

STATE OF CALIFORNIA

JERRY BROWN, Governor

## PUBLIC UTILITIES COMMISSION

605 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3208

October 31, 2012

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

Subject: Approval of PG&E Advice Letter 3331-G Request for Approval of  
Transwestern Interstate Pipeline Capacity Contract

Dear Mr. Cherry:

The Energy Division of the California Public Utilities Commission (CPUC or Commission) approves the request of Pacific Gas and Electric Company (PG&E) in Advice Letter (AL) 3331-G, to enter into a long-term contract extension for expiring interstate gas pipeline capacity with Transwestern Pipeline Company, LLC (Transwestern) as described within the AL. This approval is effective October 31, 2012.

As discussed in more detail below, AL 3331-G was protested by some parties. When the Energy Division approves a protested advice letter, Rule 7.6.1 of General Order 96-B requires the Energy Division to state the basis for rejecting the protest in its disposition letter. The Energy Division is rejecting the protest submitted, and provides the basis for doing so below.

**PG&E'S REQUEST**

PG&E currently imports most of its core gas supplies via interstate gas pipelines such as Transwestern. PG&E has an existing interstate pipeline capacity contract with Transwestern that expires March 31, 2013 for 150 thousand dekatherms per day (MDth/day). On October 9, 2012, PG&E filed AL 3331-G primarily requesting CPUC approval for entering into a new long-term contract with Transwestern that would commence once the current contract expires.

PG&E describes the proposed renewal in a confidential Appendix A, submitted under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code (regarding commercially sensitive information). Appendix A was shared with the Energy Division and the Division of Ratepayer Advocates (DRA) and can be provided to The Utility

Reform Network (TURN) upon request. PG&E also stated that it will provide Appendix A to Core Transportation Agents who agree to the terms of a non-disclosure agreement.

PG&E states that the costs of the proposed contract renewal will continue to be recovered from PG&E's core gas customers in accordance with Decision (D.) 04-09-022.

In accordance with the interstate pipeline capacity contract expedited advice letter procedures detailed in D.04-09-022, PG&E consulted with DRA and obtained DRA's support for the proposed contract. (TURN declined to participate, and therefore did not object to PG&E's request.) The Energy Division also participated in discussions related to the contract with DRA and PG&E.

### PROTEST

On October 19, Shell Energy North America (US), L.P. (Shell) and the Core Transport Agent Consortium (CTAC) (collectively, Protestors or the Protestors) filed a joint protest to AL 3331-G. The Protestors argued that PG&E's request should be denied, on the grounds that AL 3331-G would interfere with ongoing Commission proceedings Rulemaking (R.) 04-01-025 and Application (A.) 01-10-011, which could change PG&E core capacity requirements. The Protestors filed joint Petitions for Modification in those proceedings. The Protestors argue that until the Commission determines the level of PG&E's core capacity requirements and the propriety of PG&E holding firm interstate capacity for core aggregation customers, the CPUC should not approve an extension or renewal of PG&E's firm upstream pipeline capacity contracts.

The Protestors also argue that at minimum, the Commission should limit the term of PG&E's proposed renewal to one year, due to the possibility that the Commission may reduce PG&E's core capacity requirements within the next year, thus raising the prospect of PG&E holding more capacity than required in the future, thus unnecessarily burdening core transport agents with a share of the costs of unsubscribed capacity.

The Protestors also incorporate by reference their arguments made in their letter response to PG&E AL 3326-G, which was specifically characterized as a letter and not a protest, by the Protestors. In AL 3326-G the Protestors made similar arguments as the ones they made in AL 3331-G. Protestors noted that PG&E's average daily core load had dropped below 800 million cubic feet per day (MMcf/day) over the 2006-2010 period, which is below the CPUC-mandated 962 MMcf/day minimum requirement.

### PG&E RESPONSE TO PROTEST

On October 26, 2012 PG&E responded to the Protestors.

