

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 22, 2009

Advice Letter 3049-G

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

**Subject: Gas Rule 21 In-kind Shrinkage Allowance Adjustments for
Backbone Transmission and Distribution**

Dear Mr. Cherry:

Advice Letter 3049-G is effective November 1, 2009.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



September 25, 2009

Advice 3049-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Gas Rule 21 In-kind Shrinkage Allowance Adjustments for Backbone Transmission and Distribution

Pacific Gas and Electric Company (PG&E) hereby submits for filing revisions to the natural gas in-kind shrinkage allowances for backbone transmission and distribution service shown in PG&E's gas Rule 21—*Transportation of Natural Gas*. The affected tariff sheets are listed on the enclosed Attachment I.

Purpose

In-kind shrinkage allowances represent the unaccounted-for gas and the utility fuel use attributable to the volume of natural gas received by PG&E for transmission, distribution and storage service. In Decision (D.) 03-12-061, the Commission authorized the shrinkage allowances to be updated annually or as necessary at other times of the year to match the actual shrinkage experienced on PG&E's system. This is reflected in Gas Preliminary Statement Part C—*Gas Accounting Terms and Definitions*, Part C.12.c. and Gas Rule 21, which state that PG&E may adjust distribution, transmission and storage shrinkage annually through an advice letter compliance filing, or as necessary at other times of the year through a separate advice letter filing.

PG&E proposes to increase the existing backbone transmission shrinkage allowances by 0.1 percent and to decrease the distribution core shrinkage allowance by 0.3 percent, effective November 1, 2009. These revisions update the shrinkage allowances to reflect the current shrinkage forecast for 2010 and to recover a shrinkage undercollection from prior years.

Annual Shrinkage Forecast Update

The proposed shrinkage allowances are calculated using PG&E's latest forecast of shrinkage on its system and PG&E's 2010 customer demand forecast from its 2009 Biennial Cost Allocation Proceeding (BCAP) (Application 09-05-026),

submitted on May 29, 2009. The total shrinkage allowances and the individual components of the Shrinkage Base Allowances and Shrinkage Adjustment Allowances being proposed in this filing are shown in the following table:

Proposed Total In-kind Shrinkage Allowance

	Current Total Allowance	Proposed Base Allowance	Proposed Adjustment Allowance	Proposed Total Allowance	Proposed Total Change
Transmission – Redwood to Off- System	0.9%	1.0%	0.0%	1.0%	0.1%
Transmission – Mission to On/Off- System	0.0%	0.0%	0.0%	0.0%	--
Transmission – All other backbone paths	1.3%	1.3%	0.1%	1.4%	0.1%
Distribution – Noncore	0.2%	0.2%	0.0%	0.2%	--
Distribution – Core	3.3%	2.6%	0.4%	3.0%	-0.3%

The proposed Shrinkage Allowances are designed to recover PG&E's current shrinkage forecast for 2010 and eliminate an existing undercollection of the in-kind shrinkage volumes.¹ The proposed Shrinkage Allowances will replace the existing Shrinkage Allowances, as adopted in Advice Letter 2959-G.

The proposed shrinkage Adjustment Allowances are equal to the current adjustment allowances that were initially adopted in Advice Letter 2655-G, which has been in effect since March 1, 2006. In Advice Letter 2959-G, PG&E estimated the Adjustment Allowance would be required for approximately six years to eliminate the existing shrinkage undercollection. Since that filing, PG&E has undertaken a thorough review of the lost and unaccounted for (LUAF) calculation methodology and has identified action items that are expected to further reduce LUAF in the future. Among the most significant of these LUAF-reducing items is the Gas Register Constant Project² (GRCP), which was fully implemented in May 2009. As a result, PG&E now expects to recover the remaining shrinkage undercollection over the next three years, even with a proposed decrease to the

¹ PG&E's proposal to recover the existing undercollection through the shrinkage Adjustment Allowance is consistent with the methodology previously approved by the Commission in Advice 2365-G and Advice 2655-G. The Shrinkage Adjustment Allowance is designed to collect approximately 2000 MDth per year. The current in-kind shrinkage undercollection is -5830 MDth.

