00207	\$580	\$5	\$585
Volumes: 1/1/06 - 3/31/06	242,831	\$0.00294	\$714	\$11	\$724
Volumes: 4/1/06 - 6/30/06	130,015	\$0.00500	\$650	\$38	\$688
	<u>653,160</u>		<u>\$1,944</u>	<u>\$53</u>	<u>\$1,997</u>
<b>Alpine Natural Gas</b>					
Volumes: 7/1/05 -12/31/05	163,646	\$0.00207	\$339	\$2	\$341
Volumes: 1/1/06 - 3/31/06	205,343	\$0.00294	\$604	\$7	\$611
Volumes: 4/1/06 - 6/30/06	73,953	\$0.00500	\$370	\$26	\$396
	<u>442,942</u>		<u>\$1,312</u>	<u>\$36</u>	<u>\$1,348</u>
<b>Island Energy</b>					
Volumes: 7/1/05 -12/31/05	218,596	\$0.00207	\$452	\$3	\$455
Volumes: 1/1/06 - 3/31/06	167,008	\$0.00294	\$491	\$8	\$499
Volumes: 4/1/06 - 6/30/06	76,805	\$0.00500	\$384	\$26	\$411
	<u>462,409</u>		<u>\$1,328</u>	<u>\$37</u>	<u>\$1,365</u>
<b>Total Amount to Be Refunded:</b>			<b>\$109,670</b>	<b>\$3,012</b>	<b>\$112,682</b>

<sup>2</sup> PG&E will update the interest amount prior to processing the refunds to reflect the actual interest rate for August 2006.

# 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 (ID 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) #: **2748-G**

Subject of AL: Refund Plan for Wholesale Customers for Self Generation Incentive Program Costs

Keywords (choose from CPUC listing): **Refund, Compliance**

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: Energy Division Approval of Advice 2732-G

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>: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: 9/1/06

No. of tariff sheets: 0

Estimated system annual revenue effect: (%):N/A

Estimated system average rate effect (%):N/A

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: N/A

Service affected and changes proposed<sup>1</sup>:Compliance refund plan

Pending advice letters that revise the same tariff sheets: N/A

**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**

**Pacific Gas and Electric Company**  
**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**

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