

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



September 30, 2014

Ms. Meredith Allen  
Senior Director, Regulatory Relations  
Pacific Gas and Electric  
77 Beale Street, Mail Code B10C  
San Francisco, CA 94177

Subject: Expedited Advice Letter 3510-G Pre-Approval to Enter Into El Paso Natural Gas and Kern River Pipeline Contracts

Dear Ms. Allen:

Pacific Gas and Electric (PG&E) Advice Letter (AL) 3510-G is approved and effective September 30, 2014.

On September 9, 2014, via AL 3510-G, PG&E sought California Public Utilities Commission (CPUC) pre-approval to enter into two firm transportation service agreements with El Paso Natural Gas (El Paso) and Kern River Gas Transmission (Kern River) to transport natural gas from the San Juan Basin and Rocky Mountain natural gas production areas, on behalf of core customers. The Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) both provided notice of their approval of the contracts, pursuant to the procedure and guidelines described in Decision (D.) 04-09-022 and D.12-12-006.

Under the expedited advice letter process established in D.04-09-022 for review of interstate pipeline capacity contracts, protests are due within ten days following the filing of the expedited advice letter.

Shell

Shell Energy North America, L.P. (Shell) filed a timely "response" to AL 3510-G on September 19, 2014.

Shell's response argues that AL 3510-G should be deferred pending a final decision in Application (A.) 13-06-011, which addresses core interstate pipeline capacity issues and could further lower PG&E's minimum firm interstate capacity requirements. Specifically, Shell argues that "[u]ntil the Commission decides the level of PG&E's core capacity requirement, and until the Commission addresses whether PG&E should hold firm interstate capacity for core aggregation customers, the Commission should not approve any new firm pipeline capacity contracts for PG&E." (Emphasis in the original.)

Shell also argues that PG&E does not disclose enough information in the public version of its capacity advice letters such as AL 3510-G. Shell asserts that quantity and term should be disclosed, even if price is not. Shell points to PG&E AL 3514-G (regarding PG&E's request for CPUC approval of a contract with Foothills Pipeline) as an example of an AL that publicly discloses the price, quantity, and duration of a pipeline contract.

Shell further argues that PG&E failed to explain why these proposed contracts are necessary to satisfy PG&E's core capacity obligation pursuant to D.12-12-006. Shell alleges that these contracts appear to be additive, despite a decline in PG&E's firm minimum capacity range. Shell would like to know if these contracts are needed for PG&E to meet its interim core firm interstate capacity requirements.

Lastly, Shell criticizes PG&E's confidentiality practices. Shell claims that PG&E offers to disclose confidential information to Core Transport Agents (CTAs) upon execution of a nondisclosure agreement (NDA), but in a flawed manner that produces limited value. Shell asserts: "First, the confidential information cannot be used in a public 'protest' or 'response' to PG&E's advice letter. Second, the confidential information cannot be disclosed to an individual who participates in the commercial marketplace. There is limited value, therefore, to having a market participant such as Shell Energy obtain information that PG&E labels as 'confidential.'"

#### PG&E

On September 23, 2014, PG&E filed a reply to Shell's response in AL 3510-G.

PG&E contrasts AL 3514-G (PG&E's request for CPUC approval of a contract for capacity on Foothills Pipeline) and AL 3510-G.

Regarding AL 3514-G, PG&E argues that there are no unresolved negotiations and no final pipeline-administered open season in which the capacity may be awarded to the highest bidder; instead the proposed reservation rate would equal the published, single tariff rate that all shippers on Foothills Pipeline must pay for firm, long term transportation contracts. PG&E also argues that the quantity has been stable over several years and has been previously disclosed.

In contrast, AL 3510-G (contracts for capacity on El Paso and Kern River) includes price, quantity, and term information that PG&E deems commercially sensitive. PG&E argues that both contracts required negotiation and that commercially sensitive information should not be made available to other market participants, such as Shell, or to competing pipelines until PG&E has concluded each transaction. PG&E argues that "[a]ny discussion of PG&E's gas supply commitments or intentions to purchase in various markets would reveal supply portfolio purchasing plans and strategies, enabling other market participants to utilize the information to maximize their own economic self-interests at the expense of PG&E's core customers. The information should not be disclosed in a public document."