² The GRCP more accurately calculates metered gas volume by incorporating the actual elevation of each customer meter.

distribution core shrinkage rate. However, the actual time required to recover this undercollection will depend on future system throughput. PG&E will continue to monitor the undercollection and will adjust the shrinkage allowances through advice letter filings in the future, as necessary.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule. Workpapers supporting the proposed changes are included in Attachment 2 to this filing.

Tariff Revisions

The revised backbone transmission shrinkage allowance percentages are reflected in Gas Rule 21 Section B.1.a. The revised distribution shrinkage allowance percentages are reflected in Gas Rule 21 B.1.b.

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 **October 15, 2009**, which is 20 days from the date of this filing. Protests should be mailed to:

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

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

Copies 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:

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

Effective Date

In order to provide gas transportation customers notice of the shrinkage change, PG&E requests notice of this advice letter approval by October 23, 2009, and that the tariffs be approved effective November 1, 2009. Upon advice letter approval, PG&E will inform gas transportation customers of the new shrinkage allowance on its Pipe Ranger Web site: <http://www.pge.com/pipeline/>

Notice

In accordance with General Order 96-B, Section IV, 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 list for A.09-05-026. Address changes should be directed to San Heng at (415) 973-2640. Advice letter filings can also be accessed electronically at:

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



Vice President – Regulatory Relations

Attachments:

cc: Service List A.09-05-026

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 U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Megan Lawson

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) #: 3049-G

Tier: 2

Subject of AL: Gas Rule 21 In-kind Shrinkage Allowance Adjustments for Backbone Transmission and Distribution

Keywords (choose from CPUC listing):

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: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: November 1, 2009

No. of tariff sheets: 4

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: Gas Rule 21

Service affected and changes proposed:

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

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

**ATTACHMENT 1
Advice 3049-G**

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
27840-G	GAS RULE NO. 21 TRANSPORTATION OF NATURAL GAS Sheet 2	27240-G
27841-G	GAS RULE NO. 21 TRANSPORTATION OF NATURAL GAS Sheet 3	27241-G
27842-G	GAS TABLE OF CONTENTS Sheet 1	27836-G
27843-G	GAS TABLE OF CONTENTS Sheet 6	27625-G



GAS RULE NO. 21
 TRANSPORTATION OF NATURAL GAS

Sheet 2

B. QUANTITIES OF GAS (Cont'd.)

1. IN-KIND SHRINKAGE ALLOWANCE (Cont'd.)

a. Backbone Transmission Shrinkage

A Customer transporting gas over PG&E's Backbone Transmission System shall deliver each day at the Receipt Point to PG&E an additional in-kind quantity of natural gas supply equal to a percent of total volume of natural gas to be delivered at the Receipt Point. Thus, the quantity to be nominated at the Receipt Point equals the quantity desired at the Delivery Point divided by (1 - x) where x is the decimal equivalent of the Backbone Transmission System In-Kind Shrinkage Allowance percentage, based on the transmission path utilized as follows:

Path	Percentage of In-Kind Shrinkage Base Allowance	Percentage of In-Kind Shrinkage Adjustment	Percentage of Effective In-Kind Shrinkage Allowance
Redwood to Off-System	1.0 (I)	—	1.0 (I)
Mission to On-System	0	—	0
Mission to Off-System	0	—	0
All other transmission	1.3 (I)	0.1	1.4 (I)

Provided, however, that PG&E and the Customer shall not be prohibited under this Rule, where shrinkage requirements support a different shrinkage allowance, from mutually agreeing to a different shrinkage allowance for transportation over PG&E's Backbone Transmission System.

