

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



October 27, 2005

Advice Letter 2662-G

Ms Rose de la Torre
Pacific Gas and Electric Company
77 Beale Street, Room 1088
Mail Code B10C
San Francisco, CA 94105

Subject: Expedited Pre-Approval of Interstate and Canadian Pipeline Capacity Contracts

Dear Ms de la Torre:

Advice Letter 2662-G is effective October 28, 2005. A copy of the advice letter is sent herewith for your records.

Sincerely,

Sean H. Gallagher
Director
Energy Division



Brian K. Cherry
Director
Regulatory Relations

77 Beale Street, Room 1087
San Francisco, CA 94105

Mailing Address
Mail Code B10C
Pacific Gas and Electric Company
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October 7, 2005

ADVICE 2662-G

(Pacific Gas and Electric Company ID U 39 G)

**Subject: Expedited Pre-Approval of Interstate and Canadian
Pipeline Capacity Contracts**

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) submits this filing to request Commission pre-approval to continue three existing natural gas pipeline transportation contracts that are used to transport natural gas supplies from Canada on behalf of PG&E's core gas customers. This advice letter is filed in compliance with the procedures set forth in Decision (D.) 04-09-022.

Purpose

In D. 04-09-022, the Commission established procedures for expedited regulatory approval and processing of utility commitments to pipeline capacity. These procedures require consultation between the utilities, the Office of Ratepayer Advocates (ORA) and the Utility Reform Network (TURN). Approval authority is granted to the Energy Division. Under the expedited capacity advice letter procedure approved in D. 04-09-022, contracts for pipeline capacity may be submitted by expedited advice letter, seeking Commission approval within 21 days of the advice letter file date. The purpose of this expedited advice letter is to request approval to renew the existing capacity arrangements described below¹.

PG&E has consulted with ORA and TURN and both have confirmed that they support PG&E's renewal of the subject transportation contracts.

Description of Contracts

PG&E purchases significant quantities of natural gas sourced from Canada's Western Sedimentary Basin. PG&E holds Canadian and U.S. interstate pipeline capacity to transport those gas supplies to PG&E's interconnection at the California-Oregon border. PG&E has purchased and transported Canadian gas supplies to California since approximately 1961. The northern pipeline capacity path includes transmission capacity on TransCanada's Gas Transmission

¹ The subject contracts are provided to the Energy Division and ORA, under Public Utilities Code Section 583. Other applicable terms and conditions are contained within pipeline tariffs and are available directly from the pipelines.

Northwest (GTN), through Oregon, Washington and Idaho, TransCanada's British Columbia (B.C.) System and TransCanada's NOVA Gas Transmission Ltd. (NOVA), within the province of Alberta. This northern capacity path provides access to one of the most vibrant and liquid natural gas markets in North America. On average, over 10 Bcf per day of gas is traded on the NOVA system. Canadian gas supplies have been, and are expected to continue to be, consistently competitive with gas supplies from the U.S. Southwest.

The table below describes the specific contracts that PG&E seeks Commission approval to continue.

Table I
Pipeline Contract Information

Pipeline	Contract Quantity Dth/d	Estimated Annual Cost*	Firm Rates ² \$/Dth	Expiration Date
Gas Transmission Northwest (GTN)	609,968	\$56,730,800	.2548	10/31/06
TransCanada B.C. System	583,576	\$11,690,000	.0557	10/31/06
NOVA Gas Transmission (NOVA)	593,110	\$28,860,000	.1288	12/31/06

*Estimated annual costs in US dollars based on current reservation and variable rates, excluding fuel charges.

Renewal Recommendation

The GTN contract and the TransCanada B.C. System contract do not terminate unless the pipelines receive advance notice in writing of PG&E's intent to terminate. The "evergreen provisions" in these contracts continue for terms of one year, absent any action by PG&E. In other words, if PG&E does nothing, the contracts will continue. Upon approval of this filing, PG&E intends to take no action and allow the automatic one-year extensions for each of these contracts, which will extend their terms through October 31, 2007. If the Commission determines that PG&E should terminate these contracts, GTN and TransCanada B.C. Systems must receive PG&E's written notice by October 31, 2005.