PG&E argues that it already justified the two proposed contracts in AL 3510-G in confidential Appendix A, and PG&E confirms in its reply to Shell's response that the proposed contracts are necessary for PG&E to "meet the demands of core customers, and also to satisfy the Commission's interim pipeline contract quantity requirements as specified in D.12-12-006."

Furthermore, PG&E responds to Shell's criticism of PG&E's offers to disclose confidential information to CTAs upon execution of NDAs. PG&E asserts that a) confidential treatment of the information in Appendix A to AL 3510-G protects core customers; b) PG&E and the other utilities routinely designate such commercially sensitive information as confidential pursuant to Public Utilities Code Sections 454.5(g) and 583, D.06-06-066 and General Order 66-C; and c) Shell and its outside counsel may review confidential information by executing a NDA with PG&E, thereby giving Shell the option of filing a confidential protest or response based on the confidential material. PG&E asserts that other CTAs have executed NDAs and presumably would not have done so if they believed that they were of limited value.

PG&E also notes that the CPUC—not Shell—has the duty to protect consumers from unreasonable costs, and that the CPUC "must balance the public's interest in utility activities with the potential harm of requiring the utilities to publish confidential market sensitive information which could adversely affect utility procurement activities and pipeline capacity negotiations."

Lastly, PG&E argues that Shell's response to AL 3510-G may be re-litigating both AL 3509-G and A.13-06-011 in an inappropriate forum. PG&E insists that deferring AL 3510-G would inhibit compliance with D.12-12-006 and jeopardize PG&E's hedge program and long-term transportation access to supply basins. Furthermore, PG&E points out that the CPUC has yet to issue a final decision in A.13-06-011 on the issues of the level of PG&E's core capacity requirement and whether PG&E should hold interstate pipeline capacity for CTAs, and therefore PG&E should continue to comply with existing regulations.

#### Energy Division

The Energy Division participated in discussions with ORA, TURN and PG&E leading up to the proposals made in AL 3510-G. The Energy Division also reviewed the details related to the contracts set forth in confidential Appendix A to AL 3510-G.

The Energy Division rejects Shell's response to AL 3510-G for the following reasons:

1. A.13-06-011 is an ongoing CPUC proceeding with no firm time for when a final decision will be issued.
2. In the absence of a final decision in A.13-06-011, D.04-09-022 and D.12-12-006 govern approvals of such contracts.
3. Pursuant to D.04-09-022 and D.12-12-006, ORA and TURN provide knowledgeable and strong advocacy viewpoints for core customers.

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4. The details of PG&E's proposed El Paso and Kern River contracts in the confidential appendix to AL 3510-G are known to ORA and TURN, and ORA and TURN provided notice of approval of the contracts.
5. The proposal made in AL 3510-G is in compliance with D.04-09-022 and D.12-12-006.
6. Price, quantity, and duration of pending negotiated contracts in a competitive market are commercially sensitive information.

PG&E's confidentiality procedures regarding commercially sensitive information, including withholding information without a non-disclosure agreement, are reasonable because market participants might use such commercially sensitive information against core customer interests.

The Energy Division hereby approves PG&E AL 3510-G.

Sincerely,



Edward Randolph  
Director, Energy Division

cc: Richard Myers, Energy Division  
Franz Cheng, Energy Division  
Jonathan Bromson, Legal Division  
Mark Pocta, ORA  
Nathaniel Skinner, ORA  
Pearlie Sabino, ORA  
Marcel Hawiger, TURN  
Jennifer Wirowek, PG&E  
John Leslie, Shell



**Meredith Allen**  
Senior Director  
Regulatory Relations

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

Fax: 415.973.7226

September 9, 2014

**Advice 3510-G**  
(Pacific Gas and Electric Company ID U 39 G)

Public Utilities Commission of the State of California

**Subject: Expedited Advice Letter Pre-Approval to Enter into El Paso Natural Gas and Kern River Pipeline Contracts**

Pacific Gas and Electric Company (PG&E) respectfully requests California Public Utilities Commission (CPUC or Commission) pre-approval to enter into two firm transportation service agreements (FTSAs), which will be used to transport natural gas supplies from the San Juan Basin and Rocky Mountain production areas to California on behalf of core gas customers.