(Continued)



GAS RULE NO. 21
 TRANSPORTATION OF NATURAL GAS

Sheet 3

B. QUANTITIES OF GAS (Cont'd.)

1. IN-KIND SHRINKAGE ALLOWANCE (Cont'd.)

b. Distribution Shrinkage

For transportation on PG&E's Distribution System, an additional In-Kind Shrinkage Allowance shall apply, which is separate from backbone transmission and storage shrinkage. The Customer shall deliver each day to PG&E at the Citygate an additional in-kind quantity of natural gas supply equal to a percent of the total volume of natural gas flowing through the End-Use Customer's meter. Thus, the quantity to be nominated at the Citygate equals the quantity to be flowed through the meter multiplied by $(1 + y)$ where y is the decimal equivalent of the Distribution System In-Kind Shrinkage Allowance percentage, as follows:

End-Use Customer	Percentage of In-Kind Shrinkage Base Allowance	Percentage of In-Kind Shrinkage Adjustment	Percentage of Effective In-Kind Shrinkage Allowance
Core	2.6 (R)	0.4	3.0 (R)
Noncore Distribution	0.2	0	0.2
Noncore Transmission*	-	-	-

As an example, for a Core End-Use Customer being served via the Redwood Path, the amount to be nominated at Malin is calculated as:

$$\text{Receipt Point Quantity} = \text{Est. Metered Usage} \times (1 + y) / (1 - x)$$

Where: x = decimal equivalent of the Backbone Shrinkage percentage, and

y = decimal equivalent of the Distribution Shrinkage percentage

* Noncore Transmission Level End-Use Customers or Agents require no Distribution System In-Kind Shrinkage Allowance.

(Continued)



GAS TABLE OF CONTENTS

Sheet 1

TITLE OF SHEET	CAL P.U.C. SHEET NO.	
Title Page	27842-G	(T)
Rate Schedules	27837,27838-G	
Preliminary Statements	27839,27421-G	
Rules	27843-G	(T)
Maps, Contracts and Deviations	23208-G	
Sample Forms	27715,27626,27262,27113,25059-G	

(Continued)



GAS TABLE OF CONTENTS

Sheet 6

RULE	TITLE OF SHEET	CAL P.U.C. SHEET NO.
Rules		
Rule 01	Definitions.....	22922,26782,25123,18197,26823,26824,24120,18200, 22924,18202,21978,18204-18205,21979,24126,19429-G
Rule 02	Description of Service.....	23062-23066,26825-G
Rule 03	Application for Service.....	27248,27249-G
Rule 04	Contracts.....	17051-G
Rule 05	Special Information Required on Forms.....	17641,13348-13349-G
Rule 06	Establishment and Reestablishment of Credit.....	22126-22127,18873-G
Rule 07	Deposits.....	18212,27250-G
Rule 08	Notices.....	21928,17580,21929,17581,15728-G
Rule 09	Rendering and Payment of Bills.....	24128-24129,27164,23518,24856, 27345,27346-G
Rule 10	Disputed Bills.....	18214-18216-G
Rule 11	Discontinuance and Restoration of Service.....	18217-18220,27251,23520, 18223-18227,27252,24860,19710-G
Rule 12	Rates and Optional Rates.....	18229,27253,24132,21981-21982,24474-G
Rule 13	Temporary Service.....	22832-G
Rule 14	Capacity Allocation and Constraint of Natural Gas Service.....	18231-18235,22327, 22328-22330,18239,22249,22073,22639,22075-22077,18244,22078-22079,24475,22081-G
Rule 15	Gas Main Extensions.....	21543,18802-18803,27503,20350-20352,26827,21544, 21545,22376,22377-22379,26828,26829,18814-G
Rule 16	Gas Service Extensions.....	21546,18816,17728,17161,18817-18825,17737, 18826,18827-G
Rule 17	Meter Tests and Adjustment of Bills for Meter Error.....	14450-14452,24133,14454, 14455,14456-G
Rule 17.1	Adjustment of Bills for Billing Error.....	22936,14458-G
Rule 17.2	Adjustment of Bills for Unauthorized Use.....	22937,14460,14461-G
Rule 18	Supply to Separate Premises and Submetering of Gas.....	22790,17796,13401-G
Rule 19	Medical Baseline Quantities.....	21119,21120,21121-G
Rule 19.1	California Alternate Rates for Energy for Individual Customers and Submetered Tenants of Master-Metered Customers.....	24135,27598,23522,27254-G
Rule 19.2	California Alternate Rates for Energy for Nonprofit Group-Living Facilities	24609,27599,17035,17134,27255-G
Rule 19.3	California Alternate Rates for Energy for Qualified Agricultural Employee Housing Facilities	24138,27600,23445,27256-G
Rule 21	Transportation of Natural Gas.....	27591,27840,27841,23786,23194,23195,21845,23196- 23199,22086,22087,24444,24445,22735,22736,22737-G (T)
Rule 21.1	Use of Pacific Gas and Electric Company's Firm Interstate Rights	20461,18260,18261-G
Rule 23	Gas Aggregation Service for Core Transport Customers.....	24476,18263,26664,18265, 26665-26666,24825-24830,26667,24832-24833,24849,21750-21751,18272-G
Rule 25	Gas Services-Customer Creditworthiness and Payment Terms.....	27747-27755-G
Rule 26	Standards of Conduct and Procedures Related to Transactions with Intracompany Departments, Reports of Negotiated Transactions, and Complaint Procedures	18284,18285,18633,20462-G

