



**GAS PRELIMINARY STATEMENT PART C
GAS ACCOUNTING TERMS & DEFINITIONS**

Sheet 1

C. GAS ACCOUNTING TERMS AND DEFINITIONS

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These accounting terms and definitions are used in the authorized gas revenue requirements and Public Purpose Program (PPP) surcharge funding as well as the accounting procedure descriptions that follow in this Preliminary Statement. They are consistent with and apply to PG&E's Gas Rate Schedules and Rules. Additional definitions can be found in Rule 1.

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- 1. BALANCING ACCOUNT: In the context of this tariff, a balancing account is an account in which:
 - a. expenses are compared with revenues from rates designed to recover those expenses, or
 - b. forecast expenses are compared with recorded expenses, or
 - c. forecast revenues are compared with recorded revenues, or
 - d. authorized funding is compared to surcharge amounts.

The resulting under- or overcollection, plus interest, is recorded on PG&E's financial statements as an asset or liability, which is owed from or due to the ratepayers. Balances in balancing accounts, plus interest, are to be amortized in rates.

MEMORANDUM ACCOUNT: Established to track actual costs arising from events that are not reasonably foreseen or for which a reasonable forecast cannot be developed before the costs are incurred. The Commission has found that memorandum accounts are appropriate if the costs are not forecastable as part of a general rate case, or the existence of the costs is speculative.

(N)

Summary of GAS REVENUE AND PPP FUNDING REQUIREMENTS: PG&E's gas revenue requirements represent the total amount of funding approved to be collected from customers to pay all operating and capital costs, including a fair return on investment. PG&E's currently adopted gas revenue requirements included in rates are shown in Section C.2 and are comprised of the following components:

Transportation Revenue Requirement includes the Distribution Base Revenue with Adjustments and Credits, Transportation Forecast Period Costs & Balancing Account Balances, and Gas Transmission and Storage (GT&S) Revenue Requirements. See Section C.6 for details.

Unbundled Backbone Transmission represents costs paid by third party marketers to PG&E to transport their gas to their customers. See Section C.6. for details.

Illustrative Core Procurement Revenue Requirement includes the illustrative Gas Supply Portfolio and costs to transport gas to core customers. See Section C.6 for details. Actual Procurement rates change monthly.

Public Purpose Program Funding Revenue Requirement: See Section C.6 for details.

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Sheet 2

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

2. ANNUAL GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS: (Cont'd.)

| Description | Amount (\$'000) | | | | | Total |
|---|--------------------|--------------------|----------------|------------------|--|--------------------|
| | Core | Noncore | Unbundled | Core Procurement | | |
| BASE REVENUES (incl. RF&U) : | | | | | | |
| Authorized GRC Distribution Base Revenue (1) | | | | | | 3,090,985 |
| Pension - Distribution (2) | | | | | | 42,969 |
| GRC Distribution Base Revenue Undercollection | | | | | | 0 |
| Less: Other Operating Revenue | | | | | | (33,586) |
| Authorized Distribution Revenues | <u>3,008,731</u> | <u>91,638</u> | | | | <u>3,100,369</u> |
| GCARD ALLOCATION ADJUSTMENTS AND CREDITS TO BASE: | | | | | | |
| G-10 Procurement-Related Employee Discount | (839) | | | | | (839) |
| G-10 Procurement Discount Allocation | 344 | 495 | | | | 839 |
| Core Brokerage Fee Credit | <u>(5,067)</u> | | | | | <u>(5,067)</u> |
| Distribution Base Revenue with Adj. and Credits | <u>3,003,169</u> | <u>92,133</u> | | | | <u>3,095,302</u> |
| TRANSPORTATION FORECAST PERIOD COSTS & BALANCING ACCOUNT BALANCES: | | | | | | |
| Transportation Balancing Accounts | 96,399 | 11,146 | | | | 107,545 |
| Separately Funded Projects (3) | 223,379 (I) | 40,345 (I) | | | | 263,724 (I) |
| CPUC Fee | 8,773 | 7,088 | | | | 15,861 |
| Pension – Gas Transmission & Storage (GT&S) | 12,331 | 8,149 | | | | 20,480 |
| Greenhouse Gas Obligation Cost | (115) | (166) | | | | (281) |
| Greenhouse Gas Compliance Cost | 211,624 | 47,896 | | | | 259,520 |
| Greenhouse Gas Allowance Proceeds Return | (239,889) | 0 | | | | (239,889) |
| Revenue Fees and Uncollectible (RF&U) accounts expense (on items above) | 8,667 (I) | 1,707 (I) | | | | 10,375 (I) |
| CARE Discount included in PPP Funding Requirement | (202,460) | | | | | (202,460) |
| CARE Discount not included in PPP Surcharge Rates | <u>0</u> | | | | | <u>0</u> |
| Transportation Forecast Period Costs & Balancing Account Balances | <u>118,710 (I)</u> | <u>116,166 (I)</u> | | | | <u>234,875 (I)</u> |
| GT&S REVENUE REQUIREMENT (incl. RF&U) (4): | | | | | | |
| Local Transmission | 983,371 | 515,827 | | | | 1,499,198 |
| Customer Access Charge – Transmission Storage | 35,686 | 5,465 | | | | 5,465 |
| Backbone Transmission/L-401 | 196,212 | | | - | | 35,686 |
| Inventory Management | 196,212 | | 263,208 | | | 459,420 |
| | 75,663 | 68,041 | | | | 143,704 |
| GT&S Revenue Requirement | <u>1,290,933</u> | <u>589,333</u> | <u>263,208</u> | | | <u>2,143,473</u> |

