

November 15, 2002

ADVICE 2421-G

(Pacific Gas and Electric Company ID U39G)

**Subject: Gas Transportation Rate Changes Effective January 1, 2003
(Annual True-Up, Cost of Capital, CARE Adjustments)**

Public Utilities Commission of the State of California

Purpose

The purpose of this filing is to submit proposed revisions to Pacific Gas and Electric Company's (PG&E) gas tariffs for Commission-approved changes effective January 1, 2003.¹ This filing updates core and noncore gas transportation rates and gas revenue requirements resulting from the Commission decisions described below. Rate changes resulting from these decisions are shown on Attachment I to this filing.

1. Annual True-up of Balancing Accounts (Annual True-up), in accordance with Decision (D.) 95-12-053 and gas Preliminary Statement Part C.11.b., allows PG&E to update the amortization components of the core and noncore transportation rates for all transportation-related balancing accounts at the end of the first year of the Biennial Cost Allocation Proceeding (BCAP), and every 12 months thereafter until a new BCAP decision is rendered. PG&E implemented the most recent BCAP January 1, 2002.²
2. PG&E's 2002 BCAP D. 01-11-001 dated November 8, 2001, authorized changes to core and noncore transportation rates in the second year of the BCAP to reflect additional residential and small commercial cost deaveraging and the removal of a one-year cost subsidy in Industrial Distribution Tier 2 rates.

¹ PG&E reserves all legal rights to challenge the decisions or statutes under which it has been required to make this advice filing, and nothing in this advice filing constitutes a waiver of such rights. Also, PG&E reserves any additional legal rights to challenge the requirement to make this advice filing by reason of its status as a debtor under Chapter 11 of the Bankruptcy Code, and nothing in this advice filing constitutes a waiver of such rights.

² Gas Preliminary Statement Part C.11.b provides that proposed True-up rates must be submitted to the Commission 45 days in advance of the effective date; thus, this initial advice filing shows proposed True-up and other rate changes authorized as of this date.

3. The 2002 California Alternate Rates for Energy (CARE) administration budget approved in D. 02-09-021, and an increase in the CARE subsidy based on a 63 percent end-of-year CARE penetration target adopted in D. 02-07-033.
4. PG&E's 2003 Cost of Capital D. 02-11-027, dated November 7, 2002, authorized an increase in PG&E's gas distribution revenue requirement of \$1.927 million.
5. PG&E's Gas Accord Extension D. 02-08-070, dated August 22, 2002, extends 2002 transmission rates, terms and services for one year through 2003 and storage rates, terms and services through March 31, 2004.

Core and noncore transportation rate changes shown on Attachment I may change depending on the outcome of several proceedings pending on the Commission agenda between now and the end of the year, including: 1) an anticipated increase in CPUC fees pursuant to Resolution (R.) M-4708; and 2) the Commission's expected ruling in R. G-3339 for the recovery of costs related to PG&E's subscription to El Paso Natural Gas Company pipeline capacity³, and existing pipeline capacity held by PG&E on Transwestern Pipeline. Final core transportation rate changes will be incorporated in the core procurement monthly procurement price advice filing effective January 1, 2003. Final noncore transportation rate changes will be filed in a separate advice filing for rates effective that same date.

1. Annual True-Up

PG&E proposes to incorporate the forecast December 2002 transportation balancing account balances in core and noncore transportation rates effective January 1, 2003. The increase to core rates is primarily caused by a \$44 million undercollection in the Core Fixed Cost Account (CFCA), up from a \$0.4 million overcollection in current rates.⁴ The increase to non-CARE core customers is additionally caused by a \$41.2 million allocation of CARE costs, up from a \$19.7 million in rates today. The increase to noncore industrial rates is primarily caused by a \$28.2 million allocation of CARE costs, up from \$13.1 million in rates today.

PG&E Gas Transmission Northwest Credit Subaccount

In the True-up, PG&E proposes to amortize the \$1.3 million undercollection in the PG&E GT-NW Credit subaccount of the Core Pipeline Demand Charge Account (CPDCA) in all core rates.

³ The El Paso Natural Gas Pipeline capacity was acquired in compliance with Rulemaking 02-06-041.

⁴ These amounts include the core portion of several other balancing account balances that are transferred to the CFCA for recovery from core customers.

On November 1, 2002, the FTS-1 rate PG&E pays for firm capacity on the PG&E Gas Transmission Northwest (PG&E GT-NW, formerly PGT) pipeline increased from a discounted (mitigated) rate to the full-as billed rate.⁵ In D. 97-05-093, the Commission adopted a mitigated rate credit for core transport customers and established a balancing account to track the mitigated rate credit paid to core transport customers and the actual credit received from PG&E GT-NW above the mitigated rate. The rate credit became effective November 1997.

Since March 1, 2000, the balance in the PG&E GT-NW Credit subaccount of the CPDCA has been amortized in core transport rates, offsetting the mitigated credit in those rates. Now that the mitigated rate has ended, PG&E proposes to remove the credit from core transport customer rates, transfer the October 31, 2002, \$1.3 million balance in the PG&E GT-NW Credit subaccount of the CPDCA to the CFCA to recover the remaining balance from all core customers, and terminate the PG&E GT-NW Credit subaccount.

Public Purpose Program Base Revenue

In the True-up, PG&E proposes to transfer a net overcollection of \$2 million from the CFCA and Industrial Distribution and Industrial Transmission subaccounts of the Noncore Customer Class Charge Account (NCA) to be recovered in the rate component that collects the authorized Energy Efficiency program revenue requirement.

