



SCHEDULE G-PPPS

Sheet 1

PUBLIC PURPOSE PROGRAMS SURCHARGE

APPLICABILITY

Applicable to all gas sales and transportation services rendered under all tariff-rate schedules authorized by the Commission. Customers will have a surcharge as a separate line item on their bills unless they are exempt 1/ (e.g. electric generation including cogeneration and consumption of natural gas which California is prohibited from taxing under the United States Constitution or the California Constitution, as referenced in Section 896 of the Public Utilities (PU) Code. See also the California Energy Resources Surcharge Regulation Sections 2315 and 2316 as identifying exempt customers).

TERRITORY

This schedule is applicable within the entire territory served by Utility.

RATES

<u>Customer Class</u>	<u>PPP Surcharge 2/</u> (For all service, per meter, per month)	
	<u>CARE Customer 3/</u> (¢/therm)	<u>Non-CARE Customer</u> (¢/therm)
Core		
Residential	4.396 R	7.985 I
Commercial/Industrial	8.182 R	11.770 R
Natural Gas Vehicles	N/A	3.781 I
Noncore		
Commercial/Industrial	N/A	11.118 R

SPECIAL CONDITIONS

1. General Description

The public purpose program (PPP) surcharge is shown on a customer's bill as a separate line item. The surcharge is authorized to recover the cost of public purpose programs such as low-income assistance, energy efficiency, and public interest research and development. The Utility remits surcharge payments quarterly to the State Board of Equalization (BOE) by the last day of the month following a calendar quarter. The BOE deposits the payments in the Gas Consumption Surcharge Fund (Fund) with the State Treasurer. Utility public purpose programs are financed through monies appropriated to the Utility from the Fund by the Commission.

1/ Commission Resolution G-3303, dated December 21, 2000, references Sections 896, 897, and 898 of Assembly Bill (AB) 1002 regarding consumers of natural gas who are exempt from the tax surcharge. Section 896 states "Consumption means the use or employment of natural gas. Consumption does not include the use or employment of natural gas to generate power for sale or use of gas for enhanced oil recovery, natural gas utilized in cogeneration technology projects to produce electricity, or natural gas that is produced in California and transported on a proprietary pipeline. Consumption does not include the consumption of natural gas which this state is prohibited from taxing under the United States Constitution or the California Constitution." Section 897 states "Nothing in this article impairs the rights and obligations of parties to contracts approved by the Commission, as the rights and obligations were interpreted as of January 1, 1998." Section 898 is in reference to a municipality, district, or public agency but also references Section 890. Subdivision (e) of Section 890 states in part "The Commission shall determine the total volume of retail natural gas transported within the service territory of a utility gas provider, that is not subject to exemption pursuant to Section 896, for the purpose of establishing the surcharge rate."

2/ AB 1002 of September 30, 2000 authorized the Commission to establish a gas PPP surcharge. Resolution G-3303 established PPP surcharge rates effective January 1, 2001. The surcharge rates were removed from utility energy rates and added as line items to applicable billings effective July 1, 2001.

3/ Low-income customers who qualify for California Alternate Rates for Energy (CARE) receive a 20% discount on rate and pay all of the PPP costs except CARE.



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SPECIAL CONDITIONS (Continued)

2. Filing Requirements

Pursuant to Decision 04-08-010, the Utility shall file an annual advice letter, with proposed PPP surcharge rates, by October 31, with a requested effective date of January 1 of the following year. Surcharge rates will be determined by customer class and by CARE participation. Accordingly, non-CARE customers shall be charged the CARE component of the surcharge whereas CARE customers will not be charged for this component.

The Commission will establish surcharge rates annually.

3. Surcharge Formula

The gas PPP surcharge rates will be calculated pursuant to the surcharge formula adopted in D.04-08-010.

4. Treatment of F&U

Franchise Fees and Uncollectibles (F&U) shall not be included in the calculation of the PPP surcharge and the Utility shall exclude PPP surcharge amounts in determining franchise payments.

5. BOE Remittances

Per PU Code Sections 892 and 892.1, the Utility remits revenues collected from the PPP surcharge to the BOE.

6. Cost and Volume Assumptions

a. Interstate Pipeline Gas Throughput

The Energy Division shall also obtain interstate pipeline customer gas volumes from the BOE and provide these volumes to the appropriate utilities, by September 30, for determining surcharge rates.

b. Administrative Costs

The Energy Division will provide the BOE and Commission's administrative costs by September 30 to include in the Utility's October 31 surcharge filings for rates effective January 1 of the following year. The Utility shall identify these administrative cost amounts in their quarterly remittances to the BOE.

c. R&D Program Costs

Energy Division shall provide the Utility, by September 30, with its allocation of R&D costs that were approved by the Commission for the following year.

(Continued)



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SPECIAL CONDITIONS (Continued)

7. PPP Surcharge Refunds

To prevent the issuance of duplicate refunds of PPP surcharge collection, the Utility shall inform BOE of any PPP surcharge refunds it intends to issue. The refunds will not be issued if previously made by BOE. The utilities shall inform BOE of any refunds that they issue. The Utility will annually review its customer accounts to determine if any refunds are warranted

8. Distribution and Treatment of Amounts received from the Gas Consumption Surcharge Fund

All funds remitted to BOE are to be returned to the utility in a timely manner, except for R&D funds (excluding R&D funds to reimburse the utility for R&D activities conducted in 2004), BOE and Commission administration costs, and deductions for any refunds issued by BOE. Non-exempt interstate pipeline customer remittances to BOE are to be returned to the public utility in whose service territory the customer resides. All amounts received from the Gas Surcharge Consumption Fund are to be recorded to the appropriate PPP balancing accounts.

9. Interim Surcharge Rate Changes

The Utility may also request via advice letter to change surcharge rates during the year only if failure to make the rate change would result in a forecasted total rate increase of 10% or more on January 1 of the following year. The Utility shall file the advice letter 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 the BOE.

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