JOINT TESTIMONY OF SETTLEMENT PARTIES IN SUPPORT OF GAS ACCORD V SETTLEMENT AGREEMENT

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A. INTRODUCTION

On August 20, 2010, Pacific Gas and Electric Company (PG&E) and 24 participating parties in PG&E's 2011 Gas Transmission and Storage (GT&S) Rate Case (Settlement Parties) filed a comprehensive settlement (Gas Accord V Settlement, Gas Accord V, or Settlement) resolving all but two issues and setting rates and terms of service for 2011 through 2014. In compliance with the procedural schedule established by the Assigned Administrative Law Judge (ALJ) in this proceeding, the Settlement Parties are submitting this joint testimony in support of the Gas Accord V Settlement. Specifically, this testimony responds to the ALJ's August 18, 2010 e-mail ruling[1] which states,

> "The testimony . . . should set forth the party's pre-settlement position and the party's agreement or disagreement with the settlement, assuming the motion to adopt the settlement is filed before then. The testimony will also serve as the basis for the Commission to determine if the settlement is in the public interest."[2]

The Settlement Parties consist of the following:

ABAG Publicly Owned Energy Resources (ABAG Power)
California Cogeneration Council (CCC)
California Manufacturers & Technology Association (CMTA)
Calpine Corporation (Calpine)
Canadian Association of Petroleum Producers (CAPP)
City of Palo Alto (Palo Alto)
Commercial Energy
California Public Utilities Commission (CPUC) – Division of Ratepayer Advocates (DRA)
Dynegy Moss Landing, LLC and Dynegy Morro Bay, LLC (Dynegy)
El Paso Corporation

[1] This e-mail ruling was confirmed in a formal written ruling issued August 23, 2010.

[2] In a September 15, 2010 ruling of the Assigned Commissioner and the ALJ, parties were asked to address in comments on the Settlement, which are to be filed concurrently with this testimony, several questions emerging from the recent explosion in San Bruno. This testimony does not address these questions.

Gas Transmission Northwest Corporation (GTN)
Gill Ranch Storage, LLC (GRS)
Indicated Producers (IP)[3]
Lodi Gas Storage LLC
Mirant California, LLC and Mirant Delta, LLC
Northern California Generation Coalition (NCGC, representing City of Redding, Modesto Irrigation District (MID), Turlock Irrigation District (TID), City of Santa Clara (Silicon Valley Power), and Northern California Power Agency (NCPA))
Sacramento Municipal Utility District (SMUD)
School Project for Utility Rate Reduction (SPURR)
Southern California Generation Coalition (SCGC)
Spark Energy
The Utility Reform Network (TURN)
Tiger Natural Gas Inc. (Tiger)
Vista Energy Marketing L.P.
Wild Goose Storage, LLC (Wild Goose)

The Settlement Parties constitute a broad cross-section of all segments of the natural gas industry. They include representatives of PG&E's Core procurement gas customers, PG&E's wholesale natural gas customers, PG&E's Noncore industrial customers, gas-fired electric generators, gas producers and marketers, third-party gas system operators (including upstream and downstream pipelines and independent storage providers), and Core Transport Agents (CTAs) (also called gas Energy Service Providers) who provide gas procurement service to Core customers.

This Joint Testimony is sponsored by witnesses for a representative subset of the Settlement Parties. In particular, this Joint Testimony is sponsored by Tom Beach for GTN, Calpine and CCC, Ken Bohn for Tiger, Mike Florio for TURN, Ramesh Ramchandani for DRA, Ray Welch for Palo Alto and Kris Yadav

[3] Member companies include ConocoPhillips Company (ConocoPhillips), Chevron U.S.A. Inc. (Chevron), and Occidental Energy Marketing Inc.(OEMI). Initially, only ConocoPhillips and Chevron were active parties in this proceeding. On March 4, 2010, however, OEMI filed a motion to intervene in the proceeding (OEMI Motion to Intervene). On April 7, 2010, this motion was granted.

for Wild Goose. Statements of qualifications for these witnesses are attached in Appendix A.

B. BACKGROUND

PG&E filed its 2011 GT&S Rate Case Application on September 18, 2009. On October 26, 2009, 10 parties, including nine of the Settlement Parties, filed protests or responses to PG&E's Application.[4] On December 18, 2009, the Assigned Commissioner and ALJ issued a Scoping Memo in this case, which categorized this as a rate setting proceeding, set the case for evidentiary hearings, and established a procedural schedule. The issues determined to be within the scope of the proceeding included those raised in protests and responses to PG&E's application. On January 15, 2010, an Amended Scoping Memo was issued, which revised the procedural schedule. The ALJ revised the procedural schedule again on May 18, 2010, August 18, 2010, and August 25, 2010 in order to accommodate the settlement and hearing processes.

Confidential settlement discussions subject to Rule 12 of the CPUC's Rules of Practice and Procedure began on October 2, 2009. During the next 11 months there were 13 all-party settlement meetings and numerous smaller meetings or conference calls. Also, there were at least 16 comprehensive offers of settlement exchanged between PG&E and the active intervenor participants in the Rule 12 settlement negotiations.

Throughout the settlement process, the intervenors conducted substantial formal discovery. At least 18 intervenors or intervenor groups submitted a total of more than 1,000 data requests to PG&E. The intervenors also sought, and PG&E provided, additional data and workpapers during the settlement process, which were protected under Rule 12. In addition, PG&E provided its revenue requirement and rate models to DRA and other interested parties, provided instruction in the use of those models, and calculated revenue requirements and rates for many of the various intervenor settlement offers, as well as PG&E's own settlement offers.

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[4] The following parties filed protests and responses: GTN, GRS, LLC, Lodi Gas Storage, LLC, Calpine and CCC, Wild Goose, DRA, Dynegy, Shell Energy North America (US), L.P., NCGC, and Chevron and ConocoPhillips.

The settlement process culminated with the filing of the Gas Accord V Settlement on August 20, 2010. The final Settlement is the result of complex negotiations where parties made difficult concessions on issues that were important to their interests in order to achieve an overall agreement that is supported by all parties in this proceeding, except one. The Settlement therefore represents a package of terms and conditions that cannot be modified without disturbing support for it by the Settlement Parties.

