

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



April 24, 2006

Advice Letter 2719-G

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

<b>REGULATORY RELATIONS</b>	
Tariffs Section	
M Brown	D Poster
R Dela Torre	S Ramaiya
B Lam	
APR 25 2006	
_____	Recd
Return to _____	File _____
cc to _____	

Subject: Expedited Pre-Approval of Transwestern Pipeline Contract

Dear Ms de la Torre:

Advice Letter 2719-G is effective April 26, 2006. 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  
P.O. Box 770000  
San Francisco, CA 94177

415.973.4977  
Internal: 223.4877  
Fax: 415.973.9572  
Internet: BKC7@pge.com

April 5, 2006

**ADVICE 2719-G**

(Pacific Gas and Electric Company ID U 39 G)

**Subject: Expedited Pre-Approval of Transwestern Pipeline Contract**

Public Utilities Commission of the State of California

**Purpose**

In compliance with the procedures set forth in Decision (D.) 04-09-022, Pacific Gas and Electric Company (PG&E) submits this filing to request California Public Utilities Commission (CPUC or Commission) pre-approval to replace two expiring Transwestern Pipeline (Transwestern) firm transportation service agreements (TSAs), which are used to transport natural gas supplies from the San Juan Basin on behalf of PG&E's core gas customers, with a new TSA. PG&E urges the Commission to approve this filing by **April 26, 2006**, as it will provide benefits to core customers, as further discussed herein.

**Background**

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 among the utility, the Energy Division, the Division of Ratepayer Advocates (DRA), and The Utility Reform Network (TURN). 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 approval by the Director of the Energy Division within 21 days of the advice letter filing date.

PG&E has consulted with DRA and TURN and both expressed support for PG&E's replacement of the expiring Transwestern transportation service agreements with the new TSA<sup>1</sup>. Thus, in compliance with D.04-09-022, PG&E submits this

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<sup>1</sup> A Letter Agreement between PG&E and Transwestern stipulating the terms and conditions of the proposed new TSA is provided to the Energy Division and DRA pursuant to Public Utilities Code Section 583 and to TURN, pursuant to confidentiality provisions of a non-disclosure agreement. Other applicable terms and conditions are contained within pipeline tariffs and are available directly from the pipelines.

expedited advice letter to request Commission approval to replace the expiring capacity arrangements with a new TSA, as described below.

### **Description of Expiring Contracts**

PG&E has transported natural gas through the Transwestern system since 1992 under two firm service agreements, which expire March 31, 2007: 1) The San Juan Lateral (Lateral), which accesses receipt points in the San Juan Basin and connects to Transwestern's Mainline interconnect point at Thoreau, New Mexico; and 2) The Mainline (Mainline), with the receipt point at Thoreau, New Mexico and the primary delivery point at the Transwestern-PG&E interconnect at the Arizona-California border.<sup>2</sup> The total delivered quantity is 150,000 Decatherms (Dth)<sup>3</sup> per day.

### **Summary of Proposed Contract**

In this filing, PG&E proposes to replace the expiring Lateral and Mainline agreements with a single TSA, commencing April 1, 2007. The term will be 3 years (through March 31, 2010), with PG&E receiving a Right of First Refusal upon expiration. The maximum daily quantity will be 150,000 Dth per day from receipt point rights in the San Juan Basin to Transwestern's Topock delivery interconnection with PG&E. The reservation rate will equal the lesser of: (a) Transwestern's effective maximum reservation rate applicable to California, or (b) \$0.30 per Dth. The fuel rate will equal the lesser of: (a) Transwestern's applicable tariff fuel rate, or (b) 3.2 percent<sup>4</sup>. PG&E will also pay Transwestern the applicable tariff commodity rate and any FERC-approved surcharges. In accordance with PG&E's gas tariffs, all costs associated with the TSA will be recovered from PG&E's core gas customers through the Purchased Gas Account (PGA).

The table below summarizes the expiring TSAs and the proposed new TSA, for which PG&E seeks Commission approval through this filing.

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<sup>2</sup> Supplies from the San Juan Basin have been, and are expected to continue to be consistently competitive with gas supplies from the Western Canadian Sedimentary Basin and the U.S. Rocky Mountain producing region. Transwestern's Blanco Hub in northwest New Mexico also receives Rocky Mountain gas supplies from western Colorado.

<sup>3</sup> Dth is equivalent to MMBtu (million British thermal units).

