

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 16, 2008

Advice Letter 2962-G

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

Subject: Notification of Incremental Storage Request for Offers

Dear Mr. Cherry:

Advice Letter 2962-G is effective November 15, 2008. PG&E is to follow the approval process specified in D.06-07-010, as modified by D.08-07-009 and D.06-10-035 in connection with the Request for Offers it intends to conduct.

Sincerely,

A handwritten signature in black ink, appearing to read "Ken Lewis".

Kenneth Lewis, Acting Director
Energy Division

October 16, 2008

Advice 2962-G

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

Subject: Notification of Incremental Storage Request for Offers

Pacific Gas and Electric Company (PG&E) submits this advice letter to notify the California Public Utilities Commission (Commission) of its intent to distribute an incremental storage Request for Offers (RFO) to enhance core gas portfolio reliability during peak demand events. This advice letter is submitted in compliance with the procedures set forth in Decision (D.) 06-07-010, and as modified by D.08-07-009.

Purpose

Decision 06-07-010 adopted PG&E's proposal for a 1-day-in-10-year peak-day planning standard for its core gas customers and authorized PG&E to acquire additional storage capacity for the 2007-2008 and 2008-2009 winter periods through a solicitation for offers. The Decision also required PG&E to, "file an advice letter in advance of the expiration of [PG&E's] initial incremental storage contract(s) describing whether core customers should continue to hold incremental storage or not and the process that PG&E will follow for soliciting new storage contracts."¹ In compliance with that Commission directive, this Advice Letter informs the Commission and market participants that PG&E recommends soliciting offers to continue holding incremental storage on behalf of its core gas customers, provided the costs are reasonable. The Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) have been consulted and concur with PG&E's recommendation. Therefore, PG&E intends to solicit the market for new storage offerings via a competitive process, described herein.

¹ D.06-07-010, page 27.

Background

Through the initial incremental storage RFO issued in 2006, PG&E successfully procured 100 thousand decatherms per day (MDth/d) of withdrawal capacity along with 1 million decatherms (MMDth) of inventory capacity – all of which was used during the 2007-2008 winter season and will be available throughout the 2008-2009 winter season. Holding incremental storage increased core gas reliability by providing additional supply withdrawal capabilities to meet a peak demand event.

Description of Request for Offers Process

PG&E's Core Gas Supply Department proposes to issue a RFO in late October to all providers of commercial storage products in northern California. Storage offers will be for a two-year term beginning April 1, 2009 and evaluated using the Financial Engineering Associates (FEA) storage evaluation model. This commonly accepted economic evaluation method was employed in the 2006 incremental storage RFO evaluation process. Calculated values will establish upper and lower bounds for the market value of the proposed storage product. Offers falling within this range are considered to be consistent with levels at which one would expect the market to transact. PG&E's evaluation will also compare the incremental storage offers with the costs of providing other alternatives of firm capacity to core gas customers. These results will be shared with DRA and TURN. If PG&E, DRA and TURN agree to accept any offer(s), PG&E intends to file a subsequent expedited Advice Letter seeking Commission approval of the offer(s). In the event that agreement between PG&E, DRA, and TURN is not reached, PG&E may exercise its right to, "file a regular Advice Letter requesting approval of a storage contract without the concurrence of DRA and TURN."²

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically any of which must be received no later than **November 5, 2008**, which is twenty **(20) days** from the date of this filing. 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: jnj@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.

² D.06-07-010, Ordering Paragraph 6, page 38.

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

PG&E requests Commission pre-approval of this filing effective **November 15, 2008**, which is thirty **(30) 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 A. 05-03-001. 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

Confidential Attachments

cc: Kenneth Lewis, Acting Director of Energy Division
Richard A. Myers - Energy Division
Eugene Cadenasso - Energy Division
Wendy Al-Mukdad - Energy Division
Belinda Gatti - Energy Division
Jonathon Bromson - Legal Division
R. Mark Pocta - Division of Ratepayer Advocates
Jacqueline Greig - Division of Ratepayer Advocates
Pearlie Sabino - Division of Ratepayer Advocates
Marcel Hawiger - The Utility Reform Network
Service List - A. 05-03-001

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 (ID U39 M)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Megan Lawson

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) #: 2962-G

Tier: [1]

Subject of AL: Notification of Incremental Storage Request for Offers

Keywords: storage

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution: D. 06-07-010

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

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

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information:

Resolution Required? Yes No

Requested effective date: November 15, 2008

No. of tariff sheets: N/A

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: N/A

Service affected and changes proposed: N/A

Protests, dispositions, 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

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave., San Francisco, CA 94102

jn@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

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

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tioga Energy
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	TransCanada
City of Palo Alto	MBMC, Inc.	Turlock Irrigation District
City of San Jose	MRW & Associates	U S Borax, Inc.
Clean Energy Fuels	Manatt Phelps Phillips	United Cogen
Coast Economic Consulting	Matthew V. Brady & Associates	Utility Cost Management
Commerce Energy	McKenzie & Associates	Utility Resource Network
Commercial Energy	Meek, Daniel W.	Utility Specialists
Constellation	Merced Irrigation District	Vandenberg Air Force
Constellation New Energy	Mirant	Verizon
Consumer Federation of California	Modesto Irrigation District	Wellhead Electric Company
Crossborder Energy	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
		White & Case
Davis Wright Tremaine LLP	Morrison & Foerster	eMeter Corporation
Day Carter Murphy	New United Motor Mfg., Inc.	
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	