

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



November 25, 2013

**Advice Letter 3393-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: Approval of Revision to Gas Preliminary Statement Part CM, Gas  
Operational Cost Balancing Account**

Dear Mr. Cherry,

Advice Letter 3393-G is rejected without prejudice, per Energy Division Disposition issued on November 18, 2013.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director  
Energy Division

June 27, 2013

**Advice 3393-G**  
(Pacific Gas and Electric Company ID U39 G)

Public Utilities Commission of the State of California

**Subject: Approval of Revision to Gas Preliminary Statement Part CM, Gas Operational Cost Balancing Account****I. Purpose**

The purpose this advice letter is to obtain California Public Utilities Commission (“CPUC” or “Commission”) approval to establish a memorandum account for tracking certain compliance costs associated with Assembly Bill (“AB”) 32.

AB 32 requires PG&E to procure AB 32 greenhouse gas (“GHG”) Compliance Instruments<sup>1</sup> beginning January 1, 2013 to meet GHG reduction goals promulgated by the California Air Resources Board (“CARB”). CARB has adopted a Cap-and-Trade regulation that took effect on January 1, 2013. Operators of any facility that annually emits at least 25,000 metric tons (“MT”) of carbon dioxide equivalent (“CO<sub>2</sub>e”) are covered by the Cap-and-Trade regulation and must procure GHG Compliance Instruments for any such facility. The memorandum account requested herein pertains to PG&E’s natural gas pipeline system facilities that combust fuel in order to operate the system. Such facilities include compressor stations and storage facilities, each of which may have compressors, dehydrators, and other equipment that burns fossil fuel within the fence line of the facility.

Decision (“D”) 13-03-017 authorized PG&E to recover GHG compliance costs associated with six specified natural gas compressor stations. However, PG&E owns other gas facilities that have the potential for annual emissions above the 25,000 MT of CO<sub>2</sub>e Cap-and-Trade allowance threshold. Since potential compliance costs associated with these other facilities are mandatory but not included under D.13-03-017, PG&E requests permission to revise its Gas Preliminary Statement CM, Gas Operational Cost Balancing Account (“GOBA”) to include a memorandum subaccount to track potential compliance costs from PG&E’s gas facilities that are not covered by D.13-03-017. The disposition of the balance in the Gas Facility GHG Cost Memorandum

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<sup>1</sup> Compliance instruments a/k/a allowances, are part of the Compliance Instrument Tracking System Service (CITSS) promulgated by California Air Resources Board (CARB). CITSS is a market tracking system that will support the implementation of GHG cap-and-trade programs for California and other jurisdictions. The CITSS provides accounts for market participants to hold and retire compliance instruments and to participate in transactions of compliance instruments with other account holders.  
[www.arb.ca.gov/cc/capandtrade/markettrackingsystem](http://www.arb.ca.gov/cc/capandtrade/markettrackingsystem)

Subaccount shall be addressed in PG&E's next Gas Transmission and Storage Rate proceedings. A copy of the revised Gas Preliminary Statement CM is attached to this advice letter.

## **II. Background**

D.13-03-017 approved PG&E's Application ("A.")12-06-010 on March 21, 2013, granting PG&E authority to recover in rates the reasonable level of revenue requirements necessary for PG&E to recover the AB 32 compliance costs relating to the six of PG&E's natural gas compressor stations specified in A.12-06-010.

Since PG&E filed A.12-06-010 on June 18, 2012, it has learned that other PG&E gas facilities have the potential to reach emission levels in excess of the 25,000 MT of CO<sub>2</sub>e that trigger PG&E's compliance obligation with CARB's Cap-and-Trade regulation.

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than July 17, 2013, which is 20 days after the date of this filing. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **III. Effective Date**

PG&E requests that this Tier 2 advice filing become effective on regular notice, July 27, 2013, which is 30 days after the date of filing.

### **IV. 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.12-06-010. Address changes to the General Order 96-B list and electronic approvals should be directed to [PGETariffs@pge.com](mailto:PGETariffs@pge.com). For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov). Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>.



