

STATE OF CALIFORNIA

ARNOLD SCHWARZENEGGER, Governor

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



July 7, 2006

Advice Letter 2737-G

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

Subject: Expedited pre-approval of El Paso and Kern River pipeline assignments

Dear Ms de la Torre:

Advice Letter 2737-G is effective July 7, 2006. A copy of the advice letter is returned herewith for your records.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean H. Gallagher".

Sean H. Gallagher, Director
Energy Division



Brian K. Cherry
Senior 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: 415.973.7226
Internet: BKC7@pge.com

June 16, 2006

ADVICE 2737-G

(Pacific Gas and Electric Company ID U 39 G)

**Subject: Expedited Pre-Approval of El Paso and Kern River Pipeline
Assignments**

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 for two seasonal firm transportation assignments, which PG&E proposes to use to transport natural gas supplies from the San Juan Basin and the Rocky Mountain producing region on behalf of PG&E's core gas customers. PG&E requests that the Commission approve this filing by **Friday, July 7, 2006**.

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 have expressed support for PG&E's acquisition of peak winter interstate pipeline transportation capacity pursuant to PG&E's Request for Offers (RFO) for US Southwest and Rocky Mountain firm pipeline capacity for December 2006 through February 2007.

As shown in the Table below, acceptance of both capacity assignments will maintain the total capacity quantity within the pre-approval range designated for

PG&E in D.04-09-022, Finding of Fact 24, page 85. Therefore, these assignments are eligible for the Pre-Approval process.

	Quantity (Dth/Day)
PG&E's Existing Annual Firm TSAs	964,568
PG&E's Total Winter Peak Capacity, Including the Proposed Assignments	1,043,768
Pre-Approval Lower Capacity Bound	962,000
Pre-Approval Upper Capacity Bound	1,058,000

In compliance with D.04-09-022, PG&E submits this expedited advice letter to request Commission approval to accept the temporary capacity assignments as described below.

Description of RFO and Proposed Capacity Assignments

On June 2, 2006, PG&E sent its RFO to several participants, requesting offers for firm, interstate pipeline transportation with primary delivery into PG&E's "Baja" path for the period December 1, 2006 through February 28, 2007. Based on quantitative and qualitative criteria, PG&E provisionally accepted two offers (proposed offers), subject to CPUC pre-approval by this expedited Advice Letter process. The proposed offers are from El Paso Natural Gas (El Paso) and Kern River Gas Transmission (Kern River). The proposed offers are summarized below:

Proposed Winter Assignments	Quantity (Dth/Day)	Term	Reservation Rate (\$/Dth)
El Paso	50,000	Dec. 1, 2006 – Feb. 28, 2007	\$0.1200
Kern River	29,200	Dec. 1, 2006 – Feb. 28, 2007	\$0.3973

Description of RFO Open Season and Posting Requirements

Upon approval by the Commission, PG&E will instruct the pipelines to prepare pre-arranged capacity releases subject to posting and competitive bidding requirements pursuant to each pipeline's FERC gas tariff. These pre-arranged capacity releases will be available on the El Paso and Kern River Electronic Bulletin Board (EBB) for competing bids for four days. At the close of the posting period: (1) if no competing bids for the capacity have been received, each pipeline will award their seasonal assignments to PG&E; and (2) if competing bids for the capacity are received, PG&E will review and consult with DRA, the Energy Division and TURN to decide whether to match the highest competing bid

for the capacity¹. If PG&E, DRA, Energy Division and TURN conclude that PG&E should match the highest bid, PG&E shall proceed accordingly. El Paso and Kern River would then award the capacity to PG&E. If a competing bid is received and PG&E does not offer to match it, the capacity will be awarded to the highest bidder.

Modifications to PG&E's Core Procurement Incentive Mechanism (CPIM)

PG&E and DRA have agreed on CPIM benchmark and sequencing modifications to accommodate the El Paso and Kern River seasonal capacity offers. These modifications are specified in a Stipulation and Agreement between DRA and PG&E, dated June 16, 2006. These modifications are effective only if the capacity is awarded to PG&E and only during the duration of the capacity assignments, December 1, 2006 through February 28, 2007. Copies are available from PG&E upon request.

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 **July 7, 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 **June 26**, 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.

¹ PG&E has requested El Paso and Kern River to extend their matching periods to one business day in order to accommodate the consultative process between PG&E, DRA, Energy Division and TURN. The respective periods allowed for match responses will be known by the pipeline posting dates.

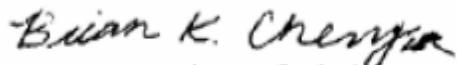
The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Pacific Gas and Electric Company
Attention: Brian Cherry
Senior 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 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>



Senior 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) #: **2737-G**

Subject of AL: Expedited Pre-Approval of El Paso and Kern River Pipeline Assignments

Keywords (choose from CPUC listing): Firm transportation assignments

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 AL¹: _____

Resolution Required? Yes No

Requested effective date: **7-07-2006**

No. of tariff sheets: 0

Estimated system annual revenue effect (%): Unknown

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 proposed¹: See advice letter

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 and 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

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
Alcantar & Elsesser
Ancillary Services Coalition
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
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
OnGrid Solar
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