

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 4, 2007

Advice Letter 2788-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 Transportation Contract(s)

Dear Ms. de la Torre:

Advice Letter 2788-G is effective December 28, 2006. A copy of the advice letter is returned herewith for your records.

Sincerely,

Sean H. Gallagher, Director
Energy Division

REGULATORY RELATIONS	
Tariffs Section	
M Brown	D Poster
R Dela Torre	S Ramaiya
B Lam	
JAN 8 2007	
Records	
Return to	File
cc to	



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

December 7, 2006

Advice 2788-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Expedited Pre-Approval of El Paso Transportation Contract(s)

Pacific Gas and Electric Company (PG&E) submits this filing to request California Public Utilities Commission (Commission) pre-approval to reform its El Paso Natural Gas (El Paso) 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. 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 Division of Ratepayer Advocates (DRA) 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 replace the capacity arrangements described below¹, with a new TSA.

PG&E has consulted with DRA and TURN and both have confirmed that they support the proposed reformation of PG&E's El Paso TSAs.

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.

Description of Existing Contracts

PG&E reinstated firm transportation of natural gas through the El Paso pipeline effective November 1, 2002, in compliance with D. 02-07-037², and most recently under three firm service agreements:

Contract	Dth per day	Expiration
9RJE	25,225	July 1, 2007
9RJF	90,810	July 1, 2008
9RJG	<u>85,739</u>	July 1, 2010
Total Contracts	201,774	

The El Paso contracts access receipt points in the San Juan Basin and deliver supplies to the El Paso-PG&E interconnect at the Arizona-California border. As shown above, the total delivered quantity is 201,774 decatherms (Dth)³ per day. Supplies from the San Juan Basin have been and are expected to be competitive with gas supplies from the Western Canadian Sedimentary Basin and the U.S. Rocky Mountain producing region.

PG&E's renewal options for the first expiring contract (Contract 9RJE) are to exercise its Right-of-First-Refusal (ROFR)⁴, or renegotiate the terms of this agreement. However, we believe PG&E's core gas customers will benefit by simultaneous renegotiation and extension of the first two expiring contracts (Contracts 9RJE and 9RJF). PG&E proposes to combine these two separate agreements into one TSA, with a total quantity equal to the sum of the existing TSAs, and an effective date of July 1, 2007. The single replacement TSA will extend customer savings associated with discounted reservation rates through June 30, 2012. The proposal is summarized below.

Summary of Proposed Contract

PG&E proposes to replace its existing El Paso agreements 9RJE and 9RJF with a single TSA, commencing July 1, 2007. The term will be 5 years (through June 30, 2012), with PG&E receiving a ROFR upon expiration. The maximum daily quantity will be 116,035 Dth per day from receipt point rights in the San Juan Basin to El Paso's Topock delivery interconnection with PG&E. All costs associated with the TSA will 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.

The reservation rate will equal the lesser of (1) El Paso's effective maximum reservation rate applicable to California, or (2) the effective reservation rate according to the schedule of proposed rates (the average rate through the 5-year term is shown in the table below). The fuel rate will equal the applicable tariff fuel rate (the existing fuel rate is 2.66%, subject to future adjustments by El Paso).

² Opinion Establishing Rules For California Utilities' Subscription To Turned Back El Paso Pipeline Capacity, July 17, 2002.

³ Dth is equivalent to MMBtu (million British thermal units).

⁴ The ROFR notification deadline is December 31, 2007 (6 month notice period).

PG&E will also pay El Paso the applicable tariff commodity rate and any FERC approved surcharges.

The table below summarizes the proposed new TSA for which PG&E seeks Commission approval. The table also shows expected reservation cost savings compared to existing maximum tariff rates.

Table I PG&E - El Paso Natural Gas
Proposed Contract Terms

Contract Identification	Contract Quantity Dth/d	Expiration Date	Avg. Res. Rates* \$/Dth	Annual Cost	Avg. Annual Savings Compared to Existing Tariff Res. Rate
Proposed New TSA	116,035	6/30/2012	0.3033	\$ 12,844,942	\$ 1,635,472

* Average reservation rate excludes variable and fuel charges.

PG&E strongly urges the Commission to approve the proposed TSA. Approval will facilitate PG&E's compliance with D.04-09-022, which requires utilities to maintain a minimum level of capacity to California. In addition, the proposed new TSA provides the following direct benefits:

- Discounted transportation rates for core customers. The proposed replacement TSA offers savings of over \$8 million dollars compared to existing maximum tariff reservation rates over the five-year term, and offers a savings of approximately \$3.8 million compared to settlement rates over the five-year term.⁵
- Rate certainty for five years.
- Continued access to the low-cost supplies from the San Juan Basin. San Juan Basin supplies are expected to be competitively priced through the term of the new TSA.

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 Period⁶

Anyone wishing to protest this filing may do so by sending a letter to the address below by **December 18, 2006**, which is eleven **(11) days** from the date of this filing, in accordance with the expedited protest period authorized in D.04-09-022.

⁵Settlement offer filed on December 6, 2006, by El Paso Natural Gas Company and Settling Parties in Docket No. RP05-422. The proposed settlement period ends December 31, 2008.

