

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 11, 2007

Advice Letter 2769-G

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

Subject: 2007 Natural Gas Public Purpose Program Surcharges

Dear Ms. de la Torre:

Advice Letter 2769-G is effective January 1, 2007. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
Tariffs Section	
M Brown	D Poster
R De la Torre	S Ramalya
B Lam	
JAN 16 2007	
_____	Records _____
Return to _____	File _____
cc to _____	



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
San Francisco, CA 94177

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

October 31, 2006

Advice 2769-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: 2007 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, 2007. The updated rates are shown in Table I to this filing. PG&E will file tariffs incorporating these changes in a separate advice filing prior to the end of December 2006.

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), California Alternate Rates for Energy (CARE) and public-interest Research, Development and Demonstration (RD&D) programs. Decision 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 of the preceding year.

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, 2006. Gas PPP surcharges will be consolidated with other end-of-the-year rate changes effective January 1, 2007, and based on the impact of the final revenue requirements being placed into rates on January 1, 2007.

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 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 California Energy Commission (CEC) and funded through the gas PPP surcharge beginning January 1, 2005.¹ Amounts collected through the gas PPP surcharge are remitted to the California Board of Equalization (BOE), and are ultimately returned to utilities or the CEC to administer the gas public purpose programs.

Assumptions Incorporated into Rates

This advice letter updates PG&E's gas PPP surcharge rates based upon currently-authorized PPP funding and amortization of forecasted end-of-year balances in the applicable PPP balancing accounts, as further explained below.

1. Below is a summary of the PG&E PPP gas funding requirements for 2007 as well as explanations of the authority for those requirements.

PPP Component	2007 PG&E Gas Funding Amounts
Energy Efficiency	\$42,486,065
Low-Income Energy Efficiency	\$23,359,149
California Alternate Rates for Energy	\$ 2,689,000
Research, Demonstration, & Develop.	\$ 7,725,443
BOE Administrative Costs	\$ 174,252

Energy Efficiency: Decision 05-09-043, issued September 22, 2005, authorized funding for three years totaling \$867,468,243, for PG&E's 2006-2008 EE programs, effective January 1, 2006. Decision 05-11-011, issued on November 18, 2005, authorized additional 2006-2008 PG&E EE funding totaling \$75,021,304 for Evaluation, Measurement, and Verification (EM&V).

¹ Decision 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).

Accordingly, for 2007, the total annual authorized amount is \$303,471,740.² The allocation of this amount to PG&E's gas department is \$42,486,065.³

Low Income Energy Efficiency: Decision 05-12-026, issued December 15, 2005, continued the Commission's authorized total annual amount for LIEE of \$56,530,000 for PG&E for 2006. Decision 06-08-025 augmented this budget by \$21,333,829, and authorized the use of carryover funds from 2005. On June 30, 2006, in compliance with D.05-11-010, PG&E filed A.06-06-034 proposing funding, among other things, for the 2007-2008 LIEE and CARE programs. In that application, as revised on September 12, 2006, PG&E proposed to maintain the same LIEE funding for 2007 totaling \$77,863,829. In A.06-06-034, PG&E proposed to use the same allocation of program costs between electric and gas of 70/30 (electric/gas) as that approved for LIEE in D.05-04-052 and D.05-12-026. Based on the current approved allocation, the 2007 annual LIEE program funding allocated to the gas department is \$23,359,149.⁴ PG&E expects that A.06-06-034 will be approved by the CPUC before the end of 2006; however, in the event that the funding level is revised, PG&E will make appropriate adjustments in an update to be filed by advice letter in December 2006.

California Alternative Rates for Energy: Decision 05-04-052 authorized a total annual CARE administration amount of \$7,457,000 for PG&E for 2006. In June 2006, PG&E filed A.06-06-034 (as noted above), which requested an increase of the currently authorized annual CARE administration expenses to \$7,682,000 in 2007. PG&E proposed to use the same allocation of CARE administrative costs between electric and gas of 65/35 (electric/gas) as that approved for CARE in D.05-12-026. Accordingly, the amount allocated to PG&E's gas department in 2007 is \$2,689,000. Pursuant to PG&E's adopted tariffs, actual CARE administrative costs are recovered through the PPP-CARE balancing account. PG&E expects that A.06-06-034 will be approved by the CPUC before the end of 2006; however, in the event that the funding level is revised, PG&E will make appropriate adjustments an update to be filed in December 2006.

² The \$303,471,740 amount includes \$279,428,777 for program funding (see D.05-09-043 Attachment 4, page 6) and \$24,042,963 for EM&V funding (see approved joint-IOU Advice 2683-G filed in compliance with D.05-11-011).