(1) The amount includes the authorized distribution base revenue approved in GRC D.23-11-069 and updated for the 2026 uncollectibles factor as determined in Advice 5128-G.

(2) The calculation of the 2025 pension RRQ reflects the capitalization and functional labor ratios approved in the 2023 GRC D.23-11-069. See also Advice 5042-G.

(3) Separately Funded Projects include: Lakeside Building Purchase and Relocation Costs (D. 24-08-009), 2022 Wildfire Mitigation and Catastrophic Event (WMCE) (D.25-09-008), PG&E's Comprehensive Gas Advanced Metering Infrastructure Replacement Program (Gas AMI) (D.25-12-029), Transmission Revenue Requirements Reclassification Memo Account (TRRRMA) (D.25-12-026) and 2023 Wildfire Mitigation and Catastrophic Event (WMCE) (D.26-02-004); (T)

(4) The 2024 Gas Transmission & Storage Revenue Requirement as adopted in D.23-11-069 and the Gas Transmission and Storage Cost Allocation and Rate Design (CARD) D.24-03-002.

Note: Totals may not add due to rounding.

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Sheet 3

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

2. ANNUAL GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS: (Cont'd.)

| Description | Amount (\$000) | | | | |
|---|------------------|---------------|----------------|------------------|------------------|
| | Core | Noncore | Unbundled | Core Procurement | Total |
| ILLUSTRATIVE CORE PROCUREMENT REVENUE REQUIREMENT (5): | | | | | |
| Illustrative Gas Supply Portfolio | | | | 681,248 | 681,248 |
| Interstate and Canadian Capacity | | | | 120,000 | 120,000 |
| RF&U (on items above and Procurement Account Balances Below) | | | | 12,898 | 12,898 |
| Backbone Capacity (incl. RF&U) | (122,390) | | | 122,390 | 0 |
| Backbone Volumetric (incl. RF&U) | (73,822) | | | 73,822 | 0 |
| Storage (incl. RF&U) | (35,686) | | | 35,686 | 0 |
| Core Brokerage Fee (incl. RF&U) | | | | 5,067 | 5,067 |
| Procurement Account Balances | | | | | |
| Illus. Core Procurement Revenue Requirement | <u>(231,897)</u> | | | <u>1,051,110</u> | <u>819,213</u> |
| TOTAL GAS REVENUE REQUIREMENT (without PPP) | <u>4,180,914</u> | (I) | <u>797,631</u> | (I) | <u>263,208</u> |
| | | | | <u>1,051,110</u> | <u>6,292,863</u> |
| | | | | | (I) |
| GT&S SEPARATELY FUNDED AND LATE IMPLEMENTATION REVENUE REQUIREMENTS (6) | | | | | |
| Local Transmission | 19,249 | 9,105 | | | 28,354 |
| Backbone | 8,239 | 14,131 | | | 22,370 |
| Storage | 10,359 | - | | | 10,359 |
| Total GT&S Separately Funded and Late Implementation Revenue Requirement | <u>37,847</u> | <u>23,236</u> | | | <u>61,083</u> |
| PUBLIC PURPOSE PROGRAM (PPP) FUNDING REQUIREMENT (RF&U exempt) (7): | | | | | |
| Energy Efficiency (EE) | 87,605 | 40,025 | | | 127,630 |
| Energy Savings Assistance (ESA) | 75,530 | - | | | 75,530 |
