

PACIFIC GAS AND ELECTRIC COMPANY
CHAPTER 10
COST ALLOCATION AND RATES

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1 **PACIFIC GAS AND ELECTRIC COMPANY**
2 **CHAPTER 10**
3 **COST ALLOCATION AND RATES**

4 **A. Introduction and Summary of Request**

5 This chapter presents Pacific Gas and Electric Company's (PG&E) cost
6 allocation proposal for its Pipeline Safety Enhancement Plan (or Implementation
7 Plan) revenue requirements associated with Backbone Transmission, Local
8 Transmission and Storage services, as set forth in Chapter 9. This chapter also
9 presents PG&E's proposed rate treatment of Implementation Plan costs
10 beginning in 2012^[1] and provides illustrative^[2] gas rate impacts by customer
11 class based on target annual Implementation Plan revenue requirements.

12 PG&E requests that the California Public Utilities Commission (CPUC or
13 Commission) adopt PG&E's Implementation Plan cost allocation and rate
14 proposals as reasonable.

15 **B. Cost Allocation Proposal**

16 This section presents PG&E's cost allocation proposals for target annual
17 Implementation Plan revenue requirements associated with Backbone
18 Transmission, Local Transmission and Storage services.

19 **1. Backbone Transmission**

20 PG&E's Backbone Transmission services are unbundled. As a result,
21 PG&E does not currently collect Backbone Transmission costs through the
22 end-use rates paid by noncore^[3] customers. Instead, Backbone
23 Transmission services are provided to noncore customers under separate
24 tariffs that are established to specifically collect PG&E's Backbone
25 Transmission revenue requirement. The cost of Backbone Transmission

[1] As stated in Chapter 8, revenue requirements for capital expenditures are incorporated in rates in the year following the projects' operational dates.

[2] Present and proposed core bundled rates include illustrative annual average gas procurement rates consistent with the illustrative annual average gas procurement rates filed in PG&E's 2011 General Rate Case (GRC) implementation advice letter filing 3206-G effective June 1, 2011. Actual gas costs and procurement rates change monthly.

[3] Noncore customers include wholesale customers served by PG&E under rate Schedule G-WSL – "Gas Transportation Service to Wholesale Customers."

1 capacity used to serve core customers is collected through PG&E’s core
2 procurement rates.[4]

3 The portion of the Backbone Transmission revenue requirements
4 attributed to core and noncore customers is determined in PG&E’s Gas
5 Transmission and Storage (GT&S) Rate Cases. The most recent
6 apportionment of PG&E’s Backbone Transmission revenue requirement
7 between core and noncore customers was established in PG&E’s
8 2011 GT&S Rate Case Gas Accord V Settlement, approved by the
9 Commission on April 14, 2011 in Decision 11-04-031.[5] PG&E proposes to
10 allocate its target annual Implementation Plan Backbone Transmission-
11 related revenue requirements to core and noncore customers based on their
12 annual percentages of Backbone Transmission revenue requirement
13 responsibility[6] established in the Gas Accord V Settlement.

14 Table 10-1, below, shows annual Backbone Transmission cost
15 allocation factors based on the percentages of core and noncore
16 Backbone Transmission revenue responsibility established in each year
17 of the Gas Accord V Settlement.

18 **2. Local Transmission**

19 PG&E’s Local Transmission service is bundled. Local Transmission
20 cost allocation and rates are established in Gas Accords and collected
21 through the end-use transportation rates paid by core and noncore
22 customers.

23 PG&E proposes to allocate its target annual Implementation Plan Local
24 Transmission-related revenue requirements to core and noncore customers

[4] The rates paid by PG&E’s core customers who receive gas procurement services from a gas supplier other than PG&E (i.e., third-party supplier) do not include Backbone Transmission costs. The cost of Backbone Transmission capacity required to serve these customers is incurred by the third-party suppliers and included in the gas procurement rates they charge their customers.