(Continued)

Advice Letter 3049-G

Attachment 2

Workpapers

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Day Carter Murphy	Norris & Wong Associates
Alcantar & Kahl	Defense Energy Support Center	North Coast SolarResources
Ameresco	Department of Water Resources	Occidental Energy Marketing, Inc.
Anderson & Poole	Department of the Army	OnGrid Solar
Arizona Public Service Company	Dept of General Services	Praxair
BART	Division of Business Advisory Services	R. W. Beck & Associates
BP Energy Company	Douglas & Liddell	RCS, Inc.
Barkovich & Yap, Inc.	Douglass & Liddell	Recon Research
Bartle Wells Associates	Downey & Brand	SCD Energy Solutions
C & H Sugar Co.	Duke Energy	SCE
CA Bldg Industry Association	Dutcher, John	SMUD
CAISO	Ellison Schneider & Harris LLP	SPURR
CLECA Law Office	FPL Energy Project Management, Inc.	Santa Fe Jets
CSC Energy Services	Foster Farms	Seattle City Light
California Cotton Ginners & Growers Assn	G. A. Krause & Assoc.	Sempra Utilities
California Energy Commission	GLJ Publications	Sierra Pacific Power Company
California League of Food Processors	Goodin, MacBride, Squeri, Schlotz & Ritchie	Silicon Valley Power
California Public Utilities Commission	Green Power Institute	Southern California Edison Company
Calpine	Hanna & Morton	Sunshine Design
Cameron McKenna	International Power Technology	Sutherland, Asbill & Brennan
Casner, Steve	Intestate Gas Services, Inc.	Tabors Caramanis & Associates
Chamberlain, Eric	Los Angeles Dept of Water & Power	Tecogen, Inc.
Chevron Company	Luce, Forward, Hamilton & Scripps LLP	Tiger Natural Gas, Inc.
Chris, King	MBMC, Inc.	Tioga Energy
City of Glendale	MRW & Associates	TransCanada
City of Palo Alto	Manatt Phelps Phillips	Turlock Irrigation District
Clean Energy Fuels	Matthew V. Brady & Associates	U S Borax, Inc.
Coast Economic Consulting	McKenzie & Associates	United Cogen
Commerce Energy	Merced Irrigation District	Utility Cost Management
Commercial Energy	Mirant	Utility Specialists
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
	New United Motor Mfg., Inc.	eMeter Corporation