| Research, Demonstration and Development (RD&D) | 6,079 | 4,155 | | | 10,234 |
| CARE Administrative Expense | 1,642 | 1,316 | | | 2,958 |
| Statewide Marketing, Education & Outreach | - | - | | | - |
| CDTFA and CPUC Administrative Cost | 246 (R) | 168 | | | 414 (R) |
| PPP Balancing Accounts | (13,651) | (12,756) | | | (26,407) |
| CARE Discount Recovered from non-CARE customers | 112,375 | 90,086 | | | 202,461 |
| Total PPP Funding Requirement in Rates | <u>269,826</u> | (R) | <u>122,994</u> | | <u>392,820</u> |
| | | | | | (R) |
| TOTAL GAS REVENUE AND PPP FUNDING REQUIREMENT | <u>4,488,587</u> | (I) | <u>943,861</u> | (I) | <u>263,208</u> |
| | | | | <u>1,051,110</u> | <u>6,746,766</u> |
| | | | | | (I) |

(5) The credits shown in the Core column represent the core portion of the Gas and Transmission & Storage RRQ that is included in the illustrative Core Procurement RRQ, and are shown here to avoid double counting these costs in the total. The Gas Supply Portfolio cost is an annual illustrative amount. Actual gas commodity costs change monthly.

(6) GT&S Separately Funded and late implementation revenue requirements include: PG&E's 2011-2014 Gas Transmission & Storage (GT&S) Capital Expenditures (D.22-07-007).

(7) The PPP funding requirement is recovered in gas PPP surcharge rates pursuant to D.04-08-010 and 2026 PPP Surcharge AL 5138-G; and includes ESA program and CARE annual administrative expense funding adopted in D.21-06-015, and EE program funding adopted in D.23-06-055, excluding RF&U per D.04-08-010.

Note: Totals may not add due to rounding.

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Advice 5184-G
Decision

Issued by
Shilpa Ramaiya
Vice President
Regulatory and Rates

Submitted
Effective
Resolution

February 23, 2026
March 1, 2026



**GAS PRELIMINARY STATEMENT PART C
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Sheet 4

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

3. COST ALLOCATION FACTORS:

- a. General: These factors are derived from the allocation policies adopted in the last Cost Allocation Proceeding and are used to allocate recorded costs to customer classes.

| Cost Category | Factor | | | Total |
|--|--------------|--------------|---|----------|
| | Core | Noncore | Unbundled Storage and System Load Balancing | |
| Distribution Base Revenue Requirements | 0.970443 (I) | 0.029557 (R) | | 1.000000 |
| Intervenor Compensation | 0.970443 (I) | 0.029557 (R) | | 1.000000 |
| Other – Equal Distribution Based on All Transportation Volumes | 0.409707 (R) | 0.590293 (I) | | 1.000000 |
| Carrying Cost on PG&E Working Gas in Storage | 0.527559 | | 0.472441 | 1.000000 |
| ARB AB32 Cost of Implementation Fee | 0.538602 (R) | 0.461398 (I) | | 1.000000 |

- b. Intrastate Pipeline Demand Charges: Factors are derived based on the procedures defined in Decisions 91-11-025 and 97-05-093.