C. REVENUE REQUIREMENT

1. INTRODUCTION

In the October 26, 2009 protests and responses to PG&E's rate case Application, many parties expressed concern about PG&E's proposed 2011-2014 overall revenue requirements, the underlying capital expenditure and operating and maintenance (O&M) expense forecasts, the attrition mechanism, the need for and the timing of various proposed projects to expand or reinforce PG&E's transmission system, and the economic assumptions driving those projects. In fact, the several parties noted that the significant increases and changes in PG&E's revenue requirement merited further evaluation.[5] Parties also questioned the need for or expressed concerns about the various cost adjustment mechanisms proposed by PG&E, particularly the revenue sharing mechanism, electricity cost balancing account, the greenhouse gas ("GHG") cost memorandum account, and the proposed adjustments for costs determined in other proceedings.[6]

During the settlement negotiations, PG&E and the Settlement Parties discussed these and other revenue requirement issues at length. The resulting Settlement Revenue Requirement, as compared to PG&E's filed revenue requirement, is summarized in Table 1 below. The Settlement achieves significant revenue requirement concessions—an average of

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[5] See, e.g., Protest of Chevron and ConocoPhillips at 4-5; OEMI Motion to Intervene at 2; Protest of Calpine and CCC at 3.

[6] See, e.g., Protest of NCGC at 4.

$23.8 million per year—that will benefit all PG&E ratepayers during the next four years.

TABLE 1
TOTAL GT&S REVENUE REQUIREMENT
($ MILLION)

Line No.		2011	2012	2013	2014
1	PG&E Application	$529.1	$561.5	$592.2	$614.8
2	Gas Accord V Settlement	$514.2	$541.4	$565.1	$581.8
3	Reduction	$14.9	$20.1	$27.1	$33.0

Notes:

(1) These revenue requirements include eight "Adder" projects that will be included in rates only if and when PG&E builds them. These projects are described below.

(2) These revenue requirements do not reflect the $30.0 million per year "seed value" credit.

DRA estimates that the Settlement provides savings to core customers of approximately $77 million over the 4-year settlement period, as illustrated below.

ESTIMATED CORE SAVINGS in PG&E A.09-09-013 (in $ millions)			
Backbone	**PG&E Proposal (Filed Application w/Errata)**	**GA V Settlement Agreement (As shown in Exhibit 4)**	**Difference Bet. PG&E Proposal & GA V Settlement Agreement**
2011	105.455	94.929	10.526
2012	110.722	97.389	13.333
2013	119.236	101.871	17.365
2014	121.669	103.351	18.318
Core BB Savings			**$ 59.542**
Local Transmission			
2011	130.651	130.386	0.265
2012	140.466	139.329	1.136
2013	148.298	145.855	2.443
2014	158.945	152.495	6.450
Core LT Savings			**$ 10.294**
Storage			
2011	50.935	49.255	1.680
2012	52.548	50.698	1.850
2013	53.659	52.183	1.476
2014	55.247	53.243	2.004
Core STO Savings			**$ 7.010**
GRAND TOTAL CORE SAVINGS			**$ 76.846**

2. Capital Expenditures

A key driver of the overall revenue requirement is PG&E's capital expenditure plan, which is described in Chapter 6 of PG&E's September 18, 2009 opening testimony.[7] The Settlement Parties successfully negotiated reductions to the capital expenditure forecast in every Major Work Category. These expenditure reductions, which are detailed in Section 7.2 of the Settlement, total $155.6 million over the four-year Settlement term. The Settlement capital expenditure plan, as compared to PG&E's filed capital expenditure plan, is summarized below.

[7] On April 23, 2010, PG&E served errata to its opening testimony.

TABLE 2
TOTAL GT&S CAPITAL EXPENDITURES
($ MILLION)

Line No.		2011	2012	2013	2014
1	PG&E Application	$224.0	$240.1	$209.8	$179.5
2	Gas Accord V Settlement	$177.0	$201.5	$168.1	$151.2
3	Reduction	$47.0	$38.6	$41.7	$28.3

Notes:

(1) These capital expenditures include eight "Adder" projects that will be included in rates only if and when PG&E builds them. These projects are described below.

3. Adder Projects

In addition to negotiating the capital expenditure reductions described above, the Settlement Parties negotiated rate "Adder" treatment for eight transmission capital projects with a combined cost of $274.3 million. An Adder project is a capital project that will be included in rates only if the project is actually built by PG&E and only starting on the January 1 following the project's in-service date. In addition, Adder projects are subject to a capital expenditure cap for ratemaking purposes during the term of the Settlement. The Gas Accord V Adder projects are summarized below.

TABLE 3
GAS ACCORD V ADDER PROJECTS
($ MILLION)

Line No.	Adder Project	Capital Expenditure Cap
1	Line 304 DG Power Stockton Extension	$4.7
2	Line 406	$58.6
3	Line 407 Phase 1	$51.9
4	Line 407 Phase 2	$51.0
5	Delevan K-3 or Gerber K-1 SCR	$8.1
6	Topock K-Units Phase 1	Topock K-Units Phase 1 subject to $60.0 million cap. All three Topock projects subject to a collective $100.0 million cap.
7	Topock K-Units Phase 2	
8	Topock P-Units	
9	Total	$274.3

The Adder mechanism was first adopted in the Gas Accord IV Settlement Agreement, effective 2008-2010. The mechanism is particularly well-suited for infrastructure projects whose timing is driven by uncertain economic and load growth forecasts or uncertain environmental regulations. In Gas Accord IV, PG&E and the Gas Accord IV settlement parties negotiated Adder treatment for five capital projects with a combined cost of \$151.9 million.[8] From the Settlement Parties' perspective, the Adder mechanism has worked well; three of the five Gas Accord IV projects were delayed due to the economic slump and consequently were not included in PG&E's Gas Accord IV rates. The delayed projects are now included among the Gas Accord V Adder projects, although in some instances their scopes have changed.

In addition to the general Adder project conditions, two of the Adder projects listed in Table 3 are subject to additional hurdles before PG&E can build them. First, the Settlement provides that the Line 407 Phase 2 project will be subject to a meet-and-confer process by which PG&E will provide to the Settlement Parties information supporting the need for the project. PG&E will then file an advice letter with the CPUC seeking approval to recover the project costs specified in the Settlement based on a showing of need for the project. The Settlement Parties have reserved all rights with respect to the ability to protest the advice letter. PG&E will construct the project only if the CPUC approves the advice letter. Second, the Settlement provides that PG&E will build the Delevan K-3 or Gerber K-1 Selective Catalytic Reduction ("SCR") project only if required to satisfy air quality regulations.

4. O&M Expense

Another key driver of the overall revenue requirement is PG&E's O&M expense forecast, which is described in Chapter 5 of PG&E's September 18, 2009 opening testimony. Again, the Settlement Parties negotiated significant O&M reductions—an average of \$16.1 million per year. Details are provided in Section 7.3 of the Settlement. The Settlement O&M

[8] See Gas Accord IV Settlement Agreement, Appendix A, Table A-2.