PG&E states that CTAC executed the non-disclosure agreement necessary to view AL 3331-G confidential Appendix A, but Shell did not, and therefore only CTAC viewed the details of the proposed capacity renewal. Therefore Shell is blindly protesting AL 3331-G without considering the merits, despite having the ability to do so, and CTAC is also not addressing the merits of the advice letter. PG&E attached additional confidential information to their response to the protest and offered to share it with the Protestors if they agreed to non-disclosure.

PG&E further argues that the Protestors have not given a reason why the Commission should reject PG&E's request in AL 3331-G, whereas PG&E did give reasons why AL 3331-G should be approved, in the confidential Appendix A to AL 3331-G. PG&E notes that the Protestors do not address the benefits to core customers from the proposed renewal.

PG&E also states that, regardless of the speculation about the outcomes of the joint petitions, PG&E must continue to meet its obligations to serve core customers in the most cost-effective manner possible.

Lastly, PG&E argues that the Protestors fail to state grounds for their protest in compliance with General Order 96-B Rule 7.4.2.

### ENERGY DIVISION DISPOSITION DISCUSSION

Energy Division rejects the protest (including the Protestors' request that PG&E limit the term of contract renewal to one year or less) under General Order 96-B (GO 96-B) Rule 7.6.1.

Under Rule 7.6.1, the Energy Division may approve a protested advice letter that is subject to disposition under Rule 7.6.1 and is otherwise proper, and reject the protest if the protest:

- 1) is not made on the proper grounds as set forth in General Rule 7.4.2,
- 2) may be rejected on a technical basis as discussed in General Rule 7.6.1, or
- 3) is clearly erroneous.

The Energy Division rejects the protest under GO 96-B, Rule 7.6.1 on the first two bases:

First, the protest to AL 3331-G was not made on proper grounds as defined in GO-96-B, Rule 7.4.2. PG&E's AL was submitted in compliance within the expedited AL process provided by D. 04-09-022 (p.26-28). GO 96-B Rule 7.4.2 states that "a protest may not rely on policy objections to an advice letter where the relief requested in the advice letter follows rules or directions established by statute or Commission order applicable to the utility."

Rule 7.4.2 allows protests to be filed on various grounds:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;

- (3) The analysis, calculations, or data in the advice letter contain material errors or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require litigating a prior order of the Commission.

None of those grounds are valid in the case of this protest to AL 3331-G.

The first three items are clearly not applicable.

Regarding item (4), PG&E is not requesting any changes to existing D.04-09-022 procedures; to the contrary, PG&E is following such procedures.

Regarding item (5), PG&E's request and the expedited pre-approval process was already addressed in a Commission proceeding which resulted in D.04-09-022; therefore PG&E's AL 3331-G is appropriately filed as an advice letter pursuant to D.04-09-022.

Regarding item (6), the Protestors have not argued the merits of the proposed renewal in AL 3331-G. The Protestors, despite CTAC being granted access to confidential information, have not addressed the potential benefits of PG&E's proposed renewal. For instance, if there were a discount on the renewed capacity, Protestors have not addressed how a long-term discounted renewal could benefit core customers and the Protestors themselves. Similarly, if PG&E were to have negotiated a renewal that better fits PG&E's load profile, Protestors would not have considered those benefits. Nor does the protest adequately acknowledge potential savings from locking in lower rates for a longer term, given that rates may increase or discounts may become unavailable if PG&E were to wait or contract for shorter terms. It should be noted that DRA, which represents core customers and has reviewed the details of the renewal in confidential AL 3331-G Appendix A, supports AL 3331-G. Furthermore, changing the core requirements of D.04-09-022 would require litigation (which exists and is ongoing). Also, simply because the Protestors may be impacted by the costs incurred under the contracts does not mean that Commission approval of the contracts would be unjust, unreasonable and discriminatory without input from the Protestors. D.04-09-022 has procedural safeguards, including having DRA representation of core customers' interests.

