

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



August 5, 2009

**Advice Letter 3031-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: Request for Approval of Winter Firm Core Gas  
Storage Contract**

Dear Mr. Cherry:

Advice Letter 3031-G is effective August 7, 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

July 8, 2009

**Advice 3031-G**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Request for Approval of Winter Firm Core Gas Storage Contract**

**Purpose**

Pacific Gas and Electric Company (PG&E) requests California Public Utilities Commission (Commission) approval to enter into a firm core gas storage contract for a term of four (4) years, from April 1, 2011 through March 31, 2015, to enhance core portfolio reliability during winter peak demand events.

This Advice Letter is submitted in accordance with procedures that were set forth in Decisions (D.) 04-09-022 and 06-07-010.

**Consistent with PG&E's most recently approved storage contracts, the storage offer details, as provided in Attachment 1, contain confidential and market sensitive information, and are submitted under seal according to the provisions of General Order 66-C and the California Public Utilities Code Section 583.**

**Background**

In D.04-09-022, the Commission determined 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.

Decision 06-07-010 authorized PG&E to acquire incremental storage capacity through a solicitation for offers. In addition, D.06-07-010 established approval procedures for any contracts resulting from the solicitation. The approval procedures require consultation between the utility, the Division of Ratepayer Advocates (DRA), and The Utility Reform Network (TURN).

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 DRA and TURN support PG&E's recommendation to acquire winter firm core gas storage capacity, consistent with the offer indicated in Attachment 1.

### **Analysis of Offers**

In accordance with Ordering Paragraph (OP) 4 of D.06-07-010 and Advice 3016-G, PG&E issued an RFO for firm core gas storage capacity on June 4, 2009. The RFO was sent to all providers of commercial gas storage products in Northern California.

PG&E evaluated the storage offers using a commonly accepted storage evaluation model as well as considering historical and forward valuations. PG&E shared the model results and discussed other attributes of each offer with DRA and TURN, and also explained the results to Energy Division.

### **Recommendation**

Both DRA and TURN provided their concurrence for PG&E to proceed with the execution of the recommended winter firm core gas storage contract for a term of four (4) years, from April 1, 2011 through March 31, 2015, pending Commission approval.

The recommended storage contract will enhance core portfolio reliability during peak demand events. Gas in storage is available on demand and the cost of gas in storage is not subject to the winter spot gas price spikes that routinely occur during peak demand events.

With this advice filing, PG&E requests Commission authorization to execute the recommended storage contract detailed in Attachment 1.

### **Next Steps**

In accordance with OP 1 of D.06-07-010 and PG&E's Gas Preliminary Statement Part D, PG&E will recover the costs of the winter firm core gas storage capacity and any associated costs in its monthly core procurement rates. PG&E intends to establish operational details and integration of the storage into PG&E's Core Procurement Incentive Mechanism (CPIM) with DRA.

PG&E will provide copies of the executed storage contract and any agreement between PG&E and DRA regarding the operational details and integration of the storage into CPIM to the Commission.

The creditworthiness evaluation of the selected independent storage provider will be conducted in accordance with the requirements of D.08-07-009. PG&E plans to use the same independent evaluators it used in its most recent storage RFO provided they are acceptable to all parties. If an independent evaluator is not available, then PG&E will select an evaluator mutually acceptable to all parties. PG&E will limit the scope of the work effort to the criteria outlined in D.08-07-009.

PG&E may address any potential adjustments to its capacity on PG&E's backbone pipeline in its upcoming 2011 Gas Transmission and Storage Rate Case.

### **Documentation**

Copies of: (1) the storage recommendation; (2) the storage recommendation benefit-cost analysis; (3) the bid submittal sheets describing the term, inventory, injection and withdrawal capacities of all offers; (4) each storage provider's service reliability certification; and (5) evidence of the agreement by DRA and TURN, are provided to DRA, TURN, and the Energy Division in a confidential attachment to this letter.

### **Protests**

Anyone wishing to protest this filing may do so by sending a letter to the address below by **July 28, 2009**, 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](mailto:jnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

Copies of protests 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](mailto:PGETariffs@pge.com)

### **Effective Date**

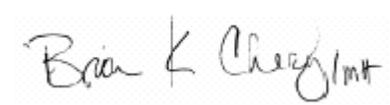
PG&E requests that this advice filing become effective on regular notice, **August 7, 2009**, which is thirty **(30) days** after the date of this filing.

### **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 A.05-03-001. Address changes should be directed to San Heng at (415) 973-2640. Advice letter filings can also be accessed electronically at:

**<http://www.pge.com/tariffs>**

A handwritten signature in black ink that reads "Brian K. Cheng" with a small mark at the end of the last name.

Vice President, Regulatory Relations

Confidential Attachment

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 Greig - Division of Ratepayer Advocates  
Pearlie Sabino - Division of Ratepayer Advocates  
Marcel Hawiger - The Utility Reform Network  
Service List - A.05-03-001 (public version only)

# 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) #: 3031-G

**Tier:** [2]

Subject of AL: Request for Approval of Winter Firm Core Gas Storage Contract

Keywords (choose from CPUC listing):

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: 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:

No. of tariff sheets:

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:

Service affected and changes proposed:

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	Day Carter Murphy	North Coast SolarResources
Alcantar & Kahl	Defense Energy Support Center	Occidental Energy Marketing, Inc.
Ameresco	Department of Water Resources	OnGrid Solar
Anderson & Poole	Department of the Army	Praxair
Arizona Public Service Company	Dept of General Services	R. W. Beck & Associates
BART	Division of Business Advisory Services	RCS, Inc.
BP Energy Company	Douglas & Liddell	Recon Research
Barkovich & Yap, Inc.	Douglass & Liddell	SCD Energy Solutions
Bartle Wells Associates	Downey & Brand	SCE
C & H Sugar Co.	Duke Energy	SMUD
CA Bldg Industry Association	Dutcher, John	SPURR
CAISO	Ellison Schneider & Harris LLP	Santa Fe Jets
CLECA Law Office	FPL Energy Project Management, Inc.	Seattle City Light
CSC Energy Services	Foster Farms	Sempra Utilities
California Cotton Ginners & Growers Assn	G. A. Krause & Assoc.	Sierra Pacific Power Company
California Energy Commission	GLJ Publications	Silicon Valley Power
California League of Food Processors	Goodin, MacBride, Squeri, Schlotz & Ritchie	Southern California Edison Company
California Public Utilities Commission	Green Power Institute	Sunshine Design
Calpine	Hanna & Morton	Sutherland, Asbill & Brennan
Cameron McKenna	International Power Technology	Tabors Caramanis & Associates
Casner, Steve	Intestate Gas Services, Inc.	Tecogen, Inc.
Chamberlain, Eric	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
Chevron Company	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
Chris, King	MBMC, Inc.	TransCanada
City of Glendale	MRW & Associates	Turlock Irrigation District
City of Palo Alto	Manatt Phelps Phillips	U S Borax, Inc.
City of San Jose	Matthew V. Brady & Associates	United Cogen
Clean Energy Fuels	McKenzie & Associates	Utility Cost Management
Coast Economic Consulting	Merced Irrigation District	Utility Specialists
Commerce Energy	Mirant	Verizon
Commercial Energy	Modesto Irrigation District	Wellhead Electric Company
Consumer Federation of California	Morgan Stanley	Western Manufactured Housing Communities Association (WMA)
Crossborder Energy	Morrison & Foerster	eMeter Corporation
Davis Wright Tremaine LLP	New United Motor Mfg., Inc.	
	Norris & Wong Associates	