**Purpose**

The purpose of this expedited advice letter is to request approval for the contracts under the interstate capacity acquisition procedure approved in Decision (D.) 04-09-022.<sup>1</sup> Under these procedures, pipeline contracts endorsed by the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN) may be submitted for approval to the Commission by an Expedited Advice Letter. PG&E has consulted with ORA and TURN, and both have confirmed their support for the proposed 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 September 30, 2014.

**Description of Contract**

The terms of the proposed contracts are confidential and are described in Appendix A. Confidential Appendix A is submitted to the Energy Division under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code and provided to TURN under a separate 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.

In addition, the confidential contract terms will be provided to PG&E's Core Transport Agents who agree to the terms of a nondisclosure agreement.

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 letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than September 19, 2014, which is ten (10) 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  
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 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:

Meredith Allen  
Senior Director, 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

**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 September 30, 2014, 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 lists for R.04-01-025 and A.13-06-011. Address changes to the General Order 96-B service list should be directed to email 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>.



Meredith Allen  
Senior Director, Regulatory Relations

**Attachments**

cc: **Confidential Version (with Appendix A)**  
Richard A. Myers - Energy Division  
Franz Cheng - Energy Division  
Belinda Gatti - Energy Division  
Jonathon Bromson - Legal Division  
R. Mark Pocta - Office of Ratepayer Advocates  
Nathaniel Skinner – Office of Ratepayer Advocates  
Pearlie Sabino - Office of Ratepayer Advocates  
Marcel Hawiger - The Utility Reform Network

**Public Version (without Appendix A)**

Service list for R.04-01-025  
Service list for A.13-06-011

# 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: Jennifer Wirowek

Phone #: (415) 973-1419

E-mail: j6ws@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) #: **3510-G**

**Tier: 2**

Subject of AL: **Expedited Advice Letter Pre-Approval to Enter into El Paso Natural Gas and Kern River Pipeline Contracts**

Keywords (choose from CPUC listing): Contracts

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: 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 proposed contract are confidential and are described in Appendix A. Confidential Appendix A is submitted to the Energy Division under the confidentiality provisions of General Order 66-C and Section 583 of the Public Utilities Code and provided to TURN under a separate 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: **September 30, 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 10 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

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

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

**DECLARATION OF JOHN ARMATO IN SUPPORT OF  
THE CONFIDENTIAL TREATMENT OF  
ADVICE LETTER 3510-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 regulatory matters and contract management pertaining to 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, I make this declaration seeking confidential treatment for certain information contained in PG&E's Advice Letter 3510-G "Expedited Advice Letter Pre-Approval to Enter into El Paso Natural Gas and Kern River Pipeline Contracts."

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 information that should be protected under General Order 66-C. The matrix specifies that: (1) the information is not already public; and (2) 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 September 9, 2014 at San Francisco, California.

\_\_\_\_\_/s/\_\_\_\_\_  
John Armato  
Manager  
Core Gas Supply  
Pacific Gas and Electric Company  
JOHN ARMATO

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 G)  
ADVICE LETTER 3510-G  
September 9, 2014**

**IDENTIFICATION OF CONFIDENTIAL INFORMATION**

<b>Redaction Reference</b>	<b>1) Constitutes data listed in Appendix 1 to D.06-06-066 (Y/N)</b>	<b>2) Data correspond to category in Appendix 1:</b>	<b>3) Complies with limitations of D.06-06-066 (Y/N)</b>	<b>4) Data not already public (Y/N)</b>	<b>5) Lead to partial disclosure (Y/N)</b>	<b>PG&amp;E's Justification for Confidential Treatment</b>	<b>Length of Time</b>
Appendix A	N	CPUC General Order (G.O.) 66-C	N/A	N	Y	Counterparty purchase information constitutes confidential non-utility business information protected under G.O. 66-C.	Indefinite

**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	