The second basis for Energy Division's rejection of the protest under GO 96-B Rule 7.6.1 is on a technical basis as described in GO 96-B Rule 7.6.1. Rule 7.6.1 provides that "Industry Division disposition is appropriate where statutes or Commission orders have required the action proposed in the advice letter, or have authorized the action with sufficient specificity, that the Industry Division need only determine as a technical matter whether the proposed action is within the scope of what has already been authorized by statutes or Commission orders." PG&E's AL 3331-G is clearly in compliance with both the currently established procedures and the capacity

requirements set forth in D.04-09-022. In addition, issues raised in the protest are not ripe for review in AL 3331-G, even if AL 3331-G were the proper forum for such review, because the joint petitions referenced by Protestors as partly providing a basis for their protest have not yet been adopted by the Commission, nor have damages occurred. There is no assurance that the Protestors' petitions will be granted in the next twelve months, and it is speculative to argue that PG&E's minimum core capacity requirements may change, without a final Commission decision. Lastly, even if the Commission does reduce the minimum core capacity requirement in the future, Protestors have not shown that the term of the Transwestern contract should be shortened rather than reducing the capacity of other contracts that may be coming up for negotiation.

Currently, under the expedited AL process adopted in D.04-09-022, DRA, TURN, and the Energy Division safeguard the interests of core customers. If the Protestors are unsatisfied with the process established in D.04-09-022, then the Protestors need to file a petition to modify the decision, not a protest to advice letters such as AL 3331-G. The Protestors have in fact filed joint petitions that would modify the requirements in D.04-09-022. However, that litigation is not yet finalized and Energy Division will not participate in speculating the substance or timing of such final decisions on the Protestors' petitions for modifications.

Energy Division is satisfied with the justification that PG&E and DRA provided in AL 3331-G and the response to the protest, including confidential appendices. Energy Division approves PG&E's request in AL 3331-G as filed, for long-term contract extensions for expiring Transwestern capacity as described therein.

Sincerely,



Edward F. Randolph  
Director, Energy Division



**Brian K. Cherry**  
Vice President  
Regulatory Relations

*Mailing Address*  
Mail Code B10C  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415.973.7226

October 9, 2012

**Advice 3331-G**  
(Pacific Gas and Electric Company ID U 39 G)

California Public Utilities Commission

**Subject: Expedited Pre-Approval of Transwestern Pipeline Contract**

Pacific Gas and Electric Company (PG&E) seeks California Public Utilities Commission (Commission) approval to extend an expiring Transwestern Pipeline Company, LLC (Transwestern) firm transportation service agreement (TCA), which is used to transport natural gas supplies from the San Juan Basin to California 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 transportation arrangement with Transwestern, which expires on March 31, 2013. In Decision (D.) 04-09-022,<sup>1</sup> the Commission established procedures for expedited regulatory approval and processing of utility commitments to pipeline capacity. These procedures require consultation between PG&E, the Division of Ratepayer Advocates (DRA) and The Utility Reform Network (TURN), if TURN volunteers to participate. PG&E has consulted with DRA and received its support for PG&E's proposed renewal of the subject pipeline contract. TURN elected not to participate.

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 filing date. PG&E requests that the Commission approve this filing by **October 30, 2012**.

**Description of the Contract**

**The terms of the contract described in the Appendix A, submitted under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code are provided only to the Energy Division and DRA, and can be provided to TURN upon request. In addition, the confidential Appendix A will be provided to PG&E's Core Transport Agents who agree to the terms of a non-disclosure agreement.**

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<sup>1</sup> Order Instituting Rulemaking to Establish Policies and Rules to Ensure Reliable, Long-Term Supplies of Natural Gas to California (Gas Capacity OIR), R-04-01-025.

All costs associated with the contract will continue to be recovered from PG&E's core gas customers, in accordance with the interstate pipeline capacity contract procedures established in D.04-09-022, through PG&E's Core Pipeline Demand Charge Account, and PG&E's gas tariffs.

