

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

Application of Pacific Gas and Electric Company
to Revise its Gas Rates and Tariffs to be Effective
July 1, 2010. (U39G).

Application 09-05-026
(Filed May 29, 2009)

NOTICE OF EX PARTE COMMUNICATION

Pursuant to Rule 8.3(a) of the Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following *ex parte* communication. The communication occurred on Tuesday, June 22, 2010, at approximately 4:15 p.m. at the offices of the California Public Utilities Commission in San Francisco. The communication was oral and handouts were provided, which are attached to this notice. [Rule 8.3(a)(c)]

William Stock, Director, Regulatory Relations, PG&E, initiated the equal time communication with Commission President Michael R. Peevey. Carol Brown (Chief of Staff) and Andrew Schwartz (Energy Advisor) joined in the meeting with Commission President Peevey. Also in attendance from PG&E: Michael Reidenbach (Attorney-Law), and Niel Jones (Regulatory Supervisor-Analysis and Rates). [Rule 8.3(b)]

Mssrs. Stock, Reidenbach and Jones reviewed the information contained in the attachment to this notice. [Rule 8.3(c)]

To obtain a copy of this notice, please notify Sally Cuaresma at (415) 973-5012 or via email at a2c7@pge.com.

Respectfully submitted,

/s/ BRIAN K. CHERRY

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Attachment

Dated: June 23, 2010

CERTIFICATE OF SERVICE BY ELECTRONIC MAIL OR U.S. MAIL

I, the undersigned, state that I am a citizen of the United States and am employed in the City and County of San Francisco; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Pacific Gas and Electric Company, Regulatory Relations Department B10C, 77 Beale Street, San Francisco, California 94105.

I am readily familiar with the business practice of Pacific Gas and Electric Company for collection and processing of correspondence for mailing with the United States Postal Service. In the ordinary course of business, correspondence is deposited with the United States Postal Service the same day it is submitted for mailing.

On June 23, 2010, I caused to be served a true copy of:

NOTICE OF EX PARTE COMMUNICATION

[XX] By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for A.09-05-026 with an e-mail address.

[XX] By U.S. Mail – by placing it for collection and mailing, in the course of ordinary business practice, with other correspondence of Pacific Gas and Electric Company, enclosed in a sealed envelope, with postage fully prepaid, addressed to all parties of record on the service list for A.09-05-026 who do not have an email address.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on June 23, 2010, at San Francisco, California.

/s/ Sally Cuaresma
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CALIFORNIA PUBLIC UTILITIES COMMISSION
Service Lists: A. 09-05-026 – Last Changed: June 15, 2010

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**PACIFIC GAS AND ELECTRIC COMPANY DISCUSSION POINTS
REGARDING NATURAL GAS VEHICLE ISSUE
A09-05-026^{1/}
JUNE 22, 2010**

1. PG&E is concerned about Clean Energy's NGV compression rate proposal because of the adverse impact it will have on customers.
2. Clean Energy misuses D.95-11-035 in attempting to make its case.
3. All NGV cases in California have used an incremental approach because, since most NGV stations were built for the fleet and primarily support the fleet, most of the costs should be allocated to the fleet.
4. PG&E's rate proposal is already a significant increase. Clean Energy's proposal would be enormous and would severely hurt customers

^{1/} For more detail see Attachment

ATTACHMENT

PACIFIC GAS AND ELECTRIC COMPANY DISCUSSION POINTS REGARDING NATURAL GAS VEHICLE ISSUE

A09-05-026
JUNE 22, 2010

1. PG&E is concerned about Clean Energy's NGV compression rate proposal because of the adverse impact it will have on customers.
 - Typical NGV customers are school districts, municipalities, taxi companies and fleet operators. Many are mandated to use natural gas for environmental reasons. Clean Energy's proposal will have a very adverse impact on governmental entities that already have very tight budgets and other industries that operate at low margin.
 - PG&E has no profit motive related to the NGV rate. All the costs and revenues of the NGV rate are reflected in balancing accounts.

