

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 9, 2014

**Advice Letter 3525-G**

Meredith Allen  
Senior Director, Regulatory Relations  
Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

**SUBJECT: Modifications to the Core Procurement Incentive Mechanism Creating a Blended San Juan Basin Monthly Index**

Dear Ms. Allen:

Advice Letter 3525-G is effective as of November 20, 2014.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph  
Director, Energy Division



**Meredith Allen**  
Senior Director  
Regulatory Relations

Pacific Gas and Electric Company  
77 Beale St., Mail Code B10C  
P.O. Box 770000  
San Francisco, CA 94177

Fax: 415-973-7226

October 21, 2014

**Advice 3525-G**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Modifications to the Core Procurement Incentive Mechanism  
Creating a Blended San Juan Basin Monthly Index**

**Purpose**

Pacific Gas and Electric Company (PG&E) hereby submits for filing this advice letter requesting revisions to its Core Procurement Incentive Mechanism (CPIM) to utilize a revised index for volumes sequenced from the San Juan Basin. PG&E and the Office of Ratepayer Advocates (ORA) have agreed to the terms detailed in this advice letter. A Memorandum of Understanding (MOU) dated September 24, 2014, between PG&E and ORA detailing the agreed upon changes is attached to this letter. The MOU is attached as Appendix A. ORA has authorized PG&E to inform the California Public Utilities Commission (Commission or CPUC) that it supports the modifications discussed herein.

**Background**

PG&E's CPIM uses market index prices at various purchase points as the basis for calculating a commodity benchmark. The monthly market index price for purchases at the San Juan Basin has historically used Natural Gas Intelligence's (NGI's) Monthly Bidweek Index in the San Juan Basin, delivered into the El Paso Natural Gas (EPNG) Pipeline, coupled with Transwestern Pipeline fuel and volumetric rates for delivery to Topock and then to PG&E's Citygate. When this was originally added to the CPIM, an index for San Juan Basin deliveries into the Transwestern Pipeline (which was the only Southwest pipeline that PG&E held at the time) was not published. PG&E now has capacity contracts on both the Transwestern and EPNG pipelines. Transwestern Pipeline monthly gas price index is now published in the Inside FERC's Gas Market Report. Thus, a CPIM index methodology better matching PG&E's capacity holdings and purchase points, as well as matching the index values for gas purchased for delivery into a pipeline with the fuel and volumetric rates on that same pipeline, is appropriate.

**Specific Modifications Agreed to by PG&E and ORA**

Effective beginning CPIM Year 21 (which covers transactions from November 1, 2013 to October 31, 2014) the CPIM Commodity Benchmark will utilize a blended index for volumes sequenced from the San Juan Basin. The new index will blend the following two monthly index values, proportioned based on the amount of Transwestern and EPNG capacity assigned to Core Gas Supply for the month (after any reassignments due to the Core Aggregation program rules):

Transwestern Component: San Juan Basin Index for baseload deliveries into the Transwestern Pipeline, as published in Inside FERC's Gas Market Report, combined with Transwestern Pipeline fuel and volumetric rates and California Gas Transmission (CGT) Baja Path fuel and volumetric rates for delivery to PG&E's Citygate.

EPNG Component: San Juan Basin Index for baseload deliveries into the EPNG Pipeline, as published in Inside FERC's Gas Market Report, combined with EPNG Pipeline fuel and volumetric rates and CGT Baja Path fuel and volumetric rates for delivery to PG&E's Citygate.

A sample of this calculation is shown in Attachment 1 to the attached MOU.

This CPIM modification will be effective for CPIM Year 21 and all subsequent years. ORA will have the right to terminate this modification effective November 1, 2015 (beginning CPIM Year 23) by providing written notice to PG&E during the 60 days prior to that date. PG&E and ORA further agree to meet, confer and, potentially, revise this modification, either before or after that date, if either party feels a change in market conditions warrant a revision to this index methodology.

The filing would not increase any current rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

**Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than November 10, 2014, which is 20 days after the date of this filing. Protests must be submitted 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

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Meredith Allen  
Senior Director, 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

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

PG&E requests that this Tier 2 advice filing become effective on regular notice, November 20, 2014, which is 30 calendar days after the date of filing.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and/or via U.S. mail to parties shown on the attached list and the parties on the service list for A.13-12-012. Address changes to the General Order 96-B service list should be directed to PG&E at email address 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. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: <http://www.pge.com/tariffs/>.