[5] See Gas Accord V Settlement Agreement, Appendix A, Table A-3 – “GT&S Revenue Requirement Including Core and Noncore Revenue Responsibility.”

[6] Noncore revenue requirement responsibility does not include the Backbone Transmission revenue requirement associated with incremental Line 401 Backbone Transmission service provided under PG&E rate Schedule G-XF – Pipeline Expansion Firm Intrastate Transportation Service.

1 based on their annual percentages of Local Transmission revenue
2 requirement responsibility established in the Gas Accord V Settlement.

3 Table 10-1, below, shows annual Local Transmission cost allocation
4 factors based on the percentages of core and noncore Local Transmission
5 revenue responsibility established in each year of the Gas Accord V
6 Settlement.

7 **3. Storage**

8 PG&E's gas Storage services are unbundled. As a result, PG&E does
9 not currently collect gas Storage costs through the end-use rates paid by
10 noncore customers. Instead, gas Storage services are provided to noncore
11 customers under separate tariffs that are established to specifically collect
12 PG&E's gas Storage revenue requirement. The cost of gas Storage
13 capacity used to serve core customers is collected through PG&E's core
14 procurement rates.^[7]

15 PG&E proposes to allocate its target annual Implementation Plan gas
16 Storage-related revenue requirements to core and noncore customers
17 based on their annual percentages of gas Storage revenue requirement
18 responsibility established in the Gas Accord V Settlement.

19 Table 10-1, below, shows annual gas Storage cost allocation factors
20 based on the percentages of core and noncore gas Storage revenue
21 responsibility established in each year of the Gas Accord V Settlement.

22 **4. Proposed Implementation Plan Cost Allocation Factors**

23 Table 10-1 presents PG&E's proposed annual 2012-2014 core and
24 noncore Implementation Plan cost allocation factors based on core and

[7] The rates paid by PG&E's core customers who receive gas procurement services from a gas supplier other than PG&E (i.e., third-party supplier) do not include gas Storage costs. The cost of Storage capacity required to serve these customers are incurred by their third-party suppliers and included in the gas procurement rates they charge their customers.

1 noncore Gas Accord V Backbone Transmission, Local Transmission and
 2 gas Storage revenue responsibility.[8]

**TABLE 10-1
 PACIFIC GAS AND ELECTRIC COMPANY
 COST ALLOCATION FACTORS**

Line No.		2012	2013	2014
1	<u>Backbone Transmission</u>			
2	Core	42.12%	42.57%	42.83%
3	Noncore	57.88	57.43	57.17
4	Total	100.00%	100.00%	100.00%
5	<u>Local Transmission</u>			
6	Core	65.68%	64.62%	63.80%
7	Noncore	34.32	35.38	36.20
8	Total	100.00%	100.00%	100.00%
9	<u>Storage</u>			
10	Core	58.46%	58.77%	59.07%
11	Noncore	41.54	41.23	40.93
12	Total	100.00%	100.00%	100.00%

3 **C. Rate Proposal**

4 This section presents PG&E’s proposal for recovery of annual
 5 Implementation Plan revenue requirements. PG&E proposes to recover its
 6 annual authorized Implementation Plan revenue requirements through new
 7 Gas Pipeline Safety (GPS) rate components included in the Customer Class
 8 Charges recovered in the end-use rates paid by PG&E’s core and noncore

[8] The Gas Accord V 2011-2014 Local Transmission revenue requirements and 2013-2014 Backbone Transmission revenue requirements used to determine PG&E’s proposed Implementation Plan cost allocation factors include costs for certain adder projects. Section 7.4 of Gas Accord V Settlement specifies that adder project costs will be included in rates only if the projects are actually built and only starting on the January 1 following the projects’ in-service dates. These adder projects are subject to a capital expenditure cap for ratemaking purposes during the Gas Accord V Settlement period. The final Gas Accord V Settlement revenue requirement and rates for each adder project will be based on the lower of its actual capital costs or the applicable cap. The Gas Accord V Settlement Local Transmission and Backbone Transmission revenue requirements and the Implementation Plan cost allocation factors shown in Table 10-1 will be revised, if needed, annually to reflect actual adder project in-service dates and/or adder project capital expenditures that are under the established caps.