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forecast, as compared to PG&E's filed O&M forecast, is summarized in Table 4 below. The Table 4 amounts are expressed in FERC dollars.[9]

TABLE 4
TOTAL GT&S O&M EXPENSE
(FERC $ MILLION)

Line No.		2011	2012	2013	2014
1	PG&E Application	$119.9	$123.0	$126.3	$129.6
2	Gas Accord V Settlement	$104.8	$107.3	$109.7	$112.6
3	Reduction	$15.1	$15.7	$16.6	$17.0

Notes:
(1) The amounts shown for PG&E's Application reflect the amounts included in PG&E's 9/18/09 testimony plus additional amounts ($1.1 million/year SAP dollars, $1.0 million/year FERC dollars) included in PG&E's 3/15/10 supplemental testimony on workforce diversity initiatives.

5. Cost Adjustment Mechanisms

The Gas Accord V Settlement provides several mechanisms for ensuring that the costs included in PG&E's rates either track PG&E's actual costs or conform to authorized costs as determined in other proceedings. PG&E proposed some of these mechanisms in its September 18, 2009 opening testimony, while others were developed during settlement negotiations. The various mechanisms are described below.

Section 7.2.10 of the Settlement describes a credit to rate base stemming from a refundable customer deposit for the TID Almond Power Plant new business extension. To the extent this credit changes during the term of Gas Accord V, the associated changes in revenue requirement will be tracked in a balancing account and recovered from or returned to customers through PG&E's Customer Class Charge.

Section 7.3.1 of the Settlement describes a one-way (downward) balancing account for PG&E's GT&S integrity management expense, which

[9] Chapter 5 of PG&E's opening testimony express O&M expenses in SAP dollars. SAP dollars include a portion of the GT&S Administrative and General (A&G) expense, specifically pension, benefits, and payroll taxes. A&G expense is determined in PG&E's General Rate Case and allocated to PG&E's various business lines. When O&M is expressed in FERC dollars, this A&G component is omitted.

is part of PG&E's O&M expense. The Settlement provides aggregate funding of $91.4 million[10] for integrity management expense during 2011-2014. To the extent PG&E's actual four-year integrity management spending is less than this amount, PG&E will return the difference to customers through its Customer Class Charge. This one-way balancing account provides an incentive for PG&E to spend the full amount of this budget on integrity management, and provides no benefit to PG&E if it under-spends the budget.

Section 7.3.2 of the Settlement describes a balancing account for PG&E's GT&S electricity expense, which also is a part of PG&E's O&M expense.[11] The Settlement provides funding of $5.3 million in 2011, with escalation for 2012-2014, for electricity expense. Any difference between these amounts and PG&E's actual annual electricity expense will be tracked in the balancing account and recovered from or returned to customers through PG&E's Customer Class Charge.

Section 7.4.5 of the Settlement describes a balancing account that will be implemented to record the revenue requirements for the three Topock Station Adder projects between their in-service dates and the following January 1 (when they will be included in PG&E's backbone rates pursuant to the Adder mechanism). The balance in this account will be recovered from customers through future backbone rates. This mechanism does not apply to the non-Topock Adder projects.

Section 7.5 of the Settlement describes an adjustment mechanism for GT&S costs determined in other CPUC proceedings, namely, A&G expense and other expenses determined in PG&E's General Rate Case (GRC), pension expense determined in PG&E's Pension Proceeding, and cost of capital applied to PG&E's rate base determined in PG&E's Cost of Capital Case or by PG&E's Annual Cost of Capital Adjustment Mechanism. The Settlement provides that the GT&S revenue requirement and rates will be adjusted when the final adopted amounts for these cost categories become

[10] See Section 7.3 of the Settlement.

[11] GT&S electricity usage occurs primarily at electric-driven compressor units at the McDonald Island storage field and the Bethany and Delevan compressor stations.

known. In instances where the final adopted amounts become known after the effective date of PG&E's GT&S rates, the difference between the costs included in rates and the final adopted costs will be tracked in a balancing account and recovered from or returned to customers through PG&E's Customer Class Charge.

Section 10.2.1 of the Settlement describes three cost adjustment mechanisms applicable in previous Gas Accord settlements and provides for their continuation during the term of Gas Accord V: the Catastrophic Event Memorandum Account (CEMA); the Hazardous Substance Mechanism (HSM); and the z-Factor Mechanism.

Finally, Section 10.2.2 of the Settlement provides for PG&E's withdrawal, without prejudice, of a proposal in its opening testimony to establish a GHG Memorandum Account. This section provides that PG&E reserves the right to seek separate authorization for this or a similar mechanism, the Settlement Parties are free to support or oppose the mechanism, and such a mechanism may increase the otherwise applicable GT&S rates.

D. DEMAND FORECAST

In the October 26, 2009 protests and responses to PG&E's Rate Case Application, several parties expressed concern about the demand forecast used to set PG&E's gas transmission rates.[12] During settlement negotiations, this topic was discussed and PG&E agreed to several changes to its demand forecast driven by updated economic, price, and other inputs to its demand forecasting models. In addition, PG&E agreed to several "black box" changes to its forecast in the interest of reaching a settlement. The table below compares PG&E's filed and Settlement on-system demand forecasts. On average, the Settlement forecast is 70 MDth/d higher than the filed forecast.

[12] See, e.g., Protest of Calpine and CCC at 7.

TABLE 5
PG&E ON-SYSTEM GAS DEMAND
(MDTH/D)

Line No.		2011	2012	2013	2014
1	**PG&E Application**				
2	Core	793	802	805	802
3	Industrial and Noncore NGV	465	466	469	470
4	Cogeneration	201	201	201	201
5	Power Plants and Misc. EG	509	532	522	543
6	Wholesale	10	10	10	10
7	Total	**1,978**	**2,011**	**2,007**	**2,026**
8	**Gas Accord V**				
9	Core	800	802	799	797
10	Industrial and Noncore NGV	468	473	472	472
11	Cogeneration	198	198	198	198
12	Power Plants and Misc. EG	520	602	626	638
13	Wholesale	10	10	10	10
14	Total	**1,996**	**2,085**	**2,106**	**2,115**
15	**Increase**	**18**	**74**	**99**	**89**

The Settlement Parties and PG&E also negotiated a new, higher off-system revenue forecast for non-G-XF service. PG&E's opening testimony forecasted these revenues at $3.28 million per year for 2011-2014. The Settlement amount is $4.57 million. This amount is converted to full-rate-equivalent backbone throughput using the 2011 Noncore Redwood rate. The resulting incremental throughput is then added to the on-system demand forecast for purposes of the backbone rate design, resulting in lower backbone rates.

