

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



June 8, 2009

Advice Letter 3016-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 3016-G is effective June 4, 2009.

Sincerely,

A handwritten signature in blue ink, appearing to read "Julie A. Fitch".

Julie A. Fitch, Director
Energy Division



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

May 5, 2009

Advice 3016-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 a Request for Offers (RFO) seeking firm storage contracts which may enhance core portfolio reliability during peak demand events, and reduce core portfolio costs. This Advice Letter is submitted in accordance with procedures that were set forth in Decisions (D.) 04-09-022 and 06-07-010.

Purpose:

PG&E's Core Gas Supply wishes to explore whether it could better serve its core gas customers by replacing a portion of its seasonal Baja Path (Baja) capacity holdings allocated to bundled core gas customers through PG&E's Gas Transmission and Storage Rate Case (the Gas Accord), with an equivalent amount of storage inventory and withdrawal capacity. PG&E would recommend substituting storage capacity for a portion of its Baja capacity only if it results in a more economical way to meet the 1-day-in-10-year peak-day planning standard. PG&E proposes to test the viability of this proposal by conducting an RFO to determine whether or not economic storage products are available during the applicable period. If PG&E receives offer(s) that meet its criteria, PG&E will follow the procedures identified in D.06-07-010 to obtain Commission approval.

Background:

In D.04-09-022, the Commission reasoned that utility pipeline capacity commitments and storage needs cannot be determined in isolation and, therefore, decided that proposed changes to core gas storage should be included as part of the pipeline capacity approval process. Specifically, the Commission instructed utilities to address changes to core gas storage through the standard advice letter process.

In D.06-07-010, the Commission 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 2008-2009 winter period and beyond through a solicitation for offers. Consistent with the process established in D.06-07-010 to obtain new storage contracts, this Advice Letter informs the Commission and market participants that the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN) support PG&E's proposal to solicit the market for new storage offerings via a competitive process.

Development of Incremental Core Storage Quantities

The term "incremental core storage" is defined as any storage capacity that PG&E may contract for in order to serve PG&E's core gas customers that is above and beyond the 33.5 billion cubic feet (Bcf) of PG&E's California Gas Transmission Department (CGT) storage currently allocated to PG&E's core gas customers.

PG&E currently holds 320 thousand dekatherms per day (MDth/d) of seasonal Baja capacity for the core gas portfolio during the winter months of December through February that is not matched to upstream interstate capacity. Approximately 150 MDth/d of this seasonal Baja capacity is held to serve higher load profile days that can result in winter peak demand events. Historically, these events have occurred, on average, only fifteen (15) days during the winter season.

PG&E recommends replacing a portion of its seasonal Baja firm capacity with economic firm storage withdrawal to increase its 1-day-in-10-year peak reliability, beginning April 1, 2011. Incremental firm storage is a more reliable tool than holding intrastate pipeline capacity for addressing peak demand events. Although holding additional firm seasonal pipeline capacity provides some measure of access to gas delivered at a California Border interconnect, it does not ensure that gas will be available during a peak demand event. Conversely, gas in storage is available on demand and therefore eliminates the physical risk associated with transporting gas to core gas customers on the Baja Path. Moreover, the cost of gas in storage is not subject to the winter spot gas price spikes that routinely occur during peak demand events. Any substitution of storage capacity for Baja capacity would be effective after the current Gas Accord expires on December 31, 2010. As specified in the Incremental Core Storage Partial Settlement between PG&E, DRA and TURN¹, and as approved in D.06-07-010², Core Transport Agents will not be offered a pro-rata share of any incremental storage capacity resulting from this RFO. Existing seasonal Baja capacity rights for core gas customers will likely continue as needed until the new storage contract(s) begin.

Under current market forecasts, storage evaluation simulations indicate that acquiring up to 150 MDth/d of additional firm storage withdrawal may be less expensive than holding a similar amount of seasonal Baja capacity, thereby reducing the total procurement costs to core gas customers.

¹ Page 5, Section C, Issue 2.

² Page 38, Ordering Paragraph 4.

Description of Request for Offers Process

Consistent with the previous process used to acquire incremental storage, PG&E's Core Gas Supply Department proposes to issue an RFO in early June 2009 to all providers of commercial storage products in northern California. Successful offers must be competitive with the costs of holding existing firm, seasonal Baja capacity. The RFO results will be shared with Energy Division, DRA and TURN. If PG&E, DRA and TURN agree to accept any offer(s), PG&E intends to file a subsequent Advice Letter seeking Commission approval of any resulting agreements.

Protests

Anyone wishing to protest this filing may do so by sending a letter to the address below by **May 26, 2009**, which is twenty-one **(21) days³** 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: ijnj@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:

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

³ The 20-day protest period concludes on a holiday. PG&E is hereby moving this date to the following business day.

Effective Date

PG&E requests that this advice filing become effective on regular notice, **June 4, 2009**, which is thirty **(30) days** after the date of this filing.

Notice

In accordance with General Order 96-B, Section IV, 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. Cherry". The signature is written in a cursive style with a loop at the end of the last name.

Vice President, Regulatory Relations

cc: Julie Fitch - Director of Energy Division
Richard A. Myers - Energy Division
Eugene Cadenasso - Energy Division
Wendy Al-Mukdad - Energy Division
Franz Cheng - Energy Division
Belinda Gatti - Energy Division
Jonathon Bromson - Legal Division
R. Mark Pocta - Division of Ratepayer Advocates
Jacqueline Grieg - 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: Rose de la Torre

Phone #: 415-973-4716

E-mail: rxdd@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) #: 3016-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: June 4, 2009

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	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	