³ Ordering Paragraph 4(a) of D. 05-09-043 states: "Incremental natural gas funding requirements shall be recovered through the gas public purpose program 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 \$42,486,065 is based upon adding the adopted incremental gas PPP funding of \$21,637,365 for EE, as shown in revised Table 4 of D.05-09-043 presented in approved Advice 2683-G filed in compliance with D.05-11-011, to the authorized gas funding for EE of \$20,848,700 per D.04-12-019.

⁴ Gas funding amounts for LIEE/CARE can be found in revised Table 4-1 of A.06-06-034, filed on September 12, 2006.

Research, Demonstration, and Development: PG&E's portion for 2007 statewide public interest RD&D costs is \$7,725,443.24. These costs were provided in accordance with D.04-08-010.⁵

Board of Equalization Administrative Costs: PG&E has included in its 2007 gas PPP surcharge rates \$174,251.66 for BOE administrative costs. These costs were provided to PG&E by the Energy Division in accordance with D.04-08-010.⁶

- PG&E's proposed 2007 gas PPP surcharge rates include amortization over a 12-month period of forecasted end-of-year balances in the PPP surcharge balancing accounts. The forecasted balances are based on recorded PPP activity through September 30, 2006, and forecasted activity through December 31, 2006, and are shown in the table below (note: an overcollection is shown as a negative number; undercollection as a positive number):

Balancing Account	Forecast Balance (12/31/06)
PPP-EE Account	\$ 5,453,766
PPP-LIEE Account	\$ 2,941,050
PPP-CARE Account	(\$50,242,546)
PPP-RDD Account	\$ 877,383
Total PPP Balancing Account Balance	(\$40,970,347)

- A projected CARE revenue shortfall of \$97,420,723 is included in the PPP-CARE portion of the gas PPP surcharge rates for 2007. This projected CARE revenue shortfall assumes the illustrative weighted average cost of gas (WACOG) of \$7.6897 per decatherm (Dth).⁷ The projected CARE revenue shortfall also reflects an estimate of CARE eligible customers and related information on enrollment benchmarks to be achieved in 2007. PG&E estimates that the CARE discount in 2007 will apply to customer usage of 365 million therms as compared with 290 million therms during 2005 and 325 million therms during the 12 months ending in July 2006.
- 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.

⁵ See Footnote 1. PG&E's allocation of 2007 RD&D costs were provided by the Energy Division in an e-mail dated October 5, 2006.

⁶ The amounts included in setting the 2007 rate component for RD&D are comprised of public interest RD&D and the BOE administrative expenses. The annual 2007 BOE administrative fee amount was provided by the Energy Division in an e-mail dated October 5, 2006.

⁷ The illustrative WACOG of \$7.6897 per Dth is based upon the September 20, 2006, published New York Mercantile Exchange (NYMEX) January through December 2007 Natural Gas contract settlement prices adjusted to the Citygate and weighted by PG&E's adopted monthly core procurement volumes.

5. Gas volumes used in deriving PPP surcharge rates were adopted in D.05-06-029.⁸ Volumes for customers exempt from the PPP surcharge based on Publication No. 11 issued by the BOE have been excluded from 2007 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 1,616,613 therms, based upon information provided by the Energy Division on October 5, 2006, in accordance with D.04-08-010.

Effective Date

Pursuant to D.04-08-010, PG&E requests that this advice filing become effective on **January 1, 2007**.

As noted above, updated PPP 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, 2007. If necessary, PG&E will supplement this filing to revise its PPP surcharge rates to reflect any Commission decisions issued before the end of 2006 that impact the gas PPP surcharge rates filed herein.

Protests

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

Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjn@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.

⁸ 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.

Brian K. Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
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 and to the service list for R. 02-10-001. Workpapers, supporting 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 B10C, P.O. Box 770000, San Francisco, CA 94177 or email: PGETariffs@pge.com. 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>



Vice President - Regulatory Relations

Attachments

cc: Service List – R.02-10-001

Table I

2007 Natural Gas Public Purpose Program Surcharge Rates

PG&E

October 31, 2006

Customer Class		¢/therm	¢/therm
		CARE	Non-CARE
Core	Residential	2.655	3.863
	Small Commercial	1.680	2.888
	Large Commercial	2.979	4.187
	Natural Gas Vehicle (G-NGV1/G-NGV2)	N/A	1.404
Noncore	Industrial Distribution	N/A	2.183
	Industrial Transmission/Backbone	N/A	1.856
	Natural Gas Vehicle (G-NGV4)	N/A	1.404
	Liquefied Natural Gas	N/A	1.404

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 U39M

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Megan Hughes

Phone #: (415) 973-1877

E-mail: MEHr@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) #: **2769-G**

Subject of AL: 2007 Natural Gas Public Purpose Program Surcharges

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: D.04-08-010

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: **January 1, 2007**

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): Total funding level: \$76 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).

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

Service affected and changes proposed¹: See Advice Letter

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
inj@cpuc.ca.gov

Utility Info (including e-mail)
Attn: Brian K. Cherry
Vice President, 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.

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

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