- 1) The core procurement factor will be equal to the capacity reserved for core procurement customers on each pipeline divided by the total capacity held by PG&E on that pipeline.
- 2) The core transport factor will be equal to the capacity reserved for core transport customers on each pipeline divided by the total capacity held by PG&E on that pipeline.

4. COST ALLOCATION PROCEEDING: The proceeding in which the Transportation Revenue Requirement, and the gas PPP authorized funding, which are described in Section C.6 below, is allocated between customer classes.

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Sheet 5

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

- 5. REVENUE FEES AND UNCOLLECTIBLE (RF&U): See Gas Rule 1 for complete information. The amount included in PG&E's revenue requirements that is determined by multiplying PG&E's revenue requirements by the adopted RF&U factor. Revenue fees are paid by privately owned utilities and other public service companies to cities and counties for the right to use or occupy public streets, roads, and ways. Uncollectible account expense represents an estimate of billed revenues that will not be paid by customers and written off as an uncollectible expense. The RF&U factor is updated annually and approved through the advice letter process. (T)
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(N)

(D)

(L)
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(L)

(D)
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(D)
- 6. GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS: The currently adopted funding amounts shown in Section C.2 are described below. (N)
(N)
- a. The Transportation Revenue Requirement includes the core and noncore portions of the GAS REVENUE REQUIREMENT listed below. These amounts are recovered through distribution rates and other rate components that make up the transportation rate. (T)/(L)
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(T)/(L)

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**GAS PRELIMINARY STATEMENT PART C
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Sheet 6

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

6. GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS (Cont'd.)

(N)

a. The Transportation Revenue Requirement (Cont'd.)

2) Transportation Forecast Period Costs and Balancing Account Balances: This part of the Transportation Revenue Requirement includes:

a. Forecast Transportation Balancing Account and Memorandum Account Balances. PG&E incorporates the balances in its various balancing and memorandum account balances into rates annually through its Annual Gas True-Up of Balancing Accounts (AGT) advice letter for rates effective January 1st, as described below in C.7. The transportation balancing accounts already approved for amortization in the AGT describes each of the accounts whose balances will be incorporated into rates. Attachment 2 to the AGT summarizes all the accounts and the balances in those accounts that will be incorporated into rates.

b. Other Programs in the Transportation Revenue requirement include, Pension costs allocated to GT&S, Greenhouse Gas Related Costs and Proceeds, an amount for RF&U and the CPUC Reimbursement Fee Expenses.

1. Greenhouse Gas Costs and Proceeds: Natural gas corporations must comply with the California Cap on Greenhouse Gas (GHG) Emissions and Market-Based Compliance Mechanisms (Cap-and-Trade Program) regulations required by California Air Resources Board (ARB). Natural gas suppliers fulfill their compliance obligations under the Cap-and-Trade Program by obtaining and surrendering to ARB an amount of compliance instruments equal to the GHG emissions that the covered entity and their customers emitted. Under the Cap-and-Trade Program, ARB allocates GHG allowances to natural gas utilities for the benefit of their ratepayers. The proceeds from the sale of these GHG allowances must be used for the benefit of a utilities' ratepayers.

(N)

2) CPUC Reimbursement Fee Expense: This is the amount equal to the CPUC-adopted reimbursement rate, described in Preliminary Statement, Part O, multiplied by the total forecast period deliveries excluding interdepartmental, wholesale, inter-utility, and UEG deliveries.

(T)/(L)
(L)
(L)
(T)/(L)

(D)

(D)

(Continued)



**GAS PRELIMINARY STATEMENT PART C
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Sheet 7

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

6. GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS (Cont'd.)

a. The Transportation Revenue Requirement (Cont'd.)

2) Transportation Forecast Period Costs and Balancing Account Balances (Cont'd.)

c. California Alternate Rates for Energy (Care) Shortfall: This amount is computed by subtracting CARE customers' monthly revenues from the revenues that would have been recovered from CARE customers had they been paying standard transportation and procurement rates. This amount is removed from the Transportation Revenue Requirement and added to the PPP revenues to be recovered by non-care customers.