Vice President – Regulatory Relations

cc: Service List A.12-06-010

Attachment

# 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 G)**

Utility type:

ELC       GAS  
 PLC       HEAT       WATER

Contact Person: Kimberly Chang

Phone #: (415) 972-5472

E-mail: kwcc@pge.com and PGETariffs@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) #: **3393-G**

Tier: **2**

Subject of AL: **Approval of Revision to Gas Preliminary Statement Part CM, Gas Operational Cost Balancing Account**

Keywords (choose from CPUC listing): Compliance, Balancing Account

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:

Confidential information will be made available to those who have executed a nondisclosure agreement:  Yes  No

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: **July 27, 2013**

No. of tariff sheets: 6

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 Preliminary Statement Part CM

Service affected and changes proposed: Add GAS FACILITY GHG COST MEMORANDUM SUBACCOUNT

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

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:

**California Public Utilities Commission**  
**Energy Division**  
**EDTariffUnit**  
**505 Van Ness Ave., 4<sup>th</sup> Flr.**  
**San Francisco, CA 94102**  
**E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)**

**Pacific Gas and Electric Company**  
**Attn: Brian Cherry**  
**Vice President, Regulatory Relations**  
**77 Beale Street, Mail Code B10C**  
**P.O. Box 770000**  
**San Francisco, CA 94177**  
**E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)**

**ATTACHMENT 1  
Advice 3393-G**

**Cal P.U.C.  
Sheet No.**

**Title of Sheet**

**Cancelling Cal  
P.U.C. Sheet No.**

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30547-G	GAS PRELIMINARY STATEMENT PART CM GAS OPERATIONAL COST BALANCING ACCOUNT Sheet 1	30384-G
30548-G	GAS PRELIMINARY STATEMENT PART CM GAS OPERATIONAL COST BALANCING ACCOUNT Sheet 2	30385-G
30549-G	GAS PRELIMINARY STATEMENT PART CM GAS OPERATIONAL COST BALANCING ACCOUNT Sheet 3	
30550-G	GAS PRELIMINARY STATEMENT PART CM GAS OPERATIONAL COST BALANCING ACCOUNT Sheet 4	
30551-G	GAS TABLE OF CONTENTS Sheet 1	30516-G
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**GAS PRELIMINARY STATEMENT PART CM**  
**GAS OPERATIONAL COST BALANCING ACCOUNT**

Sheet 1

CM. Gas Operational Cost Balancing Account (GOBA)

1. **PURPOSE:** The purpose of the Gas Operational Cost subaccount is to record the difference between PG&E's authorized and actual cost associated with the cost of electricity used to provide gas transmission and storage services to its customers in compliance with Decision (D.)11-04-031 and Greenhouse Gas (GHG) cost associated with PG&E's gas compressor stations specified in D.13-03-017, as well as track the GHG cost associated with any PG&E gas facility that is not included in D.13-03-017. (T)  
|  
|  
(T)
  
2. **APPLICABILITY:** The GOBA shall apply to all customer classes, except for those specifically excluded by the Commission.
  
3. **REVISION DATES:** Disposition of the balances in the Electricity Cost Subaccount and Compressor Station GHG Cost subaccount shall be through the Customer Class Charge in the Annual Gas True-up (AGT) advice letter process. Disposition of the balance in the Gas Facility GHG Memorandum Subaccount shall be determined by the Commission in PG&E's Gas Transmission and Storage Rate proceedings. (T)  
(T)  
(T)  
|  
(T)
  
4. **RATES:** The GOBA does not have a separate rate component.
  
5. **ACCOUNTING PROCEDURE:** The GOBA consists of the following three subaccounts: (T)
 

**ELECTRICITY COST SUBACCOUNT:** The purpose of this subaccount is to record the difference between the cost of electricity used to provide gas transmission and storage services adopted in PG&E's Gas Accord V Settlement Agreement, and PG&E's recorded cost of electricity used to provide gas transmission and storage services. This subaccount is created in compliance with Decision (D.) 11-04-031, and records the differences between adopted revenue requirements and recorded expenses beginning January 1, 2011 and ending December 31, 2014.