The CFCA and the NCA recorded balances include the difference between the authorized energy efficiency program revenue requirement and the portion of the gas public purpose program (PPP) surcharge revenue collected through the DSM rate component in core and noncore industrial transportation rates. Rather than amortizing this portion of the CFCA and NCA balances in the CFCA and NCA rate components, respectively, PG&E proposes to amortize the PPP portion of the CFCA and NCA balance in the DSM rate component where it will be reflected in the gas PPP surcharge for 2003.⁶ This treatment of the PPP portion of the balances is consistent with Public Utilities (PU) Code Section 890, which implemented the gas PPP surcharge effective January 1, 2001.⁷

⁵ The mitigated rate was adopted through October 31, 2002, in the September 11, 1996, FERC order Approving Contested Settlement in FERC Docket Nos. RP94-145 (consolidated), and RP05-141 (not consolidated) (PGT Settlement).

⁶ The amount included in the gas PPP surcharge will be net of franchise fees and uncollectibles expense.

⁷ Implementation of PU Code Section 890 is the subject of Commission Rulemaking 02-10-001. As stated in its comments filed November 12, 2002, PG&E intends to file a separate advice letter to record the core and noncore portion of PPP revenue requirement and the PPP DSM revenue separate from the CFCA and NCA.

2. BCAP Second Year Rate Changes

PG&E's 2000 BCAP D. 01-11-001 dated November 8, 2001, authorized two changes to core and noncore transportation rates in the second year of the BCAP. First, the second tier distribution component of Industrial Distribution rates is revised to reflect the removal of \$0.002 per therm of an Industrial Distribution first tier subsidy.

Second, D. 01-11-001 authorized an additional ten percent deaveraging of costs collected in residential and small commercial rates in the second year of the BCAP. In addition to this ten percent deaveraging, the decision authorized up to 15 percent more deaveraging (for a year-two maximum of twenty-five percent) if the weighted average New York Mercantile Exchange (NYM) natural gas futures "Settle" prices for the second year of the BCAP fall below \$3.750 per Dth. For purposes of determining the level of any core deaveraging over ten percent, PG&E was to use the monthly NYM futures prices for the second year of the BCAP, as published in the Wall Street Journal on the last trading day of the month prior to the filing date for year-two BCAP rates. The NYM natural gas futures "Settle" prices for 2003 listed in the October 31, 2002, Wall Street Journal ranged from a low of \$3.990 to a high of \$4.457 per Dth. Consequently, second-year BCAP deaveraging is limited to ten percent.

3. California Alternate Rates for Energy Balancing Account (CAREA)

The rates shown on Attachment I to this advice letter reflect the program year 2002 CARE budget and year-end CARE penetration levels authorized by the Commission in D. 02-09-021 and D. 02-07-033, respectively. The stand-alone rate effects of these two decisions were shown in the illustrative rates filed by PG&E in Advice 2415-G on October 11, 2002. As a result of the two recent CARE decisions, the true-up of the CARE balancing account, and the update of the CARE shortfall in transportation rates, non-CARE core true-up rates include \$41.2 million in CARE costs, compared to \$19.7 million in current rates. Noncore industrial rates include \$28.2 million in CARE costs, compared to \$13.1 million in current rates.

4. Cost of Capital

The 2003 Cost of Capital (COC) D. 02-11-027 dated November 7, 2002, authorizes a gas distribution revenue increase of \$1.927 million. The COC revenue increase is reflected in the rates shown on Attachment I to this filing in accordance with Ordering Paragraph 2 of the decision.

5. Gas Accord Extension

PG&E's Gas Accord D. 02-08-070, dated August 22, 2002, extends 2002 Gas Accord transmission rates, terms and services for one year through 2003 and

storage rates, terms and services through March 31, 2004. This filing includes tariff changes to reflect the extension of 2002 rates, terms and services.⁸

Changes to Gas Preliminary Statements

This filing includes draft revisions to gas Preliminary Statement Part AE—*Core Pipeline Demand Charge Account* (CPDCA) to eliminate the PG&E GT-NW Credit subaccount, and Schedule G-CT— *Core Gas Aggregation Service*, to eliminate the PG&E GT-NW Credit. Schedule G-CT and Schedule G-CFS—*Core Firm Storage*, also are revised to indicate the extension of the Gas Accord rates to 2003. Final versions of these tariff revisions will be included in the advice filings described below.

Effective Date

In accordance with BCAP D. 01-11-001, PG&E requests that this filing be approved effective **January 1, 2003**. As mentioned above, the core and noncore transportation rate changes shown on Attachment I may change depending on the outcome of several proceedings pending on the Commission agenda between now and the end of 2002. Changes to core transportation rates resulting from the True-up revenue adjustments will be incorporated into the monthly core procurement price advice filing for rates effective **January 1, 2003**. Changes to noncore transportation rate changes will be included in a separate filing effective **January 1, 2003**.

Protests

Anyone wishing to protest this filing may do so by sending a letter by **December 5, 2002**, 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, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@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.00-08-070 provides that PG&E will not increase its 2002 Gas Accord rates for the 2003 extension period.

Pacific Gas and Electric Company
Attention: Les Guliasi
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 Section III, Paragraph G, of General Order 96-A, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the service lists below. Supporting workpapers (Attachments II and III) for this filing are available upon written request to: Pacific Gas and Electric Company, Rates Department, Attention: Rose Abao, 77 Beale Street, Mail Code B10B, P.O. Box 770000, San Francisco, CA 94177. Address changes should also be directed to Ms. Abao at (415) 973-2218. Advice letter filings can also be accessed electronically at:

http://www.pge.com/customer_services/business/tariffs/

Vice President - Regulatory Relations

Attachments

cc: Service Lists – BCAP A. 00-04-002
Cost of Capital A. 02-05-022
CARE A. 02-04-031, et seq.