2. Clean Energy misuses D.95-11-035 in attempting to make its case.
 - Clean Energy repeatedly states that the Commission in D.95-11-035 prohibited "below cost 'incentive' utility compression rates" (See e.g. p.11 of its opening brief) and accuses PG&E of promoting such a rate in this case. The accusation is incorrect.
 - What the Commission was addressing in that case was a rate where cost elements had been left out of the rate. At p.101 (Section 15) of the Decision, it states: ". . . as PG&E's rate witness points out, the rates reflect below cost pricing because they do not recover any portion of PG&E's capital outlay, maintenance, or fuel taxes in supplying natural gas as a vehicle fuel."
 - The above concept is different than cost allocation of all the costs between customer groups. D.95-11-035 does not dictate how this should be done. At p.100, the Decision states: "PG&E proposes addressing revenue allocation for its future program costs in its upcoming Biennial Cost Allocation Proceeding."
 - For cost allocation between customer groups the Commission uses two traditional approaches, either "average cost, rolled-in" treatment or "incremental." "Incremental" is used for example when "rolled-in" would be unfair to a particular customer group.
 - The two customer groups utilizing PG&E's NGV service are 1) PG&E's fleet and 2) third parties.

3. All NGV cases in California have used an incremental approach because, since most NGV stations were built for the fleet and primarily support the fleet, most of the costs should be allocated to the fleet.
- PG&E developed its rate by using a sample of stations exhibiting similar use characteristics by both the fleet and third parties, thereby eliminating the bias associated with "rural" stations used mostly by the fleet. All the costs of the sample stations were included in the study.
 - An incremental method was used in the SoCal/SDG&E case approved by the Commission in G-3380. In its decision the Commission recognized that the rate was "fully allocated" and that an "incremental" approach had been used to develop it. The same method was used in the recent SoCal/SDG&E case that resulted in D.09-11-066. The same method was also used in PG&E's prior BCAP that resulted in D.05-06-029.
 - Clean Energy had claimed that only an average cost methodology could be used for NGV rates. However, on the witness stand Clean Energy's witness Mitchell completely recanted. When confronted with the Commission's decision in G-3380 he admitted for example the following: 1) that he was actively involved in the case that resulted in G-3380 (TR 307, Line 27 to TR 309, Line 9) and that he was familiar with SoCal's most recent BCAP (TR 229, Liens 12 to 24), 2) that an incremental methodology had been employed to set the NGV rate adopted in G-3380 (TR 312, Lines 19 to 25), 3) that the rate approved in G-3380 was fully allocated and removed Clean Energy's competitive disadvantage (TR 314, Lines 3 to 27), 4) that his own pleading in G-3380 supported the concept that an incremental rate could be fully allocated (TR 313, Lines 8 to 22), 5) that an incremental methodology had been used in SoCal's latest BCAP (TR 295, Line 19 to TR 300, Line 11), 6) that an incremental methodology had been used in PG&E's last BCAP and that he previously had testified to that effect (TR 320, Line 4 to Line 18), and 7) that he was unable to name any NGV case that had used an average cost, rolled-in approach (TR 321, Line 1 to TR 322, Line 7).
4. PG&E's rate proposal is already a significant increase. Clean Energy's proposal would be enormous and would severely hurt customers.
- PG&E's proposed increase to \$0.7444 per therm is a 38% compression rate increase and an overall 15% increase. Clean Energy's proposal of \$1.00 would be an 85% compression rate increase.
 - PG&E's proposed rate is 11% higher than SoCal's just adopted rate (see next page). Witness Mitchell testified that the two systems were comparable enough to compare rates. (TR 323, Lines 14 to 21 and TR 331, Lines 7 to 10)
 - Adopting Clean Energy's rate would create a huge windfall for Clean Energy, severely hurt customers and inappropriately change the established approach the Commission has used to set NGV rates.

COMPARISON OF PRESENT AND PROPOSED COMPRESSION COST ADDERS (\$/th)

PG&E, CLEAN ENERGY, AND SOCAL GAS

(Summarized from PG&E Exhibit 33; line 5, January 26, 2010)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>
	Clean Energy Proposal in 2004 (PG&E BCAP)	BCAP Settlement by PG&E & Clean Energy effective 7/1/2005	Current PG&E Rate with Escalations in BCAP Settlement	SoCalGas Rate Prior to its BCAP Settlement	SoCalGas Current Rate after BCAP Settlement	PG&E BCAP Proposal	Clean Energy BCAP Proposal
Compression Cost Adder*	\$0.607	\$0.426	\$0.576	\$0.566	\$0.668	\$0.744	\$1.000

* Compression capital and maintenance cost, excluding electric cost