3) GT&S Revenue Requirement: Is comprised of Local Transmission, Backbone Transmission, Storage and transmission-level customer access charges, and Inventory Management amounts adopted in GRCs. The Customer access charge is the amount that recovers the cost of providing and maintaining the customer service connection including, service line, meter and customer-related account management costs. Inventory Management is designed to compensate for intraday fluctuations in the backbone pipeline gas inventories to keep operating pressures within safe boundaries.

b. The Unbundled Backbone Transmission Revenue Requirement represent the portion of backbone costs paid by third party marketers to transports their gas to their customers.

(N)

(N)

(D)

(D)

(Continued)



GAS PRELIMINARY STATEMENT PART C
GAS ACCOUNTING TERMS & DEFINITIONS

Sheet 8

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

6. GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS (Cont'd.) (N)

- c. Illustrative Core Procurement Revenue Requirement includes a forecast of the cost of gas from the Gas Supply Portfolio (GSP), pipeline capacity costs, intrastate transmission costs, the brokerage fee and core storage revenue requirements, plus RF&U, as applicable. (T)/(L)
(T)/(L)
(L)

GAS SUPPLY PORTFOLIO (GSP): This portfolio includes a forecast of the cost of gas estimated to be procured by PG&E for its Core Portfolio (Core Procurement) customers. The costs and payouts for hedge instruments transacted under the core gas hedging plans, as approved in Decision 05-10-015 (effective October 6, 2005), Decision 06-08-027 (effective August 24, 2006), and Decision 07-06-013 (effective June 7, 2007) are included in the Gas Supply Portfolio but are tracked separately. The above market cost for the Renewable Natural Gas procured pursuant to Decision 22-02-025 will be tracked in a separate account. (T)/(L)

Costs incurred for the portfolio include the cost of volumetric transportation, incremental pipeline capacity costs, imbalance transactions, hub services, incremental storage services, voluntary diversions, and emergency flow order (EFO) and operational flow order (OFO) charges and other portfolio-related services. These costs may be offset by revenue or gains from risk management tools such as derivative financial instruments (net of transaction costs), and other gas sales. Other transactions such as net revenue from imbalance transactions and byproducts extraction, expenses/losses from risk management tools, and pre-payments and credit and collateral payments, including all associated fees for gas procurement purchases, transportation, and related services, are included in the portfolio.

The net cost of the "flowing supply" is the result of the transactions described above. This portfolio also includes gas withdrawn from storage and excludes gas injected into storage for Core Procurement customers using the core storage reservation. (T)/(L)

- 1) (GSP) Procurement Cost of Gas (Sales Only): The Procurement Cost of Gas is determined by multiplying the forecast core sales volume by the forecast Weighted Average Cost of Gas (WACOG). (T)/(L)
(T)/(L)
(L)
- 2) (GSP) Procurement Cost of Gas (Shrinkage only): This cost-of-gas component shall be determined by multiplying the forecast shrinkage Lost and Unaccounted-for Gas (LUAF) & Gas Department Use (GDU) quantities for core procurement and core subscription customers by the forecast weighted average cost of gas (WACOG). Customers who procure their own supplies are not responsible for this cost component; rather, they deliver shrinkage in-kind. (T)/(L)
|
|
(T)/(L)
(L)
(L)
- 3) Interstate Capacity: Pipeline Demand Charges include fixed demand and capacity charges from Canadian and FERC-regulated interstate pipelines. (T)/(L)
(L)
- 4) Intrastate Transmission Capacity: Transmission Charges include capacity charges reserved for Core Gas Supply Portfolio customers on PG&E's Backbone Transmission System at the Modified Fixed Variable (MFV) tariff rate for core customers. (T)/(L)
(T)/(L)
(L)

(D)
|
|
(D)

(Continued)



**GAS PRELIMINARY STATEMENT PART C
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Sheet 9

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

6. GAS REVENUE REQUIREMENT AND PPP FUNDING REQUIREMENTS (Cont'd.)

(N)

c. Illustrative Core Procurement Revenue Requirement (Cont'd.)

(T)/(L)

5) Storage: Maintaining a reserve of natural gas supplies to meet seasonal gas demands. Storage plays a key role in managing pipeline resources efficiently and in matching gas supplies with demand levels. It also includes storage from independent storage providers.