1 customers. PG&E's proposed GPS rates provide discrete Implementation Plan
2 rate components that can be used to accurately track recovery of PG&E's
3 annual Implementation Plan revenue requirements. The GPS rate components
4 included in the Customer Class Charge for core and noncore customers are
5 developed by combining the core customer classes into a single class and by
6 combining the noncore customer classes into a single class and developing
7 two average GPS rates—one for core and one for noncore customers.
8 GPS rates are then calculated by dividing the total Implementation Plan Local
9 Transmission, Backbone Transmission and gas Storage costs allocated to core
10 and noncore customers by the total Average-Year throughput forecast adopted
11 for combined core and combined noncore customers in PG&E's Gas Accord V
12 Settlement.

13 Consistent with the methodology adopted for treatment of Local
14 Transmission costs in Gas Accord IV (D.07-09-045), and continued in Gas
15 Accord V (D.11-04-031): (1) wholesale customers pay the noncore GPS rate;
16 and (2) annual Implementation Plan Local Transmission revenue requirements
17 are not included in the GPS rates paid by PG&E's noncore Industrial and
18 Electric Generation customers taking service at the Backbone Transmission
19 level. The GPS rates paid by PG&E's noncore Industrial and Electric
20 Generation customers taking service at the Backbone Transmission level will
21 only include an allocation of annual Implementation Plan Backbone
22 Transmission and Gas Storage revenue requirements.^[9]

23 Table 10-2, below, provides a summary of PG&E's proposed core and
24 noncore GPS rates for the years 2012 through 2014 based on PG&E's target
25 Implementation Plan revenue requirements, as forecast in Phase 1. As stated in
26 Chapter 8, revenue requirements for capital expenditures are incorporated in
27 rates in the year following the projects' operational dates.^[10] The 2011

[9] PG&E's Gas Accord III Settlement adopted by the Commission in Decision 04-12-050 provided for Backbone Transmission level end-use service for certain noncore industrial and electric generation customers. Customers qualifying for this service do not pay a Local Transmission rate component. However, they continue to be responsible for all other rate components in their end-user tariffs.

[10] The revenue requirement for 2014 capital expenditures will be included in 2015 rates in Phase 2 of PG&E's Implementation Plan.

1 revenue requirements for capital projects and expenses are not included in
2 rates.

**TABLE 10-2
PACIFIC GAS AND ELECTRIC COMPANY
PROPOSED GAS PIPELINE SAFETY RATES
(\$ PER THERM)**

Line No.		2012	2013	2014
1	Core	\$0.05211	\$0.04501	\$0.06223
2	Noncore – Local Transmission/Distribution Level	\$0.02494	\$0.02266	\$0.03157
3	Noncore – Backbone Transmission Level	\$0.00213	\$0.00369	\$0.00318

3 **D. Illustrative Gas Rate Impact Summary**

4 Illustrative present (2011) and proposed annual average 2012 rates are
5 summarized in Table 10-3 below. Illustrative bundled present core rates are
6 based on gas transportation rates filed in PG&E's 2011 GRC decision
7 (D.11-05-018) implementation core Advice 3206-G, effective June 1, 2011.
8 Present noncore and wholesale rates are based on those filed in PG&E's 2011
9 GRC implementation noncore Advice 3207-G, effective June 1, 2011.