PG&E must notify NOVA of its intent to renew the NOVA contract. PG&E intends to exercise the renewal for one year, extending the term through December 31, 2007, by notifying NOVA prior to December 31, 2005.

PG&E strongly urges that the Commission allow the contracts to continue for an additional year pursuant to the contracts' evergreen provisions. In the short-term, Canada is expected to continue to provide competitively-priced supplies, and by

² Includes fixed demand charges and volumetric rates (fuel costs are not included).

necessity, will remain the predominant supply source for PG&E's core customers³. In addition, the recent loss of gas production facilities in the US Gulf Coast resulting from Hurricanes Katrina and Rita have reduced the nation's available supplies and caused significant volatility in prices. It is uncertain how long these detrimental effects will last. In this unstable environment, preservation of PG&E's existing portfolio of pipeline assets is critical to ensure continued access to diversified supply sources. Over the longer term, the North American gas market outlook is also highly uncertain and contingent on the outcome of several still-speculative large gas development projects such as LNG infrastructure and gas pipeline projects allowing access to supplies in the Canadian arctic, and ultimately Alaska. Given the level of uncertainty, the options provided by the evergreen clauses are extremely valuable and should not be jeopardized at this juncture by allowing the contracts to terminate.

This filing will not affect any other rate or charge, cause the withdrawal of service, or conflict with any other rate schedule or rule.

Effective Date

In accordance with the comment and evaluation period provided in D.04-09-022, and assuming no protests are received to this filing, PG&E requests Commission pre-approval of this filing effective **October 28, 2005**, which is **21 days** after filing.

Protests – Ten (10) -day Expedited Period

Anyone may protest this expedited advice letter by sending a letter to the Commission by **October 17, 2005**, which is **ten (10) days** from the date of this filing, in accordance with the expedited protest period authorized in D. 04-09-022. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jnj@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.

³ Even under a hypothetical market scenario in which Canadian supplies were to lose their competitiveness, significant changes to the Northern Path holdings could not, in all likelihood, be accomplished prior to October 2007. Under today's circumstances, core customers' full allocation of Baja capacity on the California Gas Transmission (CGT) system is needed to meet core demand, particularly during the winter heating season. Any significant shift in the core's supply mix away from Canada and towards the Southwest would require access to Baja capacity currently held and used by other shippers on CGT.

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:

Pacific Gas and Electric Company
Attention: Brian Cherry
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Notice

In accordance with General Order 96-A, Section III, Paragraph G, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list, and the parties on the service list for R. 04-01-025. Address changes should be directed to Rose de la Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs>

Brian K. Cherry/ss

Director, Regulatory Relations

cc: Richard A. Myers - Energy Division
Wendy Marie Phelps - Energy Division
Jonathon Bromson - Energy Division
Mark Pocta - Office of Ratepayer Advocates
Jacqueline Grieg - Office of Ratepayer Advocates
Marcel Hawiger - The Utility Reform Network
Service List - R. 04-01-025

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 (ID39G)

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sue Shaw

Phone #: (415) 973-7375

E-mail: sxs9@jpge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **2662-G**

Subject of AL: Pre-Approval of Trans Canadian and Interstate Pipeline Capacity Contract Renewal – Request Expedited Approval

Keywords (choose from CPUC listing): CAPACITY, TRANSPORTATION, CONTRACTS

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D. 04-09-022

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Resolution Required? Yes No

Requested effective date: **October 28, 2005**

No. of tariff sheets: None

Estimated system annual revenue effect (%): Unknown

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: _____

Service affected and changes proposed¹: _____

Pending advice letters that revise the same tariff sheets: _____

Protests 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

Attention: Tariff Unit

505 Van Ness Ave.,

San Francisco, CA 94102

jjr@cpuc.ca.gov and jnj@cpuc.ca.gov

Utility Info (including e-mail)

¹ Discuss in AL if more space is needed.