(N)

6) Brokerage Fee Revenue Requirement: The Brokerage Fee Revenue Requirement consists of costs associated with PG&E's business functions that are necessary for procuring natural gas for its core procurement customers. This is the amount credited to the GRC Distribution Base Revenues described in Section C.6 above.

7) Procurement Balancing Accounts: PG&E updates its adopted procurement balancing accounts monthly as part of the Core Procurement Rate Change advice letters as described in Section C.7 below.

(N)

d. PUBLIC PURPOSE PROGRAM AUTHORIZED FUNDING

(T)/(L)

Public Purpose Program (PPP) authorized funding includes the authorized amounts for Energy Efficiency (EE) and Energy Savings Assistance (ESA) programs, public interest Research, Development & Demonstration (RDD), California Alternate Rates for Energy (CARE) Administrative Expenses, California Department of Tax and Fee Administration (CDTFA) and CPUC Administrative costs, CARE shortfall expenses, and the forecast balances in the PPP balancing accounts. As described in Section 7, funding for these programs and PPP Balancing Account balances is approved through the annual Natural Gas PPP Surcharge advice letter through the gas PPP surcharge.

(L)

(T)/(L)

(L)

(T)/(L)

(L)

(T)/(L)

(T)/(L)

(D)

(D)

(Continued)



**GAS PRELIMINARY STATEMENT PART C
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Sheet 10

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

- 7. REVISION DATES: PG&E's application for the Gas Cost Allocation and Rate Design Proceeding (G-CARD) shall be filed based on a schedule set forth by the CPUC. PG&E's Procurement rate shall be updated monthly. (T)/(L)
(T)/(L)
(L)

 - a. Core Procurement Rate Change
 - Per Decision 97-10-065, an advice filing to change core procurement rates will be filed monthly. The filing will update certain forecasted procurement costs, including PG&E's procurement balancing accounts, and the amortization component of the procurement rate. (L)
(T)/(L)
(T)/(L)
 - Per Decision 03-12-008, noncore customers switching to core service are subject to a crossover procurement rate, as specified in Schedule G-CPX, for the first twelve (12) regular monthly billing periods. Schedule G-CPX is filed by advice letter monthly. (L)
 - b. Annual Gas True-up of Balancing Accounts (AGT)
 - Per Decision 05-06-029, an advice filing to change core and noncore transportation rates will be filed 45 days prior to the end of each calendar year for rates effective January 1. The filing will update the various balancing account components of transportation rates to recover all transportation-related balancing and memorandum account balances for costs that the Commission has authorized to be recovered in rates. (L)
(T)/(L)
(L)
(T)/(L)
 - To determine the change to the various balancing and memorandum account components of transportation rates, PG&E will rely on the following: (T)/(L)
(L)
 - 1) The December 31 forecasted balance for each transportation balancing and memorandum account to be updated in the AGT will be determined based on the most recent recorded balance plus a forecast of the costs and revenues, including interest, through December 31. (L)
(D)
(D)
 - 2) The balancing and memorandum account components are calculated by dividing the account balances by the annual average adjusted G-CARD throughput. Note that for some accounts, the balance will first be allocated to the Core and Noncore classes, as described below, then divided by the Core and Noncore annual average adjusted G-CARD throughput. (T)/(L)
(T)/(L)
(L)
(T)/(L)
(T)/(L)

(Continued)



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C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

7. REVISION DATES (Cont'd.)

(T)/(L)

c. In-Kind Shrinkage

(L)

Pursuant to Decision 03-12-061, an in-kind shrinkage allowance will be applied to all scheduled storage injection volumes beginning April 1, 2004. The in-kind shrinkage quantity will be calculated by dividing the total storage-related GDU and LUAF by the forecast annual storage-cycle quantity.

Decision 03-12-061 authorizes PG&E to update its in-kind shrinkage allowances on an annual basis through an advice letter compliance filing. The in-kind shrinkage allowances for backbone transmission and distribution will change annually effective November 1. The storage in-kind shrinkage allowance will change effective April 1. Pursuant to Gas Accord D.11-04-031, the core distribution in-kind shrinkage allowance will be seasonal, with separate allowances for summer (April-October) and winter (November-March). The in-kind shrinkage allowances are shown in Rule 21.