**TABLE 10-3
PACIFIC GAS AND ELECTRIC COMPANY
ILLUSTRATIVE CLASS AVERAGE PRESENT AND PROPOSED RATES
(\$ PER THERM)**

Line No.	Customer Class	Present June 2011 Rate(a) (\$/th)	Proposed 2012 Rates(a) With Implementation Plan Costs (\$/th)	Percentage Change
1	<u>Core Retail – Bundled(b)</u>			
2	Residential (Non-CARE)(c)(e)	\$1.223	\$1.275	4.3%
3	Commercial, Small (Non-CARE)(e)	\$0.975	\$1.027	5.3%
4	Commercial, Large	\$0.766	\$0.818	6.8%
5	NGV Service – Compression on Customer Premises	\$0.661	\$0.713	7.9%
6	Compressed NGV Service	\$1.912	\$1.965	2.7%
7	<u>Core Retail – Transportation Only(d)</u>			
8	Residential	\$0.650	\$0.702	8.0%
9	Commercial, Small	\$0.418	\$0.470	12.5%
10	Commercial, Large	\$0.248	\$0.300	21.0%
11	<u>Noncore – Transportation Only(d)</u>			
12	Industrial Distribution	\$0.171	\$0.196	14.6%
13	Industrial Transmission	\$0.069	\$0.094	36.0%
14	Industrial Backbone	\$0.042	\$0.044	5.0%
15	Electric Generation – Distribution/Transmission	\$0.029	\$0.054	86.0%
16	Electric Generation – Backbone	\$0.007	\$0.010	28.6%
17	Noncore NGV Service – Distribution	\$0.155	\$0.180	16.1%
18	Noncore NGV Service – Transmission	\$0.055	\$0.080	45.2%
19	<u>Wholesale – Transportation Only(d)</u>			
20	Alpine Natural	\$0.026	\$0.051	97.1%
21	Coalinga	\$0.026	\$0.051	96.8%
22	Island Energy	\$0.027	\$0.052	90.9%
23	Palo Alto	\$0.025	\$0.050	98.6%
24	West Coast Gas – Castle(f)	\$0.100	\$0.125	24.9%
25	West Coast Gas – Mather Distribution(f)	\$0.123	\$0.148	20.2%
26	West Coast Gas – Mather Transmission	\$0.026	\$0.051	96.0%

- (a) Rates represent class average. Actual transportation rates will vary depending on the customer's load factor and seasonal usage. Rates are rounded to three decimal places for ease of viewing. Percentage rate changes are calculated on a 5-digit basis.
- (b) Bundled core rates include: (i) an illustrative procurement component that recovers intrastate and interstate backbone transmission charges, storage, brokerage fees and an average annual Weighted Average Cost of Gas (WACOG) of \$0.429 per therm; (ii) a transportation component that recovers Customer Class Charge (CCC), customer access charges, CPUC fees, local transmission (where applicable) and distribution costs (where applicable); and (iii) where applicable, a G-PPP surcharge that recovers the costs of low-income California Alternate Rates for Energy (CARE), Low Income Energy Efficiency (LIEE), Customer Energy Efficiency (CEE), Research Development and Demonstration program and State Board of Equalization (BOE)/CPUC Administrative costs. Actual procurement rates change monthly.
- (c) CARE customers receive a 20 percent discount on transportation and procurement and are exempt from paying CARE surcharges.
- (d) Transportation Only rates include: (i) a transportation component that recovers CCC, customer access charges, CPUC fees, local transmission (where applicable) and distribution costs (where applicable); and (ii) where applicable, a G-PPP surcharge that recovers the costs of low income CARE, LIEE, CEE, Research Development and Demonstration program and State BOE/CPUC Administrative costs. Transportation only customers must arrange for their own gas purchases and transportation to PG&E's Citygate/local transmission system.
- (e) Residential and Small Commercial Classes are 20 percent averaged.
- (f) West Coast Gas is allocated 60 percent of its full distribution cost as of January 1, 2011.

