

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

Tel. No. (415) 703-1691



October 11, 2006

Advice Letter 2762-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 Interstate and Canadian Pipeline Contracts

Dear Ms de la Torre:

Advice Letter 2762-G is effective October 13, 2006. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
M Brown	Tariffs Section
R Dela Torre	D Poster
B Lam	S Ramaiya
OCT 17 2006	
Return to	Records
cc to	File



Brian K. Cherry
Vice President
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: 223.4977
Fax: 415.973.7226
Internet: BKC7@pge.com

September 22, 2006

Advice 2762-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

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

Pacific Gas and Electric Company (PG&E) requests the California Public Utilities Commission (Commission) to pre-approve the continuation of three existing natural gas pipeline contracts which are used to transport natural gas supplies from Canada on behalf of PG&E's core gas customers.

Purpose

The purpose of this expedited advice letter is to request approval to renew the existing capacity arrangements described below¹. 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 utility, the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN). The Energy Division was granted approval authority. Under 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. PG&E requests that the Commission approve this filing by **October 13, 2006**.

PG&E has consulted with DRA and TURN and both have confirmed their support for PG&E's renewal of the subject pipeline contracts.

Description of Contracts

PG&E purchases significant quantities of natural gas 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

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

California since 1961. The northern pipeline capacity path includes transmission capacity on TransCanada's Gas Transmission 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 billion cubic feet (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 and Rocky Mountain producing region.

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

Table I Proposed Pipeline Contract Information

Pipeline	Contract Quantity Dth/d	Estimated Res. Rate (1)	Estimated Annual Cost (2)	Expiration Date
Gas Transmission Northwest (GTN) (3)	609,968	0.4499	\$100,154,739	10/31/2008
TransCanada B.C. System	611,054	0.0667	\$14,876,415	10/31/2008
NOVA Gas Transmission (NOVA)	619,369	0.1167	\$26,382,332	12/31/2008

(1) Rates based on current or filed reservation rates, excluding variable and fuel charges.

(2) Estimated annual costs in US dollars. Rates and costs expressed in US dollars for the B.C. System and NOVA may vary depending on future currency exchange rates.

(3) On June 30, 2006, GTN filed a General Rate Case with the Federal Energy Regulatory Commission (Docket No. RP06-407-000) proposing a maximum recourse rate increase under Rate Schedule FTS-1 from \$0.2628 to \$0.4499. The Commission has not yet ruled on the increase. The proposed rates will take effect on January 1, 2007, subject to refund based on the Commission's final ruling.

Renewal Recommendation

The GTN contract and the TransCanada B.C. System contracts 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 for another year. 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, 2008. 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, 2006.

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, 2008, by notifying NOVA prior to December 31, 2006.

All costs associated with the contracts will continue to be recovered from PG&E's core gas customers through the Purchased Gas Account, in accordance with D. 04-09-022 and PG&E's gas tariffs.

PG&E strongly urges the Commission to 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 necessity, will remain the predominant supply source for PG&E's core customers. 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 2008. Under today's circumstances, the core's 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.

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

Protests – Ten Day Expedited Period

Anyone wishing to protest this filing may do so by sending a letter to the address below by **October 2, 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, 4th Floor
505 Van Ness Avenue
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: jjr@cpuc.ca.gov and jjj@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
Vice President, 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

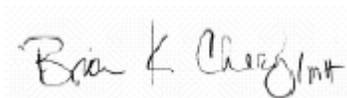
Effective Date

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 13, 2006**, which is 21 days after the date of this filing.

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>



Vice President, 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 U39M

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Megan Hughes

Phone #: (415) 973-1877

E-mail: MEHr@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) #: **2762-G**

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

Keywords (choose from CPUC listing): 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

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

Resolution Required? Yes No

Requested effective date: 10-13-2006 or CPUC approval

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

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: Schedule NEM

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 10 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 jinj@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.
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
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
Luce, Forward, Hamilton & Scripps
Manatt, Phelps & Phillips
Marcus, David
Matthew V. Brady & Associates
Maynor, Donald H.
MBMC, Inc.
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
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
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