If necessary, PG&E may make separate advice letter filings to adjust in-kind shrinkage allowances at other times of the year in order to better match the actual shrinkage experience on PG&E's system. The G-CARD shall continue to be the proceeding in which the pipeline shrinkage calculation methodology, and the proportion of LUAF and GDU that are to be assigned to transmission and distribution shrinkage, is determined.

(L)
(T)/(L)
(L)

d. PPP Surcharge Rates

1) **Timing and Frequency:** Per Decision 04-08-010, an advice filing to change core and noncore gas PPP surcharges will be filed by October 31 of each year to be effective January 1 of the next year. The PPP surcharge rates will include a forecast of the December 31 balance for each PPP balancing account, in accordance with prevailing Commission balancing account amortization policies. The forecast will be based on the most recent recorded balance, plus a forecast of the costs and revenues, including interest, through December 31. The forecasted balance for the PPP-RDD account will exclude interest until further direction from the CPUC.

PG&E may request a change in gas PPP surcharge rates during the year if failure to make the rate change would result in a forecasted total rate increase of 10 percent or more on January 1 of the next year. Requested rate changes will be by advice letter filing and be filed at least 40 days prior to the beginning of the next quarter with an effective date to be determined by the Energy Division in consultation with CDTFA.

(L)
(T)/(L)

If the current year program budget for CARE subsidy costs has not been adopted by the CPUC, PG&E will use forecasts of expected CARE subsidy costs based upon estimated future gas prices (using a credible, published source) and CARE penetration rates to calculate the surcharge. Amortization of balances in the applicable PPP balancing accounts will be in accordance with CPUC-established policies for the treatment of these funds.

(L)

2) **Information due dates:** Prior to filing the PPP Surcharge Rates, Energy Division will provide the allocation of RDD, CDTFA and CPUC administrative costs, and interstate pipeline customer gas volumes used for setting surcharge rates.

(L)
(T)/(L)
(L)

(Continued)



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Sheet 12

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

7. REVISION DATES (Cont'd.)

(T)/(L)

PPP Surcharge Rates (Cont'd.)

3) Refunds: In accordance with PU Code Section 896, certain customers are exempt from Schedule G-PPPS, as follows: (a) all gas consumed by customer's served under Schedules G-EG and G-WSL; (b) all gas consumed by Enhanced Oil Recovery facilities; and (c) all gas consumed by customers in which the State of California is prohibited from taxing under the United States Constitution or the California Constitution, consistent with California Energy Resources Surcharge Regulations 2315 and 2316, as described in Publication No. 11 issued by the California State Board of Equalization. See Schedule G-PPPS for a listing of these exempt customers.

(L)

PG&E will annually review its customer accounts to determine if any refunds are warranted. To prevent the issuance of duplicate refunds of PPP surcharge collections, PG&E and BOE will exchange information on customer refunds and PG&E will not issue refunds to customers that have previously received a refund from BOE.

4) Calculation: PPP surcharge rates are calculated in accordance with the formulas and throughput volumes specified in Decision 04-08-010. Additionally, Decision 04-08-010 removes Revenue Fees and Uncollectible (RF&U) expense amounts from PPP surcharges and excludes PPP surcharge amounts in determining franchise payments by utilities.

(L)

8. PIPELINE DEMAND CHARGE CREDITS: When PG&E brokers interstate capacity it will receive conditional credits from interstate pipelines which represent accrued revenues to the interstate pipeline from other parties who have acquired PG&E's brokered capacity. These credits may include other items such as reversed credits previously given to PG&E and late charges assessed per the interstate's FERC-approved tariffs.