<sup>4</sup> Transwestern shippers are responsible for an in-kind fuel reimbursement, calculated as a percentage of the delivered quantities. The in-kind fuel rate reduction from the existing maximum 4.75% to 3.2%, or lower, will result in additional significant savings to PG&E's core gas customers.

**Transwestern Pipeline Contract Terms**  
**Existing and Proposed**

<b>Contract Identification</b>	<b>Contract Quantity Dth/d</b>	<b>Expiration Date</b>	<b>Reservation Rates* \$/Dth</b>	<b>Annual Cost</b>	<b>Annual Savings Compared to Max Tariff Reservation Rate</b>
Expiring (Lateral and Mainline)	150,000	3/31/07	0.4046	\$22,151,850	\$0.00
Proposed New TSA	150,000	3/31/2010	0.3000	\$16,425,000	\$ 5,726,850

\* Reservation rates, excluding variable and fuel charges.

**Request for Commission Approval**

In addition to approval of the proposed TSA facilitating PG&E's compliance with D.04-09-022, which requires utilities to maintain a minimum level of capacity to California, PG&E strongly urges that the Commission approve the proposed TSA as it provides the following benefits:

- Discounted transportation rates for core customers. The proposed replacement TSA offers savings of over \$17 million dollars compared to current reservation rates over the 3-year term. Additional savings will accrue due to the lower fuel rate.
- Rate certainty for three years. Transwestern is expected to file a General Rate Case by year-end for new rates effective in 2007. Transwestern's proposed new maximum tariff rates are likely to reflect an increase over existing maximum tariff rates.
- Continued access to the currently lower-cost supplies from the San Juan Basin. San Juan Basin supplies are expected to be competitively-priced through the term of the new TSA.

In the event that Commission approval is not received by April 26, 2006, the proposed new agreement would not be executed and Transwestern would post PG&E's expiring capacity on its electronic bulleting board as available capacity. Transwestern would then retain the right to reject any offer for capacity at less than the maximum tariff rate. PG&E would be able to exercise its Right of First Refusal to match any offer to retain the capacity.

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 proposed replacement contract effective **April 26, 2006**, which is 21 days after filing.

### **Protests – Ten (10) Day Expedited Period**

Anyone wishing to protest this expedited advice letter may do so by sending a letter to the Commission by **April 17, 2006** 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, 4<sup>th</sup> Floor  
505 Van Ness Avenue  
San Francisco, California 94102  
Facsimile: (415) 703-2200  
E-mail: [jjr@cpuc.ca.gov](mailto:jjr@cpuc.ca.gov) and [jjn@cpuc.ca.gov](mailto:jjn@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 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](mailto: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 Rulemaking (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. Cheng*

Director, Regulatory Relations

cc: Richard A. Myers - Energy Division  
Wendy Maria Phelps - Energy Division  
Jonathon Bromson - Energy Division  
Mark Pocta - Division of Ratepayer Advocates  
Jacqueline Grieg - Division 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 U39M

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Shilpa Ramaiya

Phone #: (415) 973-3186

E-mail: srrd@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) #: **2719-G**

Subject of AL: Expedited Pre-Approval of Transwestern Pipeline Contract

Keywords (choose from CPUC listing): Contract, Agreement, Core

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 \_\_\_\_\_

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: \_\_\_\_\_

Resolution Required?  Yes  No

Requested effective date: **4-26-2006**

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): \$5.7 million savings compared to current contracts

Estimated system average rate effect (%): Unknown

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: N/A

Service affected and changes proposed<sup>1</sup>: Pre-approval to replace two expiring Transwestern Pipeline firm transportation service agreements (TSAs), which are used to transport natural gas supplies from the San Juan Basin on behalf of PG&E's core gas customers, with a new TSA.

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

**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](mailto:jjr@cpuc.ca.gov) and [jnj@cpuc.ca.gov](mailto:jnj@cpuc.ca.gov)**

**Utility Info (including e-mail)**

**Attn: Brian K. Cherry**

**Director, 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)**

<sup>1</sup> 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  
Alcantar & Eisesser  
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  
CPUC  
Cross Border Inc  
Crossborder Inc  
CSC Energy Services  
Davis, Wright, Tremaine LLP  
Defense Fuel Support Center  
Department of the Army  
Department of Water & Power City  
DGS Natural Gas Services  
Douglass & Liddell  
Downey, Brand, Seymour & Rohwer  
Duke Energy  
Duke Energy North America  
Duncan, Virgil E.  
Dutcher, John  
Dynergy 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.  
IUCG/Sunshine Design LLC  
J. R. Wood, Inc  
JTM, Inc  
Kaiser Cement 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  
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