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 19, 2012**, which is ten (**10**) **days** from the date of this filing, in accordance with the expedited protest period authorized in D.04-09-022. In order to maintain the confidentiality of the proposed contract terms detailed in Appendix A, PG&E respectfully requests that any response referencing confidential information be labeled as such and be submitted only to the Commission, DRA and PG&E.

Protests should be mailed to:

CPUC Energy Division  
ED Tariff Unit  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@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  
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**

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 submits this advice letter as a Tier 2, and requests Commission approval of this filing effective **October 30, 2012**, which is 21 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 service list for R.04-01-025. Address changes to the General Order 96-B service list should be directed to email [PGETariffs@pge.com](mailto:PGETariffs@pge.com). For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov). Send all electronic approvals to [PGETariffs@pge.com](mailto:PGETariffs@pge.com). Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>.

Handwritten signature of Brian Cherry in cursive script.

Vice President, Regulatory Relations

cc: Richard A. Myers - Energy Division  
Franz Cheng - Energy Division  
Belinda Gatti - Energy Division  
Jonathon Bromson - Legal Division  
R. Mark Pocta - Division of Ratepayer Advocates  
David Peck – Division of Ratepayer Advocates  
Pearlie Sabino - Division of Ratepayer Advocates  
Marcel Hawiger - The Utility Reform Network  
Service list for R.04-01-025

Attachments:

Public Attachments:  
Confidentiality Declaration and Matrix

Confidential Attachment:  
Appendix A: Capacity Contracts between Pacific Gas and Electric Company (PG&E) and Transwestern Pipeline Company, LLC (Transwestern)

# 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 G)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Shirley Wong

Phone #: (4150 972-5505)

E-mail: slwb@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **3331-G**

Tier: 2

Subject of AL: **Expedited Pre-Approval of Transwestern Pipeline Contract**

Keywords (choose from CPUC listing): **Agreement, Capacity, Contract**

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: **Yes. See the attached matrix that identifies all of the confidential information.**

**Confidential information will be made available to those who have executed a nondisclosure agreement: The terms of the contract described in the Appendix A, submitted under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code are provided only to the Energy Division and DRA, and can be provided to TURN upon request. In addition, the confidential Appendix A will be provided to PG&E's Core Transport Agents who agree to the terms of a non-disclosure agreement.**

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: John Armato, (415) 973-7022

Resolution Required?  Yes  No

Requested effective date: October 30, 2012

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:

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

EDTariffUnit

505 Van Ness Ave., 4<sup>th</sup> Floor

San Francisco, CA 94102

EDTariffUnit@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

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**DECLARATION OF JOHN ARMATO IN SUPPORT OF  
THE CONFIDENTIAL TREATMENT OF PG&E'S ADVICE LETTER FILING 3331-G**

I, John Armato, declare:

1. I am a Manager in the Core Gas Supply organization at Pacific Gas and Electric Company (PG&E). I am responsible for management of PG&E's core gas portfolio. This declaration is based on my personal knowledge of PG&E's core gas portfolio and my understanding of the Commission's decisions protecting the confidentiality of market-sensitive information concerning fuels management of an investor-owned utility.

2. Based on my knowledge and experience, and in accordance with the "Administrative Law Judge's Ruling Clarifying Interim Procedures For Complying With Decision 06-06-066," issued in Rulemaking 05-06-040 on August 22, 2006, I make this declaration seeking confidential treatment for certain information contained in PG&E's Advice Letter 3331-G.

3. Attached to this declaration is a matrix identifying the data and information for which PG&E is seeking confidential treatment. The matrix specifies that the material PG&E is seeking to protect constitutes the particular type of data and information listed in Appendix 1 (the "IOU Matrix") of Decision 06-06-066 or constitutes information that should be protected under General Order 66-C. The matrix also specifies the category or categories in the IOU Matrix to which the data and information corresponds, and why confidential protection is justified. Finally, the matrix specifies that: (1) PG&E is complying with the limitations specified in the IOU Matrix for that type of data or information; (2) the information is not already public; and (3) the data cannot be aggregated, redacted, summarized or otherwise protected in a way that

allows partial disclosure. By this reference, I am incorporating into this declaration all of the explanatory text that is pertinent in the attached matrix.