1 PG&E does not provide gas procurement service to noncore and wholesale
2 customers. Consequently, the noncore and wholesale rates shown in
3 Table 10-3 only reflect the impact that PG&E's proposed 2012 GPS rates will
4 have on the gas transportation rates that noncore and wholesale customers pay
5 directly to PG&E. In order to better reflect the impact of GPS rates on total
6 noncore and wholesale burner-tip gas costs, including gas transportation and
7 procurement service, Table 10-4 shows the impact that PG&E's proposed
8 2012 GPS rates will have on noncore and wholesale customers assuming they
9 pay a proxy gas procurement rate equivalent to the illustrative gas procurement
10 rate paid by customers in PG&E's core Large Commercial customer class.

TABLE 10-4
PACIFIC GAS AND ELECTRIC COMPANY
ILLUSTRATIVE NONCORE CLASS AVERAGE PRESENT AND PROPOSED RATES
(ASSUMING NONCORE CUSTOMERS PAY CORE SMALL COMMERCIAL
PROCUREMENT RATES)
(\$ PER THERM)

Line No.		Present June 2011 Rate(a)(b) (\$/th)	Proposed 2012 Rates(a)(b) With Implementation Plan Costs (\$/th)	Percentage Change
1	<u>Customer Class Noncore</u>			
2	Industrial Distribution	\$0.689	\$0.714	3.6%
3	Industrial Transmission	\$0.587	\$0.612	4.2%
4	Industrial Backbone	\$0.560	\$0.562	0.4%
5	Electric Generation – Distribution/Transmission	\$0.547	\$0.572	4.6%
6	Electric Generation – Backbone	\$0.525	\$0.527	0.4%
7	Noncore NGV Service – Distribution	\$0.673	\$0.698	3.7%
8	Noncore NGV Service – Transmission	\$0.573	\$0.598	4.4%
9	<u>Wholesale</u>			
10	Alpine Natural	\$0.544	\$0.569	4.6%
11	Coalinga	\$0.544	\$0.569	4.6%
12	Island Energy	\$0.545	\$0.570	4.6%
13	Palo Alto	\$0.543	\$0.568	4.6%
14	West Coast Gas – Castle(c)	\$0.618	\$0.643	4.0%
15	West Coast Gas – Mather Distribution(c)	\$0.641	\$0.666	3.9%
16	West Coast Gas – Mather Transmission	\$0.544	\$0.569	4.6%

(a) Rates represent class average. Actual transportation rates will vary depending on the customer's load factor and seasonal usage. Rates are rounded to three decimal places for ease of viewing. Percentage rate changes are calculated on a 5-digit basis.

(b) Rates include: (i) an illustrative core small commercial procurement component that recovers intrastate and interstate backbone transmission charges, storage, brokerage fees and an average annual WACOG of \$0.429 per therm; (ii) a transportation component that recovers CCC, customer access charges, CPUC fees, local transmission (where applicable) and distribution costs (where applicable); and (iii) where applicable, a G-PPP surcharge that recovers the costs of low-income CARE, LIEE, CEE, Research Development and Demonstration program and State BOE/CPUC Administrative costs. Actual core procurement rates change monthly.

(c) West Coast Gas is allocated 60 percent of its full distribution cost as of January 1, 2011.

1 E. Conclusion

2 PG&E's Implementation Plan cost allocation and rate proposal should be
3 adopted by the Commission because it:

- 4 1. Apportions PG&E's authorized Implementation Plan Backbone
- 5 Transmission, Local Transmission and Storage revenue requirements
- 6 between core and noncore customers consistent with the core and noncore

- 1 revenue responsibilities established for each respective revenue
- 2 requirement in the Gas Accord V Settlement.
- 3 2. Provides for recovery of Implementation Plan annual revenue requirements
- 4 through discrete core and noncore rate components included in the end-use
- 5 rates paid by all PG&E customers.
- 6 3. Facilitates accurate tracking of PG&E's annual Implementation Plan revenue
- 7 requirement recovery.