# 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: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@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) #: **3525-G**

Tier: **2**

Subject of AL: **Modifications to the Core Procurement Incentive Mechanism Creating a Blended San Juan Basin Monthly Index**

Keywords (choose from CPUC listing): Compliance, Agreements, Core, Procurement

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other \_\_\_\_\_

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

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 20, 2014**

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

Pending advice letters that revise the same tariff sheets: 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:

**California Public Utilities Commission**

**Energy Division**

**EDTariffUnit**

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

**San Francisco, CA 94102**

**E-mail: EDTariffUnit@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Meredith Allen**

**Senior Director, Regulatory Relations**

**77 Beale Street, Mail Code B10C**

**P.O. Box 770000**

**San Francisco, CA 94177**

**E-mail: PGETariffs@pge.com**

Advice 3525-G  
October 21, 2014

## **Appendix A**

**September 24, 2014 MOU between PG&E and ORA**

Memorandum of Understanding  
Between PG&E's Core Gas Supply and the CPUC's Office of Ratepayer Advocates  
September 24, 2014

***Modifications to the Core Procurement Incentive Mechanism Creating a  
Blended San Juan Basin Monthly Index***

**Reason for Modifications**

PG&E's Core Procurement Incentive Mechanism (CPIM) uses market index prices at various purchase points as the basis for calculating the commodity benchmark. The monthly market index price for purchases at the San Juan Basin has historically used NGI's Monthly Bidweek Index in the San Juan Basin, delivered into the El Paso Natural Gas (EPNG) Pipeline, coupled with Transwestern Pipeline fuel and volumetric rates for delivery to Topock and then to PG&E's Citygate. When this was originally added to the CPIM, an index for San Juan Basin deliveries into the Transwestern Pipeline (which was the only Southwest pipeline that PG&E held at the time) was not published. PG&E now utilizes both the Transwestern and EPNG pipelines and a CPIM index methodology better matching PG&E's capacity holdings, as well as matching the index values into a pipeline with the fuel and volumetric rates on that same pipeline, is desired.

**Modifications Agreed to by PG&E and the Office of Ratepayer Advocates (ORA)**

Effective November 1, 2013 (CPIM Year 21) the CPIM Commodity Benchmark will utilize a blended index for volumes sequenced from the San Juan Basin. The new index will blend the following two monthly index values, proportioned based on the amount of Transwestern and EPNG capacity assigned to Core Gas Supply for the month (after any reassignments due to the Core Aggregation program rules):

Transwestern Component: San Juan Basin Index for baseload deliveries into the Transwestern Pipeline, as published in Inside FERC's Gas Market Report, combined with Transwestern Pipeline fuel and volumetric rates and CGT Baja Path fuel and volumetric rates for delivery to PG&E's Citygate.

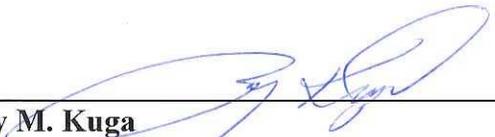
EPNG Component: San Juan Basin Index for baseload deliveries into the EPNG Pipeline, as published in Inside FERC's Gas Market Report, combined with EPNG Pipeline fuel and volumetric rates and CGT Baja Path fuel and volumetric rates for delivery to PG&E's Citygate.

A sample of this calculation is shown on Attachment 1.

This CPIM modification will be effective beginning November 1, 2013. ORA will have the right to terminate this modification effective November 1, 2015 by providing written notice to PG&E during the 60 days prior to that date. PG&E and ORA further agree to

meet, confer and, potentially, revise this modification, either before or after that date, if either party feels a change in market conditions warrant a revision to this index methodology.

**Agreed to by:**

  
\_\_\_\_\_  
**Roy M. Kuga**  
VP – Energy Supply Management, PG&E

\_\_\_\_\_  
**Date** 9/25/14

  
\_\_\_\_\_  
**R. Mark Pocta**  
Program Manager, Office of Ratepayer Advocates

\_\_\_\_\_  
**Date** 10/3/14

**Attachment 1 – Calculation Example**

**El Paso Index and Final Weighted Index**

| Month/Year (a) | El Paso Index \$/MMBtu (1) (b) | Fuel % (c) | 2.20% | Index Grossed Up for Fuel (b) / [1-(c)] (d) | Index El Paso Volumetric Rate (e) | 0.0330 | Index @ Topock \$/MMBtu (d)+(e) (f) | 3,591,282 | 1.00% | CGT Fuel % (g) | 1.00% | Index Grossed Up for Fuel (f) / [1-(g)] (h) | 3,627,558 | 0.0794 | CGT Volumetric Rate (i) | 0.0794 | El Paso Index @ Citygate \$/MMBtu (h)+(i) (j) | 3,706,958 | 3,732,107 | Transwestern Index @ Citygate \$/MMBtu (k) | 3,732,107 | 13.64% | El Paso Transwestern % (l) | 13.64% | Total Index @ Citygate \$/MMBtu [(k)(l)] + [(k)(m)] (n) | 3,728,677 |
|----------------|--------------------------------|------------|-------|---|-----------------------------------|--------|-------------------------------------|-----------|-------|----------------|-------|---|-----------|--------|-------------------------|--------|---|-----------|-----------|--|-----------|--------|----------------------------|--------|---|-----------|
| Nov-2013       | 3.48                           | 2.20%      |       | 3,558,282                                   | 0.0330                            |        | 3,591,282                           | 1.00%     |       |                |       | 3,627,558                                   | 0.0794    |        |                         |        | 3,706,958                                     | 3,732,107 |           | 3,732,107                                  | 13.64%    |        | 13.64%                     |        | 3,728,677   |           |