⁶The 10 day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jjn@cpuc.ca.gov and mas@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:

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

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

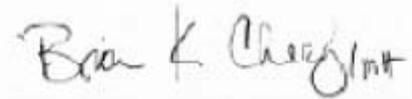
Effective Date

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 **December 28, 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>

A handwritten signature in black ink that reads "Brian K. Chappin". The signature is written in a cursive style and is centered on the page.

Vice President, Regulatory Relations

cc: Sean Gallagher, Director of Energy Division
Richard A. Myers - Energy Division
Wendy Marie Phelps - Energy Division
Jonathon Bromson - Legal 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) #: **2788-G**

Subject of AL: Expedited Pre-Approval of El Paso Transportation Contract(s)

Keywords (choose from CPUC listing): Capacity Contracts

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

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

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: **December 28, 2006**

No. of tariff sheets: 0

Estimated system annual revenue effect: (%)

Estimated system average rate effect (%)

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: 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
inj@cpuc.ca.gov

Utility Info (including e-mail)
Attn: Brian K. Cherry
Vice President, 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	Douglass & Liddell	PG&E National Energy Group
Accent Energy	Downey, Brand, Seymour & Rohwer	Pinnacle CNG Company
Aglet Consumer Alliance	Duke Energy	PITCO
Agnews Developmental Center	Duke Energy North America	Plurimi, Inc.
Ahmed, Ali	Duncan, Virgil E.	PPL EnergyPlus, LLC
Alcantar & Kahl	Dutcher, John	Praxair, Inc.
Ancillary Services Coalition	Dynergy Inc.	Price, Roy
Anderson Donovan & Poole P.C.	Ellison Schneider	Product Development Dept
Applied Power Technologies	Energy Law Group LLP	R. M. Hairston & Company
APS Energy Services Co Inc	Energy Management Services, LLC	R. W. Beck & Associates
Arter & Hadden LLP	Exelon Energy Ohio, Inc	Recon Research
Avista Corp	Exeter Associates	Regional Cogeneration Service
Barkovich & Yap, Inc.	Foster Farms	RMC Lonestar
BART	Foster, Wheeler, Martinez	Sacramento Municipal Utility District
Bartle Wells Associates	Franciscan Mobilehome	SCD Energy Solutions
Blue Ridge Gas	Future Resources Associates, Inc	Seattle City Light
Bohannon Development Co	G. A. Krause & Assoc	Sempra
BP Energy Company	Gas Transmission Northwest Corporation	Sempra Energy
Braun & Associates	GLJ Energy Publications	Sequoia Union HS Dist
C & H Sugar Co.	Goodin, MacBride, Squeri, Schlotz &	SESCO
CA Bldg Industry Association	Hanna & Morton	Sierra Pacific Power Company
CA Cotton Ginners & Growers Assoc.	Heeg, Peggy A.	Silicon Valley Power
CA League of Food Processors	Hitachi Global Storage Technologies	Smurfit Stone Container Corp
CA Water Service Group	Hogan Manufacturing, Inc	Southern California Edison
California Energy Commission	House, Lon	SPURR
California Farm Bureau Federation	Imperial Irrigation District	St. Paul Assoc
California Gas Acquisition Svcs	Integrated Utility Consulting Group	Stanford University
California ISO	International Power Technology	Sutherland, Asbill & Brennan
Calpine	Interstate Gas Services, Inc.	Tabors Caramanis & Associates
Calpine Corp	IUCG/Sunshine Design LLC	Tecogen, Inc
Calpine Gilroy Cogen	J. R. Wood, Inc	TFS Energy
Cambridge Energy Research Assoc	JTM, Inc	Transcanada
Cameron McKenna	Luce, Forward, Hamilton & Scripps	Turlock Irrigation District
Cardinal Cogen	Manatt, Phelps & Phillips	U S Borax, Inc
Cellnet Data Systems	Marcus, David	United Cogen Inc.
Chevron Texaco	Matthew V. Brady & Associates	URM Groups
Chevron USA Production Co.	Maynor, Donald H.	Utility Cost Management LLC
City of Glendale	MBMC, Inc.	Utility Resource Network
City of Healdsburg	McKenzie & Assoc	Wellhead Electric Company
City of Palo Alto	McKenzie & Associates	Western Hub Properties, LLC
City of Redding	Meek, Daniel W.	White & Case
CLECA Law Office	Mirant California, LLC	WMA
Commerce Energy	Modesto Irrigation Dist	
Constellation New Energy	Morrison & Foerster	
CPUC	Morse Richard Weisenmiller & Assoc.	
Cross Border Inc	Navigant Consulting	
Crossborder Inc	New United Motor Mfg, Inc	
CSC Energy Services	Norris & Wong Associates	
Davis, Wright, Tremaine LLP	North Coast Solar Resources	
Defense Fuel Support Center	Northern California Power Agency	
Department of the Army	Office of Energy Assessments	
Department of Water & Power City	OnGrid Solar	
DGS Natural Gas Services	Palo Alto Muni Utilities	