**PG&E Gas and Electric Advice
Filing List
General Order 96-A, Section III(G)**

ABAG Power Pool
Accent Energy
Aglet Consumer Alliance
Agnews Developmental Center
Ahmed, Ali
Alicantar & Elsesser
Anderson Donovan & Poole P.C.
Applied Power Technologies
APS Energy Services Co Inc
Arter & Hadden LLP
Avista Corp
Barkovich & Yap, Inc.
BART
Bartle Wells Associates
Blue Ridge Gas
Bohannon Development Co
BP Energy Company
Braun & Associates
C & H Sugar Co.
CA Bldg Industry Association
CA Cotton Ginners & Growers Assoc.
CA League of Food Processors
CA Water Service Group
California Energy Commission
California Farm Bureau Federation
California Gas Acquisition Svcs
California ISO
Calpine
Calpine Corp
Calpine Gilroy Cogen
Cambridge Energy Research Assoc
Cameron McKenna
Cardinal Cogen
Cellnet Data Systems
Chevron Texaco
Chevron USA Production Co.
Childress, David A.
City of Glendale
City of Healdsburg
City of Palo Alto
City of Redding
CLECA Law Office
Commerce Energy
Constellation New Energy
Cooperative Community Energy
CPUC
Cross Border Inc
Crossborder Inc
CSC Energy Services
Davis, Wright Tremaine LLP
Davis, Wright, Tremaine, LLP
Defense Fuel Support Center
Department of the Army

Department of Water & Power City
DGS Natural Gas Services
DMM Customer Services
Douglass & Liddell
Downey, Brand, Seymour & Rohwer
Duke Energy
Duke Energy North America
Duncan, Virgil E.
Dutcher, John
Dynegy Inc.
Ellison Schneider
Energy Law Group LLP
Energy Management Services, LLC
Enron Energy Services
Exelon Energy Ohio, Inc
Exeter Associates
Foster Farms
Foster, Wheeler, Martinez
Franciscan Mobilehome
Future Resources Associates, Inc
G. A. Krause & Assoc
Gas Transmission Northwest Corporation
GLJ Energy Publications
Goodin, MacBride, Squeri, Schlotz &
Hanna & Morton
Heeg, Peggy A.
Hitachi Global Storage Technologies
Hogan Manufacturing, Inc
House, Lon
Imperial Irrigation District
Integrated Utility Consulting Group
International Power Technology
Interstate Gas Services, Inc.
J. R. Wood, Inc
JTM, Inc
Kaiser Cement Corp
Korea Elec Power Corp
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Masonite Corporation
Matthew V. Brady & Associates
Maynor, Donald H.
McKenzie & Assoc
McKenzie & Associates
Meek, Daniel W.
Mirant California, LLC
Modesto Irrigation Dist
Morrison & Foerster
Morse Richard Weisenmiller & Assoc.
Navigant Consulting
New United Motor Mfg, Inc
Norris & Wong Associates

North Coast Solar Resources
Northern California Power Agency
Office of Energy Assessments
Palo Alto Muni Utilities
PG&E National Energy Group
Pinnacle CNG Company
PITCO
Plurimi, Inc.
PPL EnergyPlus, LLC
Praxair, Inc.
Price, Roy
Product Development Dept
R. M. Hairston & Company
R. W. Beck & Associates
Recon Research
Regional Cogeneration Service
RMC Lonestar
Sacramento Municipal Utility District
SCD Energy Solutions
Seattle City Light
Sempra
Sempra Energy
Sequoia Union HS Dist
SESCO
Sierra Pacific Power Company
Silicon Valley Power
Smurfit Stone Container Corp
Southern California Edison
SPURR
St. Paul Assoc
Stanford University
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tansev and Associates
Tecogen, Inc
TFS Energy
Transcanada
Turlock Irrigation District
U S Borax, Inc
United Cogen Inc.
URM Groups
Utility Cost Management LLC
Utility Resource Network
Wellhead Electric Company
Western Hub Properties, LLC
White & Case
WMA