**COMPRESSOR STATION GREEN HOUSE GAS (GHG) COST SUBACCOUNT:** The purpose of this subaccount is to record the difference between the Commission-adopted forecast and PG&E's actual GHG cost associated with its gas compressor stations, as authorized in D.13-03-017.

**GAS FACILITY GHG COST MEMORANDUM SUBACCOUNT:** (N)  
 The purpose of this subaccount is to record PG&E's actual GHG cost associated with its gas facilities that are not included D.13-03-017. (N)

(Continued)





**GAS PRELIMINARY STATEMENT PART CM**  
**GAS OPERATIONAL COST BALANCING ACCOUNT**

Sheet 3 (N)  
 (N)

CM. Gas Operational Cost Balancing Account (GOBA) (Cont'd.) (N)

II. Compressor Station GHG Cost Subaccount (L)

The following entries shall be made to the account, each month, as applicable:

- a. A credit entry each month equal to one-twelfth of the forecast annual revenue requirement for GHG costs associated with the compressor stations (excluding FF&U) as authorized by the Commission.
- b. A debit entry each month equal to the actual expense incurred for the current month.
- c. An annual entry to transfer the accumulated balance in the account to the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA. The distribution between core and noncore will be based on equal cents per therm as stated in the annual year throughput forecast as adopted in PG&E's BCAP.
- d. An entry each month equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(L)

(Continued)



**GAS PRELIMINARY STATEMENT PART CM**  
**GAS OPERATIONAL COST BALANCING ACCOUNT**

Sheet 4 (N)  
 (N)

CM. Gas Operational Cost Balancing Account (GOBA) (Cont'd.)

(N)  
 (N)

III. Gas Facility GHG Cost Memorandum Subaccount

The following entries shall be made to the account, each month, as applicable:

- a. A debit entry each month equal to the actual expense incurred for the current month.
- b. An annual entry to transfer the accumulated balance in the account to the Core Cost Subaccount of the CFCA and the Noncore Subaccount of the NCA, upon Commission's approval. The distribution between core and noncore will be based on equal cents per therm as stated in the annual year throughput forecast as adopted in PG&E's BCAP.
- c. An entry each month equal to interest on the average balance in the account at the beginning of the month and the balance after the above entries, at a rate equal to one-twelfth of the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

(N)

(Continued)



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

1st Light Energy	Douglass & Liddell	Occidental Energy Marketing, Inc.
AT&T	Downey & Brand	OnGrid Solar
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Pacific Gas and Electric Company
Anderson & Poole	G. A. Krause & Assoc.	Praxair
BART	GenOn Energy Inc.	Regulatory & Cogeneration Service, Inc.
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCD Energy Solutions
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SCE
Bear Valley Electric Service	Green Power Institute	SDG&E and SoCalGas
Braun Blaising McLaughlin, P.C.	Hanna & Morton	SPURR
California Cotton Ginners & Growers Assn	In House Energy	San Francisco Public Utilities Commission
California Energy Commission	International Power Technology	Seattle City Light
California Public Utilities Commission	Intestate Gas Services, Inc.	Sempra Utilities
Calpine	Kelly Group	SoCalGas
Casner, Steve	Linde	Southern California Edison Company
Cenergy Power	Los Angeles Dept of Water & Power	Spark Energy
Center for Biological Diversity	MAC Lighting Consulting	Sun Light & Power
City of Palo Alto	MRW & Associates	Sunshine Design
City of San Jose	Manatt Phelps Phillips	Tecogen, Inc.
Clean Power	Marin Energy Authority	Tiger Natural Gas, Inc.
Coast Economic Consulting	McKenna Long & Aldridge LLP	TransCanada
Commercial Energy	McKenzie & Associates	Utility Cost Management
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Power Solutions
Crossborder Energy	Morgan Stanley	Utility Specialists
Davis Wright Tremaine LLP	NLine Energy, Inc.	Verizon
Day Carter Murphy	NRG Solar	Water and Energy Consulting
Defense Energy Support Center	Nexant, Inc.	Wellhead Electric Company
Dept of General Services	North America Power Partners	Western Manufactured Housing Communities Association (WMA)