{1} Per Inside FERC Gas Market Report, El Paso Natural Gas - San Juan

**Transwestern Index**

| Month/Year (a) | Transwestern Index (2) \$/MMBtu (b) | Transwestern Fuel % (c) | 2.05% | Index Grossed Up for Fuel (b) / [1-(c)] (d) | Index Transwestern Volumetric Rate (e) | 0.0123 | Index @ Topock \$/MMBtu (d)+(e) (f) | 3,616,180 | 1.00% | CGT Fuel % (g) | 1.00% | Index Grossed Up for Fuel (f) / [1-(g)] (h) | 3,652,707 | 0.0794 | CGT Volumetric Rate (i) | 0.0794 | Total Index @ Citygate \$/MMBtu (h)+(i) (j) | 3,732,107 |
|----------------|-------------------------------------|-------------------------|-------|---|--|--------|-------------------------------------|-----------|-------|----------------|-------|---|-----------|--------|-------------------------|--------|---|-----------|
| Nov-2013       | 3.53                                | 2.05%                   |       | 3,603,880                                   |  |        | 3,616,180                           | 1.00%     |       |                |       | 3,652,707                                   | 0.0794    |        |                         |        | 3,732,107                                   |           |

{2} Per Inside FERC Gas Market Report, Transwestern Pipeline - San Juan

**Weighting Factor**

| Month/Year (a) | El Paso Capacity (3) Dth/day (b) | Transwestern Capacity (3) Dth/day (c) | El Paso % (d) | Transwestern % (e) |
|----------------|----------------------------------|---------------------------------------|---------------|--------------------|
| Nov-2013       | 26,406                           | 167,234                               | 13.64%        | 86.36%             |

{3} Based on assigned Core Gas Supply capacity after allocations to Core Transport Agents (CTAs)

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

|   |   |  |
|---|---|--|
| AT&T  | Douglass & Liddell  | Occidental Energy Marketing, Inc.                          |
| Alcantar & Kahl LLP                           | Downey & Brand  | OnGrid Solar   |
| Anderson & Poole                              | Ellison Schneider & Harris LLP                            | Pacific Gas and Electric Company                           |
| BART  | G. A. Krause & Assoc.                                     | Praxair  |
| Barkovich & Yap, Inc.                         | GenOn Energy Inc.   | Regulatory & Cogeneration Service, Inc.                    |
| Bartle Wells Associates                       | GenOn Energy, Inc.  | SCD Energy Solutions                                       |
| Braun Blaising McLaughlin, P.C.               | Goodin, MacBride, Squeri, Schlotz & Ritchie               | SCE  |
| California Cotton Ginners & Growers Assn      | Green Power Institute                                     | SDG&E and SoCalGas   |
| California Energy Commission                  | Hanna & Morton  | SPURR  |
| California Public Utilities Commission        | In House Energy   | San Francisco Public Utilities Commission                  |
| California State Association of Counties      | International Power Technology                            | Seattle City Light   |
| Calpine                                       | Intestate Gas Services, Inc.                              | Sempra Utilities   |
| Casner, Steve                                 | K&L Gates LLP   | SoCalGas   |
| Cenergy Power                                 | Kelly Group   | Southern California Edison Company                         |
| Center for Biological Diversity               | Linde   | Spark Energy   |
| City of Palo Alto                             | Los Angeles County Integrated Waste Management Task Force | Sun Light & Power  |
| City of San Jose                              | Los Angeles Dept of Water & Power                         | Sunshine Design  |
| Clean Power                                   | MRW & Associates  | Tecogen, Inc.  |
| Coast Economic Consulting                     | Manatt Phelps Phillips                                    | Tiger Natural Gas, Inc.                                    |
| Commercial Energy                             | Marin Energy Authority                                    | TransCanada  |
| Cool Earth Solar, Inc.                        | McKenna Long & Aldridge LLP                               | Utility Cost Management                                    |
| County of Tehama - Department of Public Works | McKenzie & Associates                                     | Utility Power Solutions                                    |
| Crossborder Energy                            | Modesto Irrigation District                               | Utility Specialists  |
| Davis Wright Tremaine LLP                     | Morgan Stanley  | Verizon  |
| Day Carter Murphy                             | NLine Energy, Inc.  | Water and Energy Consulting                                |
| Defense Energy Support Center                 | NRG Solar   | Wellhead Electric Company                                  |
| Dept of General Services                      | Nexant, Inc.  | Western Manufactured Housing Communities Association (WMA) |
| Division of Ratepayer Advocates               | North America Power Partners                              |  |