(T)/(L)
(L)
|
(L)

9. CORE PROCUREMENT INCENTIVE MECHANISM: The Core Procurement Incentive Mechanism (CPIM) is designed to replace traditional CPUC reasonableness reviews for Gas Procurement Costs as defined in C.6, above. PG&E submits monthly and quarterly reports to the CPUC's Energy Division and California Public Advocates Office (Cal Advocates) in addition to an annual report outlining cost savings, rewards or penalties under the CPIM. Incentive rewards and penalties are calculated annually and, upon Commission approval, will be recorded in the Core Sales Subaccount of the Purchased Gas Account (PGA).

(T)/(L)
|
(T)/(L)
(L)
|
(L)

Decision (D.) 97-08-055 adopted a CPIM mechanism for Post-1997 performance as filed in Application 96-08-043, and as affirmed in D.03-12-061. Modifications adopted in D.04-01-047 are effective for the CPIM year starting November 1, 2002. Modifications adopted in D.07-06-013 are effective for the CPIM year starting November 1, 2007. Modifications adopted in D.10-01-023 are effective for the CPIM year starting November 1, 2010. Modifications adopted in D.08-11-032 and D.11-04-031 are effective for the CPIM year starting November 1, 2011. Modifications adopted in D.16-06-056 are effective for the CPIM year starting November 1, 2016. Modifications adopted in D.19-09-025 are effective for the CPIM year starting November 1, 2020. The CPIM will continue indefinitely until modified or terminated by the CPUC.

(T)/(L)
(L)
|
|
(L)
(T)/(L)
(T)/(L)
(L)

(Continued)



**GAS PRELIMINARY STATEMENT PART C
GAS ACCOUNTING TERMS & DEFINITIONS**

Sheet 13

C. GAS ACCOUNTING TERMS AND DEFINITIONS (Cont'd.)

9. CORE PROCUREMENT INCENTIVE MECHANISM: (Cont'd.)

The CPIM provides PG&E with a direct financial incentive to procure and manage core gas supplies, transportation services, and storage assets in a manner that results in the lowest reasonable customer cost by calculating rewards or penalties through comparing actual procurement costs to an aggregate market-based benchmark. (T)/(L)
(T)/(L)
(L)
(L)

The CPIM provides a standard benchmark, which applies to purchasing activities occurring under most operating and temperature conditions. (T)/(L)
(D)

The CPIM standard benchmark is made up of five components: (T)/(L)

(1) Fixed transportation costs that include Canadian, U.S. interstate, and California intrastate capacity reservation costs; (T)/(L)
(T)/(L)

(2) Variable costs that include natural gas commodity costs, plus pipeline fuel and volumetric transportation costs on Canadian, U.S. interstate, and California intrastate pipelines (T)/(L)
(T)/(L)

(3) Storage costs that includes both the fixed reservation costcharges and variable costs; (T)/(L)

(4) Hedging costs which include 80% of net realized gains or losses and associated transaction costs of PG&E's winter hedges for its core portfolio; and (N)
|

(5) United States Customs and Border Protection's Merchandise Processing Fee (MPF). (N)
|

The CPIM benchmark components are calculated daily. At the end of each 12-month period, the daily benchmark components are added together to form a single annual benchmark budget. Actual incurred costs are compared to the benchmark. If actual gas costs fall within a range (tolerance band) around the benchmark, costs are deemed reasonable, and are fully recoverable from customers. If actual costs fall below the tolerance band, the savings (the difference between the lower limit of the tolerance band and actual recorded costs) are shared between customers and shareholders according to the following procedure: (L)
|

a) 80 percent to customers and 20 percent to shareholders per D.07-06-013; and

b) Annual PG&E shareholder awards are capped at 1.5 percent of the total annual gas commodity costs. |

Customers and shareholders share equally any costs in excess of the upper limit of the tolerance band. (L)

Additionally, the CPIM provides an alternate benchmark which applies only under conditions of extraordinary circumstances requiring economic and/or physical diversions of supplies of gas supplies to serve core customers or other highly unusual measures are necessary to provide for core reliability. All voluntary and involuntary diversion costs are compared to the highest value of the daily PG&E Citygate index range. There is no tolerance band for the alternate benchmark, and actual costs savings or overruns, relative to the benchmark, are shared 95 percent by customers and 5 percent by shareholders. (N)/(D)
|
(N)/(D)
(L)
|
(L)