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct. Executed on October 9, 2012 at San Francisco, California.

A handwritten signature in cursive script that reads "John Armato". The signature is written in black ink and is positioned above a horizontal line.

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JOHN ARMATO

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 G)  
PG&E'S ADVISE LETTER 3331-G  
October 9, 2012**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

Redaction Reference	1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)	2) Data correspond to category in Appendix 1:	3) Complies with limitations of D.06-06-066 (Y/N)	4) Data not already public (Y/N)	5) Lead to partial disclosure (Y/N)	PG&E's Justification for Confidential Treatment	Length of Time
<b>Document: Appendix A</b>							
Appendix A	Y	I.A.4 – Long-term fuel (gas) buying and hedging plans  General Order 66-C	Y	Y	Y	Appendix A includes information about PG&E's gas contracts, which should be confidential by analogy to the protections for gas buying plans in Item I.A.4 of the D.06-06-066 Matrix. Disclosure of this information would compromise PG&E's negotiating leverage. This material is also protected as confidential material under General Order 66-C.	3 years

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

AT&T	Department of Water Resources	North America Power Partners
Alcantar & Kahl LLP	Dept of General Services	North Coast SolarResources
Ameresco	Douglass & Liddell	Occidental Energy Marketing, Inc.
Anderson & Poole	Downey & Brand	OnGrid Solar
BART	Duke Energy	PG&E
Barkovich & Yap, Inc.	Economic Sciences Corporation	Praxair
Bartle Wells Associates	Ellison Schneider & Harris LLP	R. W. Beck & Associates
Bloomberg	Foster Farms	RCS, Inc.
Bloomberg New Energy Finance	G. A. Krause & Assoc.	SCD Energy Solutions
Boston Properties	GLJ Publications	SCE
Braun Blaising McLaughlin, P.C.	GenOn Energy Inc.	SMUD
Brookfield Renewable Power	GenOn Energy, Inc.	SPURR
CA Bldg Industry Association	Goodin, MacBride, Squeri, Schlotz & Ritchie	San Francisco Public Utilities Commission
CLECA Law Office	Green Power Institute	Seattle City Light
California Cotton Ginners & Growers Assn	Hanna & Morton	Sempra Utilities
California Energy Commission	Hitachi	Sierra Pacific Power Company
California League of Food Processors	In House Energy	Silicon Valley Power
California Public Utilities Commission	International Power Technology	Silo Energy LLC
Calpine	Intestate Gas Services, Inc.	Southern California Edison Company
Casner, Steve	Lawrence Berkeley National Lab	Spark Energy, L.P.
Cenergy Power	Los Angeles County Office of Education	Sun Light & Power
Center for Biological Diversity	Los Angeles Dept of Water & Power	Sunrun Inc.
Chris, King	Luce, Forward, Hamilton & Scripps LLP	Sunshine Design
City of Palo Alto	MAC Lighting Consulting	Sutherland, Asbill & Brennan
City of Palo Alto Utilities	MRW & Associates	Tecogen, Inc.
City of San Jose	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
City of Santa Rosa	Marin Energy Authority	TransCanada
Clean Energy Fuels	McKenzie & Associates	Turlock Irrigation District
Clean Power	Merced Irrigation District	United Cogen
Coast Economic Consulting	Modesto Irrigation District	Utility Cost Management
Commercial Energy	Morgan Stanley	Utility Specialists
Consumer Federation of California	Morrison & Foerster	Verizon
Crossborder Energy	Morrison & Foerster LLP	Wellhead Electric Company
Davis Wright Tremaine LLP	NLine Energy, Inc.	Western Manufactured Housing Communities Association (WMA)
Day Carter Murphy	NRG West	eMeter Corporation
Defense Energy Support Center	NaturEner	
Department of General Services	Norris & Wong Associates	