E. COST ALLOCATION, RATE DESIGN, AND RATES

1. Introduction

In the October 26, 2009 protests and responses to PG&E's Rate Case Application, the parties raised a variety of cost allocation and rate design issues. With regard to cost allocation and backbone rate design, PG&E proposed three key changes from the Gas Accord methodology adopted in prior Gas Accord decisions:

(1) use of forecasted demands rather than backbone capacities to allocate costs to the various backbone paths (excepting Rate Schedule G-XF);[13]

(2) use of forecasted demands rather than a system average load factor to calculate rates on each backbone path (except Rate Schedule G-XF); and

(3) equalization of the Core Redwood-Baja rates and equalization of the Noncore Redwood-Baja.

Several parties objected to or raised questions about these proposals. Some were concerned that this "demand" methodology (a) would result in an unfair cost burden on the Core customers compared to the methodology which has been in place for almost 13 years, and (b) would not provide PG&E with the incentive to optimize the utilization of its system capacity.[14] Shell Energy North America (US), L.P. objected that the proposals did not go far enough and asserted that PG&E's backbone rates should be fully equalized rather than partially equalized.[15] Another party expressed an interest in backbone transmission rate design issues.[16] Some parties favored path-specific, differentiated backbone rates, using a methodology adopted by the Commission in its previous Gas Accord decisions.

Specifically, the parties that filed protests supporting path-specific backbone rates using a traditional Gas Accord methodology included GTN, NCGC, CCC, Calpine, and DRA.[17] The protests filed by GTN, CCC, and Calpine asserted that PG&E's proposed backbone rate changes were

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[13] A demand based rate design methodology allocates costs and sets rates based on projected demands on each backbone path. In contrast, system average load factor methodology that was adopted by the Commission in previous Gas Accord decisions allocates costs based on backbone path capacities and sets rates based on the product of each path's capacity multiplied by the average load factor (or utilization rate) of all backbone paths.

[14] See, e.g., Protest of DRA at 3.

[15] Response of Shell Energy North America (US), L.P. at 2-3.

[16] See OEMI Motion to Intervene at 2.

[17] See Protest of GTN, Protest of NCGC, Protest Calpine and CCC, and Protest of DRA.

contrary to well-established Commission policy and precedent favoring incremental rates and would adversely affect shippers on the Redwood path, as PG&E's proposal would shift the burden of the new costs to maintain existing service levels on the Baja path to non-core shippers on the Redwood path.[18] One party asserted that PG&E's backbone rates should create a single Core Redwood-Baja rate and a single Noncore Redwood-Baja rate as that party believed that there is no justification for a differential between paths for core and noncore customers.[19] Some parties questioned whether revenue shortfalls from discounted contracts should be included in backbone rates. For example, the protests of NCGC and Chevron and ConocoPhillips expressed concern regarding revenue shortfalls that would result from discounted Pilkington North America contracts.[20]

With regard to local transmission rates, the key issues were whether PG&E's proposals enhanced or interfered with the competitive electricity market,[21] whether the local transmission bill credits available to certain electric generation customers under Gas Accord III (2005-2007) and Gas Accord IV (2008-2010) should be continued,[22] and whether revenue shortfalls from discounted contracts should be included in rates.

With regard to storage rates, various parties expressed concerns about the rate treatment of PG&E's Line 57C (a relatively new pipeline that connects PG&E's McDonald Island storage field to its transmission system), the rate treatment of PG&E's 25 percent interest in the Gill Ranch storage field, the appropriate allocation of costs to PG&E's Market Storage services, and the potential cross-subsidization of PG&E's Market Storage services by other services.

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[18] Protest of GTN at 5-11; Protest of Calpine and CCC at 3-6.

[19] Response of Shell Energy North America (US), L.P. To Pacific Gas And Electric Company's Application.

[20] Protest of NCGC at 14; Protest of Chevron and ConocoPhillips at 4.

[21] Response of Dynegy at 2. This comment refers to the potential implications of PG&E's backbone level service eligibility criteria, established in the Gas Accord III settlement and modified slightly in the Gas Accord IV settlement. Customers who satisfy these criteria—primarily certain power plants—are permitted to bypass PG&E's local transmission service.

[22] Protest of NCGC at 11.

2. Backbone Rates

Section 9.1 of the Settlement describes backbone rates. On the question of demand based versus system average load factor based backbone rate design, the Gas Accord V Settlement provides for continuation of the system average load factor method adopted by the Commission in its previous Gas Accord decisions. The calculation of the system average load factor is simple in principle—one divides total forecasted backbone demand by total backbone capacity—but is complex in practice owing to several necessary adjustments to ensure that backbone rates neither over-collect nor under-collect the adopted backbone revenue requirement at adopted demand levels. In contrast to most of the previous Gas Accord settlements in which the system average load factors were negotiated in "black box" fashion, the Gas Accord V system average load factors are the result of negotiations regarding the appropriate calculation methodology and the appropriate inputs to that calculation.[23]

As noted above, PG&E's September 18, 2009 opening testimony in this Application proposed a demand based backbone rate design. However, Appendix 11B of PG&E's testimony provided system average backbone load factors and backbone rates that were designed using the methodology adopted by the Commission in its previous Gas Accord decisions for reference purposes. Table 6 shows a comparison of the Appendix 11B load factors and the final Settlement load factors (the latter vary depending on the in-service date of Topock K-Units Phase 1 Adder project). The Settlement Parties achieved an average 2.66% increase in the system average backbone load factor, which translates into lower backbone rates.

[23] The only other time the system average load factor calculation was fully developed was in 2004. This case was fully litigated and decided based on the record. It is nevertheless commonly referred to as the Gas Accord II-2004 settlement.

TABLE 6
BACKBONE SYSTEM AVERAGE LOAD FACTORS

Line No.		2011	2012	2013	2014
1	**PG&E Application**	67.26%	67.69%	68.62%	69.78%
2	**Gas Accord V**				
3	Topock Phase 1 in service in 2012	68.61%	70.93%	71.98%	72.48%
4	Topock Phase 1 in service in 2013	68.61%	70.93%	71.88%	72.48%
5	Topock Phase 1 in service in 2014 or later	68.61%	70.93%	71.88%	72.40%
6	**Increase** (Topock Phase 1 in service in 2012)	1.35%	3.24%	3.36%	2.70%

On the question of backbone rate design, the Settlement Parties and PG&E negotiated a compromise that maintains distinct rates for each backbone path (and in fact splits what was previously a single Baja rate into Core and Noncore Baja rates). The Parties also agreed to use the same ratio of reservation and usage rates for Noncore Redwood and Baja firm backbone services and Core Redwood and Baja firm backbone services provided under G-AFT and G-AFTOFF.[24] The settlement rate differentials and rate design changes represent negotiated outcomes that balance the competing interests of Redwood and Baja path shippers and their respective upstream pipelines and producers. These differentials, which vary depending on the in-service date of the Topock K-Units Phase 1 Adder project, are shown below.

[24] Please note Section 9.1.5, of the Settlement Agreement concerning the ratio of reservation rates to usage rates.

TABLE 7
BAJA-REDWOOD RATE DIFFERENTIALS
(CENTS PER DTH, BAJA HIGHER)

Line No.		2011	2012	2013	2014
1	Topock Phase 1 in service in 2012	2.5	3.0	4.0	5.0
2	Topock Phase 1 in service in 2013	2.5	3.0	3.5	4.5
3	Topock Phase 1 in service in 2014 or later	2.5	3.0	3.5	4.0

Notes:

(1) These rate differentials apply to annual firm service. The rate differentials applicable to other services that have rate premiums (e.g., seasonal firm service, as-available service, and negotiated service caps) are higher by the same percentage amount as those premiums.

On the question of whether discount adjustments should be included in the backbone rate design, only the Pilkington North America backbone discount adjustment figured significantly in the Settlement negotiations. The Settlement Parties and PG&E compromised on this issue. In its September 18, 2009 opening testimony, PG&E proposed a discount adjustment in each year from 2011 to 2014. Due to uncertainties regarding the in-service date of Pilkington's new glass plant, the final Settlement provides for discount adjustments only in 2013 and 2014.

3. Local Transmission Rates

Section 9.2 of the Settlement describes the local transmission rates. These rates are designed in the same manner as in previous Gas Accords, but updated to reflect the Gas Accord V revenue requirement, on-system demand forecast, and Cold-Year-January-Demand allocators (for Core versus Noncore cost allocation).

To address the issue of whether PG&E's proposals enhance or interfere with the competitive electricity market, the Settlement Parties and PG&E agreed to keep the same eligibility criteria for backbone-level service as adopted in Gas Accord IV.

On the related question of whether to continue the local transmission bill credits made available under previous Gas Accord settlements to certain electric generation customers who were particularly concerned about the application of the eligibility criteria to their unique circumstances, the Settlement Parties and PG&E agreed to extend bill credits to the same five power plants that received such credits under Gas Accord IV. These bill credits total $2.8 million in 2011, with two percent escalation per year in 2012-2014, and are funded in part by a surcharge applicable to all backbone rates except Rate Schedule G-XF,[25] in part by a surcharge on Rate Schedule G-EG backbone level service and Rate Schedule G-NT backbone level service, and in part by PG&E shareholders.

On the question of whether discount adjustments should be included in the local transmission rate design, the Settlement Parties and PG&E agreed to treat the Pilkington North America local transmission discount in the same manner as that customer's backbone discount (i.e., eliminate PG&E's proposed discount adjustment in 2011 and 2012, but keep it in 2013 and 2014). The Settlement also provides for ongoing local transmission discount adjustments for Luz Solar Partners and San Joaquin Refining.

4. Storage Rates

Section 9.3 of the Settlement describes storage rates. These rates are designed in the same manner as in previous Gas Accords, but updated to reflect the Gas Accord V revenue requirement, the increased assignment of storage capacity to PG&E's Market Storage service (shown in Appendix A, Table A-2, of the Settlement), and the resulting updated storage billing units used for cost allocation (shown in Appendix A, Table A-6, of the Settlement).

In recent years, PG&E has installed several major storage facilities whose rate treatment is being explicitly addressed for the first time in this proceeding.[26] These facilities include installation of the Line 57C pipeline at PG&E's McDonald Island storage field in 2007; installation of compressor

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[25] Rate Schedule G-XF shippers receive grandfathered transportation service on PG&E's Line 401. This service is subject to incremental ratemaking.

[26] The Gas Accord IV Settlement (2008-2010) did not update the storage revenue requirement, cost allocation, or rates adopted in the Gas Accord III Settlement (2005-2007). Instead, Gas Accord IV extended the adopted 2007 rates into 2008-2010.

units K-7, K-8, and K-9 at McDonald Island in 2009; and construction of the Gill Ranch storage field (in which PG&E holds a 25 percent interest) in 2010. During the discovery and settlement process, the Settlement Parties explored the appropriate rate treatment of these facilities. The outcome of these negotiations is described below.

Line 57C is given rolled-in rate treatment because the primary purpose of this facility is to enhance the reliability of transportation of gas from McDonald Island. The incremental injection and withdrawal capacities made possible by this project are assigned by default to PG&E's Market Storage service because the Settlement does not change the storage capacity allocations to Core storage service or pipeline load balancing. The result is that the costs allocated to Core storage and pipeline load balancing increase. However, the costs allocated to Market Storage increase to an even greater degree because the incremental storage capacities assigned to Market Storage act to increase the Market Storage cost allocators. This cost allocation is fair and reasonable. Core storage and load balancing pay a share of Line 57C costs, reflecting the reliability benefits they receive. Market Storage pays an even greater share of Line 57C costs, reflecting both reliability benefits and increased Market Storage capacity.

Compressor units K-7, K-8, and K-9 are given rolled-in rate treatment. These facilities were installed for the purpose of increasing Market Storage injection capacity. Nevertheless, the Settlement Parties agreed to rolled-in treatment because the allocation of costs to Core storage and pipeline load balancing is lower under rolled-in rate treatment than under incremental rate treatment.

The costs of PG&E's 25 percent share of Gill Ranch are treated incrementally in the sense that they are allocated solely to PG&E's Market Storage service. However, they are *not* treated incrementally in the sense of PG&E charging separate, incremental rates for services from the Gill Ranch field. Rather, the Settlement combines the Gill Ranch revenue requirement with the Market Storage cost allocation from PG&E's three previously existing storage fields[27] and then develops a single slate of Market Storage services and rates. This rate treatment and structure are consistent with PG&E's commitment in the Gill Ranch certificate proceeding to shield Core ratepayers from Gill Ranch costs.[28]

The Gas Accord V allocation of storage costs to Core storage, pipeline load balancing, and Market Storage is shown in Table 8. Between 2010 and 2011, the Core storage cost allocation increases from $43.9 to $49.3 million (12 percent), the pipeline load balancing cost allocation increases from $10.5 to $11.8 million (12 percent), and the Market Storage cost allocation increases from $7.8 to $35.8 million (359 percent). This lopsided increase in PG&E's Market Storage cost allocation is caused by two factors. First, the storage cost allocators have been updated to reflect the assignment to Market Storage of the incremental capacities created by various facility enhancements at PG&E's three previously existing storage fields. Second, the Gill Ranch costs have been assigned to Market Storage. The Settlement Parties believe that these cost allocations are fair and reasonable.

TABLE 8
GAS ACCORD V STORAGE COST ALLOCATION
($ MILLION)

Line No.		2011	2012	2013	2014
1	Core Storage	$49.3	$50.7	$52.2	$53.2
2	Pipeline Load Balancing	$11.8	$12.0	$12.4	$12.6
3	Market Storage – Previously existing	$24.5	$25.0	$25.8	$26.2
4	Market Storage – Gill Ranch	$11.3	$11.0	$10.8	$10.7

[27] PG&E's three storage fields that existed before development of Gill Ranch are McDonald Island, Los Medanos, and Pleasant Creek.

[28] See Decision 09-10-035 dated October 29, 2009, addressing Gill Ranch Storage, LLC and PG&E's Applications (A.08-07-032 and A.08-07-033) for authority to construct and operate a Gas Storage Facility.

4	Total	$96.8	$98.7	$101.2	$102.7

F. REVENUE SHARING MECHANISM

In its 2011 GT&S Rate Case Application, PG&E proposed to establish for the first time a formal GT&S revenue sharing mechanism. The general features of PG&E's proposal were: (1) establish revenue requirements and rates that fully recover the GT&S cost of service; (2) identify the actual annual GT&S revenue over- or under-collection relative to the authorized GT&S revenue requirement; and (3) return to or recover from customers 50 percent of this over- or under-collection in the next calendar year by means of a credit or surcharge to backbone rates.

In the October 26, 2009 protests and responses to PG&E's Rate Case Application, many parties expressed concerns about PG&E's proposal, including whether it would create a competitive advantage for PG&E's Market Storage business vis-à-vis independent storage providers, whether it violated the Gill Ranch certificate conditions, and whether it would result in improper cross-subsidies between PG&E's GT&S services. In particular, the protest of Chevron and ConocoPhillips noted concern that the proposed revenue sharing proposal would force transmission customers to subsidize storage costs.[29] It also noted that the mechanism created an incentive to propose a revenue requirement that would result in an over-collection in revenue.[30] OEMI also expressed concern about the revenue sharing proposal as did GRS, Calpine and CCC.[31] During the course of settlement negotiations, many parties raised additional issues, in particular, whether the sharing percentage should be 50 percent or some other number, whether revenue over- and under-collections should be subject to the same or different sharing percentages, and whether the shared portion of over- or under-collections should be put in backbone rates or some other rate component(s).

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[29] Protest of Chevron and ConocoPhillips at 2-3.

[30] *Id.*

[31] OEMI Motion to Intervene at 2; Response of GRS at 4 (GRS took no position with respect to whether the revenue sharing proposal was consistent with PG&E's GRS certificate conditions); Protest of Calpine and CCC at 6.

The impetus for a revenue sharing mechanism is PG&E's considerable success in generating Market Storage revenues that exceed allocated Market Storage costs. Under previous Gas Accord settlements, PG&E's shareholders have kept revenue over-collections and absorbed revenue under-collections. However, as PG&E points out in its September 18, 2009 opening testimony, "...Market Storage revenues have typically exceeded allocated costs, and gas transmission rates have typically been set at levels that did not allow PG&E to recover its full cost of service."[32] In practical terms, previous Gas Accords have contained informal revenue sharing mechanisms. In the Gas Accord V Settlement, the Settlement Parties and PG&E have attempted to develop revenue requirements and rates that allow PG&E a reasonable opportunity to recover the full GT&S cost of service. Under these circumstances, it is appropriate to implement a formal revenue sharing mechanism.

The Gas Accord V revenue sharing mechanism is described in Section 10.1 of the Settlement. It is considerably different than that proposed by PG&E and provides significantly improved ratepayer benefits compared to the PG&E proposal. First, the mechanism provides for improved revenue sharing percentages. Backbone over- and under-collections are shared 50 percent with customers. Local transmission over- and under-collections are shared 75 percent with customers. And storage *over*-collections are shared 75 percent with customers, while storage *under*-collections are absorbed entirely by PG&E.[33] Second, the mechanism provides for a "seed value" of $30.0 million per year that is credited to the GT&S revenue requirement and rates immediately. This seed value can be viewed as a negotiated forecast of the shared revenues that customers will receive. Rather than make customers wait until 2012 and subsequent years to receive shared revenues, the Settlement gives them a forecast of those shared revenues beginning in 2011. The seed value also dampens rate volatility that would otherwise occur between 2010 and 2011 and between 2011 and 2012. Third, in the event that the seed value over-

[32] See PG&E opening testimony, Chapter 9, page 9-2.

[33] Customer Access Charge ("CAC") over- and under-collections are not subject to the revenue sharing mechanism, but the CAC revenue requirement constitutes less than 1 percent of the total GT&S revenue requirement.

states or under-states the customer portion of recorded over- and under-collections, the Settlement provides for a true-up mechanism by which differences can be recovered from or credited to ratepayers through PG&E's Customer Class Charge. Fourth, the Gas Accord V revenue sharing mechanism spreads the customer portion of revenue over- and under-collections across a broader base of customers than PG&E's filed proposal. The $30.0 million per year seed value is allocated to all backbone services, except Rate Schedule G-XF,[34] and all local transmission services. In contrast, under PG&E's filed proposal the customer portion of shared revenues would have been credited only to backbone rates.

For all of the reasons described in this section, the Gas Accord V revenue sharing mechanism is superior to that initially proposed by PG&E and provides significant ratepayer benefits.

G. CORE TRANSPORT AGENT ISSUES

1. Introduction

At the December 2, 2009 Prehearing Conference (PHC), the CTA parties raised various issues regarding the need for improvements to PG&E's Core Gas Aggregation Program. Following the PHC, the CTA parties provided PG&E with a list of issues that they wanted addressed in this proceeding. The Commission summarized these issues in its Scoping Memo as "whether the commitments that PG&E made in the original Gas Accord with respect to customer choice and the core aggregators are being adhered to in this application."

PG&E, DRA and the CTA representatives held separate settlement discussions that paralleled the general settlement discussions. After numerous meetings, PG&E and the CTA Parties reached an agreement (CTA Settlement Agreement) on a diverse set of CTA issues, which is provided as Exhibit 2 to the Joint Motion of Settlement Parties for Approval of "Gas Accord V" Settlement. These CTA issues are grouped into three areas: (1) CTA Transmission and Storage Capacity Elections; (2) Consumer

[34] The Rate Schedule G-XF rates are determined through an incremental ratemaking process specified under contract and are not subject to adjustments for LT bill credits or revenue sharing. See footnote 10 for additional information.

Protection Rules; and (3) PG&E System Enhancements and Other CTA Issues.

2. CTA Transmission and Storage Capacity Elections

The CTA Parties identified modifications to the current procedures for CTA elections of transmission and storage capacity as their key issue. Prior to the procedures agreed to as part of the Gas Accord V Settlement, CTA pipeline capacity elections were set to change when CTA market share reached 10 percent. As a compromise, PG&E and the CTAs agreed to new procedures, which are intended to strike a balance between CTA interests in retaining flexibility in the election process, and PG&E and DRA interests in ensuring that the CTAs bear their share of the cost responsibility for those elections. The new procedures will become effective April 1, 2012.

3. Consumer Protection Rules

During the course of settlement negotiations, PG&E identified the need for new rules to protect its core gas customers from potential CTA slamming, and fraudulent, deceptive, or abusive marketing activities. PG&E and the CTA parties agreed to a set of "guiding principles" that will be used in an upcoming collaborative process to develop the new consumer protection rules that will be incorporated into the Core Gas Aggregation Service Agreement and all applicable PG&E tariffs.

4. PG&E System Enhancements and Other CTA Issues

PG&E agreed to implement eight system enhancements by various deadlines during the Gas Accord V period. These system enhancements will improve the tools (such as forecasting, balancing, billing and payment reconciliation reports) currently provided to CTAs and will help CTAs better manage their businesses. In addition, PG&E agreed to the CTA parties' requests for process improvements to the Core Gas Aggregation Program such as the Closing Bill collection process under PG&E Consolidated Billing, and to hold an annual meeting to address and receive feedback on CTA issues and concerns with the Core Gas Aggregation Program.

H. OPERATING ISSUES

In the October 26, 2009 protests and responses to PG&E's Rate Case Application, various parties objected to or expressed concerns about PG&E's proposals (1) to establish a same-day Operational Flow Order (OFO) that would be called on the same gas day to which it would apply, (2) to establish a fifth nomination cycle limited to transactions with on-system storage providers, and (3) to change Gas Rule 14 to clarify that shutoffs can be used to ensure system integrity should an Emergency Flow Order or Involuntary Diversion fail to alleviate the emergency condition. Specifically, the protest of Chevron and ConocoPhillips observed the proposals to change the OFO protocol would significantly limit customers' flexibility to manage imbalances.[35] It also questioned whether the proposed changes were an appropriate remedy to address natural gas swings associated with the integration of renewable resources.[36] OEMI also expressed concern about the modifications to PG&E's OFO protocol as did NCGC, Calpine and CCC, and GRS.[37] None of these proposals is included in the Gas Accord V Settlement.

Two independent storage providers (ISPs) also raised concerns about the adequacy of PG&E's backbone capacity for full utilization of PG&E and ISP storage and the adequacy of existing rules that allocate backbone capacity to as-available services, including Mission path service for withdrawals from storage.[38] These concerns are addressed in Section 11.1.2 of the Settlement, which provides, "If the independent storage withdrawal capacity allocation method, described in Gas Rule 14 of PG&E's tariffs, is applied five or more times between any April and March (i.e., a storage year) and in two of these applications at least 10% of the volumes are curtailed, PG&E must propose specific solutions to reduce the constraints in its next GT&S rate case."

Various parties raised additional operational issues in their protests and responses to PG&E's Rate Case Application and during settlement discussions.

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[35] Protest of Chevron and ConocoPhillips at 4.

[36] *Id.*

[37] OEMI Motion to Intervene at 2. See also Protest of NCGC at 21; Protest of Calpine and CCC at 7; Response of GRS at 3.

[38] See, e.g., Response of GRS at 2-3.

Sections 11.1.3 through 11.1.5 of the Settlement provide that these and other issues may be raised in various forums at any time by any party. The Settlement does not contain any prohibition on changes to PG&E's operating terms and conditions during the term of the Settlement.

I. OTHER ISSUES

In the October 26, 2009 protests and responses to PG&E's Rate Case Application, the parties raised various other concerns. Those concerns and their disposition are addressed here.

Several parties questioned PG&E's proposal to reduce the Baja seasonal firm capacity holdings of its Core Gas Supply (CGS) Department.[39] Section 11.3 of the Settlement provides that PG&E will not reduce these holdings during the term of the Settlement. However, CGS will be free to continue to broker its backbone capacity as it currently does.

Other parties raised non-specific concerns about PG&E's proposals to include its market concentration rules in its backbone rate schedules, to increase the long-term (greater than five years) firm contracting limit on the Redwood path to 800 MDth/d, and to eliminate the on-system delivery option for off-system firm contracts with Straight Fixed-Variable (SFV) rate design. None of these proposals is included in the Gas Accord V Settlement.

Finally, one party raised non-specific concerns about the Supplemental Report on the Line 57C Project, included as Appendix A in PG&E's September 18, 2009 opening testimony. Section 11.4 of the Settlement addresses this report. This section reads, in pertinent part, "The Parties agree that this Report satisfied the requirements of D.07-09-045, and the Parties agree not to object to the content and conclusions of the report."

J. CONCLUSION

For the foregoing reasons, the Settlement Parties urge the Commission to approve the Gas Accord V Settlement in its entirety and without modification.

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[39] Calpine and CCC Protest at 6.

Appendix A – Statements of Qualifications

Tom Beach

R. Thomas Beach is principal consultant with the consulting firm Crossborder Energy. Crossborder Energy provides intelligence, strategic advice, and economic consulting services on market and regulatory issues concerning the natural gas and electric industries. The firm is based in Berkeley, California, and its practice focuses on the energy markets in California, the western U.S., Canada, and Mexico.

Since 1989, Mr. Beach has participated actively in most of the major energy policy debates in California, including renewable energy development, the restructuring of the state's gas and electric industries, the addition of new natural gas supplies and storage capacity, and a wide range of issues concerning California's large independent power community. From 1981 through 1989 he served at the California Public Utilities Commission, including five years as an advisor to three CPUC commissioners. While at the CPUC, he was a key advisor on the CPUC's restructuring of the natural gas industry in California, and worked extensively on the state's implementation of PURPA.

Ken Bohn

Ken Bohn received a Bachelor of Science Degree in Mechanical Engineering from Cal Poly in 1979. Ken has been a California Register Professional Mechanical Engineer since February 1991. He was employed by Pacific Gas and Electric Company for 29 years (1979 – 2008) and held various positions of increasing responsibilities including Industrial Power Engineer, Senior Account Manager, Supervising Gas Tariff Analyst, California Gas Transmission Manager of various groups and functions including Services, Contracts, Sales, Information Technology & Gas Accounting, Principal Consultant of Gas Industry Restructuring, and Principal Consultant of Gas Customer Choice. His last 10 years with PG&E were spent managing and promoting PG&E's Core Gas Aggregation Program (Gas Customer Choice/CTA Program) and PG&E's Gas Specialist Team. Since leaving PG&E in June of 2008 Ken has worked as a full time consultant for Core Aggregators (CTAs). He has been providing CTA consultant services to Tiger Natural Gas since January 2009 and prior to that worked as a consultant for another CTA, Redwood Resources Marketing that was subsequently sold to Tiger in December 2008. Ken is also a partner in a company named In-House Energy. In-House Energy provides gas market solutions to large commercial and industrial customers, alternate energy producers, core aggregators and other participants in the natural gas market.

Michel Peter Florio

Michel Peter Florio is Senior Attorney for The Utility Reform Network (TURN), the leading utility consumer advocate group in California. In this position he is responsible for coordinating the development of TURN's policy positions on energy-related issues and advocating those positions before various governmental agencies.

Mr. Florio received a B.A. in political science and sociology from Bowling Green State University (Ohio) in 1974. From 1974 through 1978 he participated in a joint degree program sponsored by New York University School of Law and the Woodrow Wilson School of Public and International Affairs at Princeton University. In 1978 he received a J.D. from New York University and a Masters of Public Affairs (M.P.A.) from Princeton. He was admitted to the California State Bar that same year.

Mr. Florio has worked for TURN since the fall of 1978, representing the interests of residential utility consumers in cases before the California Public Utilities Commission (CPUC) and other agencies. As part of this work he has directly participated in, or assisted in the development of TURN's position for, most of the major energy-related proceedings before the CPUC for the past thirty years. He has also testified as an expert witness on a wide variety of issues including ratemaking policy, utility revenue requirements, natural gas procurement policy, cost allocation and rate design.

Mr. Florio served on the stakeholder governing boards of both the California Independent System Operator (CAISO) and the California Power Exchange as a residential end-user representative from their creation in May of 1997 until January of 2001. In January of 2001 he was appointed by Governor Gray Davis to serve on the CAISO's new five-member independent governing board, and was reappointed in January of 2002 and confirmed by the State Senate for a full three-year term, which expired in early 2005.

Ramesh Ramchandani

Ramesh Ramchandani is the Program Project Supervisor of the Natural Gas Section in the Public Utilities Commission's Division of Ratepayer Advocates (DRA). As the Supervisor of this Section, he is responsible for overseeing the work of his Section staff, assisting in the development of DRA's policy on matters pertaining to natural gas, and advocating these policies before the Commission.

Mr. Ramchandani received a Bachelor of Science Degree in Mechanical Engineering (B.S. Mech. Eng.) from Banares Hindu University in India, a Master of Science Degree in Mechanical Engineering (M.S. Mech. Eng.) from Ohio State University, and a Masters Degree in Business Administration (M.B.A) from the University of Santa Clara. He also holds a Registered Professional Engineer's License in the State of California.

Mr. Ramchandani has been employed by the California Public Utilities Commission for slightly more than 28 years. For the first 5 years, he worked as a ratemaking analyst in the Commission's Telecommunications and Water Divisions. For the next 5 years, he assisted and advised Commissioners and Administrative Law Judges on ratemaking and policy issues pertaining to energy utilities. For the past 18 years, he has been employed as a Section Supervisor in the Division of Ratepayer Advocates, first as a Supervisor of the Marginal Cost Section, then as a Supervisor in the Utility Performance and Analysis Branch, and for the last 9 years, he has been the Supervisor of the Natural Gas Section.

During his tenure as a Supervisor of the Natural Gas Section, Mr. Ramchandani, along with the assistance of his staff, has worked on and overseen the development and monitoring of incentive plans and related policy for the procurement of natural gas by the major natural gas utilities in California, development and monitoring of financial hedging plans and related policy that would concurrently provide an optimal blend of low cost of gas and price stability, reviewing a variety of policy issues relating to the major utilities' cost allocation proceedings, participating in negotiations and discussions on a variety of matters pertaining to the acquisition of interstate pipeline capacity, and participating in negotiations of multi-party settlements in various proceedings.

Ray Welch

Ray Welch, the witness for the City of Palo Alto in PG&E's Gas Transmission and Storage Rate case, is an Associate Director for Navigant Consulting. He has more than 20 years of commercial, regulatory, and consulting experience in the utility industry. Prior to coming to Navigant in 2007, Mr. Welch was responsible for the long-term physical and financial gas portfolio for Pacific Gas and Electric Company's four million core customers. He established PG&E's portion of the Core Hedge Advisory Group, which interfaces on hedging issues with the Division of Ratepayer Advocates at the California Public Utilities Commission. For two years, he managed the interstate pipeline contracts for PG&E's Core Gas Supply. Currently, in addition to advising Palo Alto on gas regulatory matters, he assists the California Department of Water Resources to manage their gas supply issues. Other recent clients have included ACES Power Marketing, eCORP, Osaka Gas, the U.S. Navy, SF Clean Energy, Marin Energy Authority, Long Island Power Authority, Chenier Energy, NV Energy, and Alinda Capital. He is the editor of NG Market Notes, the monthly newsletter of Navigant Consulting's Fuels Practice.

Kris Yadav

QUALIFICATIONS OF KRISHNA K. YADAV

Q. Please state your name and business address.

A. My name is Krishna K. Yadav. My business address is 400 – 607 8TH Avenue, SW, Calgary, Alberta, Canada T2P 0A7

Q. What is your occupation?

A. I am employed by Niska Gas Storage Partners, LLC (Niska) as Director, Marketing for Wild Goose Storage Inc (Wild Goose).

Q. Please describe your educational background and occupational experience related to your testimony in this proceeding.

A. In my current role at Niska, I am primarily responsible for third party marketing at Niska's U.S. facilities, including Wild Goose in California and Salt Plains Storage in Oklahoma. I have been in this position since January 2004. I have been employed by Niska and two of its predecessor companies since July 1996. I have held a number of diverse roles with the company, including positions in regulatory affairs, transportation management, producer services, and gas and power trading. I hold a Bachelor of Commerce (1988) and a Masters Degree in Economics (1995), both from the University of Calgary.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain Wild Goose's support for the Gas Accord settlement from the perspective of an independent gas storage provider. I do want to make clear that I am only testifying on behalf of Wild Goose for this purpose.

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Certificate of Service

I hereby certify that I have this day served a copy of the:

JOINT TESTIMONY OF SETTLEMENT PARTIES IN SUPPORT OF GAS ACCORD V SETTLEMENT AGREEMENT

on all known parties to A.09-09-013 by sending a copy via electronic mail and by mailing a properly addressed copy by first-class mail with postage prepaid to each party named in the official service list without an electronic mail address.

Executed on September 20, 2010, at San Francisco, California.

/s/ Marcus Hidalgo
Marcus Hidalgo

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