

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



October 25, 2011

**Advice Letter 3242-G**

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

**Subject: Expedited Pre-Approval of Canadian Pipeline Contracts**

Dear Mr. Cherry:

Advice Letter 3242-G is effective October 26, 2011.

Sincerely,

A handwritten signature in blue ink that reads "Julie A. Fitch".

Julie A. Fitch, Director  
Energy Division



**Brian K. Cherry**  
Vice President  
Regulation and Rates

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

Fax: 415.973.6520

October 5, 2011

**Advice 3242-G**

(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Expedited Pre-Approval of Canadian Pipeline Contracts**

Pacific Gas and Electric Company (PG&E) respectfully requests the California Public Utilities Commission (Commission) pre-approve the continuation of two existing natural gas pipeline contracts on the Foothills Pipe Lines to transport natural gas supplies from Canada for PG&E's core gas customers. Continuation of these contracts will ensure uninterrupted access by PG&E's Core Gas Supply Department to Canadian natural gas supplies.

**Purpose**

The purpose of this expedited advice letter is to request approval to renew the existing transportation arrangements described below. 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). PG&E has consulted with DRA and TURN and both have confirmed their support for PG&E's proposed renewal of the subject pipeline contracts.

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 26, 2011**.

**Description of Contracts**

PG&E purchases significant quantities of natural gas from Canada's Western Sedimentary Basin to serve its core gas customers. PG&E holds Canadian and U.S. interstate pipeline capacity to transport those gas supplies to PG&E's interconnection at the California-Oregon border. PG&E has purchased and transported Canadian gas supplies to California since 1961. The northern pipeline capacity path includes transmission capacity on the following TransCanada pipelines:

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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.

- NOVA Gas Transmission Ltd. (NGTL), within the province of Alberta;
- Foothills Pipe Lines Ltd. (Foothills), through the province of British Columbia; and
- Gas Transmission Northwest (GTN), through Idaho, Washington and Oregon to the California border.

On October 21, 2010, the Commission approved PG&E's request in Advice Letter 3153-G, to extend PG&E's two upstream NGTL contracts to match the term lengths of the two GTN contracts (through October 31, 2016 and October 31, 2020, respectively). However, the Commission's approval authorized extending the two Foothills contracts only for one year, through October 31, 2012, and recommended that PG&E seek successive one-year renewals of the Foothills contracts until a clear benefit, such as reduced reservation rates, are offered for a longer term commitment. Therefore, this request seeks authorization to continue each of PG&E's two Foothills contracts for the minimum one-year term. PG&E is required to provide notice to TransCanada of its intent to renew the contracts by October 31, 2011.

**Table 1 – Summary of Proposed Pipeline Contract Extensions**

Pipeline	Volume (Gigajoules per day) <sup>2</sup>	Monthly Tariff Rate (US \$/GJ) <sup>3</sup>	Daily Rate (US\$/Dth)	Maximum Contract Extension Term	Annual Cost (US \$ Million)
Foothills Pipe Lines	300,490	\$2.59	\$0.0899	Contract 1: Nov. 1, 2012 to Oct. 31, 2013	\$9.346
	85,865	\$2.59	\$0.0899	Contract 2: Nov. 1, 2012 to Oct. 31, 2013	\$2.671
<b>Total</b>					<b>\$12.017</b>

### **Renewal Recommendation**

PG&E proposes to extend the two Foothills contracts shown in Table 1 through October 31, 2013, providing a contiguous pipeline path to Canadian gas supplies. Without approval to renew the existing Foothills contracts, PG&E's firm northern pipeline path would contain a gap between the upstream NGTL and downstream GTN Pipelines, interrupting PG&E's firm gas transportation flows from Canada. This would adversely impact reliability of gas supplies for PG&E's core customers, as well as potentially increase costs.

PG&E has consulted with DRA and TURN, and both support PG&E's proposed renewals on Foothills as summarized in Table 1.

<sup>2</sup> One gigajoule (GJ) = 0.9478 decatherms (Dth)

<sup>3</sup> Tariff rates are published in Canadian dollars and have been converted to US dollars based on the exchange rate from Bank of Canada Noon Rate of 0.9579 for October 3, 2011.

The requested contract extensions will provide the following:

1. Firm Access to Natural Gas Supplies: Completes PG&E's firm access path through Canada and provides uninterrupted access to competitively-priced Canadian gas supplies;
2. CPUC Compliance: Allows PG&E to maintain compliance with the Commission's minimum pipeline capacity quantity requirements to ensure reliable, long-term supplies of natural gas to California, established in D.04-09-022;
3. Geographic Diversification: Maintains PG&E's existing access to multiple gas sources (Alberta, Rocky Mountains, and the Western U.S. basins). A diversified portfolio reduces gas customer exposure to large swings in gas prices in a particular supply basin;

All costs associated with the contracts 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 17, 2011**, which is eleven (**11**) **days** from the date of this filing, in accordance with the expedited protest period authorized in D.04-09-022.

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 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, Regulation and Rates  
77 Beale Street, Mail Code B10C  
P.O. Box 770000  
San Francisco, California 94177

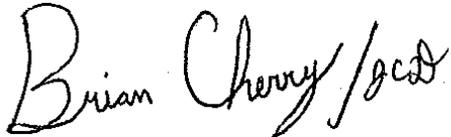
Facsimile: (415) 973-6520  
E-mail: [PGETariffs@pge.com](mailto:PGETariffs@pge.com)

### **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 pre-approval of this filing effective **October 26, 2011**, 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, with the initials "jcd" written at the end of the signature.

Vice President, Regulation and Rates

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

# 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: Conor Doyle

Phone #: (415) 973-7817

E-mail: jcdt@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) #: **3242-G**

**Tier: 2**

Subject of AL: **Expedited Pre-Approval of Canadian Pipeline Contracts**

Keywords (choose from CPUC listing): **Core, Capacity, Contracts**

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: **D.04-09-022**

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: **October 26, 2011**

No. of tariff sheets: NA

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: NA

Service affected and changes proposed:

Protests, dispositions, and all other correspondence regarding this AL are due no later than 11 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**

**jnj@cpuc.ca.gov and mas@cpuc.ca.gov**

**Pacific Gas and Electric Company**

**Attn: Brian Cherry, Vice President